

# 2018

Annual  
report



**Company name:**

Slévárny Třinec, a.s.

**Registered office:**

Průmyslová 1001, Staré Město, 739 61 Třinec  
Czech Republic

**Legal form:**

joint-stock company

**ID number:**

258 30 716

e-mail: [foundry@trz.cz](mailto:foundry@trz.cz)

[www.slevarny.trz.cz](http://www.slevarny.trz.cz)

# Contents

01. Introduction by the Director	05	06. Financial statement for 2018	19
02. General information	08	07. Enclosure to the Financial Statement for 2018	27
03. Company bodies	09	08. Report on relations	48
04. Board of directors report	10	09. Auditor's statement	63
05. Supervisory board report	17		





Introductory  
part

# 01

## Introduction by the Director

Dear Friends,  
This Annual Report gives the results of our company in 2018.

The year 2018 was characterised by strong production capacity, particularly in Gray Iron Foundry I, where year-on-year production increased by 7%. In the Steel Foundry, a more laborious assortment with a higher than average price per kilogram was produced compared to the previous period and despite the slight decrease in casting, the output increased by almost 8%. A similar trend was recorded by Gray Iron Foundry II, where the proportion of castings reached almost 45% for ductile cast iron and the growth in performance was similar to that of the Steel Foundry. The year-on-year growth in the company's performance is all the more valuable as it has been appreciated due to the exchange rate of the Czech crown.

We have updated the Business Plan for 2019 to 2023 in relation to Business Plan TŽ, a.s. as part of the business programme for the TŽ-MS Group. The update utilised the latest

knowledge and information on market development and other basic documents such as the marketing study and quality improvement plan according to ČSN EN ISO 9001.

Through our activities, we are still fulfilling the sense and the nature of our company's earmarking, namely the „Valuation of material Inputs of the primary production of TŽ outside the Třinecké železářny - Moravia Steel Group”

### THE BUSINESS PLAN INCLUDES THE FOLLOWING PARAMETERS FOR THE DEVELOPMENT OF OUR COMPANY:

**Vision:** Modern with a long tradition

**Mission:** To be a reliable partner to our clients for the supply of castings in metallurgy, for construction machines, mining and processing of mineral raw materials, civil engineering, automotive industry and other important segments of the cast iron market with results that are attractive to owners, management and employees.

**Key area (principles):**

- **Partnership** (strengthening of market position, competitiveness)
- **Management** (financial stability, constant growth in productivity)
- **People** (cooperative client-oriented team)
- **Technology** (quality, innovation of technologies, permanent improvement)

The following table shows the development of the economic indicators in 2014 - 2018.

INDICATOR / YEAR	2014	2015	2016	2017	2018
ROCE (in %)	4.17	5.63	2.49	2.26	3.57
ROS (in %)	2.09	2.74	1.55	1.34	1.95
Production consumption / production (in %)	70.05	70.20	68.31	69.95	69.64
Profit or loss before taxation (thousands CZK)	23,511	33,055	16,543	15,262	24,271
Indebtedness (in %)	27.91	26.45	29.65	32.42	32.47
Investments (thousands CZK)	29,838	58,737	144,426	22,720	72,991
Productivity from added value-personnel costs (thousands CZK/empl.)*	110.36	128.88	101.25	107.98	123.80
Number of employees	665	672	666	647	643

\*Labour productivity from added value (PH) without personnel costs (ON). Calculation PH-ON/number of employees.

**Corporate culture**

To fulfil the company's mission and vision we build and continue to develop our corporate culture based on the following values and principles:

**Values:**

- Satisfied customer
- Motivated employee
- Quality
- Reliability
- Teamwork

**Principles:**

- Management
- Partnership
- People
- Technology





### Technological research and development

Technological research and development at Slévárny Třinec, a.s. (hereinafter referred to as SL) is derived from TŽ/MS Group strategy in the area of research, development and innovations, and is an instrument to increase competitiveness, fulfil client requirements and drive the development of the company. It is focused on improving the production of cast pieces in the research and development of new materials, technologies and the construction of cast pieces that improve the whole production process in SL.

Implementation is in the form of research tasks, projects and technological and product innovations.

### Environment and ecology

Regular and systematic care of the environment is a part of our policy to create the best preconditions for the sustainable development of the region. For this purpose, each year we submit our programme for the protection of the environment in which we document the actual implementation of our ecological intentions and through our forecast fulfil the individual steps for achieving an advanced industrial company. The protection of the environment is a priority of our company and is equal in importance to our economic results and social conditions.

### Strategic plans

The annual SL marketing study maps out the demands of existing clients as the source material for the preparation of the financial plan as well as the strategic proposals and recommendations for new opportunities for all operating units. We are currently focusing on completing the modernisation of Gray Iron Foundry I and the modernisation of the steel foundry. At the same time, we are focused on developing individual market segments with higher profitability and streamlining production for markets with lower profitability through strengthening and increasing the effectiveness of our long-term partner relations and moving towards more demanding cast pieces for the automotive industry and for machine tools.

At this point, I would like to state my appreciation of the excellent cooperation with our business partners in 2018, the parent company for its support and of the strong and top quality work of our colleagues.

**Ing. Zdeněk Vladár**

Director of Slévárny Třinec, a.s.  
Třinec, date 25. 03. 2019

## 02

General  
data

<b>Name of accounting unit:</b>	<b>Slévárny Třinec, a.s.</b>
<b>Registered office:</b>	Průmyslová 1001, Staré město, 739 61 Třinec
<b>Legal form:</b>	joint-stock company
<b>Main business activity:</b>	foundry
<b>Date of registration in the Commercial Register:</b>	16. 2. 1999
<b>Capital stock:</b>	CZK 500,000,000
<b>Share in capital stock:</b>	100% share TŘINECKÉ ŽELEZÁRNY, a. s., ID number 18050646

**Shares:** 100 registered common shares in the nominal value of 10,000 CZK,  
399 registered ordinary shares with the nominal value of 1,000,000 CZK,  
15 registered ordinary shares with a nominal value of 10,000,000 CZK.

The company commenced its activity on 31. 3. 1999.

On 31 12. 2018 it does not have any branches or any other part of the plant abroad.  
Slévárny Třinec, a.s. belongs to the consolidation unit of TŘINECKÉ ŽELEZÁRNY, a.s.



## 03

Company  
bodies**Basic management bodies of the company:**

General Meeting  
Supervisory Board  
Board of Directors  
Director and management

**Supervisory Board:**

Ing. Ivo Žižka  
Marian Czyž  
Ludvík Javorek

Chairman  
Deputy Chairman  
Member

**Board of Directors:**

Ing. Zdeněk Vladár  
Ing. Josef Šigut  
Miroslav Kajzar

Chairman  
Deputy Chairman  
Member

**Control management:**

Ing. Zdeněk Vladár  
Ing. Vladislav Szmek  
Ing. Josef Šigut  
Ing. Ervín Marko  
Miroslav Kajzar

Company Director  
Economy and Human Resources Director  
Manufacturing Director  
Technology and Quality Director  
Sales Director

## 04

Board  
of Directors  
Report

During regular meetings (24 in total) in 2018, the Board of Directors of Slévárny Třinec, a.s. addressed the preparation and evaluation of conceptual source materials and materials related to the development of the joint-stock company that were submitted to the Supervisory Board for evaluation. Tasks were resolved that were imposed on the Board of Directors by the Supervisory Board of the company, including the regular analysis and evaluation of economic results. Major discussion points of meetings of the Board of Directors included the fulfilment of objectives for all key areas of management (financial plan for 2018, including the investment plan and the business plan for 2018 to 2022), and consequent regular discussions on the results achieved to ensure the required economic results.

Further important materials discussed were the annual report for 2017, the financial plan for 2019, including the investment plan and business programme for 2019 to 2023. In addition, further problems were monitored, evaluated and resolved regarding the viability of the company – specifically the human resources policy – organisational structure, collective discussions, working environment, marketing and business strategy, and product and technological innovations.

**Production and position on the market**

According to the available statistics, Slévárny Třinec, a.s. ranks among the largest producers in the foundry market in the Czech Republic with more than a 6% share of production of steel castings and close to a 14% share of cast iron.



### Assortment

In 2018, Slévárny Třinec a.s. produced 35.8 thousand tonnes of cast items for a wide range of clients in 14 various market segments. In tonnes, this is 3.7% more than in 2017 although 7.25% more in monetary terms. From the viewpoint of orders, this was an excellent year for Slévárny Třinec. From the viewpoint of capacity requirements for clients, it was a demanding year where the excessive demand for cast pieces could not be fulfilled due to insufficient capacity of the labour force. The volume of production for most operating units was higher than planned. The exception was the operation of the steel foundry and the centre for non-ferrous metals. The whole assortment increased last year, mainly comprised of parts for the metallurgical industry, civil engineering and the automotive industry.

