

1420152016201720

ANNUAL REPORT

TABLE OF CONTENTS

ÚVODNÍ ČÁST

01	Managing Director's Introductory Word	3
02	General Information	6
03	Company Bodies	7
04	Report of the Board of Directors	8
05	Report of the Supervisory Board	14
06	Annual Financial Statements for 2016	15
07	Notes to the Annual Financial Statements for 2016	21
08	Report on Relationships	42
09	Auditor's Opinion	56

FINANČNÍ ČÁST

1	General Information	21
2	Accounting Methods and General Accounting Principles	25
3	Overview of Significant Accounting Principles and Procedures	24
4	Additional Information to the Balance Sheet and Profit and Loss Account	33
5	Employees, Company Management and Statutory Bodies	41
6	Payables Not Registered in Accounting Books	42
7	Events after the Date of the Annual Financial Statements	42

Company name: Slévárny Třinec, a.s. (joint stock company)
Registered office: Průmyslová 1001, Staré město, 739 61, Třinec, Czech Republic
Legal form: Joint stock company
Company Id. No.: 25830716
e-mail: foundry@trz.cz
www.slevarny.trz.cz

01

THE MANAGING DIRECTOR'S
INTRODUCTORY WORD**Dear business partners,**

This annual report is to inform you on the company's business performance for 2016.

2016 was not so successful year for the company Slévárny Třinec, because due to the impact of the demand for castings that dropped, mainly in the second half of the year, the company failed to achieve the planned production output and capacity, and thus also the economic result. The first half of the year was very good as regards the production content in the grey cast iron foundry I and even the performance of the grey cast iron foundry II approximated to its plan.

The steel foundry was mostly affected by drop of production content. Further decrease of the demand for castings occurred in the second half of the year, which had impact on all manufacturing plants. Then, the production content was lower by 7.38 %. Considering the drop in production and increasing prices of inputs at the end of the year, mainly prices of metallic charge we can regard the real economic result to be very good in spite of the fact that the plan was not fulfilled.

We have updated the Business program for the

period 2017 through to 2021 in connection with the Business program of TŽ, a.s. as a part of the Business program of TŽ-MS Group. For the purpose of the update, we have used the newest pieces of knowledge and information on the market development and other basic documents, such as the Marketing study and the Plan for quality improvement in accordance with ČSN EN ISO 9001.

We keep fulfilling the point and foundation of singling out our company by "Appreciation of material inputs in primary production of TŽ out of Třinecké železářny - Moravia Steel Group" through our business activities.

The Business program includes the following basic parameters for the progress of our company:

Vision: With modern technologies and long-standing tradition

Mission: Reliable partner of customers for supplies of castings in metallurgy, for building machinery, mining and processing of mineral resources, mechanical engineering, automotive industry and

other significant segments of the market with castings with the results that are interesting for the owners, management and employees.

Key areas (principles):

- **PARTNERSHIP** (strengthening the market position, competitiveness)
- **MANAGEMENT** (financial stability, permanent productivity growth)
- **PEOPLE** (cooperating team focused on the customer)
- **TECHNOLOGY** (quality, technologies innovations, permanent improvement)

Company culture

We are building and keep developing the company culture based on the following values and principles to fulfil the mission and vision of the company:

Values:

- Satisfied customer
- Motivated employee
- Quality
- Responsibility
- Team work



**Aktualizovali jsme
Podnikatelský
program
na léta
2017 až 2021**

This table below shows development of basic economic indicators in the period 2012 - 2016.

INDICATOR / YEAR	2012	2013	2014	2015	2016
ROCE (in %)	0.81	2.69	4.17	5.63	2.49
ROS (in %)	0.22	1.29	2.09	2.74	1.55
Cost of sales/sales (in %)	72.63	71.57	70.05	70.20	68.31
Profit/loss before tax (in TCZK)	2,452	14,092	23,511	33,055	16,543
Debt ratio (in %)	24.50	25.67	27.91	26.45	29.65
Investments (in TCZK)	37,943	11,635	29,838	58,737	144,426
Productivity from PH-ON (TCZK/employee)*	80.79	80.97	110.36	128.88	101.55
Number of employees	689	675	665	672	664

*Productivity of labour from added value (AV) without personnel cost (PC). Calculation: AV-PC/number of employees.

Principles:

- Management
- Partnership
- People
- Technology

Technological progress and research

Technological progress and research in Slévárny Třinec, a.s. SL works based on the Strategy of TŽ/

MS Group in the area of research, development and innovations and it creates the means for increase of competitiveness, fulfilment of the customers' requirements and the company's needs for further development of the company. It is focused on quality improvement in production of castings in the area of research and development of new types of products, technologies and composition of castings that have impact on improving quality of the entire

production process in SL, a.s.

Proper implementation is carried out in the form of research tasks, project and technological and product innovations..

Environment and ecology

One part of our policy is regular and systematic environmental protection the result of which is creation of the best preconditions for sustainable development of our region. For this purpose we annually present the Program for environmental protection, in which we document particular implementations of our ecological plans and through the future perspectives we fulfil the individual steps on the way to creation of a developed industrial company.

Environmental protection belongs among the priority tasks of our company and we consider it to be a part of our company activities that are equally significant as its economic results and social conditions.



Strategic plans

The annually prepared Marketing study of SL maps the needs of the current customers as the basis for preparation of the Financial plan and for proposals of strategic options for development and recommendations for new opportunities for all plants. Now, we are focusing on completion of modernisation of the grey cast iron foundry I and modernisation of steel foundry. At the same time, we focused on development of the individual market segments with higher profitability and production of streamlining on the markets with lower profitability, mainly through intensification and improving quality of our long-lasting partnerships and through more complicated castings for automotive industry, metal working machines and power engineering industry.

I would hereby like to acknowledge a very good cooperation in 2016 of all our business partners, the support provided by the parent joint-stock company and, last but not least, a good and high-quality work of our colleagues

Ing. Zdeněk Vladár

Managing Director of the company

Slévárny Třinec, a.s.

In Třinec, 16 February 2017

02

GENERAL INFORMATION



Name of the accounting entity:	Slévárny Třinec, a.s.
Registered office:	Průmyslová 1001, Staré Město, 739 61 Třinec
Legal form:	Joint stock company
Decisive subject of business:	Foundry industry
Date of registration in the Commercial Register:	16 February 1999
Registered capital:	550,000,000 CZK
Share in registered capital:	100% share of TŘINECKÉ ŽELEZÁRNY, a. s., Company Id.No. 18050646

Share: 100 pieces of registered ordinary shares in the nominal value of CZK 10,000;
399 pieces of registered ordinary shares in the nominal value of CZK 1,000,000;
15 pieces of registered ordinary shares in the nominal value of CZK 10,000,000.

The company has started its activities on 31 March 1999.

As of 31 December 2016 it had no branch nor any part of its business plant abroad.

The company Slévárny Třinec, a.s. creates one part of the consolidation group of the companies TŘINECKÉ ŽELEZÁRNY, a. s.

03

COMPANY'S BODIES

**Basic management bodies of the company:** General meeting

Supervisory Board

Board of Directors

Managing Director and the
management**Supervisory Board:**

Ing. Ivo Žižka

Chairman

Ing. Václav Mahr (1 January - 3 October 2016)

Vice Chairman

Marian Czyž (4 October - 31 December 2016)

Vice Chairman

Ludvík Javorek

Member

Board of Directors:

Ing. Zdeněk Vladár

Chairman

Ing. Josef Šigut

Vice Chairman

Miroslav Kajzar

Member

Řídící management:

Ing. Zdeněk Vladár

Managing Director

Ing. Vladislav Szmek

Director for Economy and Human
Resources

Ing. Josef Šigut

Production Director

Ing. Ervín Marko

Technology and Quality Director

Miroslav Kajzar

Commercial Director

04

REPORT OF THE BOARD OF DIRECTORS



At the occasion of its regular meetings in 2016 (21 in total), the Board of Directors of the company Slévárny Třinec, a.s. particularly dealt with preparation and appreciation of conceptual bases and materials for development of the joint-stock company, which were presented for consideration by the Supervisory board. It further handled the tasks assigned to it by the Supervisory board of our company including regular analyses and assessments of the company's economic results. This significant item on the agenda of the Board of Directors also included negotiation of fulfilment of the goals for all key areas of management (Financial plan for 2016 including the Plan of investments and the Business program for the period 2016 through to 2020) and subsequent regular negotiations of the achieved results for fulfilment of the required economic results. Another important materials to be negotiated were mainly the Annual report for 2015, Financial plan for 2017, including the Plan of investments and the Business program for the period 2017 through to 2021. Further the Board of Directors monitored, assessed and handled other problems for maintenance of viability of the company (human resources policy - organisational structure, collective bargaining, working environment, marketing

and business strategies, product and technological innovations).

VÝROBA A POSTAVENÍ NA TRHU

Based on available statistic data, the company Slévárny Třinec, a.s. with its 6% share in the market of steel castings and almost 14% share in the market of grey cast iron belongs among the largest foundries in the Czech foundry industry.

Assortment

In 2016 our company Slévárny Třinec, a.s. has produced 31.7 thousand tonnes of castings for wide range of customers in 14 various market segments.

In tonnes it is by 7.3 % less than in 2015, in monetary terms it is even by 12 % less. For the company Slévárny Třinec it was again a year with changeable demand for castings as regards material and the individual ranges of products. This fluctuating trend will probably survive in the future and can be seen in the table. The range of products, the production volume of which rose last year, was falling two years ago and vice versa. It is most noticeable with the segment of spare parts - spare parts for steelworks, accessories for mining and casting for moulding machines.

Change of shares in market segments between 2015 and 2016 is shown in the following table:

MARKET SEGMENTS (WITH % SHARES)	2016	2015
Ingot moulds and casting accessories (KL)	32,39	29,15
Automatic moulding line HWS (AF)	27,53	25,24
Counterweight (PR)	12,67	14,53
Rollers (HV)	7,83	6,95
Spare parts for steelworks (ND)	6,86	9,64
Accessories for mining (TS)	5,66	4,68
Castings for mechanical engineering (SR)	3,77	5,02
Castings for transportation (DO)	1,94	2,15
Dies - castings for moulding machines (RA)	0,86	2,13
Fittings (AM)	0,21	0,24
Castings for building industry (ST)	0,21	0,20
Castings for power engineering (EN)	0,07	0,03
Advertising and artistic castings (RU)	0,01	0,01
Castings for agricultural machines (ZE)	0	0,03



In addition to Czech Republic, our company supplied castings for various industries to 17 foreign countries in 2016.

Italy	28,56%
Germany	26,05%
Slovakia	11,24%
Poland	11,09%
Belgium	8,21%
Hungary	6,78%
Norway	4,11%
Portugal	1,07%
Switzerland	0,77%
The Netherlands	0,75%
Sweden	0,52%
Austria	0,42%
Luxembourg	0,21%
France	0,19%
United States of America	0,01%
Estonia	0,01%
Lithuania	0,01%

BUSINESS POLICY

Our marketing and business strategy for 2016 was based not only on development and intensification of current long-lasting partnerships with our customers but also on winning new customers and new markets. For this purpose we have selected the marketing tools that are most suitable in our industry.

In addition to “business” meetings with customers (business trips and visits), we also use event marketing, within the scope of which we organize our “customer days” that are meant not merely for our significant long-term customers.

For new acquisitions we mainly apply, among others, active and passive attendance in fairs. Last year, we mainly took active part in subcontract fairs in Italy and Sweden and a trade fair in Berlin. In addition to that, we took passive part in many other fairs.

Our company's business policy conforms to the annually prepared Marketing study the recommendations of which are assessed and regularly included in the updated Business program of Slévárny Třinec, a.s.

The following data show distribution of our production according to sales in territories.

