

ANNUAL REPORT 2011



TŘINECKÉ ŽELEZÁRNY

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In 2011, we won the
Czech National Prize
for Corporate Social
Responsibility

I.

Company Profile

TŘINECKÉ ŽELEZÁRNY, a. s. (The Třinec Iron and Steel Works), the history of which began in 1839, was established by the Chamber of Těšín of the archduke Karl von Hapsburg, is among the steel companies with the longest tradition in the Czech Republic. It produces approximately 2.5 million tonnes of steel annually in an integrated metallurgical cycle. This represents almost a half of the current total production of steel in the Czech Republic. The main product portfolio consists of long rolled products – wire rod, rebar and sections, special bar steel, drawn steel, rails, wide steel and semis. Additional products include coke and by-products resulting from production, further artificial compact aggregates and granulated slag. TŘINECKÉ ŽELEZÁRNY, a. s. is the biggest Czech steel company with local capital. Its majority owner is MORAVIA STEEL a.s. These two companies together create one of the most considerable industrial groups in the Czech Republic. The strategy of TŘINECKÉ ŽELEZÁRNY, a. s. and MORAVIA STEEL a.s. (the Group) is a dynamic increase in the growth of the share of long products with higher added value and its control within the up- and downstream product chains. A gradual diversification of the product portfolio increases our resistance to market swings.

Production plants of TŘINECKÉ ŽELEZÁRNY, a. s. comprise the comprehensive cycle from coke production to the final hot rolled steel product. The coke-chemical production plant includes two coke-oven batteries. Produced coke is used in the own blast furnaces together with the sinter charge prepared in two sinter plants. Produced pig iron is further processed in the BOF converter plant, which is equipped with complete ladle metallurgy and two machines for the continuous casting of blooms and billets. Steel is also produced in the EAF steel plant. Blooms, billets and ingots from steel plants form a charge for

the rolling mill plants in Třinec – rolling mill of blooms and heavy profiles, medium section mill, rolling mill of wire rod and light section – as well as for the tube mill in Ostrava and for the universal strip rolling mill in Bohumín. The semis are delivered for further processing to Sochorová válcovna TŽ, a.s. located in Kladno. The accompanying products resulting from metallurgical production are processed into artificial normal weight aggregate and further construction material at the secondary raw material plant.

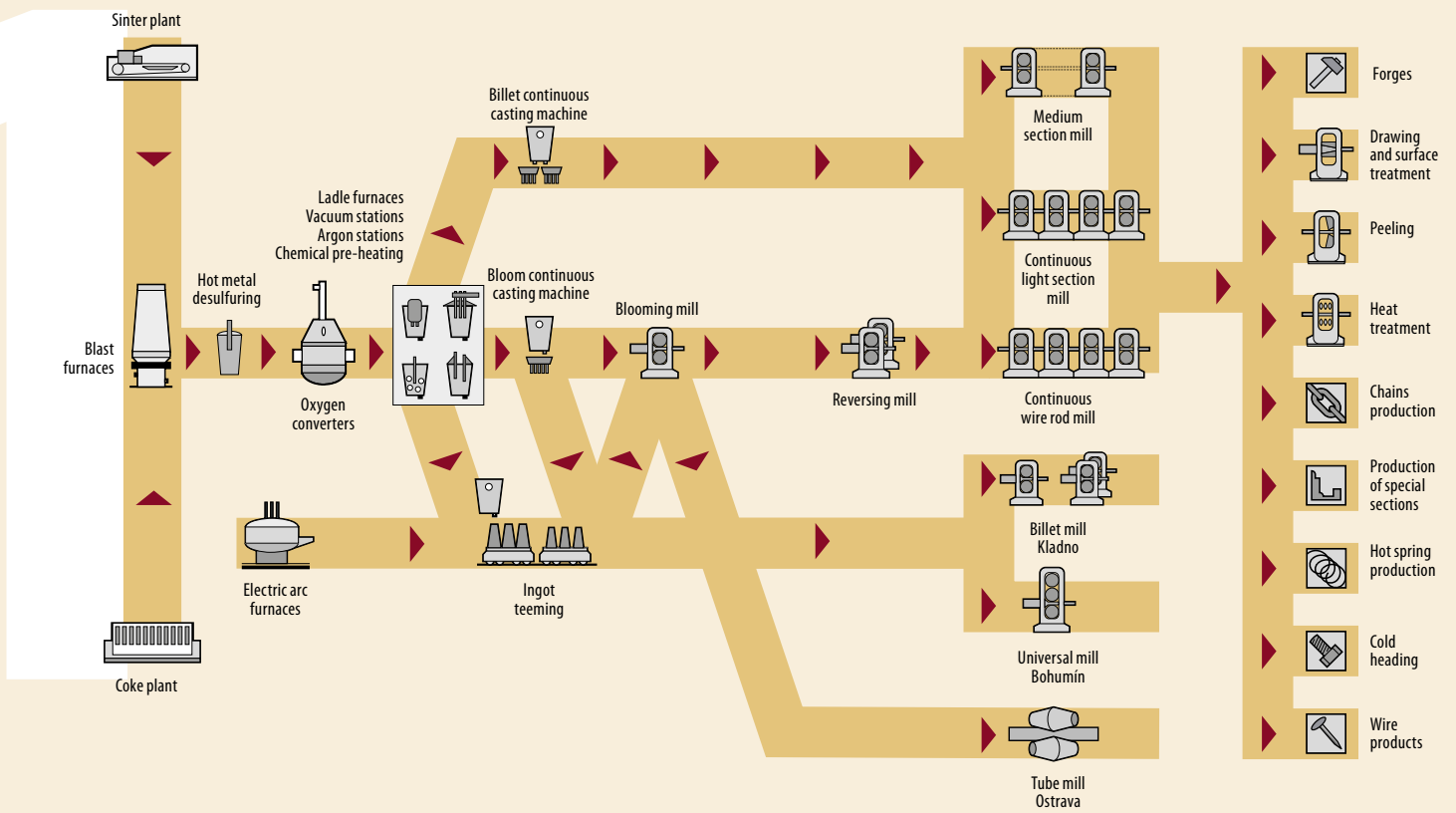
The Group also includes companies that are part of the product chains of TŘINECKÉ ŽELEZÁRNY, a. s. or which provide other services. TŘINECKÉ ŽELEZÁRNY, a. s. has a capital share in 28 companies and further is the only owner or holds a majority stake in 19 companies. In 2010, the Group was enlarged to include the second foreign company. At the beginning of 2011, the Hungarian company “D&D” Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság in Miskolc (D&D Drótáru Zrt.) became the latest acquisition of TŘINECKÉ ŽELEZÁRNY, a. s.. This company produces from the Třinec steel drawn wire rod, strands for pre-stressed reinforcements and steel ropes. The production facilities included in the Group are located in Třinec, Kladno, Staré Město u Uherského Hradiště, Bohumín, Česká Ves u Jeseníku, Ostrava, Dobrá u Frýdku-Místku, Kyjov, Radomsko (Poland), and Miskolc (Hungary).

To date, TŘINECKÉ ŽELEZÁRNY, a. s. has produced almost 170 million tonnes of steel, especially long rolled products, which have been placed on the domestic market as well as bought by customers all over the world. More than half of the annual production of high-quality steel products bearing the trademark of three hammers in a circle has been directed to customers in more than 50 countries worldwide.



I.

MATERIAL FLOWS AND TECHNOLOGY





I.

OUR MISSION

TOGETHER FOR THE GENERATIONS TO COME

OUR VISION

ADVANCED INDUSTRIAL COMPANY BASED ON STEELMAKING TRADITION

STRATEGIC OBJECTIVES FOR UPCOMING 5 YEARS • OBJECTIVES FOR YEARS • PROJECTS WITHIN KEY AREAS

PARTNERSHIP

TECHNOLOGY

STAFF

MANAGEMENT

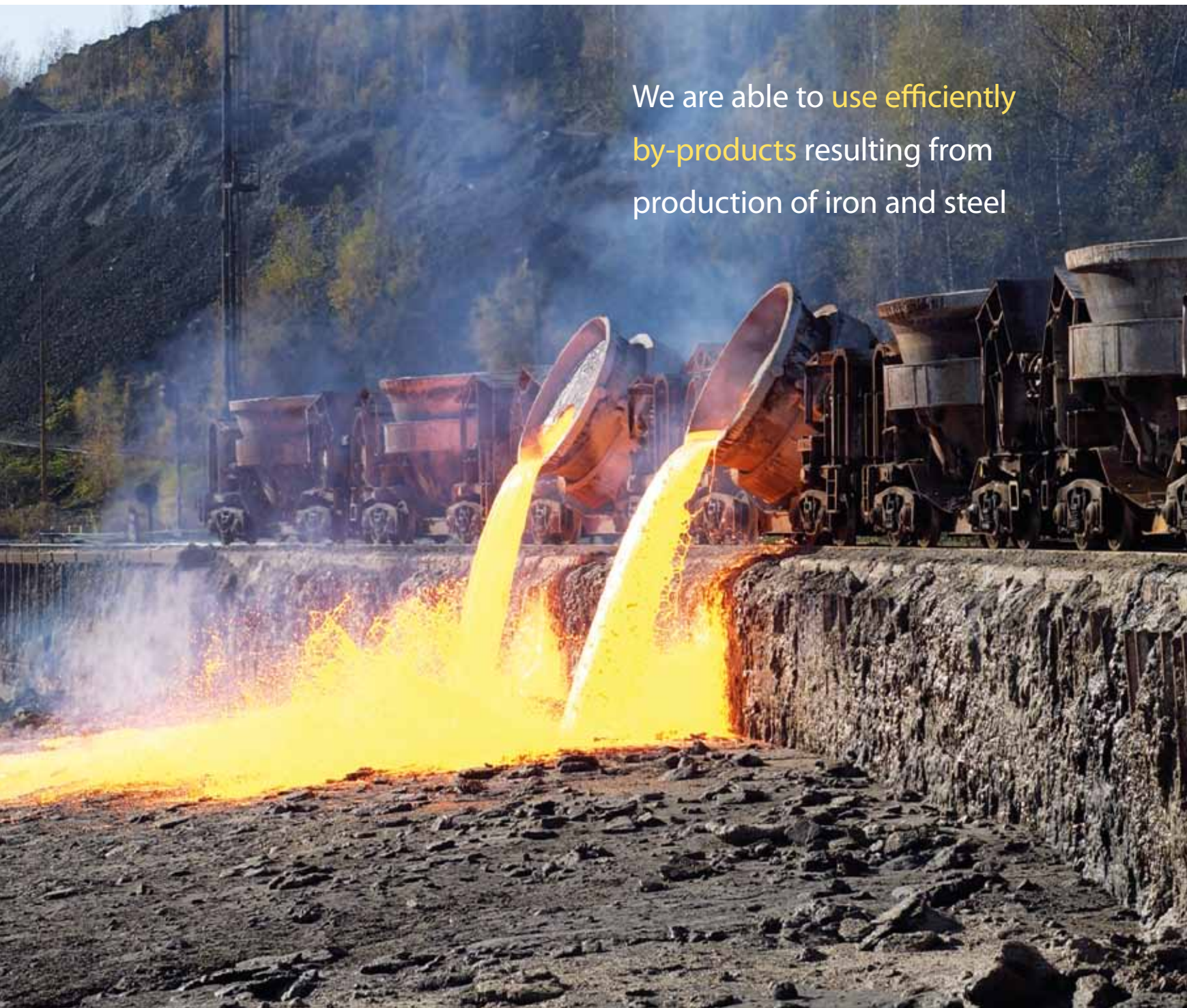
ATTITUDES & PRINCIPLES

CLIENT ORIENTATION • FORESIGHT • BUSINESS SPIRIT • FLEXIBILITY • CONTINUOUS IMPROVEMENT • TEAMWORK • ALIANCE THINKING
 CONSISTENCY, OBSERVANCE • KNOWLEDGE AND EXPERIENCE SHARING • COMPREHENSIBLE COMMUNICATIONS
 JOINT RESPONSIBILITY • DEVELOPMENT OF MUTUAL TRUST

OUR GROUNDWORK

STAFF'S ABILITIES • COMPANY AND REGION LINKED • TRADE MARK • TRADITION – SINCE 1839 

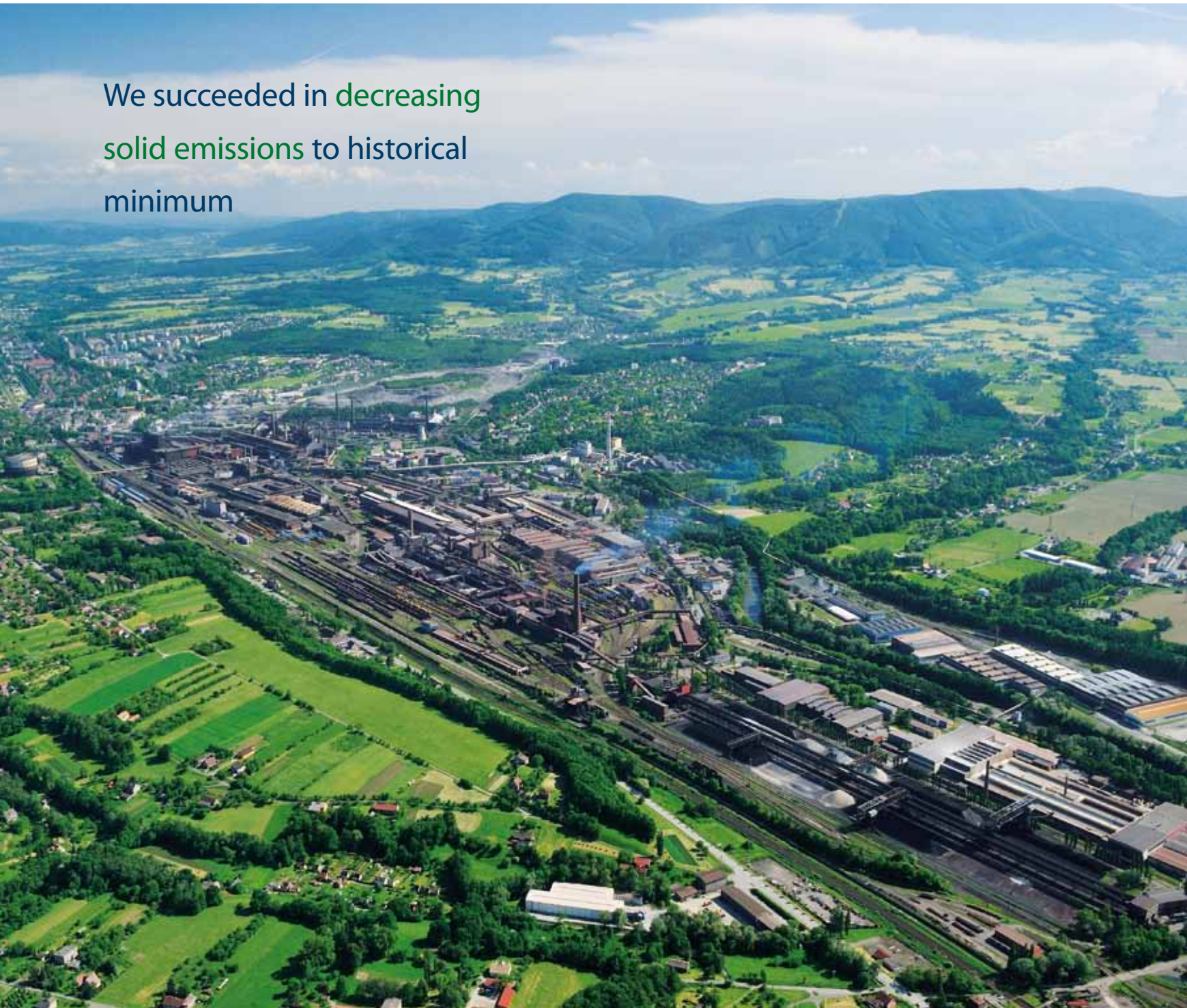
The corporate mission of TRINECKÉ ŽELEZÁŘNY, a. s. "Together for the Generations to Come" accents the role of the historically dominant industrial company which influences a region with approximately 100,000 citizens. The responsibility for the further development of the surrounding region is included in corporate mission.



We are able to use efficiently by-products resulting from production of iron and steel



We succeeded in decreasing
solid emissions to historical
minimum





II.

Selected Economic Indicators 2007 – 2011

Indicator	Unit	2007	2008	2009	2010	2011
Pig iron production	kt	2,074	1,983	1,810	2,043	2,029
Crude steel production	kt	2,563	2,448	2,213	2,498	2,480
Of this continuous castings	kt	2,401	2,296	2,137	2,370	2,360
Sales of rolled products including steel	kt	2,392	2,301	2,088	2 338	2 302
Total revenues	CZK mil.	36,905	40,308	25,627	34,672	41,327
Income from sales of products, goods and services	CZK mil.	35,553	37,095	24,316	32,459	38,897
Total costs excluding income tax	CZK mil.	32,381	38,791	26,581	35,581	39,641
Net profit or loss	CZK mil.	3,633	1,204	-732	-632	1,377
Consolidated profit or loss	CZK mil.	4,151	1,408	-1,006	-1,047	1,376
Net total assets	CZK mil.	24,343	24,724	23,037	25,458	26,914
Tangible fixed assets	CZK mil.	23,847	24,409	24,690	26,940	27,816
Adjustments	CZK mil.	14,539	15,163	15,854	16,717	17,639
Amortisation	%	61.8	63.0	65.1	62.9	64.2
Equity	CZK mil.	18,010	19,214	18,483	18,111	19,361
Capital investments	CZK mil.	832	1,010	613	1,307	545
Other capital including other liabilities	CZK mil.	6,333	5,509	4,554	7,347	7,552
Employees (average adjusted total)	persons	5,428	5,539	5,319	5,905	5,943
Average monthly wage	CZK/person	26,799	27,402	24,213	24,201	27,402



Supervisory Board and Board of Directors

SUPERVISORY BOARD

Title	Name	Residence	Changes
Chairman	Tomáš Chrenek	Praha 9, Koloděje, Podzámecká 1, Postcode 190 16	
1st Vice-Chairman	Ján Moder	Bystřice 1241, Postcode 739 95	
2nd Vice-Chairman	Hanns Kurt Zöllner	6314 Unteraegeri, Zimmelstrasse 68, Switzerland	
Member	Pablo Alarcón Espinoza	Madrid, Serrano Galvache 42, Kingdom of Spain	
Member	Evžen Balko	Bystřice 1241, Postcode 739 95	
Member	Jozef Blaško	Košice, Československého odboja 74, Slovak Republic, Postcode 04 001	
Member	František Ligocki	Jablunkov 311, Postcode 739 91	Re-elected 15. 12. 2011
Member	Vladislav Heczko	Návsí 316, Postcode 739 92	
Member	Roman Mitřega	Bystřice 458, Postcode 739 95	

BOARD OF DIRECTORS

Title	Name	Residence	Changes
Chairman	Jiří Cieñciała	Vendryně 902, Postcode 739 94	till 31. 12. 2011
1st Vice-Chairman	Jan Czudek	Jablunkov 373, Postcode 739 91	till 9. 1. 2012
Chairman	Jan Czudek	Jablunkov 373, Postcode 739 91	since 10. 1. 2012
2nd Vice-Chairman	Česlav Marek	Třinec, Oldřichovice 202, Postcode 739 61	till 9. 1. 2012
1st Vice-Chairman	Česlav Marek	Třinec, Oldřichovice 202, Postcode 739 61	since 10. 1. 2012
Member	Jan Lasota	Třinec III – Kanada, Nad Úvozem 264, Postcode 739 61	
Member	Henryk Huczala	Komorní Lhotka 223, Postcode 739 53	
Member	Ivo Žižka	Třinec, Dolní Lištná 363, Postcode 739 61	
Member	Petr Popelář	Ostrava-Dubina, Václava Košaře 86/21, Postcode 700 30	till 9. 1. 2012
2nd Vice-Chairman	Petr Popelář	Ostrava-Dubina, Václava Košaře 86/21, Postcode 700 30	since 10. 1. 2012

III.



Tomáš Chrenek



Ján Moder



Hanns Kurt Zöllner



Pablo Alarcón Espinoza



Evžen Balko



Jozef Blaško



František Ligocki



Vladislav Heczko



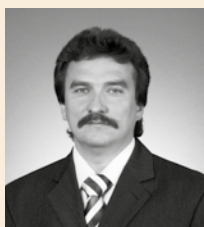
Roman Mitřega



Jiří Cieñciała



Jan Czudek



Āeslav Marek



Jan Lasota



Henryk Huczala



Ivo Źiřka



Petr Popelář

IV.

Introductory Word of The Chairman of The Supervisory Board

TO OUR SHAREHOLDERS, CUSTOMERS, PARTNERS, AND EMPLOYEES.

Three years after the most severe crisis from the Second World War, it is clear that its consequences will be much deeper than it was expected. And not only the economic or political, but such ones that will influence our lives for a long period of time. Today, we can describe the primary problems of the western economies by a few words – arrogance and lack of discipline. The pride of the unconditional success of the stars and stripes or the arrogant pseudo-socialistic regulation of values which have not yet been created, under the blue sky with the yellow stars are recently facing the reality of the economic performance.

The most advanced economies will therefore lose their influence and the leading global role will be taken over by countries that can be today indicated as the developing ones. Moreover, countries disposing with natural resources will be the winners of the future. These disastrous prognoses stand twice for the production, consumption, and markets with steel.



For the reasons mentioned above, the year 2011 was another period of a retreat of EU and North American countries from the top positions, regarding both steel production and consumption. Comparing the steel consumption of 2011 with the year 2007, the EU is facing a decline of almost 20 % and the North American countries record a drop of over 10 %. These figures are not very encouraging when compared to the fifty five percent growth of China and nearly a quarter increase in the Latin America countries. On the other hand, it is positive that the biggest resellers do not keep high inventories and top producers are accommodating their production to reflect demand. This results in relatively stable prices of the steel products.

Also the European legislation regarding environmental issues, which is one of the strictest in the world with regard to greenhouse gases emissions, obviously influences global investors who are seeking to transfer production outside the EU. This approach has been deceitful so far in that it will not bring environmental relief because the emissions of greenhouse gases will not disappear, they will just move abroad, causing additional social problems directly within the EU. The environmental paradise could gradually transform into a social hell. This is just a concise outline of the problems the EU steel producers are facing. Indeed, there are some exceptions, but for the products with a very high added value only.

In connection with these trends, the strategy of our Group, which we had chosen at the beginning of this millennium, ie. "Increasing growth in the



IV.

share of long products with a higher added value and its control within the product chains”, proves to be right. All established companies of our Group managed their performance with positive results in 2011. Besides our strategy, this success is also due to the fact that we maintained our traditional markets in the period of 2009 and 2010 and that we were able to find further reserves in our cost structure. We managed to handle the costs of raw materials which have been continuously growing unlike the more or less stagnant prices of the steel products. Also the top co-operation with our customers, which results in innovation of our products, especially concerning the automotive and mechanical engineering industries, is one of the preconditions of our success.

We won the Czech National Prize for corporate social responsibility; this is an appreciation of our positive approach to the living as well as working environment, development of the neighbouring region, and, last but not least, to our employees. We are also continually supporting the interest of the young generation in the study and work within the technical branches because we are convinced that steel is a material of the future.

Regarding the most significant events of 2011, I would like to principally emphasise the start-up of coke oven battery No. 12 following a modernization lasting a year and half, acquisition of the Hungarian company D & D Drótáru, and the merger with the steel drawing company FERROMORAVIA s.r.o. Thanks to the modernization of the coke plan we obtained a facility which, besides a lower environmental impact, efficiently produces coke, one of the main inputs to the production of

hot metal. During the modernization, we had to purchase expensive coke of not always a 100% quality, so the contribution of this investment is really sensible for our economy. The wire drawing facility, D & D Drótáru, seated in Miskolc, became a part of our product chains in March 2011. The General Meeting held in June 2011 approved the merger of our company and FERROMORAVIA, s.r.o., which has become our new productive plant. These steps were performed after a detailed analysis of the effects and savings.

Dear friends, in 2011, after two less successful years, we achieved a positive financial result amounting to CZK 1.377 billion after taxation, which is even more than we had assumed at the beginning of 2011.

Dear shareholders, customers, partners, and employees. On behalf of the Supervisory Board, Board of Directors, and management of our company, I would like to thank you for your dedication, interest, and support you gave us during the whole year. Even though it was a complicated year, we managed to succeed with your help. I am convinced that TRINECKÉ ŽELEZÁRNY, a. s. will belong to the top Czech companies and that our products will be respected throughout the world also in the future.

Tomáš Chrenek

Chairman of the Supervisory Board

Board of Directors' Report

DEVELOPMENT OF THE MACROECONOMIC ENVIRONMENT AND COMPETITION

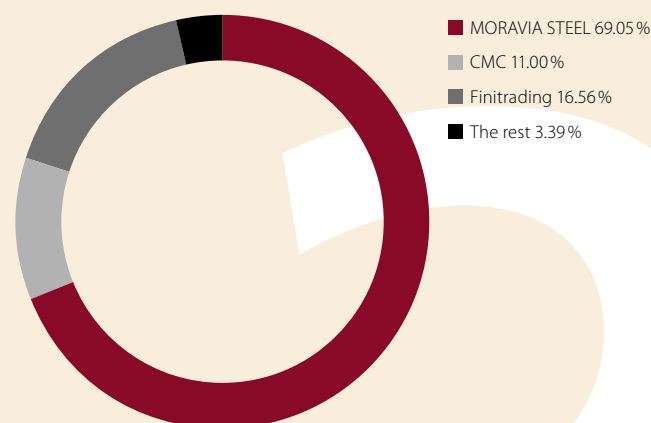
The Czech Republic's economy slowed down gradually in every quarter of the last year both in the year-on-year and quarter-on-quarter comparison. Although this trend reflected the economic development of the European Union, it was more considerable in the Czech Republic. The main reason for the decline of the Czech economy related to the domestic environment, gradual decreasing of industrial production, reduction of final consumption of households and government. The gross domestic product growth showed a year-on-year growth of 1.7%, nevertheless in 2011 the only growth indicator was foreign trade. The revenues in the construction industry as well as in services were declining for a third consecutive year. In 2011, the industrial production increased by 6.9% with a noticeable descending trend during the year, while a half of the growth was reached by the automotive industry. The year 2011 confirmed that the economic growths that we were used to from the previous years 2006-2007 are definitively behind us and ranked with its economic development among the weakest in the recent history of the Czech Republic.

In 2011, steel production in the Czech Republic increased year-on-year by almost 8%, from 5.179 million tonnes to 5.582 million tonnes. The share of Třinecké železárny in the volume of Czech steel production reached almost 45%, despite a slight decline in the steel production of Třinecké železárny of 0.7 % in comparison with 2010. The trend of a significant revival in the foreign trade of steel products continued in 2011, what became evident in the growing volume both in tangible and value units in comparison with the same period of the previous year. Imports rose in absolute term by 460 kilotonnes in comparison with the previous year which represents a growth of more than CZK 20 billion. The balance of foreign trade with the steel products reached more than CZK 24.5 billion in total to the credit of imports. The most considerable growth was witnessed in Slovakia, Germany, and Poland in the segment flat products. The tubes recorded a steep increase in the field of export when it reported a 33.4 % in comparison with the previous year. The volume of exported steel products, particularly billets, blooms, long and flat steel products, increased year-on-year by almost 20% according to the balance of trade of the Czech Republic. Exports were dominated by the increase of exported steel billets and blooms from Germany and Romania (44.6%), flat steel products from Germany (62%) and long steel products from Poland (44.9%) in comparison with the previous year.

In 2011, the total global production of crude steel reached 1,527 million tonnes, in accordance with the statistics of the World Steel Association. This is an increase of almost 7% compared to 2010 and is a new record for global crude steel production. All the major steel-producing countries apart from Japan (-1.8%) and Spain (-4.6%) showed growth in 2011. Growth was particularly robust in Turkey (17%), South Korea (16.2%) and Italy (11.3%).

Annual production for Asia was 988.2 million tonnes of crude steel, an increase of 7.9% compared to 2010 and a slight increase of its share of world steel production from 64.0% in 2010 to 64.7% in 2011. China confirmed its primacy in steel production and produced more than 500 million tonnes of crude steel for a fourth consecutive year. The Chinese crude steel production amounted to 695.5 million tonnes, an increase of 8.9% on 2010. China's share of world crude steel production increased from 44.7% in 2010 to 45.5% in 2011.

SHAREHOLDERS STRUCTURE



PRODUCTION AND POSITION ON THE MARKET

The total global production of crude steel increased by 6.8% to 1,527 million tonnes year-on-year. All major industrial countries showed growth, apart from Spain and Japan.

The share of Asia in world steel production increased from 64% to 64.7%. Chinese production of crude steel reached 695.5 million tonnes. Other regions with the highest growth include South America with 48.4 million tonnes (10.2%), Middle East with 20.9 million

SALES OF PRODUCTS IN THE YEARS 2009–2011 (kt)

		Wire rod	Semis	Sections and bars	Rebars	Rails	Wide steel	Tubes	Drawn bars FERROMORAVIA
Export	2009	532	142	131	101	206	39		
	2010	584	165	179	18	230	44	82	
	2011	601	143	158	5	243	42	85	40
Domestic	2009	324	384	109	84	30	6		
	2010	373	419	174	26	25	6	13	
	2011	316	429	165	4	25	6	14	26
TOTAL	2009	856	526	240	185	236	45	0	
	2010	957	584	353	44	255	50	95	
	2011	917	572	323	9	268	48	99	66

tonnes (6.9%), North America with 118.9 million tonnes (6.8%), and CIS with 112.6 million tonnes (4.0%).

The production in EU countries amounted to 177.4 million tonnes in 2011. This is an increase of 2.8% compared to 2010 although almost all the EU countries recorded a decline in the last three months of 2011.

Global utilization of production capacities varies between 72% and 83% in 2011.

The World Steel Association estimates that the global crude steel production in 2012 will record a growth of 5.4%. China will remain the main producer with the increase of crude steel production of being estimated at 6%.

The European steel market will be influenced by the long-term crisis. The consumption, particularly in the southern region, is limited by weak economic conditions and strict governmental regulations. According to the prediction for 2012, the crude steel production in the European Union will increase by 3.7%.

In terms of the Czech steelmaking industry, the crude steel production reached almost the level of 2007, i.e. period before the global financial

and economic crisis. The steel production in the Czech Republic amounted to 5.58 million tonnes and showed an increase of 7.8% compared to 2010.

In 2011, TŘINECKÉ ŽELEZÁRNY, a. s. produced 2.48 million tonnes of steel in total. This is a 44% share of the domestic steel production and ranked the Company on the first place in the Czech Republic. We are a significant producer of long-rolled products that are, thanks to their top quality, directed at the European market and used in the automotive industry, engineering and transport.

The total sales of rolled goods, including semis and tubes from TŘINECKÉ ŽELEZÁRNY, a. s. amounted to 2,302 kilotonnes in 2011. 57.2% of the sold goods was exported and 42.8% was delivered to domestic customers.

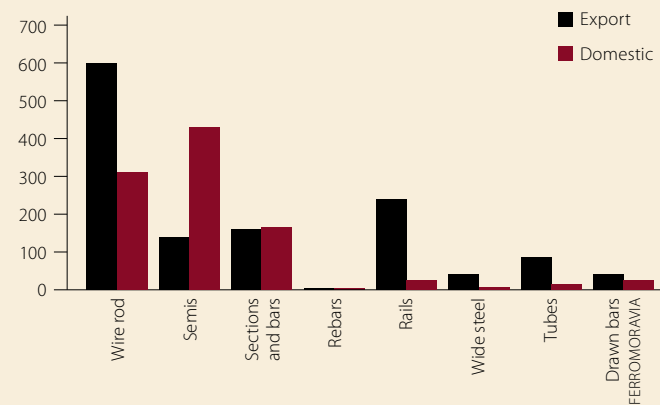
The most considerable part of exports of our products went to Germany, Italy, Poland, Slovakia, the USA, and Great Britain. Germany has remained the most significant foreign destination of our company.

Wire rod is still our best-selling product. Its share of the total sales reached 39.8% in 2011 and thus amounted to 917 kilotonnes. 65.5% out of the total production of wire rod was sold to foreign customers.