Shares of individual market segments by sales in 2017 are in the following table:

Market segmentation	% share
HU - Cast pieces for the metallurgical industry	30.55
SR - Cast pieces for the civil engineering industry	21.25
AT - Cast pieces for the automotive industry	15.18
PR - Counterweight cast pieces	10.97
KO - Cast pieces for railway transport	8.48
TS - Parts for mining and processing of raw materials	6.81
HV - Rollers for rolling mills	4.71
ZE - Cast pieces for the agricultural industry	0.97
ST - Cast pieces for the building industry	0.42
RA - Parts for pressing tools	0.27
EN - Cast pieces for the energy industry	0.17
OF - Cast pieces for the offshore and crude oil industry	0.13
AM - Fittings	0.09
RU - Advertising and art items	0.02

In 2018, our company supplied cast pieces for various industrial areas outside the Czech Republic – 18 countries worldwide

Country	% share
CR	25.13
Germany	22.41
Italy	21.45
Poland	11.77
Slovak Republic	8.25
Belgium	3.78
Hungary	3.34
Norway	1.89
Slovenia	0.77
Switzerland	0.31
Austria	0.27
Sweden	0.25
Netherlands	0.18
Portugal	0.08
France	0.08
Lithuania	0.01
Estonia	0.01
Luxembourg	0.01
Latvia	0.003





### Sales policy

We built our 2018 sales and marketing strategy on the development and strengthening of existing long-term partner relationship with our clients and on winning new clients and new markets. To do this, we selected the most suitable marketing tools in our field. In addition to „working” meetings with customers (business trips, visits) we also use event marketing, which includes organising a „Client Day” for all, not just our important long-term customers.

In order to obtain new acquisitions, we also actively and passively participate in trade fairs. In the first half of 2018, we presented the company at the internationally recognized Hannover Messe fair. We also actively participated at the relatively new CastForge Stuttgart foundry trade fair held under the auspices of the Ministry of Industry and Trade of the Czech Republic. In the second half of the year, we presented the company in a joint exhibition of the TŽ-MS Group at the Innotrans Berlin Trade Fair. Together with the Foundry Association, we participated in the

Fondex Trade Fair which was part of the MSV in Brno. The last fair, where we were looking for new options, was the Aluminium Fair in Dusseldorf, Germany. All fairs are proposed in accordance with our business strategy to ensure the prosperity of SL.

The sales policy of the company is managed through an annually prepared marketing study, in which recommendations are regularly evaluated and included in the updated business programme of Slévárny Třinec, a.s.

The following figures show the territorial distribution of our production by sales.

Once again, we can compare the year-on-year change:

	2018	2017
TŽ Group	13.07%	14.80%
Czech Republic other	24.28%	26.82%
Export	62.64%	58.39%



### Investment activity

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

**Manufacturing** - innovation of cast pieces for railway transport - construction of a mixer in the steel foundry and annealing furnaces in Gray Iron Foundry I, reconstruction of electrical equipment for the portal milling machine, renewal of 2 hinges for ladle transport, reinforcement of the area for repairing transformers, production of auxiliary equipment for securing the existing production of the „metallurgical exchange device“,

**Ecological** - furan resin storage for 2x4 cubicons,

**OHS** - reconstruction of the brake on crane No. 11 in Gray Iron Foundry I, anti-collision system for bridge crane 8A in the steel foundry, safety precautions on crane tracks.

### Human resources policy in Slévárny Třinec, a.s. in 2018

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

In 2018, employment in the company was influenced by increased orders and by the overall economic situation in Slévárny Třinec, a.s.

During 2018, a total of 41 employees began work in Slévárny Třinec, a.s. This included 5 graduates from other companies, 3 employees from other companies outside the TŽ-MS Group and 36 employees transferred from agencies. A total of 39 employees terminated their employment in 2018.

The human resources policy of Slévárny Třinec, a.s. was based on achieving a standard and structure of employment that would increase work productivity while maintaining smooth operation in all areas of the company. The share of staff costs from the total costs was 23.5 % in 2018.

To help students about to finish basic school, we participate in meetings of employers and primary schools' educational advisers in cooperation with the Secondary Professional School of Třinecké Železářny. In cooperation with the employment office, we regularly

participate in the „Education Market“ where we present the newly opened apprenticeship - mainly in the „founder“ and „melter“ areas together with other options open to graduates.

For those who are interested in the „founder“ field of study at SOŠ TŽ, a.s., we offer a recruitment allowance and a contribution for school results.

As part of the international craft games organized by SOŠ TŽ we participate in competitions in the field of founder and core maker.

As part of the recruiting of secondary vocational school graduates, we took part in the „Open Day“ event at the secondary technical school in Frýdek-Místek.

An integral part of human resources is occupational health and protection and reducing the risk of work-related injuries and occupational diseases. In this matter, we efficiently cooperate with the Enviform Company, s.r.o.

The Collective Agreement between the ZO OS



KOVO trade union organisation and Slévárny Třinec, a.s. was concluded for 2016 - 2018. The agreement stipulates and states the individual and collective relations between the employer and employees and the rights and obligations resulting from these relations. All commitments resulting from the collective agreement in 2018 were fulfilled.

The company continues with the further development of education of its own employees in the form of training, in particular in increasing the quality of manufacturing, technology and research, environmental impact on the environment, language and management knowledge.

Slévárny Třinec, a.s. also closely cooperates with VŠB-TU Ostrava, VÚT Brno, Žilina university and the Union of Foundries of the Czech Republic.

We provide secondary school and university students with professional practice in our operating units and sections and consultation on their bachelor and diploma theses in areas related to foundry production. We provide

working benefits for employees who during their employment study at secondary schools or universities.

**Strategic objectives in the area of human resources are focused on the following areas:**

- increase in labour productivity
- employee motivation
- production without injuries
- streamlined and flexible structure

*Increase of labour productivity* - procedures for the management of labour requirements have been improved so that indicators for our operating units are specified each month, which affect the increase in labour productivity.

*Motivation of employees* - a system for the evaluation of employees was implemented for greater motivation. The aim is to ensure uniform assessment throughout the company to improve and streamline the process of managing human resources. This is a tool that differentiates remuneration according to the evaluation of set criteria.

*Production without injuries* - with regard to the nature of work in the foundry industry, which has a higher frequency of work injuries, more attention is paid to this issue than to other issues.

The director announces the foundry policy within which the principles of occupational health and safety apply to reduce work injuries.

*Streamlined and flexible structure* - Skill shortages are removed through internal and external training. The Department of Process Engineering was established, which participates in increasing production efficiency.

**Quality increase policy and control system policy**

The forefront of the strategy and objectives of Slévárny Třinec, a.s. is the quality of products and processes, which is the basic precondition for client satisfaction. Protecting the environment and occupational health and safety are considered equally important activities of the company alongside the economic results and social conditions.





The quality system in Slévárny Třinec, a.s. ensures:

- all the requirements specified by the client are respected and implemented,
- highly qualified and periodically trained employees are used,
- high level of utility properties of products declared by attestation and certification,
- human, financial, information and material resources required for the quality system to improve the manufacturing process are created.

Within the EMS system, in Slévárny Třinec, a.s. strives to:

- create and comply with procedures that correspond to the state environmental policy and which are in accordance with the valid legislation of the Czech Republic and other regulations in this area,
- duly and continuously meet all valid environmental protection legislative requirements during all the company activities,
- continuously improve the technical parameters of manufacturing equipment including continuous monitoring and evaluation so

any unfavourable effects of manufacturing and non-manufacturing activities on the environment are permanently decreased.

Within the BOZ system, in Slévárny Třinec, a.s. strives to:

- fulfil all legislative requirements concerning occupational health and safety,
- Improve the technical parameters of the manufacturing equipment and technologies to permanently decrease any unfavourable influences of our production activity on occupational health and safety and to improve working conditions and eliminate risks,
- continuously increase the knowledge of all those working for the organisation of the principles of occupational health and safety and improve working conditions.

The functionality and efficiency of both the quality system and the environmental system were confirmed by renewed audits in 2018. A safe work system according to the OH-SAS 18 001 standard was introduced, verified by an internal audit in 2018 although we are currently not considering certifying it. At present, we

are ensuring the conditions and requirements that are imposed on suppliers of the automotive industry in the freight sector although we are not considering certification according to standard IATF 16 949, etc. The conclusions and recommendations from the energy audit on the basis of the amendment of the Energy Management Act 406/2000 Coll. were developed into tasks which resolve optimising energy and fuel consumption in the foundry production process.

### Comments on the financial results

Compared to the previous year, due to the year-on-year high demand for castings, 2018 was characterised by an increase in production and performance indicators and by a significant 59% increase in average earnings. During the year, the economic results developed in line with the plan. A strong influence on this was the optimisation of the management of production consumption and the relatively stable level of prices for materials and raw materials. Compared with the plan, an increasing trend was recorded for the price of electricity and goods purchased. Despite this, the year-on-year increase in labour productivity from added value was 10.5 %.



The value of company assets increased from the beginning of 2018 in net expression by CZK 34,941 thousand CZK to 948,987 thousand CZK. The increase was particularly for tangible assets and by 22,412 thousand CZK in relation to the modernisation of the operation of the steel foundry.

