

2015

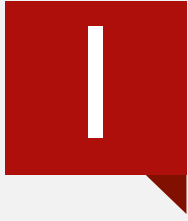
ANNUAL REPORT



MORAVIA STEEL

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OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD



DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES,

For the first time since 2009, the global production of raw steel has seen a decline. In 2015, production decreased by 2.8% year-on-year, amounting to 1,622 million tonnes. Stagnation was also recorded in Asia, including China for the first time. Nevertheless, demand in the global steel industry remained in a surplus, which led to price reduction pressure in end production.

In recent years, the European market has been threatened particularly by cheap steel imports from China subsidised by the local government. In 2014, import of this kind doubled to 4.5 million tonnes and in 2015, it amounted to almost 7 million tonnes.

In contrast, the average use of global steel manufacturing capacities declined, amounting to 69.7% in 2015, whereas in 2014 it oscillated at over 73%. Another persisting problem is thus the surplus of production capacities.

In 2015, 5.26 million tonnes of raw steel were produced in the Czech Republic. Compared to 2014, this constitutes a 1.9% decline. However, the production of rolled material saw a minor increase of 1.27% to 4.89 million tonnes.

In 2015, TRINECKÉ ŽELEZÁRNY, a. s. – a subsidiary of MORAVIA STEEL a.s. – produced a total of 2,528 million tonnes of raw steel and, with a 49% share of the total domestic steel production, retained the position of the largest Czech producer in the steel industry.

The 2015 results of MORAVIA STEEL a.s. reflect the long-term strategy of the MS/TŽ Group. This strategy focuses on products with a higher processing grade and the creation of product chains, with a focus on products intended for the engineering, energy, oil or automotive industries. For this reason, the group prefers the production of rolled wire for the production of screws, springs, bearings and cords, special bar steel, steel treated in the final phase, and wide and flat tool steel.

In 2015 MORAVIA STEEL a.s. reached the profit in the amount of CZK 2.776 billion.

MORAVIA STEEL a.s. was established in 1995 and has operated in the metallurgical production market since 1996. For years it has held a strong and stable position both in the Czech Republic and in foreign markets. In addition, MORAVIA STEEL a.s. provides intrastate and international transportation, and the purchase and sale of raw materials, including other inputs necessary for metallurgical production.

In 2015, MORAVIA STEEL a.s. reported a profit of CZK 2.776 billion. In 2014, it generated a profit of CZK 1.105 billion. Sales of goods in 2015 amounted to CZK 56.903 billion. In 2014, sales of goods amounted to CZK 59.479 billion.

Compared to 2014, the Company's assets recorded a decline from CZK 20.941 billion to CZK 19.388 billion. In contrast, the Company's fixed assets increased in 2015 from CZK 8.481 billion to CZK 8.643 billion.



In 2015, the Company's equity amounted to CZK 14,529 billion. In the previous year, it was lower, amounting to CZK 13,753 billion.

In 2015, MORAVIA STEEL a.s. reported added value of CZK 2,036 billion. In 2014, this was CZK 1,885 billion.

In the long-term, the most significant commodities of MS/TŽ include rolled wire and bars. As in previous years, rolled wire was the most significant product in terms of volume; in 2015, its sales amounted to almost 945 kt.

In 2015, MORAVIA STEEL a.s. sold metallurgical products in the aggregate volume of 2,367 kt. In 2014, total sales exceeded 2,233 kt. The volume of exported products recorded a slight increase, amounting to 1,592 kt of products. In 2014, almost 1,480 kt were exported. The volume of metallurgical products sold on the domestic market in 2015 amounted to under 775 kt, thereby also recording a minor increase. In 2014, domestic sales were in excess of 753 kt.

Of the total sales of metallurgical products, export occupied approximately the same share as in previous years, reaching 67% in 2015. From the long-term perspective, the key export territory of MORAVIA STEEL a.s. is the European Union (including Slovakia), accounting for 88.6% of the Company's total export. In 2014, this was 87.7%. In terms of export, other significant territories include American markets, accounting for 9.2%.

Traditionally, a key customer of MORAVIA STEEL a.s. from among EU countries has been Germany. In 2015, it accounted for 28.7% of EU export. Italy accounted for 16.9%, Slovakia for 14.7% and Poland for 12.6% of the total EU export. Other markets significant in terms of volume included Hungary (7.5%) and the United Kingdom (6.2%).

Dear Shareholders, Business Partners and Employees,

I am convinced that thanks to a suitably selected strategy, our cooperation will successfully continue not only in 2016 but also in the years to come.

Yours sincerely,

Tomáš Chrenek

Chairman of the Supervisory Board MORAVIA STEEL a.s.



COMPANY PROFILE

MORAVIA STEEL a.s. holds a strong position among the leading sellers of metallurgical products in the Czech Republic as well as foreign markets, primarily in EU countries.

An integral part of the Company's activities is the provision of domestic and international transportation and the pur-

chase and sale of raw materials and other inputs necessary for metallurgical production.

The key economic indicators of MORAVIA STEEL a.s. between 2012 and 2015 prove the Company's ability to cope with less favourable periods in global economic development and in the metallurgical and steel industry.

ECONOMIC INDICATORS BETWEEN 2012 – 2015 (IN CZK MILLION)

INDICATOR	2012	2013	2014	2015
Sales of goods	61 254	60 039	59 479	56 903
Sales of own products and services	656	625	685	639
Added value	2 194	2 078	1 885	2 036
Financial profit or loss	-264	1 207	-23	1 484
Profit or loss for the reporting period	1 012	1 967	1 105	2 776
Total assets	17 301	22 226	20 941	19 388
Fixed assets	7 352	8 295	8 481	8 643
Equity	10 680	12 648	13 753	14 529
Share of liabilities including accrued expenses (%)	38,27%	43,09%	34,33%	25,06 %
EBIT	1 325	2 358	1 407	3 087



STATUTORY BODIES AND MANAGEMENT OF THE COMPANY

SUPERVISORY BOARD OF THE COMPANY AS OF 31 DECEMBER 2015

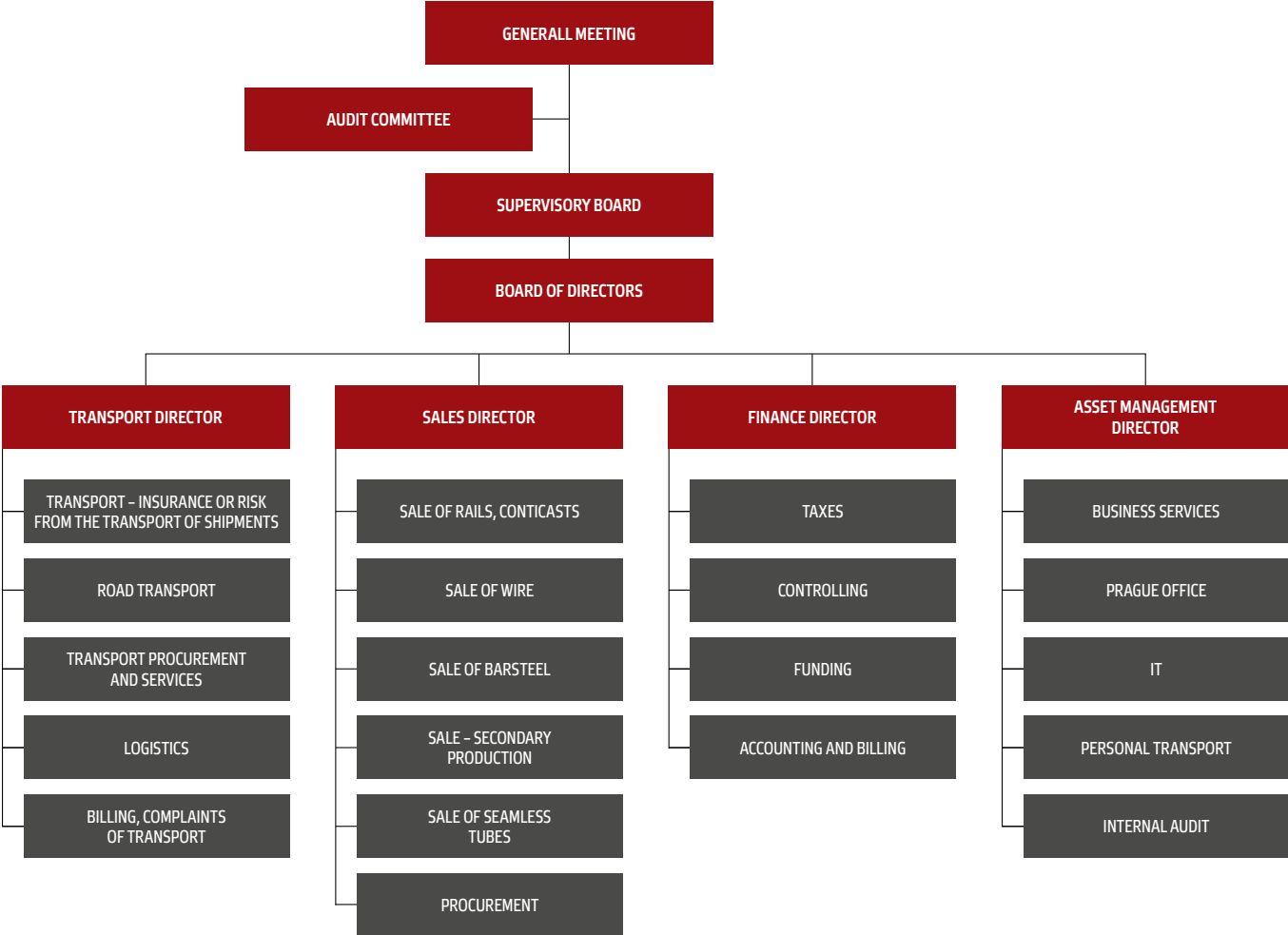


BOARD OF DIRECTORS OF THE COMPANY AS OF 31 DECEMBER 2015





ORGANISATIONAL STRUCTURE OF THE COMPANY





REPORT OF THE BOARD OF DIRECTORS

In 2015, MORAVIA STEEL a.s. sold 2,367 kt of metallurgical products. This represents a year-on-year increase of almost 134 kt. In 2015, 1,592 kt were exported, while 775 kt were sold on the domestic market.

In 2015, total sales of goods amounted to CZK 56.903 billion. In 2014, this was CZK 59.479 billion. As of 31 December 2015, total assets amounted to CZK 19,388 billion. In 2014, the Company's assets amounted to CZK 20.941 billion. The 2015 profit after tax amounted to CZK 2.776 billion. The profit in 2014 was CZK 1.105 billion.

DEVELOPMENT OF THE INDUSTRY AROUND THE WORLD

After years of worldwide growth, 2015 recorded stagnation in global steel production. As the data of the World Steel Association show, the industry saw a year-on-year decline of 2.8%, with the volume of raw steel produced globally amounting to 1.622 million tonnes. The change in the trend was also affected by the 2.3% reduction in Asia's steel production, ie to 1,113 million tonnes. A 2.3% decline was also seen by China's steel production, which reached 803.8 million tonnes. In 2015, the country, however, exported a record volume of steel – 112.4 million tonnes, which significantly affected the development in prices and their decrease to the 2003 level.

EU production declined by 1.8% to 166 million tonnes. The Commonwealth of Independent States also recorded a decrease in production – of 4.3% to 101.5 million tonnes, with Russia having produced 71.1 million tonnes of steel. In North America, steel production dropped almost by 9%. It amounted to 110.7 million tonnes, of which the US accounted for 78.9 million tonnes.

DEVELOPMENT OF THE INDUSTRY IN THE CZECH REPUBLIC

In 2015, 5.26 million tonnes of raw steel were produced in the Czech Republic, which is 1.9% less than in 2014. The decline was caused by the closure of the Vítkovice Steel mill in Ostrava. In contrast, the domestic production of rolled material recorded a year-on-year increase of 1.27%, reaching 4.89 million tonnes.

In 2015, TRINECKÉ ŽELEZÁRNY, a. s. – a subsidiary of MORAVIA STEEL a.s. – produced a total of 2.528 million tonnes of raw steel. With a 49% share of the overall domestic steel production, it maintained its position as the largest steel producer in the Czech Republic.

The consumption of steel products saw an increase in the Czech Republic. This is mainly thanks to import, which currently accounts for around 75% of the total domestic consumption of steel products.

STEEL INDUSTRY DEVELOPMENT TREND

The 2015 slight decrease in steel production was recorded by almost all global regions, including China. Still, China's share of worldwide steel production saw a minor increase to 49.5%. For a number of years, the global steel industry has been facing excessive supply as well as production capacities, which manifests itself in the downward pressure on end production prices as well as on closures of operations.

In addition, the European steel industry must tackle the growing pressure of cheap state-subsidised Chinese steel.

Nevertheless, the European steel market expects a positive trend in respect of the main consumption segments such as the construction, engineering or automotive industries. A slight increase is expected in 2016 as well as in 2017.

Accounting for 31% of the total production, rolled wire remains the most significant item. Following the recon-

struction of the Wire Rolling Mill (KDT), a total of 824 kt of rolled wire was produced in 2015. The Continuous Fine Rolling Mill (KJT) produced 114 kt. Compared to 2014, the KDT recorded an overall increase of 117 kt and the KJT of 1 kt.

In terms of the structure of individual steel groups produced at the KDT, the total volume of high-carbon steel amounted to 55.3%, which is comparable to the 2014 volume. With 22%, the second biggest item is low-carbon steel, which did not record any change either. Electrodes saw a slight decrease to 11.3% (2014: 12%), while the volume of tire cord wire steel increased from 2% to 3.1%. A slight increase

was also recorded in terms of screw-type steel – from 4.9% to 5.3%. Other types of alloy steel (including spring steel) record the same volumes as in 2014, ie 1.6%.

The KJT recorded a significant increase in screw-type steel, of approximately 18%. The total volume of this commodity is 42.7%. The second largest item in 2015 was carbon steel with 24.2%, which recorded an increase of 10%. Other types did not see any significant increase, with the volumes at the same level as in 2014.

DEVELOPMENT IN SALES BETWEEN 2011 AND 2015, MORAVIA STEEL A.S.

Supplies in tonnes	2011	2012	2013	2014	2015
Export	1 513 857	1 538 546	1 586 700	1 479 673	1 592 029
Domestic	726 666	745 794	767 860	753 529	774 651
TOTAL	2 240 523	2 284 341	2 354 560	2 233 201	2 366 680

STRUCTURE OF EXPORTS AS A PERCENTAGE OF THE TOTAL SUPPLIES OF MORAVIA STEEL A.S.

Structure of exports in %	2011	2012	2013	2014	2015
European Union	73,0	75,3	77,4	75,8	75,7
Other European countries	2,3	1,4	1,3	1,1	0,6
Africa	0,1	0,0	0,0	0,0	0,0
Asia	3,1	0,7	0,0	0,2	1,6
America	9,8	10,5	9,1	11,0	9,2
Australia	0,1	0,1	0,0	0,0	0,0
Slovakia	11,6	12,0	12,2	11,9	12,9
TOTAL	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.

Sales in tonnes	2011	2012	2013	2014	2015
Rolled wire	916 981	923 018	951 207	819 540	944 588
Billets and continual castings	268 360	293 492	285 989	297 578	274 855
Reinforcing steel	8 783	19 496	17 256	9 070	3 957
Rails	253 793	246 958	247 229	247 094	253 560
Products of the Kladno factory	263 987	283 350	294 975	282 728	298 741
UT Bohumín	47 290	48 193	47 294	44 688	45 863
Product of VG - operations	66 346	66 979	73 467	78 622	81 650
Other (bars, sections, etc)	298 024	290 651	325 993	338 311	354 147
Pipes - VTTŽ Ostrava	99 645	97 145	94 604	96 768	91 663
Small rails	17 314	15 059	16 546	18 802	17 656
TOTAL	2 240 523	2 284 341	2 354 560	2 233 201	2 366 680



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

*MORAVIA STEEL a.s. sold
2,367 kilotonnes of metallurgical
products in 2015.*

Thanks to the continuing high demand of the automotive industry and other engineering fields, the Company achieved record sales of bar steel in 2015, totalling 654 kt. Compared to 2014, the increase in sales amounted to 32 kt, ie approximately + 5%. In contrast, the realisation prices were lower, which was due to market developments, namely the decline in the prices of raw materials and the resulting additional charges for scrap and alloyants. Besides this factor, the realisation prices were also affected by the change in the structure of contracts. In 2015, a sharp decline in sales to the oil & gas sector was recorded, with the sector buying more expensive, alloyed and heat-treated types of steel. In terms of volume, the Company succeeded in substituting it with supplies to the forging sector for the automotive industry. However, compared to the enriched types for the petrochemical industry, the realisation prices of forging types in their natural states are lower. The realisation prices of bar steel were also adversely affected by the increase in cheap imports from China, Russia and Belarus. Due to these

factors, the 2015 sales of bar steel decreased, despite the increased volumes, by 4% year-on-year.

Of the total volume of sales, bar steel from the Medium and Continuous Fine Rolling Mill amounted to 355 kt, which represents a year-on-year increase of 16 kt (ie approximately of 5%). The revenues from this portfolio item declined by 3%.

In 2015, the sales of bar steel from the Kladno factory amounted to 298 kt, which also represents a year-on-year increase of 16 kt. However, the increased sales were in this case, for the most part, due to the reduced amount of uninvoiced inventory. In terms of the bar steel portfolio of the Kladno factory, the year-on-year decline in revenues is less than 4%.



In 2015, sales of wide flat steel from the Universal Rolling Mill in Bohumín amounted to approximately 45.9 kt, which represents an increase of 1.2 kt compared to 2014. Despite the higher sales of enriched types, in 2015, the Company recorded a year-on-year sales increase of a mere CZK 1.7 million due to the customer pressure on the selling price.

During the course of 2015, the demand on the drawn steel market was rather stable. The volume sold amounted to 81,650 tonnes, which is 3,028 tonnes more than in 2014. The trend of increasing sales volumes to the automotive industry continued.



The Company produced and sold 6.81 kt of drawn, annealed and phosphatised wire in coils, with the production primarily directed at automotive customers and bearing producers. The volume of seamless tubes supplied by the Company amounted to 91,663 tonnes. The 5.1-kilotonne decline in the volume of sales was affected by the investment needed to repair a VM pilger stand. In respect of oil-industry pipes, the Company managed to substitute the significant decline in the consumption on the market with pipes of a different specification for the engineering and automotive industries. Sales of reinforcing steel amounted to under 4 kt.

In 2015, the Company manufactured and supplied 260 kt of rails, of which 247 kt were sold by MORAVIA STEEL a.s. The biggest markets in terms of volume were, as standard, North America, Poland and the Czech Republic. Other EU and Middle Eastern countries also constituted significant recipients. Year-on-year, the largest increase in consumption was reported in the Czech Republic, which was thanks to the need to use up EU subsidies as part of the Transport programme. In total, almost 50 kt were supplied to the domestic market. However, for the following years, it is necessary to intensively continue increasing the utility characteristics of rails and retain the most stable market in terms of volume.

In addition to rail supplies, the domestic market also reported a marked increase in the consumption of railway equipment. In contrast, export delivery recorded a slight decline. The total sales of rail fastenings thus amounted to almost 18 kt. As standard, the largest consumers of rail fastenings are Poland, Hungary, Slovakia and Switzerland. Nevertheless, the conventional railway equipment produced by the Company cannot be applied to newly built railway tracks, which

is why it relies only on the maintenance and reconstruction projects concerning the regional railway network.

Sales of conticasts and rolled billets exceeded 274 kt. As usual, the largest purchasers were customers in the Czech Republic, having consumed a total of 150 kt. In contrast to the increased domestic consumption, the Company recorded lower export demand, namely from Poland and Germany. Other destinations typical of this portfolio item (Italy, Spain) recorded sales comparable to the previous period. The changes in volumes and shifts among individual countries might be explained by the fact that the customers are active in the same sectors and, by analogy, in a competitive environment (the railway infrastructure and wind energy sectors.)

1,592 kilotonnes of the metallurgical production was exported in 2015.

We continue to direct our activities at maximal finalisation as part of production chains, ie at a higher share of products with the maximal grade of reprocessing. At the same time, we focus on higher grades of steel, ie for manufacturers in the engineering, energy or automotive sectors.

This trend results in the utmost flexibility in meeting special requirements as well as in the overall supplier service for customers. The company constantly strengthens and perfects the technical cooperation and consultation of market requirements with customers.

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

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

LOGISTICS, FREIGHT TRANSPORTATION

Logistics and the transport of goods represent an important part of the product portfolio of MORAVIA STEEL a.s.

The sector is characterised in the long term by a high share in the performances of the Czech Republic's transport network.

