

**ANNUAL  
REPORT 2012**



**TŘINECKÉ ŽELEZÁRNY**

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# I. COMPANY PROFILE



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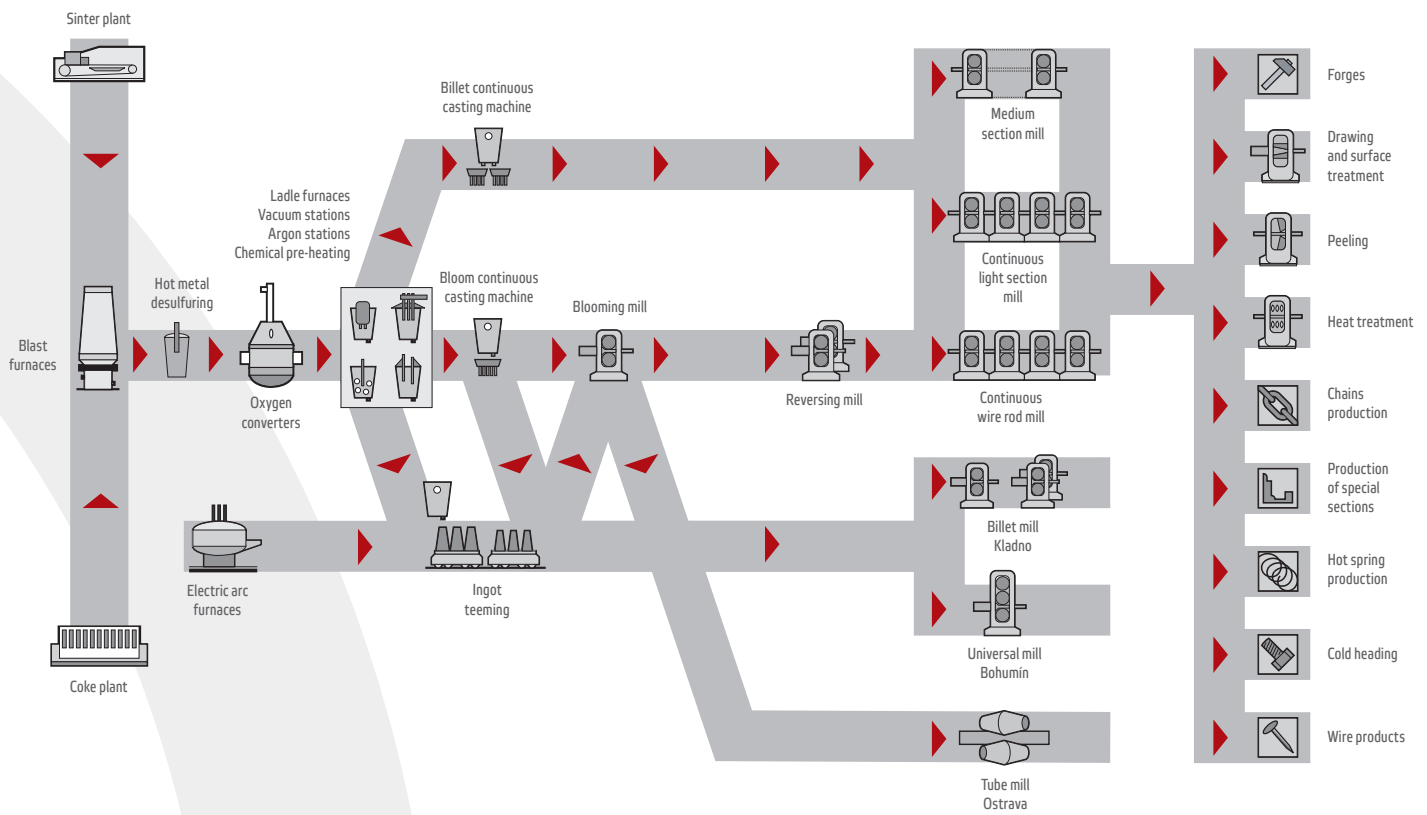
TŘINECKÉ ŽELEZÁRNY, a. s. is a successor of a long tradition of steelmaking in Těšín Silesia. The Třinec Iron and Steel Works was established by the Chamber of Těšín of the archduke Karl von Hapsburg in 1839. At present, TŘINECKÉ ŽELEZÁRNY, a. s. is the largest Czech steel company with local capital and the most significant subsidiary of MORAVIA STEEL a.s. These two companies together create one of the most considerable industrial groups in the Czech Republic. The strategy of TŘINECKÉ ŽELEZÁRNY, a. s. is a dynamic increase in the growth of the share of long products with higher added value and its control within the up- and downstream product chains. A gradual diversification of the product portfolio increases our resistance to market volatility.

TŘINECKÉ ŽELEZÁRNY, a. s. produces approximately 2.5 million tonnes of steel annually in an integrated metallurgical cycle. This represents almost a half of the current total production of steel in the Czech Republic. The main product portfolio consists of long rolled products – wire rod, sections, special bar steel, drawn steel, rails, wide steel, seamless tubes and semis. Additional products include coke and by-products resulting from production, further artificial compact aggregates and granulated slag.

Our production plants comprise the comprehensive cycle from coke production to the final hot rolled steel product. The coke-chemical production plant includes two coke-oven batteries. Produced coke is used in the own blast furnaces together with the sinter charge prepared in two sinter plants. Produced pig iron is further processed in the BOF converter plant, which is equipped with complete ladle metallurgy and two machines for the continuous casting of blooms and billets. Steel is also produced in the EAF steel plant. Blooms, billets and ingots from steel plants form a charge for the rolling mill plants in Třinec – a rolling mill of blooms and heavy profiles, medium section mill, rolling mill of wire rod and light sections – as well as for the tube mill in Ostrava and for the universal strip rolling mill in Bohumín. The semis are delivered for further processing to Sochorová válcovna TŽ, a.s. located in Kladno. The accompanying products resulting from metallurgical production are processed into artificial normal weight aggregate and further construction material at the secondary raw material plant.



**Material flows and technology**



## COMPANY PROFILE

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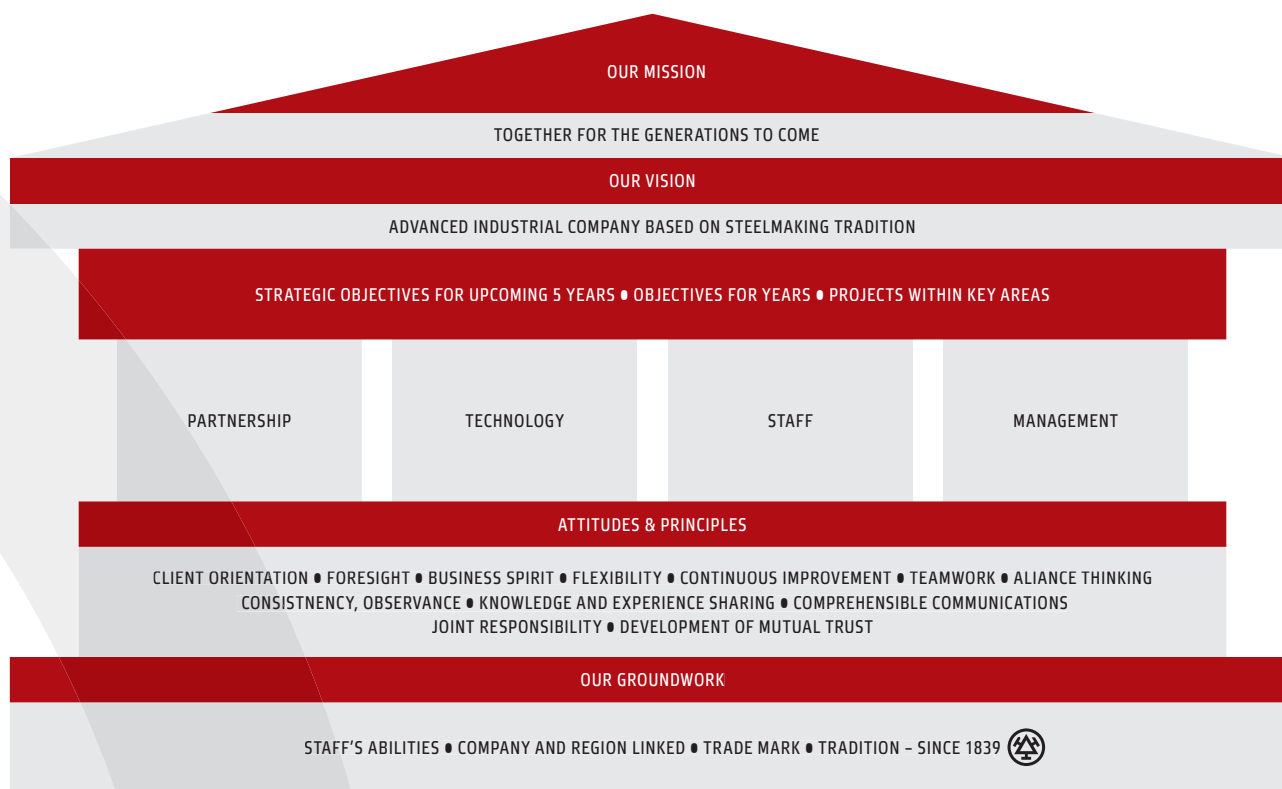


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ŽELEZÁRNY, a. s. has a capital share in 29 companies and is the only owner or holds a majority stake in 22 companies. The latest acquisitions are the following companies: ŽDB DRÁTOVNA a.s. in Bohumín and DALSELV DESIGN a.s. in Ostrava. ŽDB DRÁTOVNA a.s. has further enlarged the group production chain of wire rods as it processes Třinec wire rods. Its production plants make unpatented wire rods for the production of fasteners, welding and bright wires, and its drawing mill makes patented wire rods for rope production, spring and brush wires, wire rods for the production of steel tyre cords and pressure hoses. The rope plant produces ropes for the mining and fishing industries, along with binding and special ropes, and ropes for cableways. The spring and wire products plant aims at the production of comprehension, torsion and shaped springs, and at the production of metal fabrics, needles, and lead cables. DALSELV DESIGN a.s. specialises in the field of reconstruction and modernisation of coke-oven batteries and provides complete services ie project, production and design documentation, production itself and the supervision of constructions.

The production facilities included in the Group are located in Třinec, Kladno, Staré Město u Uherského Hradiště, Bohumín, Česká Ves u Jeseníku, Ostrava, Dobrá u Frýdku-Místku, Kyjov, Radomsko (Poland), and Miskolc (Hungary).

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



The corporate mission of TŘINECKÉ ŽELEZÁRNY, a.s. “Together for the Generations to Come” highlights the role of a historically-dominant industrial company that influences a region with approximately 100,000 citizens. Responsibility for the further development of the surrounding region is included in the corporate mission.

# II. SELECTED ECONOMIC INDICATORS 2008–2012



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Indicator	Unit	2008	2009	2010	2011	2012
Pig iron production	kt	1 983	1 810	2 043	2 029	2 005
Crude steel production	kt	2 448	2 213	2 498	2 480	2 493
Of which continuous castings	kt	2 296	2 137	2 370	2 360	2 389
Sales of rolled products including steel	kt	2 301	2 088	2 338	2 302	2 332
Total revenues	CZK mil.	40 308	25 627	34 672	41 327	38 425
Income from sales of products, goods and services	CZK mil.	37 095	24 316	32 459	38 897	37 111
Export share	%	52.1	56.1	55.8	56.7	56.9
Total costs excluding income tax	CZK mil.	38 791	26 581	35 581	39 641	37 421
Net profit or loss	CZK mil.	1 204	-732	-632	1 377	793
Consolidated profit or loss	CZK mil.	1 408	-1 006	-1 047	1 376	1 055
Net total assets	CZK mil.	24 724	23 037	25 458	26 914	26 967
Tangible fixed assets	CZK mil.	24 409	24 690	26 940	27 816	28 388
Adjustments	CZK mil.	15 163	15 854	16 717	17 639	18 370
Equity	CZK mil.	19 214	18 483	18 111	19 361	20 155
Capital investments	CZK mil.	1 010	613	1 307	545	744
Other capital including other liabilities	CZK mil.	5 509	4 554	7 347	7 552	6 812
Employees (average adjusted total)	persons	5 539	5 319	5 905	5 943	5 962
Average monthly wage	CZK/person	27 402	24 213	24 201	27 402	27 500







# III. SUPERVISORY BOARD AND BOARD OF DIRECTORS



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Tomáš Chrenek



Ján Moder



Evžen Balko



Pablo Alarcón Espinoza



Jozef Blaško



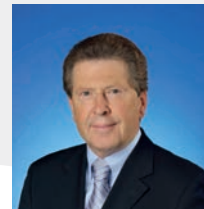
Jiří Cieńcála



Vladislav Heczko



František Ligocki



Hanns Kurt Zöllner



Jan Czudek



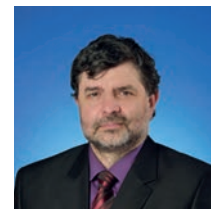
Česlav Marek



Petr Popelář



Henryk Huczala



Ivo Žižka

**Supervisory Board**

Title	Name	Residence	Changes
<b>Chairman</b>	<b>Tomáš Chrenek</b>	Praha 9, Koloděje, Podzámecká 1, Postcode 190 16	
<b>1st Vice-Chairman</b>	<b>Ján Moder</b>	Bystřice 1241, Postcode 739 95	
<b>2nd Vice-Chairman</b>	<b>Hanns Kurt Zöllner</b>	6314 Unterägeri, Zimmelstrasse 68, Switzerland	till 25. 6. 2012
<b>2nd Vice-Chairman</b>	<b>Evžen Balko</b>	Bystřice 1241, Postcode 739 95	since 25. 6. 2012
<b>Member</b>	<b>Pablo Alarcón Espinoza</b>	Madrid, Serrano Galvache 42, Kingdom of Spain	
<b>Member</b>	<b>Evžen Balko</b>	Bystřice 1241, Postcode 739 95	till 25. 6. 2012
<b>Member</b>	<b>Hanns Kurt Zöllner</b>	6314 Unterägeri, Zimmelstrasse 68, Switzerland	since 25. 6. 2012
<b>Member</b>	<b>Jozef Blaško</b>	Košice, Československého odboja 74, Slovak Republic, Postcode 04 001	
<b>Member</b>	<b>František Ligocki</b>	Jablunkov 311, Postcode 739 91	
<b>Member</b>	<b>Vladislav Heczko</b>	Návsi 316, Postcode 739 92	
<b>Member</b>	<b>Roman Mitrega</b>	Bystřice 458, Postcode 739 95	till 5. 9. 2012
<b>Member</b>	<b>Jiří Cieñiała</b>	Vendryně 902, Postcode 739 94	since 12. 10. 2012

**Board of Directors**

Title	Name	Residence	Changes
<b>Chairman</b>	<b>Jan Czudek</b>	Jablunkov 373, Postcode 739 91	since 10. 1. 2012
<b>1st Vice-Chairman</b>	<b>Jan Czudek</b>	Jablunkov 373, Postcode 739 91	till 9. 1. 2012
<b>1st Vice-Chairman</b>	<b>Česlav Marek</b>	Třinec, Oldřichovice 202, Postcode 739 61	since 10. 1. 2012
<b>2nd Vice-Chairman</b>	<b>Česlav Marek</b>	Třinec, Oldřichovice 202, Postcode 739 61	till 9. 1. 2012
<b>2nd Vice-Chairman</b>	<b>Petr Popelář</b>	Ostrava-Dubina, Václava Košaře 86/21, Postcode 700 30	since 10. 1. 2012
<b>Member</b>	<b>Petr Popelář</b>	Ostrava-Dubina, Václava Košaře 86/21, Postcode 700 30	
<b>Member</b>	<b>Jan Lasota</b>	Třinec III – Kanada, Nad Úvozem 264, Postcode 739 61	till 28. 5. 2012
<b>Member</b>	<b>Henryk Huczala</b>	Komorní Lhotka 223, Postcode 739 53	
<b>Member</b>	<b>Ivo Žižka</b>	Třinec, Oldřichovice 873, Postcode 739 61	

# IV. INTRODUCTORY WORD OF THE CHAIRMAN OF THE SUPERVISORY BOARD



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**TO OUR SHAREHOLDERS, CUSTOMERS, PARTNERS, AND EMPLOYEES.**



The economic year 2012 was forecast to be a turning point and a new beginning of economic growth. Globally, mostly countries outside Europe came partly up to positive expectations. The production of China's manufacturing industry recorded steep growth at the end of 2012, the highest in the last 14 months. The United States of America noticed an economic upswing while the situation in the European Union was absolutely different. Although the recession reached probably its nadir, the manufacturing industry in the EU recorded further decline by the year-end. Fortunately, the German economy did not suffer from recession and its economic growth remained stable. Nevertheless, the Czech economy, which is closely connected with the German market, did not reach a positive development; on the contrary, it accelerated its decrease at the end of 2012.

In 2012, European steel consumption recorded a decline of almost ten percent as a consequence of the economic recession. The decrease should reach approximately one percent this year according to estimates. The growth in demand is expected to increase not earlier than in 2014, which means further negative development in comparison to previous estimates. The production and consumption of steel in the European region will remain considerably below the level recorded before the beginning of the economic and financial crisis in 2008–2009. The trend of decline in demand also limited production and indeed caused several closures in European steel capacity, ie in Spain, Italy, France, Belgium, Hungary, and other countries.

The European steel industry has suffered more than before through enormous regulatory burdens connected with a huge cost increase that put great pressure on leaving the European region. It particularly concerns high energy prices and radical plans of the European Union regarding the reduction of carbon dioxide emissions. Furthermore, the Czech steelmaking industry is hit by enormous fees for renewable energy, which places us at a strong disadvantage in global competitiveness. Taking into consideration our company itself, the fees for renewable energy increased the total cost in 2012 by almost a quarter of a billion Czech crowns, which will grow still further in the future. These influences significantly reflected the total level of domestic steel production, which decreased by more than 9 % in the last year and amounted to 5.07 million tonnes of crude steel.



Despite the unfavourable development, Třinecké železářny achieved positive results in 2012, especially thanks to a set and successfully-fulfilled strategy ie “Increasing growth in the share of long products with higher added value and its control within the product chains.” The diversification of entrepreneurial risk, which reflects the product portfolio of our production as well as created and enlarged product chains, bore fruit. Třinecké železářny has confirmed its position as the largest Czech steel producer. We produced more than 49% of the total volume of the Czech steel production. We enlarged our wire rod production portfolio thanks to the acquired company ŽDB DRÁTOVNA a.s. in Bohumín, with more than one thousand employees. Another new company that was acquired in December last year was DALSELV DESIGN a.s., which specialises in the field of project and construction activities in the coke-oven industry and provides steel production technologies that will bring a benefit for us regarding ongoing and prepared investments in our group as well as for other European customers operating in the steel industry.

Despite the year-on-year increase of more than 1.3% in the production and sales of rolled products and semis, the total revenues decreased by 4.6% particularly as the situation on the market has been gradually getting worse. However, we achieved a positive financial result amounting to CZK 793 million after taxation in 2012, which is more than we had planned. Our subsidiaries turned a profit as well, which affected our consolidated profit positively. We have succeed in reducing our environmental impact and achieved a new record in the accident rate in 2012, together with setting many production records in our production plants.

Dear shareholders, an important change occurred in the shareholders' structure of our company last year, when Moravia Steel acquired an 11% share in the equity of Třinecké železářny. This share was previously in the possession of a long-term significant shareholder, an American company, Commercial Metals Company.

Dear shareholders, customers, partners, and employees. On behalf of the Supervisory Board and Board of Directors of our company, I would like to thank you for the excellent cooperation, dedication, loyalty, and support you gave us during the whole year. Even though it was a complicated year, we once again managed to succeed with your help. I am convinced that future years will be successful for Třinecké železářny and that our products will continue to be recognised as a synonym for quality and high added value throughout the world.



**Tomáš Chrenek**  
Chairman of the Supervisory Board

# V. BOARD OF DIRECTORS' REPORT



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## DEVELOPMENT OF THE MACROECONOMIC ENVIRONMENT AND COMPETITION

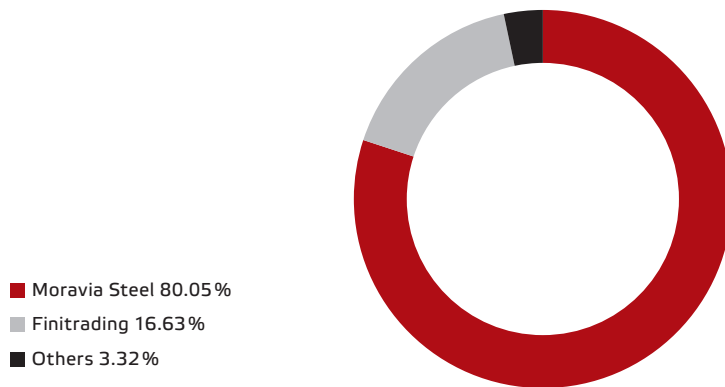
In 2012, the gross domestic product growth decreased year-on-year by 1.2 % and the Czech economy found itself in the longest recession during the last 15 years. The Czech Republic's gross domestic product slowed down gradually in every quarter 2012 while the steepest decline was recorded at the end of 2012. Although this trend reflected the economic development of the European Union, influenced by the debt crisis and the massive support of its heavily-indebted member states, the Czech Republic suffered the consequences of cost reductions and savings in the state budget. Although foreign trade balanced the negative situation at the beginning of the year, weakening foreign demand and decreasing industrial production as a major puller of the Czech economy, caused gradual and continuous deepening decline. The construction industry in particular noticed a rapid fall without any visible change for improvement. The automotive industry, one of the most significant industries in the Czech republic, did not reach the growth level of 2011, much like the insurance, banking, and agricultural industries. Investor demand decreased continued together with the reduction in the final consumption of households, which has a considerable impact on the downswing in gross domestic product. This could not be improved even by positive export results.

In 2012, steel production in the Czech Republic decreased year-on-year by 9.2 %, from 5.586 million tonnes to 5.072 million tonnes of crude steel. Despite this decline, Třinecké železářny reached a slight growth of 0.5 % compared to 2011 and thus increased its share in the volume of Czech steel production from 44 % in 2011 to 49 % in the last year.

The import of steel products into the Czech republic recorded a decrease by 172 kilotonnes compared to 2011, which represents in value units a decline of CZK 1.6 billion. Nevertheless, the balance of foreign trade with steel products reached more than CZK 24.2. billion to the credit of imports. The most considerable share in the negative balance was witnessed by the import of long products from Poland, Germany, and Slovakia. Compared to 2011, when the tubes recorded a steep increase in the field of export, this year the export of this segment reported a decrease of 15.4%. Despite a slight growth of exported steel products (1.9%) in comparison with the previous year, semis, billets and blooms together with flat products recorded a decrease of more than 10%. This decline was at least partly balanced by a moderate growth of exported long products, tubes and other products.

The total global production of crude steel has increased and recorded a new record for global crude steel production once again. Similarly as in previous years, growth was shown particularly by Asian and North American countries, while the European Union and South America recorded further decline compared to 2011. China's share of world crude steel production amounted to 46.3% in 2012, which represents 717 million tonnes of crude steel. The difference between China as the top steel producer and Japan, the second-largest global steel producer, reached more than 600 million tonnes annually.

## SHAREHOLDERS' STRUCTURE



## PRODUCTION AND POSITION ON THE MARKET

In 2012, the total global production of crude steel reached 1,548 million tonnes, in accordance with the statistics of the World Steel Association. The growth came mainly from Asia and North America, while crude steel production in the EU 27 decreased.

Annual production for Asia was 1,012 million tonnes of crude steel in 2012 – an increase of 2.6% compared to 2011. Crude steel production in North America was 122 million tonnes – an increase of 2.5% on 2011, while crude steel production in South America amounted to 47 million tonnes – a decrease of –3.0% on 2011. The CIS showed a decrease of –1.2% in 2012 as well, producing 111 million tonnes of crude steel.

China's crude steel production in 2012 reached 717 million tonnes of crude steel – an increase of 3.1% on 2011. In accordance with the estimation, China's crude steel production should reach 745 million tonnes of crude steel in 2013 and record a growth of 3.9%.

The EU 27 recorded a decrease of –4.9%, producing 169 million tonnes of crude steel in 2012. All the major steel-producing EU 27 countries showed decline, ie Germany, Italy, France, and Spain.

The average capacity utilisation ratio of in 2012 recorded a decrease of 2% and amounted to 78.8%. Europe's share of world steel production went down from 22% to 11% during the last ten years.

According to Eurofer, the developed economies will show slight economic growth in 2013, while developing countries are forecast to reduce their growth. The global growth of apparent steel use is going to reach 1 to 2% this year.

High prices of inputs and energies, together with the administrative burdens stemming from environmental regulation, will put a pressure on margins, investments and the global competitiveness of the European steel industry. The prices of natural gas in EU are three times higher compared to the other big economies and the prices of electricity are double. The European apparent steel use will decrease slightly by 1.8%, in accordance with the statistics of the Eurofer, while in



## BOARD OF DIRECTORS' REPORT



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2014 a moderate growth of 2% is expected. The USA is taking a positive turn and the development of shale gas resources may have a significant influence on the future situation.

According to the association of Eurometal, the total deliveries of final steel products apart from semis remain stable in 2013. A year-on-year decrease in the total sales of final long products of 1% is estimated while the total sales of final flat products should record a growth of 1%. Should the estimation for 2013 be correct, market demand will reach approximately 72% of the demand level in 2007, when the EU market was at its peak.

Steel production in the Czech Republic decreased in 2012, similarly as the other significant European steel producers. In 2012, Třinecké železářny produced 2.49 million tonnes of crude steel and showed an increase of 0.5% compared to 2011. Its share of domestic steel production and the first place in the Czech Republic was strengthened, particularly thanks to the top quality of its products used in the automotive industry, engineering and transport not only on the European market.

The total sales of rolled goods, including semis amounted to 2,332 kilotonnes in 2012, an increase of 1.3% compared to 2011. 57% of the sold goods was exported. The most considerable part of exports of our products went to Germany, Italy, Poland, Slovakia, and the USA.

### Sales of Products in the Years 2010-2012 (kt)

		Wire rod	Semis	Sections and bars	Rebars	Rails	Wide steel	Tubes	Drawn bars	Drawn wire rod	TOTAL
<b>Export</b>	<b>2010</b>	584	165	179	18	230	44	82			1 302
	<b>2011</b>	600	143	158	5	243	42	85	40	1	1 317
	<b>2012</b>	604	130	170	12	246	42	82	43		1 329
<b>Domestic</b>	<b>2010</b>	373	419	174	26	25	6	13			1 036
	<b>2011</b>	314	429	165	4	25	6	14	26	2	985
	<b>2012</b>	318	455	155	8	23	6	14	24		1003
<b>Total</b>	<b>2010</b>	957	584	353	44	255	50	95			2 338
	<b>2011</b>	914	572	323	9	268	48	99	66	3	2 302
	<b>2012</b>	922	585	325	20	269	48	96	67		2 332

Wire rods are still our best-selling product. In 2012, their share of the total sales of rolled products and semis reached 39.5%.

The total sales of wire rods amounted to 922 kilotonnes in the last year. Two thirds of the total production of wire rods was sold to foreign customers.

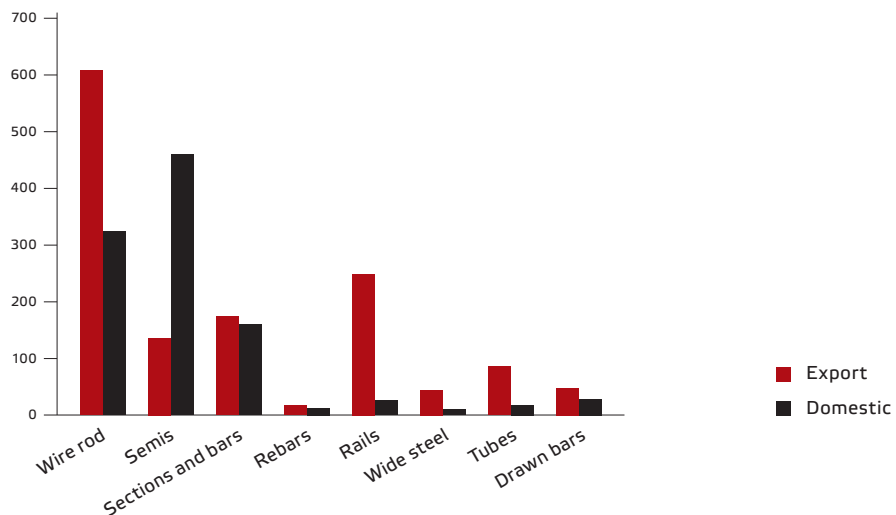
The annual sales of rails in 2012 showed a new record in the history of Třinecké železářny. 246 kilotonnes out of total 269 kilotonnes of produced rails was directed at foreign markets, especially in the USA, Canada, Germany, and Poland.

The total sales of bars and sections amounted to 325 kilotonnes. Approximately half of the production was exported. Bars and sections are delivered according to the customer's requirements as rolled, peeled or drawn.

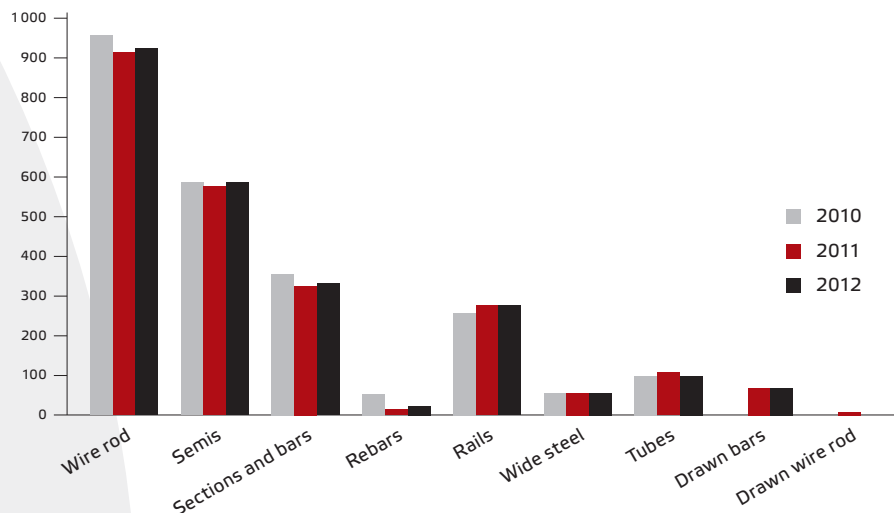
The sales of seamless tubes that are used mainly in construction, engineering, oil, and energy industry reached 96 kilotonnes in 2012. 85% of the production was exported.