Throughout the entire year, the development of current assets was managed with the aim to optimise the level with respect to the investment credit which is paid for the second year.

Total expenses of the company for science and research for 2018 were 1,825 thousand CZK.

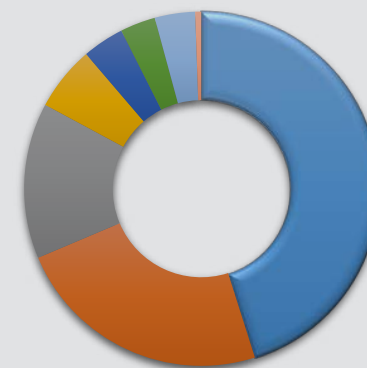
No important events occurred after the balance sheet date that would require publication in the Annual Report.

Třinec, date 25. 03. 2019

**Ing. Zdeněk Vladár**

Chairman of the Board of Directors

**Composition of costs (in %)**



- 45.1% material costs
- 23.5% Staff costs
- 14.2% Services
- 5.9% Energy
- 3.8% Other costs
- 3.2% Costs for repairs
- 3.7% Depreciation
- 0.5% Financial costs

## 05

Supervisory  
Board Report

The Supervisory Board of Slévárny Třinec, a.s. conducted its supervisory activities in accordance with the Act and the Articles of the Company. Throughout 2018, the Supervisory Board supervised the activities of the Board of Directors and the company's business activities. The Supervisory Board conducted these activities through continuous supervision of the company's business management and the fulfilment of the basic programme documents, in particular, the business programme. During its six regular meetings, the Supervisory Board discussed the submitted materials and ensured that the business activities of the company were conducted in accordance with the legal regulations, the articles, the resolutions of the Supervisory Board and resolutions arising from the decision of the sole shareholder using the authority of the General Meeting.

The supervisory activity was executed by inspection of the accounting and other company documentation concerning its business activity by which information was checked that was obtained from members of the Board of Directors and other members of the top management of the company who were invited to individual meetings of the Supervisory Board to submit an explanation or comments to individual points on the agenda.

The Supervisory Board also took measures to achieve the stated objectives.

At its meeting on 06. 03. 2019, the Supervisory Board reviewed the following written material:

- Financial Statement for 2018,
- The proposal for the distribution of profit reported in the accounting period of 2018 and
- The report on relations between linked subjects for the accounting period of 2018 submitted by the Board of Directors.

Based on the investigation of the above-mentioned documents, the Supervisory Board adopted a resolution at its meeting held on 06. 03. 2019, which states that:

1. The financial statement truly reflects the status of the management of the company during the 2018 accounting period,
2. The report on relations between linked subjects describes the actual relations between the company and linked subjects, the extent of which was reliably ascertained in the accounting period of 2018,
3. The proposal of the Board of Directors of Slévárny Třinec, a.s. for distributing the profit from the 2018 accounting period is in accordance with point C.III. of the company's articles.

In the same resolution, the Supervisory Board of Slévárny Třinec, a.s., recommends that the General Meeting approve all the mentioned documents.

Třinec, 25/03/2019



**Ing. Ivo Žižka**  
Chairman of the Supervisory Board





Financial  
part



06

Financial  
statement  
for 2018

## FINANCIAL STATEMENT AT 31. DECEMBER 2018

COMPANY NAME:	Slévárny Třinec, a.s.
REGISTERED OFFICE:	Průmyslová 1000, 739 61 Třinec - Staré Město
LEGAL FORM:	joint-stock company
ID NUMBER:	258 30 716

The Financial Statement includes:

Balance Sheet

Profit and Loss Statement

Summary of changes in equity

PSummary of cash flow

Appendix

The Financial Statement was produced on 25 March 2019.

STATUTORY BODY OF ACCOUNTING UNIT:	SIGNATURE
Ing. Zdeněk Vladár Chairman of the Board of Directors	
Ing. Ivo Žížka Chairman of the Supervisory Board	

## RBALANCE SHEET IN FULL AT 31. 12. 2018 - ASSETS

(IN THOUSANDS CZK)

		31. 12. 2018		31. 12. 2017	
		Gross	Adjustment	Net	Net
<b>TOTAL ASSETS</b>		<b>1,646,117</b>	<b>697,130</b>	<b>948,987</b>	<b>914,046</b>
<b>B. Fixed assets</b>		<b>1,193,572</b>	<b>691,470</b>	<b>502,102</b>	<b>478,505</b>
<i>B.I. Fixed intangible assets</i>		<i>7,678</i>	<i>6,142</i>	<i>1,536</i>	<i>353</i>
B.I.2. Valuable rights		6,142	6,142	0	0
B.I.2.1. Software		2,950	2,950	0	
B.I.2.2. Royalties		3,192	3,192	0	
B.I.4. Other fixed intangible assets		1,536		1,536	353
<i>B.II. Fixed tangible assets</i>		<i>1,185,894</i>	<i>685,328</i>	<i>500,566</i>	<i>478,152</i>
B.II.1. Land and constructions		305,285	154,659	150,626	147,925
B.II.1.2. Constructions		305,285	154,659	150,626	147,925
B.II.2. Tangible items and sets		787,268	516,470	270,798	260,322
B.II.3. Valuation difference to acquired assets		14,199	14,199	0	
B.II.5. Advances for fixed tangible assets and fixed tangible assets in progress		79,142	0	79,142	69,905
B.II.5.1. Advances for fixed tangible assets				0	548
B.II.5.2. Fixed tangible assets in progress		79,142		79,142	69,357

THE TABLE CONTINUES ON THE FOLLOWING PAGE 



## BALANCE SHEET IN FULL AT 31. 12. 2018 - ASSETS

(IN THOUSANDS CZK)

		31. 12. 2018		31. 12. 2017	
		Gross	Adjustment	Net	Net
<b>C.</b>	<b>Current assets</b>	<b>452,545</b>	<b>5,660</b>	<b>446,885</b>	<b>435,541</b>
<i>C.I.</i>	<i>Inventories</i>	<b>212,144</b>	<b>801</b>	<b>211,343</b>	<b>203,934</b>
C.I.1.	Material	75,187	483	74,704	84,549
C.I.2.	Production and semi-products in progress	136,957	318	136,639	119,385
<i>C.II.</i>	<i>Receivables</i>	<b>229,024</b>	<b>4,859</b>	<b>224,165</b>	<b>218,059</b>
C.II.1.	<i>Long-term receivables</i>	<b>108</b>	<b>0</b>	<b>108</b>	<b>102</b>
C.II.1.5.	<i>Receivables - other</i>	<b>108</b>	<b>0</b>	<b>108</b>	<b>102</b>
C.II.1.5.4.	Other receivables	108		108	102
<i>C.II.2.</i>	<i>Short-term receivables</i>	<b>228,150</b>	<b>4,859</b>	<b>223,291</b>	<b>217,657</b>
C.II.2.1.	Trade receivables	222,062	4,859	217,203	212,909
C.II.2.4.	<i>Receivables - other</i>	<b>6,088</b>	<b>0</b>	<b>6,088</b>	<b>4,748</b>
C.II.2.4.3.	State – tax receivables	5,899		5,899	4,609
C.II.2.4.4.	Short-term deposits provided	178		178	138
C.II.2.4.6.	Other receivables	11		11	1
<i>C.II.3.</i>	<i>Accrued assets</i>	<b>766</b>	<b>0</b>	<b>766</b>	<b>300</b>
C.II.3.1.	Deferred expenses	571		571	300
C.II.3.3.	Deferred income	195		195	
<i>C.IV.</i>	<i>Cash</i>	<b>11,377</b>	<b>0</b>	<b>11,377</b>	<b>13,548</b>
C.IV.1.	Cash	299		299	237
C.IV.2.	Financial funds in bank accounts	11,078		11,078	13,311

**BALANCE SHEET IN FULL AT 31. 12. 2018 - LIABILITIES**

(IN THOUSANDS CZK)

	31. 12. 2018	31. 12. 2017
<b>TOTAL LIABILITIES</b>	<b>948,987</b>	<b>914,046</b>
<b>A. Equity</b>	<b>640,828</b>	<b>617,692</b>
<b>A.I. Capital stock</b>	<b>550,000</b>	<b>550,000</b>
A.I.1. Capital stock	550,000	550,000
<b>A.III. Funds from profit</b>	<b>430</b>	<b>430</b>
A.III.1. Other reserve funds	430	430
<b>A.IV. Profit or loss from previous years (+/-)</b>	<b>67,262</b>	<b>53,133</b>
A.IV.1. Undistributed profit or loss from previous years (+/-)	67,262	53,133
<b>A.V. Profit or loss in ordinary accounting period (+/-)</b>	<b>23,136</b>	<b>14,129</b>
<b>B.+C. Other resources</b>	<b>308,159</b>	<b>296,354</b>
<b>B. Reserves</b>	<b>13,554</b>	<b>12,483</b>
B.IV. Other reserves	13,554	12,483
<b>C. Liabilities</b>	<b>294,605</b>	<b>283,871</b>
<b>C.I. Long-term payables</b>	<b>72,629</b>	<b>87,162</b>
C.I.2. Payables to credit institutions	57,000	72,200
C.I.8. Deferred tax liability	15,629	14,962
<b>C.II. Short-term payables</b>	<b>221,699</b>	<b>196,559</b>
C.II.2. Payables to credit institutions	15,200	15,200
C.II.3. Short-term deposits received	4,589	16,081
C.II.4. Trade payables	174,495	139,749
C.II.8. Other liabilities	<b>27,415</b>	<b>25,529</b>
C.II.8.3. Payables to employees	12,378	11,856
C.II.8.4. Payables to social security and health insurance	8,119	7,819
C.II.8.5. State - tax liabilities and subsidies	3,527	2,150
C.II.8.6. Estimated payables	2,253	2,496
C.II.8.7. Other payables	1,138	1,208
<b>C.III. Passive accruals</b>	<b>277</b>	<b>150</b>
C.III.1. Accrued expenses	277	150