INVESTMENT ACTIVITIES

YEAR-ON-YEAR DEVELOPMENT FOR COMPARISON PURPOSES	2016	2015
TŽ Group	17,22%	19,25%
Domestic - others	26,44%	27,33%
Export	56,33%	53,42%

The investment activities of the company Slévárny Třinec, a.s. were focused on the following areas:

Production – automation of castings grinding from AFL and mechanization of castings grinding and cutting off running gates in the steel foundry, 3D technology (printer and scanner), the projects for innovation of the process of production of castings in the grey cast iron foundry I, modification pan for production of ductile cast iron, production of auxiliary means to ensure current production, the so-called “metallurgical replaceable system”.

Ecology – innovations in production of castings from non-ferrous metals, store of chemicals and means in the grey cast iron foundry I.

OHS – safety measures in crane tracks, adjustments of floors in the cleaning shop.



HUMAN RESOURCES POLICY IN SLÉVÁRNÝ TŘINEC, A.S. IN 2016

The human resources policy contributes to fulfilment of the Vision and Mission of Slévárny Třinec, a.s.

The employment development in the company in 2016 was influenced by the custom manufacturing content and the overall economic situation in Slévárny Třinec, a.s.

During 2016, approximately 34 employees joined Slévárny Třinec, a.s. of which 4 came to work in foundries directly from companies outside TŽ-MS Group, 1 came through the centre of practical training and 29 employees were transferred from agencies. Total of 58 employees terminated their employment in Slévárny Třinec, a.s. during 2016.

The human resources policy of Slévárny Třinec, a.s. was based on the efforts to achieve such level and structure of employment that would lead to increase in labour productivity together with provision of smooth operation of the company in all areas of its activities. The share of personnel cost in the total cost for 2016 was 25.0 %.

Within the aid provided to the students that leave the elementary school we take part in the workshops of employers and education advisor of elementary schools in cooperation with the Secondary Vocational School of Třinecké železářny (SOŠ TŽ). At the end of each year we regularly take part in the "Education market" in cooperation with the local Employment office, where we present our demand for the graduates mainly in the branches of study "founder" and "smelter" and the opportunities that the graduates can gain.

Within the international craftsman contest organized by the SOŠ TŽ we take part in the competition actions in the categories for founders and core makers. An inseparable part of the personnel management work is the area of occupational health protection, which is focused on elimination of the risk of job-related injuries and occupational diseases. Here we effectively utilize our cooperation with the company Enviform, s.r.o.

A collective agreement was concluded for the period 2016 to 2018 by the union organisation ZO OS KOVO and the company Slévárny Třinec, a.s. It regulates and determines individual and collective relations between the employer and his employees, the rights and regulations arising based on these

relations. All liabilities resulting from the collective agreement for 2016 were met.

The company continued in its further development of education of its own employees in form of training activities, particularly in the area of improving quality of production, technology and research, environmental impacts, language skills or managerial expertise. In the period from October to November 2016 we have trained approximately 130 employees within the project "Support for vocational education of employees" with utilisation of finances from ESF and the Czech state budget in the area of smelting and moulding mixtures. The company Slévárny Třinec, a.s. also closely cooperates with the universities VŠB-TU Ostrava, VÚT Brno and with the Association of Foundries of the Czech Republic. We provide the students of secondary schools and universities with the opportunity of traineeships in our plants and departments and we also provide consultations within their bachelor thesis and dissertations in the branches of study related to foundry industry. We provide the employees who study beside their job at secondary schools or universities with work relieves.



STRATEGIC GOALS IN THE AREA OF HUMAN RESOURCES ARE FOCUSED ON THE FOLLOWING AREAS::

- Improving labour productivity
- Employees motivation
- Zero accidents production
- Slim and flexible structure

Improving labour productivity - the procedures managing needs of human resources are being improved with application of a system which monthly specifies the indicators for the individual plants that have influence on labour productivity and its further increase.

Employees motivation - a new system for employees appraisal has been implemented in 2012 for higher motivation. Its goal is to ensure uniform appraisal system within the whole company for the purpose of improvement and streamlining the human resources management system. It is a tool that differentiates rewards depending on evaluation of determined criteria.

Zero accidents production - taking into account nature of the work in foundry industry with higher frequency of job-related injuries, greater attention is paid to the issue of job-related injuries than to other areas. The Director of the foundry declared a policy of foundries, within which the principles of occupational health and safety the goal of which is elimination of job-related injuries are applied.

Slim and flexible structure - qualification deficits are removed in form of internal and external training courses. The department of a process engineering has been established. It takes part in increasing production efficiency.

QUALITY IMPROVEMENT AND MANAGEMENT SYSTEM POLICY

Quality of products and processes stands at the forefront of the strategy and goals of the company Slévárny Třinec, a.s. and is the basic precondition for achieving satisfaction of our customers. Nevertheless, environmental protection and occupational health and safety are considered to be

equally significant areas of the company's activities to the company's economic results and social conditions.

The quality management system in Slévárny Třinec, a.s. provides:

- Observing and respecting all of the requirements specified by the customer;
- Utilisation of highly qualified and periodically trained employees;
- High quality of the product's capabilities declared by attestation and certification;
- Creation of human, financial, informational and material resources necessary for the quality management system as the means for improving the production process;

Within EMS in the company Slévárny Třinec, a.s. we try hard to achieve:

- Creation and maintenance of the procedures in the spirit of the state environmental policy and in accordance with valid Czech law and other regulations applicable in this area;



- Timely and permanent performance of all legal requirements applicable for environmental protection during all activities carried out by the company;
- Continual improvement of technical parameters of production equipment including their systematic monitoring and assessment so that they continually eliminate unfavourable impacts of our manufacturing and non-manufacturing activities on environment.

**Within the OHS system in the company
Slévárny Třinec, a.s. we strive for:**

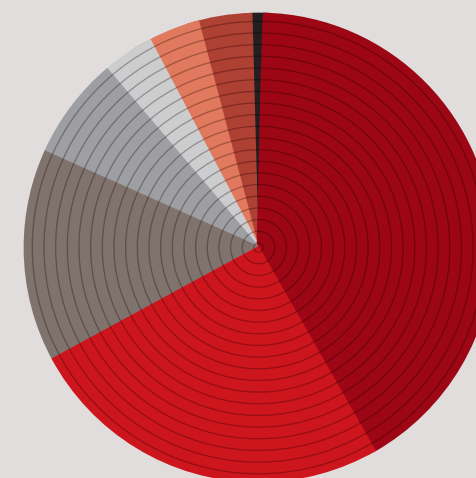
- Fulfilment of all legislative requirements related to occupational health and safety;
- Improvement of technical parameters of production machinery and technologies to eliminate permanently any unfavourable impacts of our manufacturing activities on occupational health and safety, improve working conditions and eliminate hazards;
- Permanent improving of awareness of all people who work for the organisation or in its favour on

the principles of occupational health and safety and improvement of working conditions.

Functionality and effectiveness of the quality management system and the environmental system as well has been confirmed in 2016 by review audit. The system of safe work has been implemented in accordance with the standard OHSAS 18 001, reviewed by internal audit in 2016, and we currently consider its certification.

We currently provide conditions and requirements that are imposed on the suppliers to automotive industry in the area of freight transport and we do not consider certification in accordance with the standard ISO/TS 16 949 and others. We have also carried out energetic audit based on the amendment of the Law on energy management No. 406/2000 Col. Thus, its conclusions and recommendations shall lead to optimisation of fuels and energy consumption in the process of foundry production.

COSTS STRUCTURE (IN%)



- Material costs 41.9 %
- Personnel costs 25 %
- Services 14.9 %
- Energy 7 %
- Other costs 3.6 %
- Cost of repairs 3.6 %
- Depreciation 3.8 %
- Financial costs 0.2 %



COMMENTS TO THE FINANCIAL RESULTS

During the year, the economic result development was influenced to a great extent by production content in the plants and price level of inputs, particularly of the metallic charge. The development in the first third of year was favourable in the context of filling up and prices of raw materials. The following period was influenced by metals price increase, particularly at the end of the year.

More demanding range of products than in the previous year had positive impact on revenues the same way as the Czech crown exchange rate, which continued to be influenced by interventions by the Czech national bank.

The profit for the accounting period 2016 in the value of TCZK 17,952 achieved almost average level for the previous three years.

The value of assets of the company had increased from the beginning of 2016 by TCZK 60,611 net to TCZK 857,967. The increase particularly occurred with long-term tangible assets. To ensure the investment plan for 2016, the company has

continuously drawn up an investment credit in the value of TCZK 65,000.

Development of current assets during the whole year was controlled with the aim to optimize their value and structure to secure good ability to pay during the whole year.

The company's total expenses for research and development for 2016 amounted to TCZK 1,933.

No significant facts that could require disclosure in the Annual report occurred after the balance sheet date.

A handwritten signature in black ink, appearing to read 'Zdeněk Vladár'.

In Třinec, 20 February 2017

Ing. Zdeněk Vladár

05

REPORT OF THE SUPERVISORY BOARD



The Supervisory board of the company Slévárny Třinec, a.s. carried out its supervisory activities in accordance with law and the company's Articles of association. During the whole calendar year - 2016 - the Supervisory board supervised acting of the Board of Directors within their capacity and implementation of the company's business activities. The Supervisory Board carried out its activities mainly through systematic supervision and business managing of the company and by fulfilling the basic program documents, particularly the Business program. Within its 6 proper and 1 extraordinary meeting, it negotiated the documents submitted and examined whether the company performed its business activities in compliance with legal regulations, articles of association, resolutions of the Supervisory Board and resolutions resulting from the decision of the sole shareholder in the capacity of the General meeting.

The Vice Chairman of the Supervisory Board, Ing. Václav Mahr, terminated its activities as of 3 October 2016 and Mr. Marian Czyž has been appointed the new Vice Chairman of the Board of Directors on 4 October 2016.

The supervisory activity was also carried out through peeking in accounting and other documentation of the company related to its business activities. Thereby, the Supervisory Board reviewed information obtained from members of the Board of Directors

and other members of the company management who were invited for this purpose to individual meetings of the Supervisory Board to give explanations or comments to individual items of the agenda.

The Supervisory Board also took measures to achieve the determined goals.

In its meeting dated 2 March 2017 the Supervisory Board reviewed the following documents:

- Annual Financial Statements for 2016;
- Proposal for distribution of profit reported for the accounting period 2016; and
- Report on relationships between related entities for the accounting period 2016 submitted by the Board of Directors of the company.

Based on review of those documents carried out, the Supervisory Board, on its meeting that took place on 2 March 2017, made a resolution in which it states:

1. that the Financial Statements captured true and unbiased situation of the company's economy during the accounting period 2016,
2. the Report on relationships between related entities described true relationships between the company and its related entities the circle of which was reliably ascertained during the accounting period 2016,
3. the Proposal of the Board of Directors of the company Slévárny Třinec, a.s. for distribution of profit reported during the accounting period 2016 complied with the section C.III of the company's Articles of association.

By the same resolution, the Supervisory Board of the company Slévárny Třinec, a.s. recommends all the above specified documents to be approved by the company's General meeting.