The production of rebars has been significantly limited during the last years as the production of products with a higher added value is the priority for Třinecké železářny. 12 kilotonnes of rebars were exported, the remaining 8 kilotonnes of rebars were delivered to domestic customers.

**Sales of Products Abroad and to the Domestic Market in 2012 (kt)**



**Total Sales of Products in the Years 2010–2012 (kt)**



## BOARD OF DIRECTORS' REPORT



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### INVESTMENTS AND MODERNISATIONS

The technical development projects plan in 2012 is a part of the five-year business plan and fully corresponds with our commercial-production strategy defined as “Increasing growth in the share of long products with higher added value and its control within the product chains.”

We focused investments on modernisation activities, which will enable us to further increase the share of more-sophisticated products and further improvement of environmental protection based on the conclusions of implementing the best available techniques and the renewal of the existing production facilities.

A total of CZK 744 million was expended with regard to investments and we were highly focused on ensuring the maximum efficiency of the amount incurred and capacity utilisation in our subsidiaries.

In 2012, twelve of the most significant construction projects continued. The most significant construction projects include:

- Automatic sampling and processing of sinter; and
- Casting of the dimension of the 470mm diameter at the billet continuous casting machine.

Recently, there were 86 significant investments started in 2012. The major construction projects include:

- Benzyl drive off at the coke and chemical plant;
- Reconstruction of the three-way valves of both converters; and
- Electromagnetic stirring for continuously-cast semis of the dimension of the 410mm diameter at the billet continuous casting machine.

The most significant investment in 2012 was the initiation of the application of PCI (pulverised coal injection) technology to blast furnaces No. 4 and No. 6. The economic returnability of this investment is approximately three years and is based on the replacement of purchased coke with less-expensive coal that is blown to the blast furnaces in the form of coal dust.

The most significant investment in 2013 is the completion of the project “Application of PCI (pulverized coal injection) technology to blast furnaces No. 4 and No. 6”.

Furthermore, there are 37 more projects included in the plan. As far as the amount of investments is concerned, the major construction projects are:

- Machinery system the coke and chemical plant;
- Implementation of management mode at the BOF steel plant;
- Modernisation of the continuous wire rod rolling mill; and
- Peeling and final treatment line.



## TECHNOLOGY AND RESEARCH

The field of technology in Třinecké železářny is aimed at managing this process in the production material flow from pig iron and steel production to final treatment operations in particular rolling mills together with product quality control and the hot treatment of the products, eventually drawing. Customer demands are respected according to particular orders. Technological regulations and measures are used as a tool of technology and quality control management. These regulations are closely connected with research and development activities, eventually with innovation technology. Customer requirements and demands play a significant role in verifying and implementing new technologies or products, which is why tailor-made technology according to the capacities of the production facilities. The “Quality Plans“ and “Programme of Continual Improvement“ as a part of the “Quality Objectives“ were created for the most significant customers. All of these documents have been gradually updated since 2004.

The objective of the technological activities is to achieve the strategic aims of the company in accordance with the continuous improvement of qualitative parameters of the manufactured semis and reducing the costs of production. One of the main technological activities is the constant quality control of production in conjunction with customer requirements through 14 key production programs, which are the following:

- Steel grades for the Kladno billet mill;
- Bars from the continuous light section rolling mill and medium section mill for the automotive industry;
- Waste and by-product management;
- Free-cutting steel;
- Spring steel;
- Drawn steel;
- Screw steel;
- Corrosion-proof and tool steel;
- Chain steel;
- Wire rod from continuous wire rod rolling mill;
- Bearing steel;
- Continuously-cast semis for direct deliveries and axle steel;
- Tube production; and
- Rails.

Regular quality meetings are a very important tool for product quality improvement and cooperation with production plants. These meetings are implemented actively in production plants and divisions both in Třinec and in production units of the group in the Czech Republic, as well as abroad. The field of technology is closely connected with the final treatment technology of Třinec semis with strong emphasis on drawn wire rods in the latest acquisitions ie ŽDB DRÁTOVNÁ a.s. with regard to steel tyre cords, high-carbon steel, and screw wire rods.

## BOARD OF DIRECTORS' REPORT



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### ENVIRONMENT

#### Air protection

Compared to 2011, we significantly decreased our solid emissions. This resulted in achieving a historical minimum of solid emissions. This level was reached particularly by lowering solid emissions in the BOF Hall and dust removal from coke and Coke Battery degassing.

We have also significantly reduced our emissions of sulphur dioxide. The favourable development was recorded primarily at all sintering belts at the sinter plant and at Ladle Furnace No. 2. Regarding the other emissions, there were no significant changes compared with the previous year.

#### Emissions from 2010 to 2012

Year	Solid pollutants (t/year)	Sulphur dioxide (t/year)	Nitrogen oxides (t/year)	Carbon monoxide (t/year)	Other emissions (t/year)
2010	902	2 136	1 425	65 277	63
2011	670	2 640	1 449	59 827	70
2012	581	2 323	1 453	59 769	66

#### Water protection

The amount of industrial waste water discharged into the Olše River watercourse and the pollution of water has not changed in 2012 compared to 2011. This corresponds to the long-term stabilised state of our water management. The quality of wastewater is achieving a sustainable level with respect to compliance with specified limits of pollution.

Also, in terms of the production of waste water per tonne of steel produced, it is virtually comparable to the situation of previous years, as it ranged from 1.74 to 1.75 cubic metres per tonne of steel produced.

During 2012, there was no instance of emergency that would result in the deterioration of, or threat to, the quality of groundwater or surface water.

#### Pollution discharged into water flows from 2010 to 2012

Year	Volume of wastewater [m <sup>3</sup> /year]	Undissolved substance [t/year]	Non-polar extracted substance [t/year]	Dissolved inorganic salts [t/year]	Chemical oxygen consumption using dichromatic method [t/year]	Total iron [t/year]
2010	5 402 078	90.6	5.3	2 774	121.9	8.8
2011	4 323 082	47.1	0.96	2 309	52.6	4.2
2012	4 370 584	42.0	0.80	2 142	73.6	4.6

## Waste management

The fundamental aspect of waste management in our company is to minimise our impact on the environment. The amount of waste produced is largely dependent on the volume of steel production, which in 2012 was virtually the same as in the previous year. Yet the production of other wastes slightly differed.

In 2012, a total of 209,389 tonnes of waste was created, which represents an increase of about 7% compared to 2011. It represents 5.4 kg of waste addition per tonne of steel.

For waste in the “Other” category, there is an increase that was caused by the restored removal of slag and debris to the Karviná Region. For this reason, an additional 59.9 thousand tonnes were carried away in 2012 than in 2011. On the other hand, the “Hazardous” waste recorded a significant reduction in incidence. This was fully reflected by the reclassification of fine BOF sludge from hazardous to disposal under the by-product regime; this influenced the total of 39.6 thousand tonnes of waste.

## Emissions of greenhouse gases

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

## Environmental Projects

In 2012, the implementation of numerous environmental projects commenced or continued. The most significant of them are as follows:

- Ongoing reduction of dust at homogenisation heaps;
- Dedusting of fumes and nodes at sinter plant No. 2;
- Reconstruction of emission exhausts at teeming halls of the blast furnaces; and
- Ongoing technical landfill reclamation of the Neboranka dump.

Our intent to improve the living as well as working environment in 2013 is more extensive, this fact will project in investment costs.

The most significant as well as financially demanding are especially the following projects:

- Dedusting of fumes and nodes at sinter plant No. 2 – continuing;
- Reconstruction of emission exhaust at the teeming halls of the blast furnaces – continuing; and
- Reconstruction of secondary dedusting of the BOF steel plant.

Besides that, 16 other environmental projects have been prepared.

## BOARD OF DIRECTORS' REPORT



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### EMPLOYEES

In January 2012, a revised Code of Ethics was issued. It regulates basic behaviour, including adherence to the principles of corporate social responsibility (CSR). Following this, there are also various formulated approaches and principles that govern our employees in the performance of their duties.

In the area of human resources, attention remains focused on maintaining maximum cost savings during 2012. The activities of the year 2012 were focused on the process of generational replacement and ensuring the common fluctuation. Preferably, graduates from technical disciplines of the Secondary Technical School of Třinecké železářny were recruited. The 12th round of the Trainee Programme for university graduates was fulfilled and collaboration with schools of all levels continued.

Employee education was still primarily focused on maintaining existing skills as well as their expansion and deepening, if possible. Emphasis was put on staff training and education in the field of quality; language training and management education also continued. In 2012, the Corporate Academy was created; it has brought a new approach to the educational system, including the requirement to extend the use of virtual learning environment as it is within e-learning processes. For the sake of sustainable development, the existing education system was extended by shared learning, utilising the knowledge potential of our employees.

As part of the efforts to achieve education cost savings, possibilities were sought to use the European Social Fund. The project of the Branch Association of the Steel Industry "Training program for staff of members of the Branch Association of the Steel Industry", and a project "Education – way to the development of FERROMORAVIA". Furthermore, the educational projects within the projects "Educate you for growth – Moravian-Silesian Region".

In order to ensure a high standard of health care, wellness stays in spas as well as the outpatient remedial for the increased amount of staff were organised while also co-financed by the Czech Industrial Health Insurance company. As part of the anti-flu measures, preventive vaccination has been offered to employees as well as the provision of vitamins.

In 2012, a total of 11 accidents were recorded, which represents a new historical minimum as well as a drop of 1 comparing to 2011 and of 9 comparing to 2010. The frequency of accidents per 100 employees per year reached 0.18. There were no fatal or serious accidents.

These results are proof of our correct Occupational Safety and Health (OSH) policy and binding considering the amount and size of existing risks as well as the number of employees; their maintenance will be demanding. It will require the everyday active approach of all our employees to these issues, including continued motivation as well as the active approach of the specialists of our supplier of the OSH services – the ENVIFORM company.

In 2012, our company has been preparing to earn the Safe Company Prize, awarded by the Ministry of Work and Social Affairs. This preparation, including an internal audit, resulted in submitting the application. In December 2012, the official audit carried out by the regional labour inspectorates started.



The partial inspections were aimed at working conditions, facilities, hazardous matters and accidents, construction activities, road and rail transport, as well as individual dedicated equipment. These inspections were focused either on system documentation, either on checks at selected sites of individual organisational units. In February 2013, the audit was successfully concluded.

Other OSH activities in 2012 included:

- Organising OSH Days at the Třinecké železářny plants;
- OSH co-ordination while carrying out repairs of facilities;
- Campaign for safe maintenance; and
- Testing the managers of the OSH issues.

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

In the area of HR management and motivation, all efforts were aimed at maintaining high standards of production and full utilisation of production facilities while maintaining a high level of quality. Meeting and exceeding planned profit enabled real average earnings of CZK 27 500, which represents a significant increase over the amount agreed in the Collective Agreement, as well as a slight increase compared to 2011. Any other commitments enshrined in the Collective Agreement and in the Social Code were met in the full extent. Furthermore, the high standard of care for employees, their health and the provision of employee benefits were strengthened.

In 2012, the average adjusted headcount grew to 5,962 employees.



## BOARD OF DIRECTORS' REPORT



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### MANAGEMENT SYSTEM

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

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

During 2012, a series of measures were adopted to support the strategic objectives in all strategic areas (Partnership, Technology, Staff, and Management).

The management system, including the information systems, did not change in 2012. The information platform still consists of SAP and Lotus Notes.

In accordance with Act No. 300/2008, the Code on Electronic Acts and the Authorised Conversion of Documents, the implementation of the united system of data boxes within the Group has been completed.

The long-standing targeted endeavour to ensure responsible conduct towards the environment and the region's inhabitants went on in 2012 through activities such as cleaning the Olše River watercourse, organising the help of our employees for non-profit organizations or taking part in the Corporate Social Responsibility Contest announced by the President of the Moravian-Silesian Region.

TŘINECKÉ ŽELEZÁŘNY, a. s. has a share in 29 companies, with either controlling, significant or minority interest. Most subsidiaries are focused on activities directly or indirectly related to the business in the steel sector and this focus matches the long-term business strategy of the company.

The management of capital shares of TŘINECKÉ ŽELEZÁŘNY, a. s. is ensured by our representatives in the administrative authorities of these companies. They are principally focused on creating strategic objectives, coordinating the business plans, creating investment, financial, and commercial strategies, as well as unifying the main processes. The aim is to increase the value of the subsidiaries. Their contribution to the Group is regularly monitored and evaluated through analyses and reporting.

TŘINECKÉ ŽELEZÁŘNY, a. s. has no organisational branch abroad.

## FINANCIAL INFORMATION

In 2012, the pre-tax profit amounted to CZK 1,003 million, which represents a decrease by CZK 683 million year-on-year. Despite the higher volume of sold products, the amount of the gross profit decrease was influenced by the higher decrease of output prices compared to the prices of the inputs. The production of the company reached the level of CZK 37,537 million, which represents a drop of CZK 2,291 million year-on-year. This drop was caused mainly by lower revenues for sales of rolled products and steel (CZK -1,788 million).

### Development of Revenues

Indicator (in CZK thousands)	2011	2012
Rolled goods incl. steel	37 453 365	35 665 727
Other products	1 038 628	1 019 644
Sales of own products	38 491 993	36 685 371
Revenues from services	401 075	415 338
Sales of goods purchased for resale	4 212	10 451
Sale of own production, services and goods	38 897 280	37 111 160

The purchased consumables were lower by CZK 1,390 million compared to 2011. The most significant influence on the year-on-year decline was the consumption of the raw materials in relation to the decreasing prices of the decisive input commodities.

Regarding the year-on-year growth of the transformation costs, the largest influencing elements were the consumption of energy as well as services and maintenance. Compared to 2011, the prices of electric power, oxygen and natural gas as well as contribution to the renewable energy sources increased. Nevertheless, the planned amount of the transformation costs per tonne of steel produced was adhered to.

Despite the higher production of crude steel and higher sales of rolled goods, a lower added value was achieved; it was lower by CZK 901 million compared to 2011. The decrease in the added value was caused by the faster drop of the prices of goods compared to the prices of the raw materials. The added value amounted to CZK 4,791 million in 2012. The labour productivity from the added value was CZK 804 thousand per employee.

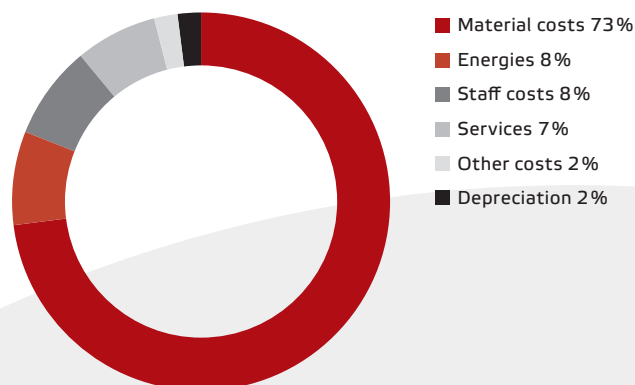
The operating profit amounted to CZK 1,630 million, was lower by CZK 534 million compared to 2011 and amounted to CZK 1,096 million; the financial loss was CZK -92 million.

## BOARD OF DIRECTORS' REPORT



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### Cost Structure in 2012



As of 31 December 2012, the company reported total assets of CZK 26,967 million, which is CZK 53 million more than as of 31 December 2011. The growth in fixed assets contributed by CZK 1,351 million, while the current assets and accruals decreased by CZK 1,298 million.

Tangible and intangible fixed assets dropped by CZK 119 million (investments were lower than depreciation).

In 2012, non-current financial assets grew by CZK 1,469 million, especially due to the new acquisitions of ŽDB DRÁTOVNÁ and DALSELV DESIGN as well as due to the equity increase in the company D&D Drótáru.

Since the beginning of the year, the decrease in inventories has been affected by lower raw material prices.

Short-term receivables decreased mainly thanks to the decrease in the business receivables and tax receivables towards the state.

Within liabilities, the share of own resources in the total resources of the company grew by 2.8% year-on-year to 74.7%.

External resources decreased by CZK 745 million, where short-term payables and reserves dropped; contrarily, long-term payables (and deferred tax liabilities) and bank loans grew.

## STRATEGIC OBJECTIVES

Despite the growing consumption of substitution materials, such as aluminium alloys, materials based on carbon fibres, etc, steel, thanks to its properties and recyclability, will remain one of the most significant materials within modern society. According to the Metal Bulletin Research estimate, the demand for steel will grow by 3.7% year-on-year to 2025, which on the other hand represents a slowdown compared to the period from 2002 to 2011, when the growth was 5.6% year-on-year. This trend will be caused by saturating Chinese development and its transfer from steel-intensive investments to services, with moderate growth of demand for steel as well as decreasing consumption of steel per unit produced within some fabrication industries. Developed countries will have literally no share in the future growth of steel consumption. Global steel consumption could contrarily be influenced by its expected increase in Russia in connection with prepared programmes and significant global sporting events organized by the Russian Federation by 2018. The other countries contributing to the growing steel consumption could also include India and Brazil.

European steel producers will be facing stagnant demand in the European market and threatening imports from Asian countries. To remain competitive, they have to increase the added value of their products together with decreasing their operating costs. Furthermore, they must react to continually-increasing demands for environmental protection, which require vast investment costs as well as growing operating costs.

The investment policy of Třinecké železářny is responding the above-stated trends. In 2013, the investment project “Pulverized Coal Injection to the Blast Furnaces”, which will substitute a part of coking coal by cheaper energetic coal. In 2013 and 2014, the investment projects “Peeling and Finalising Line” and “Modernisation of the Wire Rod Mill” will be implemented in order to increase the quality and finalisation grade of our bars and wire rods. For 2015, the project of “Modernisation, Reconstruction and Major Overhaul of Coking Battery No. 11” is prepared; this will ensure our self-sufficiency regarding coke consumption. The aim of these as well as other investment projects is the maintain the competitiveness of Třinecké železářny in the future.

The Boards of the companies D5, Třinecké železářny and Strojírny Třinec have elaborated the project of division in the form of split merger, as the company Strojírny Třinec will be dissolved and a part of the company marked “Strojírny bez DK” (Machinery without railway accessory), including all rights and obligations from employment relationships, will be merged with D5, and a second part of the company marked “Drobné kolejivo” (Railway accessories), including all rights and obligations from employment relationships, will be merged with Třinecké železářny. The effective date of the split merger is 1 January 2013. The involved companies anticipate concluding the process of the split merger by 30 October 2013.

# VI. REPORT OF THE SUPERVISORY BOARD



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The Supervisory Board regularly checked the compliance of the business activities with legal regulations, the Articles of Association, and resolutions of the General Meeting and the Supervisory Board. During the course of 2012, the Board of Directors informed it of the current economic situation of the Company, on the continuous results of the crisis management as well as on fulfilling the Business Plan.

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

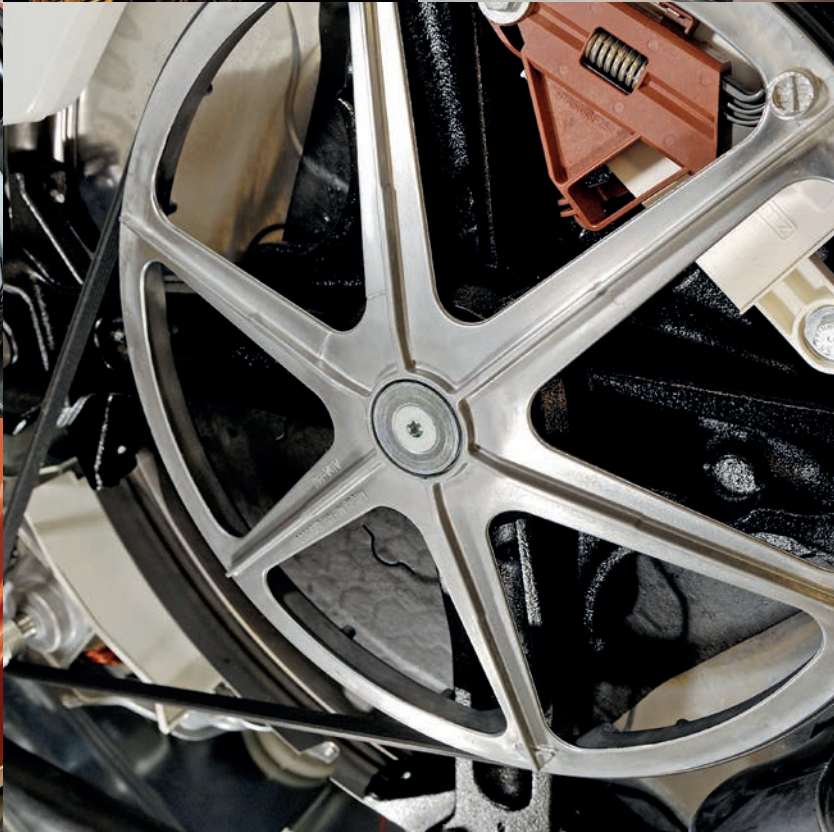
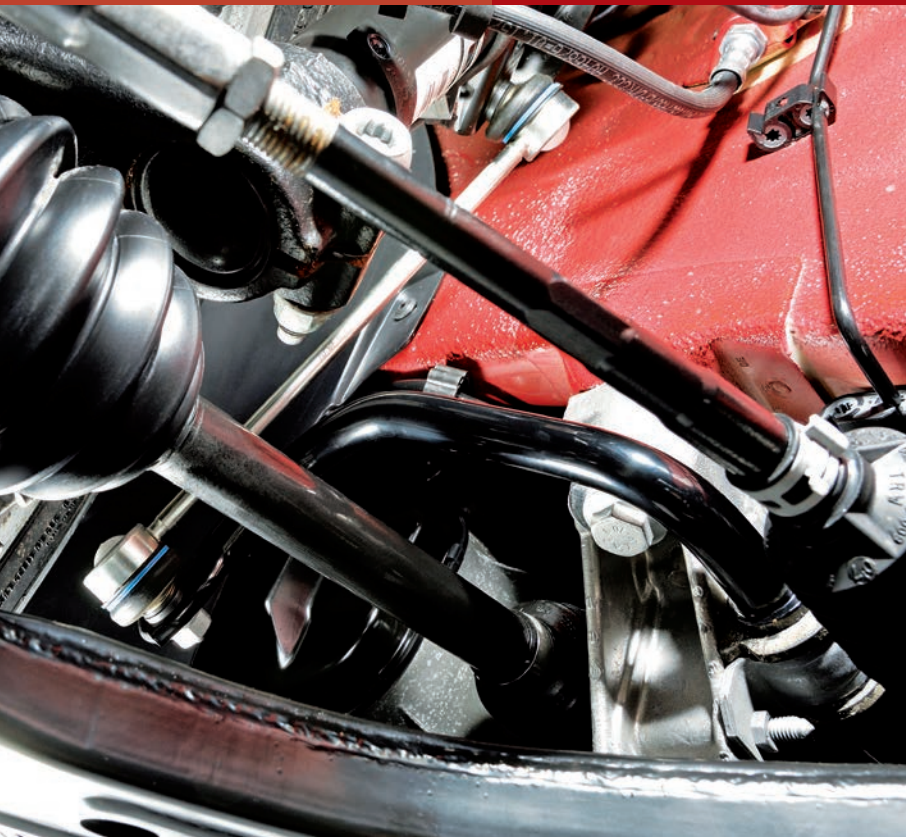
At its meeting on 29 April 2013, the Supervisory Board reviewed the regular financial statements and the regular consolidated financial statements of the Company for 2012, the proposal for the distribution of profit generated in 2012, and the report of the Board of Directors on the business activity and the assets of the Company.

Based on the audit of the unconsolidated financial statements and consolidated financial statements as of 31 December 2012 by Deloitte Audit s.r.o. and their opinions, which were unqualified, the Supervisory Board recommends that the General Meeting of the shareholders of TŘINECKÉ ŽELEZÁRNY, a.s. approve the above-mentioned documents.

The Supervisory Board also reviewed the Report on Relations for the 2012 accounting period and, considering Deloitte Audit s.r.o.'s opinion, it concluded that it was prepared in conformity with the Commercial Code and the actual state of relations between the affiliated entities.

**Tomáš Chrenek**  
Chairman of the Supervisory Board







# VII. REPORT OF THE AUDIT COMMITTEE



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The Audit Committee of TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter “TŽ”) monitored the procedure of preparing TŽ’s financial statements and the consolidated financial statements of the TŽ Group for 2012 in accordance with the schedule of the Audit Committee. The Audit Committee also monitored the course of the statutory audit of individual regular financial statements of individual companies within the TŽ Group in 2012 and the consolidated financial statements of TŽ for 2012. The procedure of preparing the individual and consolidated financial statements of TŽ and the TŽ Group for 2012 took place in accordance with Czech and International Accounting Standards; these financial statements are audited.

Within its activities, the Audit Committee also obtained feedback related to the auditing activities and reviewed the efficiency of the statutory audit. The Audit Committee was involved in the communication between the auditor and the company’s management and assessed how the company’s management followed the recommendations that the auditor had provided. The Audit Committee also monitored the integrity of financial information provided by the company, including reviewing the consistency and appropriateness of the accounting methods used within TŽ.

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

Moreover, the Audit Committee discussed at its meetings the information on risk management and ways of their ensuring as well as the plan of activities for the internal audit for 2013.

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

**Dana Trezziová**  
Audit Committee Chairwoman

# VIII. AUDITOR'S REPORT

**Deloitte.**

Deloitte Audit s.r.o.  
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www.deloitte.cz

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

## **INDEPENDENT AUDITOR'S REPORT To the Shareholders of TRINECKÉ ŽELEZÁRNY, a. s.**

Having its registered office at: Průmyslová 1000, Staré Město, 739 61 Třinec  
Identification number: 180 50 646

### **Report on the Financial Statements**

Based upon our audit, we issued the following audit report dated 18 March 2013 on the financial statements which are included in this annual report in Section IX.:

"We have audited the accompanying financial statements of TRINECKÉ ŽELEZÁRNY, a. s., which comprise the balance sheet as of 31 December 2012, 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 TRINECKÉ ŽELEZÁRNY, a. s. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

### **Report on the Consolidated Financial Statements**

Based upon our audit, we issued the following audit report dated 5. April 2013 on the consolidated financial statements which are included in this annual report in Section X.:

"We have audited the accompanying consolidated financial statements of TRINECKÉ ŽELEZÁRNY, a. s., which comprise the balance sheet as of 31 December 2012, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Statutory Body's Responsibility for the Financial Statements**

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

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

## AUDITOR'S REPORT

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the TRINECKÉ ŽELEZÁRNÝ, a. s. consolidation group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

### Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of TRINECKÉ ŽELEZÁRNÝ, a. s. for the year ended 31 December 2012 which is included in this annual report in Section XI. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

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

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of TRINECKÉ ŽELEZÁRNÝ, a. s. for the year ended 31 December 2012 contains material factual misstatements.

### Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2012 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the Company is consistent, in all material respects, with the financial statements referred to above.

In Prague on 29 April 2013

Audit firm:

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



Statutory auditor:

Michal Brandejs  
certificate no. 1675



# IX. FINANCIAL PART I.

## – FINANCIAL STATEMENTS

Financial statements for the year ended 31 December 2012

Name of the Company:	TŘINECKÉ ŽELEZÁRNY, a. s.
Registered Office:	Průmyslová 1000, Staré Město, 739 61 Třinec
Legal Status:	Joint Stock Company
Corporate ID:	180 50 646

### Components of the Financial Statements:

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

These financial statements were prepared on 18 March 2013.