**PROFIT AND LOSS STATEMENT IN NATURE OF EXPENSE AT - 31. 12. 2018**

(IN THOUSANDS CZK)

	Period to 31. 12. 2018	Period to 31. 12. 2017
I. Sales of products and services	1,198,033	1,117,241
A. Production consumption	<b>863,452</b>	<b>797,693</b>
A.2. Consumption of material and energy	660,404	615,348
A.3. Services	203,048	182,345
B. Change in stock balance of own activities (+/-)	-15,436	-1,699
C. Capitalisation (-)	-26,340	-21,449
D. Staff costs	<b>296,795</b>	<b>272,865</b>
D.1. Wage costs	209,094	190,190
D.2. Costs for social insurance, health insurance and other costs	<b>87,701</b>	<b>82,675</b>
D.2.1. Costs for social security and health insurance	76,894	70,279
D.2.2. Other costs	10,807	12,396
E. Adjustment of values in the operating area	<b>44,004</b>	<b>41,639</b>
E.1. Adjustment of values of tangible and intangible assets	<b>46,496</b>	<b>42,631</b>
E.1.1. Adjustment of values of tangible and intangible assets - permanent	46,496	42,631
E.2. Adjustment of stock values	-1,837	-267
E.3. Adjustment of values of receivables	-655	-725
III. Other operating revenues	<b>41,173</b>	<b>32,834</b>
III.2. Sales of material	38,190	29,405
III.3. Other operating revenues	2,983	3,429

THE TABLE CONTINUES ON THE FOLLOWING PAGE 



## PROFIT AND LOSS STATEMENT IN NATURE OF EXPENSE AT - 31. 12. 2018

(IN THOUSANDS CZK)

		Period to 31. 12. 2018	Period to 31. 12. 2017
F.	Other operating expenses	50,548	36,778
F.2.	Material sold	37,532	28,775
F.3.	Taxes and fees	1,066	1,060
F.4.	Reserves in operating areas and complex deferred expenses	1,071	-2,069
F.5.	Other operating costs	10,879	9,012
*	<b>Operating profit / loss (+/-)</b>	<b>26,183</b>	<b>24,248</b>
VI.	Revenue interest and similar revenues	4	3
VI.2.	Other revenue interest and similar revenues	4	3
J.	Cost interest and similar costs	1,204	704
J.2.	Other cost interest and similar costs	1,204	704
VII.	Other financial revenues	5,017	2,884
K.	Other financial costs	5,729	11,169
*	<b>Profit or loss (+/-)</b>	<b>-1,912</b>	<b>-8,986</b>
**	<b>Profit or loss before taxation (+/-)</b>	<b>24,271</b>	<b>15,262</b>
L.	Income tax	1,135	1,133
L.1.	Income tax due	468	447
L.2.	Income tax deferred (+/-)	667	686
**	<b>Profit or loss after taxes (+/-)</b>	<b>23,136</b>	<b>14,129</b>
***	<b>Profit or loss from accounting period (+/-)</b>	<b>23,136</b>	<b>14,129</b>
*	Net turnover of accounting period	1,244,227	1,152,962

**SUMMARY OF CHANGES IN EQUITY AT 31. 12. 2018**

(IN THOUSANDS CZK)

	Capital stock	Capital funds	Funds from profit, reserve fund	Undistributed profit or undistributed loss from previous years	Profit or loss from the ordinary accounting period	EQUITY TOTAL
<b>Balance at 31.12.2016</b>	<b>550,000</b>	<b>0</b>	<b>430</b>	<b>35,181</b>	<b>17,952</b>	<b>603,563</b>
Distribution of profit or loss				17,952	-17,952	0
Profit or loss from ordinary period					14,129	14,129
<b>Balance at 31.12.2017</b>	<b>550,000</b>	<b>0</b>	<b>430</b>	<b>53,133</b>	<b>14,129</b>	<b>617,692</b>
Distribution of profit or loss				14,129	-14,129	0
Profit or loss from ordinary period					23,136	23,136
<b>Balance at 31.12.2018</b>	<b>550,000</b>	<b>0</b>	<b>430</b>	<b>67,262</b>	<b>23,136</b>	<b>640,828</b>

## SUMMARY OF CASH FLOW FOR THE PERIOD ENDING 31. 12. 2018

(IN THOUSANDS CZK)

	Period to 31. 12. 2018	Period to 31. 12. 2017
<b>P.</b>	<b>Initial balance of cash flow and cash equivalents</b>	<b>13,548</b>
	<b>Cash flow from main earning activity (operating activity)</b>	
Z.	Profit or loss before taxes	15,262
A.1.	Modification by non-financial transactions	41,261
A.1.1.	Depreciation of fixed assets	42,631
A.1.2.	Changes in the balance of adjusting entries and reserves	-3,060
A.1.5.	Cost and revenue interests	701
A.1.6.	Corrections and other non-cash transactions	989
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>56,523</b>
A.2.	Change in balance of working capital	-55,060
A.2.1.	Change in balance of receivables and accruals of assets	-54,792
A.2.2.	Change in balance of liabilities and accruals of liabilities	9,457
A.2.3.	Change in balance of inventories	-9,725
<b>A.**</b>	<b>Net operating cash flow before taxation and extraordinary items</b>	<b>1,463</b>
A.3.	Interest paid	-704
A.4.	Interest received	3
A.5.	Income tax paid on ordinary activity	-745
<b>A.***</b>	<b>Net cash flow from operating activity</b>	<b>17</b>
	<b>Cash flow from investment activity</b>	
B.1.	Expenses related to the acquisition of fixed assets	-22,720
<b>B.***</b>	<b>Net cash flow from investment activity</b>	<b>-22,720</b>
	<b>Cash flow from financial activity</b>	
C.1.	Change in balance of liabilities from financing	22,400
<b>C.***</b>	<b>Net cash flow from financial activity</b>	<b>22,400</b>
<b>F.</b>	<b>New change in cash flow and cash equivalents</b>	<b>-303</b>
<b>R.</b>	<b>Final balance of cash flow and cash equivalents</b>	<b>13,548</b>



## 07

Enclosure  
to the Financial  
Statement  
for 2018**Name of business company:**

Slévárny Třinec, a.s.

**Registered office:**

Průmyslová 1001, 739 61 Třinec - Staré město

**Legal form:**

joint-stock company

**ID number:**

258 30 716

Registered in Insert 2093 of Part B of the Commercial  
Register maintained at the Regional Court in Ostrava