In Třinec, 2 March 2017

Ing. Ivo Žižka

Chairman of the Supervisory Board

06

FINANCIAL PART FINANCIAL STATEMENTS



TABLE OF CONTENTS

FINANCIAL PART

Balance Sheet in full version (Assets)	17	3.13. Application of estimations	29
Balance Sheet in full version (Equity + Liabilities)	18	3.14. Cash Flow Statement	29
Profit and Loss Account structured by nature of expense method	18	3.15. Changes of accounting methods compared to the previous accounting period	30
Cash Flow Statement	20	3.16. Changes in arrangement and identification of BS and P/L Account items	30
07 Notes to the Financial Statements for 2016	21	4. Additional information to the BS and P/L Account items	31
1. General information	21	4.1. Long-term assets	31
1.1. Formation of the company and its characteristics	21	4.1.1. Long-term intangible assets	31
1.2. Changes and amendments in the Commercial Register	21	4.2. Long-term tangible assets	32
1.3. Organisational structure of the company	22	4.2.1. Assets leased in form of lease with or without purchase option	33
1.4. Group identification	22	4.2.2. Long-term assets encumbered with the right of lien	33
1.5. Board of Directors and Supervisory Board as of 31 December 2016	22	4.3. Receivables	33
2. Accounting methods and general accounting principles	23	4.3.1. Short-term receivables	33
2.1. Accounting period	23	4.4. Equity	34
3. Overview of significant accounting principles and procedures	24	4.5. Provisions	34
3.1. Long-term tangible and intangible assets	24	4.6. Payables	34
3.2. Cash	26	4.6.1. Long-term payables	34
3.3. Inventories	26	4.6.2. Short-term payables	35
3.4. Receivables	26	4.7. Bank credits	35
3.5. Payables	27	4.8. Deferred tax	35
3.6. Credits	27	4.9. Corporation tax from ordinary activities	36
3.7. Provisions	27	4.10. Revenues from ordinary activities	36
3.8. Conversion of value in foreign currencies to Czech currency	27	4.11. Transactions with entities in group	37
3.9. Taxes	28	4.12. Other costs and revenues	38
3.9.1. Tax depreciation of long-term assets	28	4.13. Total expenses for research and development	38
3.9.2. Tax due	28	5. Employees, company management and statutory bodies	39
3.9.3. Deferred tax	28	5.1. Personnel costs and number of employees	39
3.10. Subsidies	29	5.2. Loans, credits or other performances granted	39
3.11. Cost connected with agency employees	29	6. Payables not registered in books	40
3.12. Revenues	29	7. Events after the financial statements date	41

BALANCE SHEET IN FULL VERSION

(in TCZK)

		31 December 2016			31 December 2015
		Gross	Corrections	Net	Net
	TOTAL ASSETS	1,476,865	618,898	857,967	797,356
B.	Long-term assets	1,096,394	609,753	486,641	379,260
<i>B.I.</i>	Long-term intangible assets	6,356	6,142	214	
B.I.2.	Valuable rights	6,142	6,142		
B.I.2.1.	Software	2,950	2,950		
B.I.2.2.	Other valuable rights	3,192	3,192		
B.I.4.	Other long-term intangible assets	214		214	
<i>B.II.</i>	Long-term tangible assets	1,090,038	603,611	486,427	379,260
B.II.1.	Lands and buildings	280,350	140,429	139,921	135,335
B.II.1.2.	Buildings	280,350	140,429	139,921	135,335
B.II.2.	Tangible movable assets and sets of assets	448,983	196,869	179,249	645,852
B.II.3.	Valuation difference to assets acquired	14,199	14,199		
B.II.5.	Paid advances for long-term tangible assets and long-term tangible assets in progress	149,637		149,637	64,676
B.II.5.2.	Long-term tangible assets in progress	149,637		149,637	64,676
C.	Current assets	356,856	9,145	347,711	417,613
<i>C.I.</i>	Inventories	196,847	2,905	193,942	200,182
C.I.1.	Material	77,025	524	76,501	68,274
C.I.2.	Production in progress and semi-finished products	119,822	2,381	117,441	131,908
<i>C.II.</i>	Receivables	146,159	6,240	139,919	211,018
<i>C.II.1.</i>	Long-term receivables	27		27	117
C.II.1.5.	Receivables - others	27		27	117
C.II.1.5.4.	Other receivables	27		27	117
<i>C.II.2.</i>	Short-term receivables	146,132	6,240	139,892	210,901
C.II.2.1.	Trade receivables	142,195	6,240	135,955	208,952
C.II.2.4.	Receivables - others	3,937		3,937	1,949
C.II.2.4.3.	State - tax receivables	4,221		4,221	1,775
C.II.2.4.4.	Short-term advances paid	-288		-288	164
C.II.2.4.6.	Other receivables	4		4	10
<i>C.IV.</i>	Cash	13,850		13,850	6,413
C.IV.1.	Cash on hand	266		266	167
C.IV.2.	Cash at bank	13,584		13,584	6,246
D.	Accruals and deferrals	23,615		23,615	483
D.1.	Deferred expenses	262		262	369
D.3.	Accrued revenues	23,353		23,353	110

BALANCE SHEET IN FULL VERSION

(in TCZK)

		31 December 2016	31 December 2015
	TOTAL LIABILITIES AND EQUITY	857,967	797,356
A.	Equity	603,563	585,611
A.I.	Registered capital	550,000	550,000
A.I.1.	Registered capital	550,000	550,000
A.II.	Premium and capital funds		
A.III.	Funds from profit	430	430
A.III.1.	Other reserve funds	430	430
A.IV.	Accumulated profits from previous years (+/-)	35,181	3,361
A.IV.1.	Retained profits from previous years	35,181	3,361
A.V.	Profit (loss) for the current accounting period (+/-)	17,952	31,820
A.VI.	Approved advance payment for profit distribution (-)		
B.+C.	Liabilities	254,326	211,745
B.	Provisions	14,551	16,143
B.IV.	Other provisions	14,551	16,143
C.	Payables	239,775	195,602
C.I.	Long-term payables	71,676	15,927
C.I.2.	Payables to credit institutions	57,400	
C.I.8.	Deferred tax liability	14,276	15,927
C.II.	Short-term payables	168,099	179,675
C.II.2.	Payables to credit institutions	7,600	
C.II.3.	Short-term advances received	11,926	10,861
C.II.4.	Trade payables	120,432	140,579
C.II.8.	Other payables	28,141	28,235
C.II.8.3.	Payables to employees	13,182	12,810
C.II.8.4.	Payables on account of social and health insurance	8,690	8,303
C.II.8.5.	State – tax payables and subsidies	2,478	2,812
C.II.8.6.	Estimated payables	2,462	3,006
C.II.8.7.	Other payables	1,329	1,304
D.	Deferred income	78	
D.1.	Accrued expenses	78	

(in TCZK)

PROFIT AND LOSS ACCOUNT

structured by nature of expense method

		31 December 2016	31 December 2015
I.	Revenues from sale of products and services	1,058,398	1,164,829
A.	Cost of sales	728,837	846,111
A.2.	Consumption of materials and energies	543,187	656,636
A.3.	Services	185,650	189,475
B.	Change in inventory produced by company's own activities (+/-)	12,086	-17,447
C.	Own work capitalized (-)	-20,657	-22,926
D.	Personnel costs	270,675	272,430
D.1.	Wages and salaries	187,735	189,117
D.2.	Cost of social and health insurance and other costs	82,940	83,313
D.2.1.	Cost of social and health insurance	69,535	68,072
D.2.2.	Other costs	13,405	15,241
E.	Depreciation and adjustments in operating area	43,109	41,974
E.1.	Adjustments of long-term tangible and intangible assets	41,489	42,176
E.1.1.	Depreciation of long-term tangible and intangible assets	41,489	42,176
E.2.	Adjustments of inventories	2,445	119
E.3.	Adjustments of receivables	-825	-321
III.	Other operating income	31,076	38,197
III.1.	Revenues from sale of long-term assets		30
III.2.	Revenues from sale of material	27,695	34,928
III.3.	Other operating income	3,381	3,239
F.	Other operating costs	37,855	45,064
F.2.	Net value of sold material	27,760	33,741
F.3.	Taxes and charges	1,061	1,061
F.4.	Provisions in operating area and prepaid expenses on several accounts	-1,588	499
F.5.	Other operating costs	10,622	9,763
*	Operating profit/loss (+/-)	17,569	37,820
VI.	Interest revenues and other similar revenues	6	19
VI.2.	Other interest revenues and similar revenues	6	19
J.	Interest costs and other similar costs	78	
J.2.	Other interest costs and similar costs	78	
VII.	Other financial income	1,011	2,405
K.	Other financial costs	1,965	7,189
*	Financial profit/loss (+/-)	-1,026	-4,765
**	Profit/loss before tax (+/-)	16,543	33,055

(in TCZK)

L.	Corporation income tax	-1,409	1,235
L.1.	Corporation income tax - due	242	851
L.2.	Corporation income tax - deferred (+/-)	-1,651	384
**	Profit/loss after tax (+/-)	17,952	31,820
***	Profit/loss for the accounting period (+/-)	17,952	31,820
*	Net turnover for the accounting period	1,090,491	1,205,450

(in TCZK)

STATEMENT OF CHANGES IN EQUITY	Registered capital	Capital funds	Funds from profit, reserve fund	Accumulated profits from previous years	Accumulated losses from previous years	Profit/loss of the accounting period	TOTAL EQUITY
Balance as of 31 December 2014	550,000		430	430		19,857	563 791
Profit distribution				3,361	6,496	-9,857	
Shares in profit paid						-10,000	-10,000
Profit/loss for the current period						31,820	31,820
Balance as of 31 December 2015	550,000		430	3,361		31,820	585,611
Profit distribution				31,820		-31,820	
Balance as of 31 December 2016	550,000		430	35,181		17,952	603,563

(in TCZK)

CASH FLOW STATEMENT		31. December . 2016	31. December . 2015
P.	Opening balance of cash and cash equivalents	6,413	56,697
	<i>Cash flows from the main profit-making activities (operation)</i>		
Z.	Profit/loss before tax	16,543	33,055
A.1.	Adjustments for non-cash transactions	41,669	43,094
A.1.1.	Fixed assets depreciation	41,489	42,176
A.1.2.	Change in adjusting items and provisions	32	297
A.1.3.	Profit/loss from sale of fixed assets		-30
A.1.5.	Interest expenses and interest income	72	-19
A.1.6.	Adjustments for other non-cash transactions	77	670
A.*	Net operating cash flow before changes in working capital	58,212	76,149
A.2.	Change in working capital	29,620	-56,892
A.2.1.	<i>Change in receivables and other assets</i>	48,760	-28,613
A.2.2.	Change in payables and other liabilities	-22,935	-10,840
A.2.3.	Change in inventories	3,795	-17,439
A.**	Net operating cash flow before tax	87,832	19,257
A.3.	Interest paid	-78	
A.4.	Interest received	6	19
A.5.	Corporation tax from ordinary activities paid	-897	
A.***	Net cash flow from operating activities	86,863	19,276
	Cash flow from investing activities		
B.1.	Fixed assets expenditures	-144,426	-58,737
B.2.	Proceeds from sale of fixed assets		30
B.***	Net cash flow from investing activities	-144,426	-58,707
	Cash flow from financial activities		
C.1.	Change in liabilities from financing	65,000	-853
C.2.	Impacts of changes in equity		-10,000
C.2.6.	Shares in profit paid		-10,000
C.***	Net cash flow from financing activities	65,000	-10,853
F.	Net change in cash and cash equivalents	7,437	-50,284
R.	Final balance of cash and cash equivalents	13,850	6,413



NOTES TO THE FINANCIAL STATEMENTS FOR 2016

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

The company Slévárny Třinec, a.s. (joint stock company) (hereinafter “the company”) was established by its registration in the Commercial Register kept with the Regional Court in Ostrava on 16 February 1999. The main company’s business activity is foundry industry. The company’s registered office is at the address: Průmyslová 1001, Staré Město, 739 61 Třinec.

The company’s registered capital amounts to TCZK 550,000. The financial statements of the company have been prepared as of 31 December 2016.

Natural persons and legal entities that have significant or decisive influence in the company and the values of their shares are specified in the following table:

Shareholder	% share in registered capital
TŘINECKÉ ŽELEZÁRNY, a.s., Třinec, Comp. Id. No. 180 50 646	100 %
Total	100 %

1.2. CHANGES AND AMENDMENTS IN THE COMMERCIAL REGISTER

The following changes in the Commercial Register occurred during 2016:

Mr. Marian Czyž was appointed the new Vice Chairman of the Board of Directors on 29 November 2016.

This change was registered in the Commercial Register on 2 January 2017.

1.3. ORGANIZATION STRUCTURE OF THE COMPANY

Basic management bodies of the company:

- General meeting,
- Board of Directors,
- Supervisory Board,
- Managing Director and the management.