TŘINECKÉ ŽELEZÁRNY, a. s. is the only producer of rails in the Czech Republic. The annual sales of rails amounted to 268 kilotonnes in 2011 and showed a new record in the history of the Company. 243 kilotonnes of rails was directed at foreign markets, especially in Europe, North America and Southwest Asia. The rest of rails was delivered to domestic customers.

158 kilotonnes out of 323 kilotonnes of the total sales of bars and sections was exported, i.e. 48.9%. Bars and sections are delivered according to the customer's requirements as rolled, peeled or drawn after previous hot treatment.

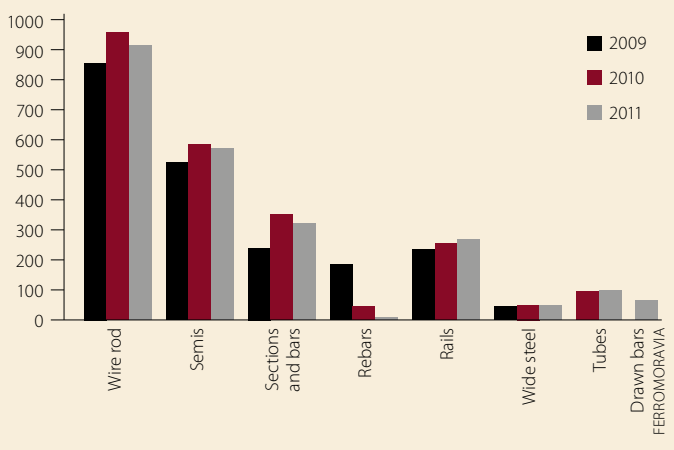
SALES OF PRODUCTS ABROAD AND TO THE DOMESTIC MARKET IN 2011 (kt)



As the production of the products with a higher added value is the priority for Třinecké železářny, the production and sales of rebars was significantly limited in 2011 as well as in the previous years. The total production of rebars reached only 9 kilotonnes, 5 kilotonnes was exported.

The sales of seamless tubes that are used mainly in engineering, power engineering and chemical industry amounted to 99 kilotonnes in 2011. 85 kilotonnes which represents 85.9% was exported.

TOTAL SALES OF PRODUCTS IN THE YEARS 2009-2011 (kt)



INVESTMENTS AND MODERNISATION

The technical development projects plan in 2011 is a part of the five-year business plan and fully corresponds with our commercial–production strategy defined as “Increasing growth in the share of long products with higher added value and its control within the product chains.” We focused investments on modernisation activities, which will enable us to further increase the share of more sophisticated products and further environmental protection based on the conclusions of implementing the best available techniques and the renewal of the existing production facilities.

In 2011, the technical development projects were implemented according to the draft plan. A total of CZK 545 million was expended with regard to investments and CZK 4 million on operating expenses in 2011. We were highly focused on ensuring maximum efficiency of the amount incurred and capacity utilisation in our subsidiaries.

In 2011, seven of the most significant construction projects continued. The most significant construction projects include:

- major overhaul and modernisation of coke-oven battery No. 12; and
- measurement of the dimensions of rolled material at the block ASC stand at the light section rolling mill.

There were 35 significant investments started in 2011. The major construction projects include:

- renewal of the controlling system at sinter plant No. 2;
- automatic sampling of sinter;
- casting of the dimension of the 470 mm diameter at the billet continuous casting machine;
- replacement of crane No. 49 at the billet stock;
- replacement of crane No. 15 at the light section rolling mill; and
- regulation of the Křivec stream with the objective of increasing its capacity – flood-protection measure.

The technical development projects for 2012 are planned in the total amount of CZK 2,321 million. The most significant investment of the year is the application of PCI (pulverized coal injection) technology to blast furnaces No. 4 and No. 6.

Furthermore, there are more 50 projects included in the plan. As far as the amount of investments is concerned, the major construction projects are:

- benzyl drive off at the coke and chemical plant;
- dedusting of exhaust gases and dedusting of the nodes at sinter plant No. 2;
- reconstruction of exhaustion of casting bay at blast furnaces No. 4 and No. 6;
- reconstruction of the tree-way valves of both converters;
- reconstruction of secondary dedusting of the basic oxygen furnaces steel plant;

- electromagnetic stirring for continuously cast semis of the dimension of the 410 mm diameter at the billet continuous casting machine;
- new crane No. 26 for inputs at the light section rolling mill;
- peeling and final treatment line of bars at the light section rolling mill and at the medium rolling mill;
- coating line at the tube mill; and
- combined drawing machine of the diameter 5 – 15 mm in the wire drawing steel plant.

TECHNOLOGY AND RESEARCH

The internal regulations and directives are the managing and control tool of the technological flow from steel and semis production to final treatment operations. These are closely connected with research and development activities, eventually innovation of technologies. Customer demands and requirements play a very important role in verifying and implementing new technologies or products and that is why tailor-made technology according to the capacities of the production facilities. The quality plans were created for the most significant customers. The program of continual improvement, based on the quality objectives, has been gradually updated since 2004.

The objective of the technological activities is to achieve the strategic aims of the company in accordance with the continuous improvement of qualitative parameters of the manufactured semis and reducing the costs of production. One of the main technological activities is a constant quality control of production in conjunction with customer requirements through 13 key production programs, which are the following:

- steel grades for the Kladno billet mill;
- bars from the continuous light section rolling mill and medium section mill for the automotive industry;
- free-cutting steel;
- spring steel;
- drawn steel;
- screw steel;
- corrosion-proof and tool steel;
- chain steel;
- wire rod from continuous wire rod rolling mill;
- bearing steel;
- continuously cast semis for direct deliveries and axle steel;
- tube production; and
- rails.

Research and development (R&D) is carried out by the own R & D department, in active collaboration with universities, research organizations well as other specialised firms operating in the field of close product and technological production. The main objective is obvious: to produce competitive products with a higher added value at

the lowest production costs and meeting all the occupational safety and health requirements as well as environmental rules.

R&D is solved as research projects aimed at development and application of new technological procedures in accordance with the strategic investment objectives, innovations and improving quality indicators of selected grades of steel, i.e. projects both with state aid and EU financing or internal projects. These changes are solved in close collaboration with subsidiaries and coordinated by a managing team of research projects that is tasked with defining the priorities of the group. These given goals support achieving synergistic effects with a more efficient solution of the stated technological issues. 26 research projects were managed in 2011.

ENVIRONMENT

AIR PROTECTION:

In 2011, we decreased significantly the solid emissions compared to 2010. This resulted in achieving a historical minimum of solid emissions. This level was reached particularly by lowering of solid emissions at several major sources of emissions at the Iron and Steel Production Plant. We have considerably reduced the emissions of nitrogen oxides as well thus the emissions charges were lower of more than CZK 3 million.

A slight increase in emissions of nitrogen oxides and the other emissions was caused especially by coke-oven battery No. 12 being put back into operation after a year-and-half shutdown and its major overhaul, modernisation, and reconstruction.

EMISSIONS IN 2011 COMPARED TO 2010

Year	Solid pollutants (t/year)	Sulphur dioxide (t/year)	Nitrogen oxides (t/year)	Carbon monoxide (t/year)	Other emissions (t/year)
2010	902	2,136	1,425	65,277	63
2011	670	2,640	1,449	59,827	70

WATER PROTECTION:

In 2011, we decreased the amount of discharged surface water and wastewater produced thanks to an increase of water recirculation. The amount of pollution discharged in wastewater to the Olše River recorded a positive decline as well. This was caused by both an increase of water recirculation and cleaning of the sedimentation basin of the final wastewater cleaning station.

During 2011, there was no instance of emergency that would result in deterioration of, or threat to, the quality of groundwater or surface water.

POLLUTION DISCHARGED INTO WATER FLOWS FOR 2011 COMPARED TO 2010

Year	Volume of wastewater [m ³ /year]	Undissolved substance [t/year]	Non-polar extracted substance [t/year]	Dissolved inorganic salts [t/year]	Chemical oxygen consumption using dichromatic method [t/year]	Total iron [t/year]
2010	5,402,078	90.6	5.3	2,774	121.9	8.8
2011	4,323,082	47.1	0.96	2,309	52.6	4.2

WASTE MANAGEMENT

In 2011, a total of 194,938 tonnes of waste were created which represents a decrease of approximately 3% compared to 2010. The amount of waste per tonne of steel also dropped. In 2010 it was 80.7 kg/t of steel; in the year being evaluated it was 78.6 kg/t of steel (drop by 2.7 %). The above stated indicators can be evaluated as a proof of a positive trend in the production of waste.

WASTE MANAGEMENT IN 2011 COMPARED TO 2010

Waste production (000 t)			
Year	Total	Other	Hazardous
2010	202	93	109
2011	195	81	114

OVERVIEW OF WASTE DEPOSITED AT THE NEBORANKA DUMP

Year	Deposited (t)			Fee	
	Total	TŽ, a. s.	External	CZK	CZK/t
2010	2,875	2,468	407	1,437,605	500
2011	1,575*	1,240	335	787,650	500

* The decisive part of the waste deposited at the Neboranka dump is the waste from the plant transport, which was at the level of 68 % of the total waste in 2011. Comparing to 2010, the amount of waste of the railway ballast deposited at the Neboranka dump dropped by 52 % comparing to 2010.

EMISSIONS OF THE GREENHOUSE GASES

Within the preparation to the third auction we succeeded to put across the relevant application for a free allocation of the allowances. The preliminary number of allowances confirmed by the Ministry of Environment was in the amount of 4 070 960; however, this amount will be reduced by the unified coefficient for the whole EU.

INTENTIONS IN IMPROVING THE LIVING AND WORKING ENVIRONMENT FOR 2012

Environmental investments, according to the Plan of technical development for 2012:

- ongoing reduction of dust at homogenisation heaps;
- continuation of the project preparation of reconstruction and modernisation of the dedusting of sinter plant No. 2;
- continuation of the project preparation of the reconstruction of teeming halls of the blast furnaces;
- continuation of the reconstruction project preparation of secondary dedusting of the BOF steel plant;
- new sewer and waste water clearing in the tube plant; and
- ongoing technical landfill reclamation of the Neboranka dump.

Other investments with positive influence to the environment:

- ongoing preparations of modernization, reconstruction and major overhaul of coke oven battery No. 11.

EMPLOYEES

In the area of human resources, attention remains focused on maintaining maximum cost savings during 2011. Simultaneously, the process of generational replacement continued to work because of an increased number of employee retirements. Preferably graduates from technical disciplines as well as of the Corporate Vocational School were recruited. The 11th round of the Trainee Program for university graduates was fulfilled and collaboration with schools of all levels continued.

On 1st September 2011, the merge with the subsidiary FERROMORAVIA, s.r.o. took place; it was incorporated into our structure as a new plant. This merger resulted in an increase in the staff of about 200 employees.

Employee education was still primarily focused on maintaining existing skills as well as their expansion and deepening. Emphasis was put on staff training and education in the field of quality, and language training and management education also continued.

As part of the efforts to achieve education cost savings, possibilities were sought to use the European Social Fund (the "Educate yourselves" project, the Branch Association of the Steel Industry's project "training program for staff of members of the Branch Association of the Steel Industry", as well as the "Effective education, personal development and increase in the adaptability of workers of VÁLCOVNA TRUB TŽ, a.s.", and a project. Education – way to the development of FERROMORAVIA, s.r.o.).

THE AVERAGE ADJUSTED COUNT OF EMPLOYEES BY CATEGORY OF ACTIVITIES:

Category of activities	2009		2010		2011	
	Emp.	%	Emp.	%	Emp.	%
Steel production total	2,066	38.84	2,293	38.83	2,258	38.00
In which:						
- coke and chemical production	252	4.74	233	3.95	266	4.48
- blast furnace production and charge preparation	415	7.80	349	5.91	341	5.74
- steel production	481	9.04	529	8.96	508	8.55
- rolled material production	918	17.26	1,182	20.02	1,143	19.23
Engineering production	46	0.87	98	1.66	175	2.94
Power engineering plant	57	1.07	59	1.00	58	0.98
Transport	562	10.57	627	10.62	675	11.36
Repairs and maintenance	893	16.79	976	16.53	983	16.54
Managerial activities	307	5.77	355	6.01	361	6.07
Administrative activities	641	12.05	694	11.75	705	11.86
Technical development and design	400	7.52	465	7.88	485	8.16
Services and other activities	347	6.52	338	5.72	243	4.09
Total	5,319	100.00	5,905	100.00	5,943	100.00

In order to ensure a high standard of health care, wellness stays in spas as well as the outpatient remedial for the staff were organized while also co-financed by the Czech Industrial Health Insurance company. As part of the anti-flu measures, preventive vaccination has been offered to the employees as well as the providing the vitamins. At the selected plants, the traditional "Health Days" took place.

In 2011, a total of 12 accidents were recorded which represents a drop of 8 comparing to 2010 and of 1 comparing to 2009. The frequency of accidents per 100 employees per year reached 0.20. There was no fatal accident. The long-term trends of the accidents rate was declining to 2008. The number of accidents grew by 1 in 2009, but the increase in 2010 was relatively significant (20 accidents). That is why the results of 2011 are a success and a new minimum in our history, as 12 accidents were recorded and the frequency of accidents dropped to 0.20.

These results are binding considering the amount and size of existing risks as well as the number of employees; their maintenance will require an everyday active approach to these issues.

Of the new events realized in 2011, it is necessary to mention organizing the Days of Occupational Safety and Health (OSH) at the plants

and system of OSH coordination while doing the maintenance of the key facilities, where the active approach of the specialists of our supplier of the OSH services – the ENVIFORM a.s. company – was broadly applied.

The motivation of employees was aimed at fulfilling the plans and maximizing production, provided that the high level of quality is adhered to. After the critical period of 2009 and 2010, the year of 2011 was very successful regarding the production figures. Coke oven battery No. 12 was successfully started up after its major overhaul and the records in production were achieved at some productive facilities. Fulfilling and exceeding the planned financial result enabled exceeding negotiated growth of the salaries and reaching the level of salaries of the year 2008. All other obligations of the Company Collective Agreement and Social Code were met and high standards in providing employee benefits and health care were maintained.

Based on above stated results, the personnel strategy and its objectives were updated and incorporated into the Business Program of 2012-2016.

In 2011, the average adjusted headcount grew to 5,943 employees including the merger with FERROMORAVIA, s.r.o.

MANAGEMENT SYSTEM

The company management system is instrumental in implementing the business strategy with the aim of gradually increasing the proportion of high-grade steel products, creating and developing product chains and intensively using assets while increasing the return on sales. All employees of the company make an effort to increase the added value of long rolled products which form a crucial part of production.

The basic principles of the management include the linear organizational structure, process and project management. None of the principles is applied in isolation; management is based on their well-considered combination. To obtain necessary feedback to identify and monitor the implementation of strategic objectives, a system of indicators for performance management Balanced Scorecard (BSC) and a system of regular reporting are set up.

During 2011, a series of measures were adopted to support the strategic objectives in all strategic areas (Partnership, Technology, Staff, and Management).

The management system including the information systems were adjusted in connection with the merger of the subsidiary FERROMORAVIA, s.r.o. and TRINECKÉ ŽELEZÁRNY, a. s. The information platform consists of SAP and Lotus Notes.

In accordance with Act No. 300/2008 Code on electronic acts and authorized conversion of documents, the implementation of the united system of data boxes within the Group has been completed.

The long-standing targeted endeavour to ensure a responsible conduct towards environment and region inhabitants brought fruit in the contest for the National Prize of CR for the Corporate Social Responsibility. TRINECKÉ ŽELEZÁRNY, a. s. acquired this prestigious prize granted by the Czech Quality Council in the autumn of 2011.

TRINECKÉ ŽELEZÁRNY, a. s. has a share in 28 companies, having either controlling, significant or minority interest. Most subsidiaries are focused on activities directly or indirectly related to the business in the steel sector and this focus matches the long-term business strategy of the company.

The management of capital shares of TRINECKÉ ŽELEZÁRNY, a. s. is principally focused on creating strategic objectives, coordinating the business plans, creating investment, financial, and commercial strategies, as well as unifying the main processes. The aim is to increase the value of the subsidiaries. The contribution of selected companies with capital share of TRINECKÉ ŽELEZÁRNY, a.s. to the Group is regularly monitored and evaluated through analyses and reporting.

TRINECKÉ ŽELEZÁRNY, a. s. has no organizational branch abroad.

FINANCIAL SITUATION

In 2011, the performance of the company was positively influenced by the following facts:

- a significant influence on the financial situation arising from the start-up of modernized and reconstructed coke oven battery No. 12 and the more favourable structure of purchased and consumed raw materials connected with that comparing to 2010;
- more progressive growth of prices of products comparing to the prices of raw materials;
- the transformation costs did not exceed the planned amount; and
- during 2011, the merger with the subsidiary FERROMORAVIA, s.r.o. took place.

The above stated facts favourably influenced **the pre-tax profit which amounted to CZK 1,686 million** (higher by CZK 2,594 million compared to 2010).

Production of the company reached the level of CZK 39,828 million (CZK 32,909 million in 2010), this represents a y-o-y increase of CZK 6,919 million. The increase was influenced mainly by higher revenues for sales of rolled goods and steel (+CZK 6,292 million).

DEVELOPMENT OF THE REVENUES

Indicator (in CZK thousands)	2010	2011
Rolled goods incl. steel	31,161,640	37,453,365
Other products	913,122	1,038,628
Sales of own products	32,074,762	38,491,993
Revenues from services	379,426	401,075
Sales of goods purchased for resale	5,167	4,212
Sale of own production, services and goods	32,459,355	38,897,280

The purchased consumables were higher by CZK 2,401 million comparing to 2010. The most significant influence on the y-o-y increase was the consumption of the raw materials in relation to the growing prices of the decisive input commodities.

Regarding the y-o-y growth of the transformation costs, the staff costs had the biggest impact because of the benefits and growing wages resulting from the Collective Agreement for fulfilling and exceeding the financial results. Then the repairs and maintenance, services as well as the consumption of the material influenced it too. Nevertheless, the planned amount of the transformation costs was adhered to.

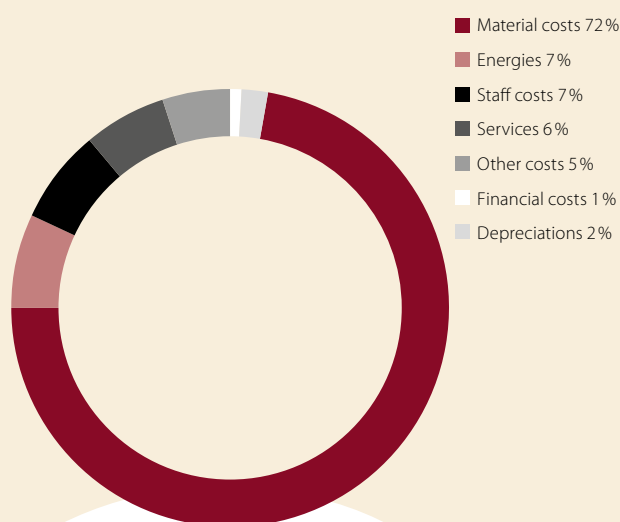
Despite the lower production of crude steel (-18 kt y-o-y) and lower sales of rolled goods (-36 kt y-o-y), the higher added value was achieved, it was higher by CZK 4,518 million comparing to 2010. An increase of the added value was caused by the faster growth of the

prices of goods comparing to the prices of the raw materials as well as by the different structure of the purchase of the raw materials (relating to the start-up of modernized and reconstructed coke oven battery No. 12). The added value amounted to CZK 5,691 million in 2011. The labour productivity from the added value was CZK 958 thousand per one employee.

The operating profit amounted to CZK 1,630 million, which is higher by CZK 3,145 million compared to 2010.

The profit from financial operations amounted to CZK +56 million and was positively affected primarily by dividends taken from subsidiaries.

COST STRUCTURE IN 2011



As of 31 December 2011, the company reported total assets of CZK 26,914 million (after the merger with FERROMOAVIA, s.r.o.), which is by CZK 1,456 million more than as of 31 December 2010. Growth in current assets and accruals contributed to this increase by CZK 1,588 million, fixed assets decreased by CZK 133 million.

Tangible and intangible fixed assets dropped by CZK 30 million.

In 2011, non-current financial assets dropped by CZK 103 million, especially due to the merger with FERROMORAVIA, s.r.o. On the other hand, the acquisition of a long-term financial investment in D&D Drótáru and an increase in the share capital of Metalurgia S.A. contributed to the reduction of their drop.

Since the beginning of the year, the increase in inventories has been affected by higher raw material prices, higher stock of finished and semi-finished products, and merger with FERROMORAVIA, s.r.o.

Within the liabilities, the share of own resources on the total resources of the company grew by 0.8% to 71.9%.

External resources increased by CZK 209 million where reserves, long-term payables (a deferred tax liability) and short-term payables grew. Bank loans decreased.

STRATEGIC OBJECTIVES

Having overcome the crisis in 2009, there was a recovery on the steel market but rather in an imbalanced way. Apparent consumption of steel in EU27 in 2011, when compared to 2007, amounted to 80.1%, in the rest of Europe 110.2%, in the CIS countries 106.1%, NAFTA 89.5%, the Central and South America 127.5%, Africa 113.7%, the Middle East 123.7%, Asia and Oceania 140.7% (in which China 162.9%). Considering that the ratio of demand for steel in 2000 between advanced and developing economies was 58.4% to 41.6%, the same ratio in 2012 will be 27.3% to 72.7%.

In the period of 2001 to 2010, the global production capacity of crude steel increased by 837 million tonnes to 1,899 million tonnes and it will increase by another 217 million tonnes to 2,116 million tonnes until 2013. An increase in steel production causes increased demand for raw materials. The world demand for iron ore increased from approximately 1,000 million tonnes to 1,800 million tonnes in the period of 2000 – 2011. In the same period, the price of iron ore grew 7 times, price of coking coal increased 6.5 times, and in the case of scrap it is 5.5.

Because of the excess of steel supply over demand, the customers' pressure on prices is apparent in the EU as well as an increase in the utility value of steel and just-in-time deliveries.

Our company does not anticipate any revolutionary change in the steel production technologies for the upcoming five year period. The goal involves maintaining the operability of the facilities, making investments in the increase of the competitiveness of our products, and decreasing the production costs and emissions of the pollutants. The key investments are pulverized coal injection into the blast furnaces and modernization of the continuous wire rod mill. The environmental investments include de-dusting sinter plant No. 2, teeming halls of the blast furnaces, and secondary de-dusting of the BOF steel plant. The company applied for public aid for those environmental investments.



VI.

Report of the Supervisory Board

The Supervisory Board regularly checked compliance of the business activities with legal regulations, the Articles of Association, and resolutions of the General Meeting and the Supervisory Board. During the course of 2011, the Board of Directors informed it on the current economic situation of the Company, on the continuous results of the crisis management as well as on fulfilling the Business Plan.

At its meetings, the Supervisory Board dealt with the most significant strategic intentions and projects, placing emphasis on meeting the long-term strategy of TŘINECKÉ ŽELEZÁRNY, a.s.

At its meeting on 13 April 2012, the Supervisory Board reviewed the regular financial statements and the regular consolidated financial statements of the Company for 2011, the proposal for the distribution of profit generated in 2011, and the report of the Board of Directors on the business activity and the assets of the Company.

Based on the audit of the unconsolidated financial statements and consolidated financial statements as of 31 December 2011 by Deloitte Audit s.r.o. and their opinions, which were unqualified, the Supervisory Board recommends that the General Meeting of the shareholders of TŘINECKÉ ŽELEZÁRNY, a.s. approve the above-mentioned documents.

The Supervisory Board also reviewed the Report on Relations for the 2011 accounting period and considering Deloitte Audit s.r.o.'s opinion it concluded that it was prepared in conformity with the Commercial Code and the actual state of relations between the affiliated entities.

Tomáš Chrenek

Chairman of the Supervisory Board



Acheving **historical minimum of labour accidents** is the result of our safety and health care of our employees



Main target of our
sponsorship involvement is
the nearest region





VII.

Report of the Audit Committee

The Audit Committee of TRINECKÉ ŽELEZÁRNY, a. s. (hereinafter "TŽ") monitored the procedure of preparing TŽ's financial statements and the consolidated financial statements of the TŽ Group for 2011 in accordance with the schedule of the Audit Committee. The Audit Committee also monitored the course of the statutory audit of individual regular financial statements of individual companies within the TŽ Group in 2011 and the consolidated financial statements of TŽ for 2011. The procedure of preparing the individual and consolidated financial statements of TŽ and the TŽ Group for 2011 took place in accordance with Czech and International Accounting Standards; these financial statements were audited.

Within its activities the Audit Committee also obtained feedback related to the auditing activities and reviewed the efficiency of the statutory audit. The Audit Committee was involved in the communication between the auditor and the company's management and assessed how the company's management followed the recommendations that the auditor had provided. The Audit Committee also monitored the integrity of financial information

provided by the company including reviewing the consistency and appropriateness of the accounting methods used within TŽ.

The Audit Committee evaluated the independence and objectivity of the auditor, co-operated with the auditor and obtained feedback information as to what could endanger the auditor's independence, reviewed the nature and extent of the complementary services provided by the auditor.

The Audit Committee executed all its competences in accordance with applicable legislation and TŽ's Corporate Articles.

Dana Treziová

Audit Committee Chairwoman

Auditor's Report

Deloitte.

Deloitte Audit s.r.o.
Nile House
Karlova 654/2
186 00 Prague 8 - Karlin
Czech Republic
Tel.: +420 246 042 500
Fax: +420 246 042 555
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Registered at the Municipal Court in
Prague, Section C, File 24349
Id. Nr.: 49620592
Tax Id. Nr.: CZ49620592

INDEPENDENT AUDITOR'S REPORT To the Shareholders of TŘINECKÉ ŽELEZÁRNY, a. s.

Having its registered office at: Třinec – Staré Město, Průmyslová 1000, 739 70
Identification number: 180 50 646

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 12 March 2012 on the financial statements which are included in this annual report in Section IX.:

"We have audited the accompanying financial statements of TŘINECKÉ ŽELEZÁRNY, a. s., which comprise the balance sheet as of 31 December 2011, 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 TŘINECKÉ ŽELEZÁRNY, a. s. as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 3 April 2012 on the consolidated financial statements which are included in this annual report in Section X.:

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.

"We have audited the accompanying consolidated financial statements of TRINECKÉ ŽELEZÁRNY, a. s., which comprise the balance sheet as of 31 December 2011, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the TRINECKÉ ŽELEZÁRNY, a. s. consolidation group as of 31 December 2011, 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 TRINECKÉ ŽELEZÁRNY, a. s. for the year ended 31 December 2011 which is included in this annual report in Section XI. 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 TRINECKÉ ŽELEZÁRNY, a. s. for the year ended 31 December 2011 contains material factual misstatements.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2011 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.

VIII.

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 13 April 2012

Audit firm:

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



Statutory auditor:

Václav Loubek
certificate no. 2037



Financial Part I.

Financial Statements

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Name of the Company:	TŘINECKÉ ŽELEZÁRNY, a. s.
Registered Office:	Třinec-Staré Město, Průmyslová 1000, 739 70
Legal Status:	Joint Stock Company
Corporate ID:	180 50 646

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 12 March 2012.

Statutory body of the reporting entity	Signature
Jan Czudek Chairman of the Board of Directors	
Petr Popelář Second Vice-Chairman of the Board of Directors	

BALANCE SHEET FULL VERSION

(CZK thousand)

		31.12.2011			31.12.2010
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	45 537 601	-18 623 912	26 913 689	25 457 745
B.	Fixed assets	33 221 398	-17 970 805	15 250 593	15 383 116
<i>B.I.</i>	Intangible fixed assets	240 084	-183 625	56 459	12 811
B.I.2.	Research and development	4 553	-2 959	1 594	2 503
B.I.3.	Software	164 919	-152 767	12 152	9 035
B.I.4.	Valuable rights	28 954	-27 899	1 055	80
B.I.6.	Other intangible fixed assets	41 658	0	41 658	0
B.I.7.	Intangible fixed assets under construction	0	0	0	1 193
<i>B.II.</i>	Tangible fixed assets	27 816 483	-17 690 405	10 126 078	10 199 253
B.II.1.	Land	350 117	0	350 117	346 107
B.II.2.	Structures	6 922 925	-3 758 099	3 164 826	2 938 934
B.II.3.	Individual movable assets and sets of movable assets	20 288 598	-13 899 873	6 388 725	5 750 886
B.II.6.	Other tangible fixed assets	1 499	0	1 499	1 668
B.II.7.	Tangible fixed assets under construction	242 821	-32 433	210 388	1 157 143
B.II.8.	Prepayments for tangible fixed assets	10 523	0	10 523	4 515
<i>B.III.</i>	Non-current financial assets	5 164 831	-96 775	5 068 056	5 171 052
B.III.1.	Equity investments - subsidiary (controlled entity)	5 019 688	-79 636	4 940 052	5 037 920
B.III.2.	Equity investments in associates	125 693	-17 139	108 554	109 361
B.III.3.	Other securities and investments	100	0	100	100
B.III.5.	Other non-current financial assets	19 350	0	19 350	18 795
B.III.6.	Acquisition of non-current financial assets	0	0	0	4 876
C.	Current assets	12 275 072	-653 107	11 621 965	10 027 501
<i>C.I.</i>	Inventories	7 927 491	-589 783	7 337 708	6 121 825
C.I.1.	Material	3 377 240	-232 281	3 144 959	2 536 887
C.I.2.	Work in progress and semifinished goods	2 844 661	-298 776	2 545 885	2 146 209
C.I.3.	Products	1 703 622	-58 726	1 644 896	1 428 536
C.I.5.	Goods	398	0	398	1 694
C.I.6.	Prepayments for inventory	1 570	0	1 570	8 499
<i>C.II.</i>	Long-term receivables	5 463	0	5 463	78 769
C.II.1.	Trade receivables	2 662	0	2 662	2 662
C.II.5.	Long-term prepayments made	639	0	639	638
C.II.7.	Other receivables	2 162	0	2 162	1 486
C.II.8.	Deferred tax asset	0	0	0	73 983
<i>C.III.</i>	Short-term receivables	3 810 964	-48 649	3 762 315	3 249 057
C.III.1.	Trade receivables	3 185 117	-36 497	3 148 620	3 163 169
C.III.2.	Receivables - controlled or controlling entity	401 683	0	401 683	0
C.III.6.	State - tax receivables	178 138	0	178 138	42 575
C.III.7.	Short-term prepayments made	9 146	0	9 146	2 684
C.III.8.	Estimated receivables	6 177	0	6 177	30 098
C.III.9.	Other receivables	30 703	-12 152	18 551	10 531
<i>C.IV.</i>	Current financial assets	531 154	-14 675	516 479	577 850
C.IV.1.	Cash on hand	1 567	0	1 567	1 246
C.IV.2.	Cash at bank	514 912	0	514 912	562 033
C.IV.3.	Short-term securities and investments	14 675	-14 675	0	14 571
D. I.	Other assets	41 131	0	41 131	47 128
D.I.1.	Deferred expenses	34 217	0	34 217	38 367
D.I.2.	Complex deferred expenses	6 524	0	6 524	8 680
D.I.3.	Accrued income	390	0	390	81

(CZK thousand)