Statutory body of the reporting entity:	Signature
<b>Jan Czudek</b> Chairman of the Board of Directors	
<b>Petr Popelář</b> Second Vice-Chairman of the Board of Directors	



# BALANCE SHEET FULL VERSION

(CZK thousand)

		31. 12. 2012			31. 12. 2011
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>46 326 288</b>	<b>-19 359 118</b>	<b>26 967 170</b>	<b>26 913 689</b>
<b>B.</b>	<b>Fixed assets</b>	<b>35 402 077</b>	<b>-18 800 704</b>	<b>16 601 373</b>	<b>15 250 593</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>280 775</b>	<b>-188 492</b>	<b>92 283</b>	<b>56 459</b>
B.I.2.	Research and development	4 553	-3 870	683	1 594
B.I.3.	Software	166 395	-156 447	9 948	12 152
B.I.4.	Valuable rights	29 296	-28 175	1 121	1 055
B.I.6.	Other intangible fixed assets	75 038		75 038	41 658
B.I.7.	Intangible fixed assets under construction	5 493		5 493	
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>28 388 025</b>	<b>-18 416 286</b>	<b>9 971 739</b>	<b>10 126 078</b>
B.II.1.	Land	349 949		349 949	350 117
B.II.2.	Structures	7 072 102	-3 884 679	3 187 423	3 164 826
B.II.3.	Individual movable assets and sets of movable assets	20 447 525	-14 500 093	5 947 432	6 388 725
B.II.6.	Other tangible fixed assets	1 499		1 499	1 499
B.II.7.	Tangible fixed assets under construction	460 675	-31 514	429 161	210 388
B.II.8.	Prepayments for tangible fixed assets	56 275		56 275	10 523
<i>B.III.</i>	<i>Non-current financial assets</i>	<b>6 733 277</b>	<b>-195 926</b>	<b>6 537 351</b>	<b>5 068 056</b>
B.III.1.	Equity investments – subsidiary (controlled entity)	6 610 094	-178 021	6 432 073	4 940 052
B.III.2.	Equity investments in associates	123 183	-17 905	105 278	108 554
B.III.3.	Other securities and investments			0	100
B.III.5.	Other non-current financial assets			0	19 350
<b>C.</b>	<b>Current assets</b>	<b>10 892 570</b>	<b>-558 414</b>	<b>10 334 156</b>	<b>11 621 965</b>
<i>C.I.</i>	<i>Inventories</i>	<b>7 143 308</b>	<b>-500 715</b>	<b>6 642 593</b>	<b>7 337 708</b>
C.I.1.	Material	2 785 664	-251 754	2 533 910	3 144 959
C.I.2.	Work in progress and semifinished goods	2 631 938	-195 607	2 436 331	2 545 885
C.I.3.	Products	1 722 230	-53 354	1 668 876	1 644 896
C.I.5.	Goods	2 069		2 069	398
C.I.6.	Prepayments for inventory	1 407		1 407	1 570
<i>C.II.</i>	<i>Long-term receivables</i>	<b>6 261</b>		<b>6 261</b>	<b>5 463</b>
C.II.1.	Trade receivables	1 775		1 775	2 662
C.II.5.	Long-term prepayments made	640		640	639
C.II.7.	Other receivables	3 846		3 846	2 162
<i>C.III.</i>	<i>Short-term receivables</i>	<b>3 140 187</b>	<b>-43 265</b>	<b>3 096 922</b>	<b>3 762 315</b>
C.III.1.	Trade receivables	2 765 105	-31 425	2 733 680	3 148 620
C.III.2.	Receivables – controlled or controlling entity	285 951		285 951	401 683
C.III.6.	State – tax receivables	45 352		45 352	178 138
C.III.7.	Short-term prepayments made	1 227		1 227	9 146
C.III.8.	Estimated receivables	12 880		12 880	6 177
C.III.9.	Other receivables	29 672	-11 840	17 832	18 551
<i>C.IV.</i>	<i>Current financial assets</i>	<b>602 814</b>	<b>-14 434</b>	<b>588 380</b>	<b>516 479</b>
C.IV.1.	Cash on hand	1 312		1 312	1 567
C.IV.2.	Cash at bank	586 675		586 675	514 912
C.IV.3.	Short-term securities and investments	14 827	-14 434	393	
<b>D. I.</b>	<b>Other assets</b>	<b>31 641</b>		<b>31 641</b>	<b>41 131</b>
D.I.1.	Deferred expenses	27 360		27 360	34 217
D.I.2.	Complex deferred expenses	4 258		4 258	6 524
D.I.3.	Accrued income	23		23	390

(CZK thousand)

		31. 12. 2012	31. 12. 2011
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>26 967 170</b>	<b>26 913 689</b>
<b>A.</b>	<b>Equity</b>	<b>20 154 924</b>	<b>19 361 466</b>
<i>A.I.</i>	<i>Share capital</i>	<b>8 109 863</b>	<b>8 109 863</b>
A.I.1.	Share capital	8 109 863	8 109 863
<i>A.II.</i>	<i>Capital funds</i>	<b>103 770</b>	<b>103 771</b>
A.II.2.	Other capital funds	103 786	103 787
A.II.3.	Gains or losses from the revaluation of assets and liabilities	-16	-16
<i>A.III.</i>	<i>Statutory funds</i>	<b>2 818 546</b>	<b>2 749 675</b>
A.III.1.	Statutory reserve fund/Indivisible fund	834 279	765 408
A.III.2.	Statutory and other funds	1 984 267	1 984 267
<i>A.IV.</i>	<i>Retained earnings</i>	<b>8 329 286</b>	<b>7 020 746</b>
A.IV.1.	Accumulated profits brought forward	8 384 399	8 384 399
A.IV.2.	Accumulated losses brought forward	-55 113	-1 363 653
<i>A.V.</i>	<i>Profit or loss for the current period (+ -)</i>	<b>793 459</b>	<b>1 377 411</b>
<b>B.</b>	<b>Liabilities</b>	<b>6 803 204</b>	<b>7 548 383</b>
<i>B.I.</i>	<i>Reserves</i>	<b>114 882</b>	<b>241 442</b>
B.I.1.	Reserves under special legislation	1 922	1 853
B.I.4.	Other reserves	112 960	239 589
<i>B.II.</i>	<i>Long-term liabilities</i>	<b>483 903</b>	<b>286 485</b>
B.II.1.	Trade payables	16 786	34 203
B.II.9.	Other payables	5 000	
B.II.10.	Deferred tax liability	462 117	252 282
<i>B.III.</i>	<i>Short-term liabilities</i>	<b>3 747 672</b>	<b>4 716 361</b>
B.III.1.	Trade payables	3 204 139	4 099 963
B.III.5.	Payables to employees	284 378	296 021
B.III.6.	Social security and health insurance payables	79 641	96 304
B.III.7.	State - tax payables and subsidies	98 627	75 039
B.III.8.	Short-term prepayments received		4
B.III.10.	Estimated payables	70 977	138 449
B.III.11.	Other payables	9 910	10 581
<i>B.IV.</i>	<i>Bank loans and borrowings</i>	<b>2 456 747</b>	<b>2 304 095</b>
B.IV.1.	Long-term bank loans	1 486 052	1 148 715
B.IV.2.	Short-term bank loans	970 695	1 155 380
<b>C. I.</b>	<b>Other liabilities</b>	<b>9 042</b>	<b>3 840</b>
C.I.1.	Accrued expenses	7 969	2 378
C.I.2.	Deferred income	1 073	1 462

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

(CZK thousand)

		Year ended 31.12.2012	Year ended 31.12.2011
I.	Sales of goods	10 451	4 212
A.	Costs of goods sold	10 241	4 138
<b>+</b>	<b>Gross margin</b>	<b>210</b>	<b>74</b>
II.	Production	37 537 031	39 828 106
II.1.	Sales of own products and services	37 100 709	38 893 068
II.2.	Change in internally produced inventory	-193 789	479 407
II.3.	Own work capitalised	630 111	455 631
B.	Purchased consumables and services	32 746 380	34 136 816
B.1.	Consumed material and energy	30 194 973	31 600 454
B.2.	Services	2 551 407	2 536 362
<b>+</b>	<b>Added value</b>	<b>4 790 861</b>	<b>5 691 364</b>
C.	Staff costs	2 863 155	2 929 132
C.1.	Payroll costs	1 954 510	2 011 962
C.2.	Remuneration to members of statutory bodies	9 590	10 644
C.3.	Social security and health insurance costs	687 337	707 244
C.4.	Social costs	211 718	199 282
D.	Taxes and charges	22 946	22 293
E.	Depreciation of intangible and tangible fixed assets	900 092	910 771
III.	Sales of fixed assets and material	111 277	127 125
III.1.	Sales of fixed assets	9 469	7 897
III.2.	Sales of material	101 808	119 228
F.	Net book value of fixed assets and material sold	96 468	107 148
F.1.	Net book value of sold fixed assets	963	728
F.2.	Book value of sold material	95 505	106 420
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-223 752	87 235
IV.	Other operating income	682 279	1 115 850
H.	Other operating expenses	829 872	1 247 847
<b>*</b>	<b>Operating profit or loss</b>	<b>1 095 636</b>	<b>1 629 913</b>
VII.	Income from non-current financial assets	37 059	199 375
VII.1.	Income from equity investments in subsidiaries and associates	36 850	199 170
VII.3.	Income from other non-current financial assets	209	205
IX.	Income from the revaluation of securities and derivatives	925	895
M.	Change in reserves and provisions relating to financial activities	98 910	77 738
X.	Interest income	11 033	4 317
N.	Interest expenses	48 944	69 988
XI.	Other financial income	34 449	47 296
O.	Other financial expenses	27 955	48 276
<b>*</b>	<b>Financial profit or loss</b>	<b>-92 343</b>	<b>55 881</b>
Q.	Income tax on ordinary activities	209 834	308 383
Q 1.	- due		-2 052
Q 2.	- deferred	209 834	310 435
<b>**</b>	<b>Profit or loss from ordinary activities</b>	<b>793 459</b>	<b>1 377 411</b>
<b>***</b>	<b>Profit or loss for the current period (+/-)</b>	<b>793 459</b>	<b>1 377 411</b>
<b>****</b>	<b>Profit or loss before tax</b>	<b>1 003 293</b>	<b>1 685 794</b>

## STATEMENT OF CHANGES IN EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund/Indivisible fund	Statutory and other funds	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
<b>Balance at 31 December 2010</b>	<b>8 109 863</b>	<b>230 541</b>	<b>765 408</b>	<b>1 984 290</b>	<b>8 384 399</b>	<b>-731 536</b>	<b>-632 117</b>	<b>18 110 848</b>
Impact of merger		-126 770			-1			-126 771
<b>Balance at 1 January 2011</b>	<b>8 109 863</b>	<b>103 771</b>	<b>765 408</b>	<b>1 984 290</b>	<b>8 384 398</b>	<b>-731 536</b>	<b>-632 117</b>	<b>17 984 077</b>
Profit or loss for the current period							1 377 411	1 377 411
Distribution of profit or loss						-632 117	632 117	
Other				-23	1			-22
<b>Balance at 31 December 2011</b>	<b>8 109 863</b>	<b>103 771</b>	<b>765 408</b>	<b>1 984 267</b>	<b>8 384 399</b>	<b>-1 363 653</b>	<b>1 377 411</b>	<b>19 361 466</b>
Profit or loss for the current period							793 459	793 459
Distribution of profit or loss			68 871			1 308 540	-1 377 411	
Other		-1						-1
<b>Balance at 31 December 2012</b>	<b>8 109 863</b>	<b>103 770</b>	<b>834 279</b>	<b>1 984 267</b>	<b>8 384 399</b>	<b>-55 113</b>	<b>793 459</b>	<b>20 154 924</b>

## CASH FLOW STATEMENT

(CZK thousand)

		Year ended 31.12.2012	Year ended 31.12.2011
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>516 479</b>	<b>577 850</b>
	<b>Cash flows from ordinary activities</b>		
Z.	Profit or loss from ordinary activities before tax	1 003 293	1 685 794
A.1.	Adjustments for non-cash transactions	767 469	941 664
A.1.1.	Depreciation of fixed assets	900 092	910 771
A.1.2.	Change in provisions and reserves and complex deferred expenses	-124 842	182 334
A.1.3.	Profit/(loss) on the sale of fixed assets	-8 506	-7 169
A.1.4.	Revenues from dividends and profit shares	-37 059	-199 375
A.1.5.	Interest expense and interest income	37 911	65 671
A.1.6.	Adjustments for other non-cash transactions	-127	6 793
A.1.7.	Adjustments for non-cash transactions - mergers		-17 361
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>1 770 762</b>	<b>2 627 458</b>
A.2.	Change in working capital	289 478	-755 954
A.2.1.	Change in operating receivables and other assets	560 398	-134 746
A.2.2.	Change in operating payables and other liabilities	-1 055 001	309 824
A.2.3.	Change in inventories	784 081	-931 032
<b>A.**</b>	<b>Net cash flow from operations before tax and extraordinary items</b>	<b>2 060 240</b>	<b>1 871 504</b>
A.3.	Interest paid	-43 339	-73 412
A.4.	Interest received	11 112	2 341
A.5.	Income tax paid from ordinary operations		2 502
A.7.	Received dividends and profit shares	37 059	199 375
<b>A.***</b>	<b>Net operating cash flows</b>	<b>2 065 072</b>	<b>2 002 310</b>
	<b>Cash flows from investing activities</b>		
B.1.	Fixed assets expenditures	-2 245 605	-1 160 146
B.2.	Proceeds from fixed assets sold	9 492	7 718
B.3.	Loans provided to related parties	116 000	-400 000
B.5.	Increase in cash - mergers		1 151
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-2 120 113</b>	<b>-1 551 277</b>
	<b>Cash flow from financial activities</b>		
C.1.	Change in payables from financing	126 942	-512 253
C.2.	Impact of changes in equity		-151
C.2.5.	Payments from capital funds		-23
C.2.6.	Dividends paid		-128
<b>C.***</b>	<b>Net financial cash flows</b>	<b>126 942</b>	<b>-512 404</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>71 901</b>	<b>-61 371</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>588 380</b>	<b>516 479</b>

## 1. GENERAL INFORMATION

### 1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

The Company’s registered office was located in Třinec-Staré Město, Průmyslová 1000, 739 70 until 28 November 2012 as registered in the Register of Companies. The registry court changed the registered office in the Register of Companies to Průmyslová 1000, Staré Město, 739 61 Třinec with effect from 28 November 2012.

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

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

Shareholder	Ownership percentage
MORAVIA STEEL a. s.	80.05%
Other	19.95%
<b>Total</b>	<b>100.00%</b>

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

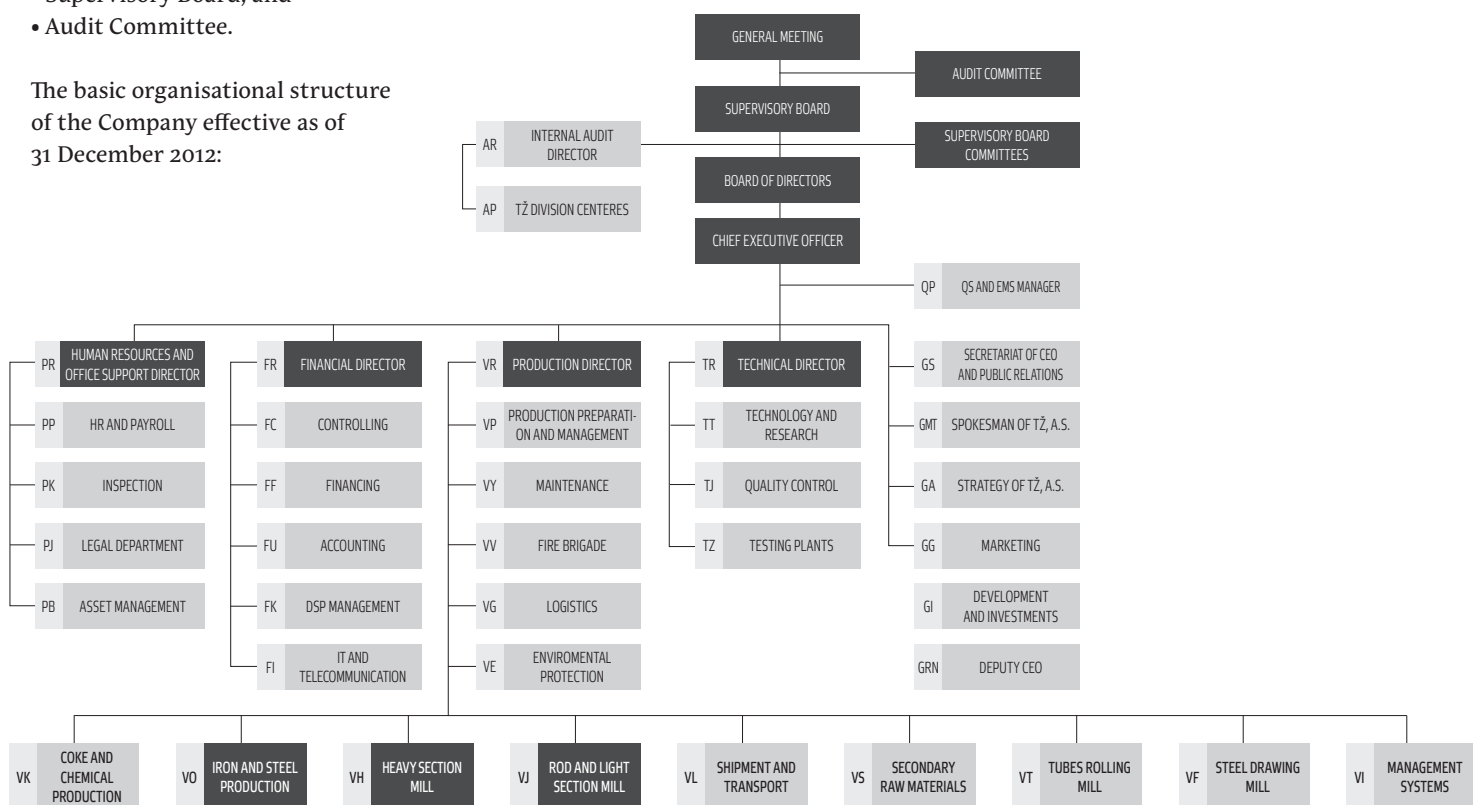
During the year ended 31 December 2012, the Company’s corporate details held at the Register of Companies were updated to reflect the change related to the composition of the Company’s Board of Directors and Supervisory Board (refer to Note 1.5), the change in the Company’s business activities and the above-mentioned change in the registered office.

### 1.3. ORGANISATIONAL STRUCTURE OF THE COMPANY

Bodies of the Company are as follows:

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

The basic organisational structure of the Company effective as of 31 December 2012:





During the year ended 31 December 2012, the following changes were made in the organisational structure of the Company:

- Cancellation of the IR – Investment Director managed by GR - Chief Executive Officer;
- Cancellation of the IV – Development and Investments managed by IR – Investment Director and transfer to the GR – Chief Executive Officer under a new name: the GI – Development and Investments;
- Cancellation of the IF – IT and Telecommunications and the IL – Environmental Protection managed by the IR – Investment Director and their transfer to the FR Financial Director under a new name: the FI – IT and Telecommunications and to the VR – Production Director under a new name: VE – Environmental Protection;
- Cancellation of the VD – Transport managed by the VR – Production Director and its merger with the VL – Shipment managed by the VR – Production Director under a new name: VL – Shipment and Transport; and
- Cancellation of the VRn – Deputy Production Director managed by the VR – Production Director and formation of the GRn – Deputy CEO managed by GR – Chief Executive Officer.

#### 1.4. GROUP IDENTIFICATION

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

#### 1.5. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2012

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

During the year ended 31 December 2012, the following changes were made in the composition of the Company's Board of Directors and Supervisory Board:

#### Board of Directors:

Position	Original	New	Date of change
Chairman	Jiří Cieńciała	–	1 January 2012
Chairman	–	Jan Czudek	10 January 2012
1st Vice Chairman	Jan Czudek	Česlav Marek	10 January 2012
2nd Vice Chairman	Česlav Marek	Petr Popelář	10 January 2012
Member	Petr Popelář	–	10 January 2012
Member	Jan Lasota	–	29 May 2012

#### Supervisory Board:

Position	Original	New	Date of change
2nd Vice Chairman	Hanns Kurt Zöllner	Evžen Balko	25 June 2012
Member	Evžen Balko	–	25 June 2012
Member	–	Hanns Kurt Zöllner	25 June 2012
Member	Roman Mitreęa	–	6 September 2012
Member	–	Jiří Cieńciała	12 October 2012

## 2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

### 2.1. REPORTING PERIOD

The Company's financial statements as of 31 December 2012 have been prepared as follows:

- The balance sheet contains comparative balances as of 31 December 2011;
- The profit and loss account contains comparative amounts for the year ended 31 December 2011;
- The statement of changes in equity contains comparative balances as of 31 December 2011; and
- The cash flow statement contains comparative amounts for the year ended 31 December 2011.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

#### Valuation

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

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

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

The following tangible and intangible fixed assets are stated at replacement cost: tangible and intangible fixed assets acquired through donation, intangible fixed assets internally generated if replacement cost is lower than internal costs, assets recently entered in the accounting records and an investment of intangible and tangible fixed assets, except for cases where the investment is valued differently pursuant to a Memorandum of Association or a Foundation Deed.

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

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

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

The results of the Company's research and development activities, if designed for trading or resale, are recognised through the balance sheet line 'Research and development'. Research and development results designed for internal purposes are not classified as intangible fixed assets for financial reporting purposes and are held in off balance sheet records at internal costs of production.

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

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

### Depreciation for Accounting Purposes

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

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

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

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

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

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

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

### Provisioning

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

### Impairment

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

### 3.2. NON-CURRENT FINANCIAL ASSETS

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

### Valuation

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

### At the balance sheet date, the Company records:

Equity investments are measured at cost less any provisions.

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

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

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

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as 'Equity investments – subsidiary (controlled entity)'.

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

### Provisioning against Equity Investments

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

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

### 3.3. CURRENT FINANCIAL ASSETS

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

Current financial assets are carried at cost upon acquisition.

### 3.4. INVENTORY

#### Valuation

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

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

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

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

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

#### Provisioning

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

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

### 3.5. RECEIVABLES

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

#### Provisioning

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

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

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

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

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

### 3.6. PAYABLES

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

### 3.7. LOANS AND BORROWINGS

#### Valuation

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

### 3.8. RESERVES

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

### 3.9. FOREIGN CURRENCY TRANSLATIONS

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

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

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

### **3.10. FINANCE LEASES**

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

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

### **3.11. TAXATION**

#### ***3.11.1. Depreciation of Fixed Assets for Tax Purposes***

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act No. 586/1992 Coll., on Income Taxes, with the exception of assets used in the Univerzální trať Bohumín plant and the Tube Rolling Mill (the VT operation) which are depreciated using the straight line and accelerated methods.

#### ***3.11.2. 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 Company's liability for current tax is calculated using the tax rate that has been enacted by the balance sheet date.

#### ***3.11.3. Deferred Tax***

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

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

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

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

### **3.12. BORROWING COSTS**

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

### **3.13. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY**

The 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'.

### **3.14. REVENUE RECOGNITION**

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

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

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

### **3.15. USE OF ESTIMATES**

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

### **3.16. RESEARCH AND DEVELOPMENT EXPENDITURE**

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



### 3.17. YEAR-ON-YEAR CHANGES IN ACCOUNTING POLICIES

With effect from 2012, the Company has newly determined the costs of certifying products up to CZK 60 thousand to be immaterial when their charge through expenses without accounting for a deferral does not impact the purpose of accrual accounting. Prior to 2012, the Company deferred the costs of the certification of products in all cases. Regularly repeating product certificates are not deferred.

### 3.18. SUBSIDIES

The subsidies received are credited to income on an accruals basis (refer to Note 4.11).

Subsidies to fund the acquisition of fixed assets reduce the cost of the related assets.

### 3.19. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

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

Cash and cash equivalents can be analysed as follows:

(CZK thousand)

	31 Dec 2012	31 Dec 2011
Cash on hand	1 312	1 567
Current accounts	586 675	514 912
Short-term securities and equity investments	14 827	14 675
Provisions against short-term securities and equity investments	-14 434	-14 675
<b>Total current financial assets</b>	<b>588 380</b>	<b>516 479</b>

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

### 4.1. FIXED ASSETS

#### 4.1.1. Intangible Fixed Assets

Cost

(CZK thousand)

	Balance at 1 Jan 2011	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Research and development	4 552	0	1	0	4 553	0	0	4 553
Software	156 914	1 508	6 862	365	164 919	1 672	196	166 395
Valuable rights	27 712	119	1 123	0	28 954	342	0	29 296
Other intangible FA	0	0	1 177 240	1 135 582	41 658	619 768	586 388	75 038
Intangible FA under construction	1 193	0	6 792	7 985	0	7 507	2 014	5 493
<b>Total</b>	<b>190 371</b>	<b>1 627</b>	<b>1 192 018</b>	<b>1 143 932</b>	<b>240 084</b>	<b>629 289</b>	<b>588 598</b>	<b>280 775</b>

#### Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2011	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Research and development	2 049	0	910	0	2 959	911	0	3 870
Software	147 879	1 508	3 744	364	152 767	3 877	197	156 447
Valuable rights	27 632	27	479	239	27 899	329	53	28 175
<b>Total</b>	<b>177 560</b>	<b>1 535</b>	<b>5 133</b>	<b>603</b>	<b>183 625</b>	<b>5 117</b>	<b>250</b>	<b>188 492</b>

## Net Book Value

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Research and development	1 594	683
Software	12 152	9 948
Valuable rights	1 055	1 121
Other intangible FA	41 658	75 038
Intangible FA under construction	0	5 493
<b>Total</b>	<b>56 459</b>	<b>92 283</b>

## Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 5,117 thousand and CZK 5,133 thousand as of 31 December 2012 and 2011, respectively.

Other intangible fixed assets include allowances.

During 2012, the Company obtained 2,832,985 allowances in the amount of CZK 633,010 thousand free of charge. As of the balance sheet date of 31 December 2012, the Company recognised used allowances of CZK 586,388 thousand and the revaluation of emission allowances of CZK 27,096 thousand. During 2012, the Company exchanged 426,628 EUA allowances for 511,954 CER allowances. The effect of the exchange to the CER allowances amounted to CZK 13,854 thousand.

During 2011, the Company obtained 2,859,174 emission allowances in the amount of CZK 1,059,603 thousand free of charge. As of 31 December 2011, the Company recognised used emission allowances of CZK 1,084,447 thousand and the revaluation of emission allowances of CZK 51,135 thousand. During 2011, the Company sold 303,000 EUA emission allowances in the amount of CZK 117,637 thousand and concurrently purchased 312,758 ERU emission credits in the amount of CZK 105,587 thousand and 31,037 EUA emission allowances in the amount of CZK 12,050 thousand.

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

The aggregate cost of low value intangible assets not reported on the face of the balance sheet was CZK 24,957 thousand and CZK 25,386 thousand as of 31 December 2012 and 2011, respectively.

### 4.1.2. Tangible Fixed Assets

#### Cost

(CZK thousand)

	Balance at 1 Jan 2011	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Land	346 107	4 209	0	199	350 117	0	168	349 949
Structures	6 530 779	176 646	219 769	4 269	6 922 925	164 085	14 908	7 072 102
Individual movable assets	18 893 910	289 919	1 235 258	130 489	20 288 598	309 823	150 896	20 447 525
– Machinery and equipment	17 186 369	284 582	1 185 026	113 925	18 542 052	244 849	138 046	18 648 855
– Vehicles	1 682 202	1 747	50 232	15 832	1 718 349	64 761	11 260	1 771 850
– Furniture and fixtures	25 339	3 590	0	732	28 197	213	1 590	26 820
Other tangible FA	1 668	0	0	169	1 499	0	0	1 499
Tangible FA under construction	1 162 752	427	532 733	1 453 091	242 821	691 095	473 241	460 675
Prepayments for tangible FA	4 515	0	11 983	5 975	10 523	62 687	16 935	56 275
<b>Total</b>	<b>26 939 731</b>	<b>471 201</b>	<b>1 999 743</b>	<b>1 594 192</b>	<b>27 816 483</b>	<b>1 227 690</b>	<b>656 148</b>	<b>28 388 025</b>

#### Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2011	Impact of the merger at 1 Jan 2011	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Structures	3 591 845	29 886	153 186	16 818	3 758 099	155 275	28 695	3 884 679
Individual movable assets	13 143 024	125 454	773 180	141 785	13 899 873	756 068	155 848	14 500 093
– Machinery and equipment	12 022 540	122 757	717 437	125 222	12 737 512	698 797	142 998	13 293 311
– Vehicles	1 097 504	734	54 157	15 831	1 136 564	55 551	11 260	1 180 855
– Furniture and fixtures	22 980	1 963	1 586	732	25 797	1 720	1 590	25 927
Tangible FA under construction	5 609	0	26 989	165	32 433	27 684	28 603	31 514
<b>Total</b>	<b>16 740 478</b>	<b>155 340</b>	<b>953 355</b>	<b>158 768</b>	<b>17 690 405</b>	<b>939 027</b>	<b>213 146</b>	<b>18 416 286</b>

## Net Book Value

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Land	350 117	349 949
Structures	3 164 826	3 187 423
Individual movable assets	6 388 725	5 947 432
– Machinery and equipment	5 804 540	5 355 544
– Vehicles	581 785	590 995
– Furniture and fixtures	2 400	893
Other tangible FA	1 499	1 499
Tangible FA under construction	210 388	429 161
Prepayments for tangible FA	10 523	56 275
<b>Total</b>	<b>10 126 078</b>	<b>9 971 739</b>

Principal additions to tangible fixed assets for the year ended 31 December 2012 were as follows:

(CZK thousand)

Acquisition of barriers in the scrap yard	90 877
Acquisition of lead vehicle no. 3 and industrial vacuum cleaners as part of the completion of the modernisation of coke battery 12	64 704
Extension of the equipment in the ZPO <sub>1</sub> continuous steel casting plant	34 081
Modernisation of piping to blast furnace no. 4 including the acquisition of a carriage to replace air-blast devices and a bucket crane	27 579

Principal additions to tangible fixed assets under construction for the year ended 31 December 2012 were as follows:

(CZK thousand)

Acquisition of new technology – direct injecting of duff coal to furnace no. 4 and 6	83 857
Acquisition of new technology – EMS for round steel with a diameter of 410 mm at ZPO <sub>1</sub>	21 327
Acquisition of crystal boxes D410 segments no. I D410	15 870

During the year ended 31 December 2012, assets with an aggregate net book value of CZK 5,474 thousand were removed from tangible fixed assets. Major disposals principally comprised the partial liquidation of the obsolete equipment ZPO<sub>1</sub>, MAR and ASŘ ZPO<sub>1</sub>, the liquidation of slag basins in the VO – Converters, the liquidation of crane rails, the crane, the cast house warehouse and plant, the liquidation of non-functioning, non-repairable measuring devices and precious metal objects.

### Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 894,975 thousand and CZK 905,638 thousand as of 31 December 2012 and 2011, respectively.

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

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 465,221 thousand and CZK 460,997 thousand as of 31 December 2012 and 2011, respectively.

#### 4.1.3. Assets Held under Finance and Operating Lease Agreements

##### Finance Leases

The Company has no finance leases as of 31 December 2012 and 2011.

##### Operating Leases

In the years ended 31 December 2012 and 2011, the Company made lease payments of CZK 33,538 thousand and CZK 43,994 thousand, respectively.