In 2015, the internationally oriented logistics system was further advanced as an important determinant of growth in efficiency focused on supplying customers as well as suppliers with the requested level of services.

PROJECT ACTIVITIES FOCUSED ON THE FOLLOWING AREAS IN PARTICULAR:

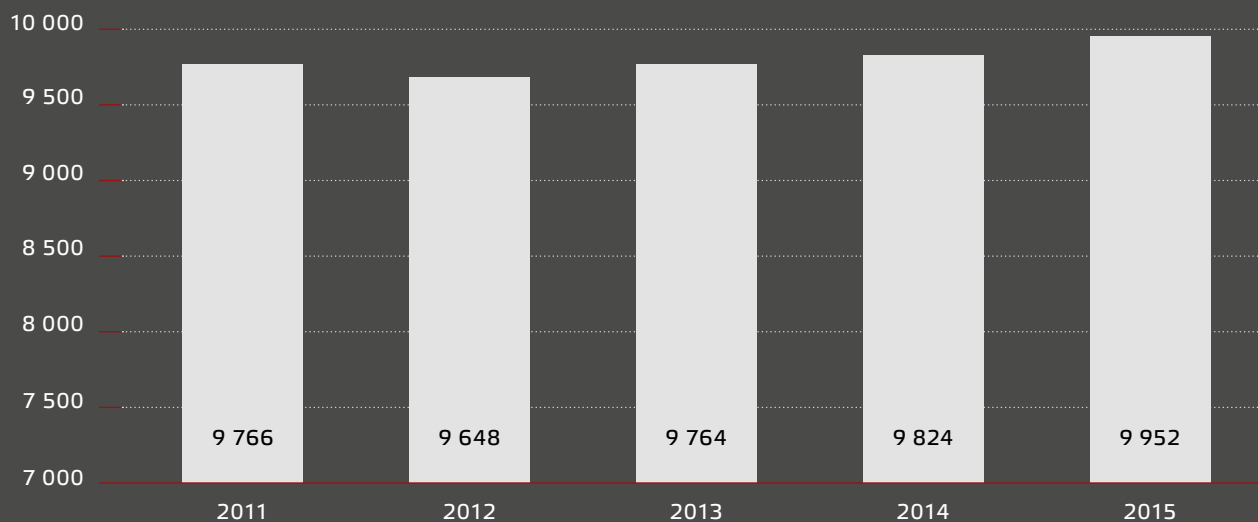
Process and capacity optimisation

- Extension of information system functionalities
- Provision of services through web applications
- Document administration system
- Assessment of IT service providers for the transport and logistics sectors

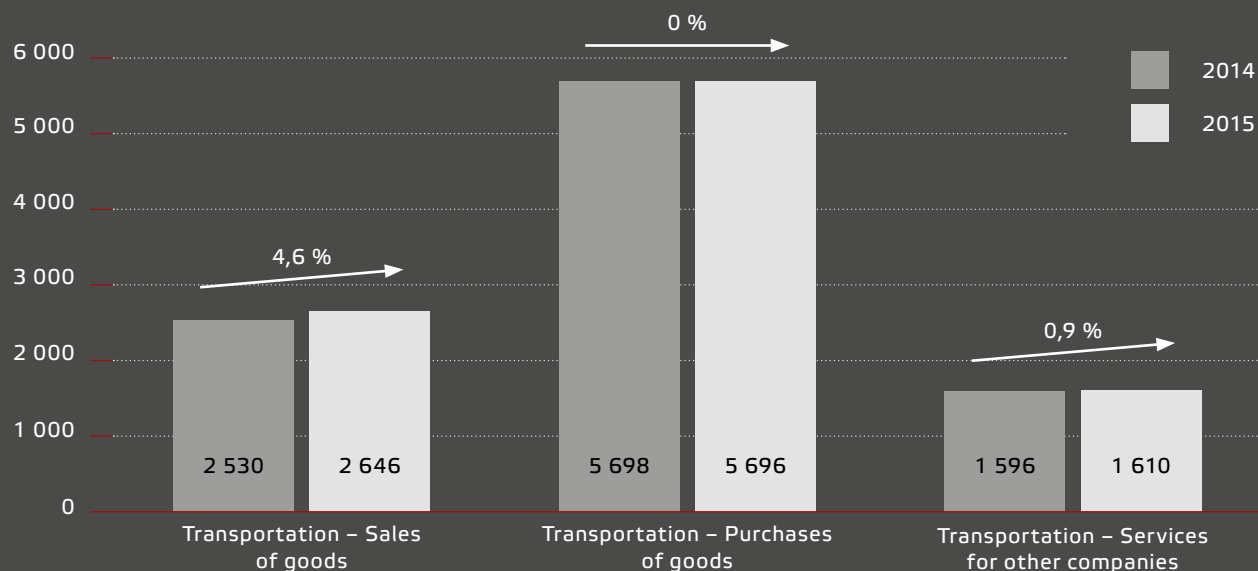
Increase in logistics performance

- Reverse product logistics
- Full utilisation of vehicles (economic and ecological benefits)
- Storage systems

DEVELOPMENT IN THE TRANSPORTED VOLUME OF MORAVIA STEEL A.S. (IN THOUSANDS OF TONNES)



STRUCTURE OF THE TRANSPORTED VOLUME OF MORAVIA STEEL A.S. (IN THOUSANDS OF TONNES)



Bottlenecks

- Elimination of risks of long-term supplier chain failures
- Information on the operating conditions in terms of the inadequacy of the transport infrastructure, preventive measures

ASSESSMENT AND ANALYSES ALSO COMPRISED GROWTH AND DEVELOPMENT TRENDS IN THE TRANSPORT SECTOR.

- EU policy for transport infrastructure between 2014-2020
- Shift2Rail – technology initiative for research and innovation in railway transport
- Czech transport policy for 2014-2020 with an outlook until 2050 and relating documents
- Draft amendment to the Railway Act and relating amendments to other regulations (concerning the operation of service equipment on certain tracks, new rules for access to tracks and official review of the issue, carrier licencing, railway infrastructure financing)
- Imposition of a charge on using the EU transport infrastructure
- Provision of energy for transport by means of alternative fuels and drives
- Concentration and competition in the transport industry
- Favourable climate in Europe – cooling down in late 2016; risks of sudden turn of events; threat of terrorism; increasing number of security checks; cyber risks
- Structural changes of global trade

MORAVIA STEEL a.s. continued to foster cooperation with professional associations and the state administration.

MANAGEMENT SYSTEM, HUMAN RESOURCES

In the year ended 31 December 2015, the Company successfully completed the project concerning the implementation of the current SAP information system of the subsidiary Barrandov Studio a.s. into the SAP system of the MS/TŽ Group. Within the implementation, the standards of the MS/TŽ Group were applied, while preserving the existing connections to the external systems that are still being used by Barrandov Studio a.s. The Company successfully introduced a system of scanning input invoices and a comprehensive set-up of the circulation of accounting documents. The aims set in 2014 in launching the project were met in full. The Company managed to ensure the support of the SAP

information system for Barrandov Studio a.s. as well as the interconnection of information flows directed at the consolidating parent company, which is MORAVIA STEEL a.s.

In addition, the Company continuously developed the sales portal internet application enabling customers – users to receive tax documents in electronic form in line with the applicable legislation. During the course of 2015, the Company saw customers' continued interest in receiving documents in electronic form. In respect of significant customers – users, the Company saw increased interest in receiving documents via EDI (Electronic Data Interchange).

The primary objective of the continuous development of the above processes is to increase the reliability, accuracy, safety and rapidity of transfers of supporting documents, resulting in better management of the individual activities of the MS/TŽ Group. By gradually introducing electronic changes of documents, the Company also makes significant financial savings related to the sending of documents.

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

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

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

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

No events occurred subsequent to the Annual Report date that would have a significant impact on the Annual Report.



REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of MORAVIA STEEL a.s. reviewed the regular financial statements and the regular consolidated financial statements of MORAVIA STEEL a.s. for the year ended 31 December 2015 based on the presented documents discussed by the Board of Directors of MORAVIA STEEL a.s. and discussed the proposed allocation of profit for 2015.

Based on the audit of the consolidated annual report of MORAVIA STEEL a.s. as of 31 December 2015 performed by Deloitte Audit s.r.o. and their Report, which includes unqualified opinions, the Supervisory Board recommends that the above document, including the proposal of the Board of Directors for the allocation of profit for 2015, be approved by the general meeting.

The Supervisory Board also reviewed the Report on Relations for the year ended 31 December 2015 and, with regard to the opinion of Deloitte Audit s.r.o., it has come to the conclusion that the Report on Relations was prepared in accordance with the Act on Business Corporations and the true state of the relations between the controlling and the controlled entities.

Tomáš Chrenek

Chairman of the Supervisory Board MORAVIA STEEL a.s.



REPORT OF THE AUDIT COMMITTEE

In line with its plan of activities, the Audit Committee of MORAVIA STEEL a.s. ("MS") monitored the procedure used for the preparation of MS's financial statements and consolidated financial statements. Furthermore, the Audit Committee monitored the process of the statutory audit of the financial statements prepared by the individual companies controlled by MS in the year ended 31 December 2015, of MS's financial statements for the year ended 31 December 2015 and MS's consolidated financial statements for the year ended 31 December 2015. The procedure used in the preparation of MS's financial statements for the year ended 31 December 2015 and MS's consolidated financial statements for the year ended 31 December 2015 complied with Czech as well as International Accounting Standards, and the financial statements have been audited.

As part of its activities, the Audit Committee also obtained assessment information relating to the external auditor's activities and monitored the effectiveness of the statutory audit. The Audit Committee participated in the communication between the external auditor and MS's management and assessed the manner in which MS's management followed the recommendations provided by the auditor. The Audit Committee also monitored the integrity of the financial information provided by MS, reviewing the consistency and appropriateness of the accounting methods used in MS.

The Audit Committee assessed the independence and impartiality of the external auditor, worked together with the auditor and reviewed the nature and scope of the additional services provided by the auditor.

The following persons had been invited to attend the Committee's meeting: principal members of the external auditor's team, MS's Chief Financial Officer, Head of MS's Internal Audit Department and MS's employees responsible for the activities or involved in the activities on which the Audit Committee focused in performing its task.

The Audit Committee also focused on risk management information and was kept informed about the activities of the Internal Audit Department and the implementation of the 2015 internal audit plan; it discussed the main findings of internal audits and became acquainted with the plan of activities of the Internal Audit Department for 2016.

To conclude, the Audit Committee may state that, in respect of the activities with which it has been entrusted by the applicable legal regulations and MS's Articles of Association, ie in respect of:

(I) Monitoring the procedure used in preparing the financial statements and the consolidated financial statements;

(II) Monitoring the efficiency of MS's internal control and risk management systems;

(III) Monitoring the process of the statutory audit of the financial statements and the consolidated financial statements; and

(IV) Assessing the independence of the statutory auditor, including the provision of additional services.

The Audit Committee did not, either during the course of 2015 or the part of 2016 up to the time of the general meeting, identify any serious shortcomings or facts about which the general meeting of MS acting in the capacity of the general meeting should be informed.

Dana Trezziová

Chairwoman of the Audit Committee MORAVIA STEEL a.s.



AUDITOR'S REPORT

Deloitte.

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of MORAVIA STEEL a.s. prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2015, 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 2015, 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

We have audited the accompanying consolidated financial statements of MORAVIA STEEL a.s. prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2015, 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 Consolidated 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 Tomatsu 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 Tomatsu 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 2015, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Other Information

The other information comprises the information included in the annual report (including the report on related party transactions which is contained therein), but does not include the financial statements, the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinions on the financial statements and the consolidated financial statements do not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements and consolidated financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements and consolidated financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 23 May 2016

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Václav Loubek
registration no. 2037






FINANCIAL PART I. FINANCIAL STATEMENTS

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, Staré Město, 739 61 Třinec
Legal Status:	Joint Stock Company
Corporate ID:	634 74 808
Record in the Register of Companies:	Recorded in File 1297, Section B of the Register of Companies held by the Regional Court in Ostrava.

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 29 March 2016.

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

BALANCE SHEET

(IN CZK THOUSAND)

		31. 12. 2015			31. 12. 2014
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	20 138 173	750 109	19 388 064	20 941 497
B.	Fixed assets	9 082 249	438 798	8 643 451	8 480 742
B.I.	<i>Intangible fixed assets</i>	175 798	12 668	163 130	3 444
B.I.1.	Start-up costs	72	72		
B.I.3.	Software	1 372	1 372		33
B.I.4.	Valuable rights	135 416	10 409	125 007	3 277
B.I.6.	Other intangible fixed assets	926	815	111	134
B.I.8.	Prepayments for intangible fixed assets	38 012		38 012	
B.II.	<i>Tangible fixed assets</i>	92 895	65 171	27 724	28 236
B.II.3.	Individual tangible movable assets and sets of tangible movable assets	92 795	65 171	27 624	28 236
B.II.8.	Prepayments for tangible fixed assets	100		100	
B.III.	<i>Non-current financial assets</i>	8 813 556	360 959	8 452 597	8 449 062
B.III.1.	Equity investments – subsidiary (controlled entity)	8 516 403	360 959	8 155 444	8 143 977
B.III.2.	Equity investments in associates	178 197		178 197	178 197
B.III.7.	Prepayments for non-current financial assets	118 956		118 956	126 888
C.	Current assets	11 033 849	311 311	10 722 538	12 444 705
C.I.	<i>Inventories</i>	102 088		102 088	425 827
C.I.1.	Material	1 649		1 649	1 558
C.I.5.	Goods	100 439		100 439	424 269
C.II.	<i>Long-term receivables</i>	126 060		126 060	40 924
C.II.5.	Long-term prepayments made	1 127		1 127	1 127
C.II.7.	Other receivables	124 933		124 933	39 797
C.III.	<i>Short-term receivables</i>	7 545 355	311 311	7 234 044	7 902 939
C.III.1.	Trade receivables	7 182 840	309 196	6 873 644	7 328 396
C.III.2.	Receivables – controlled or controlling entity	273 323		273 323	111 507
C.III.6.	State – tax receivables	13 250		13 250	388 650
C.III.7.	Short-term prepayments made	15 622		15 622	32 419
C.III.8.	Estimated receivables	43 379		43 379	27 125
C.III.9.	Other receivables	16 941	2 115	14 826	14 842
C.IV.	<i>Current financial assets</i>	3 260 346		3 260 346	4 075 015
C.IV.1.	Cash on hand	131		131	731
C.IV.2.	Cash at bank	3 260 215		3 260 215	4 074 284
D. I.	Other assets	22 075		22 075	16 050
D.I.1.	Deferred expenses	6 179		6 179	7 372
D.I.2.	Complex deferred expenses	166		166	259
D.I.3.	Accrued income	15 730		15 730	8 419

BALANCE SHEET

(IN CZK THOUSAND)

		31. 12. 2015	31. 12. 2014
	TOTAL LIABILITIES & EQUITY	19 388 064	20 941 497
A.	Equity	14 528 545	13 752 870
<i>A.I.</i>	<i>Share capital</i>	<i>3 157 000</i>	<i>3 157 000</i>
A.I.1.	Share capital	3 157 000	3 157 000
<i>A.III.</i>	<i>Funds from profit</i>	<i>631 400</i>	<i>631 400</i>
A.III.1.	Reserve fund	631 400	631 400
<i>A.IV.</i>	<i>Retained earnings</i>	<i>7 964 470</i>	<i>8 859 291</i>
A.IV.1.	Accumulated profits brought forward	7 964 470	8 859 291
A.V.1.	<i>Profit or loss for the current period (+ -)</i>	<i>2 775 675</i>	<i>1 105 179</i>
A.V.2.	<i>Profit share prepayments declared (-)</i>		
B.	Liabilities	4 849 273	7 155 898
<i>B.I.</i>	<i>Reserves</i>	<i>1 147</i>	<i>867</i>
B.I.4.	Other reserves	1 147	867
<i>B.II.</i>	<i>Long-term liabilities</i>		<i>1 100 000</i>
B.II.2.	Payables – controlled or controlling entity		1 100 000
<i>B.III.</i>	<i>Short-term liabilities</i>	<i>4 773 112</i>	<i>5 855 059</i>
B.III.1.	Trade payables	3 972 088	5 034 810
B.III.2.	Payables – controlled or controlling entity		569 800
B.III.5.	Payables to employees	15 902	15 430
B.III.6.	Social security and health insurance payables	5 223	5 060
B.III.7.	State – tax payables and subsidies	136 730	3 499
B.III.8.	Short-term prepayments received	584 527	176 748
B.III.10.	Estimated payables	58 626	49 707
B.III.11.	Other payables	16	5
<i>B.IV.</i>	<i>Bank loans and borrowings</i>	<i>75 014</i>	<i>199 972</i>
B.IV.2.	Short-term bank loans	75 014	199 972
C. I.	Other liabilities	10 246	32 729
C.I.1.	Accrued expenses	10 132	32 451
C.I.2.	Deferred income	114	278

PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		31. 12. 2015	31. 12. 2014
I.	Sales of goods	56 903 226	59 479 480
A.	Costs of goods sold	54 415 675	57 181 611
+	Gross margin	2 487 551	2 297 869
II.	Production	638 614	684 636
II.1.	Sales of own products and services	638 614	684 636
B.	Purchased consumables and services	1 089 975	1 097 131
B.1.	Consumed material and energy	7 284	7 093
B.2.	Services	1 082 691	1 090 038
+	Added value	2 036 190	1 885 374
C.	Staff costs	420 962	418 238
C.1.	Payroll costs	187 082	187 732
C.2.	Remuneration to members of business corporation bodies	157 655	155 077
C.3.	Social security and health insurance costs	73 721	73 792
C.4.	Social costs	2 504	1 637
D.	Taxes and charges	978	538
E.	Depreciation of intangible and tangible fixed assets	23 522	18 147
III.	Sales of fixed assets and material	39 096	4 186
III.1.	Sales of fixed assets	37 691	2 747
III.2.	Sales of material	1 405	1 439
F.	Net book value of fixed assets and material sold	3 096	2 334
F.1.	Net book value of sold fixed assets	1 672	901
F.2.	Book value of sold material	1 424	1 433
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	16 882	20 333
IV.	Other operating income	55 921	25 606
H.	Other operating expenses	77 464	70 341
*	Operating profit or loss	1 588 303	1 385 235
J.	Cost of securities and investments sold		21 057
VII.	Income from non-current financial assets	1 652 870	32 792
VII.1.	Income from equity investments in subsidiaries and associates	1 652 870	32 792
M.	Change in reserves and provisions relating to financial activities		110 900
X.	Interest income	8 445	6 443
N.	Interest expenses	14 758	44 229
XI.	Other financial income	441 690	438 940
O.	Other financial expenses	604 725	324 508
*	Financial profit or loss	1 483 522	-22 519
Q.	Income tax on ordinary activities	296 150	257 537
Q 1.	- due	296 150	257 537
**	Profit or loss from ordinary activities	2 775 675	1 105 179
***	Profit or loss for the current period (+/-)	2 775 675	1 105 179
****	Profit or loss before tax	3 071 825	1 362 716

STATEMENT OF MORAVIA STEEL A.S. CHANGES IN EQUITY

(IN CZK THOUSAND)

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2013	3 157 000		631 400	6 892 088		1 967 203	12 647 691
Distribution of profit or loss				1 967 203		-1 967 203	
Profit or loss for the current period						1 105 179	1 105 179
Balance at 31 December 2014	3 157 000		631 400	8 859 291		1 105 179	13 752 870
Distribution of profit or loss							
Profit shares paid				-894 821		-1 105 179	-2 000 000
Profit or loss for the current period						2 775 675	2 775 675
Balance at 31 December 2015	3 157 000		631 400	7 964 470		2 775 675	14 528 545

CASH FLOW STATEMENT

(IN CZK THOUSAND)

		31. 12. 2015	31. 12. 2014
P.	Opening balance of cash and cash equivalents	4 075 015	5 699 460
	<i>Cash flows from ordinary activities</i>		
Z.	Profit or loss from ordinary activities before tax	3 071 825	1 362 716
A.1.	Adjustments for non-cash transactions	-1 651 650	151 548
A.1.1.	Depreciation of fixed assets	23 522	18 147
A.1.2.	Change in provisions and reserves	16 789	131 233
A.1.3.	Profit/(loss) on the sale of fixed assets	-36 019	-1 846
A.1.4.	Revenues from profit shares	-1 652 870	-32 792
A.1.5.	Interest expense and interest income	6 313	37 786
A.1.6.	Adjustments for other non-cash transactions	-9 385	-980
A.*	Net operating cash flow before changes in working capital	1 420 175	1 514 264
A.2.	Change in working capital	585 779	-1 220 974
A.2.1.	Change in operating receivables and other assets	712 518	-19 768
A.2.2.	Change in operating payables and other liabilities	-450 478	-1 108 660
A.2.3.	Change in inventories	323 739	-92 546
A.**	Net cash flow from operations before tax and extraordinary items	2 005 954	293 290
A.3.	Interest paid	-34 563	-41 923
A.4.	Interest received	8 445	6 443
A.5.	Income tax paid from ordinary operations	-350 589	-364 462
A.7.	Received profit shares	1 662 870	52 705
A.***	Net operating cash flows	3 292 117	-53 947
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-1 857 703	-865 987
B.2.	Proceeds from fixed assets sold	37 691	57 024
B.3.	Loans provided to related parties	-161 816	-111 507
B.***	Net investment cash flows	-1 981 828	-920 470
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-124 958	-650 028
C.2.	Impact of changes in equity	-2 000 000	
C.2.6.	Profit shares paid	-2 000 000	
C.***	Net financial cash flows	-2 124 958	-650 028
F.	Net increase or decrease in cash and cash equivalents	-814 669	-1 624 445
R.	Closing balance of cash and cash equivalents	3 260 346	4 075 015

NOTES TO THE FINANCIAL STATEMENTS

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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 2015, 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 2015.