There were no organisational changes during 2016.

1.4. GROUP IDENTIFICATION

The accounting unit is a 100% subsidiary company of the company TŘINECKÉ ŽELEZÁRNY, a.s. in the group of the companies MORAVIA STEEL a.s.
The company MORAVIA STEEL a.s. is controlled by the company FINITRADING, a.s.

1.5. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2016

	Position	Name
Board of Directors	Chairman	Ing. Zdeněk Vladár
	Vice Chairman	Ing. Josef Šigut
	Member	Miroslav Kajzar
Supervisory Board	Chairman	Ing. Ivo Žižka
	Vice Chairman	Marian Czyž
	Member	Ludvík Javorek

2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

The company's accounting books and records are maintained and the company's Financial statements have been prepared in accordance with the Act no. 563/1991 Coll., on Accounting, as amended, the Regulation no. 500/2002 Coll., which provides implementation guidance on certain provisions of the Act no. 563/1991 Coll., on Accounting, for the accounting entities that are the entrepreneurs maintaining double entry accounting records, as amended, and the Czech accounting standards for entrepreneurs, as amended.

The accounting records are maintained in compliance with the 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 (TCZK).

2.1. ACCOUNTING PERIOD

The company has prepared its Financial statements for the comparable periods of 2016 and 2015. The Financial statements cover the company's balance sheet, profit and loss account, statement of changes in equity, cash flow statement, and the Notes which form an integral part of these Financial statements.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING PRINCIPLES AND PROCEDURES

3.1. LONG-TERM TANGIBLE AND INTANGIBLE ASSETS

Valuation

Long-term tangible assets are the assets the value of which exceeds CZK 40 thousand in individual case, and the useful life of which exceeds one year.

Long-term intangible assets are the assets (such as software, valuable rights, intangible results of research and similar activities) the valuation of which exceeds TCZK 60 in individual case and period of usability exceeds one year.

Purchased long-term tangible and intangible assets are valued by acquisition cost. Valuation of long-term tangible and intangible assets generated through the companies own activities includes direct costs, indirect costs immediately related to generation by its own activities or indirect administration cost, as the case may be, in case generation of the respective asset exceeds one year.

Replacement acquisition cost is applied for valuation of long-term tangible and intangible assets acquired by donation, long-term intangible assets generated through the company's own activities, provided the replacement acquisition cost is lower than prime cost, assets newly ascertained in the accounting books and contribution of long-term intangible and tangible assets except the cases when the contribution is valued in accordance with the articles of partnership or deed of incorporation otherwise.

Replacement acquisition cost is also used for valuation of long-term tangible assets the original acquisition cost of which exceeds 1 million CZK and was acquired in form of lease with purchase option. Those assets are valued with application of replacement acquisition cost and are registered in the accounting books as fully depreciated. Replacement acquisition cost is determined by an expert or by estimation in accordance with internal regulations of the company.

Tangible assets with usable life exceeding one year and valued with the acquisition cost equalling to or lower than TCZK 40 and intangible assets with usable life exceeding one year and valued with the acquisition cost equalling to or lower than TCZK 60 are not regarded as long-term assets. Such assets are kept in books within inventories and their putting in use is reported in the Profit and loss account as Consumption of material and energy. Intangible assets with acquisition cost equalling or lower than TCZK 60 are reported in the moment of their acquisition in costs, in the item Services.

The technical appreciation increases the acquisition cost of long-term assets, provided it exceeded the total amount of TCZK 40 for an individual item of assets in the taxable period.

Intangible results of research and similar activities of the company, provided they are meant for trading with them or for repeated sale, are reported in the Balance sheet, in the item Intangible results of research and similar activities. Results of this activity determined for the company's own needs are not classified regarding accounting as long-term intangible assets and are valued with application of working cost and registered in the off-balance register.

Allowances for emissions of greenhouse gases (hereinafter referred to as “emission allowances”) are registered as long-term intangible assets not subject to depreciation and valued with application of acquisition cost or replacement acquisition cost in case of free acquisition. “Consumption of emission allowances” is recognized at least as of the date of the Financial statements depending on emissions of the accounting unit during the calendar year. In case of the first free acquisition, the acquisition is accounted for as a subsidy, which reduces valuation of long-term intangible assets. Then, the “subsidy” is diluted in revenues in the moment and value corresponding to the consumption of the emission allowances recognized in costs. Sale of emission allowances is reported in Other operating revenues.

Emission allowances are valued as of the Financial statements date with application of the quotations of the EUROPEAN ENERGY EXCHANGE. Decreased value of emission allowances acquired for free as of the Financial statements date is reported in the Balance sheet, items Other long-term intangible assets and State - tax liabilities and subsidies. The accounting unit does not carry out revaluation of emission allowances in opposite case - increased value. The company creates a provision for missing number of emission allowances as of the Financial statements date. The provision is reported in the items Other provisions and Changes in provisions and adjusting items in the operating area and Complex prepaid expenses. The provision for purchase of emission allowances shall be diluted in the following accounting period, when the missing emission allowances are purchased or drawn from free allocation of the following period.

Accounting depreciation / amortisation

The term for depreciation / amortisation of long-term assets is determined based on the expected usable life of the respective asset taking into account its operating conditions. If, based on inventory taking, the accounting unit ascertains that the assumed usable life of assets changed, it adjusts the time of depreciation.

Predominant part of buildings and constructions is depreciated over 20 up to 40 years. Temporary structures and structures with shorter usable life (lighting, fences, energy distribution systems, pipeline systems etc.) have shorter time of depreciation. Structures with time of depreciation exceeding 60 years represent structures with long usable life, such as railways and road bridges, conveyor tunnels, manufacturing and office buildings.

Predominant part of machines is depreciated for 15 up to 25 years. Shorter time of depreciation is particularly assigned to computers and information technology, control systems, apparatuses etc.

Profits or losses from sale or elimination of assets are determined as differences between revenues from sale and net accounting value of assets as of the date of sale and are accounted for within the Profit and loss account.

Method of creation of adjusting items

Adjusting item to long-term assets is formed in case the accounting value exceeds the value of its use, which is determined as the current value of estimated future cash flows, which are anticipated from use of long-term assets or from anticipated revenues from intended sale.

Decrease in value

The company reviews the accounting values of its tangible and intangible assets as of each balance sheet date to uncover any indications of loss from reduction of assets values. If such indications exist, the accounting unit estimates the recoverable value of assets and determines the extent of loss from that value decrease, if any.

3.2. CASH

Cash is formed by cash on hand and cash on bank accounts.

3.3. INVENTORIES**Valuation**

Purchased inventories are valued by acquisition cost. The acquisition cost includes the cost of purchase and any other transaction costs - particularly customs duties, freight rates and storage cost, commissions, insurance and discounts.

Inventories generated by the company's own activities are valued with application of prime cost without administrative expenses, which is based on expert assessment of completeness, considering nature of the production. Considering nature of the company's manufacturing process, the accounting unit registers all castings produced by the company on the account Products in progress.

Inventories released from stock are valued with application of weighted arithmetic average method.

Method of creation of adjusting items

Adjusting items to inventories are formed, when reduction of value of inventories in accounting is not permanent, mainly based on results of inventory taking and subsequent analysis of usability of inventories.

3.4. RECEIVABLES

Receivables are valued with application of their nominal value in the moment of their formation and their value is subsequently reduced by any respective adjusting items to doubtful and irrecoverable amounts.

Method of creation of adjusting items

The company creates adjusting items to those receivables the recoverability of which is doubtful. Legal adjusting items to receivables are created in compliance with provisions of the Income tax act and the Act on the provisions for computation of the income tax base.

Accounting adjusting items to receivables (except for the companies within group) are created in:

- a) 100% accounting value for receivables past due over 360 days,
- b) 50% accounting value for receivables past due over 180 days but less than 360 days.

Further adjusting items are created to receivables after individual assessment of their recoverability.

3.5. PAYABLES

Trade payables are registered in their nominal value.

3.6. CREDITS

Credits are registered in their nominal value.

Short-term loans include also the short-term part of long-term loans, which is payable within one year from the date of the financial statements.

3.7. PROVISIONS

Provisions are created to cover future liabilities or expenses, the purpose of which is known, it is probable that they occur, however the amount or the date as of which they occur is usually unknown.

The company creates a provision for future complaints which relate to the revenues generated in current accounting period. A provision is determined based on an expert opinion taking into account assessing real costs for settlement of complaints in the previous accounting period.

Further, the company creates provision for jubilees of employees, retirements and consumption of emission allowances.

3.8. CONVERSION OF VALUES IN FOREIGN CURRENCIES TO CZECH CURRENCY

Accounting transactions in foreign currencies carried out during year are accounted for applying the Czech national bank exchange rate on a date prior to the date of the accounting event.

Financial assets in foreign currencies (cash on hand in foreign currencies) shall be converted during year to Czech crowns applying a fixed monthly exchange rate of the Czech national bank valid as of the first day in the month in which they are accounted for. As of the Financial statements date, all relevant assets and liabilities are converted applying the Czech national bank exchange rate valid as of the date of preparation of the Financial statements.

3.9. TAXES

3.9.1. *Tax depreciation of long-term assets*

The accounting unit uses straight-line method for the purpose of calculation of tax depreciation.

The accounting unit decided to depreciate new long-term assets with acquisition cost over CZK 1 million acquired in the period 2005 – 2009 applying the accelerated method.

3.9.2. *Tax due*

The corporation income tax due for the accounting period is calculated from taxable profit. Taxable profit is different from net profit reported in the Profit and loss account, because it does not include the items of revenues or costs that are not subject to tax or tax-deductible in other periods and other items that are not subject to tax or tax-deductible. The company's liability on account of tax due is calculated with application of the tax rate valid as of the Financial statements date.

3.9.3. *Deferred tax*

Calculation of the deferred tax applying the liability method based on the balance sheet approach.

Liability method means a procedure in the calculation of which the corporation income tax rate valid in the period in which the respective tax liability or tax asset shall be used.

The balance sheet approach means that the liability method is based on temporary differences, which are the differences between the tax base of assets, or liabilities, as the case may be, and the value of assets, or liabilities, as the case may be, specified in the Balance sheet. The tax base of assets, or liabilities, is the value of those assets, or liabilities, as the case may be, applicable for tax purposes in future. Deferred tax is reported in Profit and loss account except those cases that relate to the items accounted for directly to equity and are included in equity.

Each year, the company evaluates applicability of its tax asset and makes decisions on the system of its reporting.

3.9.4. *Investing incentives*

The company has obtained a "Decision on promise of investing incentives" dated 18 October 2006:

Credits from corporation income tax pursuant to section 35b of the Act no. 586/1992 Coll., on income taxes, while the period during which it is possible to apply the tax credit is 10 immediately consecutive tax periods.

Total value of investing incentives provided, i.e. corporation tax credits and tangible supports for creation of new job opportunities, must not exceed 50 % of the total value of investment expenses suitable for provision of support and related to the applicant's investment project. The value of the investing incentive provided in form of a corporation income tax credit in individual tax periods must also not

exceed 50 % of the total value of the cost suitable for provision of the subsidy really spent to date. At the same time, the total value of the public support in form of investing incentives must not exceed CZK 100 million.

In 2009, the company fulfilled the conditions for drawing the investment incentive. In 2016, the company drew an investment incentive in the value of TCZK 4,400 in form of a tax credit.

3.10. SUBSIDIES

Subsidies for payment of costs are posted in other operating revenues on accrual basis with posting costs to a determined purpose. Subsidies for acquisition of long-term assets decrease the acquisition cost of assets.

3.11. COST CONNECTED WITH AGENCY EMPLOYEES

The company reports personnel cost of employees hired through an employment agency in social cost, where really paid salaries including cost of social insurance and health insurance are posted. Cost of other aids and protective drinks for agency employees are reported within the item Consumption of material and energy. Other services of the agency, such as rewards for mediation or agency overheads are reported in the item Services.

