

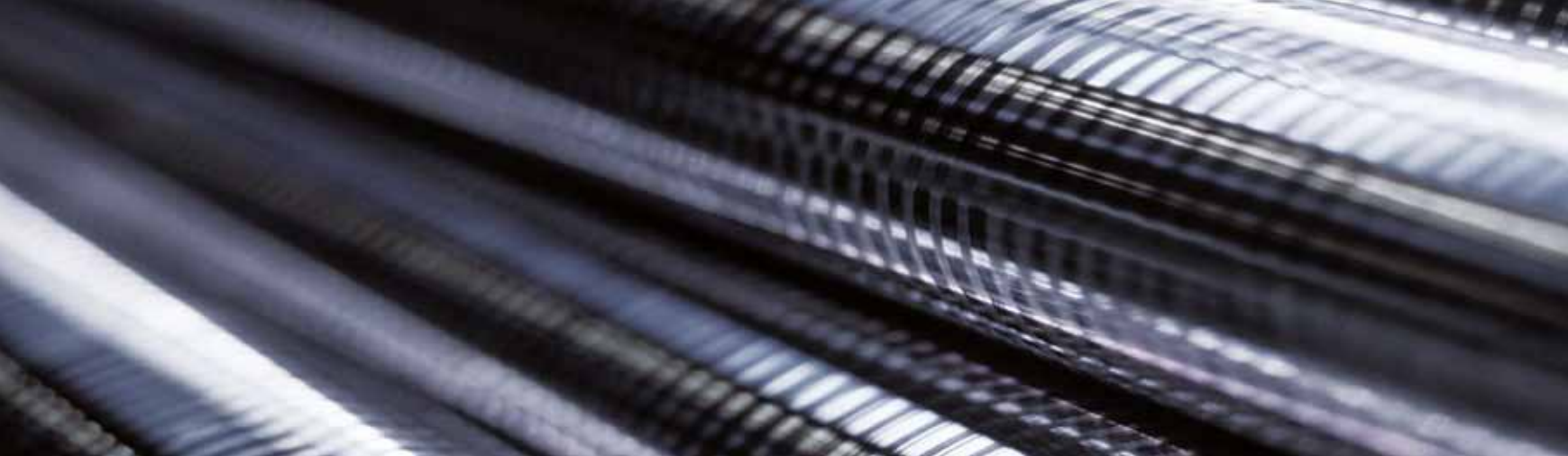
ANNUAL REPORT 2011



MORAVIA STEEL

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I.

Opening Statement of the Chairman of the Supervisory Board

DEAR SHARE- HOLDERS, BUSINESS PARTNERS AND EMPLOYEES,

If we look at the year 2011 from the perspective of world, European and Czech steel statistics, it can be assessed positively. We can perceive 2011 similarly to the period preceding the global economic crisis that struck in 2008 and 2009.



However, there are numerous development trends that oblige us to be very prudent, in particular the complicated political and economic situation in the European Union – the destination market of most products exported by MORAVIA STEEL a.s. – or the Czech Republic, where approximately one third of our products are sold.

Global steel production increased by 6.8 percent year-on-year to 1.527 billion tonnes. The largest share in global production by continent was held by Asia – 64.7 %. The largest producer was China, which produced 695.5 million tonnes of steel in 2011. In the EU, steel production slightly increased by 2.8 % year-on-year to 177.4 million tonnes.

In 2011, steel production in the Czech Republic increased by almost 8 %, from 5.179 million to 5.583 million tonnes. The total export of steel products amounted to 4.788 million tonnes, which is an increase of 5.1 %. Imports amounted to 5.823 million tonnes of steel products, an increase of 9.1 % year-on-year. The production of long products amounted to 2.998 million tonnes. 2.226 million tonnes were exported. 1.099 million tonnes of long products were imported into the Czech Republic.

In 2011, TŘINECKÉ ŽELEZÁRNY, a.s. produced almost 2.5 million tonnes of steel, which is over 44 % of all steel production in the Czech Republic. TŘINECKÉ ŽELEZÁRNY, a.s. remains the largest steel producer.

The results reported by MORAVIA STEEL a.s., or the MORAVIA STEEL/TŘINECKÉ ŽELEZÁRNY Group can be perceived as a vindication of the Company's long-term strategy. The strategy focuses on the products with the higher processing grade and the creation of product chains; in practice, products intended for the engineering, power, oil and automotive industries. As such, the group prefers the production of rolled wire for the production of screws, springs, bearings and steel cords, special bar steel, finalised steel, wide and flat tool steel.

MORAVIA STEEL a.s., which has operated on the metallurgical production market since 1996, has a long-term strong and stabilised position on both the Czech market and foreign markets. MORAVIA



STEEL a.s. provides the national and international transportation, purchase and sale of raw materials, including other inputs necessary for metallurgical production.

In 2011, MORAVIA STEEL a.s. reported a profit of CZK 1.385 billion. In 2010, the Company reported a profit of CZK 0.708 billion. Sales of goods increased by 15 %, from CZK 57.010 billion to CZK 65.336 billion.

The assets of MORAVIA STEEL a.s., increased year-on-year by CZK 2.046 billion to CZK 18.008 billion. The fixed assets of the Company slightly increased year-on-year, from CZK 6.703 billion to CZK 6.907 billion.

The equity of the Company in 2011 increased by 17 % to CZK 9.669 billion. In 2010, the equity amounted to CZK 8.284 billion.

The added value of the Company increased year-on-year by 27 %, from CZK 1.734 billion to CZK 2.205 billion.

The traditionally most significant commodity of the MORAVIA STEEL/TRINECKÉ ŽELEZÁRNY Group in terms of volume is rolled wire. In 2011, sales of rolled wire amounted to almost 917 kilotonnes, which is a year-on-year increase of more than 16 kilotonnes. The second most significant commodity in terms of volume is conti-casts and billets. In 2011, their sales amounted to 268.4 kilotonnes. Sales of rails amounted to 253.8 kilotonnes. Other significant items of the

MORAVIA STEEL/TRINECKÉ ŽELEZÁRNY Group in terms of volume include products from Sochorová válcovna TŽ in Kladno, with sales of almost 264 kilotonnes in 2011.

In 2011, MORAVIA STEEL a.s., sold 2,240.5 kilotonnes of metallurgical products. The share of exports was 68 %. The volume of exports was 1,513.9 kilotonnes. 726.7 kilotonnes were sold on the local market. 73 % of foreign sales were intended for the European Union. In 2011, the principal markets of MORAVIA STEEL a.s. were Slovakia, with an 11.6 % share, and the America, with a 9.8 % share.

Let me thank you for productive work and trust in 2011. I believe that our common work, mutual communication and contacts will positively develop and successfully continue in 2012 and the years to come.

Tomáš Chrenek

Chairman of the Supervisory Board
MORAVIA STEEL a.s.



II.

Company Profile

Since its formation in 1995, MORAVIA STEEL a.s. has become a well-known and respected name among the sellers of metallurgical products in the Czech Republic and foreign markets, primarily in EU countries.

An integral part of the Company's activities is the provision of domestic and international freight transportation, the Company is a long-term significant transporter in the Czech Republic in terms of transportation services.

In addition, MORAVIA STEEL a.s. purchases and sells raw materials and other inputs necessary for metallurgical production and other production of companies in the MS/TŽ group.

The key economic indicators of MORAVIA STEEL a.s. between 2007 and 2011 are impacted, among other things, by the development in the global economy and financial markets; however, they confirm that the Company successfully coped with the decline in the metallurgical industry and related industries in 2009–2010.

INDICATORS OF ECONOMIC ACTIVITIES BETWEEN 2007 AND 2011 (in CZK milion)

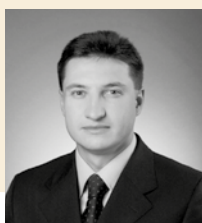
INDICATOR	2007	2008	2009	2010	2011
Sales of goods	61,071	64,171	40,931	57,010	65,336
Sales of own products and services	885	1,068	730	644	637
Added value	3,165	2,875	1,848	1,734	2,205
Financial profit or loss	1,128	-432	-550	-401	-25
Profit or loss of the reporting period	3,203	1,489	710	708	1,385
Total assets	14,266	15,090	13,953	15,962	18,008
Fixed assets	5,913	6,052	6,713	6,703	6,907
Equity	7,380	8,551	7,493	8,284	9,669
Proportion of liabilities, including accrued expens	48.27%	43.33%	46.30%	48.10%	46.31%
EBIT	3,917	2,045	968	972	1,757



Statutory Bodies and Management of the Company



Tomáš Chrenek
Chairman



Evžen Balko
Vice Chairman



Ján Moder
Vice Chairman



Pablo Alarcón Espinosa
Member



Jaroslava Čiahotná
Member



Mária Blašková
Member



Rostislav Wozniak
Chairman



Krzysztof Roch Ruciński
Vice Chairman



Mojmir Kašpiřin
Member



Urřula Novotná
Member



SUPERVISORY BOARD AS OF 31 DECEMBER 2011

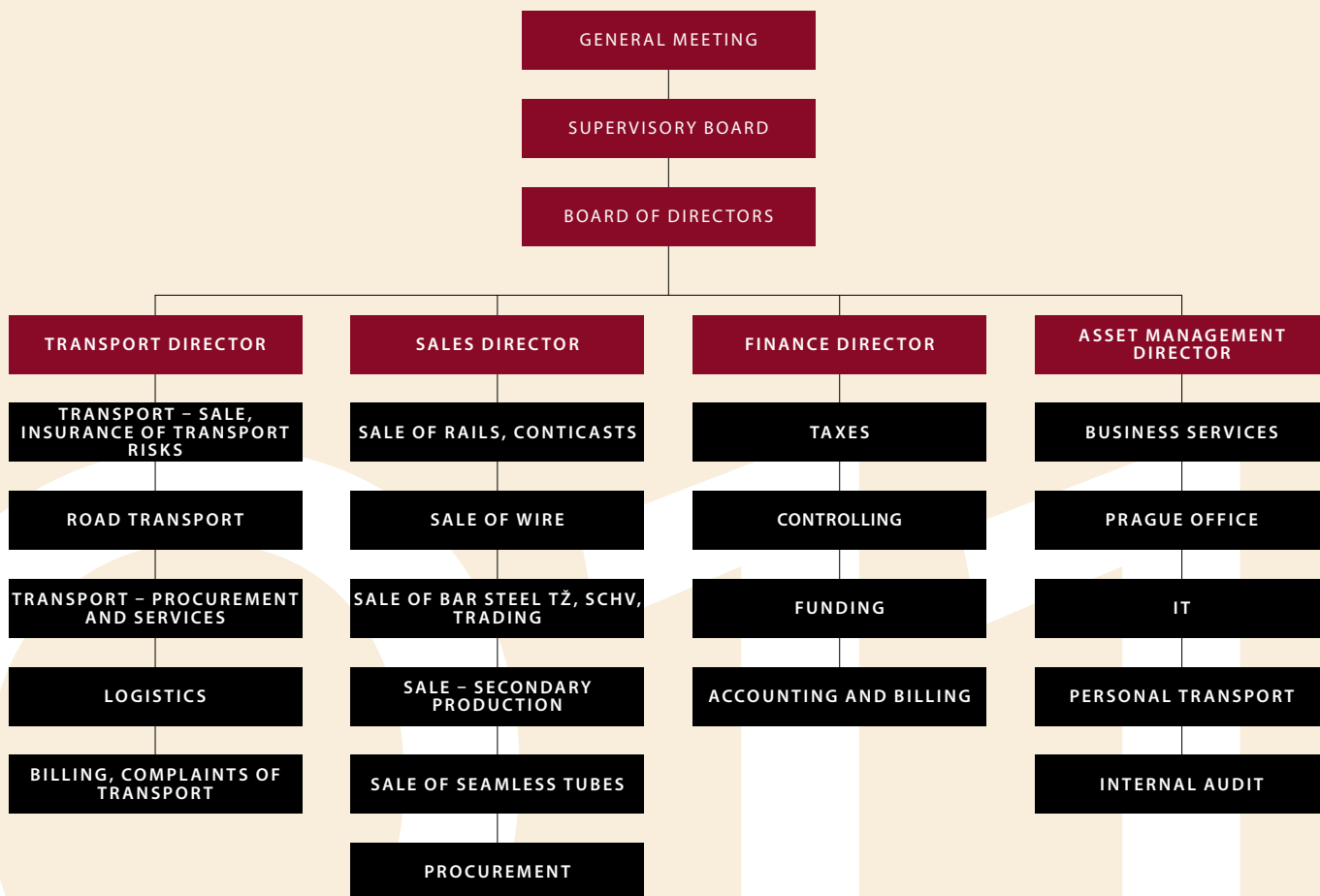
Tomáš Chrenek	Chairman
Ján Moder	Vice Chairman
Evžen Balko	Vice Chairman
Mária Blašková	Member
Hanns Kurt Zöllner	Member till 20 January 2011
Pablo Alarcón Espinosa	Member since 10 February 2011
Jaroslava Ciahotná	Member

BOARD OF DIRECTORS AS OF 31 DECEMBER 2011

Rostislav Wozniak	Chairman
Krzysztof Roch Ruciński	Vice Chairman
Mojmír Kašpříš	Member
Uršula Novotná	Member



ORGANISATIONAL STRUCTURE



Report of the Board of Directors

Although the volume of production and sales of metallurgical products slightly decreased year-on-year, MORAVIA STEEL a.s. achieved the historically highest level of sales in 2011 due to the revival of the demand for products with the higher grade of processing and thus higher added value and price. Prices of input raw materials, primarily iron ore, coke and coking coal stagnated during the year and had a slightly declining tendency at the year-end. The MS/TŽ group is a significant producer of rolled products which are widely used on the European market, primarily in the automotive industry, engineering and transportation, owing to their quality.

Total sales of the goods in 2011 amounted to CZK 65.3 billion, they increased year-on-year by more than CZK 8.3 billion. Total assets of the Company as of 31 December 2011 amounted to CZK 18 billion which is a year-on-year increase of CZK 2 billion. The profit after tax for 2011 amounts to CZK 1,385 million.

DEVELOPMENT OF THE INDUSTRY GLOBALLY AND IN THE CZECH REPUBLIC

The global production of steel increased year-on-year by 6.8 % to 1,527 million tonnes. Almost all leading industrial countries reported growth, except for Spain and Japan.

The share of Asia in the global production increased from 64 % to 64.7 %. China as the principal global producer reported production of 695.5 million tonnes of steel. Other regions with the most significant growth included South America – 48.4 million tonnes (+10.2 %), Middle East – 20.9 million tonnes (+6.9 %), North America – 118.9 million tonnes (+ 6.8 %) and CIS – 112.6 million tonnes (+ 4.0 %).

Production in EU countries amounted to 177.4 million tonnes in 2011 which is a year-on-year increase of 2.8 %, in the last three months of the year almost all member countries reported a decline in production.

The global use of production capacities in 2011 ranged between 72 % and 83 %.

The World Steel Association estimates further growth for 2012 at 5.4 %. China will remain the principal producer where the growth of steel production of 6 % is anticipated.

The European steel market will be disrupted by the debt crisis. The consumption, primarily in the south of this region, is reduced by weak economic conditions and strict governmental measures. The prognosis is a year-on-year increase of 3.7 % in the steel production in 2012.

In 2011, TRINECKÉ ŽELEZÁRNY, a.s. produced a total of 2.48 million tonnes of steel which is 44 % of the local steel production and ranks the Company first in the Czech Republic..

DEVELOPMENT TREND IN THE STEEL INDUSTRY

The presumption of further development indicates that the global production of steel will increase from the current level achieved in 2011 of 1,527 million tonnes to 1,550 million tonnes in 2015. The share of China in the total global production of steel will increase from 700 million tonnes to 750 million tonnes by 2015, which, considering the limited resources of own raw materials, will have effects on the prices of raw materials.

It is anticipated that the apparent consumption of steel in 2012 will increase by 4 % as compared to 2011.

The steel industry in the Czech Republic in 2011 saw a slight growth. Production capacities, however, have not yet achieved 100 %, and the decrease in investment activities in all market segments, predominantly in the construction industry, continued. 2011 saw a slow-down in the growth of the industry and this trend will continue in 2012. Foreign demand will continue to decline due to the debt crisis and recession in the Eurozone which will be a problem for the Czech industry as a whole. For 2012, analysts anticipate the decline in the annual industrial production of 2.9%. The local production is hampered by the increase in prices of energy and raw material and lower demand.

In terms of volume and sales, rolled wire has traditionally been the most significant item in the product range. The production and sales of rolled wire in 2011 was 17 kt higher than in 2010 which is an increase of approximately 2 %. The volume of sales of wire amounted to 916.9 kt, of which 105.5 kt from the Fine Rolling Mill. All sales of wire were on the local or EU market. The Company continues to increase the sales of grades with higher added value – the share of high-carbon and screw wire achieved 46 % and electrode wire achieved 12 % of the total amount of sales at the expense of low-grade low-carbon wire.

IV.

DEVELOPMENT OF SALES BETWEEN 2007–2011 (in tonnes)

Deliveries in tonnes	2007	2008	2009	2010	2011
Export	1,523,500	1,484,386	1,374,281	1,555,585	1,513,857
Domestic	816,368	768,302	646,604	729,599	726,666
Total	2,339,868	2,252,688	2,020,885	2,285,184	2,240,523

STRUCTURE OF EXPORTS AS A PERCENTAGE OF TOTAL SUPPLIES OF MORAVIA STEEL, a.s. (in tonnes)

Structure of exports as a percentage of total supplies in tonnes	2007	2008	2009	2010	2011
European Union	77.5	76.7	76.1	78.4	73.0
Other Europe	3.9	3.9	2.9	1.8	2.3
Africa	0.2	0.1	0.3	0.1	0.1
Asia	0.1	0.1	0.2	0.6	3.1
America	8.4	8.6	8.0	7.5	9.8
Australia	0.1	0.1	0.1	0.1	0.1
Slovakia	9.8	10.5	12.4	11.5	11.6
	100.0	100.0	100.0	100.0	100.0

DEVELOPMENT IN THE PRODUCT RANGE STRUCTURE OF METALLURGICAL PRODUCT SALES OF MORAVIA STEEL a.s. (in tonnes)

Sales in tonnes	2007	2008	2009	2010	2011
Rolled wire	824,909	783,688	817,301	900,199	916,981
Billets and continual castings	258,379	280,871	226,066	284,455	268,360
Reinforcing steel	134,611	112,656	185,428	43,436	8,783
Rails	232,690	247,960	220,715	258,815	253,793
Products of SCHV Kladno	271,071	260,194	185,513	262,317	263,987
UT Bohumín	58,000	55,383	44,902	49,881	47,290
Products of VF – operations	78,750	75,235	41,505	65,238	66,346
Other (bars, sections, etc.)	377,209	357,118	208,727	312,006	298,024
Pipes	104,249	79,583	79,959	93,022	99,645
Strojirny Třinec			10,769	15,816	17,314
TOTAL	2,339,868	2,252,688	2,020,885	2,285,184	2,240,523

IV.

The second most significant product in the MS/TŽ group is the bar steel. It includes the production of the Medium Rolling Mill and the Continuous Fine Rolling Mill in TŽ, Sochorová válcovna TŽ in Kladno and the Universal Mill in Bohumín.

In terms of sales, the first half of 2011 saw a continuing growth in demand for bars driven primarily by the automotive industry, or other engineering segments. In addition to the increased needs of the processing sector, other material was added in the warehouses of distributors in the first two quarters of the year. The increased demand for steel was accompanied by higher prices of raw materials which were, however, reflected in the prices of products. The third quarter of 2011 saw signs of the decline in demand. Negative economic reports from media heightened the prudence of customers who started decreasing their inventories held in stock, or reducing and transferring new orders. Decreased sales in the fourth quarter contributed to the fact that the sale of bars in 2011 decreased to 609.3 kt from 624.2kt in 2010.

Sales from the Medium Rolling Mill and the Continuous Fine Rolling Mill in 2011 amounted to 298kt and decreased year-on-year by 14 kt (ie 4.5 %). Slightly lower sales were compensated by a better composition of orders with a higher average price. For this reason, total sales of bars were 18 % higher than in 2011.

Sales from Sochorová válcovna TŽ in 2011 were slightly higher than in 2010 (264 kt as compared to 262.3 kt). A better structure of orders with an increased share of alloyed steel and peeled material resulted in the sales being higher by one third.

Sales of wide steel from Univerzální trať in Bohumín in 2011 amounted approximately to 47.3 kt and were 2.6 kt lower than in 2010. These products are more related to the weakening construction industry. However, higher prices led to sales that were higher by 8 %.

In the first half of 2011, the drawn steel market saw a stronger demand and the growth trend of realisation prices than in the second half of the year. The sold volume was 66.35 kt, ie by 1.2 kt more than in 2010. The Company entered one of the most demanding segments of the market of the automotive industry, production of piston bars and shock absorbers.

The Company produced and sold 7.64 kt of drawn, annealed and phosphatised wire in coils. This was the highest level of drawn wire in coils. Supplies are intended solely for the subsequent production of contact pieces and bearings.