## CONTENTS OF THE APPENDIX TO THE FINANCIAL STATEMENT FOR 2018

<b>1.</b>	<b>GENERAL INFORMATION</b>	<b>29</b>			
1.1.	Company foundation and nature of the business company	29	3.15.	Changes in accounting procedures compared to the previous accounting period	37
1.2.	Changes and amendments to the Commercial register	29	3.16.	Changes in the arrangement of items in accounting reports	37
1.3.	Organisational structure of the company	29	<b>4.</b>	<b>ADDITIONAL DATA TO THE BALANCE SHEET AND THE PROFIT AND LOSS STATEMENT</b>	<b>38</b>
1.4.	Identification of the group	30	4.1.	Fixed assets	38
1.5.	Board of Directors and Supervisory Board at 31.12. 2018	30	4.1.1.	<i>Fixed intangible assets</i>	38
<b>2.</b>	<b>ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES</b>	<b>30</b>	4.1.2.	<i>Fixed tangible assets</i>	39
2.1.	Accounting period	30	4.1.3.	<i>Assets leased in the form of financial and operative leasing</i>	41
<b>3.</b>	<b>LIST OF SIGNIFICANT ACCOUNTING RULES AND PROCEDURES</b>	<b>31</b>	4.1.4.	<i>Long-term assets burdened by right of lien</i>	41
3.1.	Fixed tangible and intangible assets	31	4.2.	Receivables	41
3.2.	Cash	33	4.2.1.	<i>Short-term receivables</i>	41
3.3.	Inventories	33	4.3.	Equity	42
3.4.	Receivables	34	4.4.	Reserves	42
3.5.	Liabilities	34	4.5.	Liabilities	42
3.6.	Credits	34	4.5.1.	<i>Long-term payables</i>	42
3.7.	Reserves	34	4.5.2.	<i>Short-term payables</i>	42
3.8.	Foreign currencies conversion to Czech currency	35	4.6.	Bank loans	43
3.9.	Taxes	35	4.7.	Deferred tax	43
3.9.1.	<i>Tax depreciation of fixed assets</i>	35	4.8.	Income tax on ordinary activity	44
3.9.2.	<i>Due tax</i>	35	4.9.	Revenues from ordinary activity	44
3.9.3.	<i>Deferred Tax</i>	35	4.10.	Transactions with linked subjects in the group	45
3.9.4.	<i>Investment incentive</i>	36	4.11.	Other costs and revenues	46
3.10.	Subsidies	36	4.12.	Total research and development expenses	46
3.11.	Costs of employees hired through labour agencies	36	<b>5.</b>	<b>EMPLOYEES, SENIOR MANAGEMENT OF THE COMPANY AND STATUTORY BODIES</b>	<b>46</b>
3.12.	Revenues	36	5.1.	Staff costs and the number of employees	46
3.13.	Use of estimates	37	5.2.	Loans, credits and other fulfilments	47
3.14.	Cash flow statement	37	<b>6.</b>	<b>PAYABLES NOT MENTIONED IN THE ACCOUNTING</b>	<b>47</b>
			<b>7.</b>	<b>EVENTS OCCURRING AFTER THE DATE OF THE FINANCIAL STATEMENT</b>	<b>47</b>

## 1. GENERAL DATA

### 1.1. COMPANY FOUNDATION AND NATURE OF THE BUSINESS COMPANY

Slévárny Třinec, a.s.: (hereinafter the "company") was established upon registration in the Commercial Register of the Regional Court in Ostrava, on 16. 2. 1999. The main business subject of the company is foundry work.

Registered office: Průmyslová 1001, 739 61 Třinec - Staré Město.

The registered capital of the company is CZK 550,000,000.

The financial statement of the company is prepared at the date: 31. 12. 2018.

The level of the shares of natural persons and corporate bodies who have a significant or decisive influence on the company are shown in the following table:

Shareholder	% share of the registered capital
TŘINECKÉ ŽELEZÁRNY, a.s., Třinec, ID number: 180 50 646	100%

### 1.2. CHANGES AND AMENDMENTS TO THE COMMERCIAL REGISTER

There were no changes made to the Commercial Register in 2018.

### 1.3. ORGANISATIONAL CHART OF THE COMPANY

Basic management bodies of the company:

- General Meeting
- Board of Directors
- Supervisory Board
- Director of the company and management

There were no organisational changes made in 2018.



#### 1.4. IDENTIFICATION OF THE GROUP

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

#### 1.5. BOARD OF DIRECTORS AND SUPERVISORY BOARD AT 31. 12. 2018

	Position	Name
<b>Board of Directors</b>	Chairman	Ing. Zdeněk Vladár
	Deputy Chairman	Ing. Josef Šigut
	Member	Miroslav Kajzar
<b>Supervisory Board</b>	Chairman	Ing. Ivo Žížka
	Deputy Chairman	Marian Czyž
	Member	Ludvík Javorek

## ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

The company accounting and the Financial Statement was prepared in accordance with Act No. 563/1991 Coll., on accounting which implements the provisions of Act No. 563/1991 Coll., on accounting, for accounting units that are not entrepreneurs applying double-entry book-keeping, as amended and the Czech accounting standards for entrepreneurs, as amended.

The accounting respects the general accounting principles, in particular, the assessment of assets by historic prices, the principle of contextual and time relation, the principle of care and the presumption of the ability of the accounting unit to continue with its activity.

Data stated in the Financial Statement is expressed in thousands of Czech crowns (thousands CZK).

#### 2.1. ACCOUNTING PERIOD

The company prepared the Financial Statement for the comparable years 2018 and 2017. The Financial Statement comprises the Balance Sheet, Profit and Loss Statement, Summary of changes in equity, Cash Flow report and the appendix which is an integral part of the Financial Statement.

## 3. LIST OF SIGNIFICANT ACCOUNTING RULES AND PROCEDURES

### 3.1. LONG-TERM TANGIBLE AND INTANGIBLE ASSETS

#### Evaluation

Fixed tangible assets are assets with an evaluation higher than 40,000 CZK on an individual basis with a usability period of more than one year.

Intangible fixed assets are assets (e.g. software, valuable rights, intangible results of research and similar activities) evaluated at more than 60,000 CZK on an individual basis with a usability period of more than one year.

The purchased tangible and intangible fixed assets are evaluated by the acquisition prices. The assessment of tangible and intangible fixed assets created by the company's own activity includes direct costs, indirect costs related to the creation of assets from its own activity or indirect costs of an administrative nature if the creation of assets exceeds one accounting period.

The reproduction acquisition price is used for the assessment of tangible and intangible fixed assets acquired as gift, intangible fixed assets created by the company's own activity if the reproduction acquisition price is lower than its own costs, assets newly ascertained in the accounting and investments of intangible and tangible fixed assets with the exception of cases when the investment is assessed according to the memorandum of association or the founding deed in another manner.

The reproduction price is used for the assessment of tangible fixed assets where the original acquisition price is higher than 1 mil. in the form of financial leasing. These assets are evaluated by the reproduction acquisition price and are recorded into the book-keeping as fully depreciated. The reproduction acquisition price is stated by the expert or by estimate according to the internal regulations of the company.

Tangible assets with a usability period of more than one year with an acquisition price of CZK 40,000 and lower and intangible assets with a usability period of more than one year with an acquisition price of CZK 60,000 or lower are not considered fixed assets. Such assets are booked as inventories and any issue for use is reported in the Profit and Loss Statement as the consumption of material and energy. Intangible assets with an acquisition price of CZK 60,000 or lower are reported as the acquisition of services.

Technical improvement, which is exceeded for individual assets in the total for the taxation period of CZK 40,000, thereby increasing the acquisition price of fixed assets.

Research and development and similar activities of the company, if they are designated for trading or resale, are reported in the balance sheet as research and development activities. The results of this activity designated for the company's own demands are not qualified from the viewpoint of intangible fixed assets and are recorded in the off-balance sheet in the assessment of own costs.

Emission credits for greenhouse gas emissions (hereinafter referred to as "emission credits") are booked as fixed intangible non-depreciated assets evaluated by the acquisition price or reproduction acquisition price when acquired free of charge. "Consumption of emission credits" are booked no later than the date of closing the accounts depending on the emissions of the accounting unit in the calendar year. In the case of the first free acquisition, the allocation is booked as an allocation, which does not reduce the assessment of the fixed intangible assets. This "subsidy" is recognised as income at the time and in the amount corresponding to the time and the amount of using allowances and are booked into costs. Sales of emission credits are reported in other operating income.

At the date of the financial statements, the emission credits are valued by the exchange rate of the EUROPEAN ENERGY EXCHANGE. The reduced value of the free-of-charge acquired allowances by the balance sheet date is recognised in the balance sheet as other intangible assets and state-tax liabilities and subsidies, otherwise, the company does not revalue the emission credits. The company makes reserves for the missing number of allowances at the balance sheet date, which is recognised in other reserves and in the change in reserves and provisions in operating activities and complex deferred expenses. In the following accounting period when missing emission credits are purchased or used from the free allowance for the next period, the reserve for the purchase of emission credits is allocated.

#### Accounting depreciations

The period of depreciation of fixed assets is stated according to the expected time of the wearing of assets with respect to operating conditions.

If the company - through an inventory – discovers that the expected service life has changed, the depreciation period of the assets will be changed.

The major part of buildings and structures is depreciated over 20 - 40 years. The shorter depreciation period is for temporary constructions and constructions with a shorter service life (lighting, fencing, energy distribution lines, pipelines, etc.). Structures with a depreciation period longer than 60 years are structures with a long service life, such as railway and road bridges, conveyer tunnels, manufacturing and administrative buildings.

The prevailing part of machinery and equipment is depreciated over 15 - 25 years. The shorter depreciation period is for computer technology, control systems, devices, etc.

Gains or losses from the sale or liquidation of assets are stated as the differences between revenues from the sale and accounting net-book value of assets at the date of sale and are posted to the profit and loss statement.

#### Calculating adjusting entries

An adjusting entry for tangible fixed assets is created if the accounting value is higher than the value of the use, which is considered as the existing value of estimated future cash flows that are expected to arise from the use of the fixed assets or from the expected revenues from their intended sale.

#### Reduction in value

By each balance sheet date, the company checks the accounting value of its tangible and intangible fixed assets to discover any symptoms of the fact that the loss did not originate from a decrease in the value of assets. If there is any such indication, the usable value of the assets is estimated and any loss from the decrease in the value is determined.

### **3.2. FINANCIAL FUNDS**

Financial funds are cash and in bank accounts.