		31. 12. 2011	31. 12. 2010
	TOTAL LIABILITIES & EQUITY	26 913 689	25 457 745
A.	Equity	19 361 466	18 110 848
A.I.	Share capital	8 109 863	8 109 863
A.I.1.	Share capital	8 109 863	8 109 863
A.II.	Capital funds	103 771	230 541
A.II.2.	Other capital funds	103 787	230 557
A.II.3.	Gains or losses from the revaluation of assets and liabilities	-16	-16
A.III.	Statutory funds	2 749 675	2 749 698
A.III.1.	Statutory reserve fund/Indivisible fund	765 408	765 408
A.III.2.	Statutory and other funds	1 984 267	1 984 290
A.IV.	Retained earnings	7 020 746	7 652 863
A.IV.1.	Accumulated profits brought forward	8 384 399	8 384 399
A.IV.2.	Accumulated losses brought forward	-1 363 653	-731 536
A.V.	Profit or loss for the current period (+ -)	1 377 411	-632 117
B.	Liabilities	7 548 383	7 339 241
B.I.	Reserves	241 442	143 672
B.I.1.	Reserves under special legislation	1 853	1 793
B.I.4.	Other reserves	239 589	141 879
B.II.	Long-term liabilities	286 485	51 692
B.II.1.	Trade payables	34 203	51 692
B.II.10.	Deferred tax liability	252 282	0
B.III.	Short-term liabilities	4 716 361	4 431 191
B.III.1.	Trade payables	4 099 963	3 992 772
B.III.4.	Payables to partners and association members	0	7 650
B.III.5.	Payables to employees	296 021	246 456
B.III.6.	Social security and health insurance payables	96 304	67 466
B.III.7.	State - tax payables and subsidies	75 039	16 339
B.III.8.	Short-term prepayments received	4	2
B.III.10.	Estimated payables	138 449	85 719
B.III.11.	Other payables	10 581	14 787
B.IV.	Bank loans and borrowings	2 304 095	2 712 686
B.IV.1.	Long-term bank loans	1 148 715	1 268 107
B.IV.2.	Short-term bank loans	1 155 380	1 444 579
C.I.	Other liabilities	3 840	7 656
C.I.1.	Accrued expenses	2 378	5 803
C.I.2.	Deferred income	1 462	1 853

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(CZK thousand)

		Year ended 31. 12. 2011	Year ended 31. 12. 2010
I.	Sales of goods	4 212	5 167
A.	Costs of goods sold	4 138	5 033
+	Gross margin	74	134
II.	Production	39 828 106	32 909 267
II.1.	Sales of own products and services	38 893 068	32 454 188
II.2.	Change in internally produced inventory	479 407	125 302
II.3.	Own work capitalised	455 631	329 777
B.	Purchased consumables and services	34 136 816	31 735 681
B.1.	Consumed material and energy	31 600 454	29 431 905
B.2.	Services	2 536 362	2 303 776
+	Added value	5 691 364	1 173 720
C.	Staff costs	2 929 132	2 561 182
C.1.	Payroll costs	2 011 962	1 736 784
C.2.	Remuneration to members of statutory bodies	10 644	11 157
C.3.	Social security and health insurance costs	707 244	616 409
C.4.	Social costs	199 282	196 832
D.	Taxes and charges	22 293	21 866
E.	Depreciation of intangible and tangible fixed assets	910 771	922 179
III.	Sales of fixed assets and material	127 125	108 031
III.1.	Sales of fixed assets	7 897	23 658
III.2.	Sales of material	119 228	84 373
F.	Net book value of fixed assets and material sold	107 148	110 103
F.1.	Net book value of sold fixed assets	728	34 207
F.2.	Book value of sold material	106 420	75 896
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	87 235	-929 798
IV.	Other operating income	1 115 850	972 543
H.	Other operating expenses	1 247 847	1 086 579
I.	Transfer of operating expenses	0	-2 597
*	Operating profit or loss	1 629 913	-1 515 220
VII.	Income from non-current financial assets	199 375	617 375
VII.1.	Income from equity investments in subsidiaries and associates	199 170	617 300
VII.3.	Income from other non-current financial assets	205	75
IX.	Income from the revaluation of securities and derivatives	895	844
M.	Change in reserves and provisions relating to financial activities	77 738	-3 301
X.	Interest income	4 317	7 435
N.	Interest expenses	69 988	45 373
XI.	Other financial income	47 296	51 640
O.	Other financial expenses	48 276	25 997
*	Financial profit or loss	55 881	609 225
Q.	Income tax on ordinary activities	308 383	-276 475
Q 1.	- due	-2 052	-339
Q 2.	- deferred	310 435	-276 136
**	Profit or loss from ordinary activities	1 377 411	-629 520
R.	Extraordinary expenses	0	2 597
*	Extraordinary profit or loss	0	-2 597
***	Profit or loss for the current period (+/-)	1 377 411	-632 117
****	Profit or loss before tax	1 685 794	-908 592

STATEMENT OF CHANGES IN EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund/ Indivisible fund	Statutory and other funds	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2009	8 109 863	86 360	765 408	1 984 267	8 268 518	0	-731 536	18 482 880
Impact of merger	0	144 178	0	0	115 881	0	0	260 059
Balance at 1 January 2010	8 109 863	230 538	765 408	1 984 267	8 384 399	0	-731 536	18 742 939
Profit or loss for the current period	0	0	0	0	0	0	-632 117	-632 117
Distribution of profit or loss	0	0	0	0	0	-731 536	731 536	0
Other	0	3	0	23	0	0	0	26
Balance at 31 December 2010	8 109 863	230 541	765 408	1 984 290	8 384 399	-731 536	-632 117	18 110 848
Impact of merger	0	-126 770	0	0	-1	0	0	-126 771
Balance at 1 January 2011	8 109 863	103 771	765 408	1 984 290	8 384 398	-731 536	-632 117	17 984 077
Profit or loss for the current period	0	0	0	0	0	0	1 377 411	1 377 411
Distribution of profit or loss	0	0	0	0	0	-632 117	632 117	0
Other	0	0	0	-23	1	0	0	-22
Balance at 31 December 2011	8 109 863	103 771	765 408	1 984 267	8 384 399	-1 363 653	1 377 411	19 361 466

CASH FLOW STATEMENT

(CZK thousand)

		Year ended 31. 12. 2011	Year ended 31. 12. 2010
P.	Opening balance of cash and cash equivalents	577 850	1 651 096
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	1 685 794	-905 995
A.1.	Adjustments for non-cash transactions	941 664	-586 555
A.1.1.	Depreciation of fixed assets	910 771	922 179
A.1.2.	Change in provisions and reserves and complex deferred expenses	182 334	-900 721
A.1.3.	Profit/(loss) on the sale of fixed assets	-7 169	10 549
A.1.4.	Revenues from dividends and profit shares	-199 375	-617 375
A.1.5.	Interest expense and interest income	65 671	37 938
A.1.6.	Adjustments for other non-cash transactions	6 793	-6 747
A.1.7.	Adjustments for non-cash transactions - mergers	-17 361	-32 378
A.*	Net operating cash flow before changes in working capital	2 627 458	-1 492 550
A.2.	Change in working capital	-755 954	-307 477
A.2.1.	Change in operating receivables and other assets	-134 746	-858 682
A.2.2.	Change in operating payables and other liabilities	309 824	912 853
A.2.3.	Change in inventories	-931 032	-361 648
A.**	Net cash flow from operations before tax and extraordinary items	1 871 504	-1 800 027
A.3.	Interest paid	-73 412	-47 195
A.4.	Interest received	2 341	7 391
A.5.	Income tax paid from ordinary operations	2 502	8 895
A.6.	Receipts and expenditures relating to extraordinary activities	0	-2 597
A.7.	Received dividends and profit shares	199 375	617 375
A.***	Net operating cash flows	2 002 310	-1 216 158
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-1 160 146	-1 419 778
B.2.	Proceeds from fixed assets sold	7 718	23 700
B.3.	Loans provided to related parties	-400 000	0
B.5.	Increase in cash - mergers	1 151	4 865
B.***	Net investment cash flows	-1 551 277	-1 391 213
	Cash flow from financial activities		
C.1.	Change in payables from financing	-512 253	1 534 235
C.2.	Impact of changes in equity	-151	-110
C.2.5.	Payments from/to capital and other funds	-23	23
C.2.6.	Dividends paid	-128	-133
C.***	Net financial cash flows	-512 404	1 534 125
F.	Net increase or decrease in cash and cash equivalents	-61 371	-1 073 246
R.	Closing balance of cash and cash equivalents	516 479	577 850

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter the "Company") was formed by the National Property Fund of the Czech Republic on the basis of a Deed of Foundation as a joint stock company registered in Třinec, Czech Republic, and was incorporated following its registration in the Register of Companies of the Regional Court in Ostrava on 21 March 1991. The Company is primarily engaged in metallurgy with a closed metallurgical cycle. In addition to the production of coke, pig iron and steel, the range of principal products provided by the Company involves the products of rolling mills, namely blooms, slabs, billets, rods, reinforcing bars and thin, medium and heavy sections, steel tubes and drawing-quality steel.

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

The Company's issued share capital is CZK 8,109,863 thousand.

The following table shows individuals and legal entities exercising controlling or substantial influence over the Company and the amount of their equity interest:

Shareholder	Ownership percentage
MORAVIA STEEL a. s.	69.05%
Other legal entities and individuals	30.95%
Total	100.00%

1.2. CHANGES IN AND AMENDMENTS TO THE REGISTER OF COMPANIES

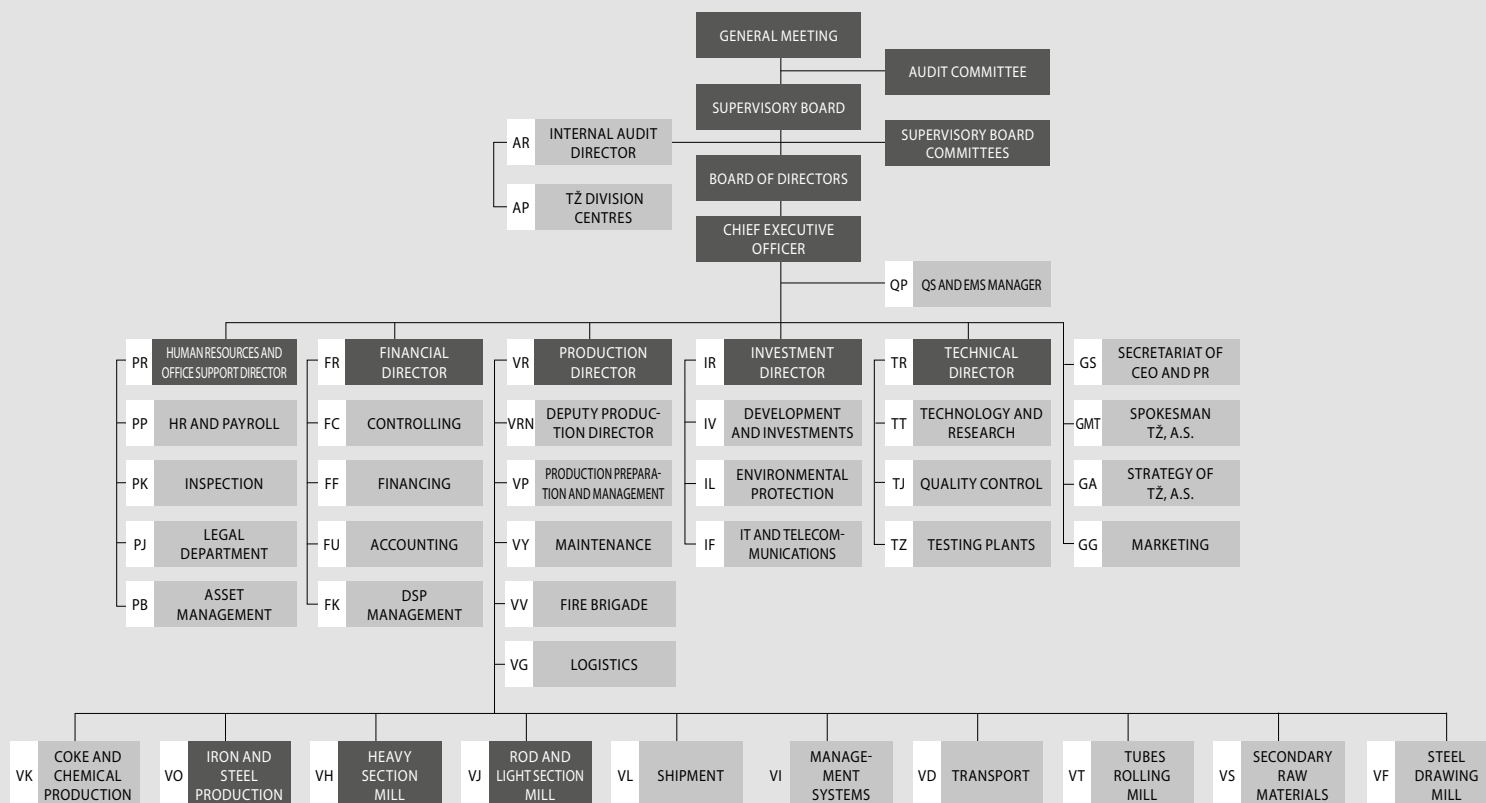
During the year ended 31 December 2011, the Company's corporate details held at the Register of Companies were updated to reflect the change related to the merger by amalgamation with FERROMORAVIA, s.r.o. (refer to Note 2.1.).

1.3. ORGANISATIONAL STRUCTURE OF THE COMPANY

Bodies of the Company are as follows:

- General Meeting;
- Board of Directors;
- Supervisory Board; and
- Audit Committee.

The basic organisational chart of the Company effective as of 31 December 2011:



During the year ended 31 December 2011, the following changes were made in the organisational structure of the Company:

- Formation of the VF – Steel drawing mill managed by the VR – Production Manager; and
- Change in the name of the TZ department – Testing plants and laboratories managed by the TR – Technical Manager to the new name TZ – Testing Plants.

1.4. GROUP IDENTIFICATION

According to Section 66a (3) of the Commercial Code, the Company is controlled by MORAVIA STEEL a.s.. MORAVIA STEEL a.s. is controlled by FINITRADING a.s. and R.F.G., a.s., acting in concert.

1.5. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2011

	Position	Name
Board of Directors	Chairman	Jiří Cieńciała
	1st Vice Chairman	Jan Czudek
	2nd Vice Chairman	Česlav Marek
	Member	Jan Lasota
	Member	Ivo Žižka
	Member	Henryk Huczala
	Member	Petr Popelář
Supervisory Board	Chairman	Tomáš Chrenek
	1st Vice Chairman	Ján Moder
	2nd Vice Chairman	Hanns Kurt Zöllner
	Member	František Ligocki
	Member	Evžen Balko
	Member	Roman Mitřęga
	Member	Vladislav Heczko
	Member	Jozef Blaško
	Member	Pablo Alarcón Espinosa

During the year ended 31 December 2011, no changes were made in the composition of the Company's Board of Directors and Supervisory Board.

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").

2.1. REPORTING PERIOD

With effect from 31 August 2011, the merger by amalgamation with the effective date of 1 January 2011 between TŘINECKÉ ŽELEZÁRNY, a. s., as the successor company, and FERROMORAVIA, s.r.o., as the dissolving company, came into effect. The merger by amalgamation resulted in the dissolution of the dissolving business company without liquidation and the transfer of the total net assets of the dissolving business company, including the rights and obligations arising from labour relations, to the successor business company.

In view of the implemented merger, the financial statements as of and for the year ended 31 December 2011 were prepared as follows:

- The balance sheet contains comparative balances as of 31 December 2010 which are taken from the financial statements of TŘINECKÉ ŽELEZÁRNY, a. s. as of 31 December 2010;
- The profit and loss account includes comparative amounts for the year ended 31 December 2010 which are taken from the financial statements of TŘINECKÉ ŽELEZÁRNY, a. s. as of 31 December 2010;
- The statement of changes in equity includes comparative balances as of 31 December 2010 which are taken from the financial statements of TŘINECKÉ ŽELEZÁRNY, a. s. as of 31 December 2010. The statement presents the impacts of the merger on the equity accounts; and
- The cash flow statement contains comparative balances as of 31 December 2010 which are taken from the financial statements of TŘINECKÉ ŽELEZÁRNY, a. s. as of 31 December 2010. The impact of the merger on cash is presented separately in this statement.

Wherever the impact of the merger was deemed significant for individual classes of assets and liabilities, it is disclosed in the relevant notes to the financial statements.

The Company's Opening Balance Sheet as of 1 January 2011

(CZK thousand)

	Gross	Adjustment	Net
TOTAL ASSETS	43 194 167	-17 781 410	25 412 757
Fixed assets	32 238 687	-17 108 626	15 130 061
Intangible fixed assets	191 998	-179 095	12 903
Research and development	4 553	-2 049	2 504
Software	158 421	-149 387	9 034
Valuable rights	27 831	-27 659	172
Intangible fixed assets under construction	1 193	0	1 193
Tangible fixed assets	27 410 932	-16 895 818	10 515 114
Land	350 316	0	350 316
Structures	6 707 425	-3 621 731	3 085 694
Individual movable assets and sets of movable assets	19 183 829	-13 268 478	5 915 351
Other tangible fixed assets	1 668	0	1 668
Tangible fixed assets under construction	1 163 179	-5 609	1 157 570
Prepayments for tangible fixed assets	4 515	0	4 515
Non-current financial assets	4 635 757	-33 713	4 602 044
Equity investments – subsidiary (controlled entity)	4 486 293	-17 381	4 468 912
Equity investments in associates	125 693	-16 332	109 361
Other securities and investments	100	0	100
Other non-current financial assets	18 795	0	18 795
Acquisition of non-current financial assets	4 876	0	4 876
Current assets	10 905 624	-672 784	10 232 840
Inventories	6 996 384	-619 321	6 377 063
Material	2 917 112	-201 581	2 715 531
Work in progress and semi-finished goods	2 444 420	-296 044	2 148 376
Products	1 624 455	-121 696	1 502 759
Goods	1 753	0	1 753
Prepayments for inventory	8 644	0	8 644
Long-term receivables	62 939	0	62 939
Trade receivables	2 662	0	2 662
Long-term prepayments made	638	0	638
Other receivables	1 486	0	1 486
Deferred tax asset	58 153	0	58 153
Short-term receivables	3 267 300	-53 463	3 213 837
Trade receivables	3 158 939	-42 120	3 116 819
State – tax receivables	52 054	0	52 054
Short-term prepayments made	3 289	0	3 289
Estimated receivables	30 098	0	30 098
Other receivables	22 920	-11 343	11 577
Current financial assets	579 001	0	579 001
Cash on hand	1 311	0	1 311
Cash at bank	563 119	0	563 119
Short-term securities and investments	14 571	0	14 571
Other assets	49 856	0	49 856
Deferred expenses	41 095	0	41 095
Complex deferred expenses	8 680	0	8 680
Accrued income	81	0	81

(CZK thousand)

	Net
TOTAL LIABILITIES & EQUITY	25 412 757
Equity	17 984 077
Share capital	8 109 863
Share capital	8 109 863
Capital funds	103 771
Other capital funds	103 787
Gains or losses from the revaluation of assets and liabilities	-16
Statutory funds	2 749 698
Statutory reserve fund/Indivisible fund	765 408
Statutory and other funds	1 984 290
Retained earnings	7 020 745
Accumulated profits brought forward	8 384 398
Accumulated losses brought forward	-1 363 653
Liabilities	7 421 005
Reserves	143 672
Reserves under special legislation	1 793
Other reserves	141 879
Long-term liabilities	51 692
Trade payables	51 692
Short-term liabilities	4 455 649
Trade payables	4 002 560
Payables to partners and association members	7 650
Payables to employees	255 569
Social security and health insurance payables	69 364
State – tax payables and subsidies	16 728
Short-term prepayments received	2
Estimated payables	88 884
Other payables	14 892
Bank loans and borrowings	2 769 992
Long-term banks loans	1 283 106
Short-term bank loans	1 486 886
Other liabilities	7 675
Accrued expenses	5 822
Deferred income	1 853

With effect from 31 August 2010, the merger by amalgamation with the effective date of 1 January 2010 between TŘINECKÉ ŽELEZÁRNY, a. s., as the successor business company, and VÁLCOVNA TRUB TŽ, a.s., as the dissolving business company, came into effect. The merger by amalgamation resulted in the dissolution of the dissolving business company without liquidation and the transfer of the total net assets of the dissolving business company, including the rights and obligations arising from labour relations, to the successor business company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

Tangible fixed assets include assets with a 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, and research and development) with a 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 cost. 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 Foundation Deed.

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 books as fully depreciated. Replacement cost is determined by an expert appraiser or through an estimate performed under the Company's internal regulations.

Tangible and intangible assets with an estimated useful life greater than one year and a 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 a fixed asset improvements exceeding CZK 40 thousand increases the acquisition cost of the related fixed asset for the taxation period.

The results of the Company's 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 for financial reporting purposes and are held in off balance sheet records at internal costs of production.

Greenhouse 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 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 recorded as a component of 'Other operating income'.

As of the 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 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 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 Company 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 machinery and equipment is 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/expected proceeds from the intended sale.

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).

3.2. 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 balance sheet date, the Company records:

Equity investments at cost less any provisions.

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 balance sheet date, changes in the fair value of available-for-sale securities are recorded through balance sheet lines 'Other non-current securities and equity investments' and 'Gains and losses from the revaluation of assets and liabilities'.

A deferred tax is determined in respect of the revaluation difference where the value of available-for-sale securities increases, and is recorded through accounts 'Gains and losses from the revaluation of assets and liabilities' and 'Deferred tax liability'.

Upon sale or any other disposal, securities of the same type are valued on the basis of the weighted average of acquisition costs.

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 – subsidiary (controlled entity)'.

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'.

Provisioning against Equity Investments

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 entity's anticipated cash flows and the results of the entity's operations and reflects its interest in the entity's equity.

3.3. CURRENT FINANCIAL ASSETS

Current financial assets principally consist of cash on hand and cash at bank and short-term debt securities with a maturity of less than one year and other securities available for sale.

Current financial assets are carried at cost upon acquisition.

3.4. INVENTORY

Valuation

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

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

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

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

At the 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 the 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 valuation, movement, selling prices and realisability.

3.5. RECEIVABLES

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

Provisioning

The Company 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 360 days and more are provisioned in full; and
- b) Receivables past due over 180 days but less than 360 days are provisioned at 50%.

In addition, provisions are recognised against receivables based on an individual assessment of their collectability.

The Company 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.

3.6. PAYABLES

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

3.7. LOANS AND BORROWINGS

Valuation

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

3.8. RESERVES

The Company creates other reserves to provide for future risks known at the balance sheet date. In addition, the Company records a reserve for restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation of the Ministry of Environment No. 294/2005 Coll.

3.9. FOREIGN CURRENCY TRANSLATIONS

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

During the period, 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 the assets were recorded.

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

3.10. 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.

3.11. TAXATION

3.11.1. 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., with the exception of assets used in the Univerzální trať Bohumín plant and the Tube Rolling Mill (the VT operation) which are depreciated using the straight line method.

3.11.2. 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.

3.11.3. 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.

3.12. BORROWING COSTS

Borrowing costs arising from loans are directly expensed regardless of the purpose for which the loans were drawn.

3.13. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

The Company reports staff costs of employees hired through an employment agency as part of social costs which include the actually paid salaries including social security costs and health insurance. The costs of other aids and protective drinks for agency employees are reported under 'Consumed material and energy'. Other services of the agency, such as mediation fees and agency overheads are reported under 'Services'.

3.14. 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.

3.15. USE OF ESTIMATES

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of 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.

3.16. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is capitalised as part of the cost and posted to the acquisition of tangible or intangible fixed assets if the research and development projects result in fixed assets (tangible and 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 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.

3.17. YEAR-ON-YEAR CHANGES IN ACCOUNTING POLICIES

With effect from 2011, the Company has changed the policy of valuing internally produced inventory during the period. Internally produced inventory is valued at cost using a costing formula in which the pure charge is valued at the actual cost and processing costs are valued at planned rates of the particular year. The previous practice was to value the pure charge at planned costs during the reporting period.

At the 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.

3.18. SUBSIDIES

The Company receives operating subsidies. The funds drawn are charged to expenses and operating subsidies received are credited to income on an accruals basis (refer to Note 4.11.). In addition, the Company receives subsidies to fund the acquisition of fixed assets and these subsidies reduce the cost of the related assets.

3.19. 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 at 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)

	31 Dec 2011	Impact of the merger at 1 Jan 2011	31 Dec 2010
Cash on hand	1 567	65	1 246
Current accounts	514 912	1 086	562 033
Short-term securities and equity investments	14 675	0	14 571
Provisions against short-term securities and equity investments	-14 675	0	0
Total current financial assets	516 479	1 151	577 850

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 1 Jan 2010	Impact of the merger at 1 Jan 2010	Additions	Disposals	Balance at 31 Dec 2010	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011
Research and development	4 552	0	0	0	4 552	0	1	0	4 553
Software	129 741	29 401	2 532	4 760	156 914	1 508	6 862	365	164 919
Valuable rights	26 661	1 052	0	1	27 712	119	1 123	0	28 954
Other intangible FA	0	0	910 718	910 718	0	0	1 177 240	1 135 582	41 658
Intangible FA under construction	0	0	3 725	2 532	1 193	0	6 792	7 985	0
Total	160 954	30 453	916 975	918 011	190 371	1 627	1 192 018	1 143 932	240 084

Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2010	Impact of the merger at 1 Jan 2010	Additions	Disposals	Balance at 31 Dec 2010	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011
Research and development	1 138	0	911	0	2 049	0	910	0	2 959
Software	115 451	29 401	7 787	4 760	147 879	1 508	3 744	364	152 767
Valuable rights	26 661	1 052	319	400	27 632	27	479	239	27 899
Total	143 250	30 453	9 017	5 160	177 560	1 535	5 133	603	183 625

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2010	Impact of the merger at 1 Jan 2011	Balance at 31 Dec 2011
Research and development	2 503	0	1 594
Software	9 035	0	12 152
Valuable rights	80	92	1 055
Other intangible FA	0	0	41 658
Intangible FA under construction	1 193	0	0
Total	12 811	92	56 459

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 5,133 thousand and CZK 9,017 thousand as of 31 December 2011 and 2010, respectively.

Other intangible fixed assets include greenhouse emission allowances.

During the year ended 31 December 2011, the Company sold 303,000 EUA emission allowances in the amount of CZK 117,637 thousand and concurrently purchased 312,758 ERU emission credits in the amount of CZK 105,587 thousand and 31,037 thousand EUA emission allowances in the amount of CZK 12,050 thousand.

Aggregate Balance of Low Value Intangible Assets not Reported on the Balance Sheet

The aggregate cost of low value intangible assets not reported on the face of the balance sheet was CZK 25,386 thousand and CZK 25,576 thousand as of 31 December 2011 and 2010, respectively.

4.1.2. Tangible Fixed Assets

Cost

(CZK thousand)

	Balance at 1 Jan 2010	Impact of the merger at 1 Jan 2010	Additions	Disposals	Balance at 31 Dec 2010	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011
Land	319 980	26 629	3	505	346 107	4 209	0	199	350 117
Structures	6 090 364	327 964	121 612	9 161	6 530 779	176 646	219 769	4 269	6 922 925
Individual movable assets	17 854 435	959 231	452 102	371 858	18 893 910	289 919	1 235 258	130 489	20 288 598
- Machinery and equipment	16 345 784	930 467	269 065	358 947	17 186 369	284 582	1 185 026	113 925	18 542 052
- Vehicles	1 484 812	28 764	181 526	12 900	1 682 202	1 747	50 232	15 832	1 718 349
- Furniture and fixtures	23 839	0	1 511	11	25 339	3 590	0	732	28 197
Other tangible FA	1 679	0	0	11	1 668	0	0	169	1 499
Tangible FA under construction	403 327	4 501	1 318 012	563 088	1 162 752	427	532 733	1 453 091	242 821
Prepayments for tangible FA	19 863	0	13 730	29 078	4 515	0	11 983	5 975	10 523
Total	24 689 648	1 318 325	1 905 459	973 701	26 939 731	471 201	1 999 743	1 594 192	27 816 483

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2010	Impact of the merger at 1 Jan 2010	Additions	Disposals	Balance at 31 Dec 2010	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011
Structures	3 402 911	38 654	163 870	13 590	3 591 845	29 886	153 186	16 818	3 758 099
Individual movable assets	12 487 529	246 075	797 520	388 100	13 143 024	125 454	773 180	141 785	13 899 873
- Machinery and equipment	11 418 250	232 696	746 783	375 189	12 022 540	122 757	717 437	125 222	12 737 512
- Vehicles	1 047 415	13 379	49 610	12 900	1 097 504	734	54 157	15 831	1 136 564
- Furniture and fixtures	21 864	0	1 127	11	22 980	1 963	1 586	732	25 797
Tangible FA under construction	4 801	0	1 065	257	5 609	0	26 989	165	32 433
Total	15 895 241	284 729	962 455	401 947	16 740 478	155 340	953 355	158 768	17 690 405

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2010	Impact of the merger at 1 Jan 2011	Balance at 31 Dec 2011
Land	346 107	4 209	350 117
Structures	2 938 934	146 760	3 164 826
Individual movable assets	5 750 886	164 465	6 388 725
- Machinery and equipment	5 163 829	161 825	5 804 540
- Vehicles	584 698	1 013	581 785
- Furniture and fixtures	2 359	1 627	2 400
Other tangible FA	1 668	0	1 499
Tangible FA under construction	1 157 143	427	210 388
Prepayments for tangible FA	4 515	0	10 523
Total	10 199 253	315 861	10 126 078

Principal additions to tangible fixed assets for the year ended 31 December 2011 were as follows:

(CZK thousand)

Construction of a new coke battery 12 and modernisation of its surroundings	1 204 462
Renovation of the roof of the C rolling mill hall	44 138
Extension of the equipment in the ZPO ₁ continuous steel casting plant	33 105

Principal additions to tangible fixed assets under construction for the year ended 31 December 2011 were as follows:

(CZK thousand)

Acquisition of follow-me vehicle no.as part of KB12	44 419
Grinding line at VT	15 717
Acquisition of industrial vacuum cleaners as part of KB12	13 275

During the year ended 31 December 2011, assets with an aggregate net book value of CZK 7,988 thousand were removed from tangible fixed assets, land of CZK 199 thousand was sold and work of arts of CZK 169 thousand was removed. Major disposals principally comprised the liquidation of the obsolete equipment of the coke plant and liquidation of unusable machinery in VF – Steel drawing plant.

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 905,638 thousand and CZK 913,162 thousand as of 31 December 2011 and 2010, respectively.

In 2011, the Company reassessed the depreciation period of tangible fixed assets which resulted in the decrease in depreciation charges of CZK 59,618 thousand.

Aggregate Balance of Low Value Tangible Assets not Reported on the Balance Sheet

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 460,997 thousand and CZK 438,151 thousand as of 31 December 2011 and 2010, respectively.

4.1.3. Assets Held under Finance and Operating Lease Agreements

Finance Leases

In the year ended 31 December 2011, the Company records no assets held under finance leases.

31 December 2010

(CZK thousand)

	Cars	Machinery and equipment	Balance at 31 Dec 2010
Total anticipated lease payments	2 047	654	2 701
Actual lease payments made through 31 Dec 2010	*2 047	654	2 701
Future payments due by 31 Dec 2011	0	0	0
Future payments due in the following periods	0	0	0

Note: * impact of the merger with VÁLCOVNA TRUB TŽ, a.s.

Operating Leases

In the years ended 31 December 2011 and 2010, the Company made lease payments of CZK 43,994 thousand and CZK 39,212 thousand, respectively.