In 2010, the production of Válcovna trub TŽ stabilised at 93 kt. In 2011, the sales increased due to the favourable situation on the market to

99.6 kt which was due, among other things, to the increase in the production (2.6 kt) and decrease in inventories held in stock (2kt).

The Company produced and sold only 8.8kt of the reinforcing steel which is 20 % of the volume in 2010. It was due both to the continuing decline in the construction industry and the corresponding low prices in the reinforcing steel and the opportunity to use the capacities for the products with higher added value.

In 2011, the production of rails amounted to 253.8kt, ie 5 kt less than in 2010. The decline is due to the necessity of pre-production of a larger volume of rails in the transition period at the end of 2011 for North American customers. Supplies of rails in the Czech Republic remained on the stable level as in 2010, ie almost 25 kt. Other principal export markets included Azerbaijan, Poland, Israel, Hungary and Serbia.

The sales of conti-casts and rolled billets amounted to 268.4 kt in 2011, ie 16 kt less than in 2010. This decrease was due predominantly to the transfer of production capacities to finishing mills, ie rolled products with higher added value. The direct sale of semi-finished products continues to focus on railway sets, components for wind power plants and forging shops. The stable highest sales are on the German and Czech markets.

The long-term strategy of MORAVIA STEEL is focused on increasing the share of products with a higher grade of processing and creating product chains. The group focuses more on products intended for industries requiring a higher level of reprocessing for higher quality steel grades, such as the engineering industry, power industry, and the petroleum and automotive industries. As such, preference is placed on the production of rolled wire for the production of screws, springs, bearings, cords and cables, special bar iron, finalised processed steel (drawn and peeled), wide and flat tool steel.

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

The prices of raw materials increased year-on-year and then stagnated during the year and slightly decreased at the end of the year.

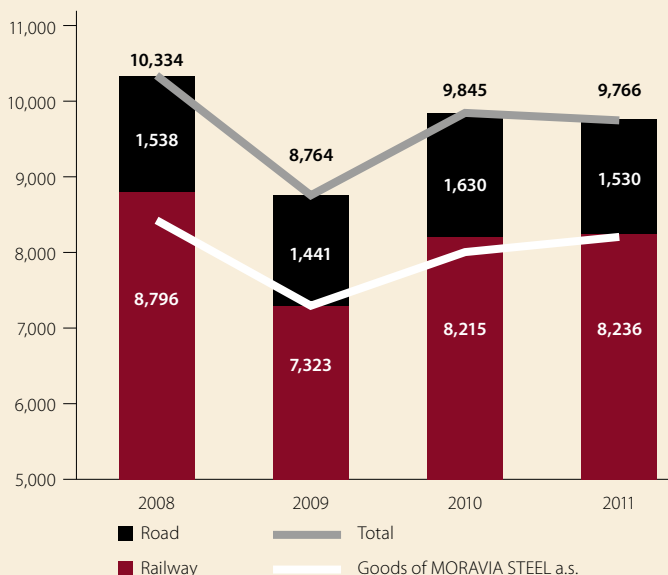
MORAVIA STEEL a.s. continuously procures these raw materials with respect to availability, required quality, and optimum acquisition costs..

LOGISTICS, FREIGHT TRANSPORT

In 2011, MORAVIA STEEL a.s. transported 9,766 million tonnes of goods.

IV.

DEVELOPMENT IN THE TRANSPORTED VOLUME BY MORAVIA STEEL a.s. – BY METHOD OF SENDING FROM DISPATCH PLACES (thousand tonnes)

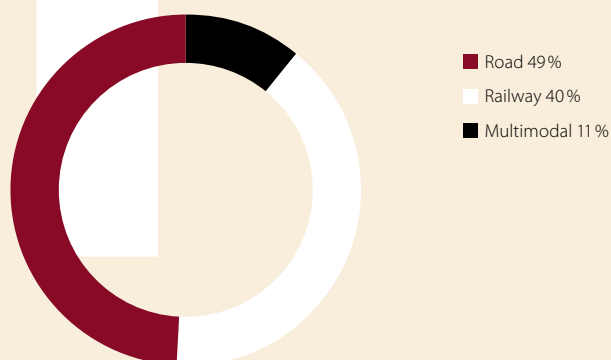


The development in the volume and structure of services in the freight transport has shown a significant dependence on the development in the economy, preferences of logistics systems preferring rapidity and accuracy of goods supplies.

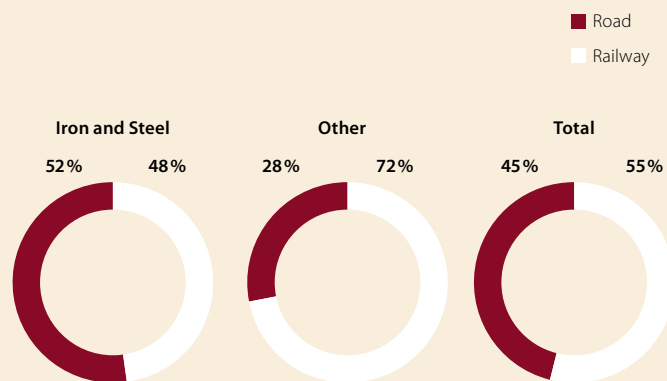
There were changes in transportation performance, its future development is difficult to predict given the time and volume indicators including the estimate of available investments which will be allocated to the transportation.

MORAVIA STEEL a.s. recorded a repeated year-on-year decline in transportation requirements of customers outside the MS/TŽ group of 14.3 %.

SALES OF GOODS OF MORAVIA STEEL A.S. – BY METHOD OF DISPATCH – 2011



SALES OF GOODS OF MORAVIA STEEL A.S. – CZECH REPUBLIC – BY METHOD OF DISPATCH – 2011



The cooperation with principal railway transporters brought new solutions primarily in respect of optimising transportation of complete trains, turnover rate of railway wagons and supporting information systems. In transportation of strategic raw materials, the Company introduced new models reflecting current requirements of customers and suppliers of MORAVIA STEEL a.s. The Company increased the volume from international railway transportation in the granulated cinder commodity.

Supplies of the goods to loading ports were in line with the character of individual business cases with the predominant proportion of railway transportation.

In cooperation with shipment points and certified labs, the Company further improved the quality of setting, security of the goods and adjusting of products. The system of the electronic sale of shipments in the intrastate transportation was extended by other shipment points of the MS/TŽ group.

The Company continued to optimise the portfolio of suppliers of transportation services by quality system standards.

The logistics of the freight transportation primarily focused on the strategic industry benchmarking analyses, development in management processes and data processing.

Strategy, indicators of the freight transportation process:

- The transportation policy of the Czech Republic and relating documents (Transportation sector strategy, Mid-term plan of the development in the transportation infrastructure with a long-term outlook, Strategy of innovation technologies in transportation, Strategy of the support of logistics from public funds);
- Price of fuel, energy, emissions from transportation;



IV.

- Competitiveness of Czech transporters and providers of transportation, logistics services;
- Funding of transportation vehicles renovation;
- Risks of traffic jams on roads and insufficient capacity of the railway infrastructure;
- Fees for the use of the road transportation infrastructure in Poland, extension of the paid sections in the Czech Republic and increase in prices of toll;
- Requirements for optimising distribution processes in freight transportation – concentration of transportation flows, cooperation and coordination of transportation companies;
- Conditions for the improvement of the professional training of employees in freight transportation;
- Information system of transportation and its development (Unified Traffic Information System);
- Traffic closures, construction restrictions in the construction of transportation infrastructure with an impact on the quality of supplied goods, shunting of vehicles for loading and dispatch (primarily the renovation of road I/11, optimisation of the third corridor on the Český Těšín – Most u Jablunkova state border track);
- Investment activities in production companies in the MS/TŽ Group; and
- Investment activities of port companies - impact on the change in the direction of the goods of MORAVIA STEEL a.s.

MANAGEMENT SYSTEM, HUMAN RESOURCES

In order to simplify the administrative approach to the issuance of tax documents by companies in the MORAVIA STEEL a.s. group, the Company created and put into operation an internet application of the business portal allowing customers to receive tax documents in the electronic form in accordance with the generally applicable legislation. The portal is a technology interconnection of the environment in SAP, Lotus Notes and Lotus domino server web functions. The first

company which started to send and receive electronically issued invoices through the new portal is Kovárna VIVA a.s.

In 2011, the Company additionally started to cooperate with specialists from the MS/TŽ Group on the comprehensive renovation of the scanning site in MORAVIA STEEL a.s.

In 2011, the Company worked on the project for the introduction of the fully-fledged SAP R3 system in

Hanácké železářny a pérovny, a.s. as a member of the MS/TŽ Group with the objective of unifying and increasing the quality of the information base for the needs of MORAVIA STEEL a.s.

The Company continues the work on the development of the comprehensive calculation system; in 2011, the Company prepared resulting calculations of products of Šroubárny Kyjov, spol.s.r.o.

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

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

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

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

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



V.

Report of the Supervisory Board

The MORAVIA STEEL a.s. Supervisory Board examined the financial statements of MORAVIA STEEL a.s. for the year ended 31 December 2011 based on documentation that was submitted to it and discussed by MORAVIA STEEL a.s.'s Board of Directors.

The Supervisory Board also discussed a proposal for the allocation of profit for the year ended 31 December 2011.

Taking into account the auditor's opinion issued by Deloitte Audit s.r.o., MORAVIA STEEL a.s.'s Supervisory Board recommends that the General Meeting approve the financial statements of MORAVIA

STEEL a.s. for the year ended 31 December 2011 including the proposal of the Board of Directors for the allocation of profit for the year ended 31 December 2011.

Tomáš Chrenek

Chairman of the Supervisory Board

2011



VI.

Report of the Audit Committee

The Audit Committee is a special body of MORAVIA STEEL a.s. which is authorised to monitor the procedure of the preparation of the unconsolidated and consolidated financial statements of MORAVIA STEEL a.s. and the MS/TŽ Group, assess the efficiency of the risk management system and internal control of the Company, and monitor the process of the obligatory audit of the unconsolidated and consolidated financial statements, assess the independence of the external auditor and recommend an appointment of an auditor.

In the period from the last general meeting held on 27 June 2011 to the date of preparation of this report, the Audit Committee primarily monitored the procedure of preparation of the financial statement of MORAVIA STEEL a.s. and the consolidated financial statements of the MS/TŽ Group and reviewed the consistency and appropriateness of used accounting policies. As part of presentations of the external auditor, the Audit Committee assessed the efficiency of the internal control system of the Company from the perspective of the external auditor. The committee monitored the course of the obligatory audit and stated that management of the Company adheres to the recommendations of the external auditor.

Pursuant to the Auditor's Report regarding the financial statements of MORAVIA STEEL a.s. and the consolidated financial statements of the MS/TŽ Group as of 31 December 2011 and an opinion of the audi-

tor included in the report, following the discussion of these reports with the auditor, the Audit Committee confirms that the financial statements were prepared in accordance with the requirements of the legislation.

The Audit Committee monitored the activities of the internal audit department. The Audit Committee got acquainted with the conclusions and drafts of measures resulting from audit activities.

Members of the committee, together with managers of the Company, are respondents of the regular assessment of activities of the external auditor. The opinion on the activities of the external auditor includes an assessment of the independence of the external auditor from the activities of the Company from the perspective of other services provided to MORAVIA STEEL a.s. or the MS/TŽ Group. The Audit Committee has no objections to the independence of the external auditor.



Dana Trezziová

Chairwoman of the Audit Committee

Auditor's Report

Deloitte.

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Prague, Section C, File 24349
Id. Nr.: 49620592
Tax id. Nr.: CZ49620592

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

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

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 26 March 2012 on the financial statements which are included in this annual report in Section VIII.:

"We have audited the accompanying financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 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 MORAVIA STEEL 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 11 May 2012 on the consolidated financial statements which are included in this annual report in Section IX.:

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the MORAVIA STEEL a.s. consolidation group as of 31 December 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 MORAVIA STEEL a.s. for the year ended 31 December 2011 which is included in this annual report in Section X. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

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

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

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 11 June 2012

Audit firm:

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



Statutory auditor:

Václav Joubek
certificate no. 2037



VIII.

Financial Part I. Financial Statements

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011



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

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

Components of the 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 26 March 2012.

Statutory body of the reporting entity	Podpis
Rostislav Wozniak Chairman of the Board of Directors	
Mojmír Kašpříš Member of the Board of Directors	

BALANCE SHEET FULL VERSION

(in CZK thousand)

		31. 12. 2011			31. 12. 2010
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	19 513 300	1 504 991	18 008 309	15 962 176
B.	Fixed assets	8 017 074	1 110 121	6 906 953	6 703 083
<i>B.I.</i>	Intangible fixed assets	94 105	56 274	37 831	46 836
B.I.1.	Start-up costs	72	72		
B.I.3.	Software	892	497	395	
B.I.4.	Valuable rights	91 819	54 980	36 839	45 710
B.I.6.	Other intangible fixed assets	926	725	201	224
B.I.7.	Intangible fixed assets under construction	396		396	902
<i>B.II.</i>	Tangible fixed assets	101 067	75 198	25 869	28 576
B.II.3.	Individual movable assets and sets of movable assets	101 067	75 198	25 869	25 227
B.II.7.	Tangible fixed assets under construction				3 349
<i>B.III.</i>	Non-current financial assets	7 821 902	978 649	6 843 253	6 627 671
B.III.1.	Equity investments - subsidiary (controlled entity)	7 641 041	978 649	6 662 392	6 447 012
B.III.2.	Equity investments in associates	178 197		178 197	180 634
B.III.6.	Acquisition of non-current financial assets	2 664		2 664	25
C.	Current assets	11 487 187	394 870	11 092 317	9 247 184
<i>C.I.</i>	Inventories	495 570		495 570	278 811
C.I.1.	Material	1 541		1 541	1 841
C.I.5.	Goods	494 029		494 029	276 970
<i>C.II.</i>	Long-term receivables	60 059		60 059	65 499
C.II.5.	Long-term prepayments made	1 127		1 127	1 127
C.II.7.	Other receivables	58 932		58 932	64 372
<i>C.III.</i>	Short-term receivables	9 634 476	394 870	9 239 606	8 132 123
C.III.1.	Trade receivables	9 060 794	392 945	8 667 849	7 815 120
C.III.2.	Receivables - controlled or controlling entity	257 463		257 463	3 134
C.III.6.	State - tax receivables	267 674		267 674	260 623
C.III.7.	Short-term prepayments made	13 150		13 150	1 109
C.III.8.	Estimated receivables	23 069		23 069	26 884
C.III.9.	Other receivables	12 326	1 925	10 401	25 253
<i>C.IV.</i>	Current financial assets	1 297 082		1 297 082	770 751
C.IV.1.	Cash on hand	396		396	639
C.IV.2.	Cash at bank	1 296 686		1 296 686	175 740
C.IV.3.	Short-term securities and investments				594 372
D. I.	Other assets	9 039		9 039	11 909
D.I.1.	Deferred expenses	1 613		1 613	495
D.I.2.	Complex deferred expenses				177
D.I.3.	Accrued income	7 426		7 426	11 237

(in CZK thousand)

		31. 12. 2011	31. 12. 2010
	TOTAL LIABILITIES & EQUITY	18 008 309	15 962 176
A.	Equity	9 668 655	8 283 727
A.I.	Share capital	3 157 000	3 157 000
A.I.1.	Share capital	3 157 000	3 157 000
A.III.	Statutory funds	631 400	617 194
A.III.1.	Statutory reserve fund/Indivisible fund	631 400	617 194
A.IV.	Retained earnings	4 495 327	3 801 648
A.IV.1.	Accumulated profits brought forward	4 495 327	3 801 648
A.V.	Profit or loss for the current period (+ -)	1 384 928	707 885
B.	Liabilities	8 300 001	7 657 047
B.I.	Reserves	4 360	
B.I.4.	Other reserves	4 360	
B.II.	Long-term liabilities	2 824	1 914
B.II.10.	Deferred tax liability	2 824	1 914
B.III.	Short-term liabilities	7 192 762	6 555 014
B.III.1.	Trade payables	6 647 002	6 282 758
B.III.5.	Payables to employees	15 897	30 649
B.III.6.	Social security and health insurance payables	3 842	5 421
B.III.7.	State - tax payables and subsidies	120 380	92 469
B.III.8.	Short-term prepayments received	117 260	87 393
B.III.10.	Estimated payables	288 352	56 324
B.III.11.	Other payables	29	
B.IV.	Bank loans and borrowings	1 100 055	1 100 119
B.IV.2.	Short-term bank loans	1 100 055	1 100 119
C. I.	Other liabilities	39 653	21 402
C.I.1.	Accrued expenses	39 653	21 402

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(in CZK thousand)

		Year ended 31. 12. 2011	Year ended 31. 12. 2010
I.	Sales of goods	65 335 525	57 009 828
A.	Costs of goods sold	62 780 996	54 990 603
+	Gross margin	2 554 529	2 019 225
II.	Production	637 042	644 141
II.1.	Sales of own products and services	637 042	644 141
B.	Purchased consumables and services	986 140	928 923
B.1.	Consumed material and energy	8 208	7 845
B.2.	Services	977 932	921 078
+	Added value	2 205 431	1 734 443
C.	Staff costs	376 325	332 248
C.1.	Payroll costs	210 542	175 190
C.2.	Remuneration to members of statutory bodies	105 510	105 204
C.3.	Social security and health insurance costs	58 800	50 366
C.4.	Social costs	1 473	1 488
D.	Taxes and charges	-7 555	9 734
E.	Depreciation of intangible and tangible fixed assets	21 761	21 326
III.	Sales of fixed assets and material	3 771	2 198
III.1.	Sales of fixed assets	2 196	702
III.2.	Sales of material	1 575	1 496
F.	Net book value of fixed assets and material sold	1 095	1 696
F.1.	Net book value of sold fixed assets	325	112
F.2.	Book value of sold material	770	1 584
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	36 074	11 399
IV.	Other operating income	80 389	249 474
H.	Other operating expenses	102 161	262 609
*	Operating profit or loss	1 759 730	1 347 103
VI.	Proceeds from the sale of securities and investments	163	
J.	Cost of securities and investments sold	407	
VII.	Income from non-current financial assets	7 989	5 070
VII.1.	Income from equity investments in subsidiaries and associates	7 989	5 070
L.	Costs of the revaluation of securities and derivatives	372	
M.	Change in reserves and provisions relating to financial activities	-2 354	200 000
X.	Interest income	9 076	5 925
N.	Interest expenses	22 076	25 670
XI.	Other financial income	796 040	550 539
O.	Other financial expenses	817 317	736 826
*	Financial profit or loss	-24 550	-400 962
Q.	Income tax on ordinary activities	350 252	238 256
Q 1.	- due	349 342	236 342
Q 2.	- deferred	910	1 914
**	Profit or loss from ordinary activities	1 384 928	707 885
***	Profit or loss for the current period (+/-)	1 384 928	707 885
****	Profit or loss before tax	1 735 180	946 141

STATEMENT OF CHANGES IN EQUITY

(in CZK thousand)

	Share capital	Capital funds	Statutory funds	Accumulated profits brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2009	3 157 000	-83 025	581 680	3 126 902	710 257	7 492 814
Distribution of profit or loss			35 513	674 744	-710 257	
Revaluation of derivatives		83 025				83 025
Profit or loss for the current period					707 885	707 885
Balance at 31 December 2010	3 157 000		617 194	3 801 648	707 885	8 283 727
Distribution of profit or loss			14 206	693 679	-707 885	
Profit or loss for the current period					1 384 928	1 384 928
Balance at 31 December 2011	3 157 000		631 400	4 495 327	1 384 928	9 668 655

CASH FLOW STATEMENT

(in CZK thousand)

		Year ended 31. 12. 2011	Year ended 31. 12. 2010
P.	Opening balance of cash and cash equivalents	767 676	1 031 462
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	1 735 180	946 141
A.1.	Adjustments for non-cash transactions	86 884	495 843
A.1.1.	Depreciation of fixed assets	21 761	21 326
A.1.2.	Change in provisions and reserves	33 720	211 399
A.1.3.	Profit/(loss) on the sale of fixed assets	-1 871	-590
A.1.4.	Revenues from dividends and profit shares	-7 989	-5 070
A.1.5.	Interest expense and interest income	13 000	19 745
A.1.6.	Adjustments for other non-cash transactions	28 263	249 033
A.*	Net operating cash flow before changes in working capital	1 822 064	1 441 984
A.2.	Change in working capital	-497 832	-737 885
A.2.1.	Change in operating receivables and other assets	-780 966	-2 522 021
A.2.2.	Change in operating payables and other liabilities	500 088	1 803 069
A.2.3.	Change in inventories	-216 759	-19 372
A.2.4.	Change in current financial assets	-195	439
A.**	Net cash flow from operations before tax and extraordinary items	1 324 232	704 099
A.3.	Interest paid	-22 118	-25 700
A.4.	Interest received	9 076	5 921
A.5.	Income tax paid from ordinary operations	-317 244	-222 341
A.7.	Received dividends and profit shares	7 989	5 070
A.***	Net operating cash flows	1 001 935	467 049
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-223 602	-245 548
B.2.	Proceeds from fixed assets sold	2 196	702
B.3.	Loans provided to related parties	-254 329	12 000
B.***	Net investment cash flows	-475 735	-232 846
	Cash flow from financial activities		
C.1.	Change in payables from financing	-64	2 011
C.2.	Impact of changes in equity		-500 000
C.2.6.	Dividends paid		-500 000
C.***	Net financial cash flows	-64	-497 989
F.	Net increase or decrease in cash and cash equivalents	526 136	-263 786
R.	Closing balance of cash and cash equivalents	1 293 812	767 676

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

As of 31 December 2011, the Company's issued share capital is CZK 3,157,000 thousand.