3.12. REVENUES

Revenues are accounted for as of the date of release of goods from store and transition of the right of ownership to the customer or as of the date of provision of services and are reported after deduction of discounts and value added tax.

3.13. APPLICATION OF ESTIMATIONS

Preparation of Financial statements requires the company management to use estimations and assumptions that influence values of assets and liabilities as of the Financial statements date and the reported value of revenues and expenses for the monitored period. The company management is convinced that the estimations and assumptions used will not significantly differ from real values in subsequent accounting periods.

3.14. CASH FLOW STATEMENT

Cash and cash equivalents for the purpose of cash flow is cash on hand including stamps and vouchers, cash on bank accounts, except for deposits with maturity exceeding three months, and short-term liquid assets which are easily and readily convertible for an amount of cash known in advance, while no significant changes are anticipated at this type of asset during that period of time.

It is possible to analyse cash and cash equivalents as follows:

(in TCZK)

	Balance as of 31 December 2016	Balance as of 31 December 2015
Cash on hand and cash in transit	266	167
Cash in banks, term deposits	13,584	6,246
Total cash and cash equivalents	13,850	6,413

Cash flows from operating, investing or financial activities are specified in the Cash-flow statement in uncompensated form.

3.15. CHANGES OF ACCOUNTING METHODS COMPARED TO THE PREVIOUS ACCOUNTING PERIOD

As of 1 January 2016 the company reported inventories generated by its own activities on the accounts of the accounting group 58.

3.16. CHANGES IN ARRANGEMENT AND IDENTIFICATION OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ITEMS AND THEIR CONTENT AGAINST THE PREVIOUS ACCOUNTING PERIOD

During preparation of these Financial statements the company proceeded in accordance with the Czech accounting standard no. 024 - comparable period for the accounting period that commenced in 2016.

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

4.1. LONG-TERM ASSETS

4.1.1. Long-term intangible assets

Acquisition cost

(in TCZK)

	Balance as of 31/12/2014	Additions	Disposals	Balance as of 31/12/2015	Additions	Disposals	Balance as of 31/12/2016
Software	2,950	0	0	2,950	0	0	2,950
Other valuable rights	3,192	0	0	3,192	0	0	3,192
Other long-term intangible assets	0	0	0	0	214	0	214
Total	6,142	0	0	6,142	214	0	6,356

Oprávký

(in TCZK)

	Balance as of 31/12/2014	Additions	Disposals	Balance as of 31/12/2015	Additions	Disposals	Balance as of 31/12/2016
Software	2,950	0	0	2,950	0	0	2,950
Other valuable rights	3,192	0	0	3,192	0	0	3,192
Other long-term intangible assets	0	0	0	0	0	0	0
Total	6,142	0	0	6,142	0	0	6,142

Net value

(in TCZK)

	Balance as of 31/12/2015	Balance as of 31/12/2016
Software	0	0
Other valuable rights	0	0
Other long-term intangible assets	0	214
Total	0	214

Amortization of long-term intangible assets posted to cost

The long-term intangible assets have already been depreciated in full as of 31 December 2016 and as of 31 December 2015.

The balance on the account of the long-term intangible assets is formed by emission allowances

Accumulated value of low-value intangible assets not reported in balance sheet

Accumulated value of the acquisition cost of low-value intangible assets not reported in the balance sheet amounted to TCZK 108 as of 31 December 2016 (TCZK 66 as of 31 December 2015).

4.2. LONG-TERM TANGIBLE ASSETS

Acquisition cost

(in TCZK)

	Balance as of 31/12/2014	Additions	Disposals	Balance as of 31/12/2015	Additions	Disposals	Balance as of 31/12/2016
Buildings	265,102	2,204	115	267,191	13,172	12	280,351
Tangible movable assets	601,111	30,837	6,417	625,531	50,522	30,203	645,850
Long-term tangible assets in process	31,591	66,126	33,041	64,676	148,736	63,774	149,638
Advance payments for long-term tangible assets	4,000	0	4,000	0	0	0	0
Valuation difference to assets acquired	14,199	0	0	14,199	0	0	14,199
Total	916,003	99,167	43,573	971,597	212,430	93,989	1,090,038

Accumulated depreciation and adjusting items

(in TCZK)

	Balance as of 31/12/2014	Additions	Disposals	Balance as of 31/12/2015	Additions	Disposals	Balance as of 31/12/2016
Buildings	123,611	8,307	62	131,856	8,585	12	140,429
Tangible movable assets	418,885	33,808	6,411	446,282	31,163	28,462	448,983
Valuation difference to assets acquired	14,199	0	0	14,199	0	0	14,199
Total	556,695	42,115	6,473	592,337	39,748	28,474	603,611

Net value

(in TCZK)

	Balance as of 31/12/2015	Balance as of 31/12/2016
Buildings	135,335	139,922
Tangible movable assets	179,249	196,867
Long-term tangible assets in process	64,676	149,638
Advance payments for long-term tangible assets	0	0
Valuation difference to assets acquired	0	214
Total	379,260	486,427

The most significant items of long-term tangible assets in progress in 2016 included “Innovations of large castings - transition to furan mixture” in the total value of TCZK 92,275 as of 31 December 2016. Further, the “Mechanized workplace for finishing of castings in the steel foundry” in the total value of TCZK 16,482.

The most significant items of long-term tangible assets in progress in 2015 included the Medium-frequency induction heater 2x15 t in the total value of TCZK 20,773 as of 31 December 2015. In addition to that, Automatic grinding of castings from the automatic moulding line in the total value of TCZK 11,418 as of 31 December 2015.

The most important additions in assets in 2016 included:	(in TCZK)
Smelting furnace - medium-frequency, induction 2x15 t Inductotherm	23,237
Blasting chamber TTK	5,382
Knock-out grid	3,736
3D-printer for manufacturing of Fortus models	3,609

The most important additions in assets in 2015 included:	(in TCZK)
19 pieces of filters (replacement of wet separators instead of dry filters)	8,546
POWERTURBO milling centre	6,230
Overhead crane - casting	6,005

In 1999, the company has bought long-term tangible assets in the total value of TCZK 352,875, of which buildings and structures in the value of TCZK 193,201 and machines and devices in the value of TCZK 159,674 based on the Contract on sale of a company from TRINECKÉ ŽELEZÁRNY, a. s. The acquisition costs of tangible and intangible assets were determined based on expert opinions.

Depreciation of long-term tangible assets posted to cost

Depreciation of long-term tangible assets amounted to TCZK 39,748 as of 31 December 2016 (TCZK 42,115 as of 31 December 2015).

The accumulated value of low-value tangible assets not reported in balance sheet

Accumulated value of the acquisition cost of low-value intangible assets not reported in the Balance sheet amounted to TCZK 13,596 as of 31 December 2016 (TCZK 16,371 as of 31 December 2015).

4.2.1. Assets leased in form of a lease with purchase option and lease without purchase option

As of 31 December 2016, the company has no assets leased in form of lease with purchase option nor in form of lease without purchase option.

4.2.2. Long-term assets encumbered with the right of lien

As of 31 December 2016, the company has encumbered long-term tangible assets the net value of which amounted to TCZK 136,744.

4.3. RECEIVABLES

4.3.1. Short-term receivables

The company reports short-term receivables past due in the value of TCZK 39,486 as of 31 December 2016, in the value of TCZK 53,316 as of 31 December 2015.

Usual maturity of receivables is 30 days.

Společnost nemá žádné dlouhodobé pohledávky se splatností delší než 5 let.

Other short-term receivables

The item State - tax receivables included the receivables on account of VAT in 2016.

Short-term advances paid in 2016 particularly represent the advances for catering services.

The company does not report any estimated receivables in 2016.

4.4. EQUITY

The company's registered capital as of 31 December 2016 is formed by 100 pieces of shares in nominal value of TCZK 10, 399 pieces of shares in nominal value of TCZK 1,000 and 15 pieces of shares in nominal value of TCZK 10,000. The registered capital was paid in full in 2006.

The company has generated net profit after tax in the value of TCZK 17,952 in 2016. The company's Board of Directors suggests to transfer the whole profit to accumulated profits. For information on changes in equity see the Statement of changes in equity.

4.5. PROVISIONS

Other provisions include a provision for complaints in the value of TCZK 11,502 as of 31 December 2016, TCZK 12,595 as of 31 December 2015 and provision for jubilees of employees in the value of TCZK 3,049 as of 31 December 2016 and TCZK 3,469 as of 31 December 2015. As of 31 December 2016 the company does not report any provision for emission allowances that amounted to TCZK 79 as of 31 December 2015.

4.6. PAYABLES

4.6.1. Long-term payables

As of 31 December 2016, the company reports long-term payable on account of deferred tax in the value of TCZK 14,276 (TCZK 15,927 as of 31 December 2015). The company has no long-term payables with maturity exceeding 5 years.

4.6.2. Short-term payables

The company reports short-term payables past due in the value of TCZK 1,464 as of 31 December 2016; in the value of TCZK 9,145 as of 31 December 2015.

Common maturity of receivables is 45 days.

Other payables

The value of payables on account of social insurance and contributions to the state employment policy amounted as of 31 December 2016 to TCZK 5,809 (TCZK 5,631 as of 31 December 2015); the value of payables on account of public health insurance as of 31 December 2016 amounted to TCZK 2,499 (TCZK 2,450 as of 31 December 2015). The value of payables on account of pension insurance amounted to TCZK 382 as of 31 December 2016 (TCZK 222 as of 31 December 2015). The company has no past due payables on account of social or health insurance.

The item State - tax payables and subsidies particularly includes a short-term part of payables on account of the personnel income tax paid on behalf of the company's employees. The Company has no past due tax payables. Estimated payables particularly include unused personnel cost and not invoiced supplies.

Other payables particularly include deductions from employees' salaries (for catering, savings).

4.7. BANK CREDITS

The company has drawn an investment credit in the value of TCZK 65,000 in 2016. The nominal value of the credit facility is TCZK 95,000. The last instalment of the credit shall be paid on 31 July 2023. The short-term part of this long-term credit amounted to TCZK 7,600 as of 31 December 2016.

4.8. DEFERRED TAX

The deferred tax liability can be analysed as follows:

(in TCZK)

	Balance as of 31 December 2016	Balance as of 31 December 2015
Accumulated depreciation of long-term assets	-18,638	-19,774
Inventories	552	87
Receivables	624	349
Provisions	2,764	3,067
Estimation for unused leave and unpaid bonuses	422	344
Total deferred tax liability	-14,276	-15,927

4.9. CORPORATION TAX FROM ORDINARY ACTIVITIES

The value of tax for the year can be compared with the profit according to the Profit and loss account as follows:

(in TCZK)

	Balance as of 31 December 2016	Balance as of 31 December 2015
Profit before tax	16,543	33,055
Corporation income tax rate	19%	19%
Tax based on the local corporation income tax rate	3,143	6,280
Tax impact with application of tax losses	0	- 2,334
Utilisation of investment incentives	-4,400	-5,568
Tax impact in costs/revenues which are not recognized in respect of tax	1,499	2,473
Total corporation income tax from ordinary activities due	242	851
Impact of deferred tax	-1,651	384
Total corporation income tax from ordinary activities	-1,409	1,235

4.10. REVENUES FROM ORDINARY ACTIVITIES

(in TCZK)

	rok 2016	2015
Revenues from sale of goods	0	0
Revenues from sale of products and services:	1,058,398	1,164,829
-products	1,051,957	1,160,529
-services	6,441	4,300
Revenues from sale of goods, products and services	1,058,398	1,164,829

4.11. TRANSACTIONS WITH ENTITIES IN GROUP

Payables to entities within group

(in TCZK)

Entity name Short-term trade payables	Balance as of 31 December 2016	Balance as of 31 December 2015
Třinecké železářny, a. s.	35,596	35,683
Energetika Třinec, a. s.	15,337	18,848
Strojírny a stavby Třinec, a.s.	4,222	4,519
MORAVIA STEEL a.s.	27,349	3,662
Doprava TŽ, a.s.	507	735
Třinecké gastroslužby, s.r.o.	435	798
REFRASIL, s.r.o.	0	834
Střední odborná škola Třineckých železáren	69	20
TŘINECKÁ PROJEKCE, a.s.	0	577
TRIALFA, s.r.o.	31	124
Moravia Security, a.s.	7	4
Moravskoslezský kovošrot, a.s.	7,538	1,241
HRAT, s.r.o.	0	19
Total short-term payables from companies within group	91,091	67,064
Payables outside the group	29,341	73,515
Total short-term trade payables	120,432	140,579

Receivables from entities in group amounted to TCZK 7,009 in 2016; in 2015 it was an amount of TCZK 20,048.