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

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

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 98.89% of its revenues. The Company is additionally involved in providing domestic and international shipping services.

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

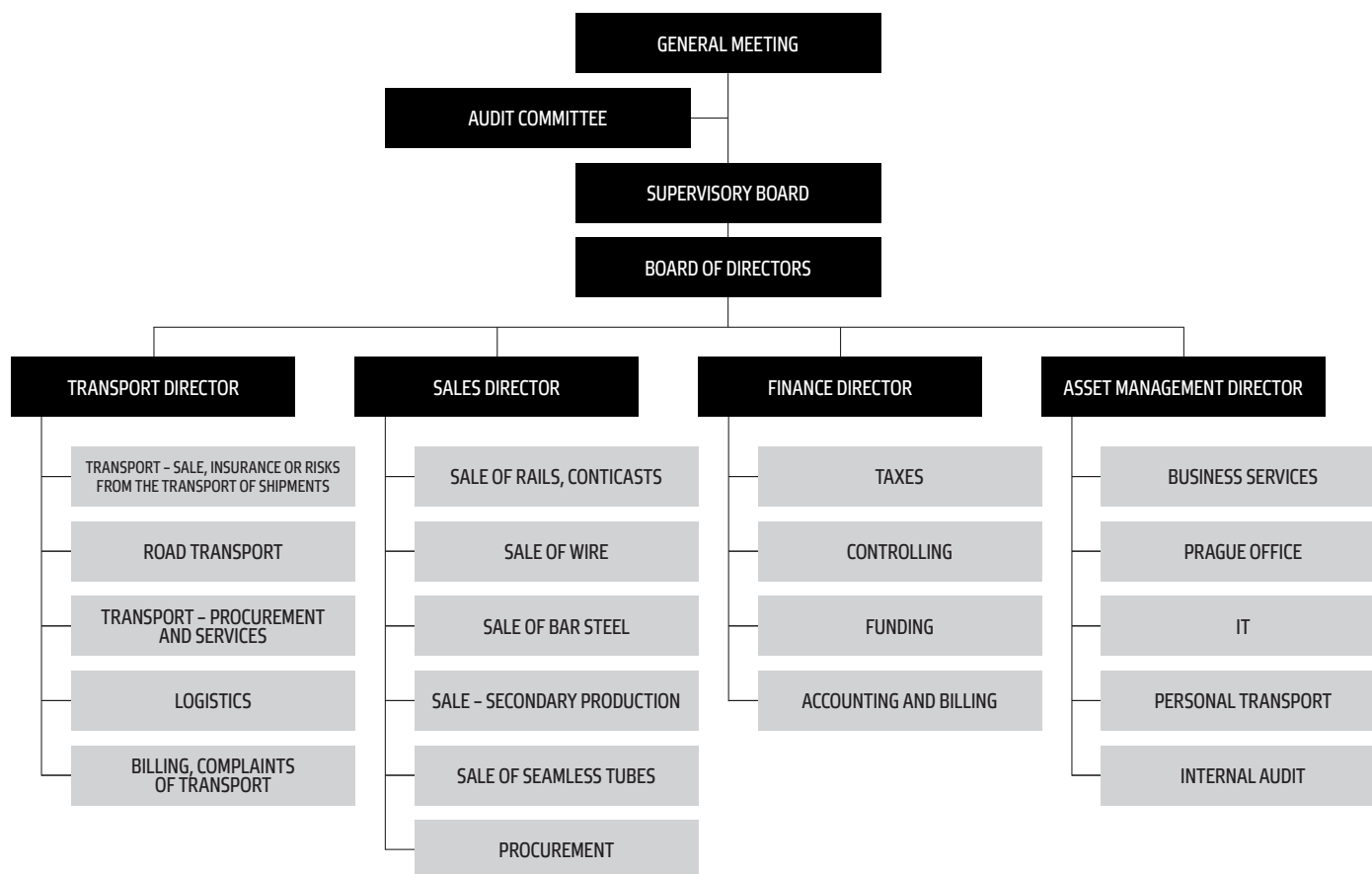
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

During the year ended 31 December 2015, no changes in or amendments to the Register of Companies were made.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2015

	Position	Name
Board of Directors	Chairman	Petr Popelář
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříšín
	Member	Uršula Novotná
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková

1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2015



2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. TANGIBLE FIXED ASSETS

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

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. The Company carried no internally developed tangible fixed assets during the year ended 31 December 2015.

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:

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 2015.

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:

Software	4
Valuable rights	4 - 10
Other intangible fixed assets	4 - 5

3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

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

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

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

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

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

Provisioning

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

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

3.4. INVENTORY

Valuation

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

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

Goods are purchased and sold directly to customers and are not physically stored at the Company's premises. Reported stocks comprise goods in transit where supplies are delivered based on different delivery terms (e.g. delivery in port, delivery free on

board). This gives rise to a certain mismatch between the purchase date and the date of sale to the customer, during which the goods are carried as the Company's assets.

Provisions

No provisions were recognised in respect of inventory in 2015.

3.5. CURRENT FINANCIAL ASSETS

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

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

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

3.6. RECEIVABLES

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

Provisioning

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

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

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

3.7. TRADE PAYABLES

Trade payables are stated at their nominal value.

3.8. LOANS

Loans are stated at nominal value.

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

3.9. FOREIGN CURRENCY TRANSLATION

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

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

3.10. RESERVES

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

3.11. FINANCE LEASES

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

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

3.12. TAXATION

3.12.1. Tax Depreciation of Fixed Assets

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

3.12.2. Current Tax Payable

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

3.12.3. Deferred Tax

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

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

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

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

3.13. IMPAIRMENT

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

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

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

3.14. USE OF ESTIMATES

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

3.15. REVENUE RECOGNITION

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

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

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

3.16. EXTRAORDINARY EXPENSES AND INCOME

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

3.17. CASH FLOW STATEMENT

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

	(CZK THOUSAND)	
	31 Dec 2015	31 Dec 2014
Cash on hand	131	731
Cash at bank and cash in transit	3 260 215	4 074 284
Total current financial assets	3 260 346	4 075 015
Total cash and cash equivalents	3 260 346	4 075 015

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 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Start-up costs	72	-	-	72	-	-	72
Software	1 372	-	-	1 372	-	-	1 372
Valuable rights	76 296	-	-	76 296	135 083	75 963	135 416
Other intangible FA	926	-	-	926	-	-	926
Intangible FA under construction	-	-	-	-	-	-	-
Prepayments and advances for intangible FA	-	-	-	-	136 098	98 086	38 012
Total	78 666	-	-	78 666	271 181	174 049	175 798

Accumulated Amortisation

	(CZK THOUSAND)						
	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Start-up costs	72	-	-	72	-	-	72
Software	1 154	185	-	1 339	33	-	1 372
Valuable rights	65 368	7 651	-	73 019	13 352	75 962	10 409
Other intangible FA	770	22	-	792	23	-	815
Total	67 364	7 858	-	75 222	13 408	75 962	12 668

Net Book Value

	(CZK THOUSAND)	
	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Start-up costs	-	-
Software	33	-
Valuable rights	3 277	125 007
Other intangible FA	134	111
Intangible FA under construction	-	-
Prepayments and advances for intangible FA	-	38 012
Total	3 444	163 130

Amortisation of intangible fixed assets was CZK 12,141 thousand and CZK 7,859 thousand as of 31 December 2015 and 31 December 2014, respectively.

4.1.2. Tangible Fixed Assets

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Individual tangible movable assets	95 902	10 537	17 046	89 393	11 175	7 773	92 795
- <i>Machines and equipment</i>	12 209	396	16	12 589	1 024	-	13 613
- <i>Vehicles</i>	77 026	10 141	16 980	70 187	10 092	7 759	72 520
- <i>Furniture and fixtures</i>	6 667	-	50	6 617	59	14	6 662
Tangible FA under construction	-	-	-	-	-	-	-
Prepayments for tangible FA	658	-	658	-	100	-	100
Total	96 560	10 537	17 704	89 393	11 275	7 773	92 895

Accumulated Depreciation

(CZK THOUSAND)

	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Individual tangible movable assets	67 015	11 188	17 046	61 157	11 787	7 773	65 171
- <i>Machines and equipment</i>	11 111	638	16	11 733	647	-	12 380
- <i>Vehicles</i>	49 605	10 365	16 980	42 990	11 020	7 759	46 251
- <i>Furniture and fixtures</i>	6 299	185	50	6 434	120	14	6 540
Total	67 015	11 188	17 046	61 157	11 787	7 773	65 171

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Individual tangible movable assets	28 236	27 624
- <i>Machines and equipment</i>	856	1 233
- <i>Vehicles</i>	27 197	26 269
- <i>Furniture and fixtures</i>	183	122
Prepayments for tangible FA	-	100
Total	28 236	27 724

The Company principally acquired cars in 2014 and 2015.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,261 thousand and CZK 1,031 thousand for the years ended 31 December 2015 and 2014, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are directly expensed on a one-off basis.

Depreciation of tangible fixed assets amounted to CZK 11,381 thousand and CZK 10,288 thousand as of 31 December 2015 and 31 December 2014, respectively.

4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Equity investments in subsidiaries	8 175 298	329 638	-	8 504 936	11 467	-	8 516 403
Equity investments in associates	178 197	-	-	178 197	-	-	178 197
Acquisition of non-current financial assets	2 664	329 638	332 302	-	12 589	12 589	-
Prepayments for non-current financial assets	147 756	-	20 868	126 888	-	7 932	118 956
Total	8 503 915	659 276	353 170	8 810 021	24 056	20 521	8 813 556

Pursuant to the mandate contract between MORAVIA STEEL a.s., CYRRUS CORPORATE FINANCE, a.s. and TŘINECKÉ ŽELEZÁRNY, a.s. dated 25 July 2013, the purchase of participation securities from allocated funds continued during 2015. This increased the investment by CZK 8,314 thousand, ie from CZK 6,948,526 thousand to CZK 6,956,840 thousand.

4.2.1. Equity Investments in Subsidiaries

2015

(CZK THOUSAND)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.**)	Třinec	6 956 840	8 109 863	100	27 336 741	3 025 737	-	1 600 000
Barrandov Studio a.s.	Praha	746 439	197 112	99.85	779 891	43 498	150 000	-
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	5 361	2 412	-	-
Moravia Steel Italia, srl	Milano	2 580	2 075	66	85 127	23 854	-	17 870
Moravia Steel Ibéria, s.a.	Lisbon	10 850	2 533	99.33	17 846	2 669	-	-
Moravia Goel Trade, d.o.o. *)	Samobor	59	59	60	*)	*)	59	-
MS - Slovensko s.r.o.	Bratislava	161	160	100	878	-113	-	-
Moravia Steel Israel Ltd.	Petach Tikva	605	466	100	-10	-18	-	-
Beskydská golfová, a.s	Ropice	254 342	230 000	100	213 634	2 010	100 000	-
Moravskoslezský kovošrot a.s.	Ostrava	202 209	2 000	100	257 263	35 841	-	20 000
M Steel Projects a.s.	Třinec	218 875	10 000	100	170 329	85 403	110 900	-
Moravia Steel UK Ltd	Cheshire	1 449	728	100	77 129	120	-	-
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	75 091	13 835	-	-
NEOMET Sp. Z o.o.	Radomsko	4 128	4 856	100	67 961	25 858	-	-
Moravia Mining Plc***)	Addis Ababa	3 153	3 157	76	3 660	-243	-	-
Total		8 516 403	8 565 501		29 090 901	3 260 863	360 959	1 637 870

*) In liquidation

**) During 2015, the purchase of participation securities of TŘINECKÉ ŽELEZÁRNY, a.s. continued, the amount increased by CZK 8,314 thousand, ie from CZK 6,948,526 thousand to CZK 6,956,840 thousand.

***) On 24 April 2015, Moravia Mining Private Limited Company was formed in Ethiopia. The investment totalled CZK 3,153 thousand.

2014

(CZK THOUSAND)

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

*) In liquidation

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

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

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

4.2.2. Equity Investments in Associates

2015 (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	757 448	142 887	-	15 000
Moravia Steel Middle East FZO	Dubai	2 886	2 841	40	97 735	19 724	-	-
Total		178 197	27 841		855 183	162 611	-	15 000

2014 (CZK THOUSAND)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna VIVA a.s.	Zlín	175 311	25 000	50	659 329	103 967	-	-
Moravia Steel Middle East FZO	Dubai	2 886	2 841	40	71 648	11 688	-	11 048
Total		178 197	27 841		730 977	115 655	-	11 048

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 2015 and 2014.

4.3. INVENTORY

(CZK THOUSAND)

	Balance at 31 Dec 2015	Balance at 31 Dec 2014
- Material	1 649	1 558
- Inventory - raw material	14 665	18 492
- Inventory - metallurgical products	85 774	405 777
Total	102 088	425 827

In the year ended 31 December 2015, the Company recognised no provision against inventory.

No prepayments for inventory were provided in the reporting periods.

4.4. RECEIVABLES

4.4.1. Long-Term Receivables

As of 31 December 2015, the Company reports a long-term receivable of CZK 124,933 thousand.

During 2015, the Company provided two loans to HC OCELÁŘI TŘINEC o.s. with the aggregate value of CZK 100,000 thousand (CZK 50,000 thousand each). The loans will be due in 2019.

As of 31 December 2015, the Company records an intercompany receivable from Barrandov Studio, a.s. As of 31 December 2015, this receivable amounted to CZK 30,000 thousand, and it is due between 2016 and 2018. The long-term portion of the receivable amounting to CZK 20,000 thousand is reported in line C.II.7. 'Other receivables', the short-term portion of this receivable of CZK 10,000 thousand is reported in line C.III.9. 'Other receivables'.

As of 31 December 2015 and 2014, the Company records no long-term receivables with maturity exceeding 5 years.

4.4.2. Trade Receivables

(CZK THOUSAND)

	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Short-term		
- Customers	7 179 496	7 617 329
- Bills of exchange to be collected	3 344	3 791
- Provisions - customers	-305 852	-289 380
- Provisions - bills of exchange to be collected	-3 344	-3 344
Total	6 873 644	7 328 396

4.4.3. Aging of Receivables from Customers

(CZK THOUSAND)

Balance at	Category	Before due date	Past due date	Total
31 Dec 2015	Gross	6 269 560	909 936	7 179 496
	Provisions	5 393	300 459	305 852
31 Dec 2014	Gross	6 641 947	975 382	7 617 329
	Provisions	201	289 179	289 380

Receivables typically mature within 30 days.

Past due receivables:

(CZK THOUSAND)

Year ended	Local	Cross-border	Total
31 Dec 2015	115 492	794 444	909 936
31 Dec 2014	166 157	809 225	975 382

4.4.4. Intercompany Trade Receivables

(CZK THOUSAND)

Name of the entity	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Short-term trade receivables		
TŘINECKÉ ŽELEZÁRNY, a.s.	1 171 999	1 708 913
Strojírny a stavby Třinec, a.s.	90	-
ENERGETIKA TŘINEC, a.s.	22 177	19 273
Slévárny Třinec, a.s.	3 130	1 885
Moravia Steel Deutschland GmbH	469 075	616 903
Řetězárna a.s.	6 524	18 413
HŽP a.s.	29 923	-
Moravia Steel UK Ltd	-	6
DOPRAVA TŽ, a.s.	-	17
Beskydská golfová, a.s.	55	61
VÚHŽ, a.s.	7 800	10 326
Šroubárna Kyjov spol. s r.o.	15 522	38 011
Kovárna VIVA a.s.	71 827	86 408
M STEEL PROJECTS a.s.	199 052	242
ŽDB DRÁTOVNA a.s.	234 744	184 785
„NEOMET“ sp.z o.o.	1 119	1 184
Total short-term intercompany receivables	2 233 037	2 686 427
Receivables outside the Group	4 949 803	4 934 693
Receivables outside the Group	7 182 840	7 621 120

4.4.5. Receivables from Controlled or Controlling Entities

During 2015 the Company provided its subsidiary M Steel Projects a.s. with a loan. The total receivable as of the balance sheet date amounts to CZK 273,323 thousand, of which the interest amounts to CZK 3,074 thousand. In the year ended 31 December 2014, the receivable amounted to CZK 11,507 thousand, of which the interest amounted to CZK 607 thousand.

4.4.6. Pledged Receivables

The Company has pledged some of its receivables under loan arrangements. Under these agreements, receivables are pledged in 30-day cycles as they fall due. As of 31 December 2015, the value of pledged receivables was CZK 217,529 thousand (2014: CZK 236,363 thousand).

4.4.7. State - Tax Receivables

State – tax receivables principally comprise a receivable arising from the corporate income tax reduced by the anticipated income tax for 2015 of CZK 13,251 thousand as of 31 December 2015 (2014: CZK 68,969 thousand).

4.5. CURRENT FINANCIAL ASSETS

(CZK THOUSAND)

	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Cash on hand	131	731
Total cash	131	731
Current accounts and cash in transit	3 260 215	4 034 284
Term deposits	-	40 000
Total bank accounts	3 260 215	4 074 284
Total current financial assets	3 260 346	4 075 015

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 2015 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 29 June 2015, the profit of CZK 1,105,179 thousand for the year ended 31 December 2014 was allocated as follows:

- CZK 894,821 thousand was transferred from retained earnings to the payment of dividends; and
- CZK 1,105,179 thousand was used for the payment of dividends.

4.7. PAYABLES

4.7.1. Long-Term Payables

As of 31 December 2015, the Company reported no long-term payables. As of 31 December 2014, the Company reported a long-term payable of CZK 1,100,000 thousand arising from an unpaid portion of the purchase price relating to the purchase of securities of TRINECKÉ ŽELEZÁRNY, a.s. (refer to Note 4.7.6.). The Company recorded this payable to FINITRADING, a.s.

The Company records no long-term trade payables with maturities exceeding five years as of 31 December 2015.

4.7.2. Short-Term Trade Payables

(CZK THOUSAND)

	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Short-term payables		
- Suppliers	3 972 088	5 034 810
- Other payables	-	-
Total	3 972 088	5 034 810

4.7.3. Aging of Payables to Suppliers

(CZK THOUSAND)

Balance at	Category	Before due date	Past due date	Total
31 Dec 2015	Short-term	3 955 931	16 157	3 972 088
31 Dec 2014	Short-term	5 034 801	9	5 034 810

Payables typically mature within 45 days.

4.7.4. Intercompany Payables

(CZK THOUSAND)

Name of the entity	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Short-term trade payables		
TŘINECKÉ ŽELEZÁRNY, a.s.	1 776 496	2 372 158
Strojírny a stavby Třinec, a.s.	4	12
Řetězárna a.s.	2 038	-
REFRASIL, s.r.o.	8 381	6 903
FINITRADING, a.s.	177 518	216 550
Moravia Steel Italia, srl	39 069	36 050
Moravia Steel Ibéria, s.a.	1 892	10 533
Moravia Steel Slovenija, d.o.o.	3 222	3 935
DOPRAVA TŽ, a.s.	112	205
VESUVIUS ČESKÁ REPUBLIKA, a.s.	26 233	25 724
ŽDB DRÁTOVNA a.s.	1 115	827
Beskydská golfová a.s.	3	-
Třinecké gastroslužby, s.r.o.	277	536
Minerfin a.s.	93 746	100 012
Moravia Steel Deutschland GmbH	-	349
Moravia Steel UK Ltd	17 234	12 086
Total intercompany short-term payables	2 147 340	2 785 880
Payables to other than Group companies	1 824 748	2 248 930
Total short-term trade payables	3 972 088	5 034 810

4.7.5. Collateralised Payables or Otherwise Covered

In 2015, 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 2015, the Company recorded no payables to partners and associations members. In the year ended 31 December 2015, the Company settled a payable arising from the unpaid portion of the purchase price with respect to the purchase of securities of TŘINECKÉ ŽELEZÁRNY, a.s. in the aggregate amount of CZK 1,669,800 thousand as of 31 December 2014 (refer to Note 4.7.1.). The Company recorded this payable to FINITRADING, a.s.