### **3.3. INVENTORY**

#### Assessment

Purchased inventory is assessed at acquisition prices. The acquisition price includes the acquisition price and side acquisition costs – in particular, customs fees, transport and storage fees, commissions, insurance and discounts.

Inventories created by the company's own activities are evaluated by its own costs without overhead expenses and, due to the nature of production, are derived from the professional estimate of the completion.

Due to the nature of the manufacturing process, the company records all cast pieces from its own production in the production in progress account.

Costs of inventories from the warehouse are evaluated using the weighted arithmetic average method.

#### Calculating adjusting entries

Adjustments to inventory are made in cases where the decrease in the evaluation of inventories in the accounting is not permanent, based on the inventory results and a subsequent analysis of the usability of inventories.



### 3.4. RECEIVABLES

Receivables are assessed when created, using the nominal value consequently reduced by the respective adjusting entries to doubtful or bad receivables.

#### Calculating adjusting entries

The company creates adjusting entries for doubtful receivables. Legal adjusting entries for receivables are created in accordance with the provisions of the Income Act and the Act on Reserves for ascertaining the income act.

The accounting adjusting entries to receivables (with the exception of enterprises in the group) are created at the level of:

- a) 100% of the accounting value for receivables with more than 360 days after maturity,
- b) 50% of the accounting value for receivables with more than 180 days and less than 360 days after maturity.

In addition, the adjusting entry to receivables for individual evaluation of the implementation is created.

### 3.5. LIABILITIES

Trade payables are booked in the nominal value.

### 3.6. LOANS

Loans are posted in a nominal value.

Short-term credit is also part of long-term credits, which are due within one year from the date of closing the accounts.

### 3.7. RESERVES

Reserves are created to cover future liabilities or expenses for which the purpose is known, is probable that they will occur; however, as a rule, the amount or the date by which they originate is not known.

The company creates reserves for future claims relating to sales realised in the current accounting period. The reserve is based on a professional estimate taking into account the evaluation of the actual costs of settling claims in previous accounting periods.

The company also creates reserves for employee jubilees, retirements.

### 3.8. RECALCULATION OF FOREIGN CURRENCIES INTO CZECH CURRENCY

Accounting transactions in foreign currencies performed during the year are posted at the exchange rate published by Ceska narodni banka and valid at the date of implementation of the accounting event.

Financial assets in foreign currency (FC cash) are re-calculated during the year to Czech crowns at the fixed monthly exchange rate of Českárodní banka valid on the first day of the month on which they were booked.

On the date of closing the accounts, relevant assets and liabilities are recalculated using the exchange rate of CNB that is valid on the date on which the financial statement is prepared.

### 3.9. TAXES

#### 3.9.1. Tax depreciation of fixed assets

The linear method is used to calculate tax depreciation.

#### 3.9.2. Tax due

The tax due for the accounting period is derived from the taxable profit. The taxable profit differs from the net profit reported in the income statement because it does not include items for revenues or costs that are taxable or confirmed in other periods and does not include items that are not the subject of tax and are not tax deductible. The payable of the company concerning the due tax is calculated by means of the tax rates valid at the date of the consolidated financial statement.

#### 3.9.3. Deferred tax

The calculation of the deferred tax is based on the commitment method derived from the balance-sheet approach.

The commitment method is the procedure where during the calculation the income tax rate will be used that is valid in the period in which the tax commitment or the receivable is applied.

The balance sheet approach means that the liability method is derived from the transient differences, which are the differences between the tax basis of assets or liabilities and the level of assets or liabilities stated in the balance sheet. The tax base of assets or liabilities is the value of these assets or liabilities applicable for tax purposes in the future.

Deferred tax is booked in the income statement, except when it relates to items posted directly in equity and when the deferred tax is also included in equity.

Each year, the company evaluates the deferred tax assets and decides on their recognition.

#### **3.9.4. Investment incentives**

The company received the "Decision on the promise of investment incentives", of 18 October 2006:

Discount of income tax according to Section 35b of Act No. 586/1992 Coll., in Income tax and the period during which it is possible to use the discount is ten subsequent taxable periods.

The total value of investment incentives provided, discount on income tax and material support, and the creation of new workplaces must not exceed 50% of the total value of investment costs for the provision of support and that is related to the investment intention of the applicant. Concurrently, the value of the investment incentive provided in the form of a discount on the income tax in each taxable period must not exceed 50% of the actual costs spent for the provision of support. At the same time, the total level of public support in the form of investment incentives must not exceed 100 mil. CZK.

In 2009, the company fulfilled the conditions for the use of the investment incentive. In 2018, the company drew the investment incentive in the amount of 3,313 thousand CZK in the form of a tax discount.

#### **3.10. SUBSIDIES**

Subsidies for the payment of costs are booked into the other operating costs and financial revenues in material and time relation with the posting of costs for the stated purpose.

Subsidies for the purchase of fixed assets reduce the cost of the property.

#### **3.11. EXPENSES RELATED TO AGENCY EMPLOYEES**

The company reports staff costs of employees hired through a labour agency within the social costs where the actual wages paid are booked including social security and health insurance costs. The costs of other aids and protective beverages for agency employees are reported in the consumption of material and energy. Other agency services, e.g. mediation remuneration, or agency overhead expenses, are reported as Services.

#### **3.12. REVENUES**

Revenues are booked by the date of dispatching the goods and the transfer of ownership to the customer or by the date of performing services and are reported after deduction of discounts and value added tax.

### 3.13. USE OF ESTIMATES

When preparing the financial statement, the senior management of the company must use the estimates and preconditions that influence the reported values of the assets and liabilities on the date of the financial statement and the reported level of revenues and costs during the monitored period. The senior management of the company is certain that the estimates and preconditions used will not significantly differ from the actual values in future accounting periods.

### 3.14. SUMMARY OF CASH FLOW

For the purpose of cash flow, cash and cash flow equivalents are considered as cash including valuables, financial funds on account, with the exception of deposits with a maturity period longer than three months and short-term liquid assets, which can be easily and promptly exchangeable for the previously stated cash and for these assets important changes in values in time are not expected.

Financial funds and financial equivalents can be analysed as follows:

	(data in thousands CZK)	
	Balance at 31. 12. 2018	Balance at 31. 12. 2017
Cash and cash in transit	299	237
Accounts in banks, time deposits	11,078	13,311
<b>Cash and cash equivalents – total</b>	<b>11,377</b>	<b>13,548</b>

Cash flow from operating, investment or financial activities are recorded in the summary of the cash flow, not compensated

### 3.15. CHANGES IN ACCOUNTING PROCEDURES COMPARED TO THE PREVIOUS ACCOUNTING PERIOD

In 2018, there were no changes in the manner of accounting compared with the previous accounting period.

### 3.16. CHANGES IN THE ARRANGEMENT OF ITEMS IN ACCOUNTING REPORTS

From 2018, the company reports accruals of assets and liabilities as part of receivables and liabilities (item C.N.3 and C III). Changes in the manner of reporting were also made in the compared period.



## 4. ADDITIONAL DATA TO THE BALANCE SHEET AND THE PROFIT AND LOSS STATEMENT

### 4.1. FIXED ASSETS

#### 4.1.1. Fixed intangible assets

##### Acquisition price

(data in thousands CZK)

	Balance at 31. 12. 2016	Increments	Decrements	Balance at 31. 12. 2017	Increments	Decrements	Balance at 31. 12. 2018
Software	2,950	0	0	2,950	0	0	2,950
Royalties	3,192	0	0	3,192	0	0	3,192
Other fixed intangible assets	214	1,460	1,321	353	2,901	1,718	1,536
<b>Total</b>	<b>6,356</b>	<b>1,460</b>	<b>1,321</b>	<b>6,495</b>	<b>2,901</b>	<b>1,718</b>	<b>7,678</b>

##### Adjustments

(data in thousands CZK)

	Balance at 31. 12. 2016	Increments	Decrements	Balance at 31. 12. 2017	Increments	Decrements	Balance at 31. 12. 2018
Software	2,950	0	0	2,950	0	0	2,950
Royalties	3,192	0	0	3,192	0	0	3,192
Other fixed intangible assets	0	0	0	0	0	0	0
<b>Total</b>	<b>6,142</b>	<b>0</b>	<b>0</b>	<b>6,142</b>	<b>0</b>	<b>0</b>	<b>6,142</b>

##### Net-book value

(data in thousands CZK)

	Balance at 31. 12. 2017	Balance at 31. 12. 2018
Software	0	0
Royalties	0	0
Other fixed intangible assets	353	1,536
<b>Total</b>	<b>353</b>	<b>1,536</b>

Depreciation of fixed intangible assets posted into costs

At 31. 12. 2018 and 31. 12. 2017 fixed intangible assets were fully depreciated. The balance of fixed intangible assets are emission credits.

The total level of low-value intangible assets not mentioned in the balance sheet

The total level of acquisition prices of low value intangible assets not mentioned in the balance sheet was 55,000 CZK at 31. 12. 2018 (79,000 at 31. 12. 2017).