#### 4.1.4. Pledged Fixed Assets

##### 31 December 2012

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	605 624	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc- Prague branch and CITIBANK Europe plc
Land	40 732	
Tangible FA	569 757	Loan from Česká spořitelna, a.s.
Tangible FA	280 787	Loan from CITIBANK Europe plc
Tangible FA	202 371	Loan from Československá obchodní banka, a.s.
Land	10 640	
<b>Total</b>	<b>1 709 911</b>	

31 December 2011

(CZK thousand)

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

## 4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK thousand)

	Balance at 1 Jan 2011	Impact of the merger at 1 Jan 2011	Additions	Disposals	Revaluation	Balance at 31 Dec 2011
Equity investments in subsidiaries	5 055 301	-569 008	533 395	0	0	5 019 688
Equity investments in associates	125 693	0	0	0	0	125 693
Other non-current securities and equity investments	100	0	0	0	0	100
Other non-current financial assets	18 795	0	0	0	555	19 350
Acquired non-current financial assets	4 876	0	0	4 876	0	0
<b>Total</b>	<b>5 204 765</b>	<b>-569 008</b>	<b>533 395</b>	<b>4 876</b>	<b>555</b>	<b>5 164 831</b>

(CZK thousand)

	Additions	Disposals	Revaluation	Balance at 31 Dec 2012
Equity investments in subsidiaries	1 590 406	0	0	6 610 094
Equity investments in associates	0	2 510	0	123 183
Other non-current securities and equity investments	0	100	0	0
Other non-current financial assets	0	19 350	0	0
Acquired non-current financial assets	1 589 657	1 589 657	0	0
<b>Total</b>	<b>3 180 063</b>	<b>1 611 617</b>	<b>0</b>	<b>6 733 277</b>

#### 4.2.1. Shares and Equity Investments in Subsidiaries

31 December 2012

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner-ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
ENERGETIKA TŘINEC, a.s., Třinec-Staré Město	1 625 717	1 680 000	276	100.00	2 373 958	35 003	0	1 625 717	0
Strojírny Třinec, a.s., Třinec-Staré Město	540 972	565 000	600	100.00	664 906	48 833	0	540 972	7 000
Slévárny Třinec, a.s., Třinec, Staré Město	550 000	550 000	514	100.00	541 733	1 443	0	550 000	0
„D&D“ Drótaru Zrt., 3527 Miskolc, Besenyői út 18 (HUN)	*	444	5	100.00	60 619	21 650	-160 415	*	0
Šroubárna Kyjov, spol. s r.o., Kyjov	*	140 000	0	100.00	433 206	5 301	0	*	0
ŽDB DRÁTOVNA a.s. **** Bohumín-Pudlov	*	2 000	2	100.00	1 327 251	76 325	0	*	0
D 5, akciová společnost, Třinec, Třinec, Staré Město	*	60 000	4 661	100.00	151 508	19 973	0	*	0
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100.00	41 482	1 788	0	25 643	0
Steel Consortium Partners, a.s., Třinec, Staré Město	19 000	19 000	117	100.00	1 386	-123	-17 606	1 394	0
„METALURGIA“ Spółka Akcyjna, Radomsko (POL)	*	90 564	4 747 340	100.00	214 418	13 649	0	*	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	34 435	1 460	0	15 755	0
Moravia Security, a.s., Třinec, Kinská	12 000	12 000	12	100.00	16 105	1 371	0	12 000	0
VÚHŽ a.s., Dobrá	*	16 817	336 336	100.00	258 756	15 668	0	*	12 000
Střední odborná škola Třineckých železáren, Třinec, Kanada **	2 000	2 000	0	100.00	80 669	-2 178	0	2 000	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	0	100.00	18 258	388	0	100	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	0	89.11	47 256	2 041	0	*	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	49 750	48 558	0	88.00	46 817	418	0	49 750	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	59 611	-925	0	19 364	0
Řetězárna a.s., Česká Ves	64 000	61 200	515	51.00	511 326	58 507	0	64 000	7 650
REFRASIL, s.r.o., Třinec-Kinská	18 236	25 500	0	51.00	217 887	29 676	0	18 236	10 200
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada ***	5 978	2 745	183	83.18	11 214	476	0	5 978	0
DALSELV DESIGN a.s. ***** Ostrava-Mariánské Hory	*	1 360	12	68.00	31 057	1 496	0	*	0
<b>TOTAL</b>	<b>6 610 094</b>						<b>-178 021</b>	<b>6 432 073</b>	<b>36 850</b>

Note: *italics* – preliminary results as of 31 December 2012

\* confidential information

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

\*\*\* on 29 March 2012, the equity investment in TŘINECKÉ PROJEKCE, a.s. was increased from 34.09 % to 83.18 %

\*\*\*\* ŽDB DRÁTOVNA, a.s. became a part of the group on 1 October 2012

\*\*\*\*\* DALSEL DESIGN a.s. became a part of the group on 17 December 2012



31 December 2011

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner -ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
ENERGETIKA TŘINEC, a.s., Třinec-Staré Město	1 625 717	1 680 000	276	100.00	2 339 748	23 031	0	1 625 717	0
Strojírny Třinec, a.s., Třinec-Staré Město	540 972	565 000	600	100.00	624 998	7 914	0	540 972	95 000
Slévárny Třinec, a.s., Třinec, Staré Město	550 000	550 000	514	100.00	541 569	1 893	0	550 000	0
Řetězárna a.s., Česká Ves	64 000	61 200	515	51.00	469 529	41 709	0	64 000	3 570
Šroubárna Kyjov, spol. s r.o., Kyjov	*	140 000	0	100.00	427 905	11 959	0	*	15 000
„METALURGIJA“ Spółka Akcyjna, Radomsko (POL)	*	91 510	4 747 340	100.00	187 994	6 454	0	*	0
„D&D“ Drótáru Zrt., 3527 Miskolc, Besenyői út 18 (HUN)***	*	446	5	100.00	-55 752	-96 570	-62 145	*	0
D 5, akciová společnost, Třinec Třinec, Staré Město	*	60 000	4 661	100.00	132 232	12 243	0	*	0
VÚHŽ, a.s., Dobrá	*	16 817	336 336	100.00	255 087	22 758	0	*	30 000
REFRASIL, s.r.o., Třinec-Konská	18 236	25 500	0	51.00	208 211	41 269	0	18 236	30 600
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	34 404	3 023	0	15 755	25 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	0	89.11	45 218	767	0	*	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	0	100.00	17 870	229	0	100	0
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100.00	39 694	2 328	0	25 643	0
Moravia Security, a.s., Třinec, Konská	12 000	12 000	12	100.00	14 734	939	0	12 000	0
Střední odborná škola Třineckých železáren, Třinec, Kanada **	2 000	2 000	0	100.00	78 539	695	0	2 000	0
„ZAMECZEK BŁOGOCICE“ Spółka z ogranic- zoną odpowiedzialnością, Cieszyn (POL)	49 750	48 558	0	88.00	41 510	195	0	49 750	0
Steel Consortium Partners, a.s., Třinec, Staré Město	19 000	19 000	117	100.00	1 509	-92	-17 491	1 509	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	60 518	-1 595	0	19 364	0
<b>Total</b>	<b>5 019 688</b>						<b>-79 636</b>	<b>4 940 052</b>	<b>199 170</b>

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

\* confidential information

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

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

#### 4.2.2. Shares and Equity Investments in Associates

31 December 2012

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner -ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
VESUVIUS ČESKÁ REPUBLIKA, a.s., Třinec	25 137	25 137	25 137	40,00	328 982	64 231	0	25 137	0
Hutnictví železa, a.s., Praha	25 620	16 191	26 985	38,71	41 663	-2 862	-17 871	7 749	0
Kvalifikační a personální agentura, o.p.s., Třinec- Staré Město	34	34	0	33,33	6 521	353	-34	0	0
HRAT, s.r.o., Třinec*	212	100	0	23,26	1 164	-671	0	212	0
Sochorová válcovna TŽ, a.s., Třinec -Staré Město	72 180	72 180	180	18,00	2 276 157	255 115	0	72 180	0
<b>Total</b>	<b>123 183</b>						<b>-17 905</b>	<b>105 278</b>	<b>0</b>

Note: *italics* –preliminary results of operation as of 31 December 2012

\* results of operations for the period from 1 April 2012 – 31 March 2013

SILESIAFLAG, a.s., "in liquidation", entered liquidation as of 1 January 2012; the company's extraordinary General Meeting approved the distribution of the liquidation balance on 17 December 2012

31 December 2011

(CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner -ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
SILESIALAG, a.s., Třinec-Staré Město	1 760	1 760	74	44,00	3 668	-81	-145	1 615	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34,09	10 826	177	0	750	0
VESUVIUS ČESKÁ REPUBLIKA, a.s., Třinec	25 137	25 137	25 137	40,00	264 751	73 349	0	25 137	0
Hutnictví železa, a.s., Praha	25 620	16 191	26 985	38,71	45 439	-1 881	-16 960	8 660	0
Kvalifikační a personální agentura, o.p.s., Třinec- Staré Město	34	34	0	33,33	7 840	362	-34	0	0
HRAT, s.r.o., Třinec*	212	100	0	23,26	1 865	18	0	212	0
Sochorová válcovna TŽ, a.s., Třinec-Staré Město	72 180	72 180	180	18,00	2 021 043	279 479	0	72 180	0
<b>Total</b>	<b>125 693</b>						<b>-17 139</b>	<b>108 554</b>	<b>0</b>

Note: \* results of operations for the period from 1 April 2011 – 31 March 2012

#### 4.2.3. Other Non-Current Securities and Equity Investments

31 December 2012

(CZK thousand)

Company name	Cost	Nominal value	Number of shares	Ownership %	Equity	Accounting profit/loss	Valuation difference	Fair value	Financial revenues
ACRI – Asociace podniků českého železničního průmyslu, Prague 1-Nové Město	20	20	-	2,08	1 123	-261	-20	0	0
<b>Total</b>	<b>20</b>						<b>-20</b>	<b>0</b>	<b>0</b>

Note: \* *italics* – preliminary results of operations as of 31 December 2012

31 December 2011

(CZK thousand)

Company name	Cost	Nominal value	Number of shares	Ownership %	Equity	Accounting profit/loss	Valuation difference	Fair value	Financial revenues
KPM CONSULT, a.s., Brno	100	100	10	10,00	17 250	168	0	100	0
ACRI – Asociace podniků českého železničního průmyslu, Prague 1-Nové Město	20	20	-	2,08	1 049	-34	-20	0	0
<b>Total</b>	<b>120</b>						<b>-20</b>	<b>100</b>	<b>0</b>

The equity investment in KPM CONSULT, a.s. of CZK 100 thousand, which is expected to be sold, is reported as part of current securities and equity investments as of 31 December 2012.

The Company reported a long-term term deposit of MIZRAHI BANK as part of other non-current financial assets. As of 31 December 2012, this term deposit was repaid.

#### 4.2.4. Non-Current Financial Assets Pledged as Collateral

As of 31 December 2012, the Company has non-current financial assets pledged as collateral in the nominal value of CZK 2,000 thousand.

The Company had no non-current financial assets pledged as collateral as of 31 December 2011.

### 4.3. INVENTORY

As of 31 December 2012 and 2011, the Company created provisions against inventory in the aggregate amount of CZK 500,715 thousand and CZK 589,783 thousand, respectively. The provision against material amounted to CZK 251,754 thousand (2011: CZK 232,281 thousand), the provision against work in progress and semi-finished products amounted to CZK 195,607 thousand (2011: CZK 298,776 thousand) and the provision against finished products amounted to CZK 53,354 thousand (2011: CZK 58,726 thousand).

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

### 4.4. RECEIVABLES

#### 4.4.1. Short-Term Receivables

##### Aging of Short-Term Trade Receivables

(CZK thousand)

Year	Category	Before due date	Past due date					Total
			1–90 days	91–180 days	181–360 days	1–2 years	2 years and greater	
2012	Short-term	2 639 518	94 035	76	102	25	31 349	<b>2 765 105</b>
	Provisions	0	0	0	-51	-25	-31 349	<b>-31 425</b>
	<b>Total</b>	<b>2 639 518</b>	<b>94 035</b>	<b>76</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>2 733 680</b>
2011	Short-term	3 147 548	771	249	107	59	36 383	<b>3 185 117</b>
	Provisions	0	0	0	-55	-59	-36 383	<b>-36 497</b>
	<b>Total</b>	<b>3 147 548</b>	<b>771</b>	<b>249</b>	<b>52</b>	<b>0</b>	<b>0</b>	<b>3 148 620</b>

### Other Short-Term Receivables

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

State – tax receivables predominantly include the value added tax 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 amounts due from anticipated insurance proceeds.

Receivables typically mature within 30 days.

#### 4.4.2. Intercompany and Other than Intercompany Receivables

### Short-Term Receivables

(CZK thousand)

Company name	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>● Trade receivables</b>		
Doprava TŽ, a.s.	1 401	2 240
ENERGETIKA TŘINEC, a.s.	378	78 141
Šroubárna Kyjov, spol. s r.o.	867	800
D 5, akciová společnost, Třinec	3 177	2 796
MORAVIA STEEL a.s.	2 120 667	2 610 130
REFRASIL, s.r.o.	565	498
Řetězárna, a.s.	7	89
Slévárny Třinec, a.s.	39 880	49 251
TRIALFA, s.r.o.	2 500	3 539
TŘINECKÁ PROJEKCE, a.s.	68	69
Třinecké gastroslužby, s.r.o.	775	695
Strojírny Třinec, a.s.	9 493	27 390
Sochorová válcovna TŽ, a.s.	366 869	332 694
SILESIAFLAG, a.s., "in liquidation" **	0	1
Steel Consortium Partners, a.s.	1	1
Kvalifikační a personální agentura, o.p.s.	3	3
TRISIA, a.s.	7	3
VESUVIUS ČESKÁ REPUBLIKA, a.s.	646	455
Beskydská golfová, a.s.	36	37
VÚHŽ a.s.	1 478	944
Moravia Security, a.s.	104	91
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	22	28
Střední odborná škola Třineckých železáren*	176	148
Moravskoslezský kovošrot, a.s.,	223	513
„METALURGIA“ Spółka Akcyjna	636	624
Hanácké železáreny a pérovny, a.s.	453	53
M Steel Projects a.s.	33	48
HRAT, s.r.o.	3	5
FINITRADING, a.s.	2	1
Kovárna "Viva"	11	0
ŽDB DRÁTOVNA a.s.***	7 247	-
<b>Total</b>	<b>2 557 728</b>	<b>3 111 287</b>
<b>● Receivables – controlled or controlling entity</b>		
„D&D“ Drótáru Zrt.	285 951	401 683
<b>Total</b>	<b>285 951</b>	<b>401 683</b>
<b>● Other receivables</b>		
SILESIAFLAG, a.s. "in liquidation"***	1 255	0
<b>Total</b>	<b>1 255</b>	<b>0</b>
<b>Total short-term intercompany receivables</b>	<b>2 844 934</b>	<b>3 512 970</b>
Other than intercompany receivables	251 988	249 345
<b>Total short-term receivables</b>	<b>3 096 922</b>	<b>3 762 315</b>

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

\*\* SILESIAFLAG, a.s., "in liquidation", entered liquidation as of 1 January 2012; the company's extraordinary General Meeting approved the distribution of the liquidation balance on 17 December 2012

\*\*\* DŽB DRÁTOVNA, a.s. became a part of the group on 1 October 2012

### Long-Term Receivables

(CZK thousand)

Company name	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>Long-term receivables</b>		
Other than intercompany receivables	6 261	5 463
<b>Total long-term receivables</b>	<b>6 261</b>	<b>5 463</b>

#### 4.4.3. Pledged Receivables

As of 31 December 2012 and 2011, the Company recorded no pledged receivables.

#### 4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Cash	1 312	1 567
Current accounts	586 675	514 912
Short-term securities and equity investments	14 827	14 675
Provision against short-term securities and equity investments	-14 434	-14 675
<b>Total current financial assets</b>	<b>588 380</b>	<b>516 479</b>

Short-term securities and equity investments as of 31 December 2012 and 2011 include tradable securities in the aggregate amounts of CZK 14,727 and CZK 14,675 thousand, respectively. As of 31 December 2012, a non-tax deductible provision of CZK 14,434 thousand was created for tradable securities. In addition, short-term securities and equity investments include an equity investment in KPM CONSULT, a.s. of CZK 100 thousand, which is expected to be sold.

#### 4.6. DEFERRED EXPENSES AND ACCRUED INCOME

As of 31 December 2012 and 2011 deferred expenses principally consisted of the deferred cost of studies, projects of CZK 4,368 thousand and CZK 7,356 thousand, respectively; deferred expenses of subscription, insurance and software upgrade amounted to CZK 11,441 thousand and CZK 5,770 thousand as of 31 December 2012 and 2011, respectively.

#### 4.7. SHAREHOLDERS' EQUITY

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

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

Pursuant to the resolution of the General Meeting of the Company held on 25 June 2012, the following distribution of the profit for 2011 of CZK 1,377,411 thousand was agreed:

(CZK thousand)

Contribution to the statutory reserve fund	68 871
Payment of unsettled loss of prior years	1 308 540

On 26 September 2011, the payment of dividends for 2006 declared by the General Meeting of the Company held on 25 June 2007 which were due on 25 September 2007, became statute barred. The amount of these dividends of CZK 7,543 thousand was written off to other financial income.

The merger with FERROMORAVIA, s.r.o. resulted in a decrease of the equity of CZK 126,771 thousand as of 1 January 2011.

#### 4.7.1. Share Capital

The Company's share capital is composed of 8,109,863 ordinary registered shares in the certificate form, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share.

On 17 December 2009, the Company's shares in the certificate form, which were not collected by their owners after the change of the book-entry to the certificate form of shares, were repeatedly auctioned. As of 31 December 2012, the number of uncollected shares was 110. These shares could not be auctioned, as they had been pledged as collateral by their owners in favour of third parties.

#### 4.8. RESERVES

(CZK thousand)

	Reserves under special legislation	Other reserves	Total reserves
	Reserve for restoration		
<b>Balance at 1 Jan 2011</b>	<b>1 793</b>	<b>141 879</b>	<b>143 672</b>
Creation	60	553 416	553 476
Use	0	455 706	455 706
<b>Balance at 31 Dec 2011</b>	<b>1 853</b>	<b>239 589</b>	<b>241 442</b>
Creation	69	106 198	106 267
Use	0	232 827	232 827
<b>Balance at 31 Dec 2012</b>	<b>1 922</b>	<b>112 960</b>	<b>114 882</b>

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

## 4.9. PAYABLES

### 4.9.1. Long-Term Payables

As of 31 December 2012 and 2011, long-term trade payables include the aggregate amount of CZK 16,786 thousand and CZK 34,203 thousand, respectively, relating to retentions from suppliers under concluded contracts.

### 4.9.2. Deferred Income Tax

The deferred tax asset/liability is analysed as follows:

(CZK thousand)

Deferred tax arising from	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Difference between tax and accounting carrying value of fixed assets	-4 584 385	-4 439 075
Revaluation of available-for-sale securities	20	20
Accounting reserves	112 960	239 589
Provisions	521 062	614 411
Expenses that are tax deductible in the following periods	89 557	136 945
Utilisable tax losses carried forward	1 428 591	2 120 308
<b>Total</b>	<b>-2 432 195</b>	<b>-1 327 802</b>
Tax rate (in %)	19	19
<b>Deferred tax asset (+)/liability (-)</b>	<b>-462 117</b>	<b>-252 282</b>

(CZK thousand)

Analysis of movements	
<b>31 Dec 2011</b>	<b>-252 282</b>
Current changes charged against the profit and loss account	-209 834
Current changes charged against equity	0
Other	-1
<b>31 Dec 2012</b>	<b>-462 117</b>

### 4.9.3. Income Tax on Ordinary and Extraordinary Activities

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Profit before tax	1 003 293	1 685 794
Tax at the domestic income tax rate of 19% (19%)	190 626	320 301
Tax effect of expenses that are not deductible in determining taxable profit	19 208	-9 866
Additional taxes (+) / overpayments (-) assessed for prior years	0	-2 052
<b>Total income tax on ordinary and extraordinary activities – recognised in deferred tax and income tax payable</b>	<b>209 834</b>	<b>308 383</b>

### 4.9.4. Short-Term Payables

Aging of short-term trade payables:

(CZK thousand)

Period	Category	Before due date	Past due date					Total
			1-90 days	91-180 days	181-360 days	1-2 years	2 years and greater	
2012	Short-term	3 189 927	14 152	3	57	0	0	<b>3 204 139</b>
2011	Short-term	4 088 887	10 783	32	122	139	0	<b>4 099 963</b>

Payables typically fall due for settlement within 30 days.

### Other Payables

As of 31 December 2012, payables arising from social security and the state employment policy contribution amounted to CZK 53,788 thousand (2011: CZK 65,556 thousand), health insurance payables totalled CZK 23,273 thousand (2011: CZK 28,285 thousand), and pension insurance payables totalled CZK 2,580 thousand (2011: CZK 2,463 thousand). The Company has no past due social security or health insurance payables.

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

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

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



#### 4.9.5. Intercompany Payables

##### Short-Term Payables

(CZK thousand)

Company name	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>● Trade payables</b>		
Doprava TŽ, a.s.	10 901	10 207
ENERGETIKA TŘINEC, a.s.	358 000	408 907
Hutnictví železa, a.s.	613	593
Šroubárna Kyjov, spol. s r.o.	1 072	436
MORAVIA STEEL a.s.	1 376 220	2 064 396
REFRASIL, s.r.o.	28 657	43 239
Řetězárna, a.s.	630	414
Slévárny Třinec, a.s.	0	2 137
TRIALFA, s.r.o.	14 152	14 985
TRISIA, a.s.	433	707
TŘINECKÁ PROJEKCE, a.s.	3 174	2 792
Třinecké gastroslužby, s.r.o.	5 264	5 926
Strojírny Třinec, a.s.	89 916	75 856
Sochorová válcovna TŽ, a.s.	12 687	20 308
VESUVIUS ČESKÁ REPUBLIKA, a.s.	8 689	7 892
Beskydská golfová, a.s.	2 400	1 800
D 5, akciová společnost, Třinec	74 297	78 156
VÚHŽ a.s.	887	621
Moravia Security, a.s.	5 462	5 712
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	102	618
Moravskoslezský kovošrot, a.s.	158 017	168 865
Střední odborná škola Třineckých železáren*	2 391	2 552
„METALURGIA“ Spółka Akcyjna	492	523
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	104	97
Kvalifikační a personální agentura, o.p.s.	10	10
HRAT, s.r.o.	36	90
ŽDB DRÁTOVNA, a.s.**	13	-
D&D Drotáru zrt.	2 359	0
DALSELV DESIGN a.s. ***	10 091	-
<b>Total short-term intercompany payables</b>	<b>2 167 069</b>	<b>2 917 839</b>
Other than intercompany payables	1 580 603	1 798 522
<b>Total short-term payables</b>	<b>3 747 672</b>	<b>4 716 361</b>

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

\*\* ŽDB DRÁTOVNA a.s. became a part of the group on 1 October 2012

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

##### Long-Term Payables

(CZK thousand)

Company name	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>Long-term payables</b>		
<b>● Trade payables</b>		
Strojírny Třinec, a.s.	502	0
D 5, akciová společnost, Třinec	498	1 138
DALSELV DESIGN a.s.	2 469	-
<b>Total long-term intercompany payables</b>	<b>3 469</b>	<b>1 138</b>
Other than intercompany payables	480 434	285 347
<b>Total long-term payables</b>	<b>483 903</b>	<b>286 485</b>

Other than intercompany long-term payables include a deferred tax liability of CZK 462,117 thousand and CZK 252,282 thousand as of 31 December 2012 and 2011, respectively.

#### 4.9.6. Bank Loans

##### Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2012	Balance at 31 Dec 2011	Interest rate % p.a.	Form of collateral at 31 Dec 2012
Investment	CZK/EUR	91 560	167 573	3M PRIBOR/ EURIBOR + 0.99	Movable assets VH, receivables from insurance, blank promissory note
Investment	CZK	700 000	900 000	3M PRIBOR + 1.5 (margin according to Senior Debt/EBITDA)	Movable and immovable assets KB12, receivables from insurance, promissory note
Investment	EUR	10 292	65 030	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	CZK	0	11 112	FIXED 4.65	Immovable and movable assets VP4, guarantee statements of MS, blank bill of exchange
Investment	CZK	0	5 000	3M PRIBOR + 0.79	No collateral
Investment	CZK	684 200	0	3M PRIBOR + 1.6/ FIXED 2.46	Immovable and movable assets, securities, insurance receivables, promissory note
<b>Total</b>		<b>1 486 052</b>	<b>1 148 715</b>		

##### Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2012	Balance at 31 Dec 2011	Interest rate % p.a.	Form of collateral at 31 Dec 2012
Short-term loan	CZK	0	150 000	1M PRIBOR + 0.9	Blank promissory note
Short-term loan	CZK	0	200 000	1M PRIBOR + 1.1	Blank promissory note
Overdraft	CZK	44 847	0	1T PRIBOR + 1.0	Blank promissory note
Overdraft	CZK	93 732	160 780	1D PRIBOR + 0.95	Blank promissory note
Overdraft	CZK	60 632	0	1T PRIBOR + 0.75	Blank promissory note
Overdraft	CZK	176 412	232 399	O/N PRIBOR + 0.9	Blank promissory note
Investment	CZK/EUR	73 248	74 477	3M PRIBOR/ EURIBOR + 0.99	Movable assets, receivable from insurance, blank promissory note
Investment	CZK	200 000	200 000	3M PRIBOR + 1.5 (margin according to Senior Debt/EBITDA)	Movable and immovable assets, receivables from insurance, promissory note
Investment	EUR	53 073	78 937	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	EUR	0	4 343	6M EURIBOR + 0.6	SACE guarantee insurer
Investment	CZK	11 111	44 444	FIXED 4.65	Immovable and movable assets, guarantee statement of MS, blank promissory note
Investment	CZK	5 000	10 000	3M PRIBOR+ 0.79	No collateral
Investment	CZK	252 640	0	3M PRIBOR+ 1.6/ FIXED 2.46	Immovable and movable assets, securities, insurance receivables, promissory note
<b>Total</b>		<b>970 695</b>	<b>1 155 380</b>		

##### Repayment Schedule

(CZK thousand)

Years	Due within 1 year	Due within 1-2 years	Due within 2-3 years	Due within 3-4 years	Due within 4-5 years	Due after 5 years	Total
Loan instalments	970 695	554 492	442 100	326 320	163 140	0	<b>2 456 747</b>

#### 4.10. DETAILS OF INCOME

(CZK thousand)

	31 Dec 2012	31 Dec 2011
Proceeds of the sale of goods	10 451	4 212
Proceeds of the sale of products and services, of which:	37 100 709	38 893 068
- Products	36 685 371	38 491 993
- Services	415 338	401 075
Other*	436 322	935 038
<b>Total sales of goods and products</b>	<b>37 547 482</b>	<b>39 832 318</b>

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

#### 4.11. SUBSIDIES

Other subsidies for operating purposes of CZK 9,050 thousand utilised for the year ended 31 December 2012 (2011: CZK 13,278 thousand) include subsidies for research and education.

In 2012, the Company drew a public subsidy for the "Training Programme for Employees of Members of the INDUSTRY UNION OF FERROUS METALLURGY" of CZK 828 thousand.

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

#### 4.12. OTHER OPERATING EXPENSES AND INCOME

Expenses for advisory, consulting and audit services as of 31 December 2012 and 2011 amounted to CZK 34,692 thousand and CZK 30,737 thousand, respectively.

As of 31 December 2012 and 2011, other operating income of the Company mainly involved the subsidy related to the use of allowances of CZK 655,661 thousand and CZK 1,084,447 thousand, respectively.

Other financial income as of 31 December 2012 and 2011 predominantly included foreign exchange rate gains of CZK 32,402 thousand and CZK 38,914 thousand, respectively.

As of 31 December 2012 and 2011, other operating expenses primarily reflect the use of allowances of CZK 655,661 thousand and CZK 1,084,447 thousand, respectively.

Other financial expenses as of 31 December 2012 and 2011 predominantly include foreign exchange rate losses of CZK 23,328 thousand and CZK 45,192 thousand, respectively.