The Company's financial statements have been prepared as of and for the year ended 31 December 2011.

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

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

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

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 99.03 percent of its revenues. The Company is additionally involved in providing domestic and international shipping services.

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

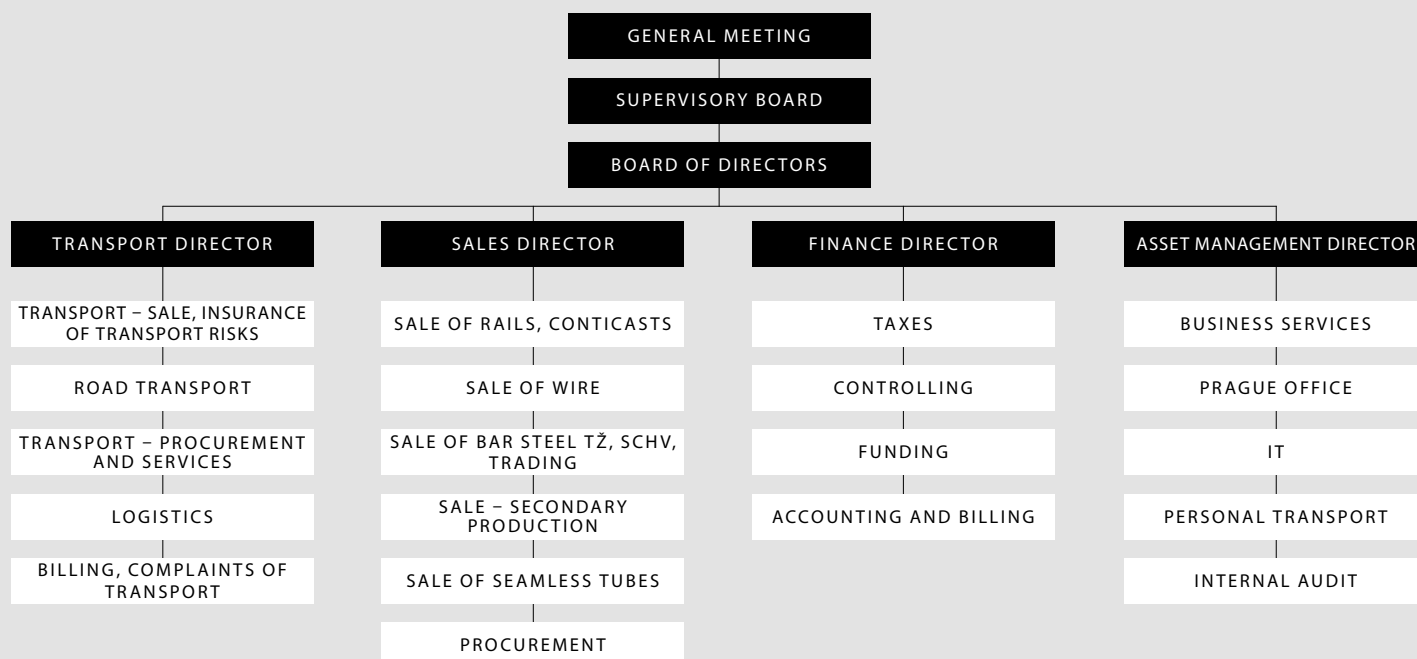
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

As of 10 February 2011, the composition of the Supervisory Board was changed. Hanns Kurt Zöllner was replaced by Pablo Alarcón Espinosa. The change was recorded in the Register of Companies on 11 April 2011.

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

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

1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AT 31 DECEMBER 2011



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 with certain exceptions as described in Note 3.6., the accruals principle, the prudence concept and the going concern assumption.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. TANGIBLE FIXED ASSETS

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

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. The Company carried no internally developed tangible fixed assets during the year ended 31 December 2011.

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

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

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

Provisioning

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

The Company recorded no provisions against tangible and intangible fixed assets in the year ended 31 December 2011.

3.2. INTANGIBLE FIXED ASSETS

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

Purchased intangible fixed assets are stated at cost.

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

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

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

3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

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

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

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

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

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

Provisioning

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

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

3.4. INVENTORY

Valuation

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

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

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

Provisions

No provisions were recognised in respect of inventory in 2011.

3.5. CURRENT FINANCIAL ASSETS

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

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

3.6. FINANCIAL DERIVATIVE INSTRUMENTS

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

- At the inception of the hedge, a decision was adopted about the hedged item and the hedging instruments, the risks that are being hedged and the approach to establishing and documenting whether the hedge is effective and the hedging relationship is formally documented;
- 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.

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

Derivative financial instruments are carried at fair value at the balance sheet date. In determining the fair value, the Company has referred to market values. Fair value changes in respect of trading derivatives and derivatives designated as hedges of fair values of assets and liabilities are recognised as expenses or income from derivative transactions. Fair value changes in respect of derivatives designated as future cash flow hedges are treated as gains or losses from the revaluation of assets and liabilities.

3.7. RECEIVABLES

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

Provisioning

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

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

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

3.8. TRADE PAYABLES

Trade payables are stated at their nominal value.

3.9. LOANS

Loans are stated at nominal value.

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

3.10. FOREIGN CURRENCY TRANSLATION

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

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

3.11. RESERVES

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

3.12. 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.

3.13. TAXATION

3.13.1. Tax Depreciation of Fixed Assets

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

3.13.2. 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.

3.13.3. Deferred Tax

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

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

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

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

3.14. IMPAIRMENT

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

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

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

3.15. USE OF ESTIMATES

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

3.16. REVENUE RECOGNITION

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

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

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

3.17. EXTRAORDINARY EXPENSES AND INCOME

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

3.18. CASH FLOW STATEMENT

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

(CZK thousand)

	31 Dec 2011	31 Dec 2010
Cash on hand	396	639
Cash at bank and cash in transit	1 296 686	175 740
Current securities	-	594 372
Total current financial assets	1 297 082	770 751
Current account – blocked funds	-3 270	-3 075
Total cash and cash equivalents	1 293 812	767 676

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

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

4.1. FIXED ASSETS

4.1.1. Intangible Fixed Assets

Cost

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Start-up costs	72	-	-	72	-	-	72
Software	1 990	-	7	1 983	569	1 660	892
Valuable rights	91 485	-	-	91 485	334	-	91 819
Other intangible FA	700	226	-	926	-	-	926
Intangible FA under construction	-	1 127	225	902	396	902	396
Total	94 247	1 353	232	95 368	1 299	2 562	94 105

Accumulated Amortisation

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Start-up costs	72	-	-	72	-	-	72
Software	1 905	85	7	1 983	174	1 660	497
Valuable rights	36 626	9 149	-	45 775	9 205	-	54 980
Other intangible FA	700	2	-	702	23	-	725
Total	39 303	9 236	7	48 532	9 402	1 660	56 274

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Start-up costs	-	-	-
Software	85	-	395
Valuable rights	54 859	45 710	36 839
Other intangible FA	-	224	201
Intangible FA under construction	-	902	396
Total	54 944	46 836	37 831

Amortisation of intangible fixed assets was CZK 9,400 thousand and CZK 9,236 thousand as of 31 December 2011 and 31 December 2010, respectively.

4.1.2. Tangible Fixed Assets

Cost

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Individual movable assets	110 003	7 606	9 883	107 726	13 327	19 986	101 067
- Machines and equipment	17 964	139	230	17 873	3 517	5 767	15 623
- Vehicles	82 974	7 379	7 122	83 231	9 810	14 208	78 833
- Furniture and fixtures	9 065	88	2 531	6 622	-	11	6 611
Tangible FA under construction	-	10 772	7 423	3 349	9 028	12 377	-
Prepayments for tangible FA	438	-	438	-	2 619	2 619	-
Total	110 441	18 378	17 744	111 075	24 974	34 982	101 067

Accumulated Depreciation

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Individual movable assets	80 092	12 290	9 883	82 499	12 686	19 987	75 198
- Machines and equipment	15 862	939	230	16 571	1 424	5 767	12 228
- Vehicles	55 224	11 246	7 122	59 348	11 246	14 208	56 386
- Furniture and fixtures	9 006	105	2 531	6 580	16	12	6 584
Total	80 092	12 290	9 883	82 499	12 686	19 987	75 198

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Individual movable assets	29 911	25 227	25 869
- Machines and equipment	2 102	1 302	3 395
- Vehicles	27 750	23 883	22 447
- Furniture and fixtures	59	42	27
Tangible FA under construction	-	3 349	-
Prepayment for tangible FA	438	-	-
Total	30 349	28 576	25 869

The Company principally acquired cars in 2010 and 2011.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,203 thousand and CZK 1,591 thousand for the years ended 31 December 2011 and 2010, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are directly expensed on a one-off basis.

Depreciation of tangible fixed assets amounted to CZK 12,361 thousand and CZK 12,090 thousand as of 31 December 2011 and 31 December 2010, respectively.

4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Equity investments in subsidiaries	7 215 526	212 489	-	7 428 015	215 380	2 354	7 641 041
Equity investments in associates	177 747	2 887	-	180 634	-	2 437	178 197
Acquisition of non-current financial assets	15 375	200 070	215 420	25	215 582	212 943	2 664
Prepayments for non-current financial assets	-	-	-	-	-	-	-
Total	7 408 648	415 446	215 420	7 608 674	430 962	217 734	7 821 902

On 2 March 2011, the Company purchased five shares in Barrandov Studio a.s. and five shares in Barrandov Televizní Studio a.s. based on a Securities Purchase Contract.

On 14 March 2011, the Company signed a contract for the sale of a subsidiary, MORAVIA STEEL POLAND sp. z o.o. with METALURGIA SPÓŁKA AKCYJNA, Radomsko.

On 1 June 2011, the Company purchase a 50 percent equity investment in Moravia Steel Deutschland GmbH, thereby increasing its equity interest from 50% to 100%.

On 17 January 2011, TRINEC – CMC LIMITED purchase a 50 percent shareholding of the owner, CMC Ag, Zug, based on which MORAVIA STEEL a.s. became a 100 percent owner of TRINEC – CMC LIMITED.

On 8 February 2011, the business name of TRINEC – CMC LIMITED was changed to MORAVIA STEEL UK LIMITED.

During the year ended 31 December 2011, the share capital of Barrandov Televizní studio, a.s. was increased by CZK 100,000 thousand, ie from CZK 797,400 thousand to the current balance of CZK 897,400 thousand through a purchase of 12,500 ordinary registered shares with a nominal value of CZK 8,000 thousand. The increase in the share capital was recorded in the Register of Companies on 9 June 2011.

On 15 June 2011, a subsidiary, Moravia Steel AG Zug, was dissolved by its removal from the Register of Companies following the completion of liquidation.

4.2.1. Equity Investments in Subsidiaries

2011

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TRINECKÉ ŽELEZÁRNY, a.s.	Třinec	3 360 473	5 600 097	69,05	19 361 466	1 377 411	-	-
Barrandov Lands a.s.	Prague	275 000	200 000	100	278 066	2 934	-	-
Barrandov Studio a.s.	Prague	746 439	197 112	99,85	778 222	60 841	100 000	-
Barrandov Televizní Studio a.s.	Prague	933 181	897 072	99,96	-158 999	-179 833	778 590	-
MORAVIA STEEL SLOVENIJA D.O.O.	Celje	1 573	867	51	1 866	104	-	-
MORAVIA STEEL ITALIA s.r.l.	Milan	2 580	2 075	66	106 626	45 625	-	7 989
MORAVIA STEEL IBÉRIA, S.A.	Lisbon	10 850	2 533	99,33	12 455	135	-	-
MORAVIA GOEL TRADE d.o.o.	Samobor	59	59	60	*)	*)	59	-
MS – Slovensko s.r.o. *)	Bratislava	161	160	100	970	-4	-	-
MORAVIA STEEL ISRAEL Ltd.	Petach Tikva	346	208	100	-150	-20	-	-
Beskydská golfová, a.s.	Ropice	254 342	230 000	100	204 649	-3 019	100 000	-
Sochorová válcovna TŽ, a.s.	Třinec	1 407 085	328 820	82	2 021 042	279 479	-	-
Hanácké železářny a pérovny, a.s.	Prostějov	418 262	130 000	100	373 361	32 402	-	-
Moravskoslezský kovošrot, a.s.	Prague	106 100	1 020	51	197 020	38 469	-	-
M Steel Projects a.s.	Třinec	10 000	10 000	100	221 690	217 759	-	-
MORAVIA STEEL UK LIMITED	Cheshire	1 449	1 449	100	46 597	15 306	-	-
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	287 476	48 997	-	-
Total		7 641 040	7 603 097		23 732 357	1 936 586	978 649	7 989

*) In liquidation

2010

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TRINECKÉ ŽELEZÁRNY, a.s.	Třinec	3 360 473	5 600 097	69,05	18 110 848	-632 117	-	-
Barrandov Lands a.s.	Prague	275 000	280 000	100	280 239	158	-	-
Barrandov Studio a.s.	Prague	745 689	197 072	99,83	688 594	31 379	100 000	-
Barrandov Televizní Studio a.s.	Prague	833 140	797 072	99,96	-79 087	-333 626	778 589	-
MORAVIA STEEL SLOVENIJA D.O.O.	Celje	1 573	867	51	1 802	-474	-	-
Moravia Steel AG Zug	Zug	1 947	1 947	100	*)	*)	1 947	-
MORAVIA STEEL ITALIA s.r.l.	Milan	2 580	2 075	66	81 622	34 114	-	5 070
MORAVIA STEEL IBÉRIA, S.A.	Lisbon	10 850	2 533	99,33	11 960	582	-	-
MORAVIA GOEL TRADE d.o.o.	Samobor	59	59	60	*)	*)	59	-
MS – Slovensko s.r.o.	Bratislava	161	160	100	946	1	-	-
MORAVIA STEEL ISRAEL Ltd.	Petach Tikva	346	208	100	-131	-21	-	-
Beskydská golfová, a.s.	Ropice	254 342	230 000	100	207 669	-5 097	100 000	-
Sochorová válcovna TŽ, a.s.	Třinec	1 407 085	328 820	82	1 739 980	228 581	-	-
MORAVIA STEEL POLAND sp. Z o.o.	Cieszyn	408	361	100	161	-47	408	-
Hanácké železářny a pérovny, a.s.	Prostějov	418 262	130 000	100	347 855	30 904	-	-
Moravskoslezský kovošrot, a.s.	Prague	106 100	1 020	51	185 266	38 570	-	-
M Steel Projects a.s.**)	Třinec	10 000	10 000	100	3 931	-5 844	-	-
Total		7 428 015	7 582 291		21 581 655	-612 937	981 003	5 070

*) In liquidation

***) The entity was formed on 23 September 2009, capitalisation took place during 2010.

In the year ended 31 December 2010, the Company increased the provision against the investment in Barrandov Televizní Studio, a.s. by CZK 200,000 thousand (to the aggregate amount of CZK 778,589 thousand).

4.2.2. Equity Investments in Associates

2011

(CZK thousand)

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

During 2011, the Company became a 100 percent owner of Moravia Steel Deutschland GmbH and Moravia Steel UK Ltd (refer to Note 4.2). As such, the equity investments in those companies are recognised as equity investments in subsidiaries.

2010

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna VIVA a.s.	Zlín	175 311	25 000	50	303 229	36 394	-	-
Moravia Steel Deutschland GmbH*)	Kürten	987	987	50	229 289	19 374	-	-
TRINEC – CMC LIMITED	Cheshire	1 449	1 449	50	58 310	8 712	-	-
Moravia Steel Middle East FZO	Dubai	2 887	2 841	40	1 391	-6 425	-	-
Total		180 634	30 277		592 219	58 055	-	-

*) On 17 December 2010, CMC - TRINEC STAHLHANDEL GmbH was renamed to Moravia Steel Deutschland GmbH

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

None of the Company's non-current financial assets or current equity securities were pledged in 2011 and 2010.

4.3. INVENTORY

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
- Material	1 541	1 841
- Inventory – raw material	14 916	56 795
- Inventory – metallurgical products	479 113	220 175
Total	495 570	278 811

In the year ended 31 December 2011, the Company recognised no provision against inventory – metallurgical products.

The increase in inventory as of 31 December 2011 compared to 31 December 2010 is attributable to the goods in transit resulting from the failure to meet INCOTERMS 2010 by the year-end.

No prepayments for inventory were provided in the reporting periods.

4.4. RECEIVABLES

4.4.1. Long-Term Receivables

As of 31 December 2011, the Company reports a long-term receivable of CZK 60,059 thousand.

In the year ended 31 December 2008, the Company provided a loan to CZECH MEDIA LINK which was transferred to Media Master s.r.o. during 2009. As of 31 December 2011, the loan amounted to CZK 66,177 thousand and is repayable in 2012 - 2020. The repayment period of the loan was adjusted in 2010 pursuant to an amendment to the contract. The long-term portion of the loan of CZK 58,932 thousand is reported in the line 'Other long-term receivables', the short-term part of the receivable of CZK 7,353 thousand is reported in the line 'Other short-term receivables'.

4.4.2. Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Short-term		
- Customers	9 057 002	8 172 798
- Bills of exchange to be collected	3 792	3 792
- Provisions – customers	-389 153	-357 678
- Provisions – bills of exchange to be collected	-3 792	-3 792
Total	8 667 849	7 815 120

4.4.3. Aging of Receivables from Customers

(CZK thousand)

Year	Category	Before due date	Past due date					Total past due	Total
			1 - 90 days	91-180 days	181-360 days	1 - 2 years	2 years and greater		
2011	Gross	7 799 707	854 315	33 350	11853	29 349	328 428	1 257 295	9 057 002
	Provisions	2 046	42	18 686	11 829	28 122	328 428	387 107	389 153
2010	Gross	7 120 208	692 005	8 349	20 183	25 448	306 605	1 052 590	8 172 798
	Provisions	3 822	16	1 604	20 183	25 448	306 605	353 856	357 678

Receivables typically mature within 30 days.

Past due receivables:

(CZK thousand)

Year ended	Local	Cross-border	Total
31 Dec 2011	438 982	818 313	1 257 295
31 Dec 2010	348 911	703 679	1 052 590

4.4.4. Intercompany Trade Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Short-term trade receivables		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 060 798	2 056 112
Strojírny Třinec, a.s.	137	198
ENERGETIKA TŘINEC, a.s.	61 372	72 526
Slévárny Třinec, a.s.	1 553	2 340
Sochorová válcovna TŽ, a.s.	1 408	-
Moravia Steel Deutschland GmbH, Německo	35 961	7
Řetězárna a.s.	28 616	25 910
FERROMORAVIA, s.r.o.**)	-	2 534
Barrandov Studio a.s.	-	-
MORAVIA STEEL UK LIMITED*)	-	-
MORAVIA STEEL ITALIA s.r.l.	-	-
DOPRAVA TŽ, a.s.	4	2 427
Beskydská golfová, a.s.	76	120
Barrandov Televizní Studio a.s.	17 601	-
VÚHŽ, a.s.	21 955	30 407
Šroubárna Kyjov spol. s r.o.	15 159	33 219
Kovárna VIVA a.s.	79 507	71 264
M Steel Projects a.s.	530 257	210 308
Total short-term intercompany receivables	2 854 404	2 507 372
Receivables outside the Group	6 206 390	5 669 218
Total short-term trade receivables, gross	9 060 794	8 176 590

*) On 8 February 2010, TRINEC - CMC LTD was renamed to Moravia Steel UK Ltd

***) With effect from 1 January 2011, FERROMORAVIA s.r.o. merged with TŘINECKÉ ŽELEZÁRNY, a.s.

The Company carries no long-term intercompany trade receivables.

4.4.5. Receivables from Subsidiaries

In 2011, the Company provided two loans to Barrandov Televizní Studio a.s. in the total amount of CZK 100,000 thousand. Both loans will mature on 27 September 2012. Interest amounts to CZK 1,625 thousand as of 31 December 2011.

On 24 October 2011, the Company provided a loan denominated in a foreign currency to M Steel Projects a.s., the total amount of which denominated in Czech crowns is CZK 154,800 thousand as of 31 December 2012. The loan will mature on 30 April 2012. Interest on this loan amounted to CZK 1,348 thousand in 2011.

During 2011, a receivable from Hanácké železářny a pérovny, a.s. in the amount of CZK 3,134 was collected.

4.4.6. Pledged Receivables

The Company has pledged and conditionally assigned some of its receivables under loan arrangements. Under these agreements, receivables are pledged in 14-day or 30-day cycles as they fall due. As of 31 December 2011, the value of pledged receivables was CZK 808,555 thousand (2010: CZK 790,875 thousand).

4.4.7. State - Tax Receivables

State – tax receivables comprise a receivable arising from VAT in the amount of CZK 267,674 thousand as of 31 December 2011 (2010: CZK 260,623 thousand).