The revenues realised with the entities within group amounted to TCZK 205,216 in 2016; the amount in 2015 was TCZK 254,447.

Purchases from entities within group in 2016 amounted to TCZK 523,930 and in 2015 it was TCZK 464,409.

4.12. OTHER COSTS AND REVENUES

The cost of consultancy and auditing activities in 2016 amounted to TCZK 1,533 (TCZK 928 as of 31 December 2015).

A significant part of other operating revenues of 2016 is formed by compensation of damage for a supply of low-quality raw materials in the value of TCZK 1,266 (TCZK 1,328 as of 31 December 2015). Other financial revenues represent exchange rate gains. Their value in 2016 was TCZK 1,011 (TCZK 2,405 as of 31 December 2015).

Other operating costs of 2016 reported by the company mainly included costs of insurance in the value of TCZK 3,469 (TCZK 3,452 as of 31 December 2015) and compensation of damage caused by low-quality production in the value of TCZK 2,320 (TCZK 3,139 as of 31 December 2015).

Other financial expenses particularly include exchange rate losses in the value of TCZK 1,666 (TCZK 6,871 as of 31 December 2015).

4.13. TOTAL EXPENSES FOR RESEARCH AND DEVELOPMENT

	(in TCZK)	
	2016	2015
Expenses for research and development	1,933	1,482

5. EMPLOYEES, COMPANY MANAGEMENT AND STATUTORY BODIES

5.1. PERSONNEL COST AND NUMBER OF EMPLOYEES

The average number of employees as of 31 December 2016 was 664, of which 5 members of management; as of 31 December 2015 it was 670, of which 5 members of management.

The value of personnel costs that were spent for employees in 2016 amounted to TCZK 262,306, of which TCZK 8,369 for members of management. In 2015, the value of personnel costs for employee was TCZK 262,085, TCZK 10,345 for members of management. Of which remunerations for the members of the Board of directors amounted to TCZK 4,011 for 2016; in 2015 it was TCZK 4,929; the remunerations for the members of the Supervisory board amounted to TCZK 333 for 2016; in 2015 it was TCZK 324.

The number of employees is determined as the adjusted average number of employees. The company management covers the company director and technical directors.

5.2. LOANS, CREDITS OR OTHER PERFORMANCES GRANTED

The members of the company management and the Supervisory board received loans and remunerations above the scope of their base pay in 2016 and 2015:

2016 (in TCZK)			
	Board of Directors	Supervisory Board	Company management
Contributions to life and pension insurance	36	12	24
Remunerations	4,011	333	0
Cars/other tangible and intangible property with the opportunity to use them for private purposes (this amount increases the value of the salaries tax base of employees)	292	0	166
2015 (in TCZK)			
	Board of Directors	Supervisory Board	Company management
Contributions to life and pension insurance	27	9	18
Remunerations	4,929	324	0
Cars/other tangible and intangible property with the opportunity to use them for private purposes (this amount increases the value of the salaries tax base of employees)	292	0	166

6. PAYABLES NOT REGISTERED IN THE ACCOUNTING BOOKS

As of 31 December 2016 the company was not involved in any litigation the ruling of which could have substantial impact on the company.

Environmental liabilities

The company's management does not envisage any future liabilities connected with damages caused by its past activities nor any liabilities related to prevention of possible future damage.

The company did not provide any guarantee to third entities.

7. EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

There were no significant events after the date of the Financial Statements that would require adjustments of the Financial Statements or their disclosure in these Financial Statements.



REPORT ON RELATIONSHIPS 2016

NÁZEV OBCHODNÍ

Name of the company: Slévárny Třinec, a.s. (joint stock company)
Registered office: Průmyslová 1001, Staré Město, 739 61 Třinec
Legal form: Joint stock company

Id.No: 25830716

registered in the insert 2093, section B of the Commercial Register kept with the Regional Court in Ostrava

This Report on relationships between the company Slévárny Třinec, a.s., with its registered office at Průmyslová 1001, Staré Město, 739 61 Třinec, Company Id. No. 25830716, registered in the section B, insert 2093, of the Commercial Register kept with the Regional Court in Ostrava (hereinafter referred to as “company Slévárny Třinec, a.s.”), and controlling entities, and between the company Slévárny Třinec, a.s. and the entities controlled by the same controlling entity has been prepared in accordance with the provisions of section 82 of the Act no. 90/2012 Coll., on commercial companies and cooperatives (hereinafter referred to as “the Act on business corporations”), for the accounting period 2016 (hereinafter referred to as “prior accounting period”).

I. DEFINITION OF CONTROLLING ENTITIES AND CONTROLLED ENTITIES AND STRUCTURE OF THEIR RELATIONSHIPS

A. CONTROLLING ENTITIES

TŘINECKÉ ŽELEZÁRNY, a. s., with its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, Company Id. No. 18050646

Relationship: The company TŘINECKÉ ŽELEZÁRNY, a. s. was in the position of a controlling entity towards the company Slévárny Třinec, a.s. during the previous accounting period

MORAVIA STEEL a.s. with its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, Id. No. 63474808

Relationship: The company MORAVIA STEEL a.s. was in the position of controlling entity towards the company TŘINECKÉ ŽELEZÁRNY, a. s. during the previous accounting period

FINITRADING, a.s. with its registered office at Nám. Svobody 526, Lyžbice, 739 61 Třinec, Company Id. No. 61974692

Relationship: The company FINITRADING a.s. was in the position of controlling entity towards the company MORAVIA STEEL, a. s. during the previous accounting period.

B. ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

R.F.G., a.s., “in liquidation”, with its registered office at Nám. Svobody 526, Lyžbice, 739 61 Třinec, formerly, in the past accounting period, with its registered office at Třinec, Nám. Svobody 526, ZIP 739 61, Company Id. No. 63079658; The company went into liquidation on 1 January 2016 and passed out of its existence on 11 January 2017 by its deletion from the Commercial Register.

Moravskoslezský kovošrot, a.s. with its registered office at Božkova 936/73, Přívoz, 702 00 Ostrava, Company Id. No. 26855097

M Steel Projects a.s. with its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, Company Id. No. 28602331

Barrandov Studio a.s. with its registered office at Prague 5 - Hlubočepy, Kříženeckého Nám. 322/5, ZIP 152 00, Company Id. No. 28172469

Beskydská golfová, a.s., with its registered office at č.p. 415, 739 61 Ropice, formerly, in the past accounting period, with its registered office at Ropice 415, ZIP 73956, Company Id. No. 25352920

MS – Slovensko s.r.o. with its registered office at Námestie Ľudovíta Štúra 2, Bratislava 811 02, Slovak Republic, Company Id. No. 35900601

MORAVIA GOEL TRADE d.o.o., “in liquidation”, with its registered office at Josipa Jelačica 205, 104 30 Samobor, Croatia

MORAVIA STEEL ITALIA s.r.l. with its registered office at Corso Sempione 39, 20145 Milan, formerly, in the past accounting period, with its registered office at via Niccolini 26, 20154 Milan, Italy

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

Moravia Steel Deutschland GmbH with its registered office at Cliev 19, 51515 Kürten-Herweg, Germany

MORAVIA STEEL UK LIMITED with its registered office at 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, England

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

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

“NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, with its registered office at ŚWIĘTEJ ROZALII 10/12, 97-500 Radomsko, Republic of Poland

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

M Steel Projects, s.r.o. with its registered office at Vojtecha Tvrdeho 793/21, Žilina 010 01, Slovak Republic,
Company Id. No. 46685570

AHP HYDRAULIKA, a. s. with its registered office at Vojtecha Tvrdeho 793/21, Žilina 010 01, Slovak Republic,
Company Id. No. 31563104

MSProjects International s.r.o. with its registered office at Nám. Svobody 526, Lyžbice, 739 61 Třinec,
Company Id. No. 03587649

Barrandov Productions s.r.o. with its registered office at Křiženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5, formerly, in the past accounting period, with its registered office at Prague 5, Křiženeckého Nám. 5/322, ZIP 152 00,
Company Id. No. 25621025

FILMOVÁ NADACE, with its registered office at Křiženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5, formerly, in the past accounting period, with its registered office at Prague 5, Křiženeckého Nám. 322, ZIP 152 00
Company Id. No. 27437213

Barrandov Studios Productions s.r.o. with its registered office at Křiženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5,
Company Id. No. 03160378

MSK Polska Sp.z o.o. “in liquidation”, with its registered office at BATALIONÓW CHŁOPSKICH 2, 42-680 TARNOWSKIE GÓRY, Republic of Poland
Hotel Golf Ropice a.s. with its registered office at no. 415, 739 61 Ropice,
Company Id. No. 278 44 919

Moravia Steel Middle East Ltd. with its registered office at Dubai World Trade Center, office # 2307, P.O. Box: 293816, Dubai, U.A.E.
During the previous period, the company was in a relationship with the company Slévárny Třinec, a.s., an entity controlled by the same controlling entity until 14 December 2016. It passed out of its existence on 14 December 2016 by deletion from the Commercial Register.

Moravia Steel Nepremičnine d.o.o. with its registered office at Ljubljanska cesta 3A, 3000 Celje, Slovenia

ENERGETIKA TŘINEC, a.s., with its registered office at Průmyslová 1024, Staré Město, 739 61 Třinec,
Company Id. No. 47675896

Třinecké gastroslužby, s.r.o., with its registered office at Průmyslová 1035, Staré Město, 739 61 Třinec,
Company Id. No. 25838148

Doprava TŽ, a.s., with its registered office at Třinec-Staré Město, Průmyslová 1008, ZIP 739 65,
Company Id. No. 25398083

TRIALFA, s.r.o., with its registered office at Třinec - Kanada, ul. Míru 272, ZIP 73965,
Company Id. No. 25839888

Řetězárna a.s. with its registered office at Polská 48, 790 81 Česká Ves, formerly, in the past accounting period, with the registered office at Česká Ves, Polská 48, ZIP 79081,
Company Id. No. 47672081

Reťaze Slovakia, s.r.o. with its registered office at Nádražná 30, Skalica 909 01, Slovak Republic,
Company Id. No. 34143483

JuBo Jeseník s. r. o. with its registered office at U Jatek 600/2, 790 01 Jeseník, formerly, in the past accounting period, with its registered office at Jeseník, U jatek 600, ZIP 79001,
Company Id. No. 48391514

Řetězárna servis s.r.o. with its registered office at U Jatek 600/2, 790 01 Jeseník,
Company Id. No. 05644267

During the previous period, the company was in a relationship with the company Slévárny Třinec, a.s., an entity controlled by the same controlling entity from 20 December 2016.