#### 4.13. RESEARCH AND DEVELOPMENT COSTS

(CZK thousand)

	31 Dec 2012	31 Dec 2011
Research and development costs (net of subsidies)	32 302	42 367

#### 4.14. RELATED PARTY TRANSACTIONS

##### 4.14.1. Income Generated with Related Parties

2012 (CZK thousand)

Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	64	29 023	4 152	44	0	33 283
ENERGETIKA TŘINEC, a.s.	Controlled entity	679	362 290	38 711	1 184	0	402 864
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	253	0	0	253
MORAVIA STEEL a.s.	Controlling entity	175	30 672 526	167 490	774	0	30 840 965
REFRASIL, s.r.o.	Controlled entity	13	2	4 723	996	0	5 734
Řetězárna, a.s.	Controlled entity	13	0	2 312	17	0	2 342
Slévárny Třinec, a.s.	Controlled entity	435	329 280	18 799	36 515	0	385 029
TRIALFA, s.r.o.	Controlled entity	1	32 143	4 245	2 256	0	38 645
TRISIA, a.s.	Controlled entity	0	0	84	0	0	84
SILESIAFLAG, a.s. "in liquidation"****	Controlled entity	0	0	21	0	0	21
TŘINECKÁ PROJEKCE, a.s.	Associate	0	0	642	4	0	646
Třinecké gastroslužby, s.r.o.	Controlled entity	7	0	4 248	560	0	4 815
Strojírny Třinec, a.s.	Controlled entity	1 063	349 032	27 133	12 452	0	389 680
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	0	7 812	81	0	7 893
Sochorová válcovna TŽ, a.s.	Controlled entity	435	4 428 649	8 906	368	0	4 438 358
Beskydská golfová, a.s.	Fellow subsidiary	0	0	128	0	0	128
Steel Consortium Partners, a.s.	Controlled entity	0	0	67	0	0	67
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	4 493	0	16	0	4 509
Moravia Security, a.s.	Controlled entity	0	0	1 275	36	0	1 311
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	455	354	0	809
D 5, akciová společnost, Třinec	Controlled entity	23	999	13 630	8 823	0	23 475
VÚHŽ a.s.	Controlled entity	1 380	0	1 021	1 074	0	3 475
Střední odborná škola Třineckých železáren*	Controlled entity	2	150	1 489	44	0	1 685
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	0	0	2 355	0	0	2 355
FINITRADING, a.s.	Controlling entity	0	0	9	10	0	19
HRAT, s.r.o.	Associate	0	0	23	0	0	23
„METALURGIA“ Spółka Akcyjna	Controlled entity	0	0	2 500	2	0	2 502
M Steel Projects a.s.	Fellow subsidiary	0	0	111	0	0	111
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	0	1 607	3 868	0	5 475
„D&D“ Drótáru Zrt.	Controlled entity	0	0	0	35	8 793	8 828
ŽDB DRÁTOVNÁ, a.s. **	Controlled entity	6 112	0	480	275	0	6 867
Kovárna VIVA, a.s.	Fellow subsidiary	0	0	9	0	0	9
<b>Total</b>		<b>10 402</b>	<b>36 208 587</b>	<b>314 690</b>	<b>69 788</b>	<b>8 793</b>	<b>36 612 260</b>

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

\*\* ŽDB DRÁTOVNÁ a.s. became a part of the group on 1 October 2012

\*\*\* SILESIAFLAG, a.s. "in liquidation", entered in liquidation on 1 January 2012; the company's extraordinary General Meeting approved the distribution of the liquidation balance on 17 December 2012

2011

(CZK thousand)

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

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

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

#### 4.14.2. Purchases

2012 (CZK thousand)

Entity	Type of entity	Fixed assets	Inventory including energy	Services	Other expenses	Financial expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	26 293	54 272	0	0	80 565
ENERGETIKA TŘINEC, a.s.	Controlled entity	468	2 036 997	103 653	0	0	2 141 118
Kvalifikační a personální agentura, o.p.s.	Associate	0	0	100	0	0	100
MORAVIA STEEL a.s.	Controlling entity	367	20 042 998	230 485	40 956	0	20 314 806
REFRASIL, s.r.o.	Controlled entity	0	79 235	160 281	36	0	239 552
Řetězárna, a.s.	Controlled entity	0	8 556	0	0	0	8 556
Slévárny Třinec, a.s.	Controlled entity	15 840	96 602	904	0	0	113 346
TRIALFA, s.r.o.	Controlled entity	0	11 513	19 425	51 061	0	81 999
TRISIA, a.s.	Controlled entity	0	8 720	16	0	0	8 736
TŘINECKÁ PROJEKCE, a.s.	Associate	13 434	0	6 771	0	0	20 205
Třinecké gastroslužby, s.r.o.	Controlled entity	0	11 286	1 572	53 818	0	66 676
Strojírny Třinec, a.s.	Controlled entity	53 483	379 571	201 765	702	0	635 521
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	451	78 534	0	0	78 985
Sochorová válcovna TŽ, a.s.	Controlled entity	0	104 198	40 991	0	0	145 189
Beskydská golfová, a.s.	Fellow subsidiary	0	0	4 368	0	0	4 368
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	16 379	0	0	0	16 379
Moravia Security, a.s.	Controlled entity	477	0	53 545	69	0	54 091
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	8 353	0	0	0	8 353
D 5, akciová společnost, Třinec	Controlled entity	72 780	24 196	316 475	903	0	414 354
VÚHŽ a.s.	Controlled entity	2 784	2 651	2 645	0	0	8 080
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	1 236 800	0	0	0	1 236 800
Střední odborná škola Třineckých železáren*	Controlled entity	0	354	9 128	42	0	9 524
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	0	0	1 218	0	0	1 218
„METALURGIA“ Spółka Akcyjna	Controlled entity	0	1 057	3 356	0	0	4 413
HRAT, s.r.o.	Associate	0	0	180	0	0	180
„D&D“ Drótaru Zrt.	Controlled entity	0	13 501	0	0	0	13 501
Hutnictví železa, a.s.	Associate	0	0	5 638	101	0	5 739
Barrandov Televizní Studio a.s.	Fellow subsidiary	200	0	0	0	0	200
ŽDB DRÁTOVNA a.s.**	Controlled entity	0	1 092	0	0	0	1 092
DALSELV DESIGN a.s.***	Controlled entity	5 262	0	11	0	0	5 273
Moravia Steel Deutschland GmbH	Fellow subsidiary	0	0	63	0	0	63
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	0	0	64	0	0	64
<b>Total</b>		<b>165 095</b>	<b>24 110 803</b>	<b>1 295 460</b>	<b>147 688</b>	<b>0</b>	<b>25 719 046</b>

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

\*\* ŽDB DRÁTOVNA a.s. became a part of the group on 1 October 2012

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



2011

(CZK thousand)

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

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

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

## 5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

### 5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees, managers and staff costs included in the results of operations for the years ended 31 December 2012 and 2011 are as follows:

#### 31 December 2012

(CZK thousand)

	Number	Wages and salaries	Social security and health insurance, incl. pension insurance contributions	Bonuses to the members of stat. bodies	Social costs	Total staff costs
Employees	5 957	1 942 677	695 629	888	97 024	2 736 218
Agency employees		415	1 925	5 772	114 622	122 734
Management	5	48 358	2 343	2 930	72	53 703
Change in estimated amounts for outstanding vacation days and bonuses		-36 940	-12 560	0	0	-49 500
<b>Total</b>	<b>5 962</b>	<b>1 954 510</b>	<b>687 337</b>	<b>9 590</b>	<b>211 718</b>	<b>2 863 155</b>

#### 31 December 2011

(CZK thousand)

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

\* Average balance (merger as of 1 January 2011)

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

### Summary of Total Remuneration

(CZK thousand)

	Board of Directors	Supervisory Board	Audit Committee
Remuneration for 2012	3 218	6 192	180
Remuneration for 2011	4 056	6 408	180

### 5.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

#### 31 December 2012

(CZK thousand)

	Board of Directors	Supervisory Board	Management	Audit Committee
Company cars used for both business and private purposes (the figure increases the tax base of employees)	1 014	117	0	0
Liability insurance	182	295	0	34

#### 31 December 2011

(CZK thousand)

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

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

### Provided Guarantees

#### 31 December 2012

Type of commitment	Total amount	Balance at 31 Dec 2012
<b>Guarantees</b>		
- to other entities	USD 576 thousand	CZK 10,981 thousand
	EUR 2,138 thousand	CZK 53,774 thousand
	CZK 5,000 thousand	CZK 5,000 thousand

#### 31 December 2011

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

### Legal Disputes

The dispute of the EcoNet CENTRUM civic association for the allegedly unpaid dividends for 2006 in the amount of CZK 180,000 thousand together with accrued interest. The Regional Court in Hradec Králové stated in its resolution that it was not locally responsible for the case, referring the case to the Regional Court in Ostrava. The plaintiff appealed this resolution. The High Court in Prague rejected the plaintiff's appeal. The case was referred to the Regional Court in Ostrava as to the locally responsible court. The Regional Court in Ostrava rejected the claim in its resolution, which the plaintiff appealed. The Company considers the charge to completely lack merit.

The petition of a shareholder, Marek Veselý, regarding the invalidity of the resolution passed at the Company's annual general meeting of shareholders held on 30 June 2010, was rejected by the Regional Court in Ostrava as lacking merit in its ruling no. 29 Cm 142/2010-99 of 25 August 2011. The plaintiff appealed the ruling. The High Court in Olomouc confirmed the ruling of the Regional Court in Ostrava on the rejection of the petition by its ruling no. 8 Cmo 64/2012-169 of 3 April 2012. As such, proceedings in this matter have been effectively completed to date. The plaintiff took an extraordinary remedial measure and made an appeal against the ruling of the High Court in Olomouc addressed to the Regional Court in Ostrava on 16 July 2012. According to the e.justice information system, the appeal was delivered to the Supreme Court through the Regional Court in Ostrava on 24 October 2012 under no. 29 Cdo 3284/2012 and no proceedings have been ordered in this matter for the time being. The Company considers the claim to completely lack merit.

The claim of the ADMINISTRATIVNÍ CENTRUM TSP civic association regarding the invalidity of the auction of shares in the certificate form of the issuer, TŘINECKÉ ŽELEZÁRNY, a. s. The Municipal Court in Brno refused this charge in its ruling as the charge was filed after the expiration of the statute of limitation. The plaintiff appealed the ruling. The Municipal Court in Brno referred this case to the Regional Court in Brno to make a decision on the plaintiff's appeal. The Company considers the charge to completely lack merit.

### Environmental Liabilities

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

As of 31 December 2012 and 2011, the Company drew CZK 467,063 thousand and CZK 419,834 thousand, respectively.

Under 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.

## 7. POST BALANCE SHEET EVENTS

Strojírny Třinec, a.s., TŘINECKÉ ŽELEZÁRNY, a. s., and D 5, akciová společnost, Třinec are assessing their intent to undertake a demerger by split-up through amalgamation in order to split up Strojírny Třinec, a.s., as the dissolving company, and amalgamate portions of its net assets with TŘINECKÉ ŽELEZÁRNY, a. s., and D 5, akciová společnost, Třinec as the successor companies with the effective date of 1 January 2013 and with the expected completion of the process of the demerger by split-up through amalgamation before 30 October 2013.

# X. FINANCIAL PART II. – CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Financial statements for the year ended 31 December 2012

Name of the Company:	TŘINECKÉ ŽELEZÁRNY, a. s.
Registered Office:	Průmyslová 1000, Staré Město, 739 61 Třinec
Legal Status:	Joint Stock Company
Corporate ID:	180 50 646

### Components of the Consolidated Financial Statements:

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

These consolidated financial statements were prepared on 5 April 2013.

Statutory body of the reporting entity:	Signature
<b>Jan Czudek</b> Chairman of the Board of Directors	
<b>Petr Popelář</b> Second Vice-Chairman of the Board of Directors	

# CONSOLIDATED BALANCE SHEET

(CZK thousand)

		31.12.2012			31.12.2011
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>58 259 686</b>	<b>-27 324 657</b>	<b>30 935 029</b>	<b>29 348 616</b>
<b>B.</b>	<b>Fixed assets</b>	<b>43 667 094</b>	<b>-26 610 724</b>	<b>17 056 370</b>	<b>15 548 541</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>547 430</b>	<b>-279 664</b>	<b>267 766</b>	<b>158 145</b>
B.I.2.	Research and development	4 553	-3 870	683	1 594
B.I.3.	Software	231 258	-214 048	17 210	16 813
B.I.4.	Valuable rights	130 762	-59 326	71 436	33 599
B.I.5.	Goodwill	360	-360		
B.I.6.	Other intangible fixed assets	174 022	-2 060	171 962	106 139
B.I.7.	Intangible fixed assets under construction	6 475		6 475	
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>41 714 108</b>	<b>-26 229 259</b>	<b>15 484 849</b>	<b>14 366 132</b>
B.II.1.	Land	559 720		559 720	499 071
B.II.2.	Structures	10 744 280	-5 581 558	5 162 722	4 628 802
B.II.3.	Individual movable assets and sets of movable assets	29 573 725	-20 590 056	8 983 669	8 933 233
B.II.6.	Other tangible fixed assets	89 981	-20 831	69 150	9 389
B.II.7.	Tangible fixed assets under construction	633 353	-36 814	596 539	272 437
B.II.8.	Prepayments for tangible fixed assets	113 049		113 049	23 200
<i>B.III.</i>	<i>Non-current financial assets</i>	<b>242 260</b>	<b>-36 811</b>	<b>205 449</b>	<b>194 010</b>
B.III.1.	Equity investments in subsidiaries	215 938	-18 680	197 258	158 094
B.III.2.	Equity investments in associates	26 209	-18 042	8 167	11 443
B.III.3.	Other non-current securities and investments	113	-89	24	123
B.III.5.	Other non-current financial assets				24 350
<i>B.IV.</i>	<i>Goodwill on consolidation</i>	<b>623 912</b>	<b>-64 990</b>	<b>558 922</b>	<b>365 580</b>
B.IV.1.	Positive goodwill on consolidation	623 912	-64 990	558 922	365 580
<i>B.V.</i>	<i>Securities and equity interests under equity accounting</i>	<b>539 384</b>		<b>539 384</b>	<b>464 674</b>
<b>C.</b>	<b>Current assets</b>	<b>14 527 965</b>	<b>-713 933</b>	<b>13 814 032</b>	<b>13 739 976</b>
<i>C.I.</i>	<i>Inventories</i>	<b>8 894 556</b>	<b>-560 413</b>	<b>8 334 143</b>	<b>8 616 556</b>
C.I.1.	Material	3 691 909	-295 410	3 396 499	3 798 633
C.I.2.	Work in progress and semifinished goods	3 072 141	-200 256	2 871 885	2 859 514
C.I.3.	Products	2 042 056	-64 201	1 977 855	1 860 162
C.I.5.	Goods	28 305	-546	27 759	19 828
C.I.6.	Prepayments for inventory	60 145		60 145	78 419
<i>C.II.</i>	<i>Long-term receivables</i>	<b>19 311</b>	<b>-736</b>	<b>18 575</b>	<b>34 361</b>
C.II.1.	Trade receivables	8 462	-736	7 726	24 883
C.II.5.	Long-term prepayments made	1 241		1 241	1 224
C.II.7.	Other receivables	7 558		7 558	5 966
C.II.8.	Deferred tax asset	2 050		2 050	2 288
<i>C.III.</i>	<i>Short-term receivables</i>	<b>4 417 671</b>	<b>-138 350</b>	<b>4 279 321</b>	<b>4 089 498</b>
C.III.1.	Trade receivables	4 163 301	-123 372	4 039 929	3 756 155
C.III.6.	State - tax receivables	183 381		183 381	265 408
C.III.7.	Short-term prepayments made	17 485	-1 082	16 403	36 709
C.III.8.	Estimated receivables	18 596		18 596	7 118
C.III.9.	Other receivables	34 908	-13 896	21 012	24 108
<i>C.IV.</i>	<i>Current financial assets</i>	<b>1 196 427</b>	<b>-14 434</b>	<b>1 181 993</b>	<b>999 561</b>
C.IV.1.	Cash on hand	3 658		3 658	3 915
C.IV.2.	Cash at bank	1 107 942		1 107 942	915 646
C.IV.3.	Short-term securities and investments	84 827	-14 434	70 393	80 000
<b>D.I.</b>	<b>Other assets</b>	<b>64 627</b>		<b>64 627</b>	<b>60 099</b>
D.I.1.	Deferred expenses	55 237		55 237	52 269
D.I.2.	Complex deferred expenses	4 365		4 365	7 031
D.I.3.	Accrued income	5 025		5 025	799



(CZK thousand)

		31. 12. 2012	31. 12. 2011
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>30 935 029</b>	<b>29 348 616</b>
<b>A.</b>	<b>Equity</b>	<b>21 220 290</b>	<b>20 151 655</b>
<i>A.I.</i>	<b>Share capital</b>	<b>8 109 863</b>	<b>8 109 863</b>
A.I.1.	Share capital	8 109 863	8 109 863
<i>A.II.</i>	<b>Capital funds</b>	<b>72 634</b>	<b>53 340</b>
A.II.2.	Other capital funds	106 848	106 129
A.II.3.	Gains or losses from the revaluation of assets and liabilities	-34 214	-52 789
<i>A.III.</i>	<b>Statutory funds</b>	<b>3 319 723</b>	<b>3 241 120</b>
A.III.1.	Statutory reserve fund / Indivisible fund	993 854	915 193
A.III.2.	Statutory and other funds	2 325 869	2 325 927
<i>A.IV.</i>	<b>Profit or loss for prior periods</b>	<b>7 884 415</b>	<b>6 672 745</b>
A.IV.1.	Retained earnings	8 009 341	8 110 211
A.IV.2.	Accumulated losses brought forward	-119 831	-1 437 466
A.IV.3.	Other profit or loss of prior periods	-5 095	
<i>A.V.</i>	<b>Profit or loss for the current period, net of minority interests</b>	<b>1 055 037</b>	<b>1 375 615</b>
A.V.1	Profit or loss for the current period	983 424	1 295 969
A.V.2.	Share of income from associates	71 613	79 646
<i>A.VI.</i>	<b>Consolidation reserve fund</b>	<b>778 618</b>	<b>698 972</b>
<b>B.</b>	<b>Liabilities</b>	<b>9 309 705</b>	<b>8 819 457</b>
<i>B.I.</i>	<b>Reserves</b>	<b>242 655</b>	<b>319 553</b>
B.I.1.	Reserves under special legislation	28 921	17 853
B.I.2.	Reserve for pensions and similar liabilities	3 253	3 623
B.I.4.	Other reserves	210 481	298 077
<i>B.II.</i>	<b>Long-term liabilities</b>	<b>932 700</b>	<b>652 935</b>
B.II.1.	Trade payables	19 788	38 868
B.II.9.	Other payables	5 000	
B.II.10.	Deferred tax liability	907 912	614 067
<i>B.III.</i>	<b>Short-term liabilities</b>	<b>4 904 264</b>	<b>5 380 850</b>
B.III.1.	Trade payables	3 924 767	4 409 815
B.III.5.	Payables to employees	412 361	404 228
B.III.6.	Social security and health insurance payables	139 806	148 694
B.III.7.	State - tax payables and subsidies	202 557	125 038
B.III.8.	Short-term prepayments received	107 452	89 216
B.III.10.	Estimated payables	99 586	183 616
B.III.11.	Other payables	17 735	20 243
<i>B.IV.</i>	<b>Bank loans and borrowings</b>	<b>3 230 086</b>	<b>2 466 119</b>
B.IV.1.	Long-term bank loans	1 718 944	1 195 093
B.IV.2.	Short-term bank loans	1 510 955	1 270 815
B.IV.3.	Short-term borrowings	187	211
<b>C.I.</b>	<b>Other liabilities</b>	<b>49 554</b>	<b>47 286</b>
C.I.1.	Accrued expenses	13 906	7 979
C.I.2.	Deferred income	35 648	39 307
<b>D.</b>	<b>Minority equity</b>	<b>355 480</b>	<b>330 218</b>
D.I.	Minority share capital	83 300	83 300
D.II.	Minority capital funds	3 490	4 328
D.III.	Minority profit funds including retained earnings and accumulated losses	225 440	201 805
D.IV.	Minority profit or loss for the current period	43 250	40 785

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

(CZK thousand)

		Year ended 31. 12. 2012	Year ended 31. 12. 2011
I.	Sales of goods	768 938	190 332
A.	Costs of goods sold	736 511	166 909
<b>+</b>	<b>Gross margin</b>	<b>32 427</b>	<b>23 423</b>
II.	Production	43 185 438	44 465 966
II.1.	Sales of own products and services	42 470 475	43 309 902
II.2.	Change in internally produced inventory	-189 155	498 752
II.3.	Own work capitalised	904 118	657 312
B.	Purchased consumables and services	35 836 470	36 395 408
B.1.	Consumed material and energy	33 018 972	33 548 541
B.2.	Services	2 817 498	2 846 867
<b>+</b>	<b>Added value</b>	<b>7 381 395</b>	<b>8 093 981</b>
C.	Staff costs	4 596 270	4 556 993
C.1.	Payroll costs	3 179 552	3 159 759
C.2.	Remuneration to members of statutory bodies	21 937	21 811
C.3.	Social security and health insurance costs	1 109 660	1 104 921
C.4.	Social costs	285 121	270 502
D.	Taxes and charges	87 680	113 104
E.	Depreciation of intangible and tangible fixed assets	1 367 676	1 362 415
KR A.	Release of negative consolidation difference (negative goodwill)	64 990	
III.	Sales of fixed assets and material	101 970	110 859
III.1.	Sales of fixed assets	13 286	15 231
III.2.	Sales of material	88 684	95 628
F.	Net book value of fixed assets and material sold	75 173	91 039
F.1.	Net book value of sold fixed assets	1 832	5 369
F.2.	Book value of sold material	73 341	85 670
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-228 267	66 493
IV.	Other operating income	1 106 543	1 999 436
H.	Other operating expenses	1 285 952	2 176 266
<b>*</b>	<b>Operating profit or loss</b>	<b>1 340 434</b>	<b>1 837 966</b>
VI.	Proceeds from the sale of securities and investments		1 800
J.	Cost of securities and investments sold		121
VII.	Income from non-current financial assets	2 252	25 888
VII.1.	Income from subsidiaries and associates	2 043	25 000
VII.3.	Income from other non-current financial assets	209	888
IX.	Income from the revaluation of securities and derivatives	4 985	895
L.	Costs of the revaluation of securities and derivatives	839	3 595
M.	Change in reserves and provisions relating to financial activities	639	15 593
X.	Interest income	4 057	2 868
N.	Interest expenses	61 125	99 641
XI.	Other financial income	219 224	99 508
O.	Other financial expenses	214 828	151 552
<b>*</b>	<b>Financial profit or loss</b>	<b>-46 913</b>	<b>-139 543</b>
Q.	Income tax on ordinary activities	272 559	367 559
Q.1.	- due	44 977	32 644
Q.2.	- deferred	227 582	334 915
<b>**</b>	<b>Profit or loss from ordinary activities</b>	<b>1 020 962</b>	<b>1 330 864</b>
XIII.	Extraordinary income	5 879	6 403
R.	Extraordinary expenses	167	267
S.	Income tax on extraordinary activities		246
S.1.	- due		246
<b>*</b>	<b>Extraordinary profit or loss</b>	<b>5 712</b>	<b>5 890</b>
<b>**</b>	<b>Consolidated profit or loss net of share of income from associates</b>	<b>1 026 674</b>	<b>1 336 754</b>
	Consolidated profit or loss net of minority interests	983 424	1 295 969
	Minority profit or loss	43 250	40 785
<b>*</b>	<b>Share of income from associates</b>	<b>71 613</b>	<b>79 646</b>
	Profit or loss for the current period (+/-)	1 098 287	1 416 400
<b>***</b>	<b>Profit or loss for the current period, net of minority interests (+/-)</b>	<b>1 055 037</b>	<b>1 375 615</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CZK thousand)

	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Profit or loss of prior periods	Profit or loss for the current period	Consolidation reserve fund	Share of income of associates	TOTAL EQUITY
<b>Balance at 31 December 2010</b>	<b>8 109 863</b>	<b>189 738</b>	<b>922 131</b>	<b>2 325 352</b>	<b>7 666 178</b>	<b>-1 127 131</b>	<b>618 929</b>	<b>80 043</b>	<b>18 785 103</b>
Profit for the current period						1 295 969		79 646	1 375 615
Distribution of profit or loss			9 245		-1 175 715	1 166 470	80 043	-80 043	
Change in the consolidation method		1 354			646				2 000
Revaluation of assets		-11 040							-11 040
Impact of changes in the consolidation group		-126 712	-16 183	598	181 636	-39 339			
Other				-23					-23
<b>Balance at 31 December 2011</b>	<b>8 109 863</b>	<b>53 340</b>	<b>915 193</b>	<b>2 325 927</b>	<b>6 672 745</b>	<b>1 295 969</b>	<b>698 972</b>	<b>79 646</b>	<b>20 151 655</b>
Profit for the current period						983 424		71 613	1 055 037
Distribution of profit or loss		539	78 661		1 216 769	-1 295 969	79 646	-79 646	
Revaluation of assets		18 756							18 756
Other profit or loss					-5 095				-5 095
Other		-1		-58	-4				-63
<b>Balance at 31 December 2012</b>	<b>8 109 863</b>	<b>72 634</b>	<b>993 854</b>	<b>2 325 869</b>	<b>7 884 415</b>	<b>983 424</b>	<b>778 618</b>	<b>71 613</b>	<b>21 220 290</b>

# CONSOLIDATED CASH FLOW STATEMENT

(CZK thousand)

		Year ended 31. 12. 2012	Year ended 31. 12. 2011
<b>P.</b>	<b>Cash and cash equivalents at the beginning of the accounting period</b>	<b>999 561</b>	<b>946 423</b>
	<b>Cash flows from ordinary activities</b>		
Z.	Profit/(loss) from ordinary activities before tax	1 293 521	1 698 423
A.1.	Adjustments for non-cash transactions	1 247 559	1 499 051
A.1.1.	Depreciation of fixed assets (+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1 432 666	1 362 415
A.1.2.	Change in provisions and reserves	-227 628	82 086
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-11 454	-9 862
A.1.4.	Revenues from dividends and profit shares (-), except for those paid from consolidation entities	-2 252	-25 888
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	57 068	96 773
A.1.6.	Adjustments, if any, and other non-cash transactions	-841	-6 473
<b>A.*</b>	<b>Net cash flow from operating activities before tax, movements in working capital and extraordinary items</b>	<b>2 541 080</b>	<b>3 197 474</b>
A.2.	Change in non-cash component of working capital	<b>163 771</b>	<b>-790 550</b>
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	533 448	-232 958
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	-1 198 619	486 581
A.2.3.	Change in inventory (+/-)	828 942	-1 044 173
<b>A.**</b>	<b>Net cash flow from operating activities before tax and extraordinary items</b>	<b>2 704 851</b>	<b>2 406 924</b>
A.3.	Interest paid (-), except interest capitalised	-64 262	-106 040
A.4.	Interest received (+)	13 197	5 549
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-27 445	-21 418
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities	5 712	5 890
A.7.	Received dividends and profit shares (+)	2 252	25 888
<b>A.***</b>	<b>Net cash flow from operating activities</b>	<b>2 634 305</b>	<b>2 316 793</b>
	<b>Cash flows from investing activities</b>		
B.1.	Fixed assets expenditures	-1 120 026	-949 403
B.2.	Receipts from fixed assets sold	14 668	15 079
B.4.	Cash flows from the purchase of business or its part	-1 430 709	-256 735
B.5.	Cash flows from the deconsolidation of business or its part		
<b>B.***</b>	<b>Net cash flow from investing activities</b>	<b>-2 536 067</b>	<b>-1 191 059</b>
	<b>Cash flow from financial activities</b>		
C.1.	Change in long-term or short-term payables which fall into cash and cash equivalent in financing activities	101 344	-1 039 615
C.2.	Impact on cash and cash equivalents due to change in equity	-17 150	-32 981
C.2.5.	Payments made from funds (-/+)		-23
C.2.6.	Dividends and profit shares paid, including withholding tax related to these claims and including financial settlement with partners (-), except for dividends and profit shares paid between Group entities	-17 150	-32 958
<b>C.***</b>	<b>Net cash flow from financial activities</b>	<b>84 194</b>	<b>-1 072 596</b>
<b>F.</b>	<b>Net increase or decrease of cash and cash equivalents</b>	<b>182 432</b>	<b>53 138</b>
<b>R.</b>	<b>Cash and cash equivalents at the end of the accounting period</b>	<b>1 181 993</b>	<b>999 561</b>

## 1. GENERAL INFORMATION

### 1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

The Company’s registered office was located in Třinec-Staré Město, Průmyslová 1000, 739 70 until 28 November 2012 as registered in the Register of Companies. The registry court changed the registered office in the Register of Companies to Průmyslová 1000, Staré Město, 739 61 Třinec with effect from 28 November 2012.

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

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

Shareholder	Ownership percentage
MORAVIA STEEL a. s.	80.05%
Other	19.95%
<b>Total</b>	<b>100.00%</b>

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

During the year ended 31 December 2012, the Company’s corporate details held at the Register of Companies were updated to reflect the change related to the composition of the Company’s Board of Directors and Supervisory Board (refer to Note 1.4), the change in the Company’s business activities and the above-mentioned change in the registered office.

### 1.3. GROUP IDENTIFICATION

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

### 1.4. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2012

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

During the year ended 31 December 2012, the following changes were made in the composition of the Company’s Board of Directors and Supervisory Board:

#### Board of Directors:

Position	Original	New	Date of change
Chairman	Jiří Cieńciała	–	1 January 2012
Chairman	–	Jan Czudek	10 January 2012
1st Vice Chairman	Jan Czudek	Česlav Marek	10 January 2012
2nd Vice Chairman	Česlav Marek	Petr Popelář	10 January 2012
Member	Petr Popelář	–	10 January 2012
Member	Jan Lasota	–	29 May 2012

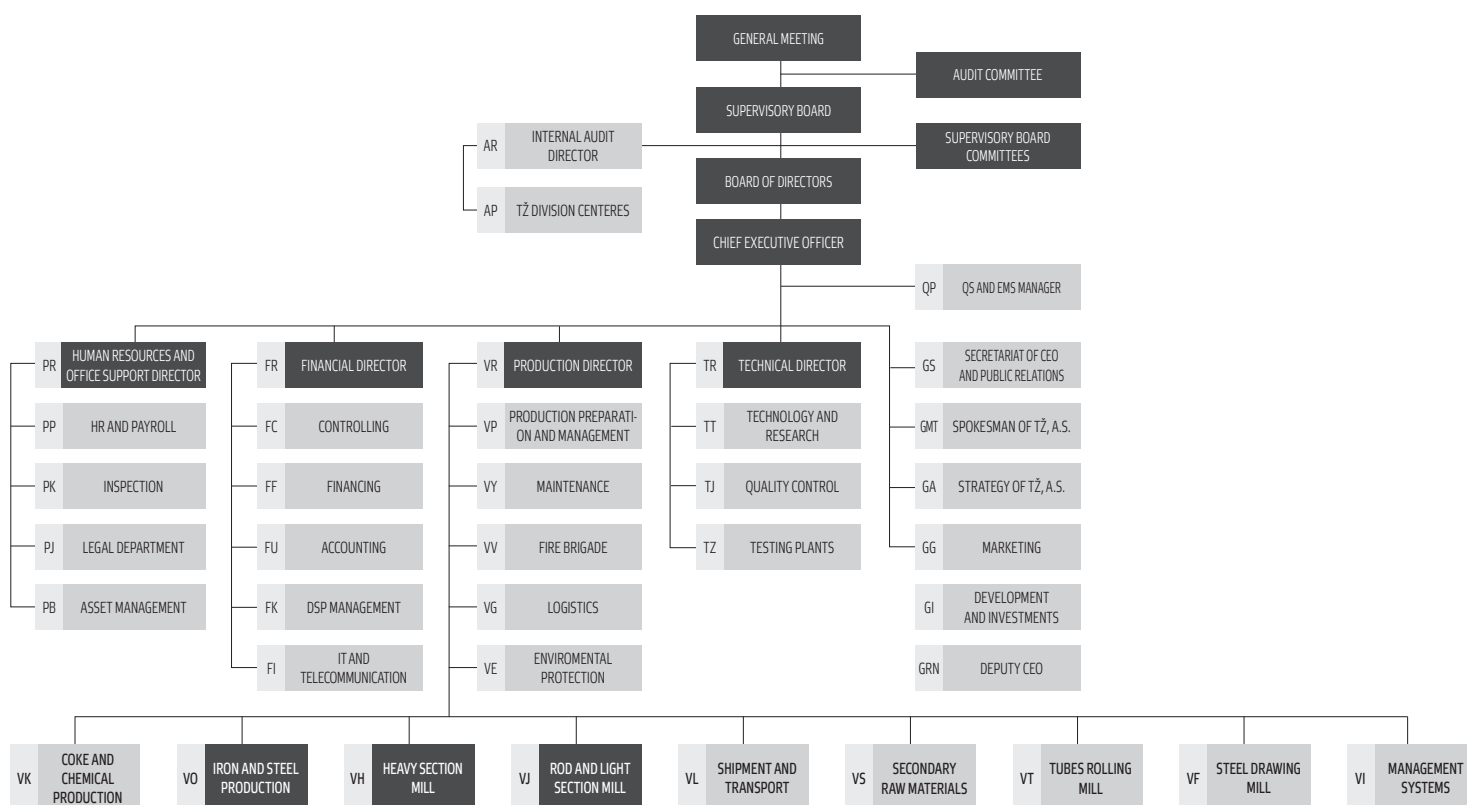


## Supervisory Board:

Position	Original	New	Date of change
2nd Vice Chairman	Hanns Kurt Zöllner	Evžen Balko	25 June 2012
Member	Evžen Balko	-	25 June 2012
Member	-	Hanns Kurt Zöllner	25 June 2012
Member	Roman Mitreĝa	-	6 September 2012
Member	-	Jiří Cieńciała	12 October 2012

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

### 2.1. BASIC ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2012



The bodies of the Company are as follows:

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

During the year ended 31 December 2012, the following changes were made in the organisational structure of the Company:

- Cancellation of the IR – Investment Director managed by GR - Chief Executive Officer;
- Cancellation of the IV – Development and Investments managed by IR – Investment Director and transfer to the GR – Chief Executive Officer under a new name: the GI – Development and Investments;
- Cancellation of the IF – IT and Telecommunications and the IL – Environmental Protection managed by the IR – Investment Director and their transfer to the FR Financial Director under a new name: the FI – IT and Telecommunications and to the VR – Production Director under a new name: VE – Environmental Protection;
- Cancellation of the VD – Transport managed by the VR – Production Director and its merger with the VL – Shipment managed by the VR – Production Director under a new name: VL – Shipment and Transport; and
- Cancellation of the VRn – Deputy Production Director managed by the VR – Production Director and formation of the GRn – Deputy CEO managed by GR – Chief Executive Officer.