4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Cash on hand	396	639
Total cash	396	639
Current accounts and cash in transit	400 716	97 485
Current accounts – blocked funds	3 270	3 075
Term deposits	892 700	75 180
Total bank accounts	1 296 686	175 740
Depository bills	-	594 372
Total current securities	-	594 372
Total current financial assets	1 297 082	770 751

As of 31 December 2011, the Company recognised no depository bills.

31 December 2010

(CZK thousand)

Issuing bank	Currency	Amount in foreign currency	Amount in CZK '000
CSOB	USD	2 400	45 002
CSOB	CZK	20 000	20 000
CSOB	EUR	6 200	155 372
HSBC	CZK	21 000	21 000
HSBC	EUR	3 900	97 734
RZBC	CZK	145 000	145 000
RZBC	EUR	4 400	110 264
Total			594 372

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

4.6. SHAREHOLDERS' EQUITY

4.6.1. Share Capital

The Company's share capital in the aggregate amount of CZK 3,157,000 thousand as of 31 December 2011 is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

4.6.2. Changes in Equity

Based on the decision of the General Meeting of Shareholders held on 27 June 2011, the profit of CZK 707,885 thousand for the year ended 31 December 2010 was allocated as follows:

- CZK 14,206 thousand was used to increase the balance of the statutory reserve fund; and
- CZK 693,679 thousand was allocated to retained earnings.

4.7. PAYABLES

4.7.1. Long-Term Payables

The Company only reports a deferred tax liability as of 31 December 2011 and 31 December 2010 (refer to Note 4.8).

4.7.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Short-term payables		
- Suppliers	6 646 987	6 282 596
- Other payables	15	162
Total	6 647 002	6 282 758

4.7.3. Aging of Payables to Suppliers

(CZK thousand)

Year	Category	Before maturity	Past due					Total past due	Total
			0 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and more		
2011	Short-term	6 644 009	2 555	25	13	35	350	2 978	6 646 987
2010	Short-term	6 278 454	3 408	30	356	133	215	4 142	6 282 596

Payables typically mature within 45 days.

4.7.4. Intercompany Payables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Short-term trade payables		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 610 130	2 451 319
Strojírny Třinec, a.s.	20 223	13 448
ENERGETIKA TŘINEC, a.s.	-	-
Sochorová válcovna TŽ, a.s.	413 896	357 808
Řetězárna a.s.	-	-
REFRASIL, s.r.o.	-	-
Barrandov Televizní Studio a.s.	-	-
FERROMORAVIA, s.r.o.)*	-	66 201
FINITRADING, a.s.	262 667	179 841
MORAVIA STEEL ITALIA s.r.l.	19 002	13 870
MORAVIA STEEL IBÉRIA, S.A.	822	752
MORAVIA STEEL SLOVENIJA D.O.O.	3 951	3 554
DOPRAVA TŽ, a.s.	57	34
Třinecké gastroslužby, s.r.o.	260	295
Beskydská golfová, a.s.	-	-
TRISIA, a.s.	-	-
Moravia Steel Deutschland GmbH**)	-	-
MORAVIA STEEL UK LIMITED***)	19 345	4 962
Kovárna VIVA a.s.	-	-
M Steel Projects a.s.	-	-
Total intercompany short-term payables	3 350 353	3 092 084
Payables to other than Group companies	3 296 649	3 190 674
Total short-term trade payables	6 647 002	6 282 758

*) With effect from 1 January 2011, FERROMORAVIA, s.r.o. merged with TŘINECKÉ ŽELEZÁRNY, a.s.

**) On 17 December 2010, CMC - TRINEC STAHLHANDEL GmbH was renamed to Moravia Steel Deutschland GmbH

***) As of 8 February 2011, TRINEC-CMC LTD was renamed to Moravia Steel UK Ltd.

4.7.5. Collateralised Payables or Otherwise Covered

In 2011, payables arising from the Company's bank loans are collateralised by the conditional pledge or assignment of receivables (refer to Notes 4.4.6. and 4.7.10.).

4.7.6. Payables to Partners and Association Members

As of 31 December 2011, the Company reports no payables to partners and association members.

4.7.7. Estimated Payables

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 248,629 thousand (2010: CZK 13,300 thousand), unbilled work and services amounting to CZK 36,945 thousand (2010: CZK 29,589 thousand) and an estimated payable for staff costs in the amount of CZK 2,779 thousand (2010: CZK 13,435 thousand).

4.7.8. Payables from Social Security and Health Insurance

As of 31 December 2010, the aggregate amount of payables related to social security, state employment policy and health insurance contributions was CZK 3,842 thousand (2010: CZK 5,421 thousand). These payables were fully settled as of the balance sheet date.

4.7.9. State – Tax Payables

State – tax payables principally comprise a payable arising from corporate income tax amounting to CZK 117,617 thousand as of 31 December 2011 (2010: CZK 86,874 thousand).

4.7.10. Bank Loans and Debt Securities

2011

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

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

2010

Purpose	Currency	Balance at 31 Dec 2010 in CZK '000	Collateral
Long-term loans			
Pre-export and operating financing – maturity on 5 May 2011	CZK	300 000	Conditional assignment and future pledge of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Total		300 000	
Short-term portion of long-term loans		300 000	
Total long-term loans		-	
Current bank accounts			
Overdraft	CZK	250 119	Conditional assignment of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Debt financing	CZK	300 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	250 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total		800 119	
Short-term portion of long-term loans		300 000	
Total short-term loans		1 100 119	
Total		1 100 119	

In the year ended 31 December 2010, the interest rates on bank loans ranged between 1.052 percent and 3.37 percent p.a.

4.7.11. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2011 for transportation and other services paid in 2012 in the amount of CZK 39,492 thousand (2010: CZK 21,199 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 161 thousand (2010: CZK 203 thousand).

4.8. DEFERRED TAXATION

The deferred tax asset is analysed as follows:

Deferred Tax Arising from

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Accumulated depreciation and amortisation of fixed assets	- 6 595	-6 636
Estimated payable arising from outstanding vacation days	528	2 553
Provisions - receivables	9 657	9 501
Unpaid (un-received) penalty	- 7 242	-7 332
Reserves	828	-
Total	-2 824	- 1 914
Total recognised tax asset (+) / liability (-)	-2 824	-1 914

In 2011, the Company recognised a deferred tax liability of CZK 2,824 thousand.

4.9. INCOME TAX ON ORDINARY AND EXTRAORDINARY ACTIVITIES

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

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Profit before tax	1 735 180	946 141
Tax at the domestic income tax rate of 19%	329 684	179 767
Tax effect of permanent differences	18 362	55 016
Deferred tax liability	910	1 914
Additional taxes of prior years	1 296	1 559
Total income tax on ordinary activities	350 252	238 256

4.10. DETAILS OF INCOME

(CZK thousand)

	2011			2010		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	23 455 047	-	23 455 047	21 891 010	-	21 891 010
Goods – metallurgical products	14 453 460	27 427 018	41 880 478	11 495 051	23 623 767	35 118 818
Sales of goods	37 908 507	27 427 018	65 335 525	33 386 061	23 623 767	57 009 828
Sales of services	472 954	164 088	637 042	426 755	217 386	644 141
Total sales of products and services	472 954	164 088	637 042	426 755	217 386	644 141

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

Sales of services principally comprise the provision of forwarding services of CZK 502,292 thousand for the year ended 31 December 2011 (2010: CZK 510,063 thousand). The sales of services also comprise revenues arising from remuneration and commissions based on mandatory contracts.

4.11. COSTS OF GOODS SOLD

(CZK thousand)

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Purchase of goods – raw materials	22 911 851	21 438 716
Purchase of goods – metallurgical products	38 168 742	31 909 021
Costs for transport of goods – metallurgical products	1 700 403	1 642 866
Total costs of goods sold	62 780 996	54 990 603

4.12. SERVICES

(CZK thousand)

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Transportation costs – services	466 920	471 717
Lease of trademark	123 000	123 000
Commissions	152 111	107 150
Advertising	102 262	89 257
Rental fees	8 140	8 161
Telecommunications	20 143	20 815
Legal advisory and auditing activities	14 689	12 633
Other services	90 667	88 345
Total	977 932	921 078

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

(CZK thousand)

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Settlement of complex deferred expenses	177	177
Changes in provisions under special legislation	32 576	33 458
- provisions against receivables	32 576	33 458
Changes in tax non-deductible provisions:	-1 038	-22 236
- provisions against receivables	-1 038	-22 236
Changes in reserves	4 359	-
Total	36 074	11 399

4.14. OTHER OPERATING EXPENSES AND INCOME

In order to achieve faster collection of receivables, the Company sold receivables with the nominal value of CZK 44,350 thousand for CZK 44,350 thousand in the year ended 31 December 2011 (2010: CZK 207,795 thousand) which are included under other operating income and expenses in the financial statements. Other operating expenses include the costs of insurance of supplies and other insurance in the aggregate amount of CZK 37,315 thousand (2010: CZK 36,490 thousand). Other operating income includes discounts and rebates of CZK 15,661 thousand (2010: CZK 18,431 thousand).

4.15. TAXES AND FEES

The negative amount in the line "Taxes and fees" results from the refund of a real estate transfer tax in the amount of CZK 8,340 thousand as the Company applied tax relief under Section 20 of Act 357/1992.

4.16. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 795,969 thousand (2010: CZK 550,539 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 811,622 thousand (2010: CZK 732,506 thousand). The remaining balance consists of other financial expenses such as fees under letters of credit, fees under loan agreements, bank fees and other financial costs of CZK 5,695 thousand (2010: CZK 4,320 thousand).

4.17. RELATED PARTY TRANSACTIONS*4.17.1. Income Generated with Related Parties*

2011

(CZK thousand)

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

*) With effect from 1 January 2011, FERROMORAVIA, s.r.o. merged with TŘINECKÉ ŽELEZÁRNY, a.s.

2010

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	21 356 538	320 401	40 077	-	21 717 016
Barrandov Studio a.s.	Subsidiary	-	-	1 163	-	1 163
Sochorová válcovna TŽ, a.s.	Subsidiary	-	3 137	7 065	-	10 202
Beskydská golfová, a.s.	Subsidiary	-	254	171	-	425
Hanácké železářny a pérovny, a.s.	Subsidiary	151 550	7 959	1 172	-	160 681
MORAVIA STEEL ITALIA s.r.l.	Subsidiary	-	123	-	-	123
MORAVIA STEEL IBÉRIA, S.A.	Subsidiary	-	-	-	-	-
Kovárna VIVA a.s.	Subsidiary	228 034	1 604	34	-	229 672
M Steel Projects a.s.*)	Subsidiary	173 999	635	30	-	174 664
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	1 463	793	-	2 256
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	509 260	254	3 246	-	512 760
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	11 082	12 721	1 152	-	24 955
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	13 361	66	448	-	13 875
REFRASIL, s.r.o.	Subsidiary of the subsidiary	621	160	167	-	948
VÁLCOVNA TRUB TŽ, a.s.**)	Subsidiary of the subsidiary	-	-	-	-	-
Řetězárna a.s.	Subsidiary of the subsidiary	206 303	-	11	-	206 314
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	13 093	21	-	13 114
Moravia Steel Deutschland GmbH***)	Associate	85 576	1 180	-	-	86 756
VÚHŽ, a.s.	Subsidiary of the subsidiary	120 596	-	334	-	120 930
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	336 061	9 760	492	-	346 313
FINITRADING, a.s.	Controlling entity	-	-	577	-	577
Celkem		23 192 981	372 810	56 953	-	23 622 744

*) The entity was formed on 23 September 2009. Capitalisation in financial investments took place in 2010

**) VÁLCOVNA TRUB TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s. as of the merger effective date on 1 January 2010

***) On 17 December 2010, CMC - TRINEC STAHLHANDEL GmbH was renamed to Moravia Steel Deutschland GmbH

4.17.2. Purchases

2011

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	31 951 714	376	166 337	1 614	-	32 120 041
MORAVIA STEEL ITALIA s.r.l.	Subsidiary	-	-	79 459	-	-	79 459
MORAVIA STEEL IBÉRIA, S.A.	Subsidiary	-	-	6 057	-	-	6 057
MORAVIA STEEL SLOVENIJA D.O.O.	Subsidiary	-	-	8 897	-	-	8 897
Barrandov Studio a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio a.s.	Subsidiary	-	-	-	-	-	-
Sochorová válcovna TŽ, a.s.	Subsidiary	5 980 423	-	53	-	-	5 980 476
Kovárna VIVA a.s.	Subsidiary	-	-	-	-	-	-
Moravia Steel Deutschland GmbH	Subsidiary	-	-	-	-	-	-
Beskydská golfová, a.s.	Subsidiary	-	-	4 844	-	-	4 844
Hanácké železářny a pérovny, a.s.	Subsidiary	-	-	-	-	-	-
M Steel Projects a.s.	Subsidiary	-	-	-	-	-	-
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	-	470 105	-	-	470 105
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	-	-	-	-
FERROMORAVIA, s.r.o. *)	Subsidiary of the subsidiary	976 399	-	154	28	-	976 581
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	455	-	-	-	-	455
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	295	-	-	295
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	4 076	-	-	4 076
FINITRADING, a.s.	Controlling entity	3 328 112	-	-	-	-	3 328 112
VESUVIUS ČESKÁ REPUBLIKA, a.s. **)		137 592	-	-	-	-	137 592
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
Total		41 398 296	376	740 123	1 614	-	42 140 409

*) With effect from 1 January 2011, FERROMORAVIA, s.r.o. merged with TŘINECKÉ ŽELEZÁRNY, a.s.

**) Associate of TŘINECKÉ ŽELEZÁRNY, a.s.

2010

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extraordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	25 976 564	292	165 233	1 097	-	26 143 186
MORAVIA STEEL ITALIA s.r.l.	Subsidiary	-	-	62 884	-	-	62 884
MORAVIA STEEL IBÉRIA, S.A.	Subsidiary	-	-	6 336	-	-	6 336
MORAVIA STEEL SLOVENIJA D.O.O.	Subsidiary	-	-	8 058	-	-	8 058
Barrandov Studio a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio a.s.	Subsidiary	-	-	-	-	-	-
Sochorová válcovna TŽ, a.s.	Subsidiary	4 362 560	-	52	-	-	4 362 612
Kovárna VIVA a.s.	Subsidiary	-	-	-	-	-	-
Moravia Steel Deutschland GmbH*)	Associate	-	-	1 077	-	-	1 077
Beskydská golfová, a.s.	Subsidiary	-	-	4 107	-	-	4 107
Hanacké železářny a pérovny, a.s.	Subsidiary	-	-	-	-	-	-
M Steel Projects a.s.**)	Subsidiary	-	-	-	-	-	-
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	409 561	-	-	-	-	409 561
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	-	-	-	-
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	1 110 924	1	242	24	-	1 111 191
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
VÁLCOVNA TRUB TŽ, a.s.***)	Subsidiary of the subsidiary	-	-	-	-	-	-
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	313	4	-	-	-	317
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	332	-	-	332
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	1 560	2 639	-	4 199
FINITRADING, a.s.	Controlling entity	2 838 844	-	-	-	-	2 838 844
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	133 176	-	-	-	-	133 176
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	-	-	-	-	-	-
Total		34 831 942	297	249 881	3 760	-	35 085 880

*) On 17 December 2010, CMC - TRINEC STAHLHANDEL GmbH was renamed to Moravia Steel Deutschland GmbH

***) The entity was formed on 23 September 2009. Capitalisation in financial investments took place in 2010

****) VÁLCOVNA TRUB TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s. as of the merger effective date on 1 January 2010

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

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

2011

(CZK thousand)

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

2010

(CZK thousand)

	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	287	123 286	42 070	1 454	166 810
Management	17	51 904	8 296	105 238	165 438
Total	304	175 190	50 366	106 692	332 248

The number of employees is based on the average recalculated headcount. As of 31 December 2011, management includes the Finance Director and Board Chairman, Sales Director and Board Vice Chairman, Asset Management Director and Board member, Transportation Director and Board member, Procurement Director, Sale of Wires Director, Re-processing Director, Bar Steel Director for TŽ, SCHV, Trading, Sale of Semi-Finished Products and Rails Director, Sale of Seamless Tubes Director, Supervisory Board Chairman, Vice Chairmen and Supervisory Board members.

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

5.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED

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

(CZK thousand)

	2011	2010
Board of Directors	813	615
Supervisory Board	1 302	1 226

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

Benefits provided to the members of the Supervisory Board and Board of Directors also included the payment of premiums under the liability insurance for damage caused in performing professional duties of a statutory member. Insurance for 2011 for all members of the Board of Directors and the Supervisory Board totalled CZK 981 thousand (2010: CZK 1,340 thousand).

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

The Company issued a Guarantee Statement in favour of TRINECKÉ ŽELEZÁRNY, a.s. in respect of bank loans totalling CZK 300,000 thousand. The balance of the outstanding loan repayments collateralised in the form of the Guarantee Statement was CZK 55,556 thousand as of 31 December 2011.

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

7. POST BALANCE EVENTS

No significant events occurred after the balance sheet date.

Financial Part II.

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011



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

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

Components of the Consolidated Financial Statements:

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

These financial statements were prepared on 11 May 2012.

Statutory body of the reporting entity	Podpis
Rostislav Wozniak Chairman of the Board of Directors	
Mojmír Kašpříš Member of the Board of Directors	

CONSOLIDATED BALANCE SHEET FULL VERSION

(in CZK thousand)

		31. 12. 2011			31. 12. 2010
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	68 768 086	27 167 156	41 552 067	37 487 541
B.	Fixed assets	44 599 979	25 901 549	18 649 567	18 501 194
I.	Intangible fixed assets	965 170	740 533	224 637	154 194
1.	Start-up costs	95	95	0	0
2.	Research and development	4 553	2 959	1 594	2 504
3.	Software	291 962	270 036	21 926	17 683
4.	Valuable rights	538 775	455 798	82 977	79 621
5.	Goodwill	338	338	0	0
6.	Other intangible fixed assets	116 851	10 511	106 340	41 278
7.	Intangible fixed assets under construction	12 596	796	11 800	13 108
II.	Tangible fixed assets	42 496 459	25 124 193	17 372 266	17 578 292
1.	Land	1 293 553		1 293 553	1 263 969
2.	Structures	11 091 113	5 353 832	5 737 281	5 640 800
3.	Individual movable assets and sets of movable assets	29 606 266	19 615 084	9 991 182	9 443 121
6.	Other tangible fixed assets	128 709	117 170	11 539	3 985
7.	Tangible fixed assets under construction	340 148	36 394	303 754	1 195 605
8.	Prepayments for tangible fixed assets	36 670	1 713	34 957	30 812
III.	Non-current financial assets	247 028	36 823	210 205	208 765
1.	Equity investments in subsidiaries	190 180	18 556	171 624	169 687
2.	Equity investments in associates	28 719	17 276	11 443	15 137
3.	Other securities and investments	1 115	991	124	245
5.	Other non-current financial assets	24 350		24 350	18 795
6.	Acquisition of non-current financial assets	2 664		2 664	4 901
IV.	Goodwill on consolidation	531 684		482 821	116 007
1.	Positive goodwill on consolidation	531 684	48 863	482 821	116 007
V.	Securities and equity investments under equity accounting	359 638		359 638	443 936
C.	Current assets	23 764 123	1 265 607	22 498 516	18 711 382
I.	Inventories	11 143 790	676 085	10 467 705	9 205 196
1.	Material	4 707 731	282 460	4 425 271	3 909 747
2.	Work in progress and semifinished goods	3 474 566	298 942	3 175 624	2 804 760
3.	Products	2 855 727	94 312	2 761 415	2 374 260
5.	Goods	27 347	371	26 976	20 382
6.	Prepayments for inventory	78 419		78 419	96 047
II.	Long-term receivables	171 339		171 339	201 706
1.	Trade receivables	24 305		24 305	20 336
5.	Estimated receivables	3 109		3 109	3 731
6.	Other receivables	65 017		65 017	68 817
7.	Deferred tax asset	78 908		78 908	108 822
III.	Short-term receivables	9 462 042	574 847	8 887 195	7 347 828
1.	Trade receivables	7 938 505	559 188	7 379 317	6 318 948
4.	Receivables from partners and association members	1 163		1 163	
6.	State - tax receivables	652 425		652 425	473 736
7.	Short-term prepayments made	728 938	1 073	727 865	398 173
8.	Estimated receivables	34 524		34 524	61 185
9.	Other receivables	106 487	14 586	91 901	95 786
IV.	Current financial assets	2 986 952	14 675	2 972 277	1 956 652
1.	Cash on hand	6 460		6 460	7 627
2.	Cash at bank	2 860 942		2 860 942	1 133 924
3.	Short-term securities and investments	119 550	14 675	104 875	815 101
D.	Other assets	403 984		403 984	274 965
1.	Deferred expenses	345 583		345 583	171 707
2.	Complex deferred expenses	46 523		46 523	90 184
3.	Accrued income	11 878		11 878	13 074
	Control number	274 308 722	108 717 487	165 444 646	149 231 263

(in CZK thousand)