4.7.7. Estimated Payables

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 32,767 thousand (2014: CZK 22,400 thousand), unbilled supplies of work and services amounting to CZK 22,760 thousand (2014: CZK 24,381 thousand) and an estimated payable for staff costs in the amount of CZK 3,099 thousand (2014: CZK 2,926 thousand).

4.7.8. Due Amounts from Social Security and Health Insurance

As of 31 December 2015, the aggregate amount of due amounts related to social security, state employment policy and health insurance contributions was CZK 5,223 thousand (2014: CZK 5,060 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 VAT amounting to CZK 133,127 thousand as of 31 December 2015 (2014: CZK 319,681 thousand).

4.7.10. Short-term Bank Loans

2015

Purpose	Currency	Balance at 31 Dec 2015 in CZK '000	Collateral
Current bank accounts			
Overdraft	CZK	14	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Debt financing	CZK	25 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	25 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Financing of operating needs	CZK	25 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total		75 014	

In the year ended 31 December 2015, the interest rates on bank loans ranged between 0.555% and 0.675% p.a.

2014

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

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

4.7.11. Short-Term Prepayments Received

In the year ended 31 December 2015, the Company recorded short-term prepayments received of CZK 584,527 thousand (2014: CZK 176,784 thousand). These principally included a prepayment from M Steel Projects a.s. of CZK 405,394 thousand.

4.7.12. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2015 for transportation and other services paid in 2016 in the amount of CZK 10,126 thousand (2014: CZK 32,440 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 6 thousand (2014: CZK 11 thousand).

4.8. DEFERRED TAXATION

The deferred tax asset is analysed as follows:

Deferred Tax Arising from	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Accumulated depreciation and amortisation of fixed assets	-2 221	-1 932
Estimated payable arising from outstanding vacation days	589	556
Provisions – receivables	12 606	7 174
Unpaid (un-received) penalty	-954	-921
Total recognised tax asset (+) / liability (-)	10 020	4 877

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

4.9. INCOME TAX ON ORDINARY AND EXTRAORDINARY ACTIVITIES

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

(CZK THOUSAND)

	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Profit before tax	3 071 825	1 362 716
Tax at the domestic income tax rate of 19%	583 647	258 916
Tax effect of permanent differences	-288 181	-1 340
Deferred tax liability	0	0
Additional taxes of prior years	684	-39
Total income tax on ordinary activities	296 150	257 537

4.10. DETAILS OF INCOME

(CZK THOUSAND)

	2015			2014		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	17 293 883	-	17 293 883	19 430 909	-	19 430 909
Goods – metallurgical products	12 522 036	27 087 307	39 609 343	12 888 574	27 159 998	40 048 571
Sales of goods	29 815 919	27 087 307	56 903 226	32 319 483	27 159 998	59 479 480
Sales of services	552 811	85 803	638 614	587 062	97 574	684 636
Total sales of own products and services	552 811	85 803	638 614	587 062	97 574	684 636

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

Sales of services principally comprise the provision of forwarding services of CZK 526,728 thousand for the year ended 31 December 2015 (2014: CZK 555,748 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 2015	Year ended 31 Dec 2014
Purchase of goods – raw materials	16 717 804	19 032 807
Purchase of goods – metallurgical products	35 663 526	36 255 777
Costs for transport of goods – metallurgical products	2 034 345	1 893 027
Total costs of goods sold	54 415 675	57 181 611

4.12. SERVICES

(CZK THOUSAND)

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Transportation costs – services	492 654	520 946
Lease of trademark	123 000	123 000
Commissions	145 348	145 626
Advertising	137 545	123 330
Rental fees	10 603	10 737
Telecommunications	10 827	10 778
Legal advisory and auditing activities	34 075	33 878
Other services	128 639	121 743
Total	1 082 691	1 090 038

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

(CZK THOUSAND)

	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Settlement of complex deferred expenses	94	93
Changes in provisions under special legislation	-12 076	12 583
– provisions against receivables	-12 076	12 583
Changes in tax non-deductible provisions:	28 854	9 987
– provisions against receivables	28 854	9 987
Changes in reserves	280	-2 330
Total	16 882	20 333

4.14. OTHER OPERATING EXPENSES AND INCOME

Other operating expenses primarily include the costs of the write-off of receivables due to the completed insolvency proceedings and sale of receivables of CZK 3,758 thousand (2014: CZK 235 thousand) and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 48,470 thousand (2014: CZK 42,951 thousand). Other operating income primarily includes discounts and rebates of CZK 15,968 thousand (2014: CZK 16,336 thousand) and supplies of insurance companies arising from insurance of receivables of CZK 26,962 thousand (2014: CZK 7,001 thousand).

4.15. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 441,690 thousand (2014: CZK 438,940 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 600,223 thousand (2014: CZK 319,980 thousand). The remaining balance consists of other financial expenses such as fees under letters of credit, fees under loan agreements, banking fees and other financial costs of CZK 4,502 thousand (2014: CZK 4,528 thousand).

4.16. RELATED PARTY TRANSACTIONS

4.16.1. Income Generated with Related Parties

2015

(CZK THOUSAND)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TRINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	16 801 262	363 457	46 670	-	17 211 389
Barrandov Studio a.s.	Subsidiary	-	-	1 098	642	1 740
Beskydská golfová, a.s.	Subsidiary	-	600	103	-	703
Hanácké železářny a pérovny, a.s.	Subsidiary of the subsidiary	215 673	10 963	1 042	-	227 678
Moravia Steel Italia s.r.l.	Subsidiary	-	-	-	-	-
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	-	-	-
Moravia Steel UK Ltd	Subsidiary	258	2	-	-	260
KovářnaVIVA a.s.	Subsidiary	357 692	1 378	336	-	359 406
M STEEL PROJECTS a.s.	Subsidiary	223 897	2 637	-	2 484	229 018
Strojírny a stavby Třinec, a.s.	Subsidiary of the subsidiary	-	700	739	-	1 439
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	481 499	59	2 527	-	484 085
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	11 874	17 743	868	-	30 485
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	143	-	143
Řetězárna a.s.	Subsidiary of the subsidiary	176 615	-	7	-	176 622
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	227	11	-	238
Moravia Steel Deutschland GmbH	Subsidiary	6 581 901	-	13	-	6 581 914
VÚHŽ, a.s.	Subsidiary of the subsidiary	120 852	2 963	352	-	124 167
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	339 958	9 540	647	-	350 145
ŽDB DRÁTOVNA a.s.	Subsidiary of the subsidiary	1 459 595	99 765	2 792	-	1 562 152
FINITRADING, a.s.	Controlled entity	-	-	-	-	-
NEOMET Sp. Z o.o.	Subsidiary	-	10 790	156	-	10 946
Minerfin a.s.	Group entity	4 793	805	-	-	5 598
„Metalurgia“ Spółka akcyjna	Subsidiary of the subsidiary	74 975	144	772	-	75 891
„D&D“ Drótáru	Subsidiary of the subsidiary	861 053	-	47	-	861 100
Moravskoslezský kovošrot, a.s.	Subsidiary	-	3 463	97	-	3 560
Total		27 711 897	525 236	58 420	3 126	28 298 679

2014

(CZK THOUSAND)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	18 940 414	410 239	45 859	-	19 396 512
Barrandov Studio a.s.	Subsidiary	-	-	1 003	-	1 003
Beskydská golfová, a.s.	Subsidiary	-	600	106	-	706
Hanácké železářny a pérovny, a.s.	Subsidiary of the subsidiary	250 521	10 047	1 149	-	261 717
Moravia Steel Italia s.r.l.	Subsidiary	-	106	-	-	106
Moravia Steel Ibéria, s.a.	Subsidiary	-	17	--	-	17
Kovárna VIVA a.s.	Subsidiary	404 304	2 387	420	-	407 111
M STEEL PROJECTS a.s.	Subsidiary	-	1 543	-	-	1 543
Strojírny a stavby Třinec, a.s.	Subsidiary of the subsidiary	44	997	730	-	1 771
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	482 118	115	2 593	-	484 826
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	9 001	13 783	819	-	23 603
REFRASIL, s.r.o.	Subsidiary of the subsidiary	6	-	129	-	135
Řetězárna a.s.	Subsidiary of the subsidiary	187 131	-	8	-	187 139
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	637	11	-	648
Moravia Steel Deutschland GmbH	Subsidiary	6 902 582	1 230	-	-	6 903 812
VÚHŽ, a.s.	Subsidiary of the subsidiary	122 923	2 219	332	-	125 474
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	418 209	11 625	712	-	430 546
ŽDB DRÁTOVNA a.s.	Subsidiary of the subsidiary	1 444 210	95 104	2 744	-	1 542 058
FINITRADING, a.s.	Controlled entity	-	-	401	-	401
NEOMET Sp. Z o.o.	Subsidiary	-	6 086	87	-	6 173
„Metalurgia“ Spółka akcyjna	Subsidiary of the subsidiary	45 138	-	793	-	45 931
„D&D“ Drótáru	Subsidiary of the subsidiary	766 712	-	87	-	766 799
Moravskoslezský kovošrot, a.s.	Subsidiary	-	3 598	98	-	3 696
Total		29 973 313	560 333	58 081	-	30 591 727

4.16.2. Purchases

2015

(CZK THOUSAND)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	35 326 182	203	170 924	729	-	35 498 038
Moravia Steel Italia, s.r.l.	Subsidiary	-	-	90 657	-	-	90 657
Moravia Steel Ibéria, s.a.	Subsidiary	-	-	14 125	-	-	14 125
Moravia Steel Slovenija, d.o.o.	Subsidiary	-	-	11 459	-	-	11 459
Barrandov Studio, a.s.	Subsidiary	-	-	45	-	-	45
Moravia Steel Deutschland GmbH	Subsidiary	12	-	-	-	-	12
Moravia Steel UK Ltd.	Subsidiary	-	-	32 815	-	-	32 815
Beskydská golfová, a.s.	Subsidiary	-	-	7 183	9	-	7 192
Strojírny a stavby Třinec, a.s.	Subsidiary of the subsidiary	-	-	17	-	-	17
REFRASIL, s.r.o.	Subsidiary of the subsidiary	85 443	-	-	-	-	85 443
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	389	-	443	-	-	832
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	3 295	101	-	3 396
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	884	3 117	-	4 001
FINITRADING, a.s.	Controlling entity	2 067 380	-	286	-	-	2 067 666
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	119 001	-	12	-	-	119 013
Minerfin a.s.	Group entity	510 094	-	-	19	-	510 113
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	450	-	-	-	-	450
Total		38 108 951	203	332 145	3 975	-	38 445 274

2014

(CZK THOUSAND)

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

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 2015 and 2014 are as follows:

2015 (CZK THOUSAND)

	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	285	171 136	55 554	2 445	229 135
Management	15	15 946	18 167	157 714	191 827
Total	300	187 082	73 721	160 159	420 962

2014 (CZK THOUSAND)

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

The number of employees is based on the average recalculated headcount. As of 31 December 2015, management includes the Finance Director and Board Chairman, Sales Director and Board Vice Chairman, Asset Management Director and Board member, Transportation Director and Board member, Procurement Director, Sale of Wires Director, Re-processing Director, Bar Steel Director for TŽ, Sale of Rails and Semi-Finished Products Director, Sale of Seamless Tubes Director, Audit Committee Chairman, Supervisory Board Chairman, Supervisory Board Vice Chairmen and Supervisory Board members.

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

5.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED

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

(CZK THOUSAND)

	2015	2014
Board of Directors	1 103	1 084
Supervisory Board	390	729
Total	1 493	1 813

Management of the Company includes the Board of Directors.

Benefits provided to the members of the Supervisory Board and Board of Directors also included the payment of premiums under the liability insurance for damage caused in performing professional duties of a statutory member. Insurance for 2015 for all members of the Board of Directors and the Supervisory Board totalled CZK 804 thousand (2014: CZK 853 thousand).

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

As of 31 December 2015, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2015, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 254,929 thousand.

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

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

With respect to this case, the court ordered legal proceedings in 2015 which were adjourned for an indefinite period of time.

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

The legal dispute is in the phase of first-instance procedures and preparation of the first verbal proceedings where the parties are presenting their written statements on the case to the court. As a next step, replies of defendants shall be presented to the court. Legal proceedings in this matter have not yet commenced.

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

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

7. POST BALANCE EVENTS

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





FINANCIAL PART II. CONSOLIDATED FINANCIAL STATEMENTS

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, Staré Město, 739 61 Třinec
Legal Status:	Joint Stock Company
Corporate ID:	634 74 808
Record in the Register of Companies:	The Company is recorded in the Register of Companies kept by the Regional Court in Ostrava, Section B, File 1297

Components of the Consolidated Financial Statements:

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

These Consolidated Financial Statements were prepared 4. May 2016.

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

CONSOLIDATED BALANCE SHEET

(IN CZK THOUSAND)

		31. 12. 2015			31. 12. 2014
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	81 858 847	33 993 028	47 865 819	48 389 372
A.	Receivables for subscribed capital	40		40	
B.	Fixed assets	55 238 260	32 670 980	22 567 280	21 726 921
I.	<i>Intangible fixed assets</i>	1 557 463	749 314	808 149	422 714
1.	Start-up costs	93	93		
2.	Research and development	4 553	4 553		
3.	Software	332 551	286 939	45 612	41 085
4.	Valuable rights	691 218	444 430	246 788	112 505
5.	Goodwill	370	370		
6.	Other intangible fixed assets	478 380	12 929	465 451	236 773
7.	Intangible fixed assets under construction	12 186		12 186	32 351
8.	Prepayments for intangible fixed assets	38 112		38 112	
II.	<i>Tangible fixed assets</i>	51 974 997	31 424 007	20 550 990	20 115 640
1.	Land	1 139 861		1 139 861	1 130 557
2.	Structures	13 430 461	6 833 336	6 597 125	6 442 541
3.	Individual movable assets and sets of movable assets	36 135 173	24 393 680	11 741 493	11 007 314
6.	Other tangible fixed assets	200 609	186 235	14 374	15 575
7.	Tangible fixed assets under construction	975 118	10 756	964 362	1 427 006
8.	Prepayments for tangible fixed assets	93 775		93 775	92 647
III.	<i>Non-current financial assets</i>	280 911	90 550	190 361	225 444
1.	Equity investments in subsidiaries	251 716	71 770	179 946	190 642
2.	Equity investments in associates	26 201	17 788	8 413	8 203
3.	Other securities and investments	2 994	992	2 002	2 021
4.	Loans and borrowings to subsidiaries and associates				24 559
6.	Acquisition of non-current financial assets				19
IV.	<i>Goodwill on consolidation</i>	781 642	407 109	374 533	383 938
1.	Positive goodwill on consolidation	781 642	407 109	374 533	383 938
V.	<i>Securities and equity investments under equity accounting</i>	643 247		643 247	579 185
C.	Current assets	26 421 259	1 322 048	25 099 211	26 504 839
I.	<i>Inventories</i>	11 090 094	743 512	10 346 582	11 457 938
1.	Material	4 720 298	357 526	4 362 772	4 190 196
2.	Work in progress and semifinished goods	3 321 142	264 522	3 056 620	3 867 276
3.	Products	2 987 720	120 994	2 866 726	3 369 105
5.	Goods	57 897	470	57 427	27 778
6.	Prepayments for inventory	3 037		3 037	3 583
II.	<i>Long-term receivables</i>	293 417	53	293 364	269 461
1.	Trade receivables	120 819	53	120 766	177 540
5.	Estimated receivables	2 428		2 428	2 426
6.	Other receivables	110 942		110 942	17 381
7.	Deferred tax asset	59 228		59 228	72 114
III.	<i>Short-term receivables</i>	8 960 934	563 435	8 397 499	8 352 621
1.	Trade receivables	7 645 894	479 734	7 166 160	7 222 247
2.	Receivables from subsidiaries	26 211	26 211		
4.	Receivables from partners and association members	312		312	14 118
6.	State - tax receivables	887 289		887 289	736 474
7.	Other prepayments made	261 579	27 517	234 062	69 387
8.	Estimated receivables	48 079		48 079	27 585
9.	Other receivables	91 570	29 973	61 597	282 810
IV.	<i>Current financial assets</i>	6 076 814	15 048	6 061 766	6 424 819
1.	Cash on hand	5 508		5 508	6 331
2.	Cash at bank	6 013 163		6 013 163	6 375 934
3.	Short-term securities and investments	58 143	15 048	43 095	42 554
D.	Other assets	199 288		199 288	157 612
1.	Deferred expenses	124 276		124 276	101 930
2.	Complex deferred expenses	71 001		71 001	41 760
3.	Accrued income	4 011		4 011	13 922
	Control number	326 592 773	135 972 112	190 620 661	192 820 691

CONSOLIDATED BALANCE SHEET

(IN CZK THOUSAND)

		31. 12. 2015	31. 12. 2014
	TOTAL LIABILITIES & EQUITY	47 865 819	48 389 372
A.	Equity	35 535 137	33 028 817
I.	<i>Share capital</i>	3 157 000	3 157 000
1.	Share capital	3 157 000	3 157 000
II.	<i>Capital funds</i>	-56 709	46 779
2.	Other capital funds	16 237	15 980
3.	Gains or losses from the revaluation of assets and liabilities	-72 946	30 799
III.	<i>Statutory funds</i>	1 799 953	1 799 032
1.	Statutory reserve fund / Indivisible fund	1 799 953	1 799 032
IV.	<i>Retained earnings or accumulated losses</i>	25 460 366	22 768 304
	Retained earnings	25 557 477	22 820 669
	Accumulated losses	-97 111	-52 365
V.	<i>Profit or loss for the current period, net of minority interests</i>	4 519 833	4 678 757
1.	Profit or loss for the period	4 419 142	4 605 181
2.	Share in the profit/(loss) of equity accounted investments	100 691	73 576
VI.	<i>Consolidation reserve fund</i>	654 694	578 945
B.	Liabilities	11 879 460	14 862 459
I.	<i>Reserves</i>	482 119	475 026
1.	Reserves under special legislation	10 621	14 164
2.	Reserve for pensions and similar liabilities	8 659	8 285
3.	Income tax reserve		243
4.	Other reserves	462 839	452 334
II.	<i>Long-term liabilities</i>	1 531 425	2 543 824
1.	Trade payables	32 324	23 100
2.	Payables to subsidiaries		1 100 000
5.	Long-term prepayments received	826	1 322
9.	Other payables	419	1 277
10.	Deferred tax liability	1 497 856	1 418 125
III.	<i>Short-term liabilities</i>	6 960 411	7 756 376
1.	Trade payables	4 227 290	5 041 869
2.	Payables to subsidiaries		569 800
4.	Payables to partners and association members	563	633
5.	Payables to employees	496 617	508 160
6.	Social security and health insurance payables	193 289	198 959
7.	State - tax payables and subsidies	782 069	867 053
8.	Short-term prepayments received	941 942	199 783
10.	Estimated payables	162 960	152 018
11.	Other payables	155 681	218 101
IV.	<i>Bank loans and borrowings</i>	2 905 505	4 087 233
1.	Long-term bank loans	1 565 838	2 087 587
2.	Short-term bank loans	1 306 755	1 999 561
3.	Short-term borrowings	32 912	85
C.	Other liabilities	50 340	100 814
1.	Accrued expenses	26 919	65 145
2.	Deferred income	23 421	35 669
D.	Minority equity	400 882	397 282
	Minority share capital	85 454	84 398
	Minority capital funds	3 558	5 345
	Minority funds from profit, including retained earnings and losses	288 991	283 274
	Minority profit or loss for the current period	22 879	24 265
	Control number	190 357 360	192 480 447