TRISIA, a.s., with its registered office at Svobody 526, Lyžbice, 739 61 Třinec,
Company Id. No. 64610152

REFRASIL, s.r.o., with its registered office at Průmyslová 720, Kanská, 739 61 Třinec,
Company Id. No. 48395862

VÚHŽ a.s. with its registered office at č.p. 240, 739 51 Dobrá,
Company Id. No. 27768953

MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. with its registered office at Pohraniční 693/31, Vítkovice, 703 00 Ostrava,
Company Id. No. 25870807

Šroubárna Kyjov, spol. s r.o., with its registered office at Jiráskova 987/50, 697 01 Kyjov, formerly, in the past accounting period, with its registered office at Kyjov, Jiráskova 987, ZIP 697 32,
Company Id. No. 42293588

Moravia Security, a.s. with its registered office at Průmyslová 725, Kanská, 739 61 Třinec,
Company Id. No. 27835481

Security Morava, s.r.o. with its registered office at Jiráskova 987/50, 697 01 Kyjov, formerly, in the past accounting period, with its registered office at Kyjov, Jiráskova 987, ZIP 697 01,
Company Id. No. 28346262

Strojírny a stavby Třinec, a.s. with its registered office at Průmyslová 1038, Staré Město, 739 61 Třinec,
Company Id. No. 47674539

„METALURGIA“ Spółka Akcyjna with its registered office at Ulica ŚWIĘTEJ ROZALII nr 10, lok. 12, 97-500 Radomsko, Republic of Poland

„ZAMECZEK BŁOGOCICE“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ with its registered office at ul. STEFANA ŻEROMSKIEGO 1, 43-400 Cieszyn, Republic of Poland,

„D&D” Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság with its registered office at 3527 Miskolc, Sajószigeti utca 4., Hungary

TŘINECKÁ PROJEKCE, a.s. with its registered office at Míru 274, Kanada, 739 61 Třinec,
Company Id. No. 47677741

ŽDB DRÁTOVNA a.s. with its registered office at Jeremenkova 66, Pudlov, 735 51 Bohumín,
Company Id. No. 29400066

DALSELV DESIGN a.s. with its registered office at Slévárenská 403/11, Mariánské Hory, 709 00 Ostrava, formerly, in the past accounting period, with its registered office at Ostrava - Mariánské Hory, Slévárenská 403/11, ZIP 709 00,
Company Id. No. 28262913

HŽP a.s. with its registered office at Dolní 3137/100, 796 01 Prostějov,
Company Id. No. 26955342

SV servisní, s.r.o. with its registered office at Dolní 3137/100, 796 01 Prostějov, formerly, in the past accounting period, with its registered office at Prostějov, Dolní 3137/100, ZIP 79601,
Company Id. No. 60725974

The addresses of the registered offices of the companies in accordance with this part I are specified according to the situation as of 31 December 2016

II. ROLE OF THE COMPANY SLÉVÁRNY TŘINEC, A.S. AND METHOD AND MEANS OF CONTROL

The company Slévárny Třinec, a.s. (joint stock company) acts in the relationships with the entities according to part I of this Report on relationships as a manufacturing company the main activity of which is manufacturing of castings.

The company Slévárny Třinec, a.s. (joint stock company) is directly controlled by the company TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter referred to as “company TŽ”).

In the past accounting period, the company TŽ exerted its decisive influence in the company Slévárny Třinec, a.s. as its sole shareholder acting in the capacity of the general meeting of the company Slévárny Třinec, a.s.

III. OVERVIEW OF NEGOTIATIONS AND CONTRACTS

Overview of negotiations and contracts between the company Slévárny Třinec, a.s. and controlling entities and between the company Slévárny Třinec, a.s. and the entities controlled by the same controlling entity:

- a) In the previous accounting period, the company Třinec, a.s. did not carry out any negotiations upon the initiative or in the interest of the controlling entity or the entities controlled by it which would relate to property in a value exceeding 10 % of the equity of the company Slévárny Třinec, a.s. ascertained in accordance with the Financial statements for the accounting period 2015 pursuant to section 82, subsection 2, item d) of the Act on business corporations.
- b) The overview of contracts for the previous accounting period between the company Slévárny Třinec, a.s. and controlling entities and between the company Slévárny Třinec, a.s. and the entities controlled by the same controlling entity pursuant to section 82, subsec. 2, item e) of the Act on business corporations and is specified in the following appendices to the Report on relationships:
- Appendix no. 1: MORAVIA STEEL a.s.
 - Appendix no. 2: TŘINECKÉ ŽELEZÁRNY, a. s.
 - Appendix no. 3: ENERGETIKA TŘINEC, a.s.
 - Appendix no. 4: Strojírny a stavby Třinec, a.s.
 - Appendix no. 5: REFRASIL, s.r.o.
 - Appendix no. 6: Doprava TŽ, a.s.
 - Appendix no. 7: Třinecké gastroslužby, s.r.o.
 - Appendix no. 8: VÚHŽ a.s.
 - Appendix no. 9: TRIALFA, s.r.o.
 - Appendix no. 10: Řetězárna a.s.
 - Appendix no. 11: Moravia Security, a.s.
 - Appendix no. 12: TŘINECKÁ PROJEKCE, a.s.
 - Appendix no. 13: TRISIA, a.s.
 - Appendix no. 14: AHP HYDRAULIKA, a. s.
 - Appendix no. 15: Střední odborná škola Třineckých železáren
 - Appendix no. 16: Moravskoslezský kovošrot, a. s.
 - Appendix no. 17: „NEOMET“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ
- c) There were no contracts pursuant to section 82, subsection 2, item e) of the Act on business corporations between the company Slévárny Třinec, a.s. and controlling entities and between the company Slévárny Třinec, a.s. and the entities controlled by the same controlling company, others than the entities specified under item b) above during the past accounting period.

IV. ASSESSMENT OF RELATIONSHIPS

This Report on relationships specifies all significant facts as appropriate pursuant to section 82 of the Act on business corporations for reports on relationships taking into account the relationships between the company Slévárny Třinec, a.s. and the entities that control it, and between the company Slévárny Třinec, a.s. and entities controlled by the same controlling entity.

Performances and counter-performances received and provided by the company Slévárny Třinec, a.s. based on the contracts, which are specified in the appendices to this Report on relationships, were provided based on usual business conditions.

The prices agreed by and between the company Slévárny Třinec, a.s. and controlling entities and by and between the company Slévárny Třinec, a.s. and the entities controlled by the same controlling entity do not differ from the prices that would be agreed by and between independent entities; the value of trading margin between the company Slévárny Třinec, a.s. and controlling entities and between the company Slévárny Třinec, a.s. and the entities controlled by the same controlling entity complies with the arm's length principle.

The company Slévárny Třinec, a.s. considers the relationships with controlling entities and the entities controlled by the same controlling entity to be advantageous and the company Slévárny Třinec, a.s. suffers no risks, other than usual market risks resulting from business activities in the respective industries.

No loss was caused to the company Slévárny Třinec, a.s. during the past accounting period as a result of the relationships with the controlling entities and the entities controlled by the same controlling entity.

In Třinec, 23 March 2017



Ing. Zdeněk Vladár
Chairman of the Board of Directors
Slévárny Třinec, a.s. (joint stock company)



Ing. Josef Šigut
Vice Chairman of the Board of Directors
Slévárny Třinec, a.s. (joint stock company)

Appendix no. 1

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company MORAVIA STEEL a.s.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company MORAVIA STEEL a.s. is determining.

1. Order for sale of connecting wood: date 30 March 2016

2. Contract for which provision of things or services by the company MORAVIA STEEL a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. General contract for supplies of raw and other materials valid from 1 April 2016
2. Transaction-management contract for purchase of works and services, purchase of technical and overhead material and spare parts valid from 1 March 2016
3. Transaction-management contract for purchase of fuels (diesel and petrol) valid from 1 March 2016
4. Contract for provision of transportation services valid from 12 January 2015 till 30 April 2016
5. General contract on freight transportation of goods valid from 1 May 2016
6. Orders for provision of other services for the period from 21 January 2016 to 20 April 2016; number of orders 4.

Appendix no. 2

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company TŘINECKÉ ŽELEZÁRNY, a. s.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company TŘINECKÉ ŽELEZÁRNY, a.s. is determining

1. Contracts for sale of castings and materials: for the period from 26 February 2015 to 15 December 2015; number of contracts 13; for the period from 4 January 2016 to 8 December 2016; number of contracts 110.
2. Contracts for sale of scrap: for the period from 25 January 2016 to 1 November 2016; number of contracts 9.
3. Agreement on lease of non-residential premises PJVIII 1/20-Cu.

2. Contract for which provision of things or services by the company TŘINECKÉ ŽELEZÁRNY a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. General contract on supplies of raw materials dated 1 April 1999. The subject of that contract is purchase of solid and liquid iron and liquid steel.
2. Orders for purchase of scrap, materials and other raw materials for the period from 3 December 2015 to 3 November 2016; number of orders 22.
3. Orders for provision of services for the period from 18 September 2015 to 17 October 2016; number of orders 29.

Appendix no. 3

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company ENERGETIKA TŘINEC, a.s.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company ENERGETIKA TŘINEC, a.s. is determining

1. Contracts on supplies of castings and materials dated 17 February 2016, 24 February 2016, 29 February 2016, 24 June 2016, 2 September 2016, 26 October 2016 (6 contracts).

2. Contract for which provision of things or services by the company ENERGETIKA TŘINEC, a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. Contracts on supplies of energies dated 30 January 2015, 12 February 2015, 3 March 2015: (4 contracts).
2. Contracts on provision of services dated 31 March 2009, 22 January 2015, 3 June 2015, (3 contracts).
3. Orders for purchase of materials dated 14 December 2015, 22 December 2015 (2 orders).

Appendix no. 4

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company Strojírny a stavby Třinec, a.s.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company Strojírny a stavby Třinec, a.s. is determining

1. Orders for production and sale of castings for the period from 4 January 2016 to 2 December 2016; number of orders: 183.
2. Orders for provision of heat treatment for the period from 29 June 2016 to 13 November 2016; number of orders: 7.

2. Contract for which provision of things or services by the company Strojírny a stavby Třinec, a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. Orders for machining of castings for the period from 4 January 2016 to 28 November 2016; number of orders: 40.
2. General contracts for work dated 3 January 2006, 10 March 2010 and 30 December 2014. The subject of the contracts consists of adjustments, refurbishments, locksmith works, repairs, construction works and other services. 53 orders in total for the period from 4 January 2016 to 9 September 2016.
3. General contract for purchase of materials, spare parts and cast iron waste. 34 orders in total for the period from 13 January 2016 to 29 November 2016.

Appendix no. 5

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company REFRASIL, s.r.o.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company REFRASIL, s.r.o. is determining

1. Orders for sale of castings for the period from 9 December 2015 to 16 December 2015; number of orders: 4; for the period from 11 January 2016 to 2 November 2016; number of orders: 7.

2. Contracts for which provision of things or services by the company REFRASIL, s.r.o. in favour of the company Slévárny Třinec, a.s. is determining

1. Orders for purchase of refractories for the period from 21 July 2015 to 18 November 2015; number of orders: 3, from 5 January 2016 to 11 February 2016; number of orders: 3.

Appendix no. 6

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company Doprava TŽ, a.s.

2. Contracts for which provision of things or services by the company Doprava TŽ, a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. Contract on carriage of things no. 01/005/2006 dated 30 December 2005.
2. Contract no. 1800 002242 dated 24 August 2016 - sale of aggregate incl. transport.
3. Orders dated 15 December 2015 and 11 January 2016 - sale of diesel; 2 orders in total.

Appendix no. 7

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company Třinecké gastroslužby, s.r.o.

2. Contracts for which provision of things or services by the company Třinecké gastroslužby, s.r.o. in favour of the company Slévárny Třinec, a.s. is determining.

1. Contract dated 1 November 1999 on provision of catering services.
2. Contract dated 1 July 2007 on provision of non-monetary performance to employees of Slévárny Třinec, a.s. (benefits).

Appendix no. 8

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company VÚHŽ a.s.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company VÚHŽ a.s. is determining.

1. Contracts for sale of rollers: date 8 October 2015, number of contracts: 3; for the period from 18 February 2016 to 11 July 2016, number of contracts: 8.

2. Contracts for which provision of things or services by the company VÚHŽ a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. Order for mechanical and chemical analyses dated 16 January 2015.