4.1.4. Pledged Fixed Assets

31 December 2011

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	652 672	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc- Prague branch and
Land	40 732	CITIBANK Europe plc
Tangible FA	284 172	Loan from Citibank, a.s.
Tangible FA	604 529	Loan from Česká spořitelna, a.s.
Total	1 582 105	

31 December 2010

(CZK thousand)

Description of assets	Net book value	Net book value (impact of the merger at 1 Jan 2010)	Description, scope and purpose of pledge/lien
Tangible FA	104 964	0	Loan from Československá obchodní banka, a.s.
Tangible FA	312 790	0	Loan from Citibank, a.s.
Tangible FA Land	346 419	0	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc- Prague branch and
	40 732	0	CITIBANK Europe plc
Tangible FA	638 794	721 996	"Big Mannesmann" rolling mill. Loan from Česká spořitelna, a.s.
Total	1 443 699	721 996	

4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK thousand)

	Balance at 1 Jan 2010	Impact of the merger at 1 Jan 2010	Additions	Disposals	Revaluation	Balance at 31 Dec 2010
Equity investments in subsidiaries	5 357 412	-301 823	0	288	0	5 055 301
Equity investments in associates	125 693	0	0	0	0	125 693
Other non-current securities and equity investments	100	0	0	0	0	100
Other non-current financial assets	19 849	0	0	0	-1 054	18 795
Acquired non-current financial assets	3 476	0	1 400	0	0	4 876
Total	5 506 530	-301 823	1 400	288	-1 054	5 204 765

(CZK thousand)

	Impact of the merger at 1 Jan 2011	Additions	Disposals	Revaluation	Balance at 31 Dec 2011
Equity investments in subsidiaries	-569 008	533 395	0	0	5 019 688
Equity investments in associates	0	0	0	0	125 693
Other non-current securities and equity investments	0	0	0	0	100
Other non-current financial assets	0	0	0	555	19 350
Acquired non-current financial assets	0	0	4 876	0	0
Total	-569 008	533 395	4 876	555	5 164 831

4.2.1. Shares and Equity Investments in Subsidiaries

31 December 2011

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner-ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
ENERGETIKA TŘINEC, a.s., Třinec-Staré Město	1 625 717	1 680 000	276	100,00	2 339 748	23 031	0	1 625 717	0
Strojírny Třinec, a.s., Třinec-Staré Město	540 972	565 000	600	100,00	624 998	147 914	0	540 972	95 000
Slévárny Třinec, a.s., Třinec, Staré Město	550 000	550 000	514	100,00	541 660	1 985	0	550 000	0
Řetězárna a.s., Česká Ves	64 000	61 200	515	51,00	469 924	41 709	0	64 000	3 570
Šroubárna Kyjov, spol. s r.o., Kyjov	*	140 000	0	100,00	427 905	11 959	0	*	15 000
„METALURGIA“ Spółka Akcyjna, Radomsko (POL)	*	91 510	4 747 340	100,00	187 817	6 273	0	*	0
„D&D“ Drótaru Zrt., 3527 Miskolc, Besenyői út 18 (HUN)***	*	446	5	100,00	-33 389	-72 621	-62 145	*	0
D 5, akciová společnost, Třinec, Třinec-Staré Město	*	60 000	4 661	100,00	132 232	12 243	0	*	0
VÚHŽ, a.s., Dobrá	*	16 817	336 336	100,00	255 002	22 673	0	*	30 000
REFRASIL, s.r.o., Třinec-Konská	18 236	25 500	0	51,00	208 211	41 269	0	18 236	30 600
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100,00	34 404	3 023	0	15 755	25 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	0	89,11	46 498	2 051	0	*	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	0	100,00	17 867	227	0	100	0
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100,00	39 603	2 237	0	25 643	0
Moravia Security, a.s., Třinec-Konská	12 000	12 000	12	100,00	14 734	939	0	12 000	0
Střední odborná škola Třineckých železáren, Třinec, Kanada **	2 000	2 000	0	100,00	77 612	0	0	2 000	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	49 750	48 558	0	88,00	44 220	457	0	49 750	0
Steel Consortium Partners, a.s., Třinec, Staré Město	19 000	19 000	117	100,00	1 509	-92	-17 491	1 509	0
TRISIA, a.s., Třinec	19 364	9 900	990	66,00	60 609	-1 504	0	19 364	0
Total	5 019 688						-79 636	4 940 052	199 170

Note: *italics* – preliminary results as of 31 December 2011

FERROMORAVIA, s.r.o. was dissolved in the merger with TŘINECKÉ ŽELEZÁRNY, a. s., Třinec with the effective merger date on 1 January 2011

* confidential information

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

*** „D&D“ Drótaru Zrt. became part of the group on 21 February 2011

31 December 2010

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner-ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
ENERGETIKA TŘINEC, a.s., Třinec-Staré Město	1 625 717	1 680 000	276	100,00	2 316 718	57 542	0	1 625 717	50 000
Strojírny Třinec, a.s., Třinec-Staré Město	540 972	565 000	600	100,00	712 084	31 809	0	540 972	380 000
Slévárny Třinec, a.s., Třinec, Staré Město	550 000	550 000	514	100,00	539 679	4 696	0	550 000	0
FERROMORAVIA, s.r.o., Staré Město	569 008	150 000	0	100,00	442 238	39 339	0	569 008	0
Šroubárna Kyjov, spol. s r.o., Kyjov	*	140 000	0	100,00	430 946	37 232	0		65 000
D 5, akciová společnost, Třinec, Třinec-Staré Město	*	60 000	4 661	100,00	119 989	4 938	0	*	0
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100,00	37 366	2 522	0	25 643	0
Steel Consortium Partners, a.s., Třinec, Staré Město	19 000	19 000	117	100,00	1 601	-95	-17 381	1 619	0
„METALURGIJA“ Spółka Akcyjna, Radomsko (POL)	*	19 695	884 617	100,00	115 655	-19 149	0	*	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100,00	56 381	8 717	0	15 755	30 000
Moravia Security, a.s., Třinec, Konská	12 000	12 000	12	100,00	14 195	169	0	12 000	0
VÚHŽ, a.s., Dobrá	*	16 817	336 336	100,00	262 330	28 550	0	*	22 000
Soukromá střední škola Třinec, Třinec, Kanada **	2 000	2 000	0	100,00	77 612	122	0	2 000	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	0	100,00	17 828	2 995	0	100	7 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	0	89,11	44 447	1 357	0	*	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	49 750	48 557	0	88,00	42 090	205	0	49 750	0
TRISIA, a.s., Třinec	19 364	9 900	990	66,00	62 085	-1 685	0	19 364	0
Řetězárna a.s., Česká Ves	64 000	61 200	515	51,00	432 924	13 190	0	64 000	0
REFRASIL, s.r.o., Třinec-Konská	18 236	25 500	0	51,00	226 943	44 042	0	18 236	15 300
Total	5 055 301						-17 381	5 037 920	569 300

Note: * Confidential information

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

4.2.2. Shares and Equity Investments in Associates

31 December 2011

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner-ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34,09	10 826	177	0	750	0
VESUVIUS ČESKÁ REPUBLIKA, a.s., Třinec	25 137	25 137	25 137	40,00	265 590	74 188	0	25 137	0
Hutnictví železa, a.s., Praha	25 620	16 191	26 985	38,71	44 012	-1 703	-16 960	8 660	0
Kvalifikační a personální agentura, o.p.s., Třinec-Staré Město	34	34	0	33,33	7 021	359	-34	0	0
HRAT, s.r.o., Třinec*	212	100	0	23,26	2 237	417	0	212	0
Sochorová válcovna TŽ, a.s., Třinec-Staré Město	72 180	72 180	180	18,00	2 020 818	279 254	0	72 180	0
Total	125 693						-17 139	108 554	0

Note: *italics* – preliminary results of operation as of 31 December 2011

* results of operations for the period from 1 April 2010 – 31 March 2011

31 December 2010

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Ownership %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
SILESIALAG, a.s., Třinec-Staré Město	1 760	1 760	74	44,00	3 749	-77	-118	1 642	0
VESUVIUS ČESKÁ REPUBLIKA, a.s., Třinec	25 137	25 137	25 137	40,00	191 402	96 533	0	25 137	48 000
Hutnictví železa, a.s., Praha	25 620	16 191	26 985	38,71	46 383	-236	-16 180	9 440	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34,09	10 650	41	0	750	0
Kvalifikační a personální agentura, o.p.s., Třinec-Staré Město	34	34	0	33,33	7 383	-53	-34	0	0
HRAT, s.r.o., Třinec*	212	100	0	23,26	1 820	-637	0	212	0
Sochorová válcovna TŽ, a.s., Třinec-Staré Město	72 180	72 180	180	18,00	1 741 563	230 164	0	72 180	0
Total	125 693						-16 332	109 361	48 000

Note: * results of operations for the period from 1 April 2010 – 31 December 2010

4.2.3. Other Non-Current Securities and Equity Investments

31 December 2011

(CZK thousand)

Company name	Cost	Nominal value	Number of shares	Ownership %	Equity	Accounting profit/loss	Valuation difference	Fair value	Financial revenues
KPM CONSULT, a.s., Brno	100	100	10	10,00	17 297	282	0	100	0
ACRI – Asociace podniků českého železničního průmyslu, Praha 1 – Nové Město	20	20	–	2,08	1 200	38	-20	0	0
Total	120						-20	100	0

Note: * *italics* – preliminary results of operations as of 31 December 2011

31 December 2010

(CZK thousand)

Company name	Cost	Nominal value	Number of shares	Ownership %	Equity	Accounting profit/loss	Valuation difference	Fair value	Financial revenues
KPM CONSULT, a.s., Brno	100	100	10	10,00	17 015	374	0	100	0
ACRI – Asociace podniků českého železničního průmyslu, Praha 1 – Nové Město	20	20	–	2,08	1 102	5	–20	0	0
Total	120						–20	100	0

4.2.4. Non-Current Financial Assets Pledged as Collateral

The Company has no non-current financial assets pledged as collateral.

4.3. INVENTORY

As of 31 December 2011 and 2010, the Company created provisions against inventory in the aggregate amount of CZK 589,783 thousand and CZK 608,168 thousand, respectively. The provision against material amounted to CZK 232,281 thousand (2010: CZK 193,494 thousand), the provision against work in progress and semi-finished products amounted to CZK 298,776 thousand (2010: CZK 294,887 thousand) and the provision against finished products amounted to CZK 58,726 thousand (2010: CZK 119,787 thousand).

Due to the merger with FERROMORAVIA, s.r.o., the net value of inventory increased by CZK 255,238 thousand as of 1 January 2011.

4.4. RECEIVABLES

4.4.1. Short-Term Receivables

Aging of Short-Term Trade Receivables

(CZK thousand)

Year	Category	Before due date	Past due date					Total
			1 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and greater	
2011	Short-term	3 147 548	771	249	107	59	36 383	3 185 117
	Provisions	0	0	0	–55	–59	–36 383	–36 497
	Total	3 147 548	771	249	52	0	0	3 148 620
2010	Short-term	3 141 453	21 672	22	44	642	40 758	3 204 591
	Provisions	0	0	0	–22	–642	–40 758	–41 422
	Total	3 141 453	21 672	22	22	0	0	3 163 169

Other Short-Term Receivables

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

State – tax receivables predominantly include an excessive deduction of the value added tax and prepayments for fees according to the Air Protection Act.

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

Estimated receivables principally include amounts due from anticipated insurance proceeds.

Receivables typically mature within 30 days.

4.4.2. Intercompany and Other than Intercompany Receivables

Short-Term Receivables

(CZK thousand)

Company name	Balance at 31 Dec 2011	Balance at 31 Dec 2010
• Trade receivables		
Doprava TŽ, a.s.	2 240	1 991
ENERGETIKA TŘINEC, a.s.	78 141	54 072
Šroubárna Kyjov, spol. s r.o.	800	645
D 5, akciová společnost, Třinec	2 796	4
MORAVIA STEEL a.s.	2 610 130	2 451 319
REFRASIL, s.r.o.	498	697
Řetězárna, a.s.	89	267
Slévárny Třinec, a.s.	49 251	34 615
TRIALFA, s.r.o.	3 539	2 523
TŘINECKÁ PROJEKCE, a.s.	69	59
Třinecké gastroslužby, s.r.o.	695	751
Strojírny Třinec, a.s.	27 390	407
Sochorová válcovna TŽ, a.s.	332 694	424 798
SILESIALAG, a.s.	1	3
Steel Consortium Partners, a.s.	1	1
Kvalifikační a personální agentura, o.p.s.	3	3
TRISIA, a.s.	3	6
VESUVIUS ČESKÁ REPUBLIKA, a.s.	455	627
FERROMORAVIA, s.r.o.*	0	113 108
Beskydská golfová, a.s.	37	37
VÚHŽ a.s.	944	85
Moravia Security, a.s.	91	91
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	28	13
Střední odborná škola Třineckých železáren**	148	127
Moravskoslezský kovošrot, a.s., „METALURGIA“ Spółka Akcyjna	513	173
„METALURGIA“ Spółka Akcyjna	624	0
Hanácké železářny a pérovny, a.s.	53	107
M Steel Projects a.s.	48	24
HRAT, s.r.o.	5	7
FINITRADING, a.s.	1	0
Total	3 111 287	3 086 560
• Receivables – controlled or controlling entity		
„D&D“ Drátáru Zrt.***	401 683	0
Total	401 683	0
Total short-term intercompany receivables	3 512 970	3 086 560
Other than intercompany receivables	249 345	162 497
Total short-term receivables	3 762 315	3 249 057

* FERROMORAVIA, s.r.o. was dissolved in the merger with TŘINECKÉ ŽELEZÁRNY, a. s., Třinec as of the effective merger date of 1 January 2011

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

*** „D&D“ Drátáru Zrt. became part of the group on 21 February 2011

Long-Term Receivables

(CZK thousand)

Company name	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Long-term receivables		
Other than intercompany receivables	5 463	78 769
Total long-term receivables	5 463	78 769

Long-term other than intercompany receivables include a deferred tax asset of CZK 73,983 thousand as of 31 December 2010.

4.4.3. Pledged Receivables

As of 31 December 2011, the Company recorded no pledged receivables.

4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Cash	1 567	1 246
Current accounts	514 912	562 033
Short-term securities and equity investments	14 675	14 571
Provision against short-term securities and equity investments	-14 675	0
Total current financial assets	516 479	577 850

Short-term securities and equity investments as of 31 December 2011 and 2010 include tradable securities in the aggregate amounts of CZK 14,675 and CZK 14,571 thousand, respectively. In 2011, the Company recognised a non-tax deductible provision of CZK 14,675 thousand.

4.6. DEFERRED EXPENSES AND ACCRUED INCOME

As of 31 December 2011 and 2010 deferred expenses principally consisted of the deferred cost of the right to use new technologies of CZK 10,000 thousand and CZK 20,000 thousand, respectively.

Complex deferred expenses primarily consist of the deferred implementation of information systems of CZK 6,409 thousand and CZK 8,410 thousand as of 31 December 2011 and 2010, respectively.

4.7. SHAREHOLDERS' EQUITY

Allocations to the statutory reserve fund are made at 5% of net profits until the fund reaches 20% of the Company's share capital, that is, the level required by law.

Gains and losses from revaluation comprise the gain or loss from the revaluation of available-for-sale securities, net of the deferred tax liability.

Pursuant to the resolution of the General Meeting of the Company held on 27 June 2011, the loss for 2010 of CZK 632,117 thousand was allocated to accumulated losses.

On 25 September 2011, the payment of dividends for 2006 declared by the General Meeting of the Company held on 25 June 2007 which were due on 25 September 2007, became statute barred. The amount of these dividends of CZK 7,543 thousand was written off to other financial income.

The merger with FERROMORAVIA, s.r.o. resulted in the decrease in the equity of CZK 126,771 thousand.

4.7.1. Share Capital

The Company's share capital is composed of 8,109,863 ordinary registered shares, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share. The Extraordinary General Meeting held on 19 November 2007 approved a change of the book-entry to the certificate form of shares. The change of the form of the Company's shares was registered in the Register of Companies on 13 December 2007.

On 17 December 2009, the Company's shares in the certificate form which were not collected by their owners after the change of the book-entry to the certificate form of shares were auctioned. As of 31 December 2011, the number of uncollected shares was 117. These shares could not be auctioned, as they had been pledged as collateral by their owners in favour of third parties.

4.8. RESERVES

(CZK thousand)

	Reserves under special legislation		Other reserves	Total reserves
	Reserve for repairs of tangible FA	Reserve for restoration		
Balance at 1 Jan 2010	0	1 686	151 341	153 027
Creation	0	107	113 210	113 316
Use	0	0	122 672	122 671
Balance at 31 Dec 2010	0	1 793	141 879	143 672
Creation	0	60	553 416	553 476
Use	0	0	455 706	455 706
Balance at 31 Dec 2011	0	1 853	239 589	241 442

Other reserves principally consist of reserves for the scrapping of equipment, employee bonuses, and losses incurred in connection with concluded long-term contracts.

4.9. PAYABLES

4.9.1. Long-Term Payables

As of 31 December 2011 and 2010, long-term trade payables include the aggregate amount of CZK 34,203 thousand and CZK 51,692 thousand, respectively, relating to retentions from suppliers under concluded contracts.

4.9.2. Deferred Income Tax

The deferred tax asset/liability is analysed as follows:

(CZK thousand)

Deferred tax arising from	Balance at 31 Dec 2011	Impact of the merger at 1 Jan 2011	Balance at 31 Dec 2010
Difference between tax and accounting carrying value of fixed assets	-4 439 075	-168 300	-4 295 135
Revaluation of available-for-sale securities	20	0	20
Accounting reserves	239 589	0	141 879
Provisions	614 411	17 235	632 371
Expenses that are tax deductible in the following periods	136 945	1 089	93 105
Tax losses carried forward	2 120 308	66 658	3 817 145
Total	-1 327 802	-83 318	389 385
Tax rate (in %)	19	19	19
Deferred tax asset (+)/liability (-)	-252 282	-15 830	73 983

(CZK thousand)

Analysis of movements	
31 Dec 2010	73 983
Impact of the merger at 1 Jan 2011	-15 830
Current changes charged against the profit and loss account	-310 435
Current changes charged against equity	0
31 Dec 2011	-252 282

4.9.3. Income Tax on Ordinary and Extraordinary Activities

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Profit before tax	1 685 794	-908 592
Tax at the domestic income tax rate of 19 % (19 %)	320 301	-172 632
Tax effect of expenses that are not deductible in determining taxable profit	-9 866	-103 504
Additional taxes (+) / overpayments (-) assessed for prior years	-2 052	-339
Total income tax on ordinary and extraordinary activities	308 383	-276 475

4.9.4. Short-Term Payables

Aging of short-term trade payables.

(CZK thousand)

Period	Category	Before due date	Past due date					Total
			1 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and greater	
2011	Short-term	4 088 887	10 783	32	122	139	0	4 099 963
2010	Short-term	3 973 471	16 295	3 006	0	0	0	3 992 772

Payables typically fall due for settlement within 30 days. Significant payables past due for more than 90 days predominantly arise from offset agreements in progress.

Other Payables

As of 31 December 2011, payables arising from social security and the state employment policy contribution amounted to CZK 65,556 thousand, health insurance payables totalled CZK 28,285 thousand, and pension insurance payables totalled CZK 2,463 thousand. The Company has no past due social security or health insurance payables.

The category "State – tax payables and subsidies" principally comprises payables arising from the personal income tax and received subsidies including the subsidy for greenhouse gas emission allowances.

Estimated payables mainly consist of payables arising from fees according to the Air Protection Act and an estimated payable for outstanding vacation days and annual bonuses including insurance.

Other payables primarily comprise payables arising from deductions from employee salaries.

4.9.5. Intercompany Payables

Short-Term Payables

(CZK thousand)

Company name	Balance at 31 Dec 2011	Balance at 31 Dec 2010
• Trade payables		
Doprava TŽ, a.s.	10 207	10 656
ENERGETIKA TŘINEC, a.s.	408 907	352 289
Hutnictví železa, a.s.	593	602
Šroubárna Kyjov, spol. s r.o.	436	0
MORAVIA STEEL a.s.	2 064 396	2 056 112
REFRASIL, s.r.o.	43 239	37 186
Řetězárna Česká Ves, a.s.	414	699
Slévárny Třinec, a.s.	2 137	297
TRIALFA, s.r.o.	14 985	15 432
TRISIA, a.s.	707	813
TŘINECKÁ PROJEKCE, a.s.	2 792	1 606
Třinecké gastroslužby, s.r.o.	5 926	5 636
Strojírny Třinec, a.s.	75 856	144 559
Sochorová válcovna TŽ, a.s.	20 308	13 364
VESUVIUS ČESKÁ REPUBLIKA, a.s.	7 892	7 374
Beskydská golfová, a.s.	1 800	1 800
D 5, akciová společnost, Třinec	78 156	96 373
VÚHŽ a.s.	621	874
Moravia Security, a.s.	5 712	5 315
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	618	930
Moravskoslezský kovošrot, a.s.	168 865	112 452
Střední odborná škola Třineckých železáren*	2 552	1 404
„METALURGIA“ Spółka Akcyjna	523	296
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	97	105
Kvalifikační a personální agentura, o.p.s.	10	10
HRAT, s.r.o.	90	72
Total	2 917 839	2 866 256
•Other intercompany payables		
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	0	5 437
Total	0	5 437
Total short-term intercompany payables	2 917 839	2 871 693
Other than intercompany payables	1 798 522	1 559 498
Total short-term payables	4 716 361	4 431 191

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

Long-Term Payables

(CZK thousand)

Company name	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Long-term payables		
• Trade payables		
Strojírny Třinec, a.s.	0	5 156
D 5, akciová společnost	1 138	4 678
REFRASIL, s.r.o.	0	3 727
Total long-term intercompany payables	1 138	13 561
Other than intercompany payables	285 347	38 131
Total long-term payables	286 485	692

Other than intercompany long-term payables include a deferred tax liability of CZK 252,282 thousand as of 31 December 2011.

4.9.6. Bank Loans

Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2011	Impact of the merger at 1 Jan 2011	Balance at 31 Dec 2010	Interest rate % p.a.	Form of collateral at 31 Dec 2011
Investment	CZK/EUR	167 573	0	237 571	3M PRIBOR/ EURIBOR + 0.99	Movable assets VH, receivables from insurance, blank bill of exchange
Investment	CZK	900 000	0	830 923	3M PRIBOR + 1.5 (margin according to Senior Debt/ EBITDA)	Movable and immovable assets KB12, receivables from insurance, bill of exchange
Investment	EUR	65 030	0	139 838	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	EUR	0	0	4 219	6M EURIBOR + 0.6	SACE guarantee insurer
Investment	CZK	11 112	0	55 556	FIXED 4.65	Immovable and movable assetsVP4, guarantee statements of MS, blank bill of exchange
Investment	CZK	5 000	14 999	0	3M PRIBOR + 0.79	No collateral
Total		1 148 715	14 999	1 268 107		

Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2011	Impact of the merger at 1 Jan 2011	Balance at 31 Dec 2010	Interest rate % p.a.	Form of collateral at 31 Dec 2011
Short-term loan	CZK	150 000	0	305 000	1M PRIBOR + 0.9	Blank bill of exchange
Short-term loan	CZK	200 000	0	0	1M PRIBOR + 1.1	Blank bill of exchange
Overdraft	CZK	0	0	43 306	1T PRIBOR + 1.0	Blank bill of exchange
Overdraft	CZK	0	0	295 906	1M PRIBOR + 0.9	Blank bill of exchange
Overdraft	CZK	160 780	0	479 291	1D PRIBOR + 0.95	Blank bill of exchange
Overdraft	CZK	232 399	0	0	O/N PRIBOR + 0.9	Blank bill of exchange
Overdraft	CZK	0	32 307	0	1M PRIBOR + 1.6	-
Investment	CZK/EUR	74 477	0	73 099	3M PRIBOR/ EURIBOR + 0.99	Movable assets, receivable from insurance, blank bill of exchange
Investment	CZK	200 000	0	100 000	3M PRIBOR + 1.5 (margin according to Senior Debt/ EBITDA)	Movable and immovable assets, receivables from insurance, blank bill of exchange
Investment	EUR	78 937	0	80 095	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	EUR	4 343	0	8 438	6M EURIBOR + 0.6	SACE guarantee insurer
Investment	CZK	0	0	15 000	FIXED 4.3	Movable assets, guarantee statement of MS
Investment	CZK	44 444	0	44 444	FIXED 4.65	Immovable and movable assets, guarantee statement of MS, blank bill of exchange
Investment	CZK	10 000	10 000	0	3M PRIBOR+ 0.79	No collateral
Total		1 155 380	42 307	1 444 579		

Repayment Schedule

(CZK thousand)

Years	2012	2013	2014	2015	2016	Following periods	Total
Loan instalments	1 155 380	345 056	285 040	218 619	200 000	100 000	2 304 095

4.10. DETAILS OF INCOME

(CZK thousand)

	31 Dec 2011	31 Dec 2010
Proceeds of the sale of goods	4 212	5 167
Proceeds of the sale of products and services, of which:	38 893 068	32 454 188
- Products	38 491 993	32 074 762
- Services	401 075	379 426
Other*	935 038	455 079
Total sales of goods and products	39 832 318	32 914 434

* Under the item of "Other" the Company reports the change in internally produced inventory and own work capitalised.

4.11. SUBSIDIES

Other subsidies for operating purposes of CZK 13,278 thousand utilised for the year ended 31 December 2011 (2010: CZK 12,368 thousand) include subsidies for research and education.

In addition, the Company obtained a subsidy for the acquisition of fixed assets in the amount of CZK 4,740 thousand from Třinec for the regulation of the Křivec creek in 2011.

4.12. OTHER OPERATING EXPENSES AND INCOME

Expenses for advisory, consulting and audit services as of 31 December 2011 and 2010 amounted to CZK 30,737 thousand and CZK 32,897 thousand, respectively.

As of 31 December 2011 and 2010, other operating income of the Company mainly involved the subsidy related to the use of greenhouse emission allowances of CZK 1,084,447 thousand and CZK 910,718 thousand, respectively.

Other financial income as of 31 December 2011 and 2010 predominantly included foreign exchange rate gains of CZK 38,914 thousand and CZK 47,748 thousand, respectively.

As of 31 December 2011 and 2010, other operating expenses primarily reflect the use of greenhouse emission allowances of CZK 1,084,447 thousand and CZK 910,718 thousand, respectively.

Other financial expenses as of 31 December 2011 predominantly include foreign exchange rate losses of CZK 45,192 thousand and CZK 18,831 thousand, respectively.

4.13. RESEARCH AND DEVELOPMENT COSTS

(CZK thousand)

	31 Dec 2011	31 Dec 2010
Research and development costs (net of subsidies)	42 367	34 893

4.14. RELATED PARTY TRANSACTIONS

4.14.1. Income Generated with Related Parties

2011

(CZK thousand)

Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	32	40 179	3 873	29	0	44 113
ENERGETIKA TŘINEC, a.s.	Controlled entity	492	367 257	36 908	1 662	0	406 319
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	213	0	0	213
MORAVIA STEEL a.s.	Controlling entity	281	31 951 693	166 508	2 544	0	32 121 026
REFRASIL, s.r.o.	Controlled entity	18	296	4 443	540	0	5 297
Řetězárna Česká Ves, a.s.	Controlled entity	0	0	2 371	27	0	2 398
Slévárny Třinec, a.s.	Controlled entity	379	372 049	18 186	45 319	0	435 933
TRIALFA, a.s.	Controlled entity	4	36 348	4 741	2 785	0	43 878
TRISIA, a.s.	Controlled entity	0	0	84	2	0	86
SILESIASLAG, a.s.	Controlled entity	0	0	22	0	0	22
TŘINECKÁ PROJEKCE, a.s.	Associate	0	0	617	0	0	617
Třinecké gastroslužby, s.r.o.	Controlled entity	118	0	4 043	501	0	4 662
Strojírny Třinec, a.s.	Controlled entity	480	403 243	26 722	10 754	0	441 199
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	0	7 493	155	0	7 648
Sochorová válcovna TŽ, a.s.	Controlled entity	470	4 925 648	8 282	115	0	4 934 515
Beskydská golfová, a.s.	Fellow subsidiary	0	0	128	28	0	156
Steel Consortium Partners, a.s.	Controlled entity	0	0	59	0	0	59
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	0	3 477	159	0	3 636
Moravia Security, a.s.	Controlled entity	0	0	1 165	13	0	1 178
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	325	360	0	685
D 5, akciová společnost, Třinec	Controlled entity	78	738	13 320	7 945	0	22 081
VÚHŽ a.s.	Controlled entity	1 145	246	918	974	0	3 283
Střední odborná škola Třineckých železáren*	Controlled entity	3	16	1 349	45	0	1 413
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	113	0	571	17	0	701
FINITRADING, a.s.	Controlling entity	0	0	5	0	0	5
HRAT, s.r.o.	Associate	0	0	31	0	0	31
„METALURGIA“ Spółka Akcyjna	Controlled entity	0	0	2 520	0	1 294	3 814
M Steel Projects a.s.	Fellow subsidiary	0	0	173	0	0	173
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	0	1 013	6 228	0	7 241
„D&D“ Drótáru Zrt.**	Controlled entity	0	0	0	0	1 683	1 683
Total		3 613	38 097 713	309 560	80 202	2 977	38 494 065

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

** „D&D“ Drótáru Zrt. became part of the group on 21 February 2011

2010

(CZK thousand)

Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	41	58 171	3 912	10	0	62 134
ENERGETIKA TŘINEC, a.s.	Controlled entity	272	311 857	43 453	1 438	0	357 020
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	190	0	0	190
MORAVIA STEEL a.s.	Controlling entity	74	25 976 550	165 296	1 396	0	26 143 316
REFRASIL, s.r.o.	Controlled entity	8	406	5 236	498	0	6 148
Řetězárna Česká Ves, a.s.	Controlled entity	21	0	3 568	28	0	3 617
Slévárny Třinec, a.s.	Controlled entity	258	263 451	23 835	29 230	0	316 774
TRIALFA, a.s.	Controlled entity	4	29 588	4 775	1 247	0	35 614
TRISIA, a.s.	Controlled entity	0	0	86	14	0	100
SILESIAFLAG, a.s.	Controlled entity	0	0	22	0	0	22
TŘINECKÁ PROJEKCE, a.s.	Associate	0	0	624	0	0	624
Třinecké gastroslužby, s.r.o.	Controlled entity	3	0	4 132	469	0	4 604
Strojírny Třinec, a.s.	Controlled entity	2 472	347 890	26 413	24 742	0	401 517
VESUVIUS Česká republika, a.s.	Associate	0	0	7 459	72	0	7 531
Sochorová válcovna TŽ, a.s.	Controlled entity	449	3 698 016	8 253	206	0	3 706 924
FERROMORAVIA, s.r.o.	Controlled entity	0	995 531	1 851	9	0	997 391
Beskydská golfová, a.s.	Fellow subsidiary	0	0	133	0	0	133
Steel Consortium Partners, a.s.	Controlled entity	0	0	58	0	0	58
Šroubárna Kyjov, spol. s r.o.	Controlled entity	45	0	3 154	82	0	3 281
Moravia Security, a.s.	Controlled entity	14	0	1 130	13	0	1 157
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	334	235	0	569
D 5, akciová společnost	Controlled entity	141	1 445	13 827	8 728	0	24 141
VÚHŽ a.s.	Controlled entity	1 217	246	834	1 012	0	3 309
Soukromá střední škola Třinec*	Controlled entity	2	49	1 324	138	0	1 513
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	39	0	254	0	0	293
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	0	950	2 345	0	3 295
HRAT, s.r.o.	Associate	0	0	34	0	0	34
M Steel Projects a.s.	Fellow subsidiary	0	0	40	0	0	40
Total		5 060	31 683 200	321 177	71 912	0	32 081 349

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

4.14.2. Purchases

2011

(CZK thousand)

Entity	Type of entity	Fixed assets	Inventory incl. energy	Services	Other expenses	Financial expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	25 806	51 629	53	0	77 488
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	1 933 812	106 893	0	0	2 040 705
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	150	0	0	150
MORAVIA STEEL a.s.	Controlling entity	32	23 047 926	230 194	37 433	0	23 315 585
REFRASIL, s.r.o.	Controlled entity	-131	90 240	161 980	0	0	252 089
Řetězárna Česká Ves, a.s.	Controlled entity	0	9 193	0	0	0	9 193
Slévárny Třinec, a.s.	Controlled entity	4 608	118 837	606	0	0	124 051
TRIALFA, a.s.	Controlled entity	16	13 615	17 479	50 135	0	81 245
TRISIA, a.s.	Controlled entity	0	0	9 030	0	0	9 030
TŘINECKÁ PROJEKCE, a.s.	Associate	9 985	0	8 252	0	0	18 237
Třinecké gastroslužby, s.r.o.	Controlled entity	0	10 702	2 064	51 751	0	64 517
Strojírny Třinec, a.s.	Controlled entity	15 880	394 615	196 715	944	0	608 154
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	0	74 534	0	0	74 534
Sochorová válcovna TŽ, a.s.	Controlled entity	0	97 918	46 480	2 880	0	147 278
Beskydská golfová, a.s.	Fellow subsidiary	0	0	3 366	0	0	3 366
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	11 811	0	586	0	12 397
Moravia Security, a.s.	Controlled entity	0	182	51 015	0	0	51 197
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	175	5 400	0	0	5 575
D 5, akciová společnost, Třinec	Controlled entity	67 931	19 358	372 297	972	0	460 558
VÚHŽ a.s.	Controlled entity	670	4 219	1 512	0	0	6 401
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	858 660	0	0	0	858 660
Střední odborná škola Třineckých železáren*	Controlled entity	0	436	10 304	19	0	10 759
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	0	0	1 195	0	0	1 195
„METALURGIA“ Spółka Akcyjna	Controlled entity	0	389	2 522	0	0	2 911
HRAT, s.r.o.	Associate	0	0	285	0	0	285
„D&D“ Drátáru Zrt.**	Controlled entity	0	5 268	0	0	0	5 268
Hutnictví železa, a.s.	Associate	0	0	5 594	105	0	5 699
Total		98 991	26 643 162	1 359 496	144 878	0	28 246 527

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

** "D&D" Drátáru Zrt. became part of the group on 21 February 2011

2010

(CZK thousand)

Entity	Type of entity	Fixed assets	Inventory incl. energy	Services	Other expenses	Financial expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	24 235	54 520	0	0	78 755
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	2 022 730	29 548	0	0	2 052 278
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	131	0	0	131
MORAVIA STEEL a.s.	Controlling entity	23	21 465 625	211 866	39 522	0	21 717 036
REFRASIL, s.r.o.	Controlled entity	38 387	101 376	156 462	0	0	296 225
Řetězárna Česká Ves, a.s.	Controlled entity	0	5 500	0	0	0	5 500
Slévárny Třinec, a.s.	Controlled entity	6 985	109 512	668	0	0	117 165
TRIALFA, a.s.	Controlled entity	29	9 266	18 300	58 996	0	86 591
TRISIA, a.s.	Controlled entity	0	0	8 643	0	0	8 643
TŘINECKÁ PROJEKCE, a.s.	Associate	10 099	2	6 525	9	0	16 635
Třinecké gastroslužby, s.r.o.	Controlled entity	0	10 426	2 043	52 200	0	64 669
Strojírny Třinec, a.s.	Controlled entity	137 476	325 530	189 364	63	2 983	655 416
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	0	60 556	0	0	60 556
Sochorová válcovna TŽ, a.s.	Controlled entity	0	156 580	35 730	1 791	0	194 101
Beskydská golfová, a.s.	Fellow subsidiary	0	0	3 387	0	0	3 387
Hutnictví železa, a.s.	Associate	0	0	5 807	118	0	5 925
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	1 831	0	0	0	1 831
Moravia Security, a.s.	Controlled entity	0	33	52 351	0	0	52 384
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	2 187	8 043	0	0	10 230
D 5, akciová společnost	Controlled entity	190 823	14 078	316 364	0	0	521 265
VÚHŽ a.s.	Controlled entity	0	6 022	3 992	0	0	10 014
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	843 406	0	0	0	843 406
Soukromá střední škola Třinec*	Controlled entity	0	436	7 050	4	0	7 490
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 263	0	0	1 263
METALURGIA S.A.	Controlled entity	0	0	1 824	0	0	1 824
HRAT, s.r.o.	Associate	140	0	260	0	0	400
Total		383 962	25 098 775	1 174 697	152 703	2 983	26 813 120

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

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees, managers and staff costs included in the results of operations for the years ended 31 December 2011 and 2010 are as follows:

31 December 2011

(CZK thousand)

	Number	Wages and salaries	Social security and health insurance, incl. pension insurance contributions	Bonuses to the members of stat. bodies	Social costs	Total staff costs
Employees	5 934.3	1 916 905	688 389	1 176	82 225	2 688 695
Foreign employees	0	294	1 818	5 988	116 987	125 087
Management	8.7	58 879	4 835	3 480	70	67 264
Change in estimated amounts for outstanding vacation days and bonuses	0	35 884	12 202	0	0	48 086
Total	5 943	2 011 962	707 244	10 644	199 282	2 929 132

31 December 2010

(CZK thousand)

	Number	Wages and salaries	Social security and health insurance, incl. pension insurance contributions	Bonuses to the members of stat. bodies	Social costs	Total staff costs
Employees	5 897.1	1 712 402	610 968	1 224	84 593	2 409 187
Foreign employees	0	110	1 643	6 824	112 132	120 709
Management	7.9	26 600	4 590	3 109	107	34 406
Change in estimated amounts for outstanding vacation days and bonuses	0	-2 328	-792	0	0	-3 120
Total	5 905	1 736 784	616 409	11 157	196 832	2 561 182

The number of employees is based on the average recalculated headcount. The category of management includes the Chief Executive Officer and divisional directors.