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		31. 12. 2015	31. 12. 2014
I.	Sales of goods	155 453	162 128
A.	Costs of goods sold	131 024	134 501
+	Gross margin	24 429	27 627
II.	Production	49 421 715	51 010 323
1.	Sales of own products and services	48 551 332	48 948 206
2.	Change in internally produced inventory	90 125	1 273 755
3.	Own work capitalised	780 258	788 362
B.	Purchased consumables and services	34 742 081	36 592 909
1.	Consumed material and energy	30 157 812	32 230 923
2.	Services	4 584 269	4 361 986
+	Added value	14 704 063	14 445 041
C.	Staff costs	6 614 121	6 383 486
1.	Payroll costs	4 367 070	4 219 422
2.	Remuneration to members of statutory bodies	315 224	313 452
3.	Social security and health insurance costs	1 563 949	1 506 323
4.	Social costs	367 878	344 289
D.	Taxes and charges	64 314	65 300
E.	Depreciation of intangible and tangible fixed assets	1 814 277	1 755 854
KR A.	Amortisation of goodwill on consolidation	9 414	1 641
III.	Sales of fixed assets and material	161 434	119 899
1.	Sales of fixed assets	53 715	13 326
2.	Sales of material	107 719	106 573
F.	Net book value of fixed assets and material sold	101 117	93 820
1.	Net book value of sold fixed assets	6 790	4 115
2.	Book value of sold material	94 327	89 705
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	50 798	12 531
IV.	Other operating income	962 258	1 105 912
H.	Other operating expenses	1 414 492	1 548 557
*	Operating profit or loss	5 759 222	5 809 663
J.	Cost of securities and investments sold		21 057
VII.	Income from non-current financial assets	2 234	1 795
1.	Income from subsidiaries and associates	2 196	1 755
2.	Income from other non-current securities and investments	38	40
IX.	Income from the revaluation of securities and derivatives	355	3 116
M.	Change in reserves and provisions relating to financial activities	-22 243	-4 239
X.	Interest income	10 715	9 093
N.	Interest expenses	81 232	140 200
XI.	Other financial income	561 331	548 752
O.	Other financial expenses	778 038	474 788
*	Financial profit or loss	-262 392	-69 050
Q.	Income tax on ordinary activities	1 054 809	1 107 229
1.	- due	958 351	1 004 696
2.	- deferred	96 458	102 533
**	Profit or loss from ordinary activities	4 442 021	4 633 384
**	Consolidated profit or loss net of share of profit/(loss) of equity accounted investments	4 442 021	4 633 384
	Consolidated profit or loss net of minority interests	4 419 142	4 605 181
	Minority profit or loss	22 879	28 202
*	Share of profit or loss of equity accounted investments	100 691	73 576
	Profit or loss for the current period (+/-)	4 542 712	4 706 959
***	Profit or loss for the current period net of minority interests (+/-)	4 519 833	4 678 757

CONSOLIDATED STATEMENT OF MORAVIA STEEL A.S. CHANGES IN EQUITY

(IN CZK THOUSAND)

	Share capital	Capital funds	Reserve fund, indivisible fund and other funds from profit	Profit or loss brought forward	Profit or loss for the current period	Consolidation reserve fund	Share of income of associates	TOTAL EQUITY
Balance at 31 December 2013	3 157 000	42 103	1 825 481	19 859 176	2 873 088	489 448	75 511	28 321 807
Allocation of profit		686	1 957	2 870 445	-2 873 088	75 511	-75 511	
Impact of changes in the consolidated group			-28 391	38 607				10 216
Revaluation of assets and liabilities		3 991				13 986		17 977
Profit for the current period					4 605 181		73 576	4 678 757
Other		-1	-15	76				60
Balance at 31 December 2014	3 157 000	46 779	1 799 032	22 768 304	4 605 181	578 945	73 576	33 028 817
Allocation of profit		257	903	3 498 842	-3 500 002	73 576	-73 576	
Dividends paid				-894 821	-1 105 179			-2 000 000
Impact of changes in the consolidated group		-87 232	18	88 045				831
Revaluation of assets and liabilities		-16 516				2 173		-14 343
Profit for the current period					4 419 142		100 691	4 519 833
Other		3		-4				-1
Balance at 31 December 2015	3 157 000	-56 709	1 799 953	25 460 366	4 419 142	654 694	100 691	35 535 137

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

	31. 12. 2015	31. 12. 2014	
P.	Cash and cash equivalents at the beginning of the accounting period	6 398 262	7 230 118
	<i>Cash flows from ordinary activities</i>		
Z.	Profit/(loss) from ordinary activities before tax	5 496 830	5 740 613
A.1.	Adjustments for non-cash transactions	1 908 124	1 948 944
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1 823 691	1 757 495
A.1.2.	Change in provisions and reserves	28 555	8 292
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-46 925	-9 267
A.1.4.	Revenues from dividends and profit shares (-), except as paid by consolidated group entities	-2 234	-1 795
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	70 517	131 107
A.1.6.	Adjustments, if any, and other non-cash transactions	34 520	63 112
A.*	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	7 404 954	7 689 557
A.2.	Change in non-cash component of working capital	895 461	-2 371 835
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	-132 359	-268 019
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	30 610	-947 756
A.2.3.	Change in inventory (+/-)	987 423	-1 154 943
A.2.4.	Change in current financial assets not included in cash and cash equivalents	9 787	-1 116
A.**	Net cash flow from operating activities before tax and extraordinary items	8 300 415	5 317 722
A.3.	Interest paid (-), except interest capitalised	-106 740	-148 214
A.4.	Interest received (+)	16 564	16 319
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-1 389 857	-669 624
A.7.	Received dividends and profit shares (+)	41 036	35 641
A.***	Net cash flow from operating activities	6 861 418	4 551 844
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures (-)	-2 442 685	-2 829 194
B.2.	Receipts from fixed assets sold (+)	59 601	69 194
B.4.	Cash flows from the purchase of business or its part	-1 648 088	-646 000
B.***	Net cash flow from investing activities	-4 031 172	-3 406 000
	<i>Cash flow from financial activities</i>		
C.1.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	-1 165 815	-1 956 222
C.2.	Impact on cash and cash equivalents due to change in equity	-2 017 698	-21 478
C.2.1.	Increase in cash and cash equivalents due to a change in share capital, share premium, reserve fund, including prepayments made for this increase (+)	997	
C.2.5.	Payments made from funds (-)		-29
C.2.6.	Dividends paid	-2 018 695	-21 449
C.2.6.1.	Dividends and profit shares paid, including withholding tax related to these claims and including financial clearance with partners (-), except for dividends and profit shares paid between Group entities		-29 966
C.***	Net cash flow from financial activities	-3 183 513	-1 977 700
F.	Net increase or decrease of cash and cash equivalents	-353 267	-831 856
R.	Cash and cash equivalents at the end of the accounting period	6 044 995	6 398 262

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (henceforth the “Parent Company” or the “Company”) was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the Regional Court in Brno - venkov on 23 August 1995 (File B, Insert 1680), currently registered at the Regional Court in Ostrava (File B, Insert 1297). The principal business activities of the Company include trade activities – purchase of goods for resale and sale, which represents 98.89% of the Company’s revenues. Additional business activities include domestic and international shipping services.

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

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

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

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

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

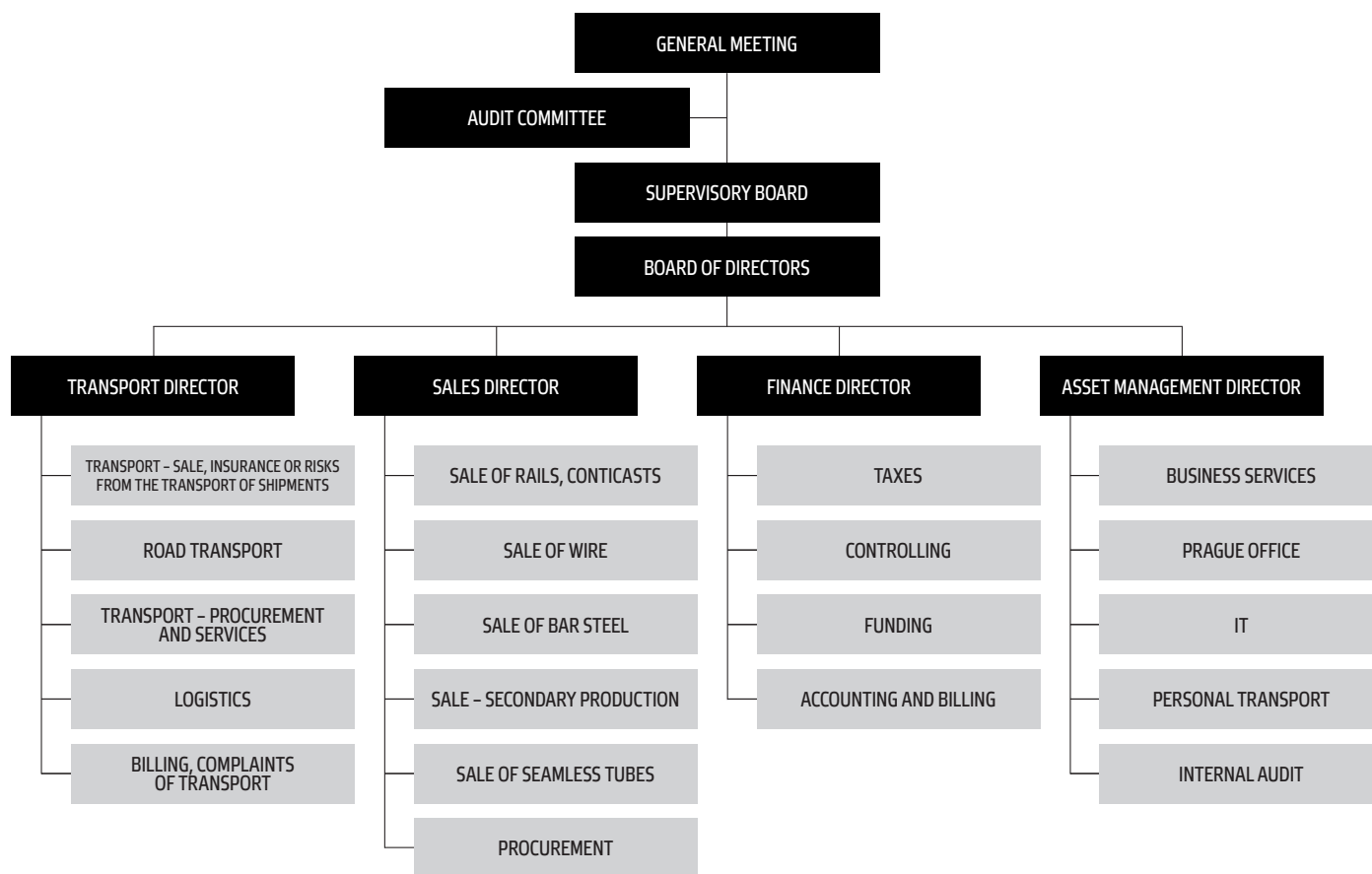
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

During the year ended 31 December 2015, no changes in or amendments to the Register of Companies were made.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2015

	Position	Name
Board of Directors	Chairman	Petr Popelář
	Vice Chairman	Krzysztof Ruciński
	Member	Mojmir Kašpříšín
	Member	Uršula Novotná
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková

1.4. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



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

2.1. DEFINITION OF THE CONSOLIDATED GROUP

2.1.1. Consolidation Method

The consolidation was performed using the proportionate consolidation method.

2.1.2. Names and Registered offices of Subsidiaries and Associates included in the Consolidated Group

The consolidated group (hereinafter the "Group") included the following entities in the year ended 31 December 2015:

Subsidiaries

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2015	Share of share capital at 31 Dec 2014
TŘINECKÉ ŽELEZÁRNY, a. s.	Průmyslová 1000, Staré Město, 739 61 Třinec	Manufacture of metallurgical products	100.00%	100.00%
Barrandov Studio a.s.	Prague 5, Hlubočepy, Kříženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.85%	99.85%
MORAVIA STEEL ITALIA S.R.L.	Milan, Italy	Distribution of metallurgical products	66.00%	66.00%
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00%	100.00%
Hotel Golf Ropice a.s.*	Ropice 415, 739 56	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	100.00%
MS – Slovensko s.r.o.	Námestie Ľudovíta Štúra 2 811 02 Bratislava	Purchase and sale of goods in retail and wholesale, mediation services in the extent of notifiable trade	100.00%	100.00%
Moravskoslezský kovošrot a.s.	Božkova 936/73, Přívoz, 702 00 Ostrava	Purchase, processing and sales of metal scrap and non-ferrous metals	100.00%	100.00%
M Steel Projects a.s.	Třinec – Staré Město, Průmyslová 1000, 739 70	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	100.00%
Moravia Steel Deutschland GmbH	Kürten, Germany	Distribution of metallurgical products	100.00%	100.00%
MORAVIA STEEL UK LIMITED	Sandbach, United Kingdom	Distribution of metallurgical products	100.00%	100.00%
"NEOMET" Sp.z o.o.	Św. Rozalii 10,97-500 Radomsko, Poland	Trading with metal scrap and metal processing	100.00%	100.00%
ENERGETIKA TŘINEC, a.s.	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00%	100.00%
Slévárny Třinec, a.s.	Průmyslová 1001, Staré Město, 739 61 Třinec	Foundry industry	100.00%	100.00%
VÚHŽ a.s.	240, 739 51 Dobrá	Production, installation and repairs of electronic equipment, foundry industry, modelling	100.00%	100.00%
Šroubárna Kyjov, spol. s r.o.	Kyjov, Jiráskova 987, 697 32	Railway route operation, locksmithing, tool engineering, metalworking	100.00%	100.00%
Strojírny a stavby Třinec, a.s.	Průmyslová 1038, Staré Město, 739 61 Třinec	Production of machinery and technology units, machinery equipment, construction work	100.00%	100.00%
"METALURGIA" S.A.	ulica Świętej Rozalii nr 10/12, 97-500, Radomsko, Poland	Production of nails, wire and wire products	100.00%	100.00%
"D&D" Drótáru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00%	100.00%
ŽDB DRÁTOVNA a.s.	Jeremenkova 66, Pudlov, 735 51 Bohumín	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00%	100.00%
HŽP a.s.**	Dolní 3137/100, 796 01 Prostějov	Production of leaf and helical springs for the automotive and railway industries	100.00%	100.00%
SV servisní, s.r.o.	Prostějov, Dolní 3137/100, 796 01	Electricity trading and distribution, gas trading and distribution	100.00%	100.00%
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains, chain products and drawn wire	51.00%	51.00%
REFRASIL, s.r.o.***	Průmyslová 720, Kanská, 739 65 Třinec	Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act	51.00%	51.00%
M Steel Projects, s.r.o.	Žilina, 010 01, Vojtecha Tvrdeho 793/21	Purchase of goods for sale, mediation activities, advertising Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	100.00%
MSProjects International s.r.o.	nám.Svobody 526,Lyžbice 739 61 Třinec	Purchase of goods for sale, mediation activities, advertising Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	100.00%
MPS International AZ llc	SEYID AZIM SHIRVANI STREET,bldg. 1, apt. 115 AZ1142, BAKU city	Production, trade and services pursuant to the legislative of the Republic of Azerbaijan	95.00%	0%
Moravia Mining Plc	Bole 03, Addis Ababa 5/001-405A, Ethiopia	Mining and extraction of mineral materials	76.00%	0%

Notes:

* This company was acquired on 16 October 2014, but has been consolidated since 1 January 2015.

** Until 31 October 2015, the company was recorded in the Register of Companies under the name Hanácké železářny a pérovny, a.s.

*** Until 18 September 2015, the registered office of this entity recorded in the Register of Companies was Třinec-Konská, Průmyslová 720, 73965; on 18 September 2015, the Commercial Court changed the registered office in the Register of Companies to Průmyslová 720, Kanská, 739 61 Třinec.

In 2015, the consolidation group was extended to include MSP International AZ. The entity was formed on 3 November 2015 by MSPProjects International s.r.o.

In 2015, the consolidation group was extended to include Moravia Mining Plc. The entity was formed on 24 April 2015 by MORAVIA STEEL a.s.

In 2015, the consolidation group was extended to include Hotel Golf Ropice a.s. The entity was acquired by Beskydská golfová, a.s. on 16 October 2014.

In 2015, the consolidation group was extended to include MS – Slovensko s.r.o. The entity was formed in 2004 by MORAVIA STEEL a.s., but due to its immateriality, it was not consolidated.

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

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

During the year ended 31 December 2013, MORAVIA STEEL a.s. purchased 1,349,501 shares of TŘINECKÉ ŽELEZÁRNY, a.s. pursuant to the contract for the purchase of securities concluded with FINITRADING a.s. Another 53,160 of shares of TŘINECKÉ ŽELEZÁRNY, a.s. were purchased from individual minority owners pursuant to contracts for the transfer of securities for consideration. In addition, the Company purchased all other equity securities of TŘINECKÉ ŽELEZÁRNY, a.s. pursuant to the resolution of an extraordinary general meeting of the Company held on 31 July 2013 on the transfer of the shares owned by other shareholders to MORAVIA STEEL a.s., as the principal shareholder, pursuant to the mandate contract concluded between MORAVIA STEEL a.s., CYRRUS CORPORATE FINANCE, a.s. and TŘINECKÉ ŽELEZÁRNY, a.s. on 25 July 2013. This increased the investment by CZK 2,633,858 thousand, ie from CZK 4,290,014 thousand to CZK 6,923,872 thousand as of 31 December 2013. During 2014 and 2015, the Company continued to purchase equity securities using the allocated funds. In 2015, this increased the investment by CZK 8,314 thousand, ie from CZK 6,948,526 thousand to the current amount of CZK 6,956,840 thousand.

The purchase of the equity securities will continue in 2016 using the funds allocated by mandatories in the amount of CZK 118,956 thousand. The difference between the acquisition cost and the equity investment of CZK 1,697,058 thousand was recognised in the consolidated profit or loss in 2013.

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

Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2015	Equity share at 31 Dec 2014
Kovárna VIVA a.s.	Zlín, Vavrečkova 5333, 760 01	Production of die forgings	50.00%	50.00%
Moravia Steel Middle East FZCO	Jebel Ali Free Zone, Dubai, U.A.E.	Distribution of metallurgical products	40.00%	40.00%
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 715, Kanská, 739 61 Třinec	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00%	40.00%
AHP HYDRAULIKA, a.s. *)	Vojtěcha Tvrdeho 793/21, Žilina 010 01	Design, drafting and construction of machines and equipment	50,11%	49,00%

*)company was excluded due to immateriality in 2015

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

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

The financial statements of the companies included in the Group were prepared as of and for the years ended 31 December 2015 and 2014. The companies included in the Group are based in the Czech Republic, with the exception of Moravia Steel Deutschland GmbH, which is based in Germany, MORAVIA STEEL ITALIA S.R.L., based in Italy, MORAVIA STEEL UK LIMITED based in the UK, "D&D" Drótáru Zrt. based in Hungary, METALURGIA S.A. and NEOMET Sp. Z o.o. based in Poland, Moravia Steel Middle East FZCO based in the United Arab Emirates, M Steel Projects, s.r.o. and MS – Slovensko s.r.o. based in Slovakia, MSP International AZ based in Azerbaijan and Moravia Mining Plc based in Ethiopia.

2.1.4. Companies Excluded from Consolidation

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

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

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

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

3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

These consolidated financial statements are presented in thousands of Czech crowns ("CZK thousand"). The figures of MORAVIA STEEL ITALIA S.R.L., Moravia Steel Deutschland GmbH, MORAVIA STEEL UK LIMITED, Moravia Steel Middle East FZCO, "METALURGIA" S.A., "D&D" Drótáru Zrt., M Steel Projects, s.r.o., NEOMET Sp. z o.o., MS – Slovensko s.r.o., MSP International AZ and Moravia Mining Plc are translated into CZK (refer to Note 4.10).

The consolidated financial statements of the Group for the year ended 31 December 2015 were prepared as follows:

- The balance sheet comprises comparative balances as of 31 December 2015;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2015;
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2015; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2015.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

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

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

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

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

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

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

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

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

The cost of intangible s improvements exceeding CZK 60 thousand on an individual basis in the taxation period increases the acquisition cost of the related fixed asset.

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

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

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

Depreciation for Accounting Purposes

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

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

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

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

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

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

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

Provisioning

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

Impairment

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

4.2. NON-CURRENT FINANCIAL ASSETS

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

Valuation

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

At the consolidated balance sheet date, the Group records:

Equity investments at cost less any provisions against equity investments.

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

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

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

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

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

Provisioning against Equity Investments

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

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

4.3. DERIVATIVE FINANCIAL TRANSACTIONS

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

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

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

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

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

4.4. CURRENT FINANCIAL ASSETS

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

Current financial assets are carried at cost upon acquisition.

4.5. INVENTORY

Valuation

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

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

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

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

Provisioning

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

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

4.6. RECEIVABLES

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

Provisioning

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

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

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

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

The Group also creates provisions against interest-free long-term receivables. This provisioning charge is calculated as equal to the difference between the nominal value and the discounted value of these receivables.