Appendix no. 9

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company TRIALFA, s.r.o.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company TRIALFA, s.r.o. is determining

1. Contracts for sale of castings: for the period from 16 October 2015 to 8 December 2015, number of orders: 3; from 26 January 2016 to 8 September 2016, number of orders: 8.

2. Contracts for which provision of things or services by the company TRIALFA, s.r.o. in favour of the company Slévárny Třinec, a.s. is determining

1. Orders for purchase of materials: for the period from 3 December 2015 to 16 December 2015, number of orders: 3; for the period from 4 January 2016 to 19 October 2016, number of orders: 8.

Appendix no. 10

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company Řetězárna, a.s.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company Řetězárna, a.s. is determining.

1. Contracts for sale of castings dated 2 February 2016 and 24 March 2016.

2. Contracts for which provision of things or services by the company Řetězárna, a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. Order for purchase of materials dated 5 September 2016.

Appendix no. 11

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company Moravia Security, a.s.

2. Contract for which provision of things or services by the company Moravia Security, a.s. in favour of the company Slévárny Třinec, a.s. is determining.

1. Orders for provision of services dated 22 December 2015 and 12 January 2016 (2 orders).

Appendix no. 12

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company TŘINECKÁ PROJEKCE, a.s.

2. Contract for which provision of things or services by the company TŘINECKÁ PROJEKCE, a.s. in favour of the company Slévárny Třinec, a.s. is determining.

1. Contracts for provision of services: date 11 September 2015, 1 order; for the period from 11 March 2016 to 6 September 2016, number of orders: 6.

Appendix no. 13

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company TRISIA, a.s.

2. Contracts for which provision of things or services by the company TRISIA, a.s. in favour of the company Slévárny Třinec, a.s. is determining.

1. Orders for provision of services for the period from 28 January 2016 to 12 May 2016; number of orders 3.

Appendix no. 14

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company AHP HYDRAULIKA, a. s.

1. Contracts for which provision of things or services by the company Slévárny Třinec, a.s. in favour of the company AHP HYDRAULIKA, a. s. is determining.

1. Contracts for sale of castings: date 27 February 2013, number of contracts 1, date 26 August 2015, number of contracts 1, for the period from 11 January 2016 to 15 August 2016, number of contracts 6.

Appendix no. 15

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company Střední odborná škola Třineckých železáren

2. Contract for which provision of things or services by the company Střední odborná škola Třineckých železáren in favour of the company Slévárny Třinec, a.s. is determining.

1. Orders for provision of services for the period from 11 January 2016 to 14 June 2016; number of orders 3.
2. Orders for sale of material dated 21 January 2016 and 7 September 2016, number of orders: 2.

Appendix no. 16

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company Moravskoslezský kovošrot, a.s.

2. Contract for which provision of things or services by the company Moravskoslezský kovošrot, a.s. in favour of the company Slévárny Třinec, a.s. is determining

1. Orders for purchase of scrap: date 21 December 2015, number of orders: 1; for the period from 12 January 2016 to 13 December 2016, number of orders: 43.

Appendix no. 17

Overview of contracts concluded by and between the company Slévárny Třinec, a.s. and the company „NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ

2. Contract for which provision of things or services by the company „NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ in favour of the company Slévárny Třinec, a.s. is determining.

1. Orders for purchase of scrap: date 22 March 2016 and 28 April 2016, number of orders: 2.



Deloitte Audit s.r.o.
Nile House
Karolinská 654/2
186 00 Praha 8 - Karlín
Česká republika

Tel: +420 246 042 500
Fax: +420 246 042 555
DeloitteCZ@deloitteCE.com
www.deloitte.cz

zapsána Městským soudem
v Praze, oddíl C, vložka 24349
IČO: 49620592
DIČ: CZ49620592

ZPRÁVA NEZÁVISLÉHO AUDITORA

Pro společníka společnosti Slévárny Třinec, a.s.

Se sídlem: Průmyslová 1001, Staré Město, 739 61 Třinec

Výrok auditora

Provedli jsme audit přiložené účetní závěrky společnosti Slévárny Třinec, a.s. (dále také „společnost“) sestavené na základě českých účetních předpisů, která se skládá z rozvahy k 31. prosinci 2016, výkazu zisku a ztráty, přehledu o změnách vlastního kapitálu a přehledu o peněžních tocích za rok končící k tomuto datu a přílohy této účetní závěrky, která obsahuje popis použitých podstatných účetních metod a další vysvětlující informace.

Podle našeho názoru přiložená účetní závěrka podává věrný a poctivý obraz finanční pozice společnosti Slévárny Třinec, a.s. k 31. prosinci 2016 a její finanční výkonnosti a peněžních toků za rok končící k tomuto datu v souladu s českými účetními předpisy.

Základ pro výrok

Audit jsme provedli v souladu se zákonem o auditorech a standardy Komory auditorů České republiky pro audit, kterými jsou mezinárodní standardy pro audit (ISA), případně doplněné a upravené souvisejícími aplikačními doložkami. Naše odpovědnost stanovená těmito předpisy je podrobněji popsána v oddílu Odpovědnost auditora za audit účetní závěrky. V souladu se zákonem o auditorech a Etickým kodexem přijatým Komorou auditorů České republiky jsme na společnosti nezávislí a splnili jsme i další etické povinnosti vyplývající z uvedených předpisů. Domníváme se, že důkazní informace, které jsme shromáždili, poskytují dostatečný a vhodný základ pro vyjádření našeho výroku.

Ostatní informace uvedené ve výroční zprávě

Ostatními informacemi jsou v souladu s § 2 písm. b) zákona o auditorech informace uvedené ve výroční zprávě mimo účetní závěrku a naši zprávu auditora. Za ostatní informace odpovídají jednatele společnosti.

Náš výrok k účetní závěrce se k ostatním informacím nevztahuje. Přesto je však součástí našich povinností souvisejících s ověřením účetní závěrky seznámení se s ostatními informacemi a posouzení, zda ostatní informace nejsou ve významném (materiálním) nesouladu s účetní závěrkou či našimi znalostmi o účetní jednotce získanými během ověřování účetní závěrky nebo zda se jinak tyto informace nejeví jako významné (materiálně) nesprávné. Také posuzujeme, zda ostatní informace byly ve všech významných (materiálních) ohledech vypracovány v souladu s příslušnými právními předpisy. Tímto posouzením se rozumí, zda ostatní informace splňují požadavky právních předpisů na formální náležitosti a postup vypracování ostatních informací v kontextu významnosti (materiality), tj. zda případné nedodržení uvedených požadavků by bylo způsobilé ovlivnit úsudek činěný na základě ostatních informací.

Na základě provedených postupů, do míry, jež dokážeme posoudit, uvádíme, že:

- Ostatní informace, které popisují skutečnosti, jež jsou též předmětem zobrazení v účetní závěrce, jsou ve všech významných (materiálních) ohledech v souladu s účetní závěrkou.
- Ostatní informace byly vypracovány v souladu s právními předpisy.

Dále jsme povinni uvést, zda na základě poznatků a povědomí o společnosti, k nimž jsme dospěli při provádění auditu, ostatní informace neobsahují významné (materiální) věcné nesprávnosti. V rámci uvedených postupů jsme v obdržení ostatních informací žádné významné (materiální) věcné nesprávnosti nezjistili.

Odpovědnost představenstva a dozorčí rady společnosti za účetní závěrku

Představenstvo společnosti odpovídá za sestavení účetní závěrky podávající věrný a poctivý obraz v souladu s českými účetními předpisy a za takový vnitřní kontrolní systém, který považuje za nezbytný pro sestavení účetní závěrky tak, aby neobsahovala významné (materiální) nesprávnosti způsobené podvodem nebo chybou.

09

AUDITOR'S OPINION

Při sestavování účetní závěrky je představenstvo společnosti povinno posoudit, zda je společnost schopna nepřetržitě trvat, a pokud je to relevantní, popsat v příloze účetní závěrky záležitosti týkající se jejího nepřetržitého trvání a použití předpokladu nepřetržitého trvání při sestavení účetní závěrky, s výjimkou případů, kdy představenstvo plánuje zrušení společnosti nebo ukončení její činnosti, resp. kdy nemá jinou reálnou možnost než tak učinit.

Za dohled nad procesem účetního výkaznictví ve společnosti odpovídá dozorčí rada.

Odpovědnost auditora za audit účetní závěrky

Naším cílem je získat přiměřenou jistotu, že účetní závěrka jako celek neobsahuje významnou (materiální) nesprávnost způsobenou podvodem nebo chybou a vydat zprávu auditora obsahující náš výrok. Přiměřená míra jistoty je velká míra jistoty, nicméně není zárukou, že audit provedený v souladu s výše uvedenými předpisy ve všech případech v účetní závěrce odhalí případnou existující významnou (materiální) nesprávnost. Nesprávnosti mohou vznikat v důsledku podvodů nebo chyb a považují se za významné (materiální), pokud lze reálně předpokládat, že by jednotlivě nebo v souhrnu mohly ovlivnit ekonomická rozhodnutí, která uživatelé účetní závěrky na jejím základě přijmou.

Při provádění auditu v souladu s výše uvedenými předpisy je naší povinností uplatňovat během celého auditu odborný úsudek a zachovávat profesní skepticismus. Dále je naší povinností:

- Identifikovat a vyhodnotit rizika významné (materiální) nesprávnosti účetní závěrky způsobené podvodem nebo chybou, navrhnout a provést auditorské postupy reagující na tato rizika a získat dostatečné a vhodné důkazní informace, abychom na jejich základě mohli vyjádřit výrok. Riziko, že neodhalíme významnou (materiální) nesprávnost, k níž došlo v důsledku podvodu, je větší než riziko neodhalení významné (materiální) nesprávnosti způsobené chybou, protože součástí podvodu mohou být tajné dohody (koluze), falšování, úmyslná opomenutí, nepravdivá prohlášení nebo obcházení vnitřních kontrol.
- Seznámit se s vnitřním kontrolním systémem společnosti relevantním pro audit v takovém rozsahu, abychom mohli navrhnout auditorské postupy vhodné s ohledem na dané okolnosti, nikoli abychom mohli vyjádřit názor na účinnost jejího vnitřního kontrolního systému.
- Posoudit vhodnost použitých účetních pravidel, přiměřenost provedených účetních odhadů a informace, které v této souvislosti představenstvo společnosti uvedlo v příloze účetní závěrky.
- Posoudit vhodnost použití předpokladu nepřetržitého trvání při sestavení účetní závěrky představenstvem a to, zda s ohledem na shromážděné důkazní informace existuje významná (materiální) nejistota vyplývající z událostí nebo podmínek, které mohou významně zpochybnit schopnost společnosti nepřetržitě trvat. Jestliže dojdeme k závěru, že taková významná (materiální) nejistota existuje, je naší povinností upozornit v naší zprávě na informace uvedené v této souvislosti v příloze účetní závěrky, a pokud tyto informace nejsou dostatečné, vyjádřit modifikovaný výrok. Naše závěry týkající se schopnosti společnosti nepřetržitě trvat vycházejí z důkazních informací, které jsme získali do data naší zprávy. Nicméně budoucí události nebo podmínky mohou vést k tomu, že společnost ztratí schopnost nepřetržitě trvat.
- Vyhodnotit celkovou prezentaci, členění a obsah účetní závěrky, včetně přílohy, a dále to, zda účetní závěrka zobrazuje podkladové transakce a události způsobem, který vede k věrnému zobrazení.

Naší povinností je informovat představenstvo a dozorčí radu mimo jiné o plánovaném rozsahu a načasování auditu a o významných zjištěních, která jsme v jeho průběhu učinili, včetně zjištěných významných nedostatků ve vnitřním kontrolním systému.

V Praze dne 23. března 2017

Auditorská společnost:

Deloitte Audit s.r.o.
evidenční číslo 079



Statutární auditor:

Václav Loubek
evidenční číslo 2037





Slévárny Třinec, a.s.,
Průmyslová 1001, Staré Město
739 61 TŘINEC, Czech Republic
www.slevarny.trz.cz