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

The following companies were included into the consolidated group for the year ended 31 December 2012:

**Controlled entities (subsidiaries):**

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2012
ENERGETIKA TŘINEC, a.s.	Třinec-Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00%
Strojírny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1038, 739 65	Metalworking, smithcraft, tool engineering	100.00%
Slévárny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00%
VÚHŽ a.s.	Dobrá 240 739 51	Natural and social sciences research, foundry industry, locksmithing, repairs of electrical tools	100.00%
Šroubárna Kyjov, spol. s r.o.	Kyjov, Jiráskova 987, 697 32	Railway route operation, locksmithing, tool engineering, metalworking	100.00%
D 5, akciová společnost, Třinec	Třinec-Staré Město, Průmyslová 1026, 739 65	Locksmithing, carpentry, constructions and their transformations	100.00%
"METALURGIA" S.A.	ulica Świątej Rozalii nr 10/12, 97-500, Radomsko, Poland	Production of nails, wire and wire products	100.00%
„D&D“ Drótáru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00%
ŽDB DRÁTOVNA a.s.	Bohumín - Pudlov, Jeremenkova 66, 735 51	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00%
Řetězárna a.s.	Česká Ves, Polská 57, 790 81	Production of chains, chain products and drawn wire	51.00%
REFRASIL, s.r.o.	Třinec-Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00%

In the year ended 31 December 2012, the consolidation group was extended to include ŽDB DRÁTOVNA a.s. due to the acquisition of the 100% equity investment in this entity. ŽDB DRÁTOVNA a.s. was included in the group as of 1 October 2012.

**Associates:**

Name of the company	Registered office	Business activities	Share of share capital at 31 Dec 2012
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00%
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	18.00%

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

**Controlled entities (subsidiaries):**

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

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

**Associates:**

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

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

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

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

The financial statements of the companies included in the consolidated group were prepared as of and for the years ended 31 December 2012 and 2011. “METALURGIA” S.A. is based in Poland, „D&D“ Drótáru Zrt. in Hungary, and other companies in the consolidation group are based in the Czech Republic.

**2.4. COMPANIES EXCLUDED FROM CONSOLIDATION**

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

- The 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 the entity in the total recalculated assets of all entities in the group is less than 1.5 percent, and the value of assets is recalculated using the percentage of the ownership interest of TŘINECKÉ ŽELEZÁRNY, a. s.;
  - The equity share in the entity in proportion to the equity in all of the group’s entities is less than 1.5 percent; and
  - The share in the entity’s net turnover (revenues of account class 6) in the aggregate net turnover of all of the group’s entities is less than 1.5 percent;
- Long-term restrictions significantly hinder TŘINECKÉ ŽELEZÁRNY, a. s. in exercising its rights connected to the control of assets or management, or, in exceptional cases, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable and provable undue delay;
- The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

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. The share of the recalculated assets of this whole in the total recalculated assets of all entities in the group has to be less than 1.5%, while the value of assets for these purposes is recalculated using the percentage of the ownership share of TŘINECKÉ ŽELEZÁRNY, a. s., the equity share in the total equity of all entities in the group of less than 1.5 % and the share in the net turnover (revenues of account class 6) to the total of net turnover of all entities in the group of less than 1.5%. 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 purpose of preparing the consolidated financial statements of the TRINECKÉ železářny, a. s. Group, accounting principles and policies used within the Group were brought into line. Significant accounting principles and policies as they are used by individual companies are set out below.

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

#### 3.1. FINANCIAL REPORTING PERIOD

The consolidated financial statements of the Group for the year ended 31 December 2012 were prepared as follows:

- The balance sheet contains comparative amounts as of 31 December 2011;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2011;
- The statement of changes in equity contains comparative amounts as of 31 December 2011; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2011.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

##### Valuation

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

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

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

The following tangible and intangible fixed assets are stated at replacement cost: tangible and intangible fixed assets acquired through donation, intangible fixed assets internally generated if replacement cost is lower than internal costs, assets recently entered in the accounting records and an investment of intangible and tangible fixed assets, except for cases where the investment is valued differently pursuant to a Memorandum of Association or a Foundation Deed.

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

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

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

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

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

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

### Depreciation for Accounting Purposes

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

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

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

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

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

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

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

### Provisioning

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

### Impairment

At each balance sheet date, the carrying amounts of tangible and intangible assets are reviewed to determine whether 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:

Equity investments are valued at cost less provisions against equity investments.

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

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

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

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

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

### Provisioning against Equity Investments

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

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



### 4.3. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Derivative financial instruments are concluded for the contracted transaction volume.

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

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

### 4.4. CURRENT FINANCIAL ASSETS

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

Current financial assets are carried at cost upon acquisition.

### 4.5. INVENTORY

#### Valuation

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

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

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

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

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

#### Provisioning

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

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

### 4.6. RECEIVABLES

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

#### Provisioning

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

Non-tax deductible provisions (against receivables from other than Group companies) are created as follows:

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

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

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

#### 4.7. PAYABLES

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

#### 4.8. LOANS AND BORROWINGS

##### Valuation

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

#### 4.9. RESERVES

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

#### 4.10. FOREIGN CURRENCY TRANSLATION

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

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

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

#### 4.11. FINANCE LEASES

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

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

#### 4.12. TAXATION

##### 4.12.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act No. 586/1992 Coll., on Income Taxes, with the exception of assets used by TŘINECKÉ ŽELEZÁRNY, a. s. in the Univerzální trať Bohumín plant and the Tube Rolling Mill (the VT operation) 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.

##### 4.12.2. Current Tax Payable

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

##### 4.12.3. Deferred Tax

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

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

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

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

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

#### 4.13. BORROWING COSTS

Borrowing costs arising from loans are included directly in expenses regardless of the purpose for which they were drawn.

#### 4.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

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

#### 4.17. RESEARCH AND DEVELOPMENT EXPENDITURE

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

#### 4.18. YEAR-ON-YEAR CHANGES IN ACCOUNTING POLICIES

With effect from 2012, the Company has newly determined the costs of certifying products up to CZK 60 thousand to be immaterial when their charge through expenses without accounting for a deferral does not impact the purpose of accrual accounting. Prior to 2012, the Company deferred the costs of the certification of products in all cases. Regularly repeating product certificates are not deferred.

#### 4.19. SUBSIDIES

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

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 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:

	31 Dec 2012	31 Dec 2011
Cash	3 658	3 915
Current accounts	1 107 942	911 991
Term deposit	0	3 655
Current securities and equity investments	84 827	94 675
Provisions against short-term securities and equity investments	-14 434	-14 675
<b>Total cash and cash equivalents</b>	<b>1 181 993</b>	<b>999 561</b>

(CZK thousand)

#### 4.21. CONSOLIDATION RULES

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

Under the equity consolidation method, financial investments of the Company were eliminated from the balance sheet against acquired equity. The assets in the consolidated balance sheet include the item ‘*Securities and equity interests under equity accounting*’, whose balance is calculated as the share in the equity of associates. This item was adjusted by a portion of the profit margin, reflecting the share in the equity of an associate, on intercompany supplies of inventories not yet consumed. Liabilities of the consolidated balance sheet include the item

'Share of income from associates' which represents the Company's share in the current period's results of associates, and the 'Consolidation reserve fund' comprising an associate's accumulated profit/loss of previous years.

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

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 the 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.

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

The financial statements for the years ended 31 December 2012 and 2011 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statement preparation date are available in the registered office of the Company.

The consolidation rules for 2012 and 2011 (definition of the consolidated group, method of transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Company.

## 5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

### 5.1. CONSOLIDATED PROFIT/LOSS FOR 2012

#### 5.1.1. Structure of the Consolidated Profit/Loss for 2012

(CZK thousand)

Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a. s.	793 459
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	35 003
Profit/(loss) of the current period – Strojírny Třinec, a.s.	48 833
Profit/(loss) of the current period – Slévárny Třinec, a.s.	1 443
Profit/(loss) of the current period – Šroubárna Kyjov, spol. s r.o.	5 302
Profit/(loss) of the current period – D 5, akciová společnost, Třinec	19 973
Profit/(loss) of the current period – VÚHŽ a.s.	15 668
Profit/(loss) of the current period – „METALURGIA“ S.A.	13 648
Profit/(loss) of the current period – „D&D“ Drótáru Zrt.	21 650
Profit/(loss) of the current period – ŽDB DRÁTOVNÁ a.s.	4 805
Share in profit of the current period – REFRASIL, s.r.o.	15 135
Share in profit of the current period – Řetězárna a.s.	29 838
Share in profit/(loss) of equity accounted investments	71 613
Adjustments within full consolidation (see below)	-23 841
Adjustments within the equity method of consolidation (see below)	2 508
<b>Consolidated profit</b>	<b>1 055 037</b>

#### 5.1.2. Adjustments within Full Consolidation for 2012

(CZK thousand)

Elimination of profits and losses from unrealised inventory from intercompany sales of inventory in the consolidated group, including the deferred tax impact	9 751
Write-off of the revaluation of assets at fair	-45 984
Write-offs of the margin from the sale of assets value including the deferred tax impact	15 962
Elimination of declared dividends of the consolidated group entities	-36 850
Elimination of provisioning against „D&D“ Drótáru Zrt.	98 270
Write-off of the positive goodwill on consolidation of „D&D“ Drótáru Zrt.	-64 990
<b>Total adjustments</b>	<b>-23 841</b>

#### 5.1.3. Adjustments within the Equity Method of Accounting for 2012

(CZK thousand)

Elimination of profit and loss from unrealised inventory from the sale among the entities in the consolidation group including the deferred tax impact	2 508
<b>Total adjustments</b>	<b>2 508</b>

## 5.2. CONSOLIDATED PROFIT/LOSS FOR 2011

### 5.2.1. Structure of the Consolidated Profit/Loss for 2011

(CZK thousand)

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

### 5.2.2. Adjustments within Full Consolidation for 2011

(CZK thousand)

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

### 5.2.3. Adjustments within the Equity Method of Accounting for 2011

(CZK thousand)

Elimination of profit and loss from unrealised inventory including the deferred tax impact	-3 605
<b>Total adjustments</b>	<b>-3 605</b>

## 6. ADDITIONAL CONSOLIDATED BALANCE SHEET INFORMATION

### 6.1. INTANGIBLE FIXED ASSETS

Cost (CZK thousand)

	Balance at 1 Jan 2011	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2011
Research and development	6 206	0	1	1 517	-137	4 553
Goodwill	368	0	0	0	-30	338
Software	224 491	5 358	8 600	8 371	-622	229 456
Valuable rights	78 349	11 442	2 322	112	-1 026	90 975
Other intangible FA	41 847	0	2 080 556	2 014 837	0	107 566
Intangible FA under construction	1 193	0	170 008	171 201	0	0
<b>Total</b>	<b>352 454</b>	<b>16 800</b>	<b>2 261 487</b>	<b>2 196 038</b>	<b>-1 815</b>	<b>432 888</b>

(CZK thousand)

	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2012
Research and development	0	0	0	0	4 553
Goodwill	0	0	0	22	360
Software	1 979	6 034	6 447	236	231 258
Valuable rights	42 292	872	3 974	597	130 762
Other intangible FA	0	1 030 820	964 364	0	174 022
Intangible FA under construction	0	8 854	2 379	0	6 475
<b>Total</b>	<b>44 271</b>	<b>1 046 580</b>	<b>977 164</b>	<b>855</b>	<b>547 430</b>

## Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2011	New acquisition	Additions	Disposals	Impact of fore- ign exchange differences	Balance at 31 Dec 2011
Research and development	3 702	0	910	1 517	-136	2 959
Goodwill	368	0	0	0	-30	338
Software	209 718	5 358	6 559	8 370	-622	212 643
Valuable rights	48 320	5 954	3 973	350	-521	57 376
Other intangible FA	793	0	634	0	0	1 427
Intangible FA under construction	0	0	0	0	0	0
<b>Total</b>	<b>262 901</b>	<b>11 312</b>	<b>12 076</b>	<b>10 237</b>	<b>-1 309</b>	<b>274 743</b>

(CZK thousand)

	New acquisition	Additions	Disposals	Impact of fore- ign exchange differences	Balance at 31 Dec 2012
Research and development	0	911	0	0	3 870
Goodwill	0	0	0	22	360
Software	1 898	5 718	6 447	236	214 048
Valuable rights	192	3 905	2 435	288	59 326
Other intangible FA	0	591	0	42	2 060
Intangible FA under construction	0	0	0	0	0
<b>Total</b>	<b>2 090</b>	<b>11 125</b>	<b>8 882</b>	<b>588</b>	<b>279 664</b>

## Net Book Value

(CZK thousand)

	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Research and development	1 594	683
Goodwill	0	0
Software	16 813	17 210
Valuable rights	33 599	71 436
Other intangible FA	106 139	171 962
Intangible FA under construction	0	6 475
<b>Total</b>	<b>158 145</b>	<b>267 766</b>

The tables of movements within intangible fixed assets include the column 'New acquisition' relating to the expansion of the consolidated group to include ŽDB DRÁTOVNA a.s. in 2012 and „D&D“ Drótáru Zrt. in 2011.

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

## Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 11,127 thousand and CZK 12,138 thousand as of 31 December 2012 and 2011, respectively.

Other intangible assets primarily include greenhouse gas emission allowances.

During 2012, the Company obtained 4,759,917 allowances in the amount of CZK 1,064,693 thousand free of charge. As of the balance sheet date of 31 December 2012, the Company recognised used allowances of CZK 1,033,637 thousand and the revaluation of emission allowances of CZK 47,728 thousand. During 2012, the Company exchanged 426,628 EUA allowances for 511,954 CER allowances. The effect of the exchange to the CER allowances amounted to CZK 13,854 thousand.

During 2011, the Company obtained 4,860,133 emission allowances in the amount of CZK 1,801,082 thousand free of charge. As of 31 December 2011, the Company recognised used emission allowances of CZK 1,935,221 thousand and the revaluation of emission allowances of CZK 81,410 thousand. During the year ended 31 December 2011, the Company sold 781,738 EUA emission allowances in the amount of CZK 279,474 thousand and concurrently purchased 853,349 ERU emission credits in the amount of CZK 259,391 thousand and 51,727 EUA emission allowances in the amount of CZK 20,083 thousand.

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

The aggregate balance of low value intangible assets not reported on the face of the balance sheet was CZK 34,856 thousand and CZK 33,675 thousand as of 31 December 2012 and 2011, respectively.



## 6.2. TANGIBLE FIXED ASSETS

Cost (CZK thousand)

	Balance at 1 Jan 2011	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2011
Land	461 813	40 467	121	1 592	-1 738	499 071
Structures	9 257 443	119 598	254 644	6 774	-25 450	9 599 461
Individual movable assets	25 843 504	424 128	1 447 461	228 359	-73 826	27 412 908
Other tangible FA	3 133	27 542	1 981	8 492	-2 537	21 627
Tangible FA under construction	1 185 540	8 314	821 141	1 705 352	-812	308 831
Prepayments for tangible FA	26 332	162	85 658	88 938	-14	23 200
<b>Total</b>	<b>36 777 765</b>	<b>620 211</b>	<b>2 611 006</b>	<b>2 039 507</b>	<b>-104 377</b>	<b>37 865 098</b>

(CZK thousand)

	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2012
Land	56 663	3 354	168	800	559 720
Structures	911 778	241 559	25 650	17 132	10 744 280
Individual movable assets	1 824 977	544 122	253 257	44 975	29 573 725
Other tangible FA	64 051	4 187	728	844	89 981
Tangible FA under construction	17 879	981 035	675 444	1 052	633 353
Prepayments for tangible FA	3 269	177 284	90 704	0	113 049
<b>Total</b>	<b>2 878 617</b>	<b>1 951 541</b>	<b>1 045 951</b>	<b>64 803</b>	<b>41 714 108</b>

Accumulated Depreciation and Provisions (CZK thousand)

	Balance at 1 Jan 2011	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2011
Land	0	0	0	0	0	0
Structures	4 759 961	10 573	231 207	20 088	-10 994	4 970 659
Individual movable assets	17 461 588	166 196	1 140 263	240 327	-48 045	18 479 675
Other tangible FA	109	18 309	3 805	8 323	-1 662	12 238
Tangible FA under construction	8 833	0	28 273	712	0	36 394
<b>Total</b>	<b>22 230 491</b>	<b>195 078</b>	<b>1 403 548</b>	<b>269 450</b>	<b>-60 701</b>	<b>23 498 966</b>

(CZK thousand)

	New acquisition	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2012
Land	0	0	0	0	0
Structures	399 408	238 010	35 102	8 583	5 581 558
Individual movable assets	1 210 392	1 124 729	257 434	32 694	20 590 056
Other tangible FA	0	8 459	432	566	20 831
Tangible FA under construction	380	28 643	28 603	0	36 814
<b>Total</b>	<b>1 610 180</b>	<b>1 399 841</b>	<b>321 571</b>	<b>41 843</b>	<b>26 229 259</b>

Net Book Value (CZK thousand)

Net book value	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Land	499 071	559 720
Structures	4 628 802	5 162 722
Individual movable assets	8 933 233	8 983 669
Other tangible FA	9 389	69 150
Tangible FA under construction	272 437	596 539
Prepayments for tangible FA	23 200	113 049
<b>Total</b>	<b>14 366 132</b>	<b>15 484 849</b>

The tables of movements within tangible fixed assets include the column 'New acquisition' in 2012 relating to the expansion of the consolidated group to include ŽDB DRÁTOVNA a.s., and in 2011 relating to the expansion of the consolidated group to include „D&D“ Drótáru Zrt.

Principal additions to tangible fixed assets for the year ended 31 December 2012 are as follows:

	(CZK thousand)
Acquisition of barriers in the scrap yard	90 877
Acquisition of lead vehicle no. 3 and industrial vacuum cleaners as part of the completion of the modernisation of coke battery 12	64 704
Neutralisation station for the processing of pickling dips and acid washing waters	43 577
Extension of the equipment in the ZPO1 continuous steel casting plant	34 081
Modernisation of piping to blast furnace no. 4 including the acquisition of a carriage to replace air-blast devices and a bucket crane	27 579
Set of water treatment equipment consisting of the neutralising station, biological waste water treatment plant and regeneration of the hydrochloric acid, including land	23 456
Improvements on K12 boiler – modernisation of the control system	17 329
VHN 110 CNC horizontal cutter and drilling machine	10 020

Principal additions to tangible fixed assets under construction for the year ended 31 December 2012 were as follows:

	(CZK thousand)
Acquisition of new technology – direct injecting of duff coal to furnace no. 4 and 6	83 857
Acquisition of new technology – EMS for round steel with a diameter of 410 mm at ZPO1	21 327
Acquisition of crystal boxes D410 segments no. I D410	15 870
Tearing machine 400 t	10 718

#### Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,356,549 thousand and CZK 1,350,277 thousand as of 31 December 2012 and 2011, respectively.

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

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 617,799 thousand and CZK 594,730 thousand as of 31 December 2012 and 2011, respectively.

#### Fair Value

As of the acquisition date in 2012, the assets of ŽDB DRÁTOVNA a.s. were revalued at fair value.

In the year ended 31 December 2012, the revaluation of assets to fair value increased the balance of tangible fixed assets by CZK 175,082 thousand and resulted in the recognition of a deferred tax liability of CZK 20,703 thousand using the 19 percent tax rate.

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

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

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

#### Finance Leases

##### 31 December 2012

	Cars	Machinery and equipment		Balance at 31 Dec 2012
		Other	New acquisition	
Total anticipated lease payments	2 704	28 561	74 275	105 540
Actual lease payments made through 30 Sept 2012	1 182	18 407	14 223	33 812
Actual lease payments made through 31 Dec 2012	1 327	6 136	4 741	12 204
Future payments due by 31 Dec 2013	195	3 892	18 964	23 051
Future payments due in the following periods	0	126	36 347	36 473

##### 31 December 2011

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

The 'New acquisition' column in the finance lease table in 2012 includes the extension of the consolidation group to include ŽDB DRÁTOVNA a.s.

#### Operating Lease

Lease payments of CZK 40,576 thousand and CZK 51,645 thousand were made in the years ended 31 December 2012 and 2011, respectively.

## 6.4. PLEDGED FIXED ASSETS

31 December 2012

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	605 624	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc – Prague branch and CITIBANK Europe plc.
Land	40 732	
Tangible fixed assets	569 757	Loan from Česká spořitelna, a.s.
Tangible fixed assets	280 787	Loan from Citibank, a.s.
Tangible fixed assets	202 371	Loan from Československá obchodní banka, a.s.
Land	10 640	
Tangible fixed assets *	123 440	Loan from BNP Paribas Bank Polska S.A., collateralised by assets up to PLN 20,000 thousand
Tangible fixed assets *	46 290	Loan from ING Bank Śląski S.A., collateralised by assets up to PLN 7,500 thousand
Tangible fixed assets*	36 601	State grant from National Development Agency (Hungary)
Tangible fixed assets	889 955	Loan from Československá obchodní banka, a.s., collateralised by assets up to CZK 885,000 thousand
Land	34 416	
Tangible fixed assets	38 589	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible fixed assets	10 224	Long-term loan from Československá obchodní banka, a.s.
Tangible fixed assets, land	3 659	Loan from CITIBANK Europe plc.
Tangible fixed assets, land	15 067	Investment loan from Československá obchodní banka, a.s.
Tangible fixed assets	97 161	Overdraft loan from Československá obchodní banka, a.s.
Land	10 614	
Technology	49 766	Investment loan from Československá obchodní banka, a.s.
Tangible fixed assets, Technology	127 453	Investment loan from Komerční banka, a.s.
Tangible fixed assets, Technology	22 343	Česká spořitelna, a.s. – pledge in favour of the loan of Třinecké železářny, a. s. for KB 12 coke battery
<b>Total</b>	<b>3 215 489</b>	

\* translated using the exchange rate of the Czech National Bank as of 31 December 2012

31 December 2011

(CZK thousand)

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

\* translated using the exchange rate of the Czech National Bank as of 31 December 2011

## 6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

### 6.5.1. Equity Investments in Subsidiaries

31 December 2012

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net book value	Financial income for the year
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100.00	41 482	1 788	0	25 643	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	34 435	1 460	0	15 755	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	-	100.00	18 258	388	0	100	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100.00	1 386	-123	-17 606	1 394	0
Reťaze Slovakia s.r.o., Skalica, Slovakia	12 056	4 936	-	80.00	15 071	817	0	12 056	2 043
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	*	45 738	-	89.11	47 256	2 041	0	*	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	59 611	-925	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn, Polsko	49 750	48 558	-	88.00	46 817	418	0	49 750	0
Moravia Security, a.s., Třinec-Konská	12 000	12 000	12	100.00	16 105	1 371	0	12 000	0
Neomet Sp. z o.o., Radomsko, Poland	1 074	1 074	3 400	100.00	1 049	30	-1 074	0	0
Moravia Steel Poland Sp. z o.o., Cieszyn, Poland	182	182	100	100.00	309	28	0	182	0
Střední odborná škola Třineckých železáren, Třinec-Kanada **	2 000	2 000	-	100.00	80 669	-2 178	0	2 000	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada***	5 978	2 745	183	83.18	11 214	476	0	5 978	0
DALSELV DESIGN a.s.****	*	1 360	12	68.00	31 057	1 496	0	*	0
<b>Total</b>	<b>215 938</b>						<b>-18 680</b>	<b>197 258</b>	<b>2 043</b>

*italics* – preliminary results as of 31 December 2012

\* confidential

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

\*\*\* on 29 March 2012, the equity investment in TŘINECKÁ PROJEKCE, a.s. was increased from 34.09 % to 83.18 %

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

31 December 2011

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net book value	Financial income for the year
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	-	100.00	39 694	2 328	0	25 643	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	34 404	3 023	0	15 755	25 000
TRIALFA, s.r.o., Třinec-Kanada	100	100	-	100.00	17 870	229	0	100	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100.00	1 509	-92	-17 490	1 510	0
Reťaze Slovakia s.r.o., Skalica, Slovakia	13 766	4 936	-	80.00	17 208	2 835	0	13 766	682
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	-	89.11	45 218	767	0	*	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	60 518	-1 595	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn, Poland	49 750	48 558	-	88.00	41 510	195	0	49 750	0
Moravia Security, a.s., Třinec-Konská	12 000	12 000	12	100.00	14 734	939	0	12 000	0
Neomet Sp. z o.o., Radomsko, Poland	1 007	1 007	3 400	100.00	984	23	-1 007	0	0
Moravia Steel Poland Sp. z o.o., Cieszyn, Polsko	170	170	100	100.00	289	35	0	170	0
Střední odborná škola Třineckých železáren, Třinec-Kanada **	2 000	2 000	-	100.00	78 539	695	0	2 000	0
<b>Total</b>	<b>176 591</b>						<b>-18 497</b>	<b>158 094</b>	<b>25 682</b>

\* confidential

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

## 6.5.2. Equity Investments in Associates

31 December 2012

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year
Kvalifikační a personální agentura, o.p.s., Třinec-Staré Město	34	34	-	33.33	6 521	353	-34	0	0
Hutnictví železa, a.s., Prague	25 963	16 397	27 328	39.21	41 663	-2 862	-18 008	7 955	0
HRAT, s.r.o., Třinec*	212	100	-	23.26	1 164	-671	0	212	0
<b>Total</b>	<b>26 209</b>						<b>-18 042</b>	<b>8 167</b>	<b>0</b>

*italics* – preliminary results as of 31 December 2012

\* results for the period from 1 April 2012 – 31 March 2013

SILESIALAG, a.s. "in liquidation" was placed in liquidation as of 1 January 2012, the extraordinary general meeting held on 17 December 2012 approved the distribution of the liquidation balance of the company.

31 December 2011

(CZK thousand)

Company	Book value, gross	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year
SILESIALAG, a.s., Třinec-Staré Město	1 760	1 760	74	44.00	3 668	-81	-145	1 615	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34.09	10 826	177	0	750	0
Kvalifikační a personální agentura, o.p.s., Třinec-Staré Město	34	34	-	33.33	7 840	362	-34	0	0
Hutnictví železa, a.s., Prague	25 963	16 397	27 328	39.21	45 439	-1 881	-17 097	8 866	0
HRAT, s.r.o., Třinec*	212	100	-	23.26	1 865	18	0	212	0
<b>Total</b>	<b>28 719</b>						<b>-17 276</b>	<b>11 443</b>	<b>0</b>

\* results for the period from 1 April 2011 – 31 March 2012

## 6.5.3. Other Non-current Securities and Equity Investments

31 December 2012

(CZK thousand)

Company	Cost	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Valuation difference	Fair value	Financial income for the year
INFORMETAL, zájmové sdružení, Dobrá	20	20	-	5.00	-	-	0	20	0
Družstvo Envicrack, Ostrava-Vítkovice	4	4	-	-	-	-	0	4	0
ACRI - Asociace podniků českého železničního průmyslu, Praha 1-Nové Město	20	20	-	2.08	1 123	-261	-20	0	0
Huta Stalowa Wola, Poland	86	-	-	0.0087	-	-	-86	0	-
RZPS Radomskór Radom, Poland	3	-	-	0.01	-	-	-3	0	-
<b>Total</b>	<b>133</b>						<b>-109</b>	<b>24</b>	<b>0</b>

*italics* – preliminary results as of 31 December 2012

31 December 2011

(CZK thousand)

Company	Cost	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Valuation difference	Fair value	Financial income for the year
KPM CONSULT, a.s., Brno	100	100	10	10.00	17 250	168	0	100	0
Informetal zájmové sdružení, Dobrá	20	20	-	5.00	-	-	0	20	0
Družstvo Envicrack, Ostrava-Vítkovice	3	3	-	-	-	-	0	3	0
ACRI - Asociace podniků českého železničního průmyslu, Prague 1-Nové Město	20	20	-	2.08	1 049	-34	-20	0	0
Huta Stalowa Wola, Poland	81	-	-	0.0087	-	-	-81	0	-
RZPS Radomskór Radom, Poland	3	-	-	0.01	-	-	-3	0	-
<b>Total</b>	<b>227</b>						<b>-104</b>	<b>123</b>	<b>0</b>

The equity investment in KPM CONSULT, a.s. of CZK 100 thousand, which is expected to be sold, is reported as part of current securities and equity investments as of 31 December 2012.