Summary of Total Remuneration

(CZK thousand)

	Board of Directors	Supervisory Board
Remuneration for 2011	4 056	6 588
Remuneration for 2010	3 683	7 474

Loans, Borrowings, and Other Benefits Provided

31 December 2011

(CZK thousand)

	Board of Directors	Supervisory Board	Management	Audit Committee
Company cars used for both business and private purposes (the figure increases the tax base of employees)	1 217	82	122	0
Liability insurance	230	296	0	33

31 December 2010

(CZK thousand)

	Board of Directors	Supervisory Board	Management	Audit Committee
Company cars used for both business and private purposes (the figure increases the tax base of employees)	1 093	81	146	0
Liability insurance	285	421	47	44

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

Provided Guarantees

31 December 2011

Type of commitment	Total amount	Balance at 31 Dec 2011
Guarantees		
- to other entities	USD 576 thousand	CZK 11,491 thousand
	EUR 2,304 thousand	CZK 59,448 thousand
	CZK 5,000 thousand	CZK 5,000 thousand

31 December 2010

Type of commitment	Total amount	Balance at 31 Dec 2010
Guarantees		
- to other entities	USD 576 thousand	CZK 10,806 thousand
	EUR 1,165 thousand	CZK 29,194 thousand
	CZK 5,000 thousand	CZK 5,000 thousand

Legal Disputes

The dispute of the plaintiff, the EcoNet CENTRUM civic association in Přerov for the payment of dividends for 2006 in the amount of CZK 180,000 thousand together with accrued interest. The Regional Court in Hradec Králové stated that it was not locally responsible for the case, referring the case to the Regional Court in Ostrava. The plaintiff appealed this resolution. Given the appeal of the plaintiff, the file was assigned to the High Court in Prague which rejected the plaintiff's appeal regarding the local responsibility. The Company considers the charge to completely lack merit.

The dispute of the plaintiff, Marek Vesely, regarding the invalidity of the resolution passed at the Company's annual general meeting of shareholders held on 30 June 2010. The Regional Court in Ostrava rejected this charge as groundless in its ruling. The plaintiff appealed the ruling.

The dispute of the plaintiff, ADMINISTRATIVNÍ CENTRUM TSP Ostrava, regarding the invalidity of the auction of shares in the certificate form of the issuer, TRINECKÉ 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 as a result of the plaintiff's appeal.

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 2011 and 2010, the Company drew CZK 419,834 thousand and CZK 397,216 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 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.

Pursuant to the verification of the CO₂ emission quantity for the year ended 31 December 2011, 2,629,177 emission allowances will be removed in April 2012.

7. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following changes were made to the composition of the Board of Directors:

Position	Original member	New member	Date of change
Chairman	Jiří Cieńciála	-	1 Jan 2012
Chairman	-	Jan Czudek	10 Jan 2012
First Vice-Chairman	Jan Czudek	Česlav Marek	10 Jan 2012
Second Vice-Chairman	Česlav Marek	Petr Popelář	10 Jan 2012
Member	Petr Popelář	-	10 Jan 2012

Financial Part II.

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Name of the Company:	TŘINECKÉ ŽELEZÁRNY, a. s.
Registered Office:	Třinec-Staré Město, Průmyslová 1000, 739 70
Legal Status:	Joint Stock Company
Corporate ID:	180 50 646

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 consolidated financial statements were prepared on 3 April 2012.

Statutory body of the reporting entity	Signature
Jan Czudek Chairman of the Board of Directors	
Petr Popelář Second Vice-Chairman of the Board of Directors	

CONSOLIDATED BALANCE SHEET

(CZK thousand)

		31. 12. 2011			31. 12. 2010
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	53 949 332	-24 600 716	29 348 616	27 715 854
B.	Fixed assets	39 358 107	-23 809 566	15 548 541	15 218 609
<i>B.I.</i>	Intangible fixed assets	432 888	-274 743	158 145	89 553
B.I.2.	Research and development	4 553	-2 959	1 594	2 504
B.I.3.	Software	229 456	-212 643	16 813	14 773
B.I.4.	Valuable rights	90 975	-57 376	33 599	30 029
B.I.5.	Goodwill	338	-338	0	0
B.I.6.	Other intangible fixed assets	107 566	-1 427	106 139	41 054
B.I.7.	Intangible fixed assets under construction	0	0	0	1 193
<i>B.II.</i>	Tangible fixed assets	37 865 098	-23 498 966	14 366 132	14 547 274
B.II.1.	Land	499 071	0	499 071	461 813
B.II.2.	Structures	9 599 461	-4 970 659	4 628 802	4 497 482
B.II.3.	Individual movable assets and sets of movable assets	27 412 908	-18 479 675	8 933 233	8 381 916
B.II.6.	Other tangible fixed assets	21 627	-12 238	9 389	3 024
B.II.7.	Tangible fixed assets under construction	308 831	-36 394	272 437	1 176 707
B.II.8.	Prepayments for tangible fixed assets	23 200	0	23 200	26 332
<i>B.III.</i>	Non-current financial assets	229 867	-35 857	194 010	192 303
B.III.1.	Equity investments in subsidiaries	176 591	-18 497	158 094	156 137
B.III.2.	Equity investments in associates	28 719	-17 276	11 443	12 250
B.III.3.	Other securities and investments	207	-84	123	245
B.III.5.	Other non-current financial assets	24 350	0	24 350	18 795
B.III.6.	Acquisition of non-current financial assets	0	0	0	4 876
<i>B.IV.</i>	Goodwill on consolidation	365 580	0	365 580	0
B.IV.1.	Positive goodwill on consolidation	365 580	0	365 580	0
<i>B.V.</i>	Securities and equity interests under equity accounting	464 674	0	464 674	389 479
C.	Current assets	14 531 126	-791 150	13 739 976	12 434 381
<i>C.I.</i>	Inventories	9 239 683	-623 127	8 616 556	7 506 457
C.I.1.	Material	4 056 909	-258 276	3 798 633	3 236 595
C.I.2.	Work in progress and semifinished goods	3 159 778	-300 264	2 859 514	2 467 868
C.I.3.	Products	1 924 378	-64 216	1 860 162	1 689 689
C.I.5.	Goods	20 199	-371	19 828	16 508
C.I.6.	Prepayments for inventory	78 419	0	78 419	95 797
<i>C.II.</i>	Long-term receivables	34 361	0	34 361	97 827
C.II.1.	Trade receivables	24 883	0	24 883	14 736
C.II.5.	Estimated receivables	1 224	0	1 224	1 150
C.II.7.	Other receivables	5 966	0	5 966	4 330
C.II.8.	Deferred tax asset	2 288	0	2 288	77 611
<i>C.III.</i>	Short-term receivables	4 242 846	-153 348	4 089 498	3 883 674
C.III.1.	Trade receivables	3 895 769	-139 614	3 756 155	3 670 911
C.III.6.	State - tax receivables	265 408	0	265 408	128 892
C.III.7.	Short-term prepayments made	37 782	-1 073	36 709	32 437
C.III.8.	Estimated receivables	7 118	0	7 118	30 532
C.III.9.	Other receivables	36 769	-12 661	24 108	20 902
<i>C.IV.</i>	Current financial assets	1 014 236	-14 675	999 561	946 423
C.IV.1.	Cash on hand	3 915	0	3 915	3 663
C.IV.2.	Cash at bank	915 646	0	915 646	755 821
C.IV.3.	Short-term securities and investments	94 675	-14 675	80 000	186 939
D.I.	Other assets	60 099	0	60 099	62 864
D.I.1.	Deferred expenses	52 269	0	52 269	52 610
D.I.2.	Complex deferred expenses	7 031	0	7 031	9 651
D.I.3.	Accrued income	799	0	799	603

(CZK thousand)

		31. 12. 2011	31. 12. 2010
	TOTAL LIABILITIES & EQUITY	29 348 616	27 715 854
A.	Equity	20 151 655	18 785 103
A.I.	Share capital	8 109 863	8 109 863
A.I.1.	Share capital	8 109 863	8 109 863
A.II.	Capital funds	53 340	189 738
A.II.2.	Other capital funds	106 129	232 839
A.II.3.	Gains or losses from the revaluation of assets and liabilities	-52 789	-43 101
A.III.	Statutory funds	3 241 120	3 247 483
A.III.1.	Statutory reserve fund / Indivisible fund	915 193	922 131
A.III.2.	Statutory and other funds	2 325 927	2 325 352
A.IV.	Profit or loss for prior periods	6 672 745	7 666 178
A.IV.1.	Retained earnings	8 110 211	8 455 434
A.IV.2.	Accumulated losses brought forward	-1 437 466	-789 256
A.V.	Profit or loss for the current period, net of minority interests	1 375 615	-1 047 088
A.V.1.	Profit or loss for the current period	1 295 969	-1 127 131
A.V.2.	Share of income from associates	79 646	80 043
A.VI.	Consolidation reserve fund	698 972	618 929
B.	Liabilities	8 819 457	8 594 453
B.I.	Reserves	319 553	249 927
B.I.1.	Reserves under special legislation	17 853	20 692
B.I.2.	Reserve for pensions and similar liabilities	3 623	3 606
B.I.3.	Income tax reserve	0	505
B.I.4.	Other reserves	298 077	225 124
B.II.	Long-term liabilities	652 935	390 599
B.II.1.	Trade payables	38 868	43 800
B.II.10.	Deferred tax liability	614 067	346 799
B.III.	Short-term liabilities	5 380 850	4 904 937
B.III.1.	Trade payables	4 409 815	4 120 787
B.III.4.	Payables to partners and association members	0	7 650
B.III.5.	Payables to employees	404 228	348 674
B.III.6.	Social security and health insurance payables	148 694	112 669
B.III.7.	State - tax payables and subsidies	125 038	38 051
B.III.8.	Short-term prepayments received	89 216	95 624
B.III.10.	Estimated payables	183 616	159 774
B.III.11.	Other payables	20 243	21 708
B.IV.	Bank loans and borrowings	2 466 119	3 048 990
B.IV.1.	Long-term bank loans	1 195 093	1 364 344
B.IV.2.	Short-term bank loans	1 270 815	1 684 285
B.IV.3.	Short-term borrowings	211	361
C.I.	Other liabilities	47 286	12 963
C.I.1.	Accrued expenses	7 979	11 110
C.I.2.	Deferred income	39 307	1 853
D.	Minority equity	330 218	323 335
D.I.	Minority share capital	83 300	83 300
D.II.	Minority capital funds	4 328	3 399
D.III.	Minority profit funds including retained earnings and accumulated losses	201 805	208 592
D.IV.	Minority profit or loss for the current period	40 785	28 044

CONSOLIDATED PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(CZK thousand)

		Year ended 31. 12. 2011	Year ended 31. 12. 2010
I.	Sales of goods	190 332	82 904
A.	Costs of goods sold	166 909	68 109
+	Gross margin	23 423	14 795
II.	Production	44 465 966	36 901 406
II.1.	Sales of own products and services	43 309 902	35 929 064
II.2.	Change in internally produced inventory	498 752	187 519
II.3.	Own work capitalised	657 312	784 823
B.	Purchased consumables and services	36 395 408	33 462 345
B.1.	Consumed material and energy	33 548 541	30 810 159
B.2.	Services	2 846 867	2 652 186
+	Added value	8 093 981	3 453 856
C.	Staff costs	4 556 993	4 097 210
C.1.	Payroll costs	3 159 759	2 823 809
C.2.	Remuneration to members of statutory bodies	21 811	20 852
C.3.	Social security and health insurance costs	1 104 921	990 256
C.4.	Social costs	270 502	262 293
D.	Taxes and charges	113 104	39 204
E.	Depreciation of intangible and tangible fixed assets	1 362 415	1 402 129
KR 1.	Release of negative consolidation difference (negative goodwill)	0	288
III.	Sales of fixed assets and material	110 859	105 673
III.1.	Sales of fixed assets	15 231	16 158
III.2.	Sales of material	95 628	89 515
F.	Net book value of fixed assets and material sold	91 039	99 462
F.1.	Net book value of sold fixed assets	5 369	25 423
F.2.	Book value of sold material	85 670	74 039
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	66 493	-882 769
IV.	Other operating income	1 999 436	1 722 740
H.	Other operating expenses	2 176 266	1 851 514
I.	Transfer of operating expenses	0	-2 597
*	Operating profit or loss	1 837 966	-1 321 596
VI.	Proceeds from the sale of securities and investments	1 800	0
J.	Cost of securities and investments sold	121	0
VII.	Income from non-current financial assets	25 888	37 074
VII.1.	Income from subsidiaries and associates	25 000	37 000
VII.3.	Income from other non-current financial assets	888	74
IX.	Income from the revaluation of securities and derivatives	895	1 337
L.	Costs of the revaluation of securities and derivatives	3 595	697
M.	Change in reserves and provisions relating to financial activities	15 593	-3 380
X.	Interest income	2 868	10 297
N.	Interest expenses	99 641	65 996
XI.	Other financial income	99 508	80 522
O.	Other financial expenses	151 552	66 609
*	Financial profit or loss	-139 543	-692
Q.	Income tax on ordinary activities	367 559	-225 739
Q.1.	- due	32 644	41 193
Q.2.	- deferred	334 915	-266 932
**	Profit or loss from ordinary activities	1 330 864	-1 096 549
XIII.	Extraordinary income	6 403	75
R.	Extraordinary expenses	267	2 613
S.	Income tax on extraordinary activities	246	0
S.1.	- due	246	0
*	Extraordinary profit or loss	5 890	-2 538
**	Consolidated profit or loss net of share of income from associates	1 336 754	-1 099 087
	Consolidated profit or loss net of minority interests	1 295 969	-1 127 131
	Minority profit or loss	40 785	28 044
*	Share of income from associates	79 646	80 043
	Profit or loss for the current period (+/-)	1 416 400	-1 019 044
***	Profit or loss for the current period (+/-)	1 375 615	-1 047 088

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Profit or loss of prior periods	Profit or loss for the current period	Consolidation reserve fund	Share of income of associates	TOTAL EQUITY
Balance at 31 December 2009	8 109 863	37 091	919 862	2 374 404	8 734 077	-975 491	649 200	-30 271	19 818 735
Profit for the current period	0	0	0	0	0	-1 127 131	0	80 043	-1 047 088
Distribution of profit or loss	0	0	26 113	-50 000	-839 695	863 583	-30 271	30 271	1
Revaluation of assets	0	8 358	0	0	4 964	0	0	0	13 322
Impact of changes in the consolidation group	0	144 179	-23 844	925	-233 168	111 908	0	0	0
Other	0	110	0	23	0	0	0	0	133
Balance at 31 December 2010	8 109 863	189 738	922 131	2 325 352	7 666 178	-1 127 131	618 929	80 043	18 785 103
Profit for the current period	0	0	0	0	0	1 295 969	0	79 646	1 375 615
Distribution of profit or loss	0	0	9 245	0	-1 175 715	1 166 470	80 043	-80 043	0
Change in the consolidation method	0	1 354	0	0	646	0	0	0	2 000
Revaluation of assets	0	-11 040	0	0	0	0	0	0	-11 040
Impact of changes in the consolidation group	0	-126 712	-16 183	598	181 636	-39 339	0	0	0
Other	0	0	0	-23	0	0	0	0	-23
Balance at 31 December 2011	8 109 863	53 340	915 193	2 325 927	6 672 745	1 295 969	698 972	79 646	20 151 655

CONSOLIDATED CASH FLOW STATEMENT

(CZK thousand)

	Year ended 31.12.2011	Year ended 31.12.2010
P. Cash and cash equivalents at the beginning of the accounting period	946 423	2 259 702
Cash flows from ordinary activities		
Z. Profit/(loss) from ordinary activities before tax	1 698 423	-1 322 288
A.1. Adjustments for non-cash transactions	1 499 051	538 726
A.1.1. Depreciation of fixed assets (+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1 362 415	1 401 841
A.1.2. Change in provisions and reserves	82 086	-886 149
A.1.3. Profit/(loss) on the sale of fixed assets (-/+)	-9 862	9 265
A.1.4. Revenues from dividends and profit shares (-)	-25 888	-37 074
A.1.5. Interest expense (+) excluding capitalized interest and interest income (-)	96 773	55 699
A.1.6. FX differences and other non-cash transactions	-6 473	-4 856
A.* Net cash flow from operating activities before tax, movements in working capital and extraordinary items	3 197 474	-783 562
A.2. Change in the non-cash component of working capital	-790 550	-378 469
A.2.1. Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	-232 958	-635 251
A.2.2. Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	486 581	866 721
A.2.3. Change in inventory (+/-)	-1 044 173	-609 939
A.** Net cash flow from operating activities before tax and extraordinary items	2 406 924	-1 162 031
A.3. Interest paid (-), except interest capitalised	-106 040	-67 818
A.4. Interest received (+)	5 549	13 236
A.5. Income tax paid from operating activities, additional tax paid for previous periods (-)	-21 418	-59 021
A.6. Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	5 890	-2 538
A.7. Received dividends and profit shares (+)	25 888	85 075
A.*** Net cash flow from operating activities	2 316 793	-1 193 097
Cash flows from investing activities		
B.1. Fixed assets expenditures (-)	-949 403	-1 558 007
B.2. Receipts from fixed assets sold (+)	15 079	16 155
B.4. Cash flows from the purchase of business or its part	-256 735	0
B.*** Net cash flow from investing activities	-1 191 059	-1 541 852
Cash flow from financial activities		
C.1. Change in long-term or short-term payables which fall into cash and cash equivalent in financing activities (eg, certain operating loans)	-1 039 615	1 436 480
C.2. Impact on cash and cash equivalents due to change in equity	-32 981	-14 810
C.2.5. Payments made from funds (-)	-23	23
C.2.6. Dividends and profit shares paid, including withholding tax related to these claims and including financial settlement with partners (-), except for dividends and profit shares paid between Group entities	-32 958	-14 833
C.*** Net cash flow from financial activities	-1 072 596	1 421 670
F. Net increase or decrease of cash and cash equivalents	53 138	-1 313 279
R. Cash and cash equivalents at the end of the accounting period	999 561	946 423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter also referred to as the "Company"), was formed by the National Property Fund of the Czech Republic on the basis of a Deed of Foundation as a joint stock company registered in Třinec, Czech Republic, and was incorporated following its registration in the Register of Companies of the Regional Court in Ostrava on 21 March 1991. The Company is primarily engaged in metallurgy with a closed metallurgical cycle. In addition to the production of coke, pig iron and steel, the range of principal products provided by the Company involves the products of rolling mills, namely blooms, slabs, billets, rods, reinforcing bars and thin, medium and heavy sections, steel tubes and drawing-quality steel.

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

The Company's issued share capital is CZK 8,109,863 thousand.

The following table shows individuals and legal entities exercising controlling or substantial influence over the Company and the amount of their equity interest:

Shareholder	Ownership percentage
MORAVIA STEEL a. s.	69.05 %
Other legal entities and individuals	30.95 %
Total	100.00 %

1.2. CHANGES IN AND AMENDMENTS TO THE REGISTER OF COMPANIES

During the year ended 31 December 2011, the change relating to the merger of the Company and FERROMORAVIA, s.r.o. was recorded in the Register of Companies.

1.3. GROUP IDENTIFICATION

In terms of Section 66a (3) of the Commercial Code, the Company is controlled by MORAVIA STEEL a.s. MORAVIA STEEL a.s. is controlled by FINITRADING a.s. and R.F.G., a.s., acting in concert.

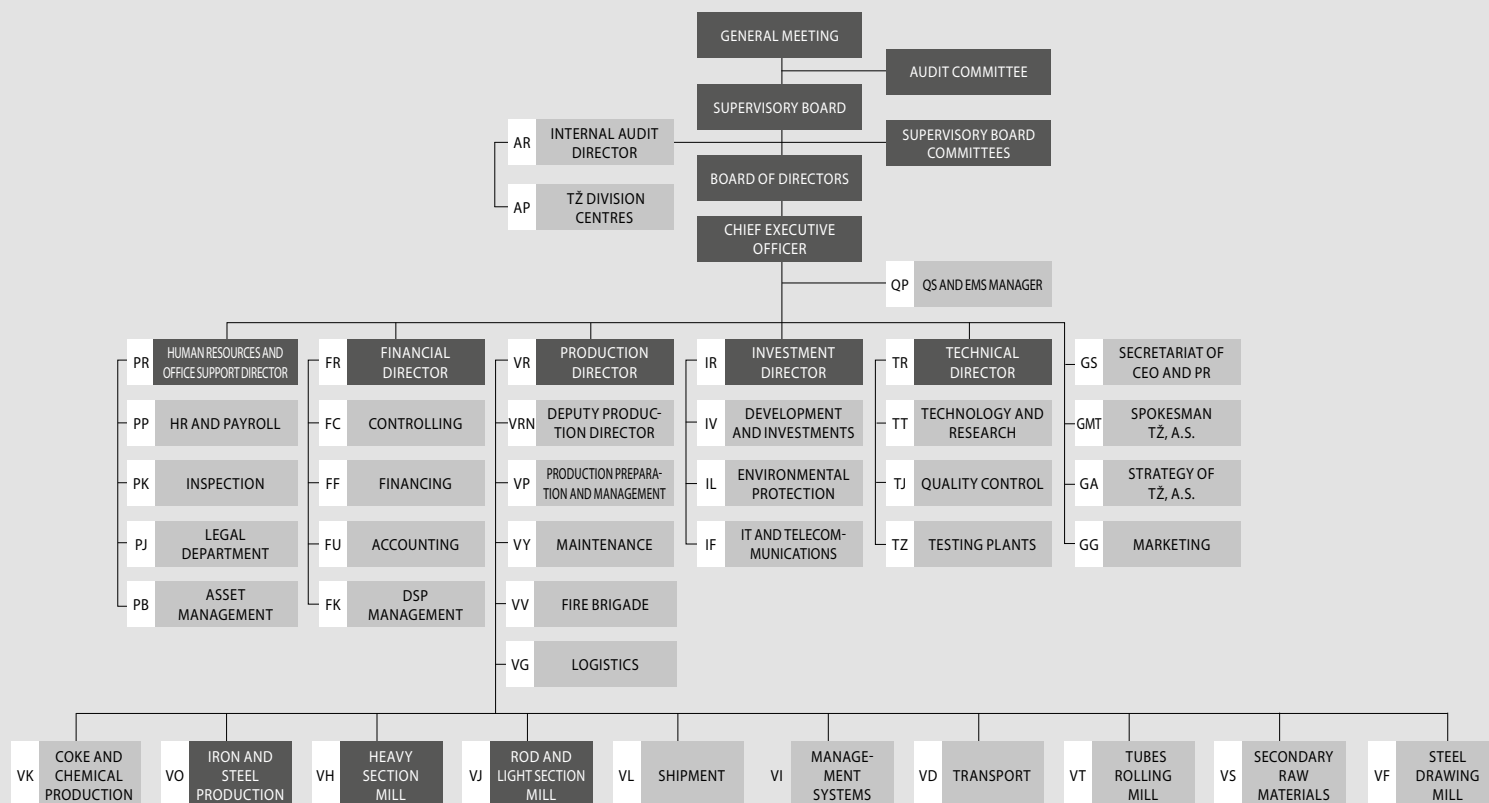
1.4. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2011

	Position	Name
Board of Directors	Chairman	Jiří Cieńčala
	1st Vice Chairman	Jan Czudek
	2nd Vice Chairman	Česlav Marek
	Member	Jan Lasota
	Member	Ivo Žižka
	Member	Henryk Huczala
	Member	Petr Popelář
Supervisory Board	Chairman	Tomáš Chrenek
	1st Vice Chairman	Ján Moder
	2nd Vice Chairman	Hanns K. Zöllner
	Member	František Ligocki
	Member	Evžen Balko
	Member	Roman Mitřega
	Member	Vladislav Heczko
	Member	Jozef Blaško
	Member	Pablo Alarcón Espinosa

During the year ended 31 December 2011, no changes were made to the composition of the Company's Board of Directors and the Supervisory Board.

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

2.1. BASIC ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2011



The bodies of the Company are as follows:

- General Meeting;
- Board of Directors;
- Supervisory Board; and
- Audit Committee.

During the year ended 31 December 2011, the following changes were made in the organisational structure of the Company:

- Formation of the VF – Steel drawing mill managed by the VR – Production Manager; and
- Change in the name of the TZ department – Testing plants and laboratories managed by the TR – Technical Manager to the new name TZ – Testing Plants.

2.2. NAMES AND REGISTERED OFFICES OF CONTROLLED ENTITIES (SUBSIDIARIES) AND ASSOCIATES INCLUDED IN THE CONSOLIDATED GROUP

The following companies were included into the consolidated group for the year ended 31 December 2011:

Controlled entities (subsidiaries):

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2011
ENERGETIKA TŘINEC, a. s.	Třinec-Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00 %
Strojírny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1038, 739 65	Metalworking, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
VÚHŽ a.s.	Dobrá 240, 739 51	Natural and social sciences research, foundry industry, locksmithing, repairs of electrical tools	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %
D 5, akciová společnost Třinec	Průmyslová 1026, 739 65 Třinec-Staré Město,	Locksmithing, carpentry, constructions and their transformations	100.00 %
"METALURGIA" S.A.	ulica Świętej Rozalii nr 10/12, 97-500, Radomsko, Poland	Production of nails, wire and wire products	100.00 %
„D&D“ Drótáru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 57, 790 81	Production of chains, chain products and drawn wire	51.00 %
REFRASIL, s.r.o.	Třinec – Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00 %

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

Associates:

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

The following companies were included into the consolidated group for the year ended 31 December 2010:

Controlled entities (subsidiaries):

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2010
ENERGETIKA TŘINEC, a. s.	Třinec-Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00 %
Strojírny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1038, 739 65	Metalworking, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
FERROMORAVIA, s.r.o.	Třinec - Staré Město, Průmyslová 1688, 686 02	Production and metallurgic processing of iron and steel	100.00 %
VÚHŽ a.s.	Dobrá 240, 739 51	Natural and social sciences research, foundry industry, locksmithing, repairs of electrical tools	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %
D 5, akciová společnost Třinec	Průmyslová 1026, 739 65 Třinec-Staré Město,	Locksmithing, carpentry, constructions and their transformations	100.00 %
"METALURGIA" S.A.	ulica Świętej Rozalii, nr 10/12, 97-500, Radomsko, Poland	Production of nails, wire and wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 57, 790 81	Production of chains, chain products and drawn wire	51.00 %
REFRASIL, s.r.o.	Třinec – Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00 %

In the year ended 31 December 2010, H & S PROGRESS s.r.o. was removed from the consolidation group due to its dissolution without liquidation as part of the merger by amalgamation with VÚHŽ, a.s. In addition, VÁLCOVNA TRUB TŽ, a.s. was removed from the consolidation group due to its dissolution without liquidation as part of the merger by amalgamation with TŘINECKÉ ŽELEZÁRNY, a. s.

Associates:

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2010
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec-Staré Město, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	18.00 %

The entities were consolidated using the direct consolidation.

The consolidation methods were used in compliance with the consolidation rules of the consolidated group – full consolidation was applied in the case of controlled entities, consolidation under the equity method was used for associates. The Company participates in the financial and operating policies of Sochorová válcovna TŽ, a.s., which was therefore consolidated using the equity method of accounting.

Financial statements of all entities – be it subsidiaries or associates of TŘINECKÉ ŽELEZÁRNY, a. s. both included and excluded from the consolidation (hereinafter also referred to as the “Group”), are maintained in the registered office of the Company for presentation purposes.

2.3. THE BALANCE SHEET DATES AND REGISTERED OFFICES OF THE ENTITIES INCLUDED IN THE CONSOLIDATED GROUP

The financial statements of the companies included in the consolidated group were prepared as of and for the years ended 31 December 2011 and 2010. “METALURGIA” S.A. is based in Poland, „D&D” Drótáru Zrt. in Hungary, and other companies in the consolidation group are based in the Czech Republic.