		31. 12. 2011	31. 12. 2010
	TOTAL LIABILITIES & EQUITY	41 552 067	37 487 541
A.	Equity	20 410 170	18 087 850
I.	Share capital	3 157 000	3 157 000
1.	Share capital	3 157 000	3 157 000
II.	Capital funds	-24 122	68 710
2.	Other capital funds	13 889	101 383
3.	Gains or losses from the revaluation of assets and liabilities	-38 011	-32 673
III.	Statutory funds	1 782 795	1 771 772
1.	Statutory reserve fund / Indivisible fund	1 199 813	1 189 188
2.	Statutory and other funds	582 982	582 584
IV.	Retained earnings or accumulated losses	12 856 573	12 679 620
	Retained earnings	14 759 427	13 845 245
	Accumulated losses brought forward	-1 902 854	-1 165 625
V.	Profit or loss for the current period (+ -)	2 340 770	16 032
1.	Profit or loss for the period	2 278 645	-42 357
2.	Share in the profit/(loss) of equity accounted investments	62 125	58 389
VI.	Consolidation reserve fund	297 154	394 716
B.	Liabilities	14 275 538	13 049 129
I.	Reserves	621 878	282 887
1.	Reserves under special legislation	17 853	20 692
2.	Reserve for pensions and similar liabilities	3 623	3 606
3.	Income tax reserve	0	6 305
4.	Other reserves	600 402	252 284
II.	Long-term liabilities	839 291	492 129
1.	Trade payables	54 498	50 490
5.	Long-term prepayments received	44 846	3 305
9.	Other payables	4 831	28 237
10.	Deferred tax liability	735 116	410 097
III.	Short-term liabilities	8 117 391	6 887 980
1.	Trade payables	6 036 864	5 511 536
4.	Payables to partners and association members	121	8 078
5.	Payables to employees	455 343	409 928
6.	Social security and health insurance payables	174 496	133 810
7.	State - tax payables and subsidies	510 003	165 049
8.	Short-term prepayments received	423 449	414 818
10.	Estimated payables	485 596	214 418
11.	Other payables	31 519	30 343
IV.	Bank loans and borrowings	4 696 978	5 386 133
1.	Long-term bank loans	1 485 585	1 755 363
2.	Short-term bank loans	3 133 048	3 454 989
3.	Short-term borrowings	78 345	175 781
C.	Other liabilities	166 660	92 699
1.	Accrued expenses	114 481	76 841
2.	Deferred income	52 179	15 858
D.	Minority equity	6 699 699	6 257 863
I.	Minority share capital	2 605 288	2 605 368
II.	Minority capital funds	16 114	58 363
III.	Minority funds from profit, including retained earnings and losses	3 594 284	3 865 339
IV.	Minority profit or loss for the current period	484 013	-271 207
	Control number	159 044 755	143 204 886

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

(in CZK thousand)

		Year ended 31. 12. 2011	Year ended 31. 12. 2010
I.	Sales of goods	412 738	336 087
A.	Costs of goods sold	365 165	260 967
+	Gross margin	47 573	75 120
II.	Production	50 704 982	41 411 719
1.	Sales of own products and services	49 285 104	40 174 199
2.	Change in internally produced inventory	718 862	448 382
3.	Own work capitalised	701 016	789 138
B.	Purchased consumables and services	38 976 177	35 633 267
1.	Consumed material and energy	34 737 423	31 772 059
2.	Services	4 238 754	3 861 208
+	Added value	11 776 378	5 853 572
C.	Staff costs	5 665 581	5 044 211
1.	Payroll costs	3 911 281	3 447 281
2.	Remuneration to members of statutory bodies	138 799	135 601
3.	Social security and health insurance costs	1 326 865	1 181 656
4.	Social costs	288 636	279 673
D.	Taxes and charges	115 631	58 014
E.	Depreciation of intangible and tangible fixed assets	1 577 177	1 611 676
KR A.	Amortisation of goodwill on consolidation	668	15 235
KR	1. Amortisation of negative goodwill on consolidation	0	288
III.	Sales of fixed assets and material	235 182	123 906
1.	Sales of fixed assets	139 144	45 803
2.	Sales of material	96 038	78 103
F.	Net book value of fixed assets and material sold	122 440	103 639
1.	Net book value of sold fixed assets	26 407	29 971
2.	Book value of sold material	96 033	73 668
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	413 781	-959 484
IV.	Other operating income	2 184 198	2 027 810
H.	Other operating expenses	2 479 598	2 168 007
V.	Transfer of operating income	16 350	15 614
I.	Transfer of operating expenses	16 350	13 017
*	Operating profit or loss	3 820 882	-33 125
VI.	Proceeds from the sale of securities and investments	1 800	
J.	Cost of securities and investments sold	385	
VII.	Income from non-current financial assets	25 978	37 074
1.	Income from subsidiaries and associates	25 090	37 000
3.	Income from other non-current financial assets	888	74
VIII.	Income from current financial assets		41
IX.	Income from the revaluation of securities and derivatives	1 292	2 045
L.	Costs of the revaluation of securities and derivatives	4 503	1 768
M.	Change in reserves and provisions relating to financial activities	4 433	-3 368
X.	Interest income	10 966	16 779
N.	Interest expenses	164 951	130 751
XI.	Other financial income	1 004 252	664 200
O.	Other financial expenses	1 088 231	842 897
*	Financial profit or loss	-218 215	-251 909
Q.	Income tax on ordinary activities	854 992	38 016
1.	- due	507 735	310 465
2.	- deferred	347 257	-272 449
**	Profit or loss from ordinary activities	2 747 675	-323 050
XIII.	Extraordinary income	6 439	148
R.	Extraordinary expenses	294	2 613
S.	Income tax on extraordinary activities	246	0
1.	- due	246	
*	Extraordinary profit or loss	5 899	-2 465
**	Consolidated profit or loss, net of share of profit/(loss) of equity accounted investments	2 753 574	-325 515
	Consolidated profit or loss net of minority interests	2 278 645	-42 357
	Minority profit or loss	474 929	-283 158
*	Share of profit or loss of equity accounted investments	62 125	58 389
	Profit or loss for the current period (+/-)	2 815 699	-267 126
***	Profit or loss for the current period net of minority interests (+/-)	2 340 770	16 032

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in CZK thousand)

	Share capital	Capital funds	Reserve funds, indivisible fund and other funds from profit	Profit or loss brought forward	Profit or loss for the current period	Consolidation reserve fund	Share of income of associates	TOTAL EQUITY
Balance at 31 December 2009	3 157 000	-117 160	1 767 894	13 489 335	-729 034	315 480	59 107	17 942 622
Allocation of profit			19 580	-671 342	651 762	59 107	-59 107	
Impact of changes in the consolidated group		99 556	-15 271	-143 374	77 272			18 183
Revaluation of assets and liabilities		88 304		3 428				91 732
Share in changes in the aggregate amount of other equity of associates						20 129		20 129
Profit for the current period net of minority interests					-42 357		58 389	16 032
Other		-1 990	-431	1 573				-848
Balance at 31 December 2010	3 157 000	68 710	1 771 772	12 679 620	-42 357	394 716	58 389	18 087 850
Allocation of profit			21 800	-91 320	69 521	58 389	-58 389	
Dividends								
Change in the consolidation method		2 403		142 900		-141 363		3 940
Impact of changes in the consolidated group		-87 496	-10 761	125 421	-27 164	-1 807		-1 807
Revaluation of assets and liabilities		-7 739						-7 739
Share in changes in the aggregate amount of other equity of associates						-12 781		-12 781
Profit for the current period net of minority interests					2 278 645		62 125	2 340 770
Other			-15	-48				-63
Balance at 31 December 2011	3 157 000	-24 122	1 782 795	12 856 573	2 278 645	297 154	62 125	20 410 170

CONSOLIDATED CASH FLOW STATEMENT

(in CZK thousand)

		Year ended 31. 12. 2011	Year ended 31. 12. 2010
P.	Cash and cash equivalents at the beginning of the accounting period	1 953 570	3 454 716
	Cash flows from ordinary activities		
Z.	Profit/(loss) from ordinary activities before tax	3 602 667	-285 034
A.1.	Adjustments for non-cash transactions	2 033 916	759 974
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation		
A.1.2.	Change in provisions and reserves	418 214	-962 852
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-112 737	-15 818
A.1.4.	Revenues from dividends and profit shares (-), except as paid by consolidated group entities	-25 978	-37 115
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	153 985	118 826
A.1.6.	Foreign exchange rate differences and other non-cash transactions	22 587	30 310
A.*	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	5 636 583	474 940
A.2.	Change in non-cash component of working capital	-1 309 353	-1 155 490
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	-632 143	-1 673 808
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	451 277	1 460 037
A.2.3.	Change in inventory (+/-)	-1 128 292	-942 158
A.2.4.	Change in current financial assets not included in cash and cash equivalents	-195	439
A.**	Net cash flow from operating activities before tax and extraordinary items	4 327 230	-680 550
A.3.	Interest paid (-), except interest capitalised	-173 075	-134 805
A.4.	Interest received (+)	16 315	19 822
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-412 308	-305 589
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	5 892	-2 465
A.7.	Received dividends and profit shares (+)	25 978	85 116
A.***	Net cash flow from operating activities	3 790 032	-1 018 471
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-1 143 238	-1 706 272
B.2.	Receipts from fixed assets sold	142 771	48 893
B.3.	Loans provided to related parties	-254 329	
B.4.	Cash flows from the purchase of business or its part	-277 433	13 559
B.5.	Cash flows from the deconsolidation of business or its part		
B.***	Net cash flow from investing activities	-1 532 229	-1 643 820
	Cash flow from financial activities		
C.1.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	-1 204 953	1 678 819
C.2.	Impact on cash and cash equivalents due to change in equity	-37 413	-517 674
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 clearance with partners (-), except for dividends and profit shares paid between Group entities	-37 390	-517 697
C.***	Net cash flow from financial activities	-1 242 366	1 161 145
F.	Net increase or decrease of cash and cash equivalents	1 015 437	-1 501 146
R.	Cash and cash equivalents at the end of the accounting period	2 969 007	1 953 570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (henceforth the "Parent Company" or the "Company") was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the District Court in Brno - venkov on 23 August 1995. The principal business activities of the Company include trade activities – purchase of goods for resale and sale, which represents 99.03% of the Company's revenues. Additional business activities include domestic and international shipping services.

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

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

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

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

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

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

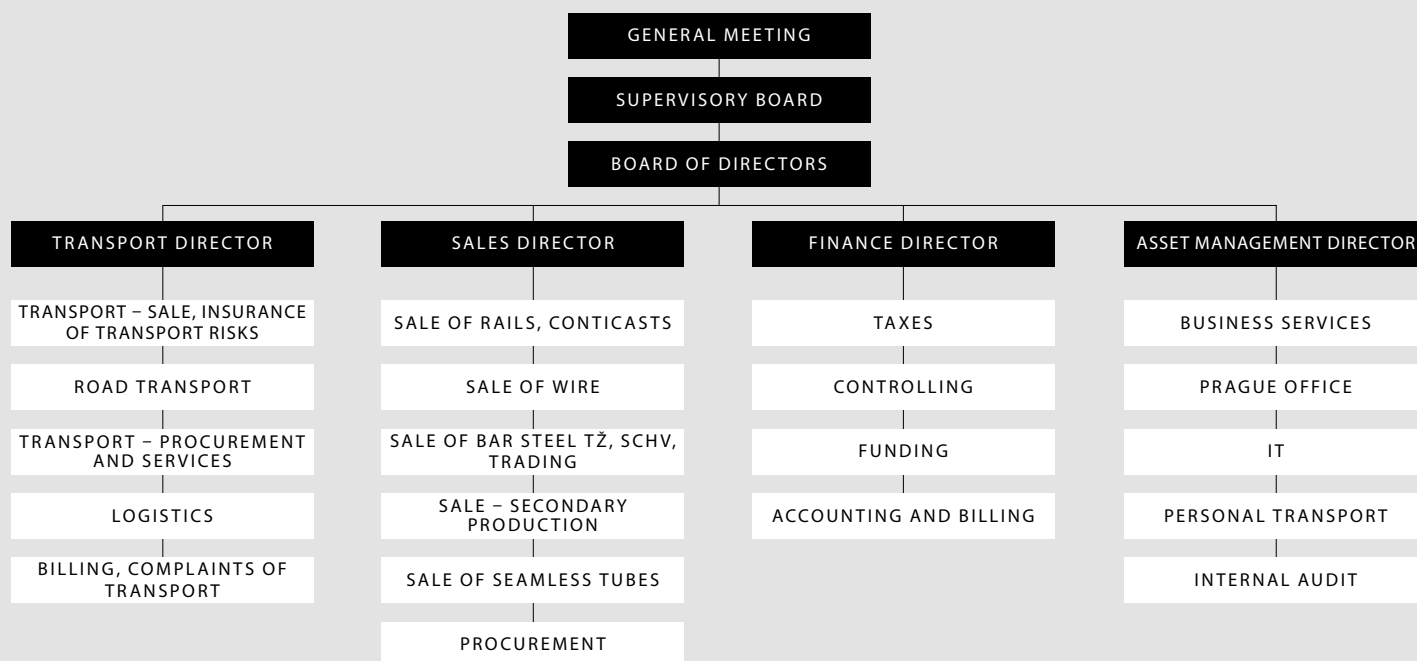
1.2. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2011

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

As of 10 February 2011, Hanns Kurt Zöllner was replaced by Pablo Alarcón Espinosa in his position as a member of the Supervisory Board. The change was recorded in the Register of Companies on 11 April 2011.

2. DEFINITION OF THE CONSOLIDATED GROUP AND CONSOLIDATION PRINCIPLES AND METHODS

2.1. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



2.2. DEFINITION OF THE CONSOLIDATED GROUP

2.2.1. Consolidation Method

The consolidation was performed using the proportionate consolidation method.

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

The consolidated group (henceforth the "Group") included the following entities in the year ended 31 December 2011:

Subsidiaries

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

*) In the reporting period, TRINEC – CMC LIMITED changed its business name to MORAVIA STEEL UK LIMITED

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

Following the Company's acquisition of 100% shareholdings in Moravia Steel Deutschland GmbH and MORAVIA STEEL UK LIMITED, these entities were consolidated using the full consolidation method in 2011 as opposed to equity method of accounting applied in the year ended 31 December 2010.

Associates

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

In the year ended 31 December 2011, the Group was expanded to include Moravia Steel Middle East FZCO which was consolidated using the equity method with effect from 31 December 2011.

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

TŘINECKÉ ŽELEZÁRNY, a.s. Sub-Group

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

Subsidiaries:

Name	Registered office	Business activities	Equity share at 31 Dec 2011
ENERGETIKA TŘINEC, a.s.	Třinec – Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00 %
Strojírny Třinec, a.s.	Třinec – Staré Město, Průmyslová 1038, 739 65	Locksmithing, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec – Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
VÚHŽ a.s.	Dobrá 240 739 51	Production of automotive, metallurgy, engineering and foundry products	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Metal working, locksmithing, production of machinery and equipment	100.00 %
D s, akciová společnost, Třinec	Třinec – Staré Město, Průmyslová 1026, 739 65,	Repairs of metallurgy technological units, and machine, electrical and construction works	100.00 %
METALURGIA S.A.	Radomsko, Ul. Świętej Rozalii nr 10/12, 97-500, Poland	Production of nails, wire and wire products	100.00 %
"D&D" Drótaru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains and chain products	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 Group due to its dissolution without liquidation as part of the merger by amalgamation with TŘINECKÉ ŽELEZÁRNY, a.s. In addition, the Group was expanded by "D&D" Drótaru Zrt. based on the Group's acquisition of the 100% shareholding in this entity. "D&D" Drótaru Zrt. was included in the Group as of 28 February 2011.

Associates:

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

Moravskoslezský kovošrot, a.s. Sub-Group

Subsidiaries

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

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

Subsidiaries

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

The consolidated group included the following entities in the year ended 31 December 2010:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
TŘINECKÉ ŽELEZÁŘNY, a.s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	69.05 %
Barrandov Studio a.s.	Prague 5, 152 00 Kříženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.83 %
Barrandov Televizní Studio a.s.	Prague 5, 152 00 Kříženeckého nám. 322/5	Broad digital television broadcasting	99.96 %
Barrandov Lands a.s.	Prague 5, 152 00 Kříženeckého nám. 322/5	Facility management, real estate activities	100.00%
MORAVIA STEEL ITALIA s.r.l.	Milan, Italy	Distribution of metallurgical products	66.00 %
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00%
Sochorová válcovna TŽ, a.s. *)	Třinec – Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	94.43 %
Hanácké železářny a pérovny, a.s.	Prostějov, 797 11, Dolní 100	Production of leaf and helical springs for the automotive and railway industries	100.00 %
Moravskoslezský kovošrot, a.s.	Prague 1, 110 00, V Jámě 1371/8	Purchase, processing and sales of metal scrap and non-ferrous metals	51.00 %
M Steel Projects a.s.	Průmyslová 1000, Třinec	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00 %

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

Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
Moravia Steel Deutschland GmbH*)	Kürten, Germany	Distribution of metallurgical products	50.00 %
TŘINEC – CMC LIMITED	Sandbach, UK	Distribution of metallurgical products	50.00 %
Kovářna VIVA, a.s.**)	Zlín, tř. T. Bati 5333, 76001	Production of die forgings	50.00 %

*) CMC – Třinec Stahlhandel GmbH changed its business name to Moravia Steel Deutschland GmbH during the reporting period.

***) The legal status of Kovářna VIVA, spol. s r.o. changed to a joint stock company during the reporting period.

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

TŘINECKÉ ŽELEZÁRNY, a.s. Sub-Group

In the year ended 31 December 2010, the sub-group included the following companies:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share 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	Locksmithing, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec – Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
FERROMORAVIA, s.r.o.	Staré Město, Tovární 1688, 686 02	Production and metallurgic processing of iron and steel	100.00 %
VÚHŽ a.s.	Dobrá 240 739 51	Production of automotive, metallurgical, engineering and foundry products	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Metalworking, locksmithing, production of machinery and equipment	100.00 %
D 5, akciová společnost, Třinec	Třinec – Staré Město, Průmyslová 1026, 739 65	Repairs of metallurgy technological units, and machine, electrical and construction works	100.00 %
METALURGIA S.A.	Radomsko, Ul. Świętej Rozalii nr 10/12, 97-500, Poland	Production of nails, wire and wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains and chain products	51.00 %
REFRASIL, s.r.o.	Třinec – Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00 %

In the year ended 31 December 2010, H & S PROGRESS s.r.o. was removed from the 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 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	Equity share at 31 Dec 2010
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products	40.00 %
Sochorová válcovna TŽ, a.s.	Třinec – Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	18.00 %

Moravskoslezský kovošrot, a.s. Sub-Group

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
MSK Polska Sp. z o.o.	Batalionów Chłopskich 2 42-680 Tarnowskie Góry, Poland	Purchase, processing and sale of metal scrap and non-ferrous metals	84%

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

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
SV servisní, s.r.o.	Prostějov, 797 11, Dolní 100	Purchase and sale of energy and provision of energy services	100.00 %

2.2.3. The Balance Sheet Dates of the Companies Included in the Group

The financial statements of the companies included in the Group were prepared as of and for the years ended 31 December 2011 and 2010. The companies included in the Group are based in the Czech Republic, with the exception of Moravia Steel Deutschland GmbH, which is based in Germany, MORAVIA STEEL ITALIA S.R.L., based in Italy, MORAVIA STEEL UK LIMITED based in the UK, "D&D" Drótáru Zrt. based in Hungary, METALURGIA S.A. and MSK Polska Sp. z o.o. based in Poland and Moravia Steel Middle East FZCO based in the United Arab Emirates.

2.2.4. Companies Excluded from Consolidation

Entities which are the Company's subsidiaries or associates, 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%;
- The share in the net turnover (revenues of account class 6) in the sum of net turnover of all of the Group's entities is less than 1.5%;
- Long-term restrictions significantly hinder the Parent Company's ability to exercise rights connected to the control of assets or management, or, in exceptional cases, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable and provable undue delay; and
- The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

The companies which meet the above conditions 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 MORAVIA STEEL a.s., the equity share of this whole in all of the Group's entities must be less than 5% and the share in the net turnover (revenues of account class 6) in all of the Group's entities must be less than 5%. If the assets are less than CZK 500 million and the equity share is less than 5% while the share in the net turnover exceeds 5%, the decisive fact for inclusion in the consolidated group is whether the revenues are largely generated by the company with related parties and 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 purposes of preparing the consolidated financial statements of MORAVIA STEEL a.s., the accounting principles within the Group were brought into line. Significant accounting policies as adopted by individual group entities are set out below.

These consolidated financial statements are presented in thousands of Czech crowns ("CZK thousand"). The figures of MORAVIA STEEL ITALIA S.R.L., Moravia Steel Deutschland GmbH, MORAVIA STEEL UK LIMITED, Moravia Steel Middle East FZCO and MSK Polska Sp. z o.o. are translated using the exchange rates prevailing at 31 December 2011 and 2010 as promulgated by the Czech National Bank.

For consolidation reporting purposes, M Steel Projects prepares interim financial statements as of 31 December 2011. The ordinary financial statements of the entity are prepared as of 30 September.