The Company reported a long-term term deposit of MIZRAHI BANK as part of other non-current financial assets in 2011. As of 31 December 2012, this term deposit was repaid.

Other non-current financial assets in 2011 included cash in the amount of a reserve recognised under special legal regulation in 2010 and deposited on a standalone bank account as of the date for the filing of the income tax return for the 2010 taxation period. These funds could not be dealt with in the following twelve months after the balance sheet date without breaching the conditions of the tax deductibility of the related cost. For this reason, these financial assets were classified as non-current financial assets.

## 6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2012

(CZK thousand)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
<b>Positive goodwill arising on consolidation</b>						
ŽDB DRÁTOVNA a.s.	258 534	0	258 534	0	0	0
„D&D“ Drótáru Zrt.	365 378	-64 990	300 388	0	64 990	0
<b>Total</b>	<b>623 912</b>	<b>-64 990</b>	<b>558 922</b>	<b>0</b>	<b>64 990</b>	<b>0</b>

In the year ended 31 December 2012, the Company recognised positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. in the amount of CZK 258,534 thousand. The goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities of ŽDB DRÁTOVNA a.s., which was recognised against the positive goodwill arising on consolidation in the amount of CZK 20,638 thousand.

The gross positive goodwill arising on consolidation of „D&D“ Drótáru Zrt. amounts to CZK 365,378 thousand. In 2012, the write-off of this positive goodwill arising on consolidation in the amount of CZK 64,990 thousand was recognised in expenses, the net value as of 31 December 2012 amounts to CZK 300,388 thousand. The positive goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities. In 2012, a change in this deferred tax as compared to 2011 in the amount of CZK 202 thousand was recognised, the total amount of the deferred tax in 2012 amounts to CZK 4,688 thousand.

2011

(CZK thousand)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
<b>Negative goodwill arising on consolidation</b>						
„METALURGA“ S.A.	365 580	0	365 580	0	0	0
<b>Total</b>	<b>365 580</b>	<b>0</b>	<b>365 580</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## 6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK thousand)

Securities and equity investments under equity accounting	2012	2011
VESUVIUS ČESKÁ REPUBLIKA, a.s.	131 592	105 900
Sochorová válcovna TŽ, a.s.	407 792	358 774
<b>Total</b>	<b>539 384</b>	<b>464 674</b>

## 6.8. PLEDGED NON-CURRENT FINANCIAL ASSETS

As of 31 December 2012, the Company has non-current financial assets pledged as collateral in the nominal value of CZK 2,000 thousand.

The Company had no non-current financial assets pledged as collateral as of 31 December 2011.

## 6.9. INVENTORY

As of 31 December 2012 and 2011, provisions were created against inventory in the aggregate amounts of CZK 560,413 thousand and CZK 623,127 thousand, respectively. The provision against material amounted to CZK 295,410 thousand (2011: CZK 258,276 thousand), the provision against work in progress and semi-finished products amounted to CZK 200,256 thousand (2011: CZK 300,264 thousand) and the provision against finished products amounted to CZK 64,201 thousand (2011: CZK 64,216 thousand), the provision against goods amounted to CZK 546 thousand (2011: CZK 371 thousand).

## 6.10. RECEIVABLES

### 6.10.1. Short-Term Receivables

#### Aging of Short-Term Trade Receivables

(CZK thousand)

Year	Category	Before due date	Past due date					Total
			1-90 days	91-180 days	181-360 days	1-2 years	2 years and greater	
2012	Short-term	3 662 768	371 691	3 683	4 029	2 866	118 264	<b>4 163 301</b>
	Provisions	0	-39	-41	-2 130	-2 873	-118 289	<b>-123 372</b>
	<b>Total</b>	<b>3 662 768</b>	<b>371 652</b>	<b>3 642</b>	<b>1 899</b>	<b>-7</b>	<b>-25</b>	<b>4 039 929</b>
2011	Short-term	3 597 875	148 432	9 805	2 433	30 360	106 864	<b>3 895 769</b>
	Provisions	-737	-1	-181	-1 561	-30 303	-106 831	<b>-139 614</b>
	<b>Total</b>	<b>3 597 138</b>	<b>148 431</b>	<b>9 624</b>	<b>872</b>	<b>57</b>	<b>33</b>	<b>3 756 155</b>

Negative balances of receivables past their due dates are overpayments of receivables. These will be written off after they are statute barred.



## Other Short-Term Receivables

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

State – tax receivables predominantly include the value added tax 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 amounts due from anticipated insurance proceeds.

Receivables typically mature within 30 days.

### 6.10.2. Pledged Receivables

D 5, akciová společnost, Třinec, records pledged receivables of CZK 30 million in relation to the loan from Československá obchodní banka, a.s., of which the receivables of no less than CZK 20 million are from debtors outside the TŘINECKÉ ŽELEZÁRNY, a. s. and MORAVIA STEEL a.s. groups.

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

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

As of 31 December 2012, VÚHŽ a.s. pledged receivables of CZK 13,352 thousand. The pledge results from the concluded Contract for the Establishment of a Pledge of Receivables in Československá obchodní banka, a.s., and collateralises the provided short-term loans such as revolving and overdraft facilities and concurrently receivables arising from the contract for the provision of bank guarantees and letter of credit. As of 31 December 2011, this pledge amounted to CZK 11,416 thousand.

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

„METALURGIA“ S.A. records pledged receivables of PLN 3,915,744.35 with ING Commercial Finance Polska S.A.

### 6.10.3. Intercompany Receivables

#### Short-term Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
● Trade receivables		
Doprava TŽ, a.s.	1 481	2 461
Moravia Security, a.s.	123	149
MORAVIA STEEL a.s.	2 137 363	2 630 618
Retáže Slovakia, s.r.o.	0	0
TRIALFA, s.r.o.	2 675	3 824
TŘINECKÁ PROJEKCE, a.s.	449	127
Třinecké gastroslužby, s.r.o.	1 153	1 054
Sochorová válcovna TŽ, a.s.	388 247	355 794
Kvalifikační a personální agentura, o.p.s.	3	3
TRISIA, a.s.	7	3
VESUVIUS ČESKÁ REPUBLIKA, a.s.	4 804	4 373
Beskydská golfová, a.s.	36	37
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	0	0
NEOMET, S.A.	1	1
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM s.r.o.	119	116
Hanácké železářny a pérovny, a.s.	537	306
Střední odborná škola Třineckých železáren*	847	148
SILESIALAG, a.s.**	0	1
M Steel Projects a.s.	10 736	48
Steel Consortium Partners, a.s.	1	1
Security Morava, s.r.o.	8	8
Moravskoslezský kovošrot, a.s.	223	513
HRAT, s.r.o.	3	5
FINITRADING, a.s.	2	1
Moravia Steel Poland Sp. z o.o.	1	1
DALSELV DESIGN a.s.***	1 517	0
Moravia Steel Deutschland GmbH	1 429	0
Kovárna Viva a.s.	11	0
<b>Total</b>	<b>2 551 776</b>	<b>2 999 592</b>
● Other receivables		
SILESIALAG, a.s. "in liquidation"***	1 255	0
<b>Total</b>	<b>1 255</b>	<b>0</b>
<b>Total short-term intercompany receivables</b>	<b>2 553 031</b>	<b>2 999 592</b>
Other than intercompany receivables	1 726 290	1 089 906
<b>Total short-term receivables</b>	<b>4 279 321</b>	<b>4 089 498</b>

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

\*\* SILESIALAG, a.s., "in liquidation", entered liquidation as of 1 January 2012; the company's extraordinary General Meeting approved the distribution of the liquidation balance on 17 December 2012

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

## Long-Term Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
• Trade receivables		
Sochorová válcovna TŽ, a.s.	0	3 378
<b>Total</b>	<b>0</b>	<b>3 378</b>
<b>Total long-term intercompany receivables</b>	<b>0</b>	<b>3 378</b>
Other than intercompany receivables	18 575	30 983
<b>Total long-term receivables</b>	<b>18 575</b>	<b>34 361</b>

Other than intercompany long-term receivables of the Company as of 31 December 2012 include a deferred tax asset of CZK 2,050 thousand (2011: CZK 2,288 thousand).

## 6.11. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Cash	3 658	3 915
Current accounts	1 107 942	911 991
Term deposit	0	3 655
Short-term securities and equity investments	84 827	94 675
Provision against securities	-14 434	-14 675
<b>Total current financial assets</b>	<b>1 181 993</b>	<b>999 561</b>

Short-term securities and equity investments as of 31 December 2012 include a short-term depository note of Československá obchodní banka, a.s. (regular deposit for three days) of CZK 50,000 thousand, two depository notes of Raiffeisenbank, a.s. each in the amount of CZK 10,000 thousand, an equity investment in KPM CONSULT, a.s. of CZK 100 thousand which is anticipated to be sold, and tradable securities of CZK 14,727 thousand which were provisioned in the amount of CZK 14,434 thousand as of 31 December 2012.

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

## 6.12. TEMPORARY ASSETS

Deferred expenses principally consisted of the deferred cost of advertising, insurance, subscription, studies, projects, environmental audit, certificates, software update and leases.

## 6.13. EQUITY

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

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

On 26 September 2011, the payment of dividends for 2006 declared by the General Meeting of the Company held on 25 June 2007 which were due on 25 September 2007, became statute barred. The amount of these dividends of CZK 7,543 thousand was written off to other financial income.

### 6.13.1. Share Capital

The Company's share capital is composed of 8,109,863 ordinary registered shares in the certificate form, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share.

On 17 December 2009, the Company's shares in the certificate form which were not collected by their owners after the change of the book-entry to the certificate form of shares were repeatedly auctioned. There were 110 uncollected shares as of 31 December 2012. These shares could not have been auctioned as their owners pledged them in favour of a third party.

## 6.14. RESERVES

(CZK thousand)

	Reserves under special legislation		Reserve for pensions and similar liabilities	Income tax reserves	Other reserves	Total reserves
	Reserve for repairs of tangible fixed assets	Reserve for site restoration				
<b>Balance at 1 Jan 2011</b>	<b>18 899</b>	<b>1 793</b>	<b>3 606</b>	<b>505</b>	<b>225 124</b>	<b>249 927</b>
Impact of foreign exchange differences	0	0	-297	-41	-146	-484
Creation	11 000	60	339	0	588 341	599 740
Use	13 899	0	25	464	515 242	529 630
<b>Balance at 31 Dec 2011</b>	<b>16 000</b>	<b>1 853</b>	<b>3 623</b>	<b>0</b>	<b>298 077</b>	<b>319 553</b>
New acquisition	0	0	0	0	36 571	36 571
Impact of foreign exchange differences	0	0	240	0	1 252	1 492
Creation	11 000	68	0	0	121 258	132 326
Use	0	0	610	0	246 677	247 287
<b>Balance at 31 Dec 2012</b>	<b>27 000</b>	<b>1 921</b>	<b>3 253</b>	<b>0</b>	<b>210 481</b>	<b>242 655</b>

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

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

The 'New acquisition' line in the table of reserves in 2012 reflects the extension of the consolidation group to include ŽDB DRÁTOVNA, a.s.

## 6.15. PAYABLES

### 6.15.1. Long-Term Payables

As of 31 December 2012 and 2011, long-term trade payables include the aggregate amounts of CZK 19,788 thousand and CZK 38,868 thousand, respectively, relating to retentions from suppliers under concluded contracts.

### 6.15.2. Short-Term Trade Payables

#### Aging of Short-Term Trade Payables

(CZK thousand)

Year	Category	Before due date	Past due date					Total
			1-90 days	91-180 days	181-360 days	1-2 years	2 years and greater	
2012	Short-term	3 883 635	39 350	53	459	235	1 035	<b>3 924 767</b>
2011	Short-term	4 230 075	174 174	1 146	826	3 504	90	<b>4 409 815</b>

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

#### Other Payables

As of 31 December 2012, payables associated with social security and the state employment policy contribution amounted to CZK 97,569 thousand (2011: CZK 101,680 thousand), health insurance payables totalled CZK 38,137 thousand (2011: CZK 42,667 thousand). Payables arising from the additional pension scheme amounted to CZK 4,100 thousand (2011: CZK 4,347 thousand) as of 31 December 2012. No social securities and health insurance payables past their due dates were recorded.

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

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

Other payables primarily relate to deductions from employee salaries.

### 6.15.3. Intercompany Payables

#### Short-term Payables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>● Trade payables</b>		
Doprava TŽ, a.s.	11 863	11 587
Kvalifikační a personální agentura, o.p.s.	41	30
Hutnictví železa, a.s.	613	593
MORAVIA STEEL a.s.	1 807 267	2 342 926
Moravia Security, a.s.	5 524	5 750
Security Morava, s.r.o.	276	281
TRIALFA, s.r.o.	14 495	15 614
TRISIA, a.s.	534	752
TŘINECKÁ PROJEKCE, a.s.	3 498	3 999
Třinecké gastroslužby, s.r.o.	7 655	9 327
Sochorová válcovna TŽ, a.s.	12 939	20 308
VESUVIUS ČESKA REPUBLIKA, a.s.	8 692	7 894
Beskydská golfová, a.s.	2 400	1 800
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	320	829
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	104	97
Střední odborná škola Třineckých železáren*	2 694	2 762
Moravskoslezský kovošrot, a.s.	158 017	168 865
HRAT, s.r.o.	36	90
Reťaze Slovakia, s.r.o.	37	0
DALSELV DESIGN a.s.**	10 091	0
Moravia Steel Deutschland GmbH	125	0
MORAVIA STEEL SLOVENIJA d.o.o.	94	0
<b>Total</b>	<b>2 047 315</b>	<b>2 593 504</b>
<b>● Prepayments received</b>		
M Steel Projects a.s.	62 244	78 802
<b>Total</b>	<b>62 244</b>	<b>78 802</b>
<b>Total short-term intercompany payables</b>	<b>2 109 559</b>	<b>2 672 306</b>
Other than intercompany payables	2 794 705	2 708 544
<b>Total short-term payables</b>	<b>4 904 264</b>	<b>5 380 850</b>

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

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

#### Long-Term Payables

(CZK thousand)

Company name	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>Long-term payables</b>		
<b>● Trade payables</b>		
DALSELV DESIGN a.s.	2 469	-
<b>Total long-term intercompany payables</b>	<b>2 469</b>	<b>-</b>
Other than intercompany payables	930 231	652 935
<b>Total long-term payables</b>	<b>932 700</b>	<b>652 935</b>

Other than intercompany long-term payables include a deferred tax liability of CZK 907,912 thousand and CZK 614,067 thousand as of 31 December 2012 and 2011, respectively.

## 6.16. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

### 6.16.1. Deferred Tax Liability

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

(CZK thousand)

Deferred tax basis	Tax rate in %	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Difference between tax and accounting net book value of fixed assets	19	-6 943 374	-6 380 981
Difference between tax and accounting net book value of fixed assets	10	-138 960	-111 099
Remeasurement of securities available for sale	19	20	20
Remeasurement of securities available for sale	10	217	295
Remeasurement of assets to fair value charged against equity	19	-245 861	-290 103
Remeasurement of assets to fair value charged against the goodwill arising on consolidation	10	-46 876	-48 897
Remeasurement of assets to fair value charged against the goodwill arising on consolidation	19	-83 557	0
Accounting reserves	19	153 386	244 863
Accounting reserves	10	26 450	25 247
Provisions	19	570 791	638 370
Provisions	10	6 593	4 333
Outstanding default interest	19	-37	0
Expenses to be allowable in subsequent periods	19	101 814	149 136
Utilisable tax losses	19	1 428 591	2 120 308
Unrealised gains on the intragroup sale of inventory	19	7 023	22 157
Unrealised gains on intragroup sales of tangible fixed assets	19	313 025	332 784
<b>Total tax base</b>		<b>-4 850 755</b>	<b>-3 293 567</b>
<b>Deferred tax liability</b>		<b>-907 912</b>	<b>-614 067</b>

(CZK thousand)

Analysis of movements		
<b>1 Jan 2011</b>		<b>-346 799</b>
New acquisition		-11 530
Current changes charged to the profit and loss account		-260 211
Current changes recognised in equity		9 363
Recognition against the positive goodwill arising on consolidation		-4 890
<b>31 Dec 2011</b>		<b>-614 067</b>
New acquisition		-56 822
Current changes charged to the profit and loss account		-227 243
Current changes recognised in equity		10 655
Recognition against the positive goodwill arising on consolidation		-20 435
<b>31 Dec 2012</b>		<b>-907 912</b>

### 6.16.2. Deferred Tax Asset

(CZK thousand)

	Tax rate in %	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Difference between tax and accounting net book value of fixed assets	19	0	-132 512
Accounting reserves	19	5 022	15 364
Expenses to be allowable in subsequent periods	19	2 139	4 228
Provisions	19	3 629	10 003
Utilisable tax losses	19	0	114 958
<b>Total tax base</b>		<b>10 790</b>	<b>12 041</b>
<b>Deferred tax asset</b>		<b>2 050</b>	<b>2 288</b>

(CZK thousand)

Analysis of movements		
<b>1 Jan 2011</b>		<b>77 611</b>
Current changes charged to the profit and loss account		-74 704
Current changes charged to equity		-176
Rebilling		-443
<b>31 Dec 2011</b>		<b>2 288</b>
Current changes charged to the profit and loss account		-339
Current changes charged to equity		101
<b>31 Dec 2012</b>		<b>2 050</b>

## 6.17. BANK LOANS

### Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2012	Balance at 31 Dec 2011	Interest rate in %	Form of collateral at 31 Dec 2012
Investment	CZK	684 200	0	3M PRIBOR + 1.6/ FIXED 2.46	Immovable and movable assets., securities, receivables from insurance, blank bill of exchange
Investment	EUR	10 292	65 030	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	CZK	0	5 000	3M PRIBOR + 0.79	No collateral
Investment	CZK	0	11 112	FIXED 4.65	Immovable and movable assets VP4, guarantee statement of MS, blank bill of exchange
Investment	CZK	700 000	900 000	3M PRIBOR +1,5 (margin according to Senior Debt/EBITDA)	Movable and immovable assets KB12, receivable from insurance, blank bill of exchange
Investment	CZK/EUR	91 560	167 573	3M PRIBOR/ EURI- BOR + 0.99	Movable assets VH, receivables from insurance, blank bill of exchange
Investment	EUR	9 428	17 415	1M EURIBOR + 1.3	Line KEH8, KER8
Investment	EUR	0	645	3M EURIBOR + 1.6	KBA 6o1 bending machine
Investment	EUR	0	7 469	6M EURIBOR + 1.3	Receivables, Sakamura press
Investment	CZK/EUR	0	20 849	6.74 % 3M PRIBOR + 2.5	Statement of the parent company, pledge of assets, blank bills of exchange
Term	CZK	212 299	0	3M PRIBOR + 1.6 p.a.	Receivables, pledged real estate including its parts and accessories
Investment	EUR	11 165	0	1M EURIBOR+1.15	Pledged real estate
<b>Total</b>		<b>1 718 944</b>	<b>1 195 093</b>		

### Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2012	Balance at 31 Dec 2011	Interest rate in %	Form of collateral at 31 Dec 2012
Investment	CZK	11 111	44 444	FIXED 4.65	Immovable and movable assets, guarantee statement of MS, blank bill of change
Investment	EUR	53 073	78 937	6M EURIBOR + 0.6	Hermes guarantee insurer
Overdraft	CZK	176 412	232 399	O/N PRIBOR + 0.9	Blank bill of exchange
Overdraft	CZK	93 732	160 780	1D PRIBOR + 0.95	Blank bill of exchange
Investment	CZK	200 000	200 000	3M PRIBOR + 1.5 (margin according to Senior Debt/EBITDA)	Movable and immovable assets, receivable from insurance, blank bill of exchange
Short-term	CZK	0	200 000	1M PRIBOR +1.1	Blank bill of exchange
Overdraft	CZK	44 847	0	1T PRIBOR +1.00	Blank bill of exchange
Overdraft	CZK	60 632	0	1T PRIBOR + 0.75	Blank bill of exchange
Investment	CZK	252 640	0	3M PRIBOR +1.6/ FIXED 2.46	Immovable and movable assets, securities, receivable from insurance, blank bill of exchange
Investment	EUR/ CZK	20 523	27 800	6.74 3M PRIBOR + 2.5	Statement of the parent company, pledge of assets, blank bills of exchange
Investment	EUR	0	4 343	6M EURIBOR + 0.6	SACE guarantee insurer
Investment	EUR	628	2 580	3M EURIBOR + 1.6	KBA 6o1 bending machine
Investment	EUR	7 543	5 805	1M EURIBOR + 1.3	KEH8, KER8 line
Investment	EUR	0	10 320	1M EURIBOR + 0.75	KSH 6o2D welding machine
Investment	EUR	0	3 096	3M EURIBOR + 0.7	Technology - 14-34 mm induction hardening line
Investment	CZK	5 000	10 000	3M PRIBOR +0.79	No collateral
Investment	EUR	7 278	10 320	6M EURIBOR + 1.3	Receivables, Sakamura press
Overdraft	CZK	5 296	14 732	O/N PRIBOR +0.9%	Receivables, real estate
Investment	CZK/EUR	73 248	74 477	3M PRIBOR/ EURIBOR + 0.99	Movable assets, receivable from insurance, blank bill of exchange
Short-term	CZK	0	150 000	1T PRIBOR + 0.9	Blank bill of exchange
Investment	PLN	34 336	34 413	WIBOR + margin 1.45	Pledge
Investment	PLN	14 928	6 369	WIBOR + margin 1.5	Pledge
Investment	EUR	3 115	0	1M EURIBOR+1.15	Pledge of real estate
Term	CZK	56 613	0	3M PRIBOR + 1.6	Receivables, pledge of real estate including its parts and accessories
Revolving	CZK	390 000	0	3M EURIBOR + 1.1	Receivables, pledge of real estate including its parts and accessories
<b>Total</b>		<b>1 510 955</b>	<b>1 270 815</b>		



## Repayment Schedule

(CZK thousand)

Years	2013	2014	2015	2016	2017	In subsequent periods	Total
Loan instalments	1 510 955	621 763	503 713	386 048	207 420	0	<b>3 229 899</b>

## 6.18. OFF BALANCE SHEET LIABILITIES AND LEGAL DISPUTES

### 6.18.1. TŘINECKÉ ŽELEZÁRNY, a. s.

#### Provided guarantees

##### 31 December 2012

Type of liability	Total amount	Balance at 31 Dec 2012
<b>Guarantees</b>		
- to other entities	USD 576 thousand	CZK 10 981 thousand
	EUR 2 138 thousand	CZK 53 774 thousand
	CZK 5 000 thousand	CZK 5 000 thousand

##### 31 December 2011

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

#### Legal Disputes

The dispute of the EcoNet CENTRUM civic association for the allegedly unpaid dividends for 2006 in the amount of CZK 180,000 thousand together with accrued interest. The Regional Court in Hradec Králové stated in its resolution that it was not locally responsible for the case, referring the case to the Regional Court in Ostrava. The plaintiff appealed this resolution. The High Court in Prague rejected the plaintiff's appeal. The case was referred to the Regional Court in Ostrava as to the locally responsible court. The Regional Court in Ostrava rejected the claim in its resolution, which the plaintiff appealed. The Company considers the charge to completely lack merit.

The petition of a shareholder, Marek Veselý, regarding the invalidity of the resolution passed at the Company's annual general meeting of shareholders held on 30 June 2010, was rejected by the Regional Court in Ostrava as lacking merit in its ruling no. 29 Cm 142/2010-99 of 25 August 2011. The plaintiff appealed the ruling. The High Court in Olomouc confirmed the ruling of the Regional Court in Ostrava on the rejection of the petition by its ruling no. 8 Cmo 64/2012-169 of 3 April 2012. As such, proceedings in this matter have been effectively completed to date. The plaintiff took an extraordinary remedial measure and made an appeal against the ruling of the High Court in Olomouc addressed to the Regional Court in Ostrava on 16 July 2012. According to the e.justice information system, the appeal was delivered to the Supreme Court through the Regional Court in Ostrava on 24 October 2012 under no. 29 Cdo 3284/2012 and no proceedings have been ordered in this matter for the time being. The Company considers the claim to completely lack merit.

The claim of the ADMINISTRATIVNÍ CENTRUM TSP civic association regarding the invalidity of the auction of shares in the certificate form of the issuer, TŘINECKÉ ŽELEZÁRNY, a. s. The Municipal Court in Brno refused this charge in its ruling as the charge was filed after the expiration of the statute of limitation. The plaintiff appealed the ruling. The Municipal Court in Brno referred this case to the Regional Court in Brno to make a decision on the plaintiff's appeal. The Company considers the charge to completely lack merit.

#### Environmental Liabilities

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

As of 31 December 2012 and 2011, the Company drew CZK 467,063 thousand and CZK 419,834 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.

### 6.18.2. ENERGETIKA TŘINEC, a.s.

#### Collateral for loans

(CZK thousand)

Type of liability	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Blank bills of exchange – collateral for overdraft loans	150 000	150 000
<b>Total</b>	<b>150 000</b>	<b>150 000</b>

#### Collateral for third-party liabilities

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

#### Environmental Liabilities

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

#### Legal Disputes and Contingent Losses

As of 31 December 2012, ET was involved in no significant legal dispute, the outcome of which would significantly impact it.

ET is not aware of any material contingent losses.

### 6.18.3. Strojírny Třinec, a.s.

#### Issued Bank Guarantees

In 2012, Strojírny Třinec, a.s. (hereinafter “ST”) issued four guarantees of EUR 43,503 thousand (CZK 1,144 thousand), the validity of all guarantee documents will expire during 2014.

#### Legal Disputes

As of 31 December 2012, ST was involved in no significant legal dispute, the outcome of which would significantly impact it.

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

At the balance sheet date, ST recorded future liabilities as a result of the contracted capital expenditure of CZK 13,466 thousand.

#### Environmental Liabilities

As of 31 December 2012, there was no environmental audit of ST. As a result, ST’s management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage. However, ST’s management believes that these liabilities are not material.

### 6.18.4. D 5, akciová společnost, Třinec

#### Legal Disputes

As of 31 December 2012, D 5, akciová společnost, Třinec (hereinafter “D 5”) was involved in no legal dispute except for the recovery of its receivables through courts.

#### Environmental Liabilities

As of 31 December 2012, there was no environmental audit of D 5. As a result, D 5’s management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage. However, D 5’s management believes that these liabilities are not material.

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

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

### 6.18.5. VÚHŽ a.s.

#### Legal Disputes

As of 31 December 2012, VÚHŽ a.s. was involved in no significant legal dispute, the outcome of which would significantly impact it.

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

As of the balance sheet date, VÚHŽ a.s. records future liabilities arising from expenditure for fixed assets arising from concluded contracts of CZK 23,691 thousand. These primarily relate to the contract for the supply of the second coating unit using the PVD method from Hauzer Techno Coating.

#### **Environmental Liabilities**

As of 31 December 2012, there was no environmental audit of VÚHŽ a.s.. As a result, VÚHŽ a.s.'s management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

#### **Other Liabilities**

VÚHŽ a.s. records off balance sheet a statute barred payable to minority shareholders who did not use their claim for the payment of the share in the statutory period based on the squeeze-out in 2007. This payable amounts to CZK 1,295 thousand and was transferred to VÚHŽ a.s. according to the merger project with the dissolving company H & S PROGRESS s.r.o.

#### **Easements**

Land and buildings of VÚHŽ a.s. carry established easements in favour of Jindřich Rašner and Jaroslav Vaníček - an easement of walking and driving, access due to repairs and maintenance, access to the building.

Other easements relate to the underground sewerage pipe system, water conduit connection, telephone system and electricity connection, access and entry way to them, maintenance, repairs and other necessary activities.

#### **6.18.6. Slévárny Třinec, a.s.**

As of 31 December 2012, Slévárny Třinec, a.s. (hereinafter "SL") was involved in no significant legal dispute, the outcome of which would significantly impact it.

#### **Environmental Liabilities**

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

SL provided no guarantee to third parties.

#### **6.18.7. Šroubárna Kyjov, spol. s r.o.**

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

#### **6.18.8. Řetězárna a.s.**

As of 31 December 2012, term contracts (forwards) were concluded to hedge the exchange rate in 2013 in the aggregate amount of EUR 1,200 thousand. The fair value measurement of these transactions was made through the profit and loss account.

#### **6.18.9. REFRASIL, s.r.o.**

As of 31 December 2012, REFRASIL, s.r.o. is involved in no significant legal dispute, the outcome of which would significantly impact it.

#### **Environmental Liabilities**

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

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

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

#### **6.18.10. „METALURGIA“ S.A.**

„METALURGIA“ S.A. has pledged the inventory of PLN 7,000 thousand with BNP PARIBAS BANK Polska S.A. in respect of the drawn loan. In addition, „METALURGIA“ S.A. records a pledge of machinery of up to PLN 7,500 thousand with ING Bank Śląski S.A. and fixed assets of up to PLN 20,000 thousand with BNP Paribas Polska S.A. and CZK 1,900 thousand with ING Bank Śląski S.A.

#### **6.18.11. ŽDB DRÁTOVNA a.s.**

#### **Legal Disputes**

As of 31 December 2012, ŽDB DRÁTOVNA a.s. (hereinafter "ŽDB") was involved in no legal dispute, the outcome of which would significantly impact it.