2.4. COMPANIES EXCLUDED FROM CONSOLIDATION

Entities in which the Company has control or substantial influence are not included in the consolidated group if:

- The assets of such an entity do not exceed CZK 150 million;
- The equity share in the entity in proportion to the equity in all of the Group’s entities is less than 1.5 percent;
- The share in the entity’s net turnover (revenues of account class 6) in the aggregate net turnover of all of the Group’s entities is less than 1.5 percent;
- Long-term restrictions hinder the Company’s rights connected to the control of assets or management, or, in exceptional cases, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable and provable undue delay;
- The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

The companies which meet the condition set out in the first paragraph for non-inclusion in the consolidated group, thereby not entering into consolidation based on individual assessment, must also meet the group materiality criterion. Under the group materiality criterion, these companies are taken as one whole. The total assets of this whole must be less than CZK 500 million, while in subsidiaries and associates the value of assets for these purposes is recalculated using the percentage of the ownership share of the Company, the equity share of this whole in all of the Group’s entities must be less than 5 percent and the share in the net turnover (revenues of account class 6) in all of the group’s entities must be less than 5 percent. If the assets are less than CZK 500 million and the equity share is less than 5 percent while the share in the net turnover exceeds 5 percent, the decisive fact for inclusion in the consolidated group is whether the revenues largely generated by the company with related parties would have an immaterial impact on the profit and loss account after eliminating intercompany deliveries. For calculating materiality levels, all companies 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 purpose of preparing the consolidated financial statements of the TŘINECKÉ železářny, a. s. Group, accounting principles and policies used within the Group were brought into line. Significant accounting principles and policies as they are used by individual companies are set out below.

These consolidated financial statements are presented in thousands of Czech crowns (‘CZK’).

3.1. FINANCIAL REPORTING PERIOD

The consolidated financial statements of the Group for the year ended 31 December 2011 were prepared as follows:

- The balance sheet contains comparative amounts as of 31 December 2010;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2010;
- The statement of changes in equity contains comparative amounts as of 31 December 2010; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2010.

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) 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 Foundation Deed.

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 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 also expensed through the account 'Services' in the year of acquisition.

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

The results of the 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 also referred to as the "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 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 recorded as a component of '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'. An upward revaluation of the emission allowances is not recognised. If there is a lack of allowances at the consolidated balance sheet date, a reserve is recognised 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
Machines 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 depreciation period of the related asset is appropriately adjusted.

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 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).

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:

Equity investments are valued at cost less 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 through balance sheet accounts 'Other non-current securities and equity investments' and 'Gains and losses from the revaluation of assets and liabilities'. A deferred tax is determined in respect of the revaluation difference where the value of available-for-sale securities increases, and is recorded through accounts 'Gains and losses from the revaluation of assets and liabilities' and 'Deferred tax liability'.

Upon sale or any other disposal, they are valued on the basis of the weighted average of the costs.

Investments in enterprises in which entities consolidated using the full 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 entities consolidated using the full 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 a non-current financial asset 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, the results of its operations and reflects its interest in the entity's equity.

4.3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are designated as either trading or hedging. The criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, a decision was made regarding hedged items and hedging instruments, risks to be hedged, the approach to establishing and documenting whether the hedge is effective;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis, the effectiveness is assessed at the derivative trade date and subsequently 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 financial instruments are concluded for the contracted transaction volume.

Derivative financial instruments are carried at fair value at the consolidated balance sheet date. In determining the fair value, the Company has referred to the market value.

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, or 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 principally consist of cash on hand and cash at bank and short-term debt securities with a maturity of less than 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 custom fees, freight costs and storage fees during transportation, commissions and insurance charges.

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

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

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

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

Provisioning

Provisions against the 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 valuation, movement, 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 (against receivables from other than Group companies) are created as follows:

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

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

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

4.7. PAYABLES

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

4.8. LOANS AND BORROWINGS

Valuation

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

4.9. RESERVES

Other reserves are created to provide for future risks known at the 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 the Ministry of Environment No. 294/2005 Coll.

4.10. FOREIGN CURRENCY TRANSLATION

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

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

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

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. 586/92 Coll., with the exception of assets used by the company TRINECKÉ ŽELEZÁRNY, a. s., namely in the plant Univerzální trať Bohumín plant and the Tube Rolling Mill (the VT operation) and the assets used in the company Slévárny Třinec, a.s. which are depreciated using the straight line method.

4.12.2. 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 Group's liability for current tax is calculated using tax rates that have been enacted by the 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 included directly in expenses regardless of the purpose for which they were drawn.

4.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

Staff costs of employees of an employment agency temporarily assigned to work pursuant to the agreement with the employment agency are reported as part of social costs which include the actually paid salaries including social security costs and health insurance. The costs of other aids and protective drinks for agency employees are reported under 'Consumed material and energy'. Other services of the agency, such as mediation fees and agency 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 consolidated financial statements requires the Group companies 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 Group companies have made these estimates and assumptions on the basis of all the relevant information available to them. 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 and intangible). The output of a research and development 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 ACCOUNTING POLICIES

With effect from 2011, the Company has changed the policy of valuing internally produced inventory during the period. Internally produced inventory is valued at cost using a costing formula in which the pure charge is valued at the actual cost and processing costs are valued at planned rates of the particular year. The previous practice was to value the pure charge at planned costs during the reporting period.

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.

4.19. SUBSIDIES

Operating subsidies

Operating subsidies received are credited to income on an accruals basis (refer to Note 7.2.).

Subsidies for the acquisition of fixed assets

Subsidies reduce the cost of assets.

4.20. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

For cash flow 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)

	31 Dec 2011	31 Dec 2010
Cash	3 915	3 663
Current accounts	911 991	746 180
Term deposit	3 655	9 641
Current securities and equity investments	94 675	186 939
Provisions against short-term securities and equity investments	-14 675	-
Total cash and cash equivalents	999 561	946 423

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 Company. Furthermore, financial investments of the 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 Company were eliminated from the balance sheet against acquired equity. The assets in the consolidated balance sheet included the item '*Securities and investments under equity accounting*', whose balance 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 investments*' which represents the Company's share in the current period's results of associates, 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 the consolidated entity and its value determined on the basis of the 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 investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company.

Amortisation charges of goodwill arising on consolidation are recognised in a special consolidated profit and loss account line item.

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.

The consolidation of the financial statements was performed using the direct consolidation method.

The financial statements for the years ended 31 December 2011 and 2010 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 statement preparation date are available in the registered office of the Company.

The consolidation rules for 2010 and 2011 (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 Company.

5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

5.1. CONSOLIDATED PROFIT/LOSS FOR 2011

5.1.1. Structure of the Consolidated Profit/Loss for 2011

(CZK thousand)

Profit/(loss) of the current period - TŘINECKÉ ŽELEZÁRNY, a. s.	1 377 411
Profit/(loss) of the current period - ENERGETIKA TŘINEC, a.s.	23 031
Profit/(loss) of the current period - Strojírny Třinec, a.s.	7 914
Profit/(loss) of the current period - Slévárny Třinec, a.s.	1 894
Profit/(loss) of the current period - Šroubárna Kyjov, spol. s r.o.	11 959
Profit/(loss) of the current period - D 5, akciová společnost, Třinec	12 243
Profit/(loss) of the current period - VÚHŽ a.s.	22 758
Profit/(loss) of the current period - „METALURGIA“ S.A.	6 454
Profit/(loss) of the current period - „D&D“ Drótáru Zrt.	-78 420
Share in profit of the current period - REFRASIL, s.r.o.	21 047
Share in profit of the current period - Řetězárna a.s.	21 272
Share in profit/(loss) of equity accounted investments	79 646
Adjustments within full consolidation (see below)	-127 989
Adjustments within the equity method of consolidation (see below)	-3 605
Consolidated profit	1 375 615

5.1.2. Adjustments within Full Consolidation for 2011

(CZK thousand)

Elimination of profits and losses from unrealised inventory from intercompany sales of inventory in the consolidated group, including the deferred tax impact	18 197
Write-off of the revaluation of assets at fair value including the deferred tax impact	-52 460
Write-offs of the margin from the sale of assets	18 299
Elimination of declared dividends of the consolidated group entities	-174 170
Elimination of provisioning against „D&D“ Drótáru Zrt.	62 145
Total adjustments	-127 989

5.1.3. Adjustments within the Equity Method of Accounting for 2011

(CZK thousand)

Elimination of profit and loss from unrealised inventory	-3 605
Total adjustments	-3 605

5.2. CONSOLIDATED PROFIT/LOSS FOR 2010

5.2.1. Structure of the Consolidated Profit/Loss for 2010

(CZK thousand)

Profit/(loss) of the current period - TŘINECKÉ ŽELEZÁRNY, a. s.	-632 117
Profit/(loss) of the current period - ENERGETIKA TŘINEC, a.s.	57 542
Profit/(loss) of the current period - Strojírny Třinec, a.s.	31 809
Profit/(loss) of the current period - Slévárny Třinec, a.s.	4 696
Profit/(loss) of the current period - FERROMORAVIA, s.r.o.	39 339
Profit/(loss) of the current period - Šroubárna Kyjov, spol. s r.o.	37 232
Profit/(loss) of the current period - D 5, akciová společnost, Třinec	4 938
Profit/(loss) of the current period - VÚHŽ a.s.	28 550
Profit/(loss) of the current period - „METALURGIA“ S.A.	-19 149
Share in profit of the current period - REFRASIL, s.r.o.	22 461
Share in profit of the current period - Řetězárna a.s.	6 727
Share in profit/(loss) of equity accounted investments	80 043
Adjustments within full consolidation (see below)	-656 975
Adjustments within the equity method of consolidation (see below)	-52 184
Consolidated profit	-1 047 088

5.2.2. Adjustments within Full Consolidation for 2010

(CZK thousand)

Elimination of profits and losses from unrealised inventory from intercompany sales of inventory in the consolidated group, including the deferred tax impact	-49 665
Write-off of revaluation of assets to fair value including the deferred tax impact	-77 696
Write-offs of the margin from the sale of assets	2 398
Amortisation of negative goodwill on consolidation	288
Elimination of declared dividends of the consolidated group entities	-532 300
Total adjustments	-656 975

5.2.3. Adjustments within the Equity Method of Accounting for 2010

(CZK thousand)

Elimination of dividends paid by VESUVIUS ČESKÁ REPUBLIKA, a.s.	-48 000
Elimination of profit and loss from unrealised inventory	-4 184
Total adjustments	-52 184

6. ADDITIONAL CONSOLIDATED BALANCE SHEET INFORMATION

6.1. INTANGIBLE FIXED ASSETS

Cost

(CZK thousand)

	Balance at 1 Jan 2010	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2010
Research and development	6 243	0	0	-37	6 206
Goodwill	376	0	0	-8	368
Software	228 069	4 570	8 107	-41	224 491
Valuable rights	78 443	0	88	-6	78 349
Other intangible FA	74 562	1 567 057	1 599 772	0	41 847
Intangible FA under construction	0	68 771	67 578	0	1 193
Prepayments made for intangible FA	0	0	0	0	0
Total	387 693	1 640 398	1 675 545	-92	352 454

	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2011
Research and development	0	1	1 517	-137	4 553
Goodwill	0	0	0	-30	338
Software	5 358	8 600	8 371	-622	229 456
Valuable rights	11 442	2 322	112	-1 026	90 975
Other intangible FA	0	2 080 556	2 014 837	0	107 566
Intangible FA under construction	0	170 008	171 201	0	0
Prepayments made for intangible FA	0	0	0	0	0
Total	16 800	2 261 487	2 196 038	-1 815	432 888

Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2010	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2010
Research and development	2 828	911	0	-37	3 702
Goodwill	376	0	0	-8	368
Software	206 497	11 333	8 071	-41	209 718
Valuable rights	45 629	3 177	486	0	48 320
Other intangible FA	159	621	0	13	793
Intangible FA under construction	0	0	0	0	0
Prepayments made for intangible FA	0	0	0	0	0
Total	255 489	16 042	8 557	-73	262 901

(CZK thousand)

	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2011
Research and development	0	910	1 517	-136	2 959
Goodwill	0	0	0	-30	338
Software	5 358	6 559	8 370	-622	212 643
Valuable rights	5 954	3 973	350	-521	57 376
Other intangible FA	0	634	0	0	1 427
Intangible FA under construction	0	0	0	0	0
Prepayments made for intangible FA	0	0	0	0	0
Total	11 312	12 076	10 237	-1 309	274 743

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Research and development	2 504	1 594
Goodwill	0	0
Software	14 773	16 813
Valuable rights	30 029	33 599
Other intangible FA	41 054	106 139
Intangible FA under construction	1 193	0
Prepayments made for intangible FA	0	0
Total	89 553	158 145

The tables of movements within intangible fixed assets include the column 'New acquisition' relating to the expansion of the consolidated group to include „D&D“ Drótáru Zrt. in 2011. Additions to and disposals of 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 amounted to CZK 12,138 thousand and CZK 16,071 thousand as of 31 December 2011 and 2010, respectively.

Other intangible assets primarily include greenhouse gas emission allowances.

It is anticipated that the number of allowances allocated necessary to cover the consumption of greenhouse gas emissions will be insufficient by the end of 2011. For this reason, a reserve was recognised for these missing allowances in the amount of CZK 2,504 thousand as of 31 December 2011. The amount of the reserve for emission allowances as of 31 December 2010 was CZK 62,026 thousand.

During the year ended 31 December 2011, the Company sold 781,738 EUA emission allowances in the amount of CZK 279,474 thousand and concurrently purchased 853,349 ERU emission credits in the amount of CZK 259,391 thousand and 51,727 EUA emission allowances in the amount of CZK 20,083 thousand.

Aggregate Balance of Low Value Intangible Assets not Reported on the Balance Sheet

The aggregate balance of low value intangible assets not reported on the face of the balance sheet was CZK 33,675 thousand and CZK 33,242 thousand as of 31 December 2011 and 2010, respectively.

6.2. TANGIBLE FIXED ASSETS**Cost**

(CZK thousand)

	Balance at 1 Jan 2010	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2010
Land	462 330	3	520	0	461 813
Structures	9 096 449	180 137	14 303	-4 840	9 257 443
Individual movable assets	25 351 413	1 020 062	517 551	-10 420	25 843 504
Other tangible FA	4 741	0	1 577	-31	3 133
Tangible FA under construction	723 697	1 673 737	1 211 830	-64	1 185 540
Prepayments for tangible FA	127 578	125 919	227 165	0	26 332
Total	35 766 208	2 999 858	1 972 946	-15 355	36 777 765

(CZK thousand)

	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2011
Land	40 467	121	1 592	-1 738	499 071
Structures	119 598	254 644	6 774	-25 450	9 599 461
Individual movable assets	424 128	1 447 461	228 359	-73 826	27 412 908
Other tangible FA	27 542	1 981	8 492	-2 537	21 627
Tangible FA under construction	8 314	821 141	1 705 352	-812	308 831
Prepayments for tangible FA	162	85 658	88 938	-14	23 200
Total	620 211	2 611 006	2 039 507	-104 377	37 865 098

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2010	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2010
Land	0	0	0	0	0
Structures	4 540 955	240 248	18 588	-2 654	4 759 961
Individual movable assets	16 813 290	1 138 075	480 661	-9 116	17 461 588
Other tangible FA	1 297	32	1 199	-21	109
Tangible FA under construction	15 334	1 065	7 548	-18	8 833
Total	21 370 876	1 379 420	507 996	-11 809	22 230 491

(CZK thousand)

	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2011
Land	0	0	0	0	0
Structures	10 573	231 207	20 088	-10 994	4 970 659
Individual movable assets	166 196	1 140 263	240 327	-48 045	18 479 675
Other tangible FA	18 309	3 805	8 323	-1 662	12 238
Tangible FA under construction	0	28 273	712	0	36 394
Total	195 078	1 403 548	269 450	-60 701	23 498 966

Net Book Value

(CZK thousand)

Net book value	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Land	461 813	499 071
Structures	4 497 482	4 628 802
Individual movable assets	8 381 916	8 933 233
Other tangible FA	3 024	9 389
Tangible FA under construction	1 176 707	272 437
Prepayments for tangible FA	26 332	23 200
Valuation difference on acquired assets	0	0
Total	14 547 274	14 366 132

The tables of movements within tangible fixed assets include the column 'New acquisition' in 2011 relating to the expansion of the consolidated group to include „D&D“ Drótáru Zrt.

Principal additions to tangible fixed assets for the year ended 31 December 2011 are as follows:

(CZK thousand)

Construction of a new coke battery 12 and modernisation of its surroundings	1 204 462
Renovation of the roof of the C rolling mill hall	44 138
Extension of the equipment in the ZPO ₁ continuous steel casting plant	33 105
KER 8 bending machine	25 263
KEH 8 welding machine	21 631
Hall II – improvements	13 074
Centralised management of raw materials adjustment lines	12 508
BUC 85C CNC/4000 Profi plain grinding machine	11 373

Principal additions to tangible fixed assets under construction for the year ended 31 December 2011 were as follows:

(CZK thousand)

Acquisition of follow-me vehicle no.as part of KB12	44 419
Grinding line at VT	15 717
Acquisition of industrial vacuum cleaners as part of KB12	13 275

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,350,277 thousand and CZK 1,386,058 thousand as of 31 December 2011 and 2010, respectively.

Aggregate Balance of Low Value Tangible Assets not Reported on the Balance Sheet

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 594,730 thousand and CZK 533,338 thousand as of 31 December 2011 and 2010, respectively.

Fair Value

As of the acquisition date in 2011, the assets of „D&D“ Drótáru Zrt. were revalued at fair value.

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

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

31 December 2011

(CZK thousand)

	Cars	Machinery and equipment	Balance at 31 Dec 2011
Total anticipated lease payments	3 767	28 561	32 328
Actual lease payments made through 31 Dec 2011	3 068	19 731	22 799
Future payments due by 31 Dec 2012	504	4 812	5 316
Future payments due in the following periods	195	4 018	4 213

31 December 2010

(CZK thousand)

	Cars	Machinery and equipment	Balance at 31 Dec 2010
Total anticipated lease payments	10 542	110 455	120 997
Actual lease payments made through 31 Dec 2010	8 151	96 834	104 985
Future payments due by 31 Dec 2011	1 295	4 812	6 107
Future payments due in the following periods	1 096	8 809	9 905

Operating Lease

Lease payments of CZK 51,645 thousand and CZK 45,033 thousand were made in the years ended 31 December 2011 and 2010, respectively.

6.4. PLEDGED FIXED ASSETS

31 December 2011

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	652 672	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc – Prague branch and CITIBANK Europe plc
Land	40 732	
Tangible fixed assets	284 172	Loan from Citibank, a.s.
Tangible fixed assets	604 529	Loan from Česká spořitelna, a.s.
Tangible fixed assets *	115 780	Loan from Fortis Bank Polska S.A., collateralised by assets up to PLN 20,000 thousand
Tangible fixed assets *	43 417	Loan from ING Bank Śląski S.A., collateralised by assets up to PLN 7,500 thousand
Tangible fixed assets *	38 789	Government grant from National Development Agency
Tangible fixed assets	44 451	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible fixed assets	18 278	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible fixed assets	12 376	Long-term loan from ČSOB, a.s.
Tangible fixed assets	28 176	Long-term loan from KB, a.s.
Tangible fixed assets, Land	2 133	Loan from CITIBANK Europe plc.
Tangible fixed assets, land	1 020	Loan from CITIBANK Europe plc.
Tangible fixed assets, Land	815	Loan from CITIBANK Europe plc
Tangible fixed assets, Land	361	Loan from CITIBANK Europe plc
Tangible fixed assets, Land	15 665	Investment loan from ČSOB, a.s.
Land	173	Investment loan from ČSOB, a.s.
Tangible fixed assets, buildings	97 206	Overdraft loan from ČSOB, a.s.
Land	10 614	Overdraft loan from ČSOB, a.s.
Technology	58 417	Investment loan from ČSOB, a.s.
Tangible fixed assets	141 996	Loan from KB, a.s.
Tangible fixed assets, technology	23 300	Česká spořitelna, a.s. – pledge in favour of the loan of Třinecké železářny, a. s. for KB 12 coke battery
Total	2 235 072	

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

31 December 2010

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	104 964	Loan from ČSOB, a.s.
Tangible fixed assets	312 790	Loan from Citibank, a.s.
Tangible fixed assets	346 419	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc -
Land	40 732	Prague branch and CITIBANK Europe plc
Tangible fixed assets	638 794	"Big Mannesmann" rolling mill. Loan from Česká spořitelna, a.s.
Tangible fixed assets *	126 160	Loan from Fortis Bank Polska S.A. collateralised by assets up to PLN 20,000 thousand
Tangible fixed assets	15 004	Long-term loan from KB, a.s.
Tangible fixed assets	20 888	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible fixed assets	14 529	Long-term loan from ČSOB, a.s.
Tangible fixed assets	32 939	Long-term loan from KB, a.s.
Tangible fixed assets, land	2 371	Loan from Citibank a.s.
Tangible fixed assets, land	1 133	Loan from Citibank, a.s.
Tangible fixed assets, land	906	Loan from Citibank, a.s.
Tangible fixed assets, land	401	Loan from Citibank, a.s.
Tangible fixed assets, land	87 147	Loan from ČSOB, a.s.
Land	10 506	Loan from ČSOB, a.s.
Technology	86 508	Loan from ČSOB, a.s.
Tangible fixed assets	120 468	Loan from KB, a.s.
Technology	37 401	Loan from KB, a.s.
Technology	272 854	Loan from Raiffeisen Bank, a.s.
Tangible fixed assets, technology	24 575	Česká spořitelna, a.s. – pledge in favour of the loan of Třinecké železáren, a. s. for KB 12 coke battery
Total	2 297 489	

Note: * translated using the exchange rate of the Czech National Bank as of 31 December 2010.

6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

6.5.1. Equity Investments in Subsidiaries

31 December 2011

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net book value	Financial income for the year
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	–	100,00	39 603	2 237	0	25 643	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100,00	34 404	3 023	0	15 755	25 000
TRIALFA, s.r.o., Třinec-Kanada	100	100	–	100,00	17 867	227	0	100	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100,00	1 509	–92	–17 490	1 510	0
Retaze Slovakia s.r.o., Skalica, Slovensko	13 766	4 936	–	80,00	17 208	2 835	0	13 766	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	–	89,11	46 498	2 051	0	*	0
TRISIA, a.s., Třinec	19 364	9 900	990	66,00	60 609	–1 504	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn, Polsko	49 750	48 558	–	88,00	44 220	457	0	49 750	0
Moravia Security, a.s., Třinec-Konská	12 000	12 000	12	100,00	14 734	939	0	12 000	0
Neomet Sp. z o.o., Radomsko, Polsko	1 007	1 007	3 400	100,00	984	23	–1 007	0	0
Moravia Steel Poland Sp. z o.o., Cieszyn, Polsko	170	170	100	100,00	289	35	0	170	0
Střední odborná škola Třineckých železáren, Třinec-Kanada **	2 000	2 000	–	100,00	77 612	–	0	2 000	0
Total	176 591						–18 497	158 094	25 000

Note: * confidential

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

italics – preliminary results as of 31 December 2011

31 December 2010

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net book value	Financial income for the year
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100.00	37 366	2 522	0	25 643	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	59 293	11 637	0	15 755	30 000
TRIALFA, s.r.o., Třinec - Kanada	100	100	0	100.00	18 515	3 682	0	100	7 000
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100.00	1 695	-77	-17 381	1 619	0
Reťaze Slovakia s.r.o., Skalica, Slovensko	11 870	4 936	0	80.00	14 838	991	0	11 870	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	0	89.11	44 921	1 831	0	*	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	62 168	-1 602	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością Cieszyn, Polsko	7 920	7 920	0	88.00	6 708	43	0	7 920	0
Moravia Security, a.s., Třinec - Kanská	12 000	12 000	12	100.00	9 238	312	0	12 000	0
Neomet Sp. z o.o., Radomsko, Poland	1 097	21	-	100.00	-	-	1 097	0	0
Soukromá střední škola Třinec, Třinec-Kanada **	2 000	2 000	0	100.00	77 612	122	0	2 000	0
Total	174 615						-18 478	156 137	37 000

Note: * confidential

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

6.5.2. Equity Investments in Associates

31 December 2011

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year
SILESIALAG, a.s., Třinec-Staré Město	1 760	1 760	74	44.00	3 669	-80	-145	1 615	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34.09	10 826	177	0	750	0
Kvalifikační a personální agentura, o.p.s., Třinec-Staré Město	34	34	-	33.33	7 021	359	-34	0	0
Hutnictví železa, a.s., Prague	25 963	16 397	27 328	39.21	46 383	-236	-17 097	8 866	0
HRAT, s.r.o., Třinec*	212	100	-	23.26	2 237	417	0	212	0
Total	28 719						-17 276	11 443	0

Note.: *results for the period from 1 April 2011 – 31 March 2012

italics – preliminary results as of 31 December 2011

31 December 2010

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year
SILESIALAG, a.s., Třinec-Staré Město	1 760	1 760	74	44.00	3 733	-93	-118	1 642	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34.09	10 707	98	0	750	0
Kvalifikační a personální agentura, o.p.s., Třinec-Staré Město	34	34	0	33.33	7 384	-46	-34	0	0
Hutnictví železa, a.s., Praha	25 963	16 397	27 328	39.21	46 383	-236	-16 317	9 646	0
HRAT, s.r.o., Třinec*	212	100	0	23.26	2 390	-62	0	212	0
Total	28 719						-16 469	12 250	0

Note *results for the period from 1 April 2010 – 31 March 2011.

6.5.3. Other Non-current Securities and Equity Investments

31 December 2011

(CZK thousand)

Company	Cost	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Valuation difference	Fair value	Financial income for the year
KPM CONSULT, a.s., Brno	100	100	10	10.00	17 297	282	0	100	0
Informetal zájmové sdružení, Dobrá	20	20	0	5.00	0	0	0	20	0
Družstvo Envicrack, Ostrava - Vítkovice	3	3	0	0	0	0	0	3	0
ACRI - Asociace podniků českého železničního průmyslu, Prague 1 – Nové Město	20	20	0	2.08	1 200	38	-20	0	0
Huta Stalowa Wola, Poland	81	0	0	0.0087	0	0	-81	0	0
RZPS Radomskór Radom, Poland	3	0	0	0.01	0	0	-3	0	0
Total	227						-104	123	0

Note: italics - preliminary results as of 31 December 2011

31 December 2010

(CZK thousand)

Equity securities and investments in companies with a minority interest, ie under 20 %									
Company	Cost	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Valuation difference	Fair value	Financial income for the year
KPM CONSULT, a.s., Brno	100	100	10	10.00	17 015	374	0	100	0
SAVER Česká Ves, s.r.o.	121	121	0	10.00	19 791	6 181	0	121	0
Informetal zájmové sdružení, Dobrá	20	20	0	5.00	0	0	0	20	0
Družstvo Envicrack, Ostrava - Vítkovice	4	4	0	0	0	0	0	4	0
ACRI - Asociace podniků českého železničního průmyslu, Prague 1 – Nové Město	20	20	0	2.08	1 102	5	-20	0	0
Huta Stalowa Wola, Poland	88	0	0	0.0087	0	0	-88	0	0
RZPS Radomskór Radom, Poland	3	0	0	0.01	0	0	-3	0	0
Total	356						-111	245	0

6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2011

(CZK thousand)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation						
„D&D“ Drótáru Zrt.	365 580	0	365 580	0	0	0
Total	365 580	0	365 580	0	0	0

In the year ended 31 December 2011, positive goodwill arising on consolidation of „D&D“ Drótáru Zrt. in the amount of CZK 365,580 thousand was recognised. Part of the goodwill includes the deferred tax arising from the revaluation of assets and liabilities of „D&D“ Drótáru Zrt. which was recognised against the positive goodwill arising on consolidation of CZK 4,890 thousand.

2010

(CZK thousand)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Negative goodwill arising on consolidation						
“METALURGIA” S.A.	0	0	0	0	0	288
Total	0	0	0	0	0	288

In the year ended 31 December 2010, negative goodwill arising on consolidation of “METALURGIA” S.A. in the amount of CZK 288 thousand was recognised in income.

6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK thousand)

Securities and equity investments under equity accounting	2011	2010
VESUVIUS ČESKÁ REPUBLIKA, a.s.	105 900	76 561
Sochorová válcovna TŽ, a.s.	358 774	312 918
Total	464 674	389 479

6.8. PLEDGED NON-CURRENT FINANCIAL ASSETS

No pledged non-current financial assets have been recorded.

6.9. INVENTORY

As of 31 December 2011 and 2010, provisions were created against inventory in the aggregate amounts of CZK 623,127 thousand and CZK 650,605 thousand, respectively. The provision against material amounted to CZK 258,276 thousand (2010: CZK 226,496 thousand), the provision against work in progress and semi-finished products amounted to CZK 300,264 thousand (2010: CZK 296,469 thousand) and the provision against finished products amounted to CZK 64,216 thousand (2010: CZK 126,878 thousand), the provision against goods amounted to CZK 371 thousand (2010: CZK 762 thousand).

6.10. RECEIVABLES*6.10.1. Short-Term Receivables***Aging of Short-Term Trade Receivables**

(CZK thousand)

Year	Category	Before due date	Past due date					Total
			1 – 90 days	91 - 180 days	181 – 360 days	1 - 2 years	2 years and greater	
2011	Short-term	3 597 875	148 432	9 805	2 433	30 360	106 864	3 895 769
	Provisions	-737	-1	-181	- 1 561	-30 303	- 106 831	-139 614
	Total	3 597 138	148 431	9 624	872	57	33	3 756 155
2010	Short-term	3 542 708	119 989	5 445	9 325	61 356	74 516	3 813 339
	Provisions	-753	-117	-530	-5 297	-61 356	-74 375	-142 428
	Total	3 541 955	119 872	4 915	4 028	0	141	3 670 911

Other Short-Term Receivables

Other short-term prepayments made principally involve prepayments for supplied services.

State – tax receivables predominantly include an excessive deduction of the value added tax and prepayments for fees according to the Air Protection Act.

Other receivables principally include receivables arising from bank guarantees 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. Pledged Receivables

D 5, akciová společnost, Třinec, records pledged receivables of CZK 50 million in relation to the loan from Československá obchodní banka, a.s. of which the receivables of no less than CZK 20 million are from debtors outside the TŘINECKÉ ŽELEZÁRNY, a. s. and MORAVIA STEEL a.s. groups.

Šroubárna Kyjov, spol. s r.o. records pledged receivables:

- Arising from Loan Contract no. 0048/07/05527 of CZK 60 million and accrued interest (overdraft); and
- Arising from Loan Contract No. 0707/06/05527 of EUR 2.4 million and accrued interest for the acquisition of the Sakamura machine.

„METALURGIA“ S.A. records pledged receivables of PLN 8,087,432.72 with ING Commercial Finance Polska S.A.

6.10.3. Intercompany Receivables

Short-term Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
• Trade receivables		
Doprava TŽ, a.s.	2 461	2 252
Moravia Security, a.s.	149	143
MORAVIA STEEL a.s.	2 630 618	2 531 572
Retáže Slovakia, s.r.o.	0	291
TRIALFA, s.r.o.	3 824	2 728
TŘINECKÁ PROJEKCE, a.s.	127	233
Třinecké gastroslužby, s.r.o.	1 054	1 543
Sochorová válcovna TŽ, a.s.	355 794	424 798
Kvalifikační a personální agentura, o.p.s.	3	3
TRISIA, a.s.	3	6
VESUVIUS ČESKÁ REPUBLIKA, a.s.	4 373	3 831
Beskydská golfová, a.s.	37	37
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	0	2 354
NEOMET, S.A.	1	4
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM s.r.o.	116	13
Hanácké železářny a pérovny, a.s.	306	183
Střední odborná škola Třineckých železáren*	148	127
SILESIAFLAG, a.s.	1	3
M Steel Projects a.s.	48	24
Steel Consortium Partners, a.s.	1	1
Security Morava, s.r.o.	8	1
Moravskoslezský kovošrot, a.s.	513	1 640
HRAT, s.r.o.	5	7
FINITRADING, a.s.	1	0
Moravia Steel Poland Sp. z o.o.	1	0
Total	2 999 592	2 971 794
Total short-term intercompany receivables	2 999 592	2 971 794
Other than intercompany receivables	1 089 906	911 880
Total short-term receivables	4 089 498	3 883 674

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

Long-Term Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
• Trade receivables		
Sochorová válcovna TŽ, a.s.	3 378	3 378
Total	3 378	3 378
Total long-term intercompany receivables	3 378	3 378
Other than intercompany receivables	30 983	94 449
Total long-term receivables	34 361	97 827

Other than intercompany long-term receivables of the Company as of 31 December 2010 include a deferred tax asset of CZK 73,983 thousand.