3.1. REPORTING PERIOD

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

- The balance sheet comprises comparative balances 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 for the year ended 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 and similar activities) with an acquisition cost greater than CZK 60 thousand on an individual basis and an estimated useful life greater than one year.

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

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

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

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

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

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

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

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

As of the consolidated balance sheet date, emission allowances are valued according to the EUROPEAN ENERGY EXCHANGE rate. The decrease in the valuation of emission allowances acquired on a free-of-charge basis as of the consolidated balance sheet date is recognised in the balance sheet lines "Other intangible fixed assets" and "State – tax payables and subsidies". The Company does not recognise an upward revaluation of the emission allowances. If there is a lack of allowances at the consolidated balance sheet date, the Company recognises a reserve as part of "Other reserves" and "Change in reserves and provisions relating to operating activities and complex deferred expenses". The reserve for the purchase of allowances is released in the following accounting period when the missing allowances are purchased or used from the free of charge allocation of the following period.

Depreciation for Accounting Purposes

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

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

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

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

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

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

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

Provisioning

Provisions against tangible fixed assets are recognised in circumstances where the carrying value is greater than value in use, which is equal to the present value of estimated future cash flows expected to arise from the continuing use of fixed assets or anticipated income from the intended sale.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

4.2. NON-CURRENT FINANCIAL ASSETS

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

Valuation

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

At the consolidated balance sheet date, the Group records:

Equity investments at cost less any provisions against equity investments.

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

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

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

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

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

Provisioning against Equity Investments

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

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

4.3. DERIVATIVE FINANCIAL TRANSACTIONS

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

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

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

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

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

4.4. CURRENT FINANCIAL ASSETS

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

Current financial assets are carried at cost upon acquisition.

4.5. INVENTORY

Valuation

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

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

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

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

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

Provisioning

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

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

4.6. RECEIVABLES

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

Provisioning

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

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

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

4.7. PAYABLES

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

4.8. LOANS AND BORROWINGS

Valuation

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

4.9. RESERVES

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

4.10. FOREIGN CURRENCY TRANSLATION

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

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

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

4.11. FINANCE LEASES

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

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

4.12. TAXATION

4.12.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act 586/92 Coll., with the exception of assets used by TRINECKÉ ŽELEZÁRNY, a. s., in the Univerzální trat Bohumín plant and the Tube Rolling Mill (the VT operation) and the assets used in 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. The taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

4.12.3. Deferred Tax

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

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

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

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

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

4.13. BORROWING COSTS

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

4.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

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

4.17. RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

With effect from 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. GRANTS

The Group receives operating grants. The funds drawn are charged to expenses and operating grants received are credited to income on an accruals basis (refer to Note 7.3). In addition, the Group receives grants to fund the acquisition of fixed assets and these grants reduce the cost of the related assets.

4.20. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

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

Cash and cash equivalents can be analysed as follows:

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Cash at hand	6 460	7 627
Current accounts	1 961 317	1 046 021
Current accounts with restricted availability	3 270	3 075
Term deposits	896 355	84 821
Short-term securities	119 550	815 101
Other securities available for sale not included in the cash flow	0	7
Total current financial assets	2 986 952	1 956 652
Cash and cash equivalents not included in the cash flow	-3 270	-3 082
Provision against short-term securities and investments	-14 675	0
Total cash and cash equivalents	2 969 007	1 953 570

As of 31 December 2011, short-term securities include short-term depository bills of exchange in the amount of CZK 80,000 thousand (as of 31 December 2010 in the amount of CZK 766,740 thousand) and trading securities in the amount of CZK 39,550 thousand (as of 31 December 2010 in the amount of CZK 48,361 thousand). In the year ended 31 December 2011, the trading securities were provided for at CZK 14,675 thousand.

Comments on the Cash Flow Statement as of 31 December 2011:

Cash equivalents not reported in the cash flow as of 31 December 2011 and 2010 include blocked cash representing a special-purpose account related to a loan obtained from a bank, which amounted to CZK 3,270 thousand and CZK 3,075 thousand as of 31 December 2011 and 2010, respectively, and other securities available for sale in the amount of CZK nil thousand and CZK 7 thousand as of 31 December 2011 and 2010, respectively.

4.21. CONSOLIDATION RULES

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

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

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

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 acquired and 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 statements date are available in the registered office of the Parent Company.

The consolidation rules for 2011 and 2010 (definition of the consolidated group, method of transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Parent Company.

4.22. EXTRAORDINARY EXPENSES AND INCOME

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

5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

5.1. CONSOLIDATED PROFIT/LOSS FOR 2011

5.1.1. Structure of the Consolidated Profit/Loss for 2011

(CZK thousand)

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

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

(CZK thousand)

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

5.1.3. Adjustments under Equity Consolidation for 2011

(CZK thousand)

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

5.2. CONSOLIDATED PROFIT/LOSS FOR 2010

5.2.1. Structure of the Consolidated Profit/Loss for 2010

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	707 885
Current year's loss made by M Steel Projects a.s.	-5 844
Current year's profit made by Barrandov Lands, a.s.	158
Current year's profit made by Hanácké železářny a pérovny a.s.	24 007
Current year's profit made by SV Servisní a.s.	4 993
Current year's loss made by Beskydská golfová, a.s.	-5 097
Share of current year's profit made by Barrandov Studio a.s.	24 916
Share of current year's loss made by Barrandov Televizní Studio, a.s.	-333 705
Share of current year's profit made by MORAVIA STEEL ITALIA S.R.L.	21 975
Share of current year's loss made by the TŽ, a.s. consolidation group	-1 127 131
Share of current year's profit made by Sochorová válcovna TŽ, a.s.	230 165
Share of current year's profit made by Moravskoslezský kovošrot a.s.	31 690
Share of current year's profit made by MSK Polska Sp.z o.o.	3 347
Share in profit of equity accounted investments	55 471
Adjustments within full consolidation (see Note 5.2.2.)	380 284
Adjustments within the equity method (see Note 5.2.3.)	2 918
Consolidated profit	16 032

5.2.2. Profit/(Loss) Adjustments under Full Consolidation for 2010

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit	176 033
Elimination of provision against inventory, including the deferred tax impact	24 556
Elimination of the provision against investment in Barrandov Televizní Studio a.s.	200 000
Amortisation of positive goodwill on consolidation of Barrandov Studio a.s.	-15 235
Elimination of dividends paid by MORAVIA STEEL ITALIA S.R.L.	-5 070
Total adjustments	380 284

5.2.3. Adjustments under Equity Consolidation for 2010

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	2 918
Total adjustments	2 918

6. ADDITIONAL INFORMATION ON THE BALANCE SHEET

6.1. INTANGIBLE FIXED ASSETS

Cost

(CZK thousand)

	Balance at 1 Jan 2010	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2010
Research and development	6 243	0	0	-37	6 206
Start-up costs	95	0	0	0	95
Goodwill	376	0	0	-8	368
Software	285 033	5 202	8 114	-41	282 080
Valuable rights	510 223	1 949	87	-6	512 079
Other intangible FA	83 369	1 567 283	1 599 775	0	50 877
Intangible FA under construction	2 523	79 615	68 234	0	13 904
Prepayments for intangible FA	0	0	0	0	-
Total	887 862	1 654 049	1 676 210	-92	865 609

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2011
Research and development	0	1	1 517	-137	4 553
Start-up costs	0	0	0	0	95
Goodwill	0	0	0	-30	338
Software	9 518	11 244	10 258	-622	291 962
Valuable rights	11 442	16 707	427	-1 026	538 775
Other intangible FA	0	2 080 811	2 014 837	0	116 851
Intangible FA under construction	0	182 357	183 665	0	12 596
Prepayments for intangible FA	0	0	0	0	0
Total	20 960	2 291 120	2 210 704	-1 815	965 170

Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2010	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2010
Research and development	2 828	911	0	-37	3 702
Start-up costs	93	2	0	0	95
Goodwill	376	0	0	-8	368
Software	252 403	20 113	8 078	-41	264 397
Valuable rights	415 751	17 240	533	0	432 458
Other intangible FA	8 956	630	0	13	9 599
Intangible FA under construction	796	0	0	0	796
Total	681 203	38 896	8 611	-73	711 415

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2011
Research and development	0	910	1 517	-136	2 959
Start-up costs	0	0	0	0	95
Goodwill	0	0	0	-30	338
Software	6 674	9 868	10 281	-622	270 036
Valuable rights	5 954	18 257	350	-521	455 798
Other intangible FA	0	912	0	0	10 511
Intangible FA under construction	0	0	0	0	796
Total	12 628	29 947	12 148	-1 309	740 533

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Research and development	2 504	1 594
Start-up costs	0	0
Software	17 683	21 926
Valuable rights	79 621	82 977
Other intangible FA	41 278	106 340
Intangible FA under construction	13 108	11 800
Prepayments for intangible FA	0	0
Total	154 194	224 637

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

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

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets charged to expenses amounted to CZK 21,623 thousand and CZK 49,816 thousand for the years ended 31 December 2011 and 2010, respectively.

Other intangible assets 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. In the year ended 31 December 2010, the reserve for emission allowances amounted to CZK 62,026 thousand.

During the year ended 31 December 2011, 781,738 EU emission allowances (EUA) were sold in the amount of CZK 279,474 thousand. The acquisitions included 853,349 emission reduction units (ERU) in the amount of CZK 259,391 thousand and 51,727 EU emission allowances (EUA) in the amount of CZK 20,083 thousand.

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

The aggregate balance of low-value intangible assets not reported on the face of the balance sheet was CZK 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 FX differences	Balance at 31 Dec 2010
Land	1 268 304	126	4 327	-134	1 263 969
Structures	10 535 780	230 070	14 479	-5 459	10 745 913
Individual movable assets	27 221 847	1 250 086	536 310	-11 459	27 924 164
Other tangible FA	103 901	580	2 414	-32	102 035
Tangible FA under construction	849 089	1 851 632	1 496 218	-65	1 204 438
Prepayments	165 083	168 868	294 464	0	32 487
Valuation difference on acquired assets	3 741	6 281	0	0	10 022
Total	40 147 745	3 500 643	2 348 212	-17 148	41 283 028

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2011
Land	40 467	121	8 765	-2 239	1 293 553
Structures	119 598	279 243	25 561	-28 080	11 091 113
Individual movable assets	425 157	1 598 567	264 580	-77 042	29 606 266
Other tangible FA	35 601	2 016	8 525	-2 418	128 709
Tangible FA under construction	8 314	904 677	1 776 607	-674	340 148
Prepayments	162	113 142	109 100	-21	36 670
Valuation difference on acquired assets	0	0	10 022	0	0
Total	629 299	2 897 766	2 203 160	-110 474	42 496 459

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2010	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2010
Structures	4 838 962	287 526	18 621	-2 754	5 105 113
Individual movable assets	17 706 199	1 282 374	498 093	-9 437	18 481 043
Other tangible FA	99 900	211	2 036	-25	98 050
Tangible FA under construction	15 334	1 065	7 548	-18	8 833
Prepayments	1 750	12	87	0	1 675
Valuation difference on acquired assets	3 741	6 281	0	0	10 022
Total	22 665 886	1 577 470	526 385	-12 234	23 704 736

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2011
Structures	10 573	277 526	27 295	-12 085	5 353 832
Individual movable assets	167 001	1 289 586	274 614	-47 932	19 615 084
Other tangible FA	25 115	4 023	8 356	-1 662	117 170
Tangible FA under construction	0	28 273	712	0	36 394
Prepayments	0	38	0	0	1 713
Valuation difference on acquired assets	0	0	10 022	0	0
Total	202 689	1 599 446	320 999	-61 679	25 124 193

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Land	1 263 969	1 293 553
Structures	5 640 799	5 737 281
Individual movable assets	9 443 121	9 991 182
Other tangible FA	3 985	11 539
Tangible FA under construction	1 195 605	303 754
Prepayments for tangible FA	30 812	34 957
Valuation difference on acquired assets	0	0
Total	17 578 292	17 372 266

The tables of movements of tangible fixed assets include the column "New acquisitions" in 2011 related to the expansion of the consolidated group to include "D&D" Drótáru Zrt., and Moravia Steel Deutschland, GmbH and MORAVIA STEEL UK LIMITED which have been consolidated using the full consolidation method since 2011.

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

(CZK thousand)

Construction of new coke oven no.12 and modernisation of the related equipment	1 204 462
Renovation of the roof of the C rolling plant	44 138
Equipment enhancement in the ZPO 1 continuous steel casting plant	33 105
KER 8 bending machine	25 263
KEH 8 welding machine	21 631
Plant II – technical improvement	13 074
Control centralisation for the raw material processing lines	12 508
BUC 85C CNC/4000 Profi centre grinder	11 373
Callow S 200 peeling machine	17 619
Oil and fat management	12 739
Foerester – defect identification machine	8 800
Argonite fixed fire distinguisher	8 209

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

(CZK thousand)

Acquisition of conveying car no.3 for KB12	44 419
Sharpening line for the tube rolling plant (VT)	15 717
Acquisition of industrial vacuum cleaners for KB12	13 275
TZM irrigation system three nines, inventory no. 03000169	3 767
Construction of apartment houses, inventory no. 03000151	2 427

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,555,554 thousand and CZK 1,561,860 thousand for the years ended 31 December 2011 and 2010, respectively.

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

The aggregate cost of low-value tangible fixed assets not included in the balance sheet totalled CZK 594,730 thousand and CZK 554,635 thousand as of 31 December 2011 and 2010, respectively.

Fair Value

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

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

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

(CZK thousand)

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

(CZK thousand)

31 December 2010	Passenger cars	Machinery and equipment	Balance at 31 Dec 2010
Total estimated sum of lease instalments	40 327	311 001	351 328
Payments made as of 31 Dec 2010	31 660	178 830	210 490
Future payments to be made by 31 Dec 2011	5 861	33 140	39 001
Due in the following years	2 806	99 031	101 837

In the years ended 31 December 2011 and 2010, rental amounted to CZK 107,166 thousand and CZK 79,839 thousand, respectively.

6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2011

(CZK thousand)

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

Note.: * translated using the exchange rate promulgated by 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 FA	104 964	Loan from ČSOB, a.s.
Tangible FA	312 790	Loan from Citibank, a.s.
Tangible FA	346 419	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc -
Land	40 732	Prague branch and CITIBANK Europe plc
Tangible FA	638 794	"Big Mannesmann" rolling mill. Loan from Česká spořitelna, a.s.
Tangible FA *	126 160	Loan from Fortis Bank Polska S.A.
Tangible FA	15 004	Long-term loan from KB, a.s.
Tangible FA	20 888	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible FA	14 529	Long-term loan from ČSOB, a.s.
Tangible FA	32 939	Long-term loan from KB, a.s.
Tangible FA, land	2 371	Loan from Citibank a.s.
Tangible FA, land	1 133	Loan from Citibank, a.s.
Tangible FA, land	906	Loan from Citibank, a.s.
Tangible FA, land	401	Loan from Citibank, a.s.
Tangible FA, land	87 147	Loan from ČSOB, a.s.
Land	10 506	Loan from ČSOB, a.s.
Technologies	86 508	Loan from ČSOB, a.s.
Tangible FA	120 468	Loan from KB, a.s.
Technologies	37 401	Loan from KB, a.s.
Technologies	272 854	Loan from Raiffeisen Bank, a.s.
Tangible FA, technologies	24 575	Česká spořitelna, a.s. – pledge in support of the loan of Třinecké železářny, a. s. for the KB 12 coke battery
Tangible FA, land	52 000	Loan from Raiffeisen Bank, a.s.
Land	69 690	Loan from HSBC Bank plc. – Prague branch
Tangible FA	68 856	Loan from HSBC Bank plc. - Prague branch
Tangible FA	27 887	Loan from HSBC Bank plc. - Prague branch
Production machinery	486 074	Loan from HSBC Bank plc. - Prague branch
Tangible FA, intangible FA	178 351	Collateral of all bank loans
Tangible FA, land	261 287	Raiffeisen Bank, a.s.
Tangible FA, land	36 567	Loan from České spořitelny, a.s.
Tangible FA, land	47 400	Loan from Oberbank AG
Tangible FA, land	1 363	Loan from Citibank Europe plc.
Tangible FA, land	23 158	Loan from HC CAPITAL, a.s.
Total	3 550 122	

Note: * in CZK thousand, loan collateralisation through the pledge of assets of up to PLN 20,000 thousand.

6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

6.5.1. Summary of Unconsolidated Investments in 2011

Balance at 31 December 2011

(CZK thousand)

Company name	Equity investments – subsidiaries						
	Cost	Nominal value	Share in %	Equity	Profit/ loss	Provision	Net cost
MORAVIA STEEL SLOVENIJA D.O.O.	1 573	867	51	1 866	104	0	1 573
MORAVIA STEEL IBÉRIA, S.A.	10 850	2 533	99,33	12 455	135	0	10 850
MORAVIA GOEL TRADE d.o.o.*)	59	59	60	*)	*)	-59	0
MS – Slovensko s.r.o.	161	160	100	970	-4	0	161
MORAVIA STEEL ISRAEL Ltd.	346	208	100	-150	-20	0	346
Barrandov Productions s.r.o.	100	100	100	6 733	2 295	0	100
Filmová nadace RWE & Barrandov Studio **)	500	500	100	1 350	-820	0	500
Total	13 589	4 427		23 224	1 690	-59	13 530

*) In liquidation

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

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

(CZK thousand)

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

Note: *) Confidential information

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

In italics – preliminary results as of 31 December 2011

(CZK thousand)

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

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

In italics – preliminary results as of 31 December 2011

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

6.5.2. Summary of Unconsolidated Investments in 2010

Balance at 31 December 2010

(CZK thousand)

Name of the company	Cost	Nominal value	Share in %	Equity	Profit/ loss	Provision	Net cost
MORAVIA STEEL SLOVENIJA D.O.O.	1 573	867	51	1 802	-474	0	1 573
Moravia Steel AG Zug	1 947	1 947	100	*)	*)	-1 947	0
MORAVIA STEEL IBÉRIA, S.A.	10 850	2 533	99.33	11 960	582	0	10 850
MORAVIA GOEL TRADE d.o.o.	59	59	60	**)	**)	-59	0
MS – Slovensko s.r.o. *****)	161	160	100	946	1	0	161
MORAVIA STEEL ISRAEL Ltd.	346	208	100	-131	-21	0	346
MORAVIA STEEL POLAND, sp. Z o.o.***)	408	361	100	208	-44	-408	0
Barrandov FM,a.s.	8 850	8 850	98	*)	*)	-8 850	0
Barrandov Productions s.r.o. *****)	100	100	100	4 438	19	0	100
Filmová nadace RWE & Barrandov Studio*****)	500	500	100	1 613	-883	0	500
Česká parforní společnost s.r.o.	20	20	20	*)	*)	0	20
Total	24 814	15 605		20 836	-820	-11 264	13 550

Note: *) Information is not available.

***) In liquidation.

*****) On 11 June 2008, MORAVIA STEEL POLAND, sp. z.o.o. was formed in Poland. As of 31 December 2010, this entity reported no business activities.

*****) Unaudited results.

*****) Balance as of 31 December 2010 – reporting period ended 28 February 2011.

*****) The company was consolidated in prior years; it was removed from the consolidated group as of 31 December 2009 due to its immateriality.

(CZK thousand)

Equity securities and investments in associates (shareholding between 20 - 50 %)									
Company name	Gross carrying amount	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Provision	Net cost	Financial income for the year
Moravia Steel Middle East FZO	2 887	2 841	0	40	1 391	-6 425	0	2 887	0
Total	2 887	2 841	0	40	1 391	-6 425	0	2 887	0

(CZK thousand)

Equity securities and investments in companies with minority influence, i.e. less than 20 %				
Type of security and investment	Cost	Fair value	Provision	Net cost
Shares of Casino Playing Games, in liquidation *)	901	0	901	0
Total	901	0	901	0

*) Securities of this entity were included in the Group as a result of the acquisition of HŽP in 2008.

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

(CZK thousand)

Equity securities and investments in subsidiaries (shareholding greater than 50 %)									
Company name	Gross carrying amount	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Provision	Net carrying amount	Financial income for the year
Třinecké gastroslužby, s.r.o.	25 643	25 800	0	100.00	37 366	2 522	0	25 643	0
Doprava TŽ, a.s.	15 755	16 000	115	100.00	59 293	11 637	0	15 755	30 000
TRIALFA, s.r.o.	100	100	0	100.00	18 515	3 682	0	100	7 000
Steel Consortium Partners, a.s.	19 000	19 000	117	100.00	1 695	-77	-17 381	1 619	0
Reťaze Slovakia s.r.o.	11 870	4 936	0	80.00	14 838	991	0	11 870	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	*)	45 738	0	89.11	44 921	1 831	0	*)	0
TRISIA, a.s.	19 364	9 900	990	66.00	62 168	-1 602	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością Cieszyn (PL)**)	7 920	7 920	0	88.00	6 708	43	0	7 920	0
Moravia Security, a.s.	12 000	12 000	12	100.00	9 238	312	0	12 000	0
Neomet Sp. z o.o. (PL)**)	174	3 400	0	100.00	0	0	174	0	0
Soukromá střední škola Třinec ***)	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 information.