**4.1.2. Fixed tangible assets**Acquisition price

(data in thousands CZK)

	Balance at 31. 12. 2016	Increments	Decrements	Balance at 31. 12. 2017	Increments	Decrements	Balance at 31. 12. 2018
Constructions	280,351	14,984	20	295,315	10,030	60	305,285
Tangible movables	645,850	99,103	3,207	741,746	49,643	4,121	787,268
Fixed tangible assets in progress	149,638	33,839	114,119	69,357	69,459	59,674	79,142
Advances for fixed tangible assets	0	548	0	548	0	548	0
Valuation difference to acquired assets	14,199	0	0	14,199	0	0	14,199
<b>Total</b>	<b>1,090,038</b>	<b>148,474</b>	<b>117,347</b>	<b>1,121,165</b>	<b>129,132</b>	<b>64,403</b>	<b>1,185,894</b>

Adjustments and adjusting entries

(data in thousands CZK)

	Balance at 31. 12. 2016	Increments	Decrements	Balance at 31. 12. 2017	Increments	Decrements	Balance at 31. 12. 2018
Constructions	140,429	6,981	20	147,390	7,306	37	154,659
Tangible movables	448,983	35,539	3,098	481,424	39,064	4,018	516,470
Valuation difference to acquired assets	14,199	0	0	14,199	0	0	14,199
<b>Total</b>	<b>603,611</b>	<b>42,520</b>	<b>3,118</b>	<b>643,013</b>	<b>46,370</b>	<b>4,055</b>	<b>685,328</b>

Net-book value

(data in thousands CZK)

	Balance at 31. 12. 2017	Balance at 31. 12. 2018
Constructions	147,925	150,626
Tangible movables	260,322	270,798
Fixed tangible assets in progress	69,357	79,142
Advances for fixed tangible assets	548	0
Valuation difference to acquired assets	0	0
<b>Total</b>	<b>478,152</b>	<b>500,566</b>

The most important items of fixed tangible assets in progress in 2018 were:

Innovations for the production of steel cast pieces in the total amount of CZK 26,255 thousand then innovations of cast pieces for railway transport - annealing furnace in the total amount of CZK 26,197 thousand.

The most important items of fixed tangible assets in progress in 2017 were:

Renewal (reconstruction) of bridge crane No. 11" in the total amount of CZK 5,756 thousand and the "Reconstruction of crane cabin No. 11, 13, 30" in the total amount of 4,066 thousand CZK.

The most important increments of assets in 2018 were:

(data in thousands CZK)

"Andromat" grinding machine including hydraulic aggregate	10,613
SAM 600 automated grinding machine, serial number 70085	7,185
MANUFACTURING HALL FOR GRAY IRON	5,910
Bridge crane No. 10	5,756

The most important increments of assets in 2017 were:

(data in thousands CZK)

Mixer 2, including storage tank, pneumatic and belt conveyor. 3,723	20,451
Mixer 1, including storage tank, pneumatic and belt conveyor. 3	14,016
OPERATING BUILDING SVsI	10,672
Modification station, serial number TRF/181	9,420

In 1999, the company purchased on the basis of the contract for the sale of part of the enterprise from TŘINECKÉ ŽELEZÁRNY, a. s., fixed assets in the total amount of CZK 352,875 thousand including buildings and structures for CZK 193,201 thousand and machines and equipment for CZK 159,674 thousand. The acquisition price of tangible and intangible fixed assets was stated on the basis of expert opinions.

#### Depreciations of fixed tangible assets booked into costs

Depreciations of fixed tangible assets at 31. 12. 2018 in the amount of CZK 46,370 thousand (CZK 42,520 thousand at 31. 12. 2017).

#### The total level of low-value tangible assets not mentioned in the balance sheet

The total level of acquisition prices of low value fixed assets not mentioned in the balance sheet at 31. 12. 2018 was in the amount of CZK 11,842 thousand (CZK 13,221 thousand at 31. 12. 2017).

#### **4.1.3. Assets leased in the form of financial and operative leasing**

At 31. 12. 2018, the company does not have any assets leased in the form of financial or operative leasing.

#### **4.1.4. Long-term assets burdened by right of lien**

At 31. 12. 2018, the company did not have any fixed tangible assets pledged whose net book value was CZK 98,742 thousand (at 31. 12. 2017, CZK 119,298 thousand).

### **4.2. RECEIVABLES**

#### **4.2.1. Short-term receivables**

At 31. 12. 2018 the company recorded short-term trade receivables after maturity in the amount of CZK 53,800 thousand, on 31. 12. 2017 in the amount of CZK 51,594 thousand.

The average maturity period of receivables is 50 days.

The company does not record any receivables with a maturity period longer than 5 years.

#### Other short-term receivables

State - tax receivables in 2018 represent receivables due to VAT.

Short-term provided advances in 2018 mainly represent advances for accommodation during fairs.

No estimated receivables were reported by the company in 2018.



### 4.3. EQUITY

The capital stock of the company at 31. 12. 2018 consists of 100 shares with the nominal value of CZK 10,000 thousand 399 shares with the nominal value of CZK 1,000 thousand and 15 shares with the nominal value of CZK 10,000 thousand. The capital stock was fully paid up in 2006.

The company reports a net profit of CZK 23,136 thousand for 2018. The Board of Directors of the company proposes to leave the profit in full in the undistributed profit from previous years.

Movements in equity – see report: Summary of equity changes.

### 4.4. RESERVES

Other reserves include a reserve for claims of CZK 11,178 thousand at 31. 12. 2018 and at 31. 12. 2017 in the amount of CZK 9,943 thousand a reserve for employee jubilees, which is CZK 2,376 thousand at 31. 12. 2018 and at 31. 12. 2017 was CZK 2,539 thousand.

### 4.5. LIABILITIES

#### 4.5.1. Long-term payables

At 31. 12. 2018, the company reports a receivable due to deferred tax of CZK 15,629 thousand (14,962 thousand CZK at 31. 12. 2017).

The company does not record any long-term receivables with a maturity period longer than 5 years.

#### 4.5.2. Short-term payables

At 31. 12. 2018, the company recorded short-term trade receivables after maturity in the amount of 27,788 thousand CZK, at 31. 12. 2017 in the amount of 2,030 thousand CZK.

The usual maturity period of liabilities is 45 days.

#### Other liabilities

Social security insurance and the contribution to the state unemployment policy liabilities at 31. 12. 2018 was CZK 5,281 thousand. (CZK 5,152 thousand at 31. 12. 2017), the amount of debt of public health insurance debt at 31. 12. 2018 was CZK 2,363 thousand. (CZK 2,286 thousand at 31. 12. 2017). Pension insurance liabilities were CZK 475 thousand at 31. 12. 2018 (CZK 382 thousand at 31. 12. 2017). The company does not have any social and health insurance liabilities after maturity.

State – tax liabilities and subsidies are short-term liabilities due to income tax for natural persons paid for the employees of the company. The company does not any have tax liabilities after maturity.

These items include unused personal expenses and uninvoiced deliveries.

Other liabilities are deductions for employees (meal expenses, savings).

#### 4.6. BANK LOANS

The company pays investment credit whose nominal value is CZK 95,000 thousand. The last instalment is due on 31. 7. 2023. The short-term part of long-term credit is CZK 15,200 thousand at 31. 12. 2018 (CZK 15,200 thousand at 31. 12. 2017).

#### 4.7. DEFERRED TAX

The deferred tax liability can be analysed as follows:

(data in thousands CZK)

	Balance at 31. 12. 2018	Balance at 31. 12. 2017
Adjustments to fixed assets	-18,955	-18,659
Inventories	152	501
Receivables	224	465
Reserves	2,575	2,372
Estimated items for unused holiday and unpaid bonuses	375	359
<b>Total deferred tax liability</b>	<b>-15,629</b>	<b>-14,962</b>

#### 4.8. INCOME TAX ON ORDINARY ACTIVITY

The level of tax can be compared with the profit according to the profit and loss statement as follows:

(data in thousands CZK)

	Balance at 31. 12. 2018	Balance at 31. 12. 2017
Profit before taxation	24,271	15,262
Income tax rate	19 %	19 %
Tax at local income tax rate	4,611	2,900
Tax impact of the application of tax losses	0	0
Use of investment incentive	-3,313	-2,037
Tax impact on costs / revenues that are not tax acceptable	-830	-416
Total income tax on ordinary activity - due	468	447
Impact of deferred tax	667	686
<b>Total income tax on ordinary activity</b>	<b>1,135</b>	<b>1,133</b>

#### 4.9. REVENUES FROM ORDINARY ACTIVITY

(data in thousands CZK)

	in 2018	in 2017
Revenues from goods sold	0	0
Sales of products and services	1,198,033	1,117,241
– products	1,188,704	1,109,205
– services	9,329	8,036
<b>Sales of goods, products and services, total</b>	<b>1,198,033</b>	<b>1,117,241</b>

#### 4.10. TRANSACTIONS WITH LINKED SUBJECTS

##### Liabilities towards enterprises in the group

(data in thousands CZK)

Name of the subject	Balance at 31. 12. 2018	Balance at 31. 12. 2017
<b>Short-term payables</b>		
– Trade liabilities		
Třinecké železářny, a. s.	61,254	42,085
Energetika Třinec, a. s.	16,813	15,081
Strojírny a stavby Třinec, a.s.	1,715	1,676
MORAVIA STEEL a.s.	45,508	31,474
Doprava TŽ, a.s.	660	543
Třinecké gastroslužby, s.r.o.	420	436
TŘINECKÁ PROJEKCE, a.s.	0	483
TRIALFA, s.r.o.	23	47
Moravia Security, a.s.	12	7
Moravskoslezský kovošrot, a.s.	10,327	7,730
HRAT, s.r.o.	1	1
<b>Total short-term liabilities towards enterprises in the group</b>	<b>136,733</b>	<b>99,563</b>
Liabilities outside the group	37,762	40,186
<b>Total short-term trade liabilities</b>	<b>174,495</b>	<b>139,749</b>

Receivables from subjects in the group in 2018 were CZK 2,940 thousand, in 2017 it was CZK 7,850 thousand.