4.7. PAYABLES

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

4.8. LOANS AND BORROWINGS

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

4.9. RESERVES

Other reserves are created to provide for future risks known at the balance sheet date. In addition, a reserve is recorded for the restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation of No. 294/2005 Coll. on Conditions for Storing Waste in Dump Sites.

4.10. FOREIGN CURRENCY TRANSLATION

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

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

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

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

4.11. FINANCE LEASES

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

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

4.12. TAXATION

4.12.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act No. 586/1992 Coll., on Income Taxes, with the exception of assets used by TRINECKÉ ŽELEZÁRNY, a. s. in the Tube Rolling Mill (the VT operation), VZ – Sochorová válcovna plant and the Univerzální trať plant and the Track Fastenings Plant and assets used by Slévárny Třinec, a.s. and ŽDB DRÁTOVNA a.s. which are depreciated using both the straight line and accelerated methods for tax purposes. HŽP a.s. and SV servisní, s.r.o. use the straight line method for the calculation of depreciation for tax purposes.

4.12.2. Current Tax Payable

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

4.12.3. Deferred Tax

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

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

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

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

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

4.13. BORROWING COSTS

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

4.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

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

4.15. REVENUE RECOGNITION

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

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

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

4.16. USE OF ESTIMATES

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

4.17. RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

Starting from 2016, TŘINECKÉ ŽELEZÁRNY, a.s. has determined the limit for recognising items related to multiple reporting periods on an accrual basis; the limit is CZK 20 thousand or more and excludes research and development expenses. In prior years, the limit was up to CZK 10 thousand.

Starting from 2014, TŘINECKÉ ŽELEZÁRNY, a.s. has determined that the cost of intangible asset improvements exceeding CZK 60 thousand on an individual basis increases the cost of the related intangible fixed asset for the taxation period.

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

4.19. GRANTS

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

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

4.20. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

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

Cash and cash equivalents can be analysed as follows:

(CZK THOUSAND)

	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Cash at hand	5 508	6 331
Current accounts	6 013 163	6 245 884
Current accounts with restricted availability	0	0
Term deposits	0	130 050
Short-term securities	58 143	57 602
Other securities available for sale not included in the cash flow	0	0
Total current financial assets	6 076 814	6 439 867
Cash and cash equivalents not included in the cash flow	-16 771	-26 557
Provision against short-term securities and investments	-15 048	-15 048
Total cash and cash equivalents	6 044 995	6 398 262

Comments on the Cash Flow Statement:

The difference between cash and cash equivalents as of 31 December 2015 and 2014 in the cash flows statement in comparison with the current financial assets in the balance sheet represents blocked deposits that are restricted with regard to the free handling of the funds.

4.21. CONSOLIDATION RULES

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

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

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

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

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

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

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

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

The financial statements for the years ended 31 December 2015 and 2014 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 2015 and 2014 (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 2015

5.1.1. Structure of the Consolidated Profit/Loss for 2015

(CZK THOUSAND)

Current year's profit made by MORAVIA STEEL a.s.	2 775 675
Current year's loss made by M Steel Projects a.s.	85 403
Current year's loss made by M Steel Projects s.r.o.	3 704
Current year's loss made by MSPProjects International s.r.o.	19 877
Current year's profit made by Beskydská golfová, a.s.	2 010
Current year's profit made by Hotel Golf Ropice a.s.	-3
Current year's profit made by Barrandov Studio a.s.	43 498
Current year's profit made by MORAVIA STEEL ITALIA S.R.L.	23 854
Current year's profit made by Moravia Steel Deutschland, GmbH	13 835
Current year's profit made by MORAVIA STEEL UK LIMITED	120
Current year's profit made by the TŽ, a.s. consolidation group	3 002 629
Current year's profit made by MS – Slovensko s.r.o.	-113
Share in profit of equity accounted investments of Moravia Mining Plc	-243
Share in profit of equity accounted investments of MSP International AZ	-150
Current year's profit made by Moravskoslezský kovošrot a.s.	35 841
Current year's profit made by "NEOMET" Sp.z o.o.	25 858
Share in profit of equity accounted investments	102 442
Adjustments under full consolidation (see Note 5.1.2.)	-1 612 653
Adjustments under the equity method (see Note 5.1.3.)	-1 751
Consolidated profit	4 519 833

5.1.2. Profit/(Loss) Adjustments under Full Consolidation for 2015

(CZK THOUSAND)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit or loss	37 879
Elimination of the provision against investments, inventory and receivables, including the deferred tax impact	2 338
Elimination of dividends paid by MORAVIA STEEL ITALIA S.R.L. TŽ, a.s., Moravskoslezský kovošrot a.s., Kovárna VIVA a.s.	-1 652 870
Total adjustments	-1 612 653

5.1.3. Adjustments under Equity Consolidation for 2015

(CZK THOUSAND)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	-1 751
Total adjustments	-1 751

5.2. CONSOLIDATED PROFIT/LOSS FOR 2014

5.2.1. Structure of the Consolidated Profit/Loss for 2014

(CZK THOUSAND)

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

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

(CZK THOUSAND)

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

5.2.3. Adjustments under Equity Consolidation for 2014

(CZK THOUSAND)

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

6. ADDITIONAL INFORMATION ON THE BALANCE SHEET

6.1. INTANGIBLE FIXED ASSETS

Cost

(CZK THOUSAND)

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

(CZK THOUSAND)

	Balance at 1 Jan 2015	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2015
Research and development	4 553	0	0	0	4 553
Start-up costs	93	0	0	0	93
Goodwill	379	0	0	-9	370
Software	316 527	18 297	1 973	-300	332 551
Valuable rights	604 987	163 540	77 003	-306	691 218
Other intangible FA	249 025	1 194 716	965 361	0	478 380
Intangible FA under construction	32 351	369 754	389 920	1	12 186
Prepayments for intangible FA	0	136 198	98 086	0	38 112
Total	1 207 915	1 882 505	1 532 343	-614	1 557 463

Accumulated Amortisation and Provisions

(CZK THOUSAND)

	Balance at 1 Jan 2014	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2014
Research and development	4 553	0	0	0	4 553
Start-up costs	93	0	0	0	93
Goodwill	385	0	0	-6	379
Software	267 193	12 437	4 061	-127	275 442
Valuable rights	471 146	46 898	25 113	-449	492 482
Other intangible FA	11 652	681	68	-13	12 252
Intangible FA under construction	796	0	796	0	0
Total	755 818	60 016	30 038	-595	785 201

(CZK THOUSAND)

	Balance at 1 Jan 2015	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2015
Research and development	4 553	0	0	0	4 553
Start-up costs	93	0	0	0	93
Goodwill	379	0	0	-9	370
Software	275 442	13 746	1 975	-274	286 939
Valuable rights	492 482	54 243	102 041	-254	444 430
Other intangible FA	12 252	686	0	-9	12 929
Total	785 201	68 675	104 016	-546	749 314

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Software	41 085	45 612
Valuable rights	112 505	246 788
Other intangible FA	236 773	465 451
Intangible FA under construction	32 351	12 186
Prepayments for intangible FA	0	38 112
Total	422 714	808 149

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 46,715 thousand and CZK 40,117 thousand for the years ended 31 December 2015 and 2014, respectively.

Other intangible assets include greenhouse gas emission allowances.

During 2015, the Company obtained 5,291 emission allowances for 2014 in the amount of CZK 1,118 thousand and 4,169,555 emission allowances for 2015 in the amount of CZK 855,270 thousand free of charge. As of the balance sheet date of 31 December 2015, the Company recognised a disposal of emission allowances for 2014 of CZK 1,006 thousand, consumption of emission allowances for 2014 of CZK 122 thousand and consumption of emission allowances for 2015 of CZK 875,065 thousand.

During 2015, the Company acquired 4,495 CER credits of CZK 81 thousand and exchanged these CER credits for 4,495 EUA allo-

wances. In addition, the Company acquired 948 CER credits of CZK 23 thousand and 1,155,000 EUA allowances of CZK 249,042 thousand.

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

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

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

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 47,015 thousand and CZK 45,415 thousand as of 31 December 2015 and 2014, respectively.

6.2. TANGIBLE FIXED ASSETS

Cost

(CZK THOUSAND)

	Balance at 1 Jan 2014	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2014
Land	1 131 179	1 056	891	-787	1 130 557
Structures	12 572 482	433 495	5 907	-7 963	12 992 107
Individual tangible movable assets	33 038 319	2 164 748	563 888	-28 132	34 611 047
Other tangible FA	190 345	12 149	3 466	-1 042	197 986
Tangible FA under construction	1 097 272	2 929 074	2 563 920	-380	1 462 046
Prepayments	288 406	316 382	512 141	0	92 647
Total	48 318 003	5 856 904	3 650 213	-38 304	50 486 390

(CZK THOUSAND)

	Balance at 1 Jan 2015	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2015
Land	1 130 557	10 368	1 627	1 835	-856	1 139 861
Structures	12 992 107	0	462 300	15 072	-8 874	13 430 461
Individual tangible movable assets	34 611 047	0	2 198 457	651 829	-22 502	36 135 173
Other tangible FA	197 986	0	4 641	1 295	-723	200 609
Tangible FA under construction	1 462 046	2 638	2 156 546	2 645 485	-627	975 118
Prepayments	92 647	0	175 970	174 842	0	93 775
Total	50 486 390	13 006	4 999 541	3 490 358	-33 582	51 974 997

Accumulated Depreciation and Provisions

(CZK THOUSAND)

	Balance at 1 Jan 2014	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2014
Structures	6 251 778	307 424	6 423	-3 213	6 549 566
Individual tangible movable assets	22 801 087	1 386 175	564 587	-18 942	23 603 733
Other tangible FA	147 576	38 461	2 979	-647	182 411
Tangible FA under construction	35 528	134	622	0	35 040
Prepayments	637	0	637	0	0
Total	29 236 606	1 732 194	575 248	-22 802	30 370 750

(CZK THOUSAND)

	Balance at 1 Jan 2015	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2015
Structures	6 549 566	308 230	20 437	-4 023	6 833 336
Individual tangible movable assets	23 603 733	1 460 469	653 503	-17 019	24 393 680
Other tangible FA	182 411	5 704	1 371	-509	186 235
Tangible FA under construction	35 040	989	25 273	0	10 756
Prepayments	0	0	0	0	0
Total	30 370 750	1 775 392	700 584	-21 551	31 424 007

Net Book Value

(CZK THOUSAND)

Net book value	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Land	1 130 557	1 139 861
Structures	6 442 541	6 597 125
Individual tangible movable assets	11 007 314	11 741 493
Other tangible FA	15 575	14 374
Tangible FA under construction	1 427 006	964 362
Prepayments for tangible FA	92 647	93 775
Total	20 115 640	20 550 990

The tables of movements of tangible fixed assets include the column "New acquisitions" in 2015 related to the expansion of the consolidated group to include Hotel Golf Ropice a.s.

Principal additions to tangible fixed assets for the year ended 31 December 2015 are as follows:

(CZK THOUSAND)

NK14 – boiler (subsidy of CZK 362,410 thousand)	544 005
Renovation of the KKO gas cleaning plant – 1. stage	221 986
Renovation of facilities for the purpose of casting D525 format on 3. cast line	75 115
Renovation of roof girders, strengthening the roof on the KKO steel mill building	66 871
NK14 boiler house	62 915

Principal additions to tangible fixed assets under construction for the year ended 31 December 2015 were as follows:

(CZK THOUSAND)

Modernisation and renovation of KB 11	255 054
Construction of 2 STC furnaces	212 067
Use of waste heat of the VM carousel furnace	8 301

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

(CZK THOUSAND)

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

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

(CZK THOUSAND)

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

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,767,562 thousand and CZK 1,715,737 thousand for the years ended 31 December 2015 and 2014, 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 786,321 thousand and CZK 757,697 thousand as of 31 December 2015 and 2014, respectively.

Fair Value

In 2015 and 2014, no assets were revalued to fair value at any of the entities.

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

(CZK THOUSAND)

31 December 2015	Passenger cars	Machinery and equipment	Balance at 31 Dec 2015
Total estimated sum of lease instalments	4 757	65 438	70 195
Payments made as of 31 Dec 2015	2 742	53 973	56 715
Due in the following years	2 015	11 465	13 480

(CZK THOUSAND)

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

Operating Leases

In the years ended 31 December 2015 and 2014, rental amounted to CZK 56,602 thousand and CZK 56,567 thousand, respectively.

6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2015

Description of assets	Net book value	Description, scope and purpose of pledge/lien
TFA	261 371	Loan from Česká spořitelna, a.s.
Land	23 663	
TFA	519 072	Loan from Česká spořitelna, a.s.
TFA	186 285	Loan from Československá obchodní banka, a.s.
Land	10 513	Loan from Československá obchodní banka, a.s.
TFA	2 811	
Land	40 484	
TFA	973 686	Loan from Československá obchodní banka, a.s.
Land	664	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	503 391	
TFA	589 833	
Land	110 496	Loan from HSBC Bank plc - Prague branch
TFA	21 955	Loan for an investment from UniCredit Bank Czech Republic and Slovakia, a.s.
TFA	121 022	Overdraft loan from Československá obchodní banka, a.s.
Land	10 567	
Technology	128 227	UniCredit Bank Czech Republic and Slovakia, a.s. - pledge for the investment loan for funding of the NK 14 boiler construction
TFA	76 546	
Land	5 346	Loans from Česká spořitelna, a.s.
Technology	50 765	
TFA*)	95 100	Loan from ING Bank Śląski S.A., collateralised by machinery up to PLN 15,000 thousand
TFA, land	1 226	Loan from Citibank Europe plc.
TFA, land	1 106	Loan from Citibank Europe plc.
TFA, land	453	Loan from Citibank Europe plc.
TFA, land	32	Loan from Citibank Europe plc.
TFA, land	12 922	Investment loan from Československá obchodní banka, a.s.
TFA, land	18	Investment loan from Československá obchodní banka, a.s.
TFA, land	36 157	Loan from UniCredit Bank, a.s.
TFA, land	159 241	Loan from Raiffeisenbank, a.s.
TFA, land	58 654	Loan from Oberbank AG
TFA, land	6 087	Loan from Oberbank Leasing spol. s r.o.
TFA, land	0	Loan from Citibank Europe plc.
Land	52 000	Loan from Raiffeisenbank, a.s.
Total	4 059 693	

* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2015

31 December 2014

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

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

6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

6.5.1. Summary of Unconsolidated Investments in 2015

Balance at 31 December 2015

(CZK THOUSAND)

Equity investments – subsidiaries							
Company name	Cost	Nominal value	Share in %	Equity	Profit/loss	Provision	Net cost
Moravia Steel Slovenija, d.o.o.	1 573	867	51.00	5 361	2 412	0	1 573
Moravia Steel Ibéria,s.a.	10 850	2 533	99.33	17 846	2 669	0	10 850
Moravia Goel Trade, d.o.o.*)	59	59	60.00	*)	*)	-59	0
Moravia Steel Israel Ltd.	605	466	100.00	-10	-18	0	605
Barrandov Productions s.r.o.	100	100	100.00	1 956	-228	0	100
Barrandov Studios Productions s.r.o.	200	200	100.00	1 175	991	0	200
FILMOVÁ NADACE **)	500	500	100.00	2 494	-179	0	500
Total	13 887	4 725				-59	13 828

*) In liquidation

**) Balance at 31 December 2015, reporting period ended 29 February 2016

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

(CZK THOUSAND)

Equity investments – subsidiaries							
Company name	Nominal value	Number of securities	Share in %	Equity	Profit or loss for the period	Provision	Financial income for the year
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	25 800	0	100.00	48 100	1 253	0	0
Doprava TŽ, a.s., Třinec - Staré Město	16 000	115	100.00	43 542	3 432	0	0
TRIALFA, s.r.o., Třinec - Kanada	100	0	100.00	18 647	161	0	0
Reťaze Slovakia s.r.o., Skalica (SK)	0	0	80.00	14 342	2 038	0	2 196
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	46 197	0	90.00	49 475	309	0	0
TRISIA, a.s., Třinec	9 900	990	66.00	52 304	-1 930	0	0
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	48 558	0	88.00	48 796	-969	-7 663	0
Moravia Security, a.s., Konšká, Třinec	12 000	12	100.00	22 483	2 423	0	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	2 745	183	83.18	18 199	2 278	0	0
DALSELV DESIGN a.s., Ostrava-Mariánské Hory	1 360	12	68.00	20 977	10 171	-15 703	0
JuBo Jeseník s. r. o.	0	0	80.00	*	*	0	0
Total						-23 366	2 196

Note: In italics - preliminary results as of 31 December 2015

* Data were not known as of the preparation of the consolidated financial statements.

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

(CZK THOUSAND)

Equity investments – subsidiary					
Name of the entity	Cost	Nominal value	Share in %	Equity	Provision
MSK Polska Sp. z o.o.	48 345	48 345	84	-24 368	-48 345
Total	48 345	48 345		-24 368	-48 345

* In 2015, Moravskoslezský kovošrot, a.s. held the 84% equity investment in the Polish entity MSK Polska Sp. z o.o. that was placed into liquidation and bankruptcy proceedings on 21 December 2012. As of the balance sheet date on 31 December 2015 (2014), the net value of the equity investment amounted to CZK 0.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2015.

6.5.2. Summary of Unconsolidated Investments in 2014
Balance at 31 December 2014

(CZK THOUSAND)

Equity investments – subsidiaries							
Company name	Cost	Nominal value	Share in %	Equity	Profit/loss	Provision	Net cost
Moravia Steel Slovenija, d.o.o.	1 573	867	51.00	3 049	1 507	0	1 573
Moravia Steel Ibéria, s.a.	10 850	2 533	99.33	15 597	1 625	0	10 850
Moravia Goel Trade, d.o.o.*)	59	59	60.00	*)		-59	0
MS – Slovensko s.r.o.	161	160	100.00	1 016	-15	0	161
Moravia Steel Israel Ltd.	605	466	100.00	7	-36	0	605
Barrandov Productions s.r.o.	100	100	100.00	6 082	10	0	100
FILMOVÁ NADACE **)	500	500	100.00	2 673	-72	0	500
Total	13 848	4 685				-59	13 789

*) In liquidation

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

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

(CZK THOUSAND)

Equity investments – subsidiaries							
Company name	Nominal value	Number of securities	Share in %	Equity	Profit or loss for the period	Provision	Financial income for the year
Třinecké gastroslužby, s.r.o., Třinec – Staré Město	25 800	0	100.00	46 896	2 837	0	0
Doprava TŽ, a.s., Třinec - Staré Město	16 000	115	100.00	40 110	4 773	0	0
TRIALFA, s.r.o., Třinec - Kanada	100	0	100.00	18 486	505	0	0
Steel Consortium Partners, a.s., "in liquidation", Třinec - Staré Město	19 000	117	100.00	1 129	-111	-17 871	0
Retáže Slovakia s.r.o., Skalica (Slovakia)	4 936	0	80.00	15 395	2 400	0	1 756
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	46 197	0	90.00	46 168	1 305	0	0
TRISIA, a.s., Třinec	9 900	990	66.00	54 234	-1 880	0	0
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn, (Poland)	48 558	0	88.00	50 062	500	-4 875	0
Moravia Security, a.s., Třinec – Kanská	12 000	12	100.00	19 933	2 217	0	0
TŘINECKÁ PROJEKCE, a.s., Třinec – Kanada	2 745	183	83.18	15 921	3 186	0	0
DALSELV DESIGN a.s., Ostrava-Mariánské Hory	1 360	12	68.00	10 805	4 437	-22 653	0
Total						-45 399	1 756

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

(CZK THOUSAND)

Equity investments – subsidiary					
Name of the entity	Cost	Nominal value	Share in %	Equity	Provision
MSK Polska Sp. z o.o.	48 345	48 345	84	-24 368	-48 345
Total	48 345	48 345			-48 345

* In 2014, Moravskoslezský kovošrot, a.s. held the 84% equity investment in the Polish entity MSK Polska Sp. z o.o. that was placed into liquidation and bankruptcy proceedings on 21 December 2012. As of the balance sheet date on 31 December 2014 (2013), the net value of the equity investment amounted to CZK 0.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2014.