6.11. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Cash	3 915	3 663
Current accounts	911 991	746 180
Term deposit	3 655	9 641
Short-term securities and equity investments	94 675	186 939
Provision against securities	-14 675	0
Total current financial assets	999 561	946 423

Short-term securities and equity investments as of 31 December 2011 include a short-term depository note of ČSOB, a.s. of CZK 65,000 thousand, a depository note of Raiffeisenbank, a.s. of CZK 15,000 thousand and tradable securities of CZK 14,675 thousand which were provisioned in the amount of CZK 14,675 thousand in 2011.

Short-term securities and equity investments as of 31 December 2010 include a short-term depository note of ČSOB, a.s. of CZK 102,368 thousand, a depository note of Raiffeisenbank, a.s. of CZK 70,000 thousand and tradable securities of CZK 14,571 thousand.

6.12. TEMPORARY ASSETS

As of 31 December 2011 and 2010 deferred expenses principally consisted of the deferred cost of the right to use new technologies of CZK 10,000 thousand and CZK 20,000 thousand, respectively. In addition, deferred expenses include deferred fees for the vacating of the territory of customers for direct entry of VÚHŽ a.s. in favour of VESUVIUS GROUP S.A., deferred commission for an additional allocation of allowances and advertising.

Complex deferred expenses primarily consist of the deferred implementation of information systems of CZK 6,409 thousand and CZK 8,410 thousand as of 31 December 2011 and 2010, respectively.

6.13. EQUITY

Allocations to the statutory reserve fund are made at 5 percent of net profits until the fund reaches 20 percent of the Company's share capital as required by legislation in consolidated entities based in the Czech Republic.

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.

On 25 September 2011, the payment of dividends for 2006 declared by the General Meeting of the Company held on 25 June 2007 which were due on 25 September 2007, became statute barred. The amount of these dividends of CZK 7,543 thousand was written off to other financial income.

6.13.1. Share Capital

The Company's share capital is composed of 8,109,863 ordinary registered shares, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share. The Extraordinary General Meeting held on 19 November 2007 approved a change of the book-entry to the certificate form of shares. The change of the form of the Company's shares was registered in the Register of Companies on 13 December 2007.

On 17 December 2009, the Company's shares in the certificate form which were not collected by their owners after the change of the book-entry to the certificate form of shares were repeatedly auctioned. There were 117 uncollected shares as of 31 December 2011. These shares could not have been auctioned as their owners pledged them in favour of a third party.

6.14. RESERVES

(CZK thousand)

	Reserves under special legislation		Reserve for pensions and similar liabilities	Income tax reserves	Other reserves	Total reserves
	Reserve for repairs	Reserve for site restoration				
Balance at 1 Jan 2010	17 480	2 068	4 105	539	183 157	207 349
Impact of foreign exchange differences	0	0	-61	-12	-49	-122
Creation	7 185	107	0	0	176 193	183 485
Use	5 766	382	438	22	134 177	140 785
Balance at 31 Dec 2010	18 899	1 793	3 606	505	225 124	249 927
Impact of foreign exchange differences	0	0	-297	-41	-146	-484
Creation	11 000	60	339	0	588 341	599 740
Use	13 899	0	25	464	515 242	529 630
Balance at 31 Dec 2011	16 000	1 853	3 623	0	298 077	319 553

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

Other reserves consist of reserves for the scrapping of equipment, employee bonuses and losses incurred in connection with a concluded long-term contract.

6.15. PAYABLES

6.15.1. Long-Term Payables

As of 31 December 2011 and 2010, long-term trade payables include the aggregate amount of CZK 38,868 thousand and CZK 43,800 thousand, respectively, relating to retentions from suppliers under concluded contracts.

6.15.2. Short-Term Trade Payables

Aging of Short-Term Trade Payables

(CZK thousand)

Year	Category	Before due date	Past due date					Total
			1 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and greater	
2011	Short-term	4 230 075	174 174	1 146	826	3 504	90	4 409 815
2010	Short-term	4 091 049	23 803	3 008	134	0	2 793	4 120 787

Payables typically fall due for settlement within 30 days. Significant payables past due more than 90 days predominantly arise from offset agreements in progress.

Other Payables

As of 31 December 2011, payables associated with social security and the state employment policy contribution amounted to CZK 101,680 thousand, health insurance payables totalled CZK 42,667 thousand. No outstanding social security or health insurance payables are reported. Payables arising from the additional pension scheme amounted to CZK 4,347 thousand as of 31 December 2011.

The category 'State – tax payables and subsidies' principally comprises personal income tax payable and received subsidies including the subsidy for greenhouse gas emission allowances.

Estimated payables mainly consist of payables arising from fees according to the Air Protection Act and an estimated payable for outstanding vacation days and annual bonuses including insurance.

Other payables primarily relate to deductions from employee salaries.

6.15.3. Intercompany Payables

Short-term Payables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
• Trade payables		
Doprava TŽ, a.s.	11 587	11 701
Kvalifikační a personální agentura, o.p.s.	30	15
Hutnictví železa, a.s.	593	602
MORAVIA STEEL, a.s.	2 342 926	2 225 081
Moravia Security, a.s.	5 750	5 488
Security Morava, s.r.o.	281	123
TRIALFA, s.r.o.	15 614	16 139
TRISIA, a.s.	752	835
TŘINECKÁ PROJEKCE, a.s.	3 999	1 990
Třinecké gastroslužby, s.r.o.	9 327	8 504
Sochorová válcovna TŽ, a.s.	20 308	13 364
VESUVIUS ČESKA REPUBLIKA, a.s.	7 894	7 380
Beskydská golfová, a.s.	1 800	1 800
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	829	930
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	97	105
Střední odborná škola Třineckých železáren*	2 762	1 847
Moravskoslezský kovošrot, a.s.	168 865	112 452
HRAT, s.r.o.	90	72
Total	2 593 504	2 408 428
• Prepayments made		
M Steel Projects a.s.	78 802	90 216
Total	78 802	90 216
• Other intercompany payables		
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	0	5 437
Total	0	5 437
Total short-term intercompany payables	2 672 306	2 504 081
Other than intercompany payables	2 708 544	2 400 856
Total short-term payables	5 380 850	4 904 937

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

6.16. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

6.16.1. 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 basis	Tax rate in %	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Difference between tax and accounting net book value of fixed assets	19	-6 380 981	-2 035 146
Difference between tax and accounting net book value of fixed assets	10	-111 099	0
Re-measurement of securities available for sale	19	20	0
Re-measurement of securities available for sale	10	295	0
Re-measurement of assets to fair value charged against equity	19	-290 103	-339 384
Re-measurement of assets to fair value charged against the goodwill arising on consolidation	10	-48 897	0
Accounting reserves	19	244 863	53 724
Accounting reserves	10	25 247	0
Provisions	19	638 370	40 885
Provisions	10	4 333	0
Outstanding default interest	19	0	-26 500
Expenses to be allowable in subsequent periods	19	149 136	18 560
Utilisable tax losses	19	2 120 308	66 658
Unrealised gains on the intragroup sale of inventory	19	22 157	40 284
Unrealised gains on intragroup sales of tangible fixed assets	19	332 784	355 663
Total tax base		-3 293 567	-1 825 256
Deferred tax liability		-614 067	-346 799

(CZK thousand)

Analysis of movements	
1 Jan 2010	-631 195
Current changes charged to the profit and loss account	268 397
Current changes recognised in equity	15 999
31 Dec 2010	-346 799
New acquisition	-11 530
Current changes charged to the profit and loss account	-260 211
Current changes recognised in equity	9 363
Recognition against the positive goodwill arising on consolidation	-4 890
31 Dec 2011	-614 067

6.16.2. Deferred Tax Asset

(CZK thousand)

	Tax rate in %	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Difference between tax and accounting net book value of fixed assets	19	-132 512	-4 419 803
Re-measurement of securities available for sale	19	0	20
Accounting reserves	19	15 364	156 870
Expenses to be allowable in subsequent periods	19	4 228	97 723
Provisions	19	10 003	641 742
Utilisable tax losses	19	114 958	3 931 923
Total tax base		12 041	408 475
Deferred tax asset		2 288	77 611

(CZK thousand)

Analysis of movements	
1 January 2010	79 157
Current changes charged to the profit and loss account	-1 465
Current changes charged to equity	-81
31 Dec 2010	77 611
Current changes charged to the profit and loss account	-74 704
Current changes charged to equity	-176
Rebilling	-443
31 Dec 2011	2 288

6.17. BANK LOANS

6.17.1. Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2011	Balance at 31 Dec 2010	Interest rate in %	Form of collateral at 31 Dec 2011
Investment	EUR	0	4 219	6M EURIBOR + 0.6	SACE guarantee insurer
Investment	EUR	65 030	139 838	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	CZK	5 000	15 000	3M PRIBOR + 0.79	No collateral
Investment	CZK	11 112	55 556	FIXED 4.65	Immovable and movable assets VP4, guarantee statement of MS, blank bill of exchange
Investment	CZK	900 000	830 923	3M PRIBOR + 1.5 (margin according to Senior Debt/EBITDA)	Movable and immovable assets KB12, receivable from insurance, blank bill of exchange
Investment	CZK/ EUR	167 573	237 571	3M PRIBOR/ EURIBOR + 0.99	Movable assets, receivable from insurance, blank bill of exchange
Investment	EUR	0	3 007	3M EURIBOR + 0.7	16-34 mm induction hardening line
Investment	EUR	0	10 024	1M EURIBOR + 0.75	KSH 602D welding machine
Investment	EUR	17 415	0	1M EURIBOR + 1.3	Line KEH8, KER8
Investment	EUR	645	3 133	3M EURIBOR + 1.6	KBA 601 bending machine
Investment	EUR	7 469	17 278	6M EURIBOR + 1.3	Receivables, Sakamura press
Investment	CZK	0	0	6M PRIBOR + 1.3	Receivables, real estate
Investment	CZK/ EUR	20 849	47 795	6.74% 3M PRIBOR + 2.5	Statement of the parent company, pledge of assets, blank bills of exchange
Total		1 195 093	1 364 344		

6.17.2. Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2011	Balance at 31 Dec 2010	Interest rate in %	Form of collateral at 31 Dec 2011
Investment	CZK	0	15 000	FIXED 4.3	Movable assets, guarantee statement of MS
Investment	CZK	44 444	44 444	FIXED 4.65	Immovable and movable assets, guarantee statement of MS, blank bill of change
Investment	EUR	78 937	80 095	6M EURIBOR + 0.6	Hermes guarantee insurer
Overdraft	CZK	232 399	0	O/N PRIBOR + 0.9	Blank bill of exchange
Overdraft	CZK	0	295 906	1M PRIBOR+0.9	Blank bill of exchange
Overdraft	CZK	160 780	479 291	1D PRIBOR + 0.95	Blank bill of exchange
Investment	CZK	200 000	100 000	3M PRIBOR + 1.5 (margin according to Senior Debt/EBITDA)	Movable and immovable assets, receivable from insurance, blank bill of exchange
Overdraft	CZK		32 306	1M PRIBOR + 1.6	-
Short-term	CZK	200 000	0	1M PRIBOR + 1.1	Blank bill of exchange
Investment	EUR/ CZK	27 800	27 311	6.74 3M PRIBOR + 2.5	Statement of the parent company, pledge of assets, blank bills of exchange
Investment	CZK	0	19 400	3M PRIBOR + 1.59	Pledge of movable and immovable assets and blank bill of exchange
Operating	CZK	0	28 653	1 day PRIBOR + 1.5	Blank bill of exchange
Investment	EUR	4 343	8 438	6M EURIBOR + 0.6	SACE guarantee insurer
Overdraft	CZK	0	43 306	1T PRIBOR + 1.0	Blank bill of exchange
Investment	EUR	2 580	2 506	3M EURIBOR + 1.6	KBA 601 bending machine
Investment	EUR	5 805	2 506	1M EURIBOR + 1.3	KEH8, KER8 line
Investment	EUR	10 320	10 024	1M EURIBOR + 0.75	KSH 602D welding machine
Investment	EUR	3 096	6 014	3M EURIBOR + 0.7	Technology - 14-34 mm induction hardening line
Investment	CZK	10 000	10 000	3M PRIBOR + 0.79	No collateral
Investment	EUR	10 320	10 025	6M EURIBOR + 1.3	Receivables, Sakamura press
Investment	CZK	0	12 000	6M PRIBOR + 1.3	Receivables, real estate
Overdraft	CZK	14 732	2 380	O/N PRIBOR + 0.9%	Receivables, real estate
Investment	CZK/ EUR	74 477	73 099	3M PRIBOR/ EURIBOR + 0.99	Movable assets, receivables from insurance, blank bill of exchange
Short-term	CZK	150 000	305 000	1M PRIBOR + 0.9	Blank bill of exchange
Investment	PLN	34 413	76 581	WIBOR 1M + 1.5	Immovable and movable assets
Investment	PLN	6 369	0	WIBOR 1M + 2.5	Trade receivables
Total	CZK	1 270 815	1 684 285		

Anticipated Repayment Schedule in Years

(CZK thousand)

Years	2012	2013	2014	2015	2016	In subsequent periods	Total
Loan instalments	1 270 815	381 759	292 780	220 554	200 000	100 000	2 465 908

6.18. OFF BALANCE SHEET LIABILITIES AND LEGAL DISPUTES

6.18.1. TŘINECKÉ ŽELEZÁRNY, a. s.

Provided guarantees

31 December 2011

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

31 December 2010

Type of liability	Total amount	Balance at 31 Dec 2010
Guarantees		
- to other entities	USD 576 thousand	CZK 10 806 thousand
	EUR 1 165 thousand	CZK 29 194 thousand
	CZK 5 000 thousand	CZK 5 000 thousand

Legal Disputes

The dispute of the plaintiff, the EcoNet CENTRUM civic association in Přerov for the payment of dividends for 2006 in the amount of CZK 180,000 thousand together with accrued interest. The Regional Court in Hradec Králové stated that it was not locally responsible for the case, referring the case to the Regional Court in Ostrava. The plaintiff appealed this resolution. Given the appeal of the plaintiff, the file was assigned to the High Court in Prague which rejected the plaintiff's appeal regarding the local responsibility. The Company considers the charge to completely lack merit.

The dispute of the plaintiff, Marek Veselý, regarding the invalidity of the resolution passed at the Company's annual general meeting of shareholders held on 30 June 2010. The Regional Court in Ostrava rejected this charge as groundless in its ruling. The High Court in Olomouc upheld the ruling of the Regional Court in Ostrava regarding the rejection of the charge on 3 April 2012.

The dispute of the plaintiff, ADMINISTRATIVNÍ CENTRUM TSP Ostrava, 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 as a result of the plaintiff's appeal.

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 2011 and 2010, the Company drew CZK 419,834 thousand and CZK 397,216 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 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.

Pursuant to the verification of the CO₂ emission quantity for the year ended 31 December 2011, 2,629,177 emission allowances will be removed in April 2012.

6.18.2. ENERGETIKA TŘINEC, a.s.

Collateral for loans

(CZK thousand)

Type of liability	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Blank bills of exchange – collateral for long-term bank loans	0	200 000
Blank bills of exchange – collateral for overdraft loans	150 000	150 000
Total	150 000	350 000

Collateral for third-party liabilities

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

Environmental Liabilities

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

Legal Disputes and Contingent Losses

As of 31 December 2011, ET was involved in no significant legal dispute, the outcome of which would significantly impact it.

ET is not aware of any material contingent losses.

6.18.3. *Strojírny Třinec, a.s.*

Issued Collateralising Bills of Exchange

In 2011, Strojírny Třinec, a.s. (hereinafter "ST") issued no bills of exchange as payment guarantees.

Legal Disputes

As of 31 December 2011, ST was involved in no significant legal dispute, the outcome of which would significantly impact it.

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

At the balance sheet date, ST recorded future liabilities as a result of the contracted capital expenditure of CZK 13,866 thousand.

Environmental Liabilities

As of 31 December 2011, there was no environmental audit of ST. As a result, ST's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage. However, ST's management believes that these liabilities are not material.

6.18.4. *D 5, akciová společnost, Třinec*

D 5, akciová společnost, Třinec (hereinafter "D 5") records the following off balance sheet liabilities as of 31 December 2011:

Legal Disputes

As of 31 December 2011, D 5 was involved in no legal dispute except for the recovery of its receivables through courts.

Environmental Liabilities

D 5 records no environmental liabilities.

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

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

6.18.5. *VÚHŽ, a.s.*

VÚHŽ a.s. records the following off balance sheet liabilities:

Easements

Land and buildings of VÚHŽ a.s. carry established easements in favour of Jindřich Rašner and Jaroslav Vaniček - an easement of walking and driving.

Another easement relating to the ground sewerage pipe system, access and entry to the system, maintenance, repairs and other necessary activities was established in favour of the Dobrá municipality, Dobrá 230, 739 51, corporate ID: 00296589.

Bank Guarantees

VÚHŽ a.s. has a concluded contract for the rules of provision of letters of credit and bank guarantees with the maximum facility of CZK 25,000 thousand with Československá obchodní banka, a.s. which is collateralised by the blank bill of exchange and pledge of receivables. As of 31 December 2011, VÚHŽ has an open documentary letter of credit of CZK 19,120 thousand.

VÚHŽ a.s. has a concluded contract for the provision of bank guarantees with the maximum facility of CZK 12,000 thousand with Citibank Europe plc which is collateralised by the blank bill of exchange and pledge of real estate. As of 31 December 2011, the provided guarantees amount to CZK 7,904 thousand. It is a bank guarantee to customers of VÚHŽ a.s. over the guarantee period of supplied gauges.

Other Liabilities

VÚHŽ a.s. records off balance sheet a statute barred payable to minority shareholders who did not use their claim for the payment of the share in the statutory period based on the squeeze out in 2007. This payable amounts to CZK 1,307 thousand and was transferred to VÚHŽ a.s. according to the merger project with the dissolving company H & S PROGRESS s.r.o.

6.18.6. *Slévárny Třinec, a.s.*

As of 31 December 2011, Slévárny Třinec, a.s. (hereinafter "SL") was involved in no significant legal dispute, the outcome of which would significantly impact it.

Environmental Liabilities

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

SL provided no guarantee to third parties.

6.18.7. Šroubárna Kyjov, spol. s r.o.

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

6.18.8. Řetězárna a.s.

As of 31 December 2011, term contracts (forwards) were concluded to hedge the exchange rate in 2012 in the aggregate amount of EUR 1,200 thousand and USD 1,000 thousand. The fair value measurement of these transactions was made through the profit and loss account.

6.18.9. REFRASIL, s.r.o.

As of 31 December 2011, REFRASIL, s.r.o. is involved in no significant legal dispute, the outcome of which would significantly impact it.

Environmental Liabilities

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

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

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

6.18.10. „METALURGIA“ S.A.

„METALURGIA“ S.A. has pledged the inventory of PLN 7,000 thousand with Fortis Bank Polska S.A. in respect of the drawn loan.

„METALURGIA“ S.A. has issued guarantee bills of exchange with Fortis Lease of PLN 13,056,78 PLN and with CMC of PLN 7,500 thousand.

7. ADDITIONAL CONSOLIDATED PROFIT AND LOSS ACCOUNT INFORMATION

7.1. INCOME FROM ORDINARY ACTIVITIES AND SOLD GOODS

7.1.1. *The Group's Income from Ordinary Activities and Sale of Goods for 2011*

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	37 506 809	2 192 058	39 698 867
Other production	1 476 726	1 433 697	2 910 423
Sale of goods	95 456	94 876	190 332
Services	641 244	59 368	700 612
Change in inventory	498 937	-185	498 752
Own work capitalised	655 967	1 345	657 312
Total	40 875 139	3 781 159	44 656 298

7.1.2. *The Group's Income from Ordinary Activities and Sale of Goods for 2010*

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	31 268 481	1 393 645	32 662 126
Other production	1 419 168	1 157 510	2 576 678
Sale of goods	3 922	78 982	82 904
Services	628 312	61 948	690 260
Change in inventory	148 785	38 734	187 519
Own work capitalised	784 622	201	784 823
Total	34 253 290	2 731 020	36 984 310

7.2. GRANTS

Other grants for operating purposes of CZK 21,985 thousand received in 2011 (CZK 28,671 thousand in 2010) include grants for research purposes and education, and grants received from the Employment Office.

In addition, the Company obtained a subsidy for the acquisition of fixed assets in the amount of CZK 4,740 thousand from Třinec for the regulation of the Křivec creek in 2011.

7.3. OTHER EXPENSES AND INCOME

Costs of advisory, consulting and audit activities as of 31 December 2011 amount to CZK 42,927 thousand and CZK 41,670 thousand as of 31 December 2010.

Other operating income as of 31 December 2011 and 2010 predominantly includes the drawing of the grant for greenhouse gas emissions including the income from the sale of allowances of CZK 1,934,168 thousand and CZK 1,599,771 thousand, respectively.

Other financial income in 2011 and 2010 predominantly includes foreign exchange rate gains of CZK 91,074 thousand and CZK 76,477 thousand, respectively.

Other operating expenses as of 31 December 2011 and 2010 predominantly include the costs of the sale of gas emissions of CZK 1,935,221 thousand and CZK 1,599,771 thousand, respectively.

Other financial expenses as of 31 December 2011 and 2010 predominantly include foreign exchange rate losses of CZK 143,098 thousand and CZK 57,869 thousand, respectively.

7.4. TOTAL RESEARCH AND DEVELOPMENT COSTS

(CZK thousand)

	31 Dec 2011	31 Dec 2010
Research and development costs (less grants)	61 133	61 908

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 TŘINECKÉ ŽELEZÁRNY, a. s.

2011

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	32	40 872	3 948	29	0	44 881
Kvalif. a pers. agentura, o.p.s.	Associate	0	0	213	0	0	213
MORAVIA STEEL a.s.	Controlling entity	281	32 420 593	167 028	3 730	0	32 591 632
Reťaze Slovakia s.r.o.	Controlled entity	0	24 265	39	0	0	24 304
TRIALFA, a.s.	Controlled entity	4	37 833	4 978	2 788	0	45 603
TRISIA, a.s.	Controlled entity	0	0	102	2	0	104
TŘINECKÁ PROJEKCE, a.s.	Associate	0	435	618	0	0	1 053
Třinecké gastroslužby, s.r.o.	Controlled entity	118	2 671	8 438	521	0	11 748
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	6 906	20 164	160	0	27 230
Sochorová válcovna TŽ, a.s.	Controlled entity	470	4 936 247	37 377	115	0	4 974 209
Moravia Steel Deutschland GmbH	Fellow subsidiary	0	3 663	0	0	0	3 663
Beskydská golfová, a.s.	Fellow subsidiary	0	45	5 421	28	0	5 494
SILESIASLAG, a.s.	Controlled entity	0	0	22	0	0	22
Steel Consortium Partners, a.s.	Controlled entity	0	0	59	0	0	59
Moravia Security, a.s.	Controlled entity	0	183	1 186	13	0	1 382
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	12	0	613	360	0	985
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	0	0	8 812	0	0	8 812
Hanácké železáry a pérovny, a.s.	Fellow subsidiary	113	101	1 238	17	0	1 469
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	0	1 013	11 765	0	12 778
Střední odborná škola Třineckých železáren*	Controlled entity	3	21	1 958	87	0	2 069
Kovárna VIVA a.s.	Fellow subsidiary	0	34	0	0	0	34
M Steel Projects a.s.	Fellow subsidiary	85 622	2 307	173	0	0	88 102
HRAT, s.r.o.	Associate	0	0	31	0	0	31
FINITRADING, a.s.	Controlling entity	0	0	5	0	0	5
Neomet Sp. z o.o.	Controlled entity	0	0	5	0	0	5
Moravia Steel Poland Sp. z o.o.	Controlled entity	0	0	5	0	0	5
Total		86 655	37 476 176	263 446	19 615	0	37 845 892

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

2010

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	41	58 970	3 945	10	0	62 966
Kvalif. a pers. agentura, o.p.s.	Associate	0	0	190	0	0	190
MORAVIA STEEL a.s.	Controlling entity	74	27 495 871	165 569	2 577	0	27 664 091
Retáže Slovakia s.r.o.	Controlled entity	833	18 988	23	0	0	19 844
TRIALFA, a.s.	Controlled entity	4	31 257	5 182	1 249	0	37 692
TRISIA, a.s.	Controlled entity	0	0	96	14	0	110
TŘINECKÁ PROJEKCE, a.s.	Associate	126	984	657	84	0	1 851
Třinecké gastroslužby, s.r.o.	Controlled entity	3	2 364	5 253	488	0	8 108
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	6 375	20 359	73	0	26 807
Sochorová válcovna TŽ, a.s.	Controlled entity	449	3 698 722	16 073	206	0	3 715 450
Moravia Steel Deutschland GmbH**	Fellow subsidiary	0	1 296	0	0	0	1 296
Beskydská golfová, a.s.	Fellow subsidiary	0	0	2 725	5	0	2 730
SILESIA SLAG, a.s.	Controlled entity	0	0	22	0	0	22
Steel Consortium Partners, a.s.	Controlled entity	0	0	58	0	0	58
Moravia Security, a.s.	Controlled entity	14	187	1 144	13	0	1 358
Security Morava, s.r.o.	Controlled entity	0	0	7	0	0	7
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	1 528	235	0	1 763
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	0	0	1 930	0	0	1 930
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	124	199	770	0	0	1 093
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	0	950	19 057	0	20 007
Soukromá střední škola Třinec*	Controlled entity	2	49	1 346	138	0	1 535
Kovárna VIVA a.s.	Fellow subsidiary	0	50	2	0	0	52
M Steel Projects a.s.	Fellow subsidiary	0	0	40	0	0	40
HRAT, s.r.o.	Associate	0	0	34	0	0	34
Total		1 670	31 315 312	227 903	24 149	0	31 569 034

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

** Change in the name from CMC-Třinec Stahlhandel GmbH to Moravia Steel Deutschland GmbH.

7.5.2. Purchases from Related Parties

Relation to the relevant company is disclosed from the perspective of TŘINECKÉ ŽELEZÁŘNY, a. s.

2011

(CZK thousand)

Entity	Type of entity	Fixed assets	Inventory	Services	Other expenses	Extra-ordinary exp.	Total
Doprava TŽ, a.s.	Controlled entity	0	28 494	63 480	53	0	92 027
Hutnictví železa, a.s.	Controlled entity	0	0	5 594	105	0	5 699
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	191	0	0	191
MORAVIA STEEL a.s.	Controlling entity	32	25 000 524	249 723	44 127	0	25 294 406
Retáže Slovakia, s.r.o.	Controlled entity	0	403	542	0	0	945
TRIALFA, s.r.o.	Controlled entity	16	14 630	17 752	52 527	0	84 925
TRISIA, a.s.	Controlled entity	0	0	9 601	0	0	9 601
TŘINECKÁ PROJEKCE, a.s.	Associate	12 881	21	9 497	6	0	22 405
Třinecké gastroslužby, s.r.o.	Controlled entity	0	15 016	8 041	72 418	0	95 475
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	12	74 534	0	0	74 546
Sochorová válcovna TŽ, a.s.	Controlled entity	0	101 583	46 480	2 880	0	150 943
Beskydská golfová, a.s.	Fellow subsidiary	0	0	3 636	0	0	3 636
Moravia Security, a.s.	Controlled entity	0	182	51 863	0	0	52 045
Security Morava, s.r.o.	Controlled entity	0	0	235	0	0	235
Střední odborná škola Třineckých železáren*	Controlled entity	0	436	11 692	1 069	0	13 197
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	0	0	1 195	0	0	1 195
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	273	5 591	0	0	5 864
Moravskoslezský kovošrot	Fellow subsidiary	0	858 660	0	0	0	858 660
Kovárna VIVA a.s.	Fellow subsidiary	0	365	0	0	0	365
HRAT, s.r.o.	Associate	0	0	435	0	0	435
Total		12 929	26 020 599	560 082	173 185	0	26 766 795

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

2010

(CZK thousand)

Entity	Type of entity	Fixed assets	Inventory	Services	Other expenses	Extra-ordinary exp.	Total
Doprava TŽ, a.s.	Controlled entity	0	27 481	65 253	0	0	92 734
Hutnictví železa, a.s.	Controlled entity	0	0	5 807	118	0	5 925
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	239	0	0	239
MORAVIA STEEL a.s.	Controlling entity	23	22 708 515	230 099	44 690	1 073	22 984 400
Reťaze Slovakia, s.r.o.	Controlled entity	0	327	254	0	0	581
TRIALFA, s.r.o.	Controlled entity	29	9 956	18 796	62 094	0	90 875
TRISIA, a.s.	Controlled entity	0	0	9 244	0	0	9 244
TŘINECKÁ PROJEKCE, a.s.	Associate	11 301	190	9 772	9	0	21 272
Třinecké gastroslužby, s.r.o.	Controlled entity	0	14 441	7 672	72 651	0	94 764
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Controlled entity	0	14	60 556	0	0	60 570
Sochorová válcovna TŽ, a.s.	Fellow subsidiary	0	159 264	35 730	1 791	0	196 785
Beskydská golfová, a.s.	Controlled entity	0	0	3 831	0	0	3 831
Moravia Security, a.s.	Controlled entity	0	33	53 312	0	0	53 345
Security Morava, s.r.o.	Controlled entity	0	0	1 205	0	0	1 205
Soukromá střední škola Třinec*	Controlled entity	0	492	9 257	1 766	0	11 515
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 263	0	0	1 263
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	2 187	8 043	0	0	10 230
Moravia Steel Deutschland GmbH**	Fellow subsidiary	0	0	137	0	0	137
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	0	66	0	0	0	66
Moravskoslezský kovošrot	Fellow subsidiary	0	843 406	0	0	0	843 406
Kovárna VIVA a.s.	Fellow subsidiary	0	386	6	0	0	392
HRAT, s.r.o.	Associate	140	0	260	0	0	400
Total		11 493	23 766 758	520 736	183 119	1 073	24 483 179

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

** Change in the name from CMC-Třinec Stahlhandel GmbH to Moravia Steel Deutschland GmbH.

8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

8.1.1. Staff Costs and Number of Employees for 2011

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
TŘINECKÉ ŽELEZÁŘNY, a. s.	5 943	8.7	2 929 132	67 264
ENERGETIKA TŘINEC, a.s.	370	5	173 188	10 866
Strojírny Třinec, a.s..	955	8	356 774	17 235
Slévárny Třinec, a.s.	696	5	251 330	9 731
REFRASIL, s.r.o.	180	2	87 569	11 820
Řetězárna a.s.	258	6	106 821	13 930
Šroubárna Kyjov, spol. s r.o.	302	6	118 522	12 640
D 5, akciová společnost, Třinec	700	8	251 142	13 996
VUHŽ a.s.	308	9	162 490	17 939
„METALURGIA“ S.A.	275	4	74 192	7 314
„D&D“ Drótaru Zrt.	144	5	45 833	5 497
Total under full consolidation	10 131	67	4 556 993	188 232

8.1.2. Staff Costs and Number of Employees for 2010

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
TŘINECKÉ ŽELEZÁŘNY, a. s.	5 905	7.9	2 561 186	34 406
ENERGETIKA TŘINEC, a.s.	370	5	155 579	10 321
Strojírny Třinec, a.s..	932	8	321 946	13 336
Slévárny Třinec, a.s.	685	5	233 823	6 142
REFRASIL, s.r.o.	176	2	81 455	10 778
Řetězárna a.s.	246	6	99 566	13 982
FERROMORAVIA, s.r.o.	182	4	65 491	5 444
Šroubárna Kyjov, spol. s r.o.	298	6	112 279	7 179
D 5, akciová společnost, Třinec	710	8	237 135	11 895
VUHŽ a.s.	298	11	150 303	18 910
„METALURGIA“ S.A.	306	4	78 447	6 759
Total under full consolidation	10 108	67	4 097 210	139 152

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

Set out below are the amounts of bonuses, advances, borrowings, other receivables, payables and other benefits in respect of members of the statutory, management and supervisory bodies:

(CZK thousand)

Company/benefit	2011	2010
TŘINECKÉ ŽELEZÁRNY, a. s.	12 624	13 274
Use of management cars	1 421	1 320
Liability insurance	559	797
Bonuses	10 644	11 157
ENERGETIKA TŘINEC, a.s.	1 291	1 439
Use of management cars	458	552
Life insurance contribution	148	191
Liability insurance	37	48
Bonuses	648	648
Strojírny Třinec, a.s.	1 150	1 162
Use of management cars	399	399
Life insurance contribution	81	81
Liability insurance	22	34
Bonuses	648	648
Slévárny Třinec, a.s.	1 140	1 077
Use of management cars	421	341
Life insurance contribution	54	55
Liability insurance	17	33
Bonuses	648	648
REFRASIL, s.r.o.	435	629
Use of management cars	237	237
Life insurance contribution	0	0
Liability insurance	6	8
Bonuses	192	384
FERROMORAVIA, s.r.o.	0	708
Use of management cars	0	367
Liability insurance	0	17
Bonuses	0	324
Řetězárna a.s.	6 642	6 319
Use of management cars	646	704
Life insurance contribution	0	11
Liability insurance	8	0
Bonuses	5 988	5 604
D 5, akciová společnost, Třinec	1 287	1 291
Use of management cars	601	586
Life insurance contribution	38	33
Liability insurance	0	24
Bonuses	648	648
VÚHŽ a.s.	1 333	1 501
Use of management cars	827	973
Life insurance contribution	42	49
Liability insurance	7	11
Bonuses	457	468
Šroubárna Kyjov, s.r.o.	828	848
Use of management cars	469	464
Life insurance contribution	22	38
Liability insurance	13	22
Bonuses	324	324
„METALURGIA“ S.A	986	503
Bonuses	986	503
„D&D“ Drótaru Zrt.	628	0
Bonuses	628	0
Total	28 344	28 751

9. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following changes were made to the composition of the Board of Directors of TŘINECKÉ ŽELEZÁRNY, a. s.:

Position	Original member	New member	Date of change
Chairman	Jiří Cieńciała	-	1 Jan 2012
Chairman	-	Jan Czudek	10 Jan 2012
First Vice-Chairman	Jan Czudek	Česlav Marek	10 Jan 2012
Second Vice-Chairman	Česlav Marek	Petr Popelář	10 Jan 2012
Member	Petr Popelář	-	10 Jan 2012

Report on Related Party Transactions for the Year Ended 31 December 2011

TŘINECKÉ ŽELEZÁRNY, a. s., registered at Třinec-Staré Město, Průmyslová 1000, 739 70, corporate ID 18050646, entered in the Register of Companies, Section B, File No. 146, maintained by the Regional Court in Ostrava (hereinafter the “Company”) together with the entities below (the “Related Parties”) forms a group in terms of the second sentence of Section 66a (7) of the Commercial Code.