***) Data in PLN thousand.

*****) TRINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Education Act 561/2004 Coll.

(CZK thousand)

Equity securities and investments in associates (shareholding between 20 - 50 %)									
Company name	Gross carrying amount	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Provision	Net cost	Financial income for the year
SILESIAFLAG, a.s.	1 760	1 760	74	44.00	3 733	-93	-118	1 642	0
TŘINECKÁ PROJEKCE, a.s.	750	1 125	75	34.09	10 707	98	0	750	0
Kvalif. a personální agentura, o.p.s.	34	34	0	33.33	7 384	-46	-34	0	0
Hutnictví železa, a.s.	25 963	16 397	27 328	39.21	46 383	-236	-16 317	9 646	0
HRAT, s.r.o.*)	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.

(CZK thousand)

Equity securities and investments in companies with a minority interest (shareholding lower than 20 %)									
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Profit after tax	Valuation difference	Fair value	Financial income for the year
KPM CONSULT, a.s.	100	100	10	10.00	17 210	457	0	100	0
SAVER Česká Ves, s.r.o.	121	121	0	10.00	19 791	6 181	0	121	0
Informetal zájmové sdružení	20	20	0	5.00	0	0	0	20	0
Družstvo Envicrack	4	4	0	0	0	0	0	4	0
ACRI - Asociace podniků českého železničního průmyslu, Prague 1 – Nové Město	20	20	0	2.08	1 023	5	-20	0	0
Huta Stalowa Wola**)	14	0	0	0.0087	0	0	-13 900	0	0
RZPS Radomskór Radom**)	1	0	0	0.01	0	0	-530	0	0
Total	356						111	245	0

Note: **) Data in PLN thousand.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2010.

With the exception of the above-presented figures, the market values of securities are not available.

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						
Barrandov Studio a.s.	34 362	34 362	0	0	586	0
Barrandov Televizní Studio, a.s.	0	0	0	0	82	0
Hanácké železářny a pérovny a.s.	130 508	14 501	116 007	0	0	0
Moravia Steel UK LIMITED	1 234	0	1 234	0	0	0
"D&D" Drátáru Zrt.	365 580	0	365 580	0	0	0
Total	531 684	48 863	482 821	0	668	0

2010

(CZK thousand)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation						
Barrandov Studio a.s.	92 179	92 179	0	0	15 235	0
Hanácké železářny a pérovny a.s.	130 508	14 501	116 007	0	0	0
Total	222 687	106 680	116 007	0	15 235	0
Negative goodwill arising on consolidation						
METALURGIA S.A.	0	0	0	0	0	288
Total	0	0	0	0	0	288

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
Moravia Steel UK LIMITED *)	-	29 155
Moravia Steel Deutschland GmbH	-	111 632
Kovárna VIVA a.s.	249 561	226 588
Moravia Steel Middle East FZCO	4 177	-
Total	359 638	443 936

*) TRINEC – CMC LIMITED changed its business name to Moravia Steel UK LIMITED during the reporting period.

6.8. NON-CURRENT FINANCIAL ASSETS PLEDGED AS SECURITY

No non-current financial assets have been pledged as security.

6.9. INVENTORY

As of 31 December 2011 and 2010, provisions against inventory were made in the aggregate amounts of CZK 676,085 thousand and CZK 681,994 thousand, respectively. The provision against material amounted to CZK 282,460 thousand (2010: CZK 248,821 thousand), the provision against work in progress and semi-finished products amounted to CZK 298,942 thousand (2010: CZK 298,775 thousand), the provision against finished products amounted to CZK 94,312 thousand (2010: CZK 133,636 thousand), and the provision against goods amounted to CZK 371 thousand (2010: CZK 762 thousand).

6.10. RECEIVABLES

6.10.1. Structure of Short-Term Receivables

Aging of Short-Term Trade Receivables

(CZK thousand)

Balance	Category	Before due date	Past due date					Total	Total
			1 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and greater		
2011	Short-term	6 158 006	1 128 783	52 694	83 064	68 385	447 573	1 780 499	7 938 505
	Provisions	-2 817	-8 771	-19 288	-13 917	-66 804	-447 591	-556 371	-559 188
	Total	6 155 189	1 120 012	33 406	69 147	1 581	-18	1 224 128	7 379 317
2010	Short-term	5 433 554	896 007	14 300	31 214	88 518	391 570	1 421 609	6 855 163
	Provisions	-14 336	-14 125	-2 162	-25 657	-88 506	-391 429	-521 879	-536 215
	Total	5 419 218	881 882	12 138	5 557	12	141	899 730	6 318 948

Other Short-Term Receivables

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

State – tax receivables principally include the receivable arising from other taxes and fees and an excessive deduction of the value added tax.

Other receivables mainly relate to the receivable arising from bank guarantees.

Estimated receivables principally include an estimated receivable arising from anticipated insurance benefits.

Receivables typically mature within 30 days.

6.10.2. Receivables Pledged as Security

D 5, akciová společnost, Třinec, reports receivables pledged as security in relation to a loan provided by Československá obchodní banka, a.s. in the aggregate amount of CZK 50,000 thousand, of which the receivables in the amount of CZK 20,000 thousand are to be collected from other than the TRINECKÉ ŽELEZÁRNY, a.s. and the MORAVIA STEEL a.s. groups' entities.

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

- Based on Loan Contract 0048/07/05527 in the amount of CZK 60,000 thousand including accrued interest (overdraft loan facility); and
 - Based on Loan Contract 0707/06/05527 in the amount of EUR 2,400 thousand including accrued interest, for the acquisition of the Sakamura machine.
- “METALURGIA” S.A. has pledged receivables in the amount of PLN 8,087,432.72 as security with ING Commercial Finance Polska S.A.

6.10.3. Intercompany Receivables

Short-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
• Trade receivables		
Moravia Steel Deutschland GmbH *)	0	7
HRAT, s.r.o.	5	0
Doprava TŽ, a.s.	2 465	4 679
Řetaze Slovakia, s.r.o..	0	291
TRIALFA, s.r.o.	3 824	2 728
TŘINECKÁ PROJEKCE, a.s.	8 462	8 568
Třinecké gastroslužby, s.r.o.	1 207	1 691
Střední odborná škola Třineckých železáren **)	148	127
NEOMET, S.A.	1	4
Kvalifikační a personální agentura, o.p.s.	3	3
TRISIA, a.s.	3	6
VESUVIUS ČESKÁ REPUBLIKA, a.s.	4 373	3 831
Kovárna VIVA, a.s.	79 507	71 264
SILESIASLAG, a.s.	1	3
Steel Consortium Partners, a.s.	1	1
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	0	2 354
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM, s.r.o.	116	13
Moravia Security, a.s.	172	164
Barrandov Productions, s.r.o.	4 199	789
Filmová nadace RWE & Barrandov Studio	15	13
FINITRADING, a.s.	1	0
Security Morava, s.r.o.	8	0
Total	104 511	96 536
Total short-term intercompany receivables	104 511	96 536
Other than intercompany receivables	8 782 684	7 251 292
Total net short-term receivables	8 887 195	7 347 828

*) Since 2011, Moravia Steel Deutschland GmbH has been consolidated using the full consolidation method.

**) 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 Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Long-term receivables	0	0
Total long-term intercompany receivables	0	0
Other than intercompany receivables	171 339	201 706
Total long-term receivables	171 339	201 706

6.11. EQUITY AND SHARE CAPITAL

6.11.1. Shareholders' Equity

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

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

No dividends were declared in the year ended 31 December 2011.

6.11.2. Share Capital

As of 31 December 2011, the share capital amounted to CZK 3,157,000 thousand. The Company's share capital is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

6.12. RESERVES

(CZK thousand)

	Reserves under special legislation					Total reserves
	Reserve for repairs of tangible FA	Reserve for restoration	Reserve for pensions and similar liabilities	Income tax reserve	Other reserves	
Balance at 1 Jan 2010	18 980	2 068	4 105	539	197 169	222 861
Charge for reserves	7 185	107	0	5 800	197 210	205 302
Use of reserves	7 266	382	438	22	142 046	145 154
Balance at 31 Dec 2010	18 899	1 793	3 606	6 305	252 284	282 887
Change in the consolidation method	0	0	0	0	7 948	7 948
Effect of foreign exchange rates	0	0	-297	-41	-146	-484
Charge for reserves	11 000	60	339	0	868 095	879 494
Use of reserves	13 899	0	25	6 264	527 779	547 967
Balance at 31 Dec 2011	16 000	1 853	3 623	0	600 402	621 878

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

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

6.13. PAYABLES

6.13.1. Long-Term Payables

Long-term trade payables as of 31 December 2011 are reported in the aggregate amount of CZK 54,498 thousand and principally include retained fees from suppliers pursuant to concluded contracts. As of 31 December 2010, long-term payables amounted to CZK 50,490 thousand.

6.13.2. Short-Term Trade Payables

Aging of short-term trade payables:

(CZK thousand)

Balance at 31 Dec	Category	Before due date	Past due date					Total
			1 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and greater	
2011	Short-term	5 696 701	297 007	25 740	12 264	3 977	1 175	6 036 864
2010	Short-term	5 299 358	108 130	29 563	67 985	864	5 636	5 511 536

6.13.3. Other Payables

As of 31 December 2011 and 2010, the payables arising from social security and state employment policy contributions and public health insurance amounted to CZK 174,496 thousand and CZK 133,810 thousand, respectively. These payables were duly settled as of the balance sheet date.

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

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

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

6.13.4. Intercompany Payables

Short-Term Payables

(CZK thousand)

Entity	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Trade payables		
Doprava TŽ, a.s.	11 644	11 735
Hutnictví železa, a.s.	593	602
Moravia Security, a.s.	14 432	11 295
TRIALFA, s.r.o.	15 614	16 196
TRISIA, a.s.	752	835
TŘINECKÁ PROJEKCE, a.s.	3 999	1 990
Třinecké gastroslužby, s.r.o.	10 803	10 021
VESUVIUS ČESKÁ REPUBLIKA, a.s.	7 894	7 380
Security Morava s.r.o.	473	315
D 5, akciová společnost, Třinec	0	59
MORAVIA STEEL UK LIMITED *)	0	4 962
ZAMECZEK BŁOGOCICE Sp. z o.o.	97	105
FINITRADING, a.s.	262 667	179 841
MORAVIA STEEL SLOVENIJA D.O.O.	3 951	3 554
Kvalifikační a personální agentura, o.p.s.	30	15
Barrandov Productions, s.r.o.	19 609	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	829	930
Soukromá střední škola Třinec, š. p. o.	2 762	1 847
MORAVIA STEEL IBÉRIA, S.A.	822	0
HRAT, s.r.o.	90	0
Total intercompany short-term payables	357 061	251 682
Other intercompany payables		
ZAMECZEK BŁOGOCICE Sp. z o.o.	0	5 437
Total	0	5 437
Total short-term intercompany payables	357 061	257 119
Other than intercompany payables	7 760 330	6 630 861
Total short-term payables	8 117 391	6 887 980

*) During the reporting period ended 31 December 2011, TRINEC – CMC LIMITED changed its business name to MORAVIA STEEL UK LIMITED and has been consolidated using the full consolidation method since 2011.

6.14. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

6.14.1. Deferred Tax Liability

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

(CZK thousand)

Deferred tax arising from	Tax rate in %	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Difference between the tax and accounting carrying values of fixed assets	19	7 134 920	2 722 157
Difference between the tax and accounting carrying values of fixed assets	10	111 099	0
Revaluation of securities available for sale	19	-20	0
Revaluation of securities available for sale	10	-295	0
Revaluation of assets to fair value charged to equity	19	290 103	339 384
Revaluation of assets to fair value charged to consolidation goodwill	10	48 897	0
Accounting reserves	19	-274 480	-78 041
Accounting reserves	10	-25 247	0
Provisions	19	-761 256	-151 502
Provisions	10	-4 333	0
Expenses deductible in the following years	19	-151 073	-32 397
Utilisable tax loss	19	-2 120 824	-333 574
Outstanding default interest	19	38 116	65 089
Unrealised profit on the sale of tangible FA within the Group	19	-22 157	-355 663
Unrealised profit on the sale of inventory within the Group	19	-332 784	-17 047
Total temporary differences		3 930 666	2 158 406
Deferred tax liability		735 116	410 097

(CZK thousand)

Analysis of movements	
31 Dec 2010	410 097
Changes in the consolidation group – new acquisitions	11 530
Current changes charged to the profit and loss account	317 962
Current changes charged to equity	-9 363
Charge against positive goodwill on consolidation	4 890
31 Dec 2011	735 116

6.14.2. Deferred Tax Asset

(CZK thousand)

	Tax rate (%)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Difference between the tax and accounting carrying values of tangible fixed assets	19	-98 065	-4 381 666
Revaluation of securities available for sale	19	0	20
Accounting reserves	19	15 364	156 870
Provisions	19	4 977	641 742
Expenses deductible for tax purposes in the following years	19	4 228	97 723
Unrealised profit on the sale of inventory within the Group	19	373 842	120 147
Utilisable tax loss	19	114 958	3 937 909
Total temporary differences		415 304	572 745
Deferred tax asset		78 908	108 822

(CZK thousand)

Analysis of movements	
31 Dec 2010	108 822
Current changes charged to the profit and loss account	-29 295
Current changes charged to equity	-176
Reclassification	-443
31 December 2011	78 908

6.15. BANK LOANS AND BORROWINGS

In the year ended 31 December 2011, the interest rate on bank loans varied between 1.047% and 5.43% p.a., and between 1.052% and 4.65% p.a. in the year ended 31 December 2010.

6.15.1. Bank Loans and Grants for 2011

Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2011	Balance at 31 Dec 2010	Form of collateral at 31 Dec 2011
Investment loan	EUR	0	4 219	SACE guarantee insurer
Investment loan	EUR	65 030	139 838	Hermes guarantee insurer
Investment loan	CZK	11 112	55 556	Immovable and movable assets (VP4), statement of guarantee, blank bill of exchange
Investment loan	CZK	900 000	830 923	Movable and immovable assets, receivables from insurance, promissory bill of exchange
Investment loan	CZK	5 000	15 000	No collateral
Investment loan	CZK	167 573	237 571	Promissory blank bill of exchange
Investment loan	CZK	12 000	36 000	Pledge of real estate
Investment loan	CZK	170 000	170 000	Pledge of real estate
Investment loan	CZK	1 766	5 949	Bill of exchange, pledge of real estate, cession of receivables
Investment loan	EUR	0	3 007	Induction hardening line (16-34 mm)
Investment loan	EUR	0	10 024	KSH 602D welding machine
Investment loan	EUR	17 415	0	KEH8, KER8 lines
Investment loan	CZK	7 469	17 278	Receivables, Sakamura pressing machine
Investment loan	EUR	645	3 133	KBA 601 bending machine
Investment loan	CZK/ EUR	20 849	47 795	MS guarantee statement, pledged assets, blank bills of exchange
Investment loan	CZK	60 570	77 703	Pledge of real estate, pledge of movable assets, pledge of receivables arising from the insurance of immovable and movable assets
Investment loan	EUR	0	36 052	Pledge contracts on TFA
Investment loan	CZK	0	33 938	Pledge contracts on TFA
Investment loan	CZK	16 864	22 486	Pledge of real estate
Investment loan	CZK	5 211	8 891	Bill of exchange, pledge of real estate, cession of receivables
Investment loan	CZK	24 081	0	Pledge of the subject of financing
Total		1 485 585	1 755 363	

Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2011	Balance at 31 Dec 2010	Form of collateral at 31 Dec 2011
Investment loan	CZK	0	15 000	Movable assets, MS, a.s. guarantee statement
Investment loan	CZK	44 444	44 444	Immovable and movable assets, blank bill of exchange
Investment loan	EUR	78 937	80 095	Hermes guarantee insurer
Overdraft loan facility	CZK	232 399	0	Promissory blank bill of exchange
Investment loan	EUR	6 369	0	Trade receivables
Investment loan	EUR	2 580	2 506	KBA 601 bending machine
Investment loan	EUR	5 805	2 506	KEH8, KER8 lines
Investment loan	EUR	10 320	10 024	KSH 602D welding machine
Investment loan	EUR	3 096	6 014	Immovable and movable assets
Investment loan	CZK	0	19 400	Pledge of movable and immovable assets and promissory collateralising blank bill of exchange
Operating loan	CZK	0	43 306	Promissory blank bill of exchange, trade receivables
Investment loan	EUR	4 343	8 438	SACE guarantee insurer
Investment loan	PLN	34 413	76 581	Immovable and movable assets
Operating loan	CZK	250 000	250 000	Pledge of receivables, blank bill of exchange
Operating loan	CZK	250 055	250 119	Conditional cession of receivables
Operating loan	CZK	300 000	300 000	Conditional cession of receivables
Operating loan	CZK	300 000	300 000	Conditional cession and future pledge of receivables, blank bills of exchange
Investment loan	CZK	24 000	24 000	Pledge of real estate
Operating loan	CZK	0	32 306	-
Investment loan*)	EUR/ CZK	27 800	27 311	MS guarantee statement, pledged assets, blank bills of exchange
Investment loan	CZK	10 000	10 000	No collateral
Investment loan	EUR	10 320	10 025	Receivables, Sakamura pressing machine
Investment loan	CZK	0	12 000	Real estate, receivables
Investment loan	CZK	74 477	73 099	Promissory blank bill of exchange
Operating loan	CZK	150 000	305 000	Blank bill of exchange, receivables
Operating loan	CZK	0	295 906	Promissory blank bill of exchange
Operating loan	CZK	160 780	479 291	Promissory blank bill of exchange
Operating loan	CZK	14 732	2 380	Real estate, receivables
Investment loan	CZK	200 000	100 000	Movable and immovable assets., receivable arising from insurance, promissory bill of exchange
Short-term loan	CZK	200 000	0	Promissory blank bill of exchange
Operating loan	CZK	0	28 653	Blank bill of exchange
Investment loan	CZK	33 939	33 939	Pledge contracts on TFA,
Operating loan	CZK	20 552	0	pledge of real estate, pledge of movable assets, pledge of receivables arising from the insurance of immovable and movable assets
Operating loan	CZK	414 000	319 000	Pledge contracts on TFA
Operating loan	EUR	37 116	36 052	Pledge contracts on TFA
Investment loan	CZK	5 622	5 622	Pledge of real estate, bill of exchange
Investment loan	CZK	4 472	0	Pledge of real estate, bill of exchange
Investment loan	CZK	7 901	0	Pledge of the subject of financing
Investment loan	CZK	4 440	4 440	Pledge of real estate, bill of exchange, cession of receivables
Investment loan	CZK	4 330	4 330	Blank bill of exchange, pledge of real estate, cession of receivables
Investment loan	CZK	30 749	22 832	Blank bill of exchange, pledge of real estate, cession of receivables, pledge of real estate, pledge of movable assets, pledge of receivables arising from the insurance on immovable and movable assets
Investment loan	CZK	20 000	40 000	Receivable arising from the insurance on immovable and movable assets
Operating loan	CZK	6 397	19 519	Pledge of real estate, pledge of receivables,
Investment loan	CZK	17 729	19 061	pledge of real estate, pledge of movable assets, pledge of receivables arising from the insurance of immovable and movable assets
Operating loan	EUR	103 200	100 240	Pledge of real estate
Operating loan	PLN	24 606	29 050	Pledge of real estate, pledge of movable assets
Investment loan	CZK	3 125	12 500	Pledge of real estate, bill of exchange
Total		3 133 048	3 454 989	

*) Slévárny Třinec reclassified its long-term loans into short-term loans based on the assessment of the terms set out in the loan contracts.

Repayment Schedule

(CZK thousand)

	2012	2013	2014	2015	2016	In subsequent periods	Total
Loan instalments	3 133 048	594 061	315 324	258 082	213 202	104 916	4 618 633

Short-Term Financial Borrowings

(CZK thousand)

Purpose	Currency	Balance at 31 Dec 2011	Balance at 31 Dec 2010	Provider
Short-term	EUR	0	100 240	Minerfin, a.s.
Short-term	EUR	77 400	75 180	Ferroservis Bratislava s.r.o.
Short-term	EUR	734	0	Slovenská plavba a prístavy a.s.
Short-term	PLN	0	361	Fortis Bank Polska S.A.
Short-term	PLN	27	0	ING Bank Śląski
Short-term	PLN	184	0	BNP PARIBAS Bank Polska SA
Total		78 345	175 781	

6.16. MINORITY EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Accumulated profit brought forward	Profit/loss for the current period	Total
31 December 2009	2 605 493	13 874	287 603	936 615	2 990 607	-288 168	6 546 024
Distribution of profit/loss	0	0	9 686	-25 242	-255 373	270 929	0
Dividends	0	0	0	0	0	-17 397	-17 397
Impact of changes in the consolidation group	0	44 623	-7 380	286	-72 165	34 636	0
Revaluation of assets and liabilities	0	2 587	0	0	1 536		4 123
Profit for the period	0	0	0	0	0	-283 158	-283 158
Share in profit of equity accounted investments attributable to minority shareholders	0	0	0	0	0	11 951	11 951
Other	-125	-2 721	0	-404	-430	0	-3 680
31 December 2010	2 605 368	58 363	289 909	911 255	2 664 175	-271 207	6 257 863
Distribution of profit/loss	0	0	6 974	24 773	-343 494	311 747	0
Dividends	0	0	0	0	-8 898	-28 365	-37 263
Impact of the change in the consolidation method	0	419	0	0	-1 801	0	-1 382
Impact of changes in the consolidated group	0	-39 217	-5 009	185	56 216	-12 175	0
Revaluation of assets and liabilities	0	-3 451	0	0	53	0	-3 398
Payments from the social fund	0	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	474 929	474 929
Share in profit of equity accounted investments attributable to minority shareholders	0	0	0	0	0	9 080	9 080
Other	-80	0	-11	-7	-36	4	-130
31 December 2011	2 605 288	16 114	291 863	936 206	2 366 215	484 013	6 699 699

6.17. OTHER OFF-BALANCE SHEET LIABILITIES

MORAVIA STEEL a.s.