6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION
2015

(CZK THOUSAND)

	Gross	Adjustment	Net	Recognition in expenses
Positive goodwill arising on consolidation				
Barrandov Studio a.s.	34 362	34 362	0	0
Hanácké železářny a pérovny a.s.	130 507	14 500	116 007	0
Moravia Steel UK LIMITED	1 234	0	1 234	0
"D&D" Drótáru Zrt.	364 778	358 247	6 531	9 414
ŽDB DRÁTOVNÁ a.s.	250 761	0	250 761	0
Total	781 642	407 109	374 533	9 414

2014

(CZK THOUSAND)

	Gross	Adjustment	Net	Recognition in expenses
Positive goodwill arising on consolidation				
Barrandov Studio a.s.	34 362	34 362	0	0
Hanácké železářny a pérovny a.s.	130 508	14 501	116 007	0
Moravia Steel UK LIMITED	1 234	0	1 234	0
"D&D" Drótáru Zrt.	364 973	348 832	16 141	1 641
ŽDB DRÁTOVNÁ a.s.	250 556	0	250 556	0
Total	781 633	397 695	383 938	1 641

6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK THOUSAND)

	2015	2014
VESUVIUS ČESKÁ REPUBLIKA, a.s.	154 701	155 395
Kovárna VIVA a.s.	44 942	395 131
AHP HYDRAULIKA a.s.*	0	0
Moravia Steel Middle East FZCO	39 094	28 659
Total	643 247	579 185

Note: * In 2015, the consolidation group was narrowed down by AHP HYDRAULIKA, a.s., due to immateriality.

6.8. NON-CURRENT FINANCIAL ASSETS PLEDGED AS SECURITY

As of 31 December 2015, the Company records non-current financial assets pledged as security with the nominal value of CZK 132,000 thousand. As of 31 December 2014, the Company recorded non-current financial assets pledged as security with the nominal value of CZK 132,000 thousand.

6.9. INVENTORY

As of 31 December 2015, „METALURGIA“ S.A. has pledged the inventory up to PLN 13,000 thousand (CZK 82,420 thousand) with BNP PARIBAS BANK Polska S.A. in relation to the used loan. In 2014, inventory was pledged up to PLN 13,000 thousand (CZK 84,396 thousand).

6.10. RECEIVABLES

6.10.1. Structure of Short-Term Receivables

As of 31 December 2015, gross short-term trade receivables past their due dates amounted to CZK 1,722,905 thousand (net CZK 1,252,274 thousand). As of 31 December 2014, gross short-term trade receivables past their due dates amounted to CZK 1,563,581 thousand (net CZK 1,065,663 thousand).

Other Short-Term Receivables

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

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

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

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

Receivables typically mature within 30 days.

6.10.2. Receivables Pledged as Security

During 2015 and 2014, HŽP, a.s. provided short-term receivables before their due dates of CZK 60 million as a pledge for loans from Česká spořitelna, a.s., with a monthly renewal.

As of 31 December 2015, ŽDB DRÁTOVNA a.s. records pledged receivables of CZK 608,318 thousand based on the Loan Contract concluded with Československá obchodní banka, a.s. As of 31 December 2014, the pledged receivables amounted to CZK 685,216 thousand.

As of 31 December 2014, Šroubárna Kyjov, spol. s r.o. recorded pledged receivables of CZK 115,368 thousand based on the Loan Contract concluded with Československá obchodní banka, a.s. As of 31 December 2015, there are no such pledged receivables.

As of 31 December 2015, VÚHŽ a.s. pledged receivables of CZK 10,520 thousand against Československá obchodní banka, a.s., that serve as pledge for short-term loans (overdraft loan facility) and for the Agreement on rules regarding the provision of letters of credits and bank guarantees. As of 31 December 2014, this pledge amounted to CZK 10,644 thousand.

As of 31 December 2015, „METALURGIA“ S.A. records pledged receivables of PLN 2,732,894.17 (CZK 17,327 thousand) with ING Commercial Finance Polska S.A. As of 31 December 2014, the pledged receivables amounted to PLN 2,747,378.89 (CZK 17,836 thousand).

6.10.3. Intercompany Receivables

Short-Term Receivables

(CZK THOUSAND)

Entity	Balance at 31 Dec 2015	Balance at 31 Dec 2014
DOPRAVA TŽ, a.s.	2 327	1 121
Kovárna VIVA a.s.	71 833	86 418
Moravia Security, a.s.	89	1 300
Security Morava, s.r.o.	4	4
TRIALFA, s.r.o.	2 318	3 152
TRISIA, a.s.	15	15
TŘINECKÁ PROJEKCE, a.s.	90	155
Třinecké gastroslužby, s.r.o.	1 314	3 017
VESUVIUS ČESKA REPUBLIKA, a.s.	1 993	5 319
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	37	35
Steel Consortium Partners, a.s.	0	20
AHP Hydraulika, a.s.	0	1
JuBo Jeseník s.r.o.	4 751	0
DALSELV DESIGN a.s.	2 662	0
Total short-term intercompany receivables	87 433	100 557
Other than intercompany receivables	8 310 066	8 252 064
Total net short-term receivables	8 397 499	8 352 621

Long-Term Receivables

(CZK THOUSAND)

Entity	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Barrandov Productions, s.r.o.	4 580	6 870
Total long-term intercompany receivables	4 580	6 870
Other than intercompany receivables	288 784	262 591
Total net long-term receivables	293 364	269 461

As of 31 December 2015, the Company does not record long-term receivables with their due dates of more than 5 years; as of 31 December 2014, these receivables amounted to CZK 282 thousand.

6.11. EQUITY AND SHARE CAPITAL

6.11.1. Shareholders' Equity

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

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

In the year ended 31 December 2015, dividends in the amount of CZK 2,000 thousand were declared and paid out.

6.11.2. Share Capital

As of 31 December 2015, the share capital amounted to CZK 3,157,000 thousand. The Company's share capital is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

6.12. RESERVES

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

6.13. PAYABLES

6.13.1. Long-Term Payables

As of 31 December 2015, primarily payables arising from retention fees to suppliers according to concluded contracts are reported under long-term trade payables. As of 31 December 2014, the Company recorded a long-term payable of CZK 1,100,000 thousand arising from the outstanding portion of the purchase price for the purchase of securities of TŘINECKÉ ŽELEZÁRNY, a.s. This was a payable to FINITRADING, a.s.

6.13.2. Short-Term Trade Payables

As of 31 December 2015, short-term trade payables past their due dates amount to CZK 166,116 thousand (2014: CZK 72,871 thousand).

6.13.3. Payables – Controlled or Controlling Entity

As of 31 December 2015, the Company does not record any such payables. During 2015, the payable arising from an unpaid portion of the purchase price with respect to the purchase of securities of TŘINECKÉ ŽELEZÁRNY, a.s. in the aggregate amount of CZK 1,669,800 thousand as of 31 December 2014 was settled (long-term portion of the loan amounted to CZK 1,100,000 thousand, refer to Note 6.13.1.). The Company recorded this payable to FINITRADING, a.s.

6.13.4. Other Payables

As of 31 December 2015 and 2014, due amounts arising from social security and state employment policy contributions and public health insurance amounted to CZK 193,289 thousand and CZK 198,959 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 predominantly include payables arising from bank guarantees, fines and contributions to employees.

6.13.5. Intercompany Payables

Short-Term Payables

(CZK THOUSAND)

Entity	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Doprava TŽ, a.s.	11 729	12 680
Hutnictví železa, a.s.	691	563
Moravia Security, a.s.	9 513	14 833
TRIALFA, s.r.o.	21 101	16 492
TRISIA, a.s.	1 020	1 317
TŘINECKÁ PROJEKCE, a.s.	5 091	5 889
Třínecké gastroslužby, s.r.o.	10 589	10 287
VESUVIUS ČESKÁ REPUBLIKA, a.s.	34 945	8 695
Security Morava s.r.o.	1 032	294
ZAMECZEK BŁOGOCICE Sp. zo.o.	106	109
FINITRADING, a.s.	177 518	216 550
Moravia Steel Ibéria, s.a.	1 892	10 533
MORAVIA STEEL SLOVENIJA d.o.o.	3 536	4 097
MORAVIA STEEL MIDDLE EAST, ltd.	7 540	7 737
MORAVIA STEEL MIDDLE EAST FZCO	22 028	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	938	654
Kovárna VIVA a.s.	0	2
HRAT, s.r.o.	55	36
DALSELV DESIGN a.s.	8 725	3 640
MINERFIN, a.s.	94 882	104 103
Total short-term intercompany payables	411 795	414 420
Other than intercompany payables	6 548 614	7 341 956
Total short-term payables	6 960 411	7 756 376

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 2015	Balance at 31 Dec 2014
Difference between the tax and accounting carrying values of fixed assets	19	8 901 017	8 433 632
Difference between the tax and accounting carrying values of fixed assets	10	128 206	142 657
Revaluation of securities available for sale	19	-959	-58
Revaluation of assets to fair value charged to equity	19	173 670	191 750
Revaluation of assets to fair value charged to consolidation goodwill	10	40 881	42 845
Revaluation of assets to fair value charged to consolidation goodwill	19	50 971	49 890
Accounting reserves	19	-215 122	-219 441
Provisions	19	-782 263	-679 356
Provisions	10	-4 743	-6 839
Outstanding default interest	19	20 965	0
Expenses deductible for tax purposes in the following years	19	-61 233	-80 808
Expenses deductible for tax purposes in the following years	10	-60	-110
Utilisable tax loss	19	0	-12 284
Unrealised profit on the sale of reserves within the Group	19	-22 720	-28 913
Unrealised profit on the sale of tangible FA within the Group	19	-281 195	-295 467
Other	10	26 324	27 038
Total temporary differences		7 973 739	7 564 536
Deferred tax liability		1 497 856	1 418 125

(CZK THOUSAND)

Analysis of movements	
1 Jan 2014	1 303 055
Current changes charged to the profit and loss account	125 349
Current changes charged to equity	-4 915
Charge against positive goodwill on consolidation	-5 364
31 Dec 2014	1 418 125
Current changes charged to the profit and loss account	83 572
Current changes charged to equity	-3 850
Charge against positive goodwill on consolidation	9
31 Dec 2015	1 497 856

6.14.2. Deferred Tax Asset

(CZK THOUSAND)

	Tax rate (%)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Difference between the tax and accounting net book value of fixed assets	19	-109	-6 832
Accounting reserves	19	210	6 398
Provisions	19	0	3 669
Expenses deductible for tax purposes in the following years	19	0	3 246
Unrealised profit on the sale of inventory and assets within the Group	19	311 626	373 068
Total temporary differences		311 727	379 547
Deferred tax asset		59 228	72 114

(CZK THOUSAND)

Analysis of movements	
1 Jan 2014	49 321
Current changes charged to the profit and loss account	22 816
Current changes charged to equity	-23
31 Dec 2014	72 114
Current changes charged to the profit and loss account	-12 886
31 Dec 2015	59 228

6.15. BANK LOANS AND BORROWINGS**Long-Term Bank Loans**

(CZK THOUSAND)

Type of loan	Currency	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Form of collateral at 31 Dec 2015
Investment loan	CZK	63 140	189 460	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	EUR	112 376	141 891	Hermes guarantee insurer
Investment loan	CZK	120 000	180 000	Securities, promissory bill of exchange
Investment loan	EUR	164 733	199 727	ODL guarantee insurer
Investment loan	CZK	442 105	694 737	Immovable and movable assets, securities, promissory bill of exchange
Investment loan	CZK	360 000	413 644	Immovable and movable assets, promissory bill of exchange
Investment loan	CZK	180 000	0	Immovable and movable assets, receivables from insurance, promissory bill of exchange
Tem loan	CZK	0	99 073	Receivables, pledge of real estate including its parts and accessories
Investment loan	EUR	1 955	5 441	Pledge of real estate
Investment loan	EUR	2 861	5 871	Pledge of real estate
Investment loan	CZK	75 000	112 500	Blank bill of exchange, pledge of movable assets
Investment loan	CZK	0	4 695	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets, pledge of trade receivables
Investment loan	EUR	3 054	6 258	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Investment loan	CZK	2 000	6 000	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Investment loan	EUR	0	4 436	KPH 600 machine, KLM measurement system
Investment loan	EUR	2 000	9 371	Collateral by tangible assets
Investment loan	EUR	4 905	8 387	
Investment loan	PLN	30 068	0	Collateral by tangible assets (machines, equipment)
Investment loan	CZK	920	5 622	
Investment loan	CZK	0	474	Pledge of financed asset
Investment loan	EUR	721	0	Pledge of financed asset
Total		1 565 838	2 087 587	

Short-Term Bank Loans

(CZK THOUSAND)

Type of loan	Currency	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Form of collateral at 31 Dec 2015
Investment loan	EUR	17 288	8 868	Hermes guarantee insurer
Overdraft	CZK	0	486	Blank bill of exchange
Overdraft	CZK	0	20 359	Blank bill of exchange
Overdraft	CZK	0	20 035	Blank bill of exchange
Overdraft	CZK	0	22 929	Blank bill of exchange
Overdraft	CZK	0	20 000	No collateral
Investment loan	CZK	126 320	242 100	Immovable and movable assets, securities, bill of exchange
Investment loan	EUR	0	2 080	KEH8, KER8 line
Investment loan	EUR	4 324	6 654	KPH 600 machine, KLM measurement system
Investment loan	EUR	7 135	7 319	Collateral by tangible assets
Investment loan	EUR	3 270	1 677	
Overdraft	PLN	13 554	40 760	Pledge
Overdraft	PLN	0	49 637	Pledge
Overdraft	PLN	35 337	0	Pledge – machines, equipment, receivables
Investment loan	EUR	3 349	3 436	Pledge of real estate
Term loan (special purpose)	CZK	0	56 613	Assets and receivables
Revolving loan	CZK	0	160 000	Assets and receivables
Revolving loan	EUR	162 150	277 250	Assets and receivables
Overdraft	CZK	0	20 142	Promissory blank bill of exchange
Investment loan	EUR	29 952	30 727	ODL guarantee insurer
Investment loan	CZK	60 000	60 000	Securities, promissory blank bill of exchange
Investment loan	CZK	252 632	252 632	Immovable and movable assets, securities, receivables from insurance, promissory bill of exchange
Investment loan	CZK	120 000	120 000	Immovable and movable assets, promissory bill of exchange
Investment loan	CZK	60 000	0	Immovable and movable assets, receivables from insurance, promissory bill of exchange
Investment loan	EUR	2 862	2 936	Pledge of real estate
Overdraft	CZK	6 500	0	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets
Overdraft	CZK	2 397	0	Blank bill of exchange, pledge of real estate
Investment loan	CZK	4 687	4 680	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets, pledge of trade receivables
Investment loan	EUR	3 053	3 139	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets
Investment loan	CZK	4 000	4 000	Pledge of immovable and movable assets, pledged receivables from insurance of immovable and movable assets
Operating overdraft	CZK	113 232	98 461	Promissory blank bill of exchange
Investment loan	CZK	37 500	37 500	Pledge of movable assets, promissory bill of exchange
Investment loan	PLN	5 011	0	Pledge of movable assets (machines, equipment)
Overdraft	CZK	14	49 972	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Operating loan	CZK	25 000	50 000	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Operating loan	CZK	25 000	50 000	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Operating loan	CZK	25 000	50 000	Pledge of receivables, blank bill of exchange issued by MORAVIA STEEL a.s.
Investment loan	CZK	537	0	Pledge of real estate
Overdraft	CZK	25 962	23 280	Pledge of real estate, bill of exchange
Operating loan	CZK	0	11 364	Pledge of real estate
Investment loan	CZK	0	6 929	Pledge of financed asset
Investment loan	CZK	0	243	Pledge of financed asset
Overdraft	CZK	0	33 353	Pledge of real estate, bill of exchange, cession of receivables
Operating loan	CZK	130 000	150 000	Pledge of real estate
Investment loan	EUR	689	0	Pledge of financed asset
Total		1 306 755	1 999 561	

Short-Term Financial Borrowings

(CZK THOUSAND)

Purpose	Currency	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Provider
Short-term	EUR	27 106	0	Slovenská plavba a prístavy a.s.
Short-term	CZK	75	0	ANGLONA s.r.o.
Short-term	PLN	89	85	BNP PARIBAS Bank Polska SA
Short-term	EUR	5 642	0	ANGLONA s.r.o.
Total		32 912	85	

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 Dec 2013	85 378	2 658	16 573	14	346 646	45 567	496 836
Distribution of profit/loss	0	0	556	0	23 683	-24 239	0
Dividends	0	0	0	0	0	-21 328	-21 328
Purchase of a minority share by the majority owner	-980	2 885	-196	0	-103 987	-3 937	-106 215
Revaluation of assets and liabilities	0	-198	0	0	0	0	-198
Profit for the period	0	0	0	0	0	28 202	28 202
Other	0	0	0	-14	-1	0	-15
31 Dec 2014	84 398	5 345	16 933	0	266 341	24 265	397 282
Distribution of profit/loss	0	0	367	0	5 350	-5 717	0
Dividends	0	0	0	0	0	-18 548	-18 548
Share capital increase	1 056	0	0	0	0	0	1 056
Revaluation of assets and liabilities	0	-1 787	0	0	0	0	-1 787
Profit for the period	0	0	0	0	0	22 879	22 879
31 Dec 2015	85 454	3 558	17 300	0	271 691	22 879	400 882

6.17. OTHER OFF-BALANCE SHEET LIABILITIES

MORAVIA STEEL a.s.

As of 31 December 2015, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2015, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 254,929 thousand.

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

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

With respect to this case, the court ordered legal proceedings in 2015 which were adjourned for an indefinite period of time.

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

The legal dispute is in the phase of first-instance procedures and preparation of the first verbal proceedings where the parties are presenting their written statements on the case to the court. As a next step, replies of defendants shall be presented to the court. Legal proceedings in this matter have not yet commenced.

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

The consolidated financial statements of MORAVIA STEEL a.s. include no adjustments in respect of the legal dispute referred to above.

Moravia Steel Deutschland GmbH

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

TŘINECKÉ ŽELEZÁRNY, a. s.

Provided Guarantees

31 December 2015

	Total amount	Balance at 31 Dec 2015
Guarantees		
- to other entities	EUR 2 902 thousand	CZK 78 429 thousand
	CZK 4 000 thousand	CZK 4 000 thousand

31 December 2014

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

Legal Disputes

The proceedings related to the petition of a shareholder, Marek Veselý, regarding the invalidity of the resolution passed at the Company's ordinary general meeting held on 30 June 2010 were discontinued based on the ruling passed by the Regional Court in Ostrava. The ruling was passed subsequent to the shareholder's filing presented during the hearing before the Court on 28 April 2015, based on which the shareholder revoked his petition to declare the resolution of the ordinary general meeting invalid. The matter was effectively concluded on 21 May 2015.

The legal action filed by the ADMINISTRATIVNÍ CENTRUM TSP civic association against the Company regarding the surrender of the proceeds of the auction of shares in the certificate form of the issuer, TŘINECKÉ ŽELEZÁRNY, a. s., held on 17 December 2009, in the amount of CZK 9,005 thousand with accrued interest. The proceedings in this matter commenced at the Regional Court in Ostrava through the filing of the legal action against the Company on 14 December 2012. The Company has not yet been summoned by the Court regarding this case or called on to undertake any procedural act. The substance of the legal dispute does not involve determining the amount of the Company's liability, ie to pay the amount of CZK 9,005 thousand, but determining whether the creditor under this liability is the plaintiff or whether the former shareholders of the Company are the creditors. The Company has contacted the plaintiff with the objective of initiating negotiations on amicable settlement of the dispute; however, no agreement has been reached so far.

The petition of Aleš Hodina and Bohumil Hála for declaring the resolution of the extraordinary general meeting of the Company held on 31 July 2013 invalid. The resolution of the Regional Court in Ostrava dated 15 April 2014 rejected the petition. Based on the resolution passed by the Head Court in Olomouc of 11 February 2015, the ruling of the Regional Court in Ostrava on rejecting the petition was confirmed. According to the ejustice information system, the case was effectively concluded on 26 February 2015.

Requests of certain former shareholders of the Company for reviewing the adequacy of the payments that belong to former shareholders according to the resolution of the extraordinary general meeting of the Company held on 31 July 2013, on the transfer

of the shares of the Company owned by other shareholders to MORAVIA STEEL, a.s., as the majority shareholder, were filed at the Regional Court in Ostrava. In these requests, the Company was referred to as another participant in the proceedings.

On 14 and 15 October 2010, a trial before the Regional Court in Ostrava took place in terms of the matter named above. Principally, evidence was produced in the form of the reading of expert appraisals and hearing of experts. Further expert substantiation of facts is ongoing.

Environmental Liabilities

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

As of 31 December 2015 and 2014, the Company drew CZK 519,227 thousand and CZK 506,646 thousand, respectively.

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

ENERGETIKA TŘINEC, a.s.

Collateral for loans

(CZK THOUSAND)

Type of liability	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Blank bills of exchange – collateral for overdraft loans	250 000	200 000
Blank bills of exchange – collateral for long-term loans	150 000	150 000
Total	400 000	350 000

VÚHŽ a.s.