The report on relations between the Related Parties was prepared in compliance with the provisions of Section 66a (9) of the Commercial Code for the year ended 31 December 2011 (the “Accounting Period”).

I. DEFINITION OF RELATED PARTIES

A. CONTROLLING ENTITIES

MORAVIA STEEL a.s.

Registered office: Třinec-Staré Město, Průmyslová 1000, 739 70,
Corporate ID 63474808

Relation: The company is the Company’s controlling entity acting in concert with FINITRADING a.s., which is another shareholder of the Company. MORAVIA STEEL a.s. is controlled by the entities below acting in concert under Section 66b (1) and Section 66b (2) (b) of the Commercial Code:

- FINITRADING, a.s. with its registered office at Třinec, nám. Svobody 526, 739 61, Corporate ID 61974692
- R.F.G., a.s. with its registered office at Třinec, nám. Svobody 526, 739 61, Corporate ID 63079658

FINITRADING, a.s.

Registered at Třinec, nám. Svobody 526, 739 61,
Corporate ID 61974692

Relation: The company is the Company’s controlling entity acting in concert with MORAVIA STEEL a.s., which is another shareholder of the Company.

B. OTHER RELATED PARTIES

B.1. Companies Controlled by the Controlling Entities

Moravia Steel AG, “in liquidation” registered at Industriestrasse 47, 6304 Zug, Switzerland

Relation: company controlled by MORAVIA STEEL a.s. before 15 June 2011. (the company was dissolved through the removal from the Register of Companies after the completed liquidation).

MORAVIA STEEL IBÉRIA, S.A. registered at Campo Grande, 35 – 9. A, P-1700 Lisbon, Portugal

Relation: company controlled by MORAVIA STEEL a.s.

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

Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL ITALIA s.r.l. registered at via Niccolini 26, 20154 Milan, Italy

Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL SLOVENIJA d.o.o. registered at Valvazorjeva 14, 3000 Celje, Slovenia

Relation: company controlled by MORAVIA STEEL a.s.

Moravia Steel Deutschland GmbH registered at Cliev 19, 51515 Kürten, Germany

Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL UK LIMITED registered at 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, U.K.
Relation: company controlled by MORAVIA STEEL a.s. (change in the name of the company, former TRINEC – CMC LIMITED).

Barrandov Televizní Studio a.s. registered at Prague 5, Kříženeckého nám. 322, 152 00, Corporate ID 41693311
Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Studio a.s. registered at Prague 5, Hlubočepy, Kříženeckého nám. 322/5, 152 00, Corporate ID 28172469
Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Lands a.s. registered at Prague 5, Kříženeckého nám. 322/5, 152 00, Corporate ID 27225674
Relation: company controlled by MORAVIA STEEL a.s.

MS – Slovensko s.r.o. registered at Bratislava, Palisády 56, 811 06 Slovakia
Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL ISRAEL Ltd. registered at 23 Efal St., Petach Tikva 49 511, P.O.B. 3286, Israel
Relation: company controlled by MORAVIA STEEL a.s.

Beskydská golfová, a.s., registered at Ropice 415, 739 56, Corporate ID 25352920
Relation: company controlled by MORAVIA STEEL a.s.

Hanácké železářny a pérovny, a.s., registered at Prostějov, Dolní 100, 797 11, Corporate ID 26955342
Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL POLAND sp. z o.o., registered at Bobrecka 27, Cieszyn 43-400, Poland
Relation: company controlled by MORAVIA STEEL a.s. before 14 March 2011.

M Steel Projects a.s. registered at Třinec-Staré Město, Průmyslová 1000, 739 70, Corporate ID 28602331
Relation: company controlled by MORAVIA STEEL a.s.

Moravskoslezský kovošrot, a.s., registered at Prague 1, Nové Město, V Jámě 1371/8, 110 00, Corporate ID 26855097
Relation: company controlled by MORAVIA STEEL a.s.

Moravia Steel Middle East FZCO registered at Jebel Ali Free Zone, Building 18-19 # 133, Dubai, United Arab Emirates
Relation: company controlled by MORAVIA STEEL a.s.

Sochorová válcovna TŽ, a.s. registered at Třinec-Staré Město, Průmyslová 1000, 739 70, Corporate ID 25872940
Relation: company controlled by MORAVIA STEEL a.s. and the Company acting in concert.

B.2. COMPANIES CONTROLLED BY THE COMPANY

ENERGETIKA TŘINEC, a.s. registered at Třinec-Staré Město, Průmyslová 1024, 739 65, Corporate ID 47675896
Relation: company controlled by the Company

Strojírny Třinec, a.s. registered at Třinec-Staré Město, Průmyslová 1038, 739 65, Corporate ID 25363654
Relation: company controlled by the Company

Slévárny Třinec, a.s. registered at Třinec, Staré Město, Průmyslová 1001, 739 65, Corporate ID 25830716
Relation: company controlled by the Company

Třinecké gastroslužby, s.r.o. registered at Třinec-Staré Město, Průmyslová 1035, 739 65, Corporate ID 25838148
Relation: company controlled by the Company

SILESIASLAG, a.s. registered at Třinec-Staré Město, Průmyslová 1032, 739 65, Corporate ID 25893882
Relation: company controlled by the Company (the company was dissolved as of 1 January 2012 and was placed into liquidation on that date)

Doprava TŽ, a.s. registered at Třinec–Staré Město, Průmyslová 1008, 739 65, Corporate ID 25398083
Relation: company controlled by the Company

TRIALFA, s.r.o. registered at Třinec – Kanada, ul. Míru 272, 739 65, Corporate ID 25839888
Relation: company controlled by the Company

Řetězárna a.s. registered at Česká Ves, Polská 48, 790 81, Corporate ID 47672081
Relation: company controlled by the Company

TRISIA, a.s. registered at Třinec, nám. Svobody 526, District of Frýdek-Místek, Corporate ID 64610152
Relation: company controlled by the Company

REFRASIL, s.r.o. registered at Třinec–Konská, Průmyslová 720, 739 65, Corporate ID 48395862
Relation: company controlled by the Company

Steel Consortium Partners, a.s. registered at Třinec, Staré Město, Průmyslová 1000, 739 70, Corporate ID 27242382
Relation: company controlled by the Company

VÚHŽ a.s. registered at Dobrá 240, 739 51, Corporate ID 27768953
Relation: company controlled by the Company

MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. registered at Ostrava – Vítkovice, Pohraniční 693/31, 706 02, Corporate ID 25870807
Relation: company controlled by the Company

Šroubárna Kyjov, spol. s r.o., registered at Kyjov, Jiráskova 987, 697 32, Corporate ID 42293588
Relation: company controlled by the Company

Moravia Security, a.s., registered at Třinec, Konská, Průmyslová 725, 739 65, Corporate ID 27835481
Relation: company controlled by the Company

D5, akciová společnost, Třinec, registered at Třinec, Staré Město, Průmyslová 1026, 739 61, Corporate ID 47674539
Relation: company controlled by the Company

FERROMORAVIA, s.r.o., registered at Staré Město, Tovární 1688, 686 02, Corporate ID 63480085
Relation: company controlled by the Company before 31 August 2011 (the company was dissolved in the merger by amalgamation without liquidation with the Company).

„METALURGIA“ Spółka Akcyjna registered at ulica Świętej Rozalii nr 10/12, 97-500 Radomsko, Poland
Relation: company controlled by the Company

„ZAMECZEK BŁOGOCICE“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered at ul. Zeromskiego 1, 43-400 Cieszyn, Poland
Relation: company controlled by the Company

„D&D” Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság registered at 3527 Miskolc, Besenyői u. 18., Hungary
Relation: company controlled by the Company since 21 February 2011.

Sochorová válcovna TŽ, a.s. registered at Třinec–Staré Město, Průmyslová 1000, 739 70, Corporate ID 25872940
Relation: company controlled by MORAVIA STEEL a.s. and the Company acting in concert.

II. DESCRIPTION OF THE RELATIONS

A. DEFINITION OF THE RELATION BETWEEN RELATED PARTIES

- a) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and MORAVIA STEEL a.s. as the controlling company are presented below in section B hereof.
- b) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and FINITRADING, a.s. as the controlling company are presented below in section C. hereof.
- c) The relations in terms of the provisions of Section 66a (9) of the Commercial Code between the Company and R.F.G., a.s. were not established in the accounting period, i.e. no contracts were concluded, no other legal acts were performed, and no measures were taken or implemented in terms of the above-mentioned provisions in the accounting period.
- d) The relations in terms of the provisions of Section 66a (9) of the Commercial Code between the Company and the Related Parties which are controlled by the controlling entities pursuant to section B.1, chapter I, except for Sochorová válcovna TŽ, a.s., Beskydská golfová, a.s., Hanácké železářny a pérovny, a.s., Moravskoslezský Kovošrot, a.s. and M Steel Projects a. s. were not established in the accounting period, i.e. no contracts were concluded among the related parties, no other legal acts were performed and no measures were taken or implemented at the initiative or on behalf of the related parties.
- e) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Sochorová válcovna TŽ, a.s. are presented below in section D hereof.
- f) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Beskydská golfová, a.s., are presented below in section E hereof.
- g) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Hanácké železářny a pérovny, a.s. are presented below in section F hereof.
- h) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Moravskoslezský kovošrot, a.s. are presented below in section G hereof.
- i) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and M Steel Projects, a.s. are presented below in section H hereof.
- j) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and the Related Parties which are controlled by the Company pursuant to section B.2, chapter I are stated in the reports on relations of each of these Related Parties that prepare their reports separately, providing a detailed description of their relations with the Company. The Company incurred no damage as a result of the relationships.
- k) This related parties report in its sections B. and H. and individual reports on relations between related parties referred to in section A. j) hereof, provide the report on potential relations with FERROMORAVIA, s.r.o. reflecting the fact that the rights and obligations resulting from these relations for FERROMORAVIA, s.r.o., were transferred to the Company, as the successor company, as a result of the merger by amalgamation without liquidation with the Company starting from 1 September 2011.

B. DESCRIPTION OF THE COMPANY'S RELATIONS WITH THE CONTROLLING ENTITY, MORAVIA STEEL a.s.

Introduction

- a) The principal contract applicable to the day-to-day business relations between the Company and MORAVIA STEEL a.s. is the General Commercial Contract of 30 December 2002 whereby both parties declared their common interest in the further development of their mutual business relations. This contract is also updated for the relevant accounting period:
 - aa) by the Master Contract mentioned below of 30 December 2002 for the sale area; and
 - ab) by the Contract for the Supply of Materials and Raw Materials mentioned below of 12 January 1999 for the purchase area.The individual performances are presented in the partial purchase contracts executed pursuant to the above contracts for a particular product, amount, shape and type, the agreed upon price and performance deadline. The agreed upon prices respect the specific features of purchases and sales in the metallurgic industry and take into account the elimination of foreign exchange risks, the adjustment of payment conditions, and business risks.
- b) Due to the high number of contracts entered into during the accounting period, this report includes:
 - ba) separate references to the individual contracts important for the relations between the Company and MORAVIA STEEL a.s., primarily the contracts whereby the performance fee exclusive of VAT was agreed within the day-to-day course of business relations in the amount of no less than 1% of the Company's share capital, and 0,5% of the Company's share capital outside of day-to-day business relations; and
 - bb) a collective reference to other contracts, mainly contracts whereby the performance fee is below the amount set out under section ba).

B.1 Sales and Other Performances Provided by the Company in Favour of the Controlling Entity, MORAVIA STEEL a.s.

B.1.1. Master Contract

The contract between the Company and MORAVIA STEEL, a.s. was concluded on 30 December 2002.

The subject of the contract is the sale of metallurgical products to MORAVIA STEEL a.s. Partial sale contracts are prepared for individual performances. The prices for goods are arm's length prices derived from market prices.

During the accounting period, the performance under the above contract and the underlying partial sale contracts with settlement in the form of invoices and corrective tax documents in the respect of prices for the sale of products, or expenses associated with complaints was provided for consideration of CZK 30,580,770 thousand.

B.1.2. Master Contract

This contract was concluded between FERROMORAVIA, s.r.o. and MORAVIA STEEL a.s. on 23 February 2004.

The subject of the contract is the sale of drawn, ground and peeled or otherwise refined rolled steel to MORAVIA STEEL a.s. Partial sale contracts are prepared for individual performances. The prices for goods are arm's length prices derived from market prices.

During the accounting period, the performance under the above contract and the underlying partial sale contracts with settlement in the form of invoices and corrective tax documents in respect of the prices for the sale of products, or expenses associated with complaints, was provided for consideration of CZK 1,368,614 thousand.

Rights and obligations arising from this contract were assumed by the Company on 1 September 2011 as a result of the merger.

B.1.3. Licence Contract for the Use of the "Three Hammers in a Circle" Trademark

The contract between the Company and MORAVIA STEEL a.s. was entered into on 30 June 2002.

The subject of the contract is the use of the trademark of the Company by MORAVIA STEEL a.s. as part of its logo.

During the accounting period, the consideration for the use amounted to CZK 123,000 thousand.

B.1.4. Contract on the Provision of Services

The contract between the Company and MORAVIA STEEL a.s. was entered into on 1 January 2003.

The subject of the contract is the provision of security and asset guards, fire protection, postal services, archiving and documentation services, dispatch services, transport and customs clearance, information technology, selected technical services, pricing services, and selected accounting services and complaint resolution services to MORAVIA STEEL a.s.

During the accounting period, the performance under the above contract was provided for consideration of CZK 29,821 thousand.

B.1.5. Contract on the Provision of Services

The contract between FERROMORAVIA, s.r.o. and MORAVIA STEEL a.s. was entered into on 30 September 2006.

The subject of the contract is the provision of services relating to the sale of drawn, ground and peeled or otherwise refined rolled steel by FERROMORAVIA, s.r.o.

During the accounting period, the performance under the above contract was provided for consideration of CZK 126 thousand.

Rights and obligations arising from this contract were assumed by the Company on 1 September 2011 as a result of the merger.

B.1.6. Lease Contract

The contract between the Company and MORAVIA STEEL a.s. was entered into on 9 March 2000.

The subject of the contract is the lease of real estate, non-residential premises and movable assets, including services relating to the lease, for the location of the registered office and business activities of MORAVIA STEEL a.s.

The rent and other payments arising from the above contract during the accounting period amounted to CZK 7,118 thousand.

B.1.7. Contract for the Lease of Non-residential Premises

This contract was concluded between FERROMORAVIA, s.r.o., and MORAVIA STEEL a.s. on 30 September 2006.

The subject of the contract is the lease of non-residential premises, including supplies of services relating to the lease, for business activities of MORAVIA STEEL a.s.

The rent and other payments arising from the above contract during the accounting period amounted to CZK 87 thousand.

Rights and obligations arising from this contract were assumed by the Company on 1 September 2011 as a result of the merger.

B.1.8. Contract for the Provision of Telecommunications Services

This contract between the Company and MORAVIA STEEL a.s. was entered into on 31 December 1998.

The subject of the contract is provision of telecommunication services to MORAVIA STEEL, a.s.

During the accounting period, the performance under the above contract was provided for consideration of CZK 2,983 thousand.

B.1.9. Other Performances Provided

During the accounting period, the Company and MORAVIA STEEL, a.s. recorded effective contracts under which MORAVIA STEEL a.s. was provided with other performance involving, for example, the sale of goods and other assets, provision of internet services or other services for a total consideration of CZK 6,198 thousand.

B.2. Purchases and Other Performances Provided by the Controlling Entity, MORAVIA STEEL a.s., in Favour of the Company

B.2.1. Purchase Contract for the Supply of Materials and Raw Materials

This contract between the Company and MORAVIA STEEL, a.s. was entered into on 12 January 1999.

The subject of the contract is the purchase of metallurgical raw materials, mainly ores, coal, fuels and metallurgical semi-finished products. The volume of the supplies and fees are specified on a quarterly basis in the form of partial sale contracts.

During the accounting period, the performance under the above contract was provided for consideration of CZK 22,923,284 thousand.

B.2.2. Master Contract

This contract was concluded between FERROMORAVIA, s.r.o., and MORAVIA STEEL a.s. on 1 July 2008. The subject of the contract is the purchase of rolled material (charge) intended for the production of drawn material. Partial sale contracts are prepared for individual performances.

During the accounting period, the performance under the above contract was provided for consideration of CZK 6,796 thousand.

Rights and obligations arising from this contract were assumed by the Company on 1 September 2011 as a result of the merger.

B.2.3. Master Forwarding Contract

The contract between the Company and MORAVIA STEEL a.s. was entered into on 30 December 2002.

The subject of the contract is the provision of the transport for goods and to perform activities associated with such transport and to arrange for any other action necessary for the operation of national railway freight transport for the Company. The performance was provided on the basis of contractual prices agreed for one year with respect to a specific shipment and volume.

During the accounting period, the performance under the above contract was provided for consideration of CZK 224,196 thousand.

B.2.4. Mandate Contract

The contract between the Company and MORAVIA STEEL a.s. was entered into on 1 July 2005.

The subject of the contract is the fact that MORAVIA STEEL a.s., on behalf and on the account of the Company, agrees to deal with all business matters relating to the purchase of work and services local and foreign, technical and overhead material, spare parts necessary for performing the activity of the Company, primarily providing for the production, maintenance and repairing of the production facility, technology, structures, land and other assets owned or used by the Company.

During the accounting period, the Company provided MORAVIA STEEL a.s. with consideration of CZK 43,622 thousand.

B.2.5. Mandate Contract

The contract between the Company and MORAVIA STEEL a.s. was entered into on 29 June 2007.

The subject of the contract is the fact that MORAVIA STEEL a.s., on behalf and on the account of the Company, agrees to deal with all business matters relating to the purchase of metal scrap category No. 170405 (Iron and Steel) complying with the requirements of ČSN 420030 (Steel and Alloy scrap) – i.e. scrap for the production needs of the Company, as well as to deal with the relating activities, in the scope and under the conditions defined in the mandate contract.

During the accounting period, the Company provided MORAVIA STEEL a.s. with consideration of CZK 77,423 thousand pursuant to the contract.

B.2.6. Other Performances Received

1. The Company and MORAVIA STEEL, a.s. recorded other effective contracts in the accounting period under which the Company received performance from MORAVIA STEEL, a.s. involving, for example, the provision of liability insurance, property insurance, insurance for the corporate body members, purchase of goods and provision of other services totalling CZK 37,955 thousand.

2. MORAVIA STEEL a.s. provided the Company with guarantees for its obligations under:

The guarantees for investment loan settlement of CZK 300,000 thousand:

Creditor:

Citibank, a.s. CZK 300,000 thousand.

The contract was concluded on 9 September 2004.

MORAVIA STEEL, a.s. provided no performance under the guarantees.

B.3. Other Contractual Relations

The Company, as the assignee, and MORAVIA STEEL a.s., as the assignor, concluded the contract for the assignment of receivables on 15 April 2011 under which the Company acquired receivables from „D&D” Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság from MORAVIA STEEL a.s. in the aggregate amount of CZK 44,350 thousand for consideration of CZK 44,350 thousand.

B.4. Other Legal Acts

No other legal acts were performed within the relationship between the Company and MORAVIA STEEL, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

B.5. Other Measures

No other measures were adopted within the relationship between the Company and MORAVIA STEEL, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

C. DESCRIPTION OF THE COMPANY'S RELATIONS WITH CONTROLLING ENTITY FINITRADING, a.s.

C.1. Sales and Other Performances Provided by the Company in Favour of FINITRADING, a.s.

In the reporting period, the Company and FINITRADING, a.s. recorded effective contracts under which the Company provided FINITRADING, a.s. with services for consideration of CZK 5 thousand.

C.2. Other Contractual Relations

No other contractual relations originated between the Company and FINITRADING, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

C.3. Other Legal Acts

No other legal acts were performed within the relationship between the Company and FINITRADING, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

C.4. Other Measures

No other measures were adopted within the relationship between the Company and FINITRADING, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

D. DESCRIPTION OF THE COMPANY'S RELATIONS WITH Sochorová válcovna TŽ, a.s.

D.1. Sales and Other Performances Provided by the Company in Favour of Sochorová válcovna TŽ, a.s.

D.1.1. Master Contract

The Company concluded this contract with Sochorová válcovna TŽ, a.s. on 30 June 2002.

The subject of the contract is the provision of conticasts, billets and blooms as well as charges for the manufacturing programme of Sochorová válcovna TŽ, a.s.. Partial sale contracts are executed for individual performances. The prices for goods are arm's length prices derived from the prices for the relevant product mix under common commercial relationships.

During the accounting period, the performance under the above contract and the underlying partial sale contracts with settlement in the form of invoices and corrective tax documents in respect of the prices for the sale of products, or expenses associated with complaints, was provided for consideration of CZK 4,919,458 thousand.

D.1.2. Licence Contract for the Use of the "Three Hammers in a Circle" Trademark

The Company concluded this contract with Sochorová válcovna TŽ, a.s. on 30 June 2002.

The subject of this contract is the marking of products of Sochorová válcovna TŽ, a.s. with the trademark of the Company as well as the use of the trademark of the Company as part of the logo of Sochorová válcovna TŽ, a.s.

During the accounting period, the consideration for the right ensuing from the above contract amounted to CZK 105 thousand.

D.1.3. Contract for the Provision of Services

The contract between the Company and Sochorová válcovna TŽ, a.s. was concluded on 2 January 2004.

The subject of the contract is the provision of services involving guards and protection of property, fire protection, filing room, archiving and documentation services, information technology, selected technical services, selected accounting services, protection of the environment, payroll and personnel and inspection services, audit, marketing, and procurement services to Sochorová válcovna TŽ, a.s.

During the accounting period, the performance under the above contract was provided for consideration of CZK 6,623 thousand.

D.1.4. Lease Contract

The Company concluded the contract with Sochorová válcovna TŽ, a.s. on 30 June 2002.

During the accounting period, land for the business operations of Sochorová válcovna TŽ, a.s. was leased under this contract.

During the accounting period, the consideration for the rental and other payments under the above contract amounted to CZK 1,468 thousand.

D.1.5. Contract for the Lease of Non-Residential Premises

The Company concluded this contract with for the operation of Sochorová válcovna TŽ, a.s. on 13 May 2002.

The subject of the contract is the lease of non-residential premises, including the provision of services relating to the lease, for business activities of Sochorová válcovna TŽ, a.s.

During the accounting period, the consideration for the lease and other services under the above contract amounted to CZK 34 thousand.

D.1.6. Other Performances Provided

During the accounting period, the Company and Sochorová válcovna TŽ, a.s. recorded effective contracts under which Sochorová válcovna TŽ, a.s. was provided with performance involving, for example, the sale of goods and other assets and the provision of other services for an aggregate consideration of CZK 3,894 thousand.

D.2. Purchases and Other Performances Provided by Sochorová válcovna TŽ, a.s. to the Company

D.2.1. Master Agreement No. 4600000076

The Company concluded the contract with Sochorová válcovna TŽ, a.s. on 9 January 2003.

The subject of the contract is the thermal processing or other technologically necessary adjustments to rolled material.

During the accounting period, the performance under the above contract was provided for consideration of CZK 46,228 thousand.

D.2.2. Other Performances Received

In the reporting period, the Company and Sochorová válcovna TŽ, a.s. recorded effective contracts under which the Company and Sochorová válcovna TŽ, a.s. recorded performance involving the purchase of scrap for CZK 97,918 thousand and under which the Company received performance involving provision of services for consideration of CZK 199 thousand.

D.3. Other Contractual Relations

During the accounting period, the Company and Sochorová válcovna TŽ, a.s. established no other contractual relationships under Section 66a (9) of the Commercial Code.

D.4. Other Legal Acts

No other legal acts were performed within the relationship between the Company and Sochorová válcovna TŽ, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

D.5. Other Measures

No other measures were taken or implemented within the relationship between the Company and Sochorová válcovna TŽ, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

E. DESCRIPTION OF THE COMPANY'S RELATIONS WITH Beskydská golfová, a.s.

E.1. Sales and Other Performances Provided by the Company in Favour of Beskydská golfová, a.s.

During the accounting period, the Company and Beskydská golfová, a.s. recorded effective contracts under which the Company provided Beskydská golfová, a.s. with performance involving the sale of other assets and provision of telecommunication and other services for an aggregate consideration of CZK 156 thousand.

E.2. Purchases and Other Performances of Beskydská golfová, a.s. for the Benefit of the Company

The Company and Beskydská golfová, a.s. recorded effective contracts under which the Company received performance involving the purchase of services for consideration of CZK 3,366 thousand.

E.3. Other Contractual Relations

During the accounting period, the Company and Beskydská golfová, a.s. established no other contractual relationships under Section 66a (9) of the Commercial Code.

E.4. Other Legal Acts

No other legal acts were performed within the relationship between the Company and Beskydská golfová, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

E.5. Other Measures

No other measures were taken or implemented within the relationship between the Company and Beskydská golfová, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

F. DESCRIPTION OF THE COMPANY'S RELATIONS WITH Hanácké železářny a pérovny, a.s.

F.1. Sales and Other Performances Provided by the Company in Favour of Hanácké železářny a pérovny, a.s.

During the relevant accounting period, the Company and Hanácké železářny a pérovny, a.s. recorded effective contracts under which the Company provided performance which involved the sale of goods and the provision of services for an aggregate consideration of CZK 701 thousand.

F.2. Other Contractual Relations

No other contractual relationships were established between the Company and Hanácké železářny a pérovny, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

F.3. Other Legal Acts

No other legal acts were performed within the relationship between the Company and Hanácké železářny a pérovny, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

F.4. Other Measures

No other measures were taken or implemented within the relationship between the Company and Hanácké železářny a pérovny, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

G. DESCRIPTION OF THE COMPANY'S RELATIONS WITH Moravskoslezský kovošrot, a.s.

G.1. Sales and Other Performances Provided by the Company in Favour of Moravskoslezský kovošrot, a.s.

G.1.1. Master Purchase Contract No. 13 for 2008

This Master Purchase Contract was concluded between FERROMORAVIA, s.r.o. and Moravskoslezský kovošrot, a.s. on 30 January 2008.

The subject of the contract is the sale of metal scrap.

In the accounting period, performance thousand was provided under this contract for consideration of CZK 2,296 thousand.

Rights and obligations from this contract were assumed by the Company on 1 September 2011 as a result of the merger.

G.1.2. Master Purchase Contract No. 23

This Master Purchase Contract was concluded between the Company and Moravskoslezský kovošrot, a.s. on 31 January 2011.

The subject of the contract is the sale of fractional steel scrap.

In the accounting period, performance was provided under this contract for consideration of CZK 1,552 thousand.

G.1.3. Master Purchase

This contract was concluded between the Company and Moravskoslezský kovošrot, a.s. on 4 January 2010.

The subject of the contract is the sale of scrap –electro-motors disposed of.

In the accounting period, performance was provided under this contract for consideration of CZK 2,334 thousand.

G.1.4. Other Performances Provided

During the relevant accounting period, the Company and Moravskoslezský kovošrot, a.s. recorded effective contracts under which the Company provided Moravskoslezský kovošrot, a.s. with other services for an aggregate consideration of CZK 1,059 thousand.

G.2. Purchases and Other Performances of Moravskoslezský kovošrot, a.s. for the Benefit of the Company

G.2.1. Master Purchase Contract No. 22

This master purchase contract was concluded between the Company and Moravskoslezský kovošrot, a.s. on 29 December 2010. The subject of the contract is the purchase of modified metal material from Moravskoslezský kovošrot, a.s.

During the accounting period, the performance under the above contract was provided for consideration of CZK 858,660 thousand.

G.3. Other Contractual Relations

During the accounting period, the Company and Moravskoslezský kovošrot, a.s. established no other contractual relationships under Section 66a (9) of the Commercial Code.

G.4. Other Legal Acts

No other legal acts were performed within the relationship between the Company and Moravskoslezský kovošrot, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

G.5. Other Measures

No other measures were taken or implemented within the relationship between the Company and Moravskoslezský kovošrot, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

H. DESCRIPTION OF THE COMPANY'S RELATIONS WITH M Steel Projects a.s.

H.1. Sales and Other Performances Provided by the Company in Favour of M Steel Projects a.s.

During the relevant accounting period, the Company and M Steel Projects a.s. recorded effective contracts under which the Company provided performance which involved the provision of services for an aggregate consideration of CZK 173 thousand.

H.2. Other Contractual Relations

During the accounting period, the Company and M Steel Projects a.s. established no other contractual relationships under Section 66a (9) of the Commercial Code.

H.3. Other Legal Acts

No other legal acts were performed within the relationship between the Company and M Steel Projects a.s. under Section 66a (9) of the Commercial Code during the accounting period.

H.4. Other Measures

No other measures were taken or implemented within the relationship between the Company and M Steel Projects a.s. under Section 66a (9) of the Commercial Code during the accounting period.

III. OVERALL ASSESSMENT OF RELATIONS UNDER SECTION 66a (9) OF THE COMMERCIAL CODE

The Report presents all major legal acts taken, measures taken or contracts entered into during the accounting period as well as the total volume of received and provided performances within the relations between the Company and the controlling entities, and the Company and the entities controlled by the same controlling entities. The analyses of provided and received performances as shown in sections B, C, D, E, F, G and H of chapter II. indicate that all performances were provided under standard business conditions. The Company did not incur any damage as a result of these relations during the accounting period.

In Třinec on 31 March 2012



.....
Jan Czudek

Chairman of the Board of Directors



.....
Petr Popelář, MBA

Second Vice-Chairman of the Board of Directors