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

As of the balance sheet date, ŽDB records future liabilities arising from instalments under concluded lease contracts.

#### **Environmental Liabilities**

ŽDB concluded no environmental contract with the Ministry of Finance for the removal of legacy environmental burdens.

The conditions of the integrated authorisation for ŽDB 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.

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 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.

## 7. ADDITIONAL CONSOLIDATED PROFIT AND LOSS ACCOUNT INFORMATION

### 7.1. INCOME FROM ORDINARY ACTIVITIES AND SOLD GOODS

#### 7.1.1. The Group's Income from Ordinary Activities and Sale of Goods for 2012

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	35 467 866	2 394 514	37 862 380
Other production	2 156 795	1 883 757	4 040 552
Sale of goods	337 461	431 477	768 938
Services	507 686	59 857	567 543
Change in inventory	-205 052	15 897	-189 155
Own work capitalised	898 476	5 642	904 118
<b>Total</b>	<b>39 163 232</b>	<b>4 791 144</b>	<b>43 954 376</b>

#### 7.1.2. The Group's Income from Ordinary Activities and Sale of Goods for 2011

(CZK thousand)

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

### 7.2. GRANTS

Other grants for operating purposes of CZK 20,328 thousand used in 2012 (CZK 21,985 thousand in 2011) include grants for research purposes and education, and grants received from the Employment Office.

In 2012, VÚHŽ a.s. received an investment subsidy of CZK 17,166 thousand for the acquisition of the FLC 850 coating equipment for the coating using the PVD method, acquisition of the automatic cleaning line and the relating improvements on buildings.

In June 2012, Šroubárna Kyjov, spol. s r.o. received a subsidy for the "Decrease in the Energy Requirements of Production Halls" investment of CZK 4,909 thousand. Subsequently, Šroubárna Kyjov, spol. s r.o. received another subsidy for this investment in the amount of CZK 4,397 thousand.

In 2012, TŘINECKÉ ŽELEZÁRNY, a. s. used a public grant for the "Educational Programme of the Employees of ODVĚTVOVÝ SVAZ HUTNICTVÍ ŽELEZA" project in the amount of CZK 828 thousand.

TŘINECKÉ ŽELEZÁRNY, a. s. obtained a subsidy for the acquisition of fixed assets in the amount of CZK 4,740 thousand from Třinec for the regulation of the Křivec creek in 2011.

### 7.3. OTHER EXPENSES AND INCOME

Costs of advisory, consulting and audit activities as of 31 December 2012 amount to CZK 41,846 thousand and CZK 42,927 thousand as of 31 December 2011.

Other operating income as of 31 December 2012 and 2011 predominantly includes the drawing of the grant for greenhouse gas emissions including the income from the sale of allowances of CZK 1,033,637 thousand and CZK 1,934,168 thousand, respectively.

Other financial income in 2012 and 2011 predominantly includes foreign exchange rate gains of CZK 216,347 thousand and CZK 91,074 thousand, respectively.

Other operating expenses as of 31 December 2012 and 2011 predominantly include the use of emission allowances including the costs of the sale of gas emissions of CZK 1,033,858 thousand and CZK 1,935,221 thousand, respectively.

Other financial expenses as of 31 December 2012 and 2011 predominantly include foreign exchange rate losses of CZK 202,218 thousand and CZK 143,098 thousand, respectively.

### 7.4. TOTAL RESEARCH AND DEVELOPMENT COSTS

(CZK thousand)

	31 Dec 2012	31 Dec 2011
Research and development costs (less grants)	47 905	61 133

## 7.5. RELATED PARTY TRANSACTIONS

### 7.5.1. Income Generated with Related Parties

The column 'Relation to the company' is disclosed from the perspective of TŘINECKÉ ŽELEZÁRNY, a. s.

2012								(CZK thousand)
Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total	
Doprava TŽ, a.s.	Controlled entity	64	29 788	4 224	44	0	34 120	
Kvalif. a pers. agentura, o.p.s.	Associate	0	0	253	0	0	253	
MORAVIA STEEL a.s.	Controlling entity	635	31 119 614	167 609	2 267	0	31 290 125	
Reťaze Slovakia s.r.o.	Controlled entity	0	18 587	30	0	0	18 617	
TRIALFA, s.r.o.	Controlled entity	1	33 203	4 484	2 256	0	39 944	
TRISIA, a.s.	Controlled entity	0	0	103	0	0	103	
TŘINECKÁ PROJEKCE, a.s.	Associate	0	509	911	4	0	1 424	
Třinecké gastroslužby, s.r.o.	Controlled entity	7	2 853	4 554	560	0	7 974	
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	8 686	25 521	184	0	34 391	
Sochorová válcovna TŽ, a.s.	Controlled entity	5 104	4 431 226	50 110	368	0	4 486 808	
Moravia Steel Deutschland GmbH	Fellow subsidiary	0	8 100	0	0	0	8 100	
Beskydská golfová, a.s.	Fellow subsidiary	0	0	540	0	0	540	
SILESIALAG, a.s.	Controlled entity	0	0	21	0	0	21	
Steel Consortium Partners, a.s.	Controlled entity	0	0	67	0	0	67	
Moravia Security, a.s.	Controlled entity	0	195	1 294	36	0	1 525	
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	2 613	370	0	2 983	
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	0	0	221	0	0	221	
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	0	46	3 455	0	0	3 501	
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	0	1 607	6 076	0	7 683	
Střední odborná škola Třineckých železáren*	Controlled entity	2	2 311	5 891	46	0	8 250	
Kovářna VIVA a.s.	Fellow subsidiary	0	0	12	0	0	12	
M Steel Projects a.s.	Fellow subsidiary	314 210	11 138	111	0	0	325 459	
HRAT, s.r.o.	Associate	0	0	23	0	0	23	
FINITRADING, a.s.	Controlling entity	0	0	9	10	0	19	
Neomet Sp. z o.o.	Controlled entity	0	0	6	0	0	6	
Moravia Steel Poland Sp. z o.o.	Controlled entity	0	0	7	0	0	7	
Security Morava, s.r.o.	Controlled entity	0	0	47	0	0	47	
MORAVIA STEEL SLOVENIJA d.o.o.	Fellow subsidiary	0	4 758	0	0	0	4 758	
SV servisní, s.r.o.	Fellow subsidiary	0	0	124	0	0	124	
DALSELV DESIGN a.s. **	Controlled entity	0	0	11	0	0	11	
<b>Total</b>		<b>320 023</b>	<b>35 671 014</b>	<b>273 858</b>	<b>12 221</b>	<b>0</b>	<b>36 277 116</b>	

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

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

2011

(CZK thousand)

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

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

### 7.5.2. Purchases from Related Parties

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

2012

(CZK thousand)

Entity	Type of entity	Fixed assets	Inventory	Services	Other expenses	Extra-ordinary expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	28 754	65 691	0	0	94 445
Hutnictví železa, a.s.	Controlled entity	0	0	5 638	101	0	5 739
Kvalifikační a personální agentura, o.p.s.	Associate	0	26	203	0	0	229
MORAVIA STEEL a.s.	Controlling entity	547	22 280 469	248 567	45 956	0	22 575 539
Reťaze Slovakia, s.r.o.	Controlled entity	0	465	625	0	0	1 090
TRIALFA, s.r.o.	Controlled entity	0	12 588	19 541	53 120	0	85 249
TRISIA, a.s.	Controlled entity	0	8 720	613	14	0	9 347
TŘINECKÁ PROJEKCE, a.s.	Associate	15 272	0	7 798	0	0	23 070
Třinecké gastroslužby, s.r.o.	Controlled entity	0	15 927	8 123	75 482	0	99 532
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	462	78 534	0	0	78 996
Sochorová válcovna TŽ, a.s.	Controlled entity	0	106 429	40 991	0	0	147 420
Beskydská golfová, a.s.	Fellow subsidiary	0	0	4 368	0	0	4 368
Moravia Security, a.s.	Controlled entity	536	0	53 797	69	0	54 402
Security Morava, s.r.o.	Controlled entity	0	0	2 798	0	0	2 798
Střední odborná škola Třineckých železáren*	Controlled entity	0	393	11 134	550	0	12 077
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	0	0	1 218	0	0	1 218
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	8 353	194 490	0	0	202 843
Moravskoslezský kovošrot	Fellow subsidiary	0	1 236 800	0	0	0	1 236 800
Kovárna VIVA a.s.	Fellow subsidiary	0	307	0	0	0	307
HRAT, s.r.o.	Associate	0	0	180	0	0	180
MORAVIA STEEL SLOVENIJA d.o.o.	Fellow subsidiary	0	0	94	0	0	94
Moravia Steel Deutschland GmbH	Fellow subsidiary	0	0	188	0	0	188
Hanácké železářny a pérovny, a.s.	Fellow subsidiary	0	0	64	0	0	64
Barrandov Televizní Studio a.s.	Fellow subsidiary	200	0	0	0	0	200
DALSELV DESIGN a.s.**	Fellow subsidiary	5 262	0	11	0	0	5 273
<b>Total</b>		<b>21 817</b>	<b>23 699 693</b>	<b>744 666</b>	<b>175 292</b>	<b>0</b>	<b>24 641 468</b>

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

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



2011

(CZK thousand)

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

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

## 8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

### 8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

#### 8.1.1. Staff Costs and Number of Employees for 2012

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
TŘINECKÉ ŽELEZÁRNY, a. s.	5 962	5	2 863 155	53 703
ENERGETIKA TŘINEC, a.s.	370	5	174 262	11 062
Strojírny Třinec, a.s.	956	8	357 743	16 768
Slévárny Třinec, a.s.	689	5	251 783	9 126
REFRASIL, s.r.o.	173	2	84 753	11 536
Řetězárna a.s.	261	6	113 147	12 523
Šroubárna Kyjov, spol. s r.o.	300	6	119 644	10 793
D 5, akciová společnost, Třinec	683	8	245 918	11 734
VÚHŽ a.s.	297	9	157 931	13 760
„METALURGIA“ S.A.	274	4	74 986	5 638
„D&D“ Drótaru Zrt.	124	5	49 172	7 186
ŽDB DRÁTOVNA a.s.	1 062	7	103 776	3 849
<b>Total under full consolidation</b>	<b>11 151</b>	<b>70</b>	<b>4 596 270</b>	<b>167 678</b>

#### 8.1.2. Staff Costs and Number of Employees for 2011

(CZK thousand)

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

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

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

(CZK thousand)

Company/benefit	2012	2011
<b>TŘINECKÉ ŽELEZÁRNY, a. s.</b>	<b>11 232</b>	<b>12 624</b>
Use of management cars	1 131	1 421
Liability insurance	511	559
Bonuses	9 590	10 644
<b>ENERGETIKA TŘINEC, a.s.</b>	<b>1 281</b>	<b>1 291</b>
Use of management cars	448	458
Life insurance contribution	148	148
Liability insurance	37	37
Bonuses	648	648
<b>Strojírny Třinec, a.s.</b>	<b>1 140</b>	<b>1 150</b>
Use of management cars	400	399
Life insurance contribution	80	81
Liability insurance	20	22
Bonuses	640	648
<b>Slévárny Třinec, a.s.</b>	<b>1 141</b>	<b>1 140</b>
Use of management cars	424	421
Life insurance contribution	54	54
Liability insurance	15	17
Bonuses	648	648
<b>REFRASIL, s.r.o.</b>	<b>441</b>	<b>435</b>
Use of management cars	244	237
Life insurance contribution	0	0
Liability insurance	5	6
Bonuses	192	192
<b>Řetězárna a.s.</b>	<b>7 353</b>	<b>6 642</b>
Use of management cars	646	646
Life insurance contribution	0	0
Liability insurance	7	8
Bonuses	6 700	5 988
<b>D 5, akciová společnost, Třinec</b>	<b>1 214</b>	<b>1 287</b>
Use of management cars	539	601
Life insurance contribution	32	38
Liability insurance	0	0
Bonuses	643	648
<b>VÚHŽ a.s.</b>	<b>1 481</b>	<b>1 333</b>
Use of management cars	786	827
Life insurance contribution	40	42
Liability insurance	7	7
Bonuses	648	457
<b>Šroubárna Kyjov, spol. s r.o.</b>	<b>876</b>	<b>828</b>
Use of management cars	512	469
Life insurance contribution	29	22
Liability insurance	11	13
Bonuses	324	324
<b>ŽDB DRÁTOVNA a.s.</b>	<b>300</b>	<b>-</b>
Use of management cars	146	-
Bonuses	154	-
<b>„METALURGIA“ S.A</b>	<b>1 005</b>	<b>986</b>
Liability insurance	7	-
Bonuses	998	986
<b>„D&amp;D“ Drátáru Zrt.</b>	<b>752</b>	<b>628</b>
Bonuses	752	628
<b>Total</b>	<b>28 216</b>	<b>28 344</b>

## 9. POST BALANCE SHEET EVENTS

Strojírny Třinec, a.s., TŘINECKÉ ŽELEZÁRNY, a. s., and D 5, akciová společnost, Třinec are assessing their intent to undertake a demerger by split-up through amalgamation in order to split up Strojírny Třinec, a.s., as the dissolving company, and amalgamate portions of its net assets with TŘINECKÉ ŽELEZÁRNY, a. s., and D 5, akciová společnost, Třinec as the successor companies with the effective date of 1 January 2013 and with the expected completion of the process of the demerger by split-up through amalgamation before 30 October 2013.

# XI. REPORT ON RELATED PARTY TRANSACTIONS

TŘINECKÉ ŽELEZÁRNY, a. s., registered at, Průmyslová 1000, Staré Město, 739 61, Třinec, corporate ID 18050646, entered in the Register of Companies, Section B, File No. 146, maintained by the Regional Court in Ostrava (hereinafter the “Company”) together with the entities below (the “related parties”) forms a group in terms of the second sentence of Section 66a (7) of the Commercial Code.

The report on relations between the related parties was prepared in compliance with the provisions of Section 66a (9) of the Commercial Code for the year ended 31 December 2012 (the „Accounting Period“).

## I. DEFINITION OF RELATED PARTIES

### A. CONTROLLING ENTITIES

#### MORAVIA STEEL a.s.

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

Corporate ID 63474808

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

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

#### FINITRADING, a.s.

Registered at Třinec, nám. Svobody 526, 739 61,

Corporate ID 61974692

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

### B. OTHER RELATED PARTIES

#### B.1. Companies Controlled by the Controlling Entities

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

Relation: company controlled by MORAVIA STEEL a.s.

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

Relation: company controlled by MORAVIA STEEL a.s.

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

Relation: company controlled by MORAVIA STEEL a.s.

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

Relation: company controlled by MORAVIA STEEL a.s.

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

Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL UK LIMITED (originally TRINEC – CMCLIMITED) registered at 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, U.K.

Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Televizní Studio a.s. registered at Prague 5, Kříženeckého nám. 322, 152 00, Corporate ID 41693311

Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Studio a.s. registered at Prague 5 - Hlubočepy, Kříženeckého nám. 322/5, 152 00, Corporate ID 28172469

Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Lands a.s. registered at Prague 5, Kříženeckého nám. 322/5, 152 00, Corporate ID 27225674  
Relation: company controlled by MORAVIA STEEL a.s. before 12 November 2012

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

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

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

Hanácké železářny a pérovny, a.s., registered at Dolní 3137/100, 796 01 Prostějov, Corporate ID 26955342  
Relation: company controlled by MORAVIA STEEL a.s.

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

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

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

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

## **B.2. Companies Controlled by the Company**

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

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

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

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

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

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

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

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

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

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

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

VÚHŽ a.s. registered at Dobrá 240, 739 51, Corporate ID 27768953

Relation: company controlled by the Company

MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. registered at Pohraniční 693/31, Ostrava-Vítkovice, , 706 02, Corporate ID 25870807

Relation: company controlled by the Company

Šroubárna Kyjov, spol. s r.o., registered at Kyjov, Jiráskova 987, 697 32, Corporate ID 42293588

Relation: company controlled by the Company

Moravia Security, a.s., registered at Třinec, Kanská, Průmyslová 725, 739 65, Corporate ID 27835481

Relation: company controlled by the Company

D 5, akciová společnost, Třinec, registered at Třinec-Staré Město, Průmyslová 1026, 739 65, Corporate ID 47674539

Relation: company controlled by the Company

“METALURGIA” Spółka Akcyjna registered at ulica Świątej Rozalii nr 10/12, 97-500 Radomsko, Poland

Relation: company controlled by the Company

„ZAMECZEK BŁOGOCICE“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered at ul. Zeromskiego 1, 43-400 Cieszyn, Poland

Relation: company controlled by the Company

„D&D” Dróttáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság registered at 3527 Miskolc, Besenyői u. 18., Hungary

Relation: company controlled by the Company

TŘINECKÁ PROJEKCE, a.s., registered at Třinec-Kanada, Míru 274, 739 61, Corporate ID 47677741

Relation: company controlled by the Company since 29 March 2012

ŽDB DRÁTOVNA a.s. registered at Bohumín-Pudlov, Jeremenkova 66, 735 51, Corporate ID 29400066

Relation: company controlled by the Company since 1 October 2012

DALSELV DESIGN a.s. registered at Ostrava-Mariánské Hory, Slévárenská 403/11, 709 00, Corporate ID 28262913

Relation: company controlled by the Company since 17 December 2012.

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

Relation: company controlled by MORAVIA STEEL a.s. and the Company acting in concert.

## II. DESCRIPTION OF THE RELATIONS

### A. DEFINITION OF THE RELATION BETWEEN RELATED PARTIES

- a) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and MORAVIA STEEL a.s. as the controlling company are presented below in section B hereof.
- b) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and FINITRADING, a.s. as the controlling company are presented below in section C. hereof.
- c) The relations in terms of the provisions of Section 66a (9) of the Commercial Code between the Company and R.F.G., a.s. were not established in the accounting period, i.e. no contracts were concluded, no other legal acts were performed, and no measures were taken or implemented in terms of the above-mentioned provisions in the accounting period.
- d) The relations in terms of the provisions of Section 66a (9) of the Commercial Code between the Company and the Related Parties which are controlled by the controlling entities pursuant to section B.1, chapter I, except for Sochorová válcovna TŽ, a.s., Beskydská golfová, a.s., Hanácké železářny a pérovny, a.s., Moravskoslezský Kovošrot, a.s., M Steel Projects a. s., Barrandov Televizní Studio a.s. and Moravia Steel Deutschland GmbH were not established in the accounting period, i.e. no contracts were concluded among the related parties, no other legal acts were performed and no measures were taken or implemented at the initiative or on behalf of the related parties.
- e) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Sochorová válcovna TŽ, a.s. are presented below in section D hereof.
- f) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Beskydská golfová, a.s., are presented below in section E hereof.
- g) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Hanácké železářny a pérovny, a.s. are presented below in section F hereof.
- h) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Moravskoslezský kovošrot, a.s. are presented below in section G hereof.

- i) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and M Steel Projects, a.s. are presented below in section H hereof.
- j) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Barrandov Televizní Studio a.s., are presented below in section I hereof.
- k) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Moravia Steel Deutschland GmbH, are presented below in section J hereof.
- l) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and the Related Parties which are controlled by the Company pursuant to section B.2, chapter I are stated in the reports on relations of each of these Related Parties that prepare their reports separately, providing a detailed description of their relations with the Company. The Company incurred no damage as a result of the relationships.

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

### **Introduction**

- a) The principal contract applicable to the day-to-day business relations between the Company and MORAVIA STEEL a.s. is the General Commercial Contract of 30 December 2002 whereby both parties declared their common interest in the further development of their mutual business relations. This contract is also updated for the relevant accounting period:
  - aa) by the Master Contract mentioned below of 30 December 2002 for the sale area; and
  - ab) by the Contract for the Supply of Materials and Raw Materials mentioned below of 12 January 1999 for the purchase area.
 The individual performances are presented in the partial purchase contracts executed pursuant to the above contracts for a particular product, amount, shape and type, the agreed upon price and performance deadline. The agreed upon prices respect the specific features of purchases and sales in the metallurgic industry and take into account the elimination of foreign exchange risks, the adjustment of payment conditions, and business risks.
- b) Due to the high number of contracts entered into during the accounting period, this report includes:
  - ba) separate references to the individual contracts important for the relations between the Company and MORAVIA STEEL a.s., primarily the contracts whereby the performance fee exclusive of VAT was agreed within the day-to-day course of business relations in the amount of no less than 1% of the Company's share capital, and 0.5% of the Company's share capital outside of day-to-day business relations; and
  - bb) a collective reference to other contracts, mainly contracts whereby the performance fee is below the amount set out under section ba).

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

#### **B.1.1. Master Contract**

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

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

During the accounting period, the performance under the above contract and the underlying partial sale contracts with settlement in the form of invoices and corrective tax documents in the respect of prices for the sale of products, or expenses associated with complaints was provided for consideration of CZK 30,672,506 thousand.

#### **B.1.2. Licence Contract for the Use of the "Three Hammers in a Circle" Trademark**

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

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

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

#### **B.1.3. Contract on the Provision of Services**

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

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

During the accounting period, the performance under the above contract was provided for consideration of CZK 30,429 thousand.

#### **B.1.4. Lease Contract**

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

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

The rent and other payments arising from the above contract during the accounting period amounted to CZK 7,930 thousand.

#### **B.1.5. Contract for the Provision of Telecommunications Services**

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



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

During the accounting period, the performance under the above contract was provided for consideration of CZK 2,850 thousand.

#### **B.1.6. Other Performances Provided**

During the accounting period, the Company and MORAVIA STEEL a.s. recorded effective contracts under which MORAVIA STEEL a.s. was provided with other performance involving, for example, the sale of goods and other assets, provision of internet services or other services for a total consideration of CZK 4,230 thousand.

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

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

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

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

During the accounting period, the performance under the above contract was provided for consideration of CZK 19,920,533 thousand.

#### **B.2.2. Master Forwarding Contract**

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

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

During the accounting period, the performance under the above contract was provided for consideration of CZK 224,910 thousand.

#### **B.2.3. Mandate Contract**

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

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

During the accounting period, the Company provided MORAVIA STEEL a.s. with consideration of CZK 43,690 thousand.

#### **B.2.4. Mandate Contract**

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

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

During the accounting period, the Company provided MORAVIA STEEL a.s. with consideration of CZK 83,623 thousand pursuant to the contract.

#### **B.2.5. Other Performances Received**

1. The Company and MORAVIA STEEL a.s. recorded other effective contracts in the accounting period under which the Company received performance from MORAVIA STEEL a.s. involving, for example, the provision of liability insurance, property insurance, insurance for the corporate body members, purchase of goods and provision of other services totalling CZK 42,030 thousand.
2. MORAVIA STEEL a.s. provided the Company with guarantees for its obligations under:

The guarantees for investment loan settlement of CZK 300,000 thousand to the creditor citibank Europe plc. The contract was concluded on 9 September 2004.

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

### **B.3. Other Contractual Relations**

No other contractual relations arose between the Company and MORAVIA STEEL a.s. under Section 66a (9) of the Commercial Code during the accounting period.

### **B.4. Other Legal Acts**

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

### **B.5. Other Measures**

No other measures were adopted under Section 66a (9) of the Commercial Code during the accounting period.

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

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

In the reporting period, the Company and FINITRADING, a.s. recorded effective contracts under which the Company provided FINITRADING, a.s. with services for consideration of CZK 19 thousand.

### **C.2. Other Contractual Relations**

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

### **C.3. Other Legal Acts**

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

### **C.4. Other Measures**

No other measures were adopted under Section 66a (9) of the Commercial Code during the accounting period.

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

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

#### **D.1.1. Master Contract**

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

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

During the accounting period, the performance under the above contract and the underlying partial sale contracts with settlement in the form of invoices and corrective tax documents in respect of the prices for the sale of products, or expenses associated with complaints, was provided for consideration of CZK 4,425,298 thousand.

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

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

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

During the accounting period, the consideration for the right ensuing from the above contract amounted to CZK 86 thousand.

#### **D.1.3. Contract for the Provision of Services**

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

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

During the accounting period, the performance under the above contract was provided for consideration of CZK 6,908 thousand.

#### **D.1.4. Lease Contract**

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

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

During the accounting period, the consideration for the rental and other payments under the above contract amounted to CZK 1,593 thousand.

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

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

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

During the accounting period, the consideration for the lease and other services under the above contract amounted to CZK 39 thousand.

#### **D.1.6. Other Performances Provided**

During the accounting period, the Company and Sochorová válcovna TŽ, a.s., recorded effective contracts under which Sochorová válcovna TŽ, a.s., was provided with performance involving, for example, the sale of goods and other assets and the provision of other services for an aggregate consideration of CZK 4,434 thousand.

## **D.2. Purchases and Other Performances Provided by Sochorová válcovna TŽ, a.s. in favour of the Company**

### **D.2.1. Master Agreement No. 4600000076**

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

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

During the accounting period, the performance under the above contract was provided for consideration of CZK 40,761 thousand.

### **D.2.2. Other Performances Received**

In the reporting period, the Company and Sochorová válcovna TŽ, a.s. recorded effective contracts under which the Company and Sochorová válcovna TŽ, a.s. recorded performance involving the purchase of scrap and cinder for CZK 104,198 thousand and under which the Company received performance involving provision of services for consideration of CZK 230 thousand.

### **D.3. Other Contractual Relations**

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

### **D.4. Other Legal Acts**

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

### **D.5. Other Measures**

No other measures were taken or implemented under Section 66a (9) of the Commercial Code during the accounting period.

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

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

During the accounting period, the Company and Beskydská golfová, a.s., recorded effective contracts under which the Company provided Beskydská golfová, a.s., with performance involving the provision of internet and other services for an aggregate consideration of CZK 128 thousand.

### **E.2. Purchases and Other Performances of Beskydská golfová, a.s., in favour of the Company**

The Company the Company and Beskydská golfová, a.s., recorded effective contracts under which the Company received performance involving the purchase of services for consideration of CZK 4,368 thousand.

### **E.3. Other Contractual Relations**

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

### **E.4. Other Legal Acts**

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

### **E.5. Other Measures**

No other measures were taken or implemented under Section 66a (9) of the Commercial Code during the accounting period.

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

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

During the relevant accounting period, the Company and Hanácké železářny a pérovny, a.s., recorded effective contracts under which the Company provided performance which involved the provision of services for an aggregate consideration of CZK 2,355 thousand.

### **F.2. Purchases and Other Performance from Hanácké železářny a pérovny, a.s., in favour of the Company**

During the relevant accounting period, the Company and Hanácké železářny a pérovny, a.s., recorded effective contracts under which the Company received performance which involved the purchase of material for the price of CZK 64 thousand as a counter-performance.

### **F.3. Other Contractual Relations**

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

#### **F.4. Other Legal Acts**

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

#### **F.5. Other Measures**

No other measures were taken or implemented under Section 66a (9) of the Commercial Code during the accounting period.

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

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

##### **G.1.1. Contract for the Receipt, Use and Disposal of Waste**

This Contract was concluded between the Company and Moravskoslezský kovošrot, a.s., on 16 February 2012.

The subject of the contract is the sale of scrap.

In the accounting period, performance was provided under this contract for consideration of CZK 2,420 thousand.

##### **G.1.2. Master Contract**

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

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

In the accounting period, performance was provided under this contract for consideration of CZK 242 thousand.

##### **G.1.3. Master Contract**

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

The subject of the contract is the sale of non-ferrous metal scrap.

In the accounting period, performance was provided under this contract for consideration of CZK 1,189 thousand.

##### **G.1.4. Other Performances Provided**

During the relevant accounting period, the Company and Moravskoslezský kovošrot, a.s. recorded effective contracts under which the Company provided Moravskoslezský kovošrot, a.s. with other services for an aggregate consideration of CZK 1,624 thousand.

#### **G.2. Purchases and Other Performances of Moravskoslezský kovošrot, a.s., in Favour of the Company**

During the accounting period, the Company and Moravskoslezský kovošrot, a.s., recorded effective contracts under which the Company received performance which involved the purchase of scrap for CZK 1,236,800 thousand.

#### **G.3. Other Contractual Relations**

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

#### **G.4. Other Legal Acts**

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

#### **G.5. Other Measures**

No other measures were taken or implemented under Section 66a (9) of the Commercial Code during the accounting period.

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

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

During the relevant accounting period, the Company and M Steel Projects a.s. recorded effective contracts under which the Company provided performance which involved the provision of services for an aggregate consideration of CZK 111 thousand.

#### **H.2. Other Contractual Relations**

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

#### **H.3. Other Legal Acts**

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

#### **H.4. Other Measures**

No other measures were taken or implemented under Section 66a (9) of the Commercial Code during the accounting period.

## I. DESCRIPTION OF THE COMPANY'S RELATIONS WITH Barrandov Televizní Studio a.s.

### I.1. Purchases and Other Performances of Barrandov Televizní Studio, a.s. in Favour of the Company

During the accounting period, the Company and Barrandov Televizní Studio a.s. recorded effective contracts under which the Company received performance from Barrandov Televizní Studio a.s. which involved the purchase of assets for consideration of CZK 200 thousand.

### I.2. Other Contractual Relations

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

### I.3. Other Legal Acts

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

### I.4. Other Measures

No other measures were taken or implemented under Section 66a (9) of the Commercial Code during the accounting period.

## J. DESCRIPTION OF THE COMPANY'S RELATIONS WITH Moravia Steel Deutschland GmbH

### J.1. Purchases and Other Performances of Moravia Steel Deutschland GmbH in Favour of the Company

During the accounting period, the Company and Moravia Steel Deutschland GmbH recorded effective contracts under which the Company received performance from Moravia Steel Deutschland GmbH which involved the provision of services for CZK 63 thousand.

### J.2. Other Contractual Relations

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

### J.3. Other Legal Acts

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

### J.4. Other Measures

No other measures were taken or implemented under Section 66a (9) of the Commercial Code during the accounting period.

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

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

In Třinec on 31 March 2013



**Jan Czudek**  
Chairman of the Board of Directors



**Petr Popelář**  
Second Vice-Chairman of the Board of Directors