Provided Guarantees

VÚHŽ, a.s. concluded a contract for the provision of bank guarantees with the maximum credit facility of CZK 30,000 thousand with Citibank Europe plc which is collateralised by a blank bill of exchange and pledge of real estate. As of 31 December 2015 and 2014, provided guarantees amount to CZK 590 thousand and CZK 1,477 thousand, respectively. This is a bank guarantee to customers of the company provided over the warranty period.

Easements

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

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

ŽDB DRÁTOVNA a.s.

Environmental Liabilities

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

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

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

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

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

Šroubárna Kyjov, spol. s r.o.

Šroubárna Kyjov, spol. s r.o. stores material of another firm amounting to CZK 2,765 thousand in its warehouse.

HŽP, a.s.

As of the consolidated balance sheet date, HŽP, a.s. records future payables arising from capital costs resulting from concluded contracts of CZK 6,434 thousand (CZK 5,281 thousand and EUR 43 thousand).

Environmental Liabilities

In April 2014, a recertification audit Bureau Veritas Certification according to the ISO 14001 standard was performed. During the audit, no defects were found and it was confirmed that the environmental management system of the company complies with the requirements of the ISO 14001:2004 standard in the field of certification, ie draft, development and manufacturing of screw, leaf and parabolic springs. The authorisation is valid until 13 May 2017.

Strojírny a stavby Třinec, a.s.

Legal disputes

As of 31 December 2015, Strojírny a stavby Třinec a.s. participates in the following disputes:

- Collection of a trade receivable;
- Collection of a receivable as a claim for compensation of damage of the Company's assets; and
- Claims for compensation in relation to an industrial accident.

Environmental Liabilities

As of 31 December 2015, there is no environmental management audit of Strojírny a stavby Třinec, a.s. Therefore, the management of Strojírny a stavby Třinec, a.s. can estimate neither possible future liabilities related to damages caused by previous activities nor liabilities related to the prevention of possible future damages. However, the management of the company believes that these liabilities are insignificant.

"D&D" Drótaru Zrt., SV servisní, s.r.o., Řetězárna a.s., REFRASIL, s.r.o., "METALURGIA" S.A., Strojírny a stavby Třinec, a.s., Slé-várny Třinec, a.s., VESUVIUS ČESKÁ REPUBLIKA, a.s., Beskydská golfová a.s., MORAVIA STEEL ITALIA S.R.L., Moravskoslezský kovošrot a.s., M Steel Projects a. s., M Steel Projects s.r.o., NEOMET Sp.z o.o., Barrandov Studio a.s., MORAVIA STEEL UK LIMITED, MSPProjects International s.r.o., Kovárna VIVA a.s., Moravia Steel Middle East FZCO, MS – Slovensko s.r.o., MSP International AZ, Moravia Mining Plc and Hotel Golf Ropice a.s. have no off-balance sheet or contingent liabilities.

7. ADDITIONAL INFORMATION OF THE PROFIT AND LOSS ACCOUNT

7.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

2015 (CZK THOUSAND)

Activities	Inland	Cross-Border	Total
Metallurgic production	12 965 358	29 442 199	42 407 557
Other production	1 686 153	2 128 913	3 815 066
Sale of goods	55 480	99 973	155 453
Services	2 078 592	250 117	2 328 709
Change in inventory	129 482	-39 357	90 125
Own work capitalised	778 777	1 481	780 258
Total	17 693 842	31 883 326	49 577 168

2014 (CZK THOUSAND)

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

7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 126,516 thousand and CZK 119,662 thousand as of 31 December 2015 and 2014, respectively.

Other operating income as of 31 December 2015 and 2014 predominantly included the use of the grant for greenhouse gas emission allowances in the amounts of CZK 661,713 thousand and CZK 893,730 thousand, respectively.

Other operating expenses as of 31 December 2015 and 2014 predominantly included the use of greenhouse gas emission allowances in the amounts of CZK 875,187 thousand and CZK 993,933 thousand, respectively.

Other financial income and expenses in the years ended 31 December 2015 and 2014 predominantly included foreign exchange rate gains and losses.

7.3. GRANTS

In 2015, TŘINECKÉ ŽELEZÁRNY, a. s. used a grant for the acquisition of environmental investments of CZK 887,539 thousand (out of which CZK 887,175 thousand for the purchase of tangible fixed assets and CZK 364 thousand for the purchase of intangible fixed assets). In 2014, the company used a grant for the acquisition of environmental investments of CZK 1,229,909 thousand (for the purchase of tangible fixed assets).

In 2015, ENERGETIKA TŘINEC, a.s. received a grant for environmental investments of CZK 34,432 thousand (2014: CZK 219,000 thousand).

In 2015, Slévárny Třinec, a.s. received a grant for an investment of CZK 159,444 thousand (2014: CZK 50,481 thousand).

In 2015, VÚHŽ a.s. received a grant for an investment of CZK 6,458 thousand. For this grant, the company purchased a 5 axis CNC milling machine and a 3D measurement device.

Other grants for operating purposes of CZK 25,602 thousand drawn for 2015 (2014: CZK 22,103 thousand) include subsidies for research and development, environmental projects, education and subsidies from the labour office. Other grants additionally include grants for co-recipients of CZK 3,010 thousand and CZK 1,152 thousand in 2015 and 2014, respectively.

7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

(CZK THOUSAND)

	31 Dec 2015	31 Dec 2014
Research and development expenditure (net of grants)	59 843	81 088

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.

2015

(CZK THOUSAND)

Entity	Relation to the company	Goods and Products	Services	Other income	Financial income	Total
Reťaze Slovakia s.r.o.	Controlled entity	21 983	18	0	0	22 001
JuBo Jeseník s.r.o.	Controlled entity	6 267	6	0	0	6 273
Doprava TŽ, a.s.	Controlled entity	24 186	4 569	11	0	28 766
TRIALFA, s.r.o.	Controlled entity	24 826	4 019	139	0	28 984
TRÍNECKÁ PROJEKCE, a.s.	Controlled entity	400	689	1	0	1 090
Třínecké gastroslužby, s.r.o.	Controlled entity	4 020	7 213	625	7	11 865
Security Morava, s.r.o.	Controlled entity	0	52	0	0	52
TRISIA, a.s.	Controlled entity	37	168	0	0	205
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	8 761	21 892	141	0	30 794
Moravia Security, a.s.	Controlled entity	187	2 790	0	0	2 977
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	73	449	0	0	522
"ZAMECZEK BŁOGOCICE" Sp. Z o.o.	Controlled entity	0	1	0	0	1
DALSELV DESIGN a.s.	Controlled entity	11 187	0	0	0	11 187
MORAVIA STEEL SLOVENIJA d.o.o.	Controlled entity	3 564	0	0	0	3 564
Kovárna VIVA a.s.	Associate	357 692	1 391	336	0	359 419
AHP HYDRAULIKA, a.s.	Associate	1 025	0	0	0	1 025
Barrandov Productions, s.r.o.	Controlled entity	0	0	150	0	150
FILMOVÁ NADACE	Controlled entity	0	0	3	0	3
Minerfin a.s.	Group entity	4 793	805	0	0	5 598
Barrandov Studios Productions.r.o.	Controlled entity	0	3	20 400	0	20 403
Total		469 001	44 067	21 806	7	534 881

2014

(CZK THOUSAND)

Entity	Relation to the company	Goods and Products	Services	Other income	Financial income	Total
Reťaze Slovakia s.r.o.	Controlled entity	19 743	10	0	1 756	21 509
Doprava TŽ, a.s.	Controlled entity	22 050	4 961	45	0	27 056
TRIALFA, s.r.o.	Controlled entity	26 133	4 047	1 515	0	31 695
TRÍNECKÁ PROJEKCE, a.s.	Controlled entity	387	749	1	0	1 137
Třínecké gastroslužby, s.r.o.	Controlled entity	3 307	8 114	1 379	0	12 800
Steel Consortium Partners, a.s. "in liquidation"	Controlled entity	0	72	0	0	72
Security Morava, s.r.o.	Controlled entity	0	40	0	0	40
TRISIA, a.s.	Controlled entity	4	173	852	0	1 029
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	8 820	24 029	147	0	32 996
Moravia Security, a.s.	Controlled entity	200	2 751	20	0	2 971
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	463	183	0	646
MORAVIA STEEL SLOVENIJA d.o.o.	Controlled entity	33	0	0	0	33
Kovárna VIVA a.s.	Associate	404 304	2 395	420	0	407 119
AHP HYDRAULIKA, a.s.	Associate	787	0	0	0	787
Moravia Steel Ibéria, s.a.	Controlled entity	0	17	0	0	17
FINITRADING, a.s.	Controlling entity	0	0	401	0	401
Barrandov Productions, s.r.o.	Controlled entity	0	297	1	0	298
FILMOVÁ NADACE*	Controlled entity	0	8	0	0	8
Total		485 768	48 126	4 964	1 756	540 614

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

7.5.2. Costs Incurred with Related Parties

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

2015

(CZK THOUSAND)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Reťaze Slovakia, s.r.o.	Controlled entity	0	552	727	0	1 279
JuBo Jeseník s.r.o.	Controlled entity	0	102	0	0	102
Doprava TŽ, a.s.	Controlled entity	46	27 620	72 851	101	100 618
TRIALFA, s.r.o.	Controlled entity	0	7 881	23 329	70 577	101 787
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	30 741	0	11 124	0	41 865
Třinecké gastroslužby, s.r.o.	Controlled entity	0	17 788	18 620	90 235	126 643
Hutnictví železa, a.s.	Associate	0	0	5 427	116	5 543
TRISIA, a.s.	Controlled entity	0	54	14 700	373	15 127
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	119 079	80 553	1	199 633
Moravia Security, a.s.	Controlled entity	2 616	131	83 303	1 028	87 078
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	3 248	36	6 811	0	10 095
"ZAMECZEK BŁOGOCICE" Sp. z o.o.	Controlled entity	0	0	1 313	0	1 313
HRAT, s.r.o.	Associate	16	0	120	0	136
DALSELV DESIGN a.s.	Controlled entity	91 492	293	2 663	0	94 448
Security Morava, s.r.o.	Controlled entity	0	0	10 911	0	10 911
Kovárna VIVA a.s.	Associate	0	271	0	0	271
Moravia Steel Ibéria, s.a.	Controlled entity	0	0	14 125	0	14 125
Moravia Steel Slovenija, d.o.o.	Controlled entity	0	0	12 401	0	12 401
FINITRADING, a.s.	Controlling entity	0	2 067 380	286	0	2 067 666
MORAVIA STEEL MIDDLE EAST.FZCO	Associate	0	88 178	0	0	88 178
Minerfin a.s.	Group entity	0	510 094	0	19	510 113
Barrandov Studios Productions.r.o.	Controlled entity	0	0	25 077	0	25 077
Total		128 159	2 839 429	384 341	162 450	3 514 379

2014

(CZK THOUSAND)

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

8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

8.1.1. Staff Costs and Number of Employees for 2015

The number of the Company's employees as of 31 December 2015 was 12,847, of which 109 managers. The number of the Company's employees as of 31 December 2014 was 12,634, of which 119 managers.

The staff costs of employees in the year ended 31 December 2015 amounted to CZK 6,614,121 thousand and staff costs of managers amounted to CZK 437,712 thousand. The staff costs of employees in the year ended 31 December 2014 amounted to CZK 6,383,486 thousand and staff costs of managers amounted to CZK 454,060 thousand. The remuneration to members of the Supervisory Board in the years ended 31 December 2015 and 2014 amounted to CZK 120,111 thousand and CZK 113,458 thousand, respectively. The remuneration to members of the Audit Committee in the years ended 31 December 2015 and 2014 amounted to CZK 720 thousand and CZK 720 thousand, respectively.

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

8.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

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

(CZK THOUSAND)

	2015	2014
Use of management cars (the figure increases the tax base of employees)	7 949	8 517
Contribution for life insurance	3 092	3 177
Liability insurance	2 013	6 829

9. POST BALANCE SHEET EVENTS

No events occurred subsequent to the consolidated balance sheet date that would have a material impact on the consolidated financial statements as of 31 December 2015.



REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2015

MORAVIA STEEL a.s., with its registered office at Průmyslová 1000, Staré Město, 739 61, Třinec, corporate ID: 63474808, recorded in the Register of Companies maintained at the Regional Court in Ostrava, Section B, File 1297, (hereinafter the “Company”) was the controlled entity in the below defined reporting period in accordance with Section 74 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Act on Business Corporations). For this reason, it is obliged to prepare a report on relations between the controlling entity and the controlled entity and entities controlled by the same controlling entity (hereinafter the “Report on Related Party Transactions”) in accordance with Section 82 of the Act on Business Corporations.

This report on related party transactions has been prepared for the **reporting period from 1 January 2015 to 31 December 2015** (hereinafter the “reporting period”).

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

A. CONTROLLING ENTITY

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

Relation: Throughout the reporting period, FINITRADING, a.s., as the sole shareholder, pursuant to Sections 73 (1) and 74 (3) of the Act on Business Corporations, acted as the Controlling Entity towards the Company. As the majority shareholder holding a 100% share in the share capital and voting rights, it controlled the Company by making decisions of the sole owner acting in the capacity of the General Meeting and, thus, the Company was subject to its direct control.

Throughout the reporting period, the shareholder of FINITRADING, a.s. was MINERFIN, a.s., with its registered office at Námestie Ľudovíta Štúra 2, Bratislava 811 02, Slovakia, corporate ID: 31401333, holding a 48.57% share in the share capital and voting rights. MINERFIN, a.s., has the presumed legal status of the controlling entity towards FINITRADING a.s. under Section 75 (2) of the Act on Business Corporations; however, MINERFIN, a.s. did not effectively exercise its direct or indirect controlling influence on the management of FINITRADING, a.s., or the management of MORAVIA STEEL a.s.

B. ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

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

Relation: entity controlled by FINITRADING, a.s., as the sole shareholder pursuant to Sections 73 and 74 (3) of the Act on Business Corporations, holding a 100% share in the share capital and voting rights; subsidiary of the controlling entity. The company was placed into liquidation on 1 January 2016.

C. ENTITIES CONTROLLED BY THE COMPANY

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

Relation: subsidiary of the Company

MORAVIA STEEL IBÉRIA, S.A. with its registered office at Campo Grande, 35 - 9. A, P-1700 Lisboa, Portugal, (99.23% share)

Relation: subsidiary of the Company

MORAVIA GOEL TRADE d.o.o. "in liquidation" with its registered office at Josipa Jelačica 205, 104 30 Samobor, Croatia (60% share)

Relation: subsidiary of the Company

MORAVIA STEEL ITALIA s.r.l. with its registered office at via Niccolini 26, 20154 Milan, Italy (66% share)

Relation: subsidiary of the Company

MORAVIA STEEL SLOVENIJA d.o.o. with its registered office at Valvazorjeva 14, 3000 Celje, Slovenia (51% share)

Relation: subsidiary of the Company

Moravia Steel Deutschland GmbH with its registered office at Cliev 19, 51515 Kürten-Herweg, Germany (100% share)

Relation: subsidiary of the Company

MORAVIA STEEL UK LIMITED with its registered office at 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, UK (100% share)

Relation: subsidiary of the Company

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

Relation: subsidiary of the Company

MS – Slovensko s.r.o. with its registered office at Námestie Ľudovíta Štúra 2, Bratislava 811 02, Slovakia, corporate ID: 35900601, (100% share)

Relation: subsidiary of the Company

MORAVIA STEEL ISRAEL Ltd. with its registered office at 23 Efal St., Petach Tikva 49 511, P.O.B. 3286, Israel (100% share)

Relation: subsidiary of the Company

Beskydská golfová, a.s. with its registered office at Ropice 415, 739 56, corporate ID 25352920 (100% share)

Relation: subsidiary of the Company

M Steel Projects a.s., with its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, corporate ID: 286 02 331 (100% share)

Relation: subsidiary of the Company

Moravskoslezský kovošrot, a.s., with its registered office at Ostrava - Přívoz, Božkova 936/73, 702 00, corporate ID 26855097 (100% share)

Relation: subsidiary of the Company

Moravia Steel Middle East FZCO, with its registered office at Jebel Ali Free Zone, Jafza 17, office # 325, P.O.B.: 263224 Dubai, U.A.E. (40% share)

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

„NEOMET“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, with its registered office at ŚWIĘTEJ ROZALII 10/12, 97-500 Radomsko, Poland (100% share)

Relation: subsidiary of the Company

MORAVIA MINING PLC, with its registered office at Addis Ababa, Bole 03, 5/001 – 405 A, Ethiopia (76% share)

Relation: subsidiary of the Company since 11 September 2015

Furthermore, the Company has a 50% share in Kovárna VIVA a.s., with its registered office at Vavrečkova 5333, 760 01 Zlín, corporate ID 46978496. However, in this company, the Company is not in the position of a controlling entity.

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

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

In the reporting period, the Company was directly controlled by FINITRADING, a.s., which controlled the Company as the sole owner, by making decisions of the sole owner acting in the capacity of the general meeting.

II. DESCRIPTION OF RELATIONS

A. LIST OF MUTUAL CONTRACTS BETWEEN THE COMPANY AND THE CONTROLLING ENTITY - FINITRADING, A.S. AND DESCRIPTION OF RELATIONS OF THE COMPANY TO THE CONTROLLING ENTITY

A. 1. Sales

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

A. 2. Purchases

A. 2.1. Purchase of Zaporizhia aglo-ore

From 1 January 2015 to 31 January 2015, supplies of Zaporizhia aglo-ore were realised under Amendment 4 as of 31 December 2014 to Purchase Contract No. S-140003 of 30 January 2014. On 30 January 2015, the Company concluded Purchase Contract No. S-150003 with FINITRADING, a.s., for the period from 1 February 2015 to 31 January 2016, the subject matter of which is the controlling entity's obligation to provide supplies of Zaporizhia aglo-ore for the Company. During 2015, the purchase prices were regulated by Amendment 1 of 30 March 2015, Amendment 2 of 30 June 2015, Amendment 3 of 30 September 2015 and Amendment 4 of 30 December 2015.

A. 2.2. Purchase of Krivbas aglo-ore

From 1 January 2015 to 31 January 2015, the supplies of Krivbas aglo-ore were realised on the basis of Amendment 4 of 31 December 2014 to Purchase Contract No. S-140004 of 30 January 2014. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-150004 on 30 January 2015 for the period from 1 February 2015 to 31 January 2016, the subject matter of which is the obligation of the controlling entity to provide supplies of Krivbas aglo-ore for the Company.

During 2015, the purchase prices were regulated by Amendment 1 of 30 March 2015, Amendment 2 of 30 June 2015, Amendment 3 of 30 September 2015 and Amendment 4 of 30 December 2015.

A. 2.3. Purchase of Iron Ore Concentrate

On 12 October 2015, the Company concluded Purchase Contract No. S-150007 with FINITRADING, a.s., based on which the controlling entity undertook to provide the Company with the supply of 2,000 tonnes of iron ore powder mixture in the period from 1 October 2015 to 30 November 2015.

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

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

A.4. Assessment of Detriment

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

B. LIST OF MUTUAL CONTRACTS OF THE COMPANY AND R.F.G., A.S. (THE ENTITY CONTROLLED BY THE SAME CONTROLLING ENTITY) AND THE DESCRIPTION OF RELATIONS OF THE COMPANY TO THIS ENTITY

B. 1. List of Mutual Contracts

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

B. 2. List of Acts at the Initiative or in the Interest of the Controlling Entity

In the reporting period, the Company recorded no acts at the initiative or in the interest of R.F.G., a.s. under Section 82 (2) d) of the Act on Business Corporations.

B. 3. Assessment of Detriment

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

III. ASSESSMENT OF RELATIONS BETWEEN ENTITIES IN THE BUSINESS GROUP ACCORDING TO SECTION 82 (4) OF THE ACT ON BUSINESS CORPORATIONS

In the Report on Related Party Transactions, the Company described in detail the relations between entities forming the group. In addition, it assessed whether the Company as the Controlled Entity in these relations and legal acts had incurred detriment from these relations and legal acts in accordance with Section 82 (2) f) of the Act on Business Corporations, and concluded that it had not incurred any detriment. The Company is a part of a significant and economically strong group, which has a positive impact on its position and business activities. It is possible to conclude that the Company's participation in the above group results only in significant advantages, also in the future, and the Company is not aware of any significant risks arising from the participation in the above group.

In Třinec on 8 March 2016

Board of Directors of MORAVIA STEEL a.s.



Petr Popelář
Chairman of the Board of Directors



Krzysztof Ruciński
Vice-Chairman of the Board of Directors