As of 31 December 2011, the company was involved in no legal dispute the outcome of which would have a material impact on the company.

HANÁCKÉ ŽELEZÁRNY A PÉROVNY, a.s.

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

As of the balance sheet date, the company recorded future liabilities arising from contracted capital expenditure in the amount of CZK 2,985 thousand (CZK 827 thousand and EUR 83.7 thousand).

As of 31 December 2011, the company was involved in no legal dispute the outcome of which would have a material impact on the company.

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

SOCHOROVÁ VÁLCOVNA TŽ, a.s.

The company recorded no environmental liabilities in the year ended 31 December 2011. The assets to which the legacy environmental burdens related and that were covered by a reserve were sold. However, the company takes into account a potential environmental risk in recognising reserves for the liquidation of fixed assets.

As of 31 December 2011, the company was involved in no legal dispute the outcome of which would have a material impact on the company.

TŘINECKÉ ŽELEZÁRNY, a. s.

The company records the following payables reported off-balance sheet:

31 December 2011

Type of liability	Aggregate amount	Balance at 31 Dec 2011
Guarantee statements		
- 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	Aggregate amount	Balance at 31 Dec 2010
Guarantee statements		
- 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 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 indicates the company's liabilities relating to the environment. Pursuant to the audit, the company entered into a contract with the Czech Property Fund for the settlement of expenses incurred for the settlement of the environmental liabilities before the privatisation up to CZK 514 million.

As of 31 December 2011 and 2010, the company drew the funds in the amounts of 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.

ENERGETIKA TŘINEC, a.s.

Collateral for own liabilities

(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

Environmental Liabilities

The company 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, the company was involved in no significant legal dispute, the outcome of which would significantly impact it.

The company is not aware of any material contingent losses.

Strojírny Třinec, a.s.

In the year ended 31 December 2011, Strojírny Třinec, a.s. (hereinafter "ST") did not issue any 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.

D 5, akciová společnost, Třinec

D 5, akciová společnost, Třinec reports the following off-balance sheet liabilities as of 31 December 2011:

Legal Disputes

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

Environmental Liabilities

D 5, akciová společnost, Třinec does not report any environmental liabilities.

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

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

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.

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.

Šroubárna Kyjov, spol. s r.o.

Šroubárna Kyjov, spol. s r.o. does not report any off-balance sheet commitments.

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.

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.

„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 INFORMATION OF THE PROFIT AND LOSS ACCOUNT

7.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

2011

(CZK thousand)

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

2010

(CZK thousand)

Activities	Inland	Cross-Border	Total
Metallurgic production	9 671 126	25 447 692	35 118 818
Other production	2 673 537	1 157 510	3 831 047
Sale of goods	128 231	207 856	336 087
Services	943 678	280 656	1 224 334
Change in inventory	409 648	38 734	448 382
Own work capitalised	788 937	201	789 138
Total	14 615 157	27 132 649	41 747 806

7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 78,328 thousand and CZK 70,489 thousand as of 31 December 2011 and 2010, respectively.

Other operating income as of 31 December 2011 and 2010 predominantly included the drawing of the grant for greenhouse gas emission allowances in the amounts of CZK 1,934,168 thousand and CZK 1,599,771 thousand, respectively.

Other operating expenses as of 31 December 2011 and 2010 predominantly included the use of greenhouse gas emission allowances in the amounts of CZK 1,935,221 thousand and CZK 1,599,771 thousand, respectively.

Other financial income and expenses in the years ended 31 December 2011 and 2010 predominantly included foreign exchange rate gains and losses.

7.3. GRANTS

Grants for operating purposes of CZK 21,985 thousand received in 2011 (2010: CZK 28,671 thousand) include grants for research purposes, and grants received from the Labour Office in prior years.

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.

7.4. RESEARCH AND DEVELOPMENT EXPENDITURE

(CZK thousand)

	31 Dec 2011	31 Dec 2010
Research and development expenditure (net of 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 MORAVIA STEEL 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	12 853	59	0	53 816
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	213	0	0	213
Reťaze Slovakia s.r.o.	Controlled entity	0	24 265	39	0	0	24 304
TRIALFA, a.s.	Controlled entity	4	37 833	4 978	2 788	0	45 603
TRISIA, a.s.	Controlled entity	0	0	102	2	0	104
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	435	618	0	0	1 053
Třinecké gastroslužby, s.r.o.	Controlled entity	118	2 671	8 753	1 274	0	12 816
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Controlled entity	0	6 906	20 164	160	0	27 230
SILESIAFLAG, a.s.	Controlled entity	0	0	22	0	0	22
Steel Consortium Partners, a.s.	Controlled entity	0	0	59	0	0	59
FINITRADING, a.s.	Controlled entity	0	0	5	825	0	830
Moravia Security, a.s.	Controlled entity	0	183	1 511	13	0	1 707
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	12	0	613	360	0	985
Střední odborná škola Třineckých železáren*	Controlled entity	3	21	1 958	87	0	2 069
ZAMECZEK BŁOGOCICE	Controlled entity	0	0	8 812	0	0	8 812
Kovárna VIVA a.s.	Associate	0	369 060	916	195	0	370 171
Barrandov Productions, s.r.o.	Controlled entity	0	0	3 215	41	0	3 256
Filmová nadace RWE & Barrandov Studio	Controlled entity	4	0	137	0	0	141
HRAT, s.r.o.	Controlled entity	0	0	31	0	0	31
Neomet Sp. z o.o.	Controlled entity	0	0	5	0	0	5
Total		173	482 246	65 004	5 804	0	553 227

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	17 038	31	0	76 080
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	190	0	0	190
Reťaze 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.	Controlled entity	126	984	657	8 419	0	10 186
Třinecké gastroslužby, s.r.o.	Controlled entity	3	2 364	5 544	1 072	0	8 983
VESUVIUS ČR, a.s.	Controlled entity	0	6 375	20 359	73	0	26 807
Moravia Steel Deutschland GmbH**)	Associate	0	86 872	1 887	0	0	88 759
SILESIAFLAG, a.s.	Controlled entity	0	0	22	0	0	22
Steel Consortium Partners, a.s.	Controlled entity	0	0	58	0	0	58
FINITRADING, a.s.	Controlling entity	0	0	0	577	0	577
Moravia Security, a.s.	Controlled entity	14	187	1 437	13	0	1 651
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
Soukromá střední škola Třinec, š.p.o.*)	Controlled entity	2	49	1 346	138	0	1 535
ZAMECZEK BŁOGOCICE	Controlled entity	0	0	1 930	0	0	1 930
Kovárna VIVA a.s.	Associate	0	228 084	1 606	34	0	229 724
Barrandov Productions, s.r.o.	Controlled entity	2	0	1 400	45	0	1 447
Filmová nadace RWE & Barrandov Studio	Controlled entity	2	0	155	4	0	161
HRAT, s.r.o.	Controlled entity	0	0	34	0	0	34
Total		1 027	434 130	60 499	11 904	0	507 560

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

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

7.5.2. Costs Incurred with Related Parties

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

2011

(CZK thousand)

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

* 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	Fixed assets	Inventory	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	27 798	65 253	0	93 051
Hutnictví železa, a.s.	Controlled entity	0	0	5 807	118	5 925
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	0	0	239	0	239
Reťaze Slovakia, s.r.o.	Controlled entity	0	327	254	0	581
TRIALFA, s.r.o.	Controlled entity	29	9 956	18 796	62 094	90 875
TRISIA, a.s.	Controlled entity	0	0	9 576	0	9 576
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	11 301	190	9 793	9	21 293
Třinecké gastroslužby, s.r.o.	Controlled entity	0	14 937	9 908	79 760	104 605
VESUVIUS ČR, a.s.	Controlled entity	0	133 190	60 556	0	193 746
Moravia Steel Deutschland GmbH**)	Associate	0	0	1 214	0	1 214
FINITRADING, a.s.	Controlling entity	0	2 838 844	0	0	2 838 844
Security Morava, s.r.o.	Controlled entity	0	0	1 205	0	1 205
Moravia Security, a.s.	Controlled entity	0	33	79 279	357	79 669
Soukromá střední škola Třinec, š.p.o.*)	Controlled entity	0	492	9 257	1 766	11 515
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 263	0	1 263
Kovárna VIVA a.s.	Associate	0	386	6	0	392
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	0	2 187	8 043	0	10 230
Barrandov Productions s.r.o.	Controlled entity	546	2	267	0	815
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	2	0	796	798
HRAT, s.r.o.	Controlled entity	140	0	260	0	400
MORAVIA STEEL IBÉRIA, S.A.	Controlled entity	0	0	6 336	0	6 336
MORAVIA STEEL SLOVENIJA D.O.O.	Controlled entity	0	0	8 058	0	8 058
Total		12 016	3 028 344	295 370	144 900	3 480 630

Note: * TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Education Act 561/2004 Coll.

** Change in the business 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

2011

(CZK thousand)

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

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

**) Data not available.

2010

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	304	17	332 248	165 438
Barrandov Studio a.s.	219	10	123 016	15 112
Barrandov Televizní Studio a.s.	65	4	48 163	7 567
MORAVIA STEEL ITALIA s.r.l.	8	2	9 092	7 255
Moravskoslezský kovošrot, a.s.	34	3	12 823	2 952
MSK Polska Sp. z o.o.	33	3	15 161	1 981
Sochorová válcovna TŽ, a.s.	677	9	278 930	19 385
Beskydská golfová, a.s.	29	1	12 153	1 756
Hanácké železářny a pérovny, a.s.	235	7	106 216	9 587
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
SV servisní, s.r.o.	14	3	8 156	3 087
M Steel Projects a.s. *)	3	3	1 043	1 043
Total under full consolidation	11 729	129	5 044 211	374 351

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

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

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

(CZK thousand)

Company/performance	2011	2010
MORAVIA STEEL a.s.	108 669	108 385
Use of management cars	2 115	1 841
Damage liability insurance	981	1 340
Bonuses	105 573	105 204
TŘINECKÉ ŽELEZÁRNY, a.s.	12 624	13 274
Use of management cars	1 421	1 320
Damage 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
Damage 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
Damage liability insurance	22	34
Bonuses	648	648
Slévárny Třinec, a.s.	1 140	714
Use of management cars	421	4
Life insurance contribution	54	29
Damage liability insurance	17	33
Bonuses	648	648
REFRASIL, s.r.o.	435	629
Use of management cars	237	237
Life insurance contribution	0	0
Damage liability insurance	6	8
Bonuses	192	384
FERROMORAVIA, s.r.o.	0	708
Use of management cars	0	367
Damage 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
Damage liability insurance	8	0
Bonuses	5 988	5 604
Barrandov Studio a.s.	4 771	4 651
Use of management cars	787	667
Damage liability insurance	3 960	3 960
Bonuses	24	24
Barrandov Televizní Studio a.s.	5 427	4 279
Use of management cars	5 427	4 279
Sochorová válcovna TŽ, a.s.	6 213	3 345
Life insurance contribution	58	47
Damage liability insurance	401	435
Use of management cars	654	613
Bonuses	5 100	2 250
VÚHŽ a.s.	1 333	1 501
Use of management cars	827	973
Life insurance contribution	42	49
Damage liability insurance	7	11
Bonuses	457	468
Hanácké železářny a pérovny, a.s.	1 152	1 145
Life insurance contribution	0	0
Bonuses	1 152	1 145

D 5, akciová společnost, Třinec	1 287	1 291
Use of management cars	601	586
Life insurance contribution	38	33
Damage liability insurance	0	24
Bonuses	648	648
Šroubárna Kyjov, s.r.o.	828	848
Use of management cars	469	464
Life insurance contribution	22	38
Damage liability insurance	13	22
Bonuses	324	324
"METALURGIA" S.A.	986	503
Use of management cars	0	0
Bonuses	986	503
"D&D" Drótáru Zrt.	628	0
Bonuses	628	0
Moravskoslezský kovošrot a.s.	267	3 644
Use of management cars	267	1 903
Life insurance contribution	0	228
Damage liability insurance	0	1
Bonuses	0	1 512
MSK Polska sp.z o.o.	2 261	1 658
Use of management cars	38	76
Life insurance contribution	255	366
Bonuses	1 968	1 216
SV Servisní s.r.o.	181	266
Use of management cars	1	68
Damage liability insurance	0	18
Bonuses	180	180
M Steel Projects a.s.	3 139	1 043
Bonuses	3 139	1 043
MORAVIA STEEL UK LIMITED	5 945	-
Use of management cars	997	-
Life insurance contribution	309	-
Damage liability insurance	-	-
Bonuses	4 639	-
Moravia Steel Deutschland GmbH	7 471	-
Use of management cars	1 707	-
Life insurance contribution	45	-
Damage liability insurance	327	-
Bonuses	5 392	-
Total	173 840	156 804

9. POST BALANCE SHEET EVENTS

On 10 January 2012, the following changes were made in the composition of the Board of Directors of TŘINECKÉ ŽELEZÁRNY, a. s.:

Position	Former status	Current status	Change date
Chairman	Jiří Cieřciała	-	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

Final negotiations are currently being held regarding the sale of 100% of the shares of Barrandov Lands, a.s. to MINERFIN a.s.



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

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

This report on related party transactions has been prepared in accordance with Section 66a (9) of the Commercial Code for the **reporting period ended 31 December 2011** (henceforth the "reporting period").

I. DEFINITION OF THE HOLDING

A. CONTROLLING ENTITIES

FINITRADING, a.s. based in Třinec, nám. Svobody 526, 739 61, corporate ID: 61974692

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

R.F.G., a.s. based in Třinec, nám. Svobody 526, 739 61, corporate ID: 63079658

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

B. ENTITIES CONTROLLED BY THE COMPANY

TŘINECKÉ ŽELEZÁRNY, a.s. based at Průmyslová 1000, Třinec-Staré Město, 739 70, corporate ID: 18050646

Relation: entity controlled by the Company as the majority shareholder under Section 66a (3) (a) of the Commercial Code (as of 31 December 2011 the Company owned 69.05% of shares) and by the Company acting in concert with FINITRADING a.s. under Section 66a (4) of the Commercial Code

Sochorová válcovna TŽ, a.s. based at Průmyslová 1000, Třinec-Staré Město, 739 70, corporate ID 25872940

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

Moravia Steel AG "in liquidation", based at Industriestraße 47, 6304 Zug, Switzerland

Relation: Company's subsidiary (before 15 June 2011 when the entity was dissolved through the removal from the Register of Companies following the completed liquidation)

MORAVIA STEEL IBÉRIA, S.A. based at Campo Grande, 35 – 9. A,
P-1700 Lisboa, Portugal
Relation: Company's subsidiary

MORAVIA GOEL TRADE d.o.o. "in liquidation" based at Perkovčeva 48, 104 30
Samobor, Croatia
Relation: Company's subsidiary

MORAVIA STEEL ITALIA s.r.l. based at via Niccolini 26, 20154 Milano, Italy
Relation: Company's subsidiary

MORAVIA STEEL SLOVENIJA D.O.O. based at Valvazorjeva 14, 3000 Celje, Slovenia
Relation: Company's subsidiary

Moravia Steel Deutschland GmbH based at Cliev 19, 515 15 Kürten, Germany
Relation: Company's subsidiary

MORAVIA STEEL UK LIMITED (originally TRINEC – CMC LIMITED) based at 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, UK
Relation: Company's subsidiary

Barrandov Televizní Studio a.s. based at Kříženeckého nám. 322, Prague 5, 152 00, corporate ID 41693311
Relation: Company's subsidiary

Barrandov Studio a.s. based at Kříženeckého nám. 322/5, Prague 5 - Hlubočepy, 152 00, corporate ID 28172469
Relation: Company's subsidiary

Barrandov Lands a.s. based at Kříženeckého nám. 322/5, Prague 5, 152 00, corporate ID 27225674
Relation: Company's subsidiary

MS – Slovensko s.r.o. based at Palisády 56, Bratislava, 811 06, Slovakia
Relation: Company's subsidiary

MORAVIA STEEL ISRAEL Ltd. based at 23 Efal St., Petach Tikva 49 511, P.O.B. 3286, Israel
Relation: Company's subsidiary

Beskydská golfová, a.s. based at Ropice 415, 739 56, corporate ID 25352920
Relation: Company's subsidiary

Hanácké železářny a pérovny, a.s. based at Dolní 100, Prostějov, 797 11, corporate ID 26955342
Relation: Company's subsidiary

MORAVIA STEEL POLAND sp. Z o.o. based at Bobrecka 27, Cieszyn 43-400, Poland (before 14 March 2011)
Relation: Company's subsidiary

M Steel Projects a.s. based at Průmyslová 1000, Třinec-Staré Město, 739 70, corporate ID: 28602331
Relation: Company's subsidiary

Moravskoslezský kovošrot, a.s. based at V Jámě 1371/8, Prague 1 - Nové Město, 110 00, corporate ID: 26855097
Relation: entity controlled by the Company as a majority shareholder under Section 66a (3) (a) of the Commercial Code

Moravia Steel Middle East FZCO based at Jebel Ali Free Zone, Building 18-19 # 133, Dubai, U.A.E.
Relation: Company's subsidiary

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

II. DESCRIPTION OF RELATIONS

A. DEFINITION OF RELATIONS BETWEEN RELATED PARTIES

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

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

B. 1. Sales

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

B. 2. PURCHASES

B. 2.1. Purchase of Zaporizhia aglo-ore

From 1 January 2011 to 31 December 2011, supplies of Zaporizhia aglo-ore were realised under Amendment 2 to Purchase Contract No. S-100004 of 26 October 2010.

On 31 January 2011, the Company concluded Purchase Contract No. S-110001 with FINITRADING, a.s., for the period from 1 February 2011 to 31 January 2012, the subject matter of which is the controlling entity's obligation to provide supplies of Zaporizhia aglo-ore for the Company. In 2011, the purchase prices were regulated by Amendment 1 of 1 April 2011. In addition, the Company concluded the Purchase Contract no. S-110009 with FINITRADING, a.s. on 27 June 2011 for the period from 30 June 2011 to 31 July 2011, the subject matter of which is the controlling entity's obligation to provide supplies of Zaporizhia aglo-ore for the Company.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Zaporizhia aglo-ore based on these contracts amounted to CZK 2,707,848 thousand excluding VAT.

B. 2.2. Purchase of Lump Zaporizhia Aglo-Ore

From 1 January 2011 to 31 January 2011, the supplies of Lump Zaporizhia aglo-ore were realised on the basis of Amendment 1 to Purchase Contract No. S-100005 of 7 July 2010. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-10005 on 31 January 2011, which is valid from 1 February 2011 to 31 January 2012 and the subject matter of which is the obligation of the controlling entity to provide supplies of lump Zaporizhia aglo-ore for the Company. During 2011, the purchase prices were regulated by Amendment 1 of 1 April 2011.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of lump Zaporizhia aglo-ore based on these contracts amounted to CZK 97,785 thousand excluding VAT.

B. 2.3. Purchase of Krivbas Aglo-Ore

From 1 January 2011 to 31 January 2011, supplies of Krivbas aglo-ore were realised on the basis of Purchase Contract No. S-100006 of 1 April 2010. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-110002 on 31 January 2011, which is valid from 1 February 2011 to 31 January 2012 and the subject matter of which is the obligation of the controlling entity to provide supplies of Krivbas aglo-ore for the Company. In 2011, the purchase prices were regulated by Amendment 1 of 1 April 2011.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Krivbas aglo-ore based on these contracts amounted to CZK 517,028 thousand excluding VAT.

B. 2.4. Purchase of Iron Ore Pellets - Mixture

On 31 January 2011, the Company concluded Purchase Contract No. S-110007 for the period from 1 February 2011 to 30 June 2011, the subject matter of which is the obligation of the controlling entity to provide supplies of iron ore pellets – mixture. In 2011, the purchase prices were regulated by Amendment 1 of 1 April 2011.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of iron ore pellets – mixture based on these contracts amounted to CZK 8,367 thousand excluding VAT.

B. 3. Other Contractual Arrangements

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

B. 4. Other Legal Acts

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

B. 5. Other Measures

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

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

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

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

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

In Třinec on 9 March 2012



.....
Rostislav Wozniak

Chairman of the Board of Directors

MORAVIA STEEL a.s.



.....
Krzysztof Ruciński

Vice-Chairman of the Board of Directors

MORAVIA STEEL a.s.