Revenues implemented with subjects in the group in 2018 were CZK 191,500 thousand in 2017 they were CZK 191,406 thousand.

Purchases from subjects in the group in 2018 were CZK 658,692 thousand, in 2017 the amount was CZK 619,794 thousand CZK.

All transactions with subjects in the group were conducted under standard terms.



#### 4.11. OTHER COSTS AND REVENUES

Costs for consulting, advisory and audit activity in 2018 were 1,070 thousand CZK. (1,397 thousand CZK at 31. 12. 2017).

Concerning the other operating costs in 2018, the significant part is compensation of damage for delivery of low-quality raw materials was in the amount of CZK 523 thousand (CZK 1,333 thousand at 31. 12. 2017).

The other financial revenues represent exchange gains. In 2018, their value was CZK 4,993 thousand (CZK 1,368 thousand at 31. 12. 2017).

In the area of the other costs, in 2018 the company reports costs for insurance in the amount of 4,092 thousand CZK (4,014 thousand CZK at 31. 12. and compensation for damages to low-quality production in the amount of 3,850 thousand CZK (2,671 thousand CZK at 31. 12. 2017).

Other financial costs contain exchange losses in the amount of 4, 701 thousand CZK (10,517 thousand CZK at 31. 12. 2017).

#### 4.12. TOTAL COSTS SPENT ON RESEARCH AND DEVELOPMENT

(data in thousands CZK)

	2018	2017
Expenses spent on research and development	1,825	1,928

### 5. EMPLOYEES, SENIOR MANAGEMENT OF THE COMPANY AND STATUTORY BODIES

#### 5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

Average number of employees at 31. 12. 2018 is 642; members of five management bodies at 31. 12. 2017 was 646 members of five management bodies 5.

The level of staff costs which were spent for employees in 2018 is CZK 285,008 thousand, for members of management bodies was CZK 11,788 thousand. In 2017, it was CZK 262,319 thousand, for members of management bodies, it was CZK 10,546 thousand . Including remuneration for members of the Board of Directors in 2018 it was CZK 5,635 thousand, in 2017 it was CZK 5,122 thousand, for members of the Supervisory Board in 2018 it was CZK 324 thousand, in 2017 it was CZK 324 thousand.

The number of employees is derived from the average physical number of employees. The term “top management of the company” means the director of the company and professional managers.

## 5.2. LOANS, CREDITS AND OTHER FULFILMENTS

In 2018 and 2017, members of the top management received credits and remunerations beyond their basic salaries:

### 2018

(data in thousands CZK)

	Board of Directors	Supervisory Board	Senior management of the company
Life and pension insurance contributions	36	12	24
Remuneration	5,635	324	0
Passenger cars/other movable and immovable items that can be used for private purposes (the value is the amount by which the tax base of employees is increased)	292	0	166

### 2017

(data in thousands CZK)

	Board of Directors	Supervisory Board	Senior management of the company
Life and pension insurance contributions	36	12	24
Remuneration	5,122	324	0
Passenger cars/other movable and immovable items that can be used for private purposes (the value is the amount by which the tax base of employees is increased)	292	0	166

## 6. PAYABLES NOT MENTIONED IN THE ACCOUNTING

At 31 12. 2018, the company did not participate in any legal dispute where the outcome would significantly impact the company.

### Ecological obligations

The senior management of the company does not expect any future commitments for damage caused by previous activities or commitments for preventing any future damage.

The company did not provide any guarantees to third parties.

## 7. EVENTS OCCURRING AFTER THE DATE OF THE FINANCIAL STATEMENT

After the date of the financial statement, there have been no material post financial statement events that would require disclosure or adjustment to the financial statements.

## 08

Report  
on Relations**Name of business company:**

Slévárny Třinec, a.s.

**Registered office:**

Průmyslová 1001, 739 61 Třinec - Staré město

**Legal form:**

joint-stock company

**ID number:**

258 30 716

Registered in Insert 2093 of Part B of the Commercial Register maintained at the Regional Court in Ostrava

This report on relations between Slévárny Třinec, a.s., registered office Průmyslová 1001, Staré Město, 739 61 Třinec, ID number 25830716, registered in Part B, Insert 2093, of the commercial register maintained by the Regional court in Ostrava (hereinafter referred to as "Slévárny Třinec, a.s.") and managing subjects and between Slévárny Třinec, a.s. managed by the same managing subject is produced in accordance with the provisions of Section 82 of Act No. 90/2012 Coll., on business companies and cooperatives (hereinafter referred to as the "law on corporations") for the 2018 accounting period (hereinafter referred to as the "previous accounting period").

## I. DEFINITION OF MANAGING AND MANAGED SUBJECTS AND THE STRUCTURE OF THEIR RELATIONS

### A. MANAGING SUBJECTS

**TŘINECKÉ ŽELEZÁRNY, a. s.**, registered office Průmyslová 1000, Staré Město, 739 61 Třinec,

ID number: 18050646

Relation: TŘINECKÉ ŽELEZÁRNY, a. s. in the previous accounting period was the managing subject of **Slévárny Třinec, a.s.**

**MORAVIA STEEL a.s.**, registered office Průmyslová 1000, Staré Město, 739 61 Třinec,

ID number: 63474808

Relation: MORAVIA STEEL a.s. in the previous accounting period was the managing subject of TŘINECKÉ ŽELEZÁRNY, a. s..

**FINITRADING, a.s.**, registered office nám. Svobody 526, Lyžbice, 739 61 Třinec,

ID number: 61974692

Relation: FINITRADING a.s. in the last accounting period was in the position of the managing subject of MORAVIA STEEL, a. s.

### B. SUBJECTS MANAGED BY THE SAME MANAGING SUBJECT

**Moravskoslezský kovošrot, a.s.**, registered office Božkova 936/73, Přívoz, 702 00 Ostrava,

ID number: 26855097

**M Steel Projects a.s.**, registered office Průmyslová 1000, Staré Město, 739 61 Třinec,

ID number: 28602331

**Barrandov Studio a.s.** registered office Prague 5 - Hlubočepy, Kříženeckého nám. 322/5, Postcode 15200,

ID number 28172469

**Beskydská golfová, a.s.**, registered office reg. No. 415, 739 61 Ropice,

ID number: 25352920



**MS - Slovensko s.r.o.**, registered office Námestie Ludovíta Štúra 2, Bratislava 811 02, Slovak Republic,  
ID number: 35900601

**MORAVIA STEEL IBÉRIA, S.A.**, registered office Campo Grande, 35 - 9. A, P-1700 Lisboa, Portugal

**MORAVIA STEEL ITALIA s.r.l.**, registered office Corso Sempione 39, 20145 Milano, Italy

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

**Moravia Steel Deutschland GmbH**, registered office Cliev 19, 51515 Kurten-Herweg, Germany

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

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

**Moravia Steel Middle East FZCO**, registered office Jebel Ali Free Zone, Jafza 17, office # 325, PO. Box: 263224, Dubai, U.A.E

**„NEOMET” SPÓIKA Z OGRANICZONA ODPOWIEDZIALNOSCIA**, registered office ŚWI<sup>^</sup>TEJ ROZALII 10/12, 97-500 Radomsko, Poland

**MORAVIA MINING PLC**, registered office Addis Ababa, Bole 03, 5/001 - 405 A, Ethiopia

**Kovárna VIVA a.s.** registered office Vavrečkova 5333, 760 01 Zlín,  
ID number: 46978496

In the previous accounting period, the business company was in relation to the company Slévárny Třinec, a.s. a subject managed by the same managing subject from 26.04.2018

**M Steel Projects, s.r.o.**, registered office Vojtecha Tvrdého 793/21, Žilina 010 01, Slovak Republic,  
ID number: 46685570

**AHP HYDRAULIKA, a. s.**, registered office Vojtecha Tvrdého 793/21, Žilina 010 01, Slovak Republic,  
ID number: 31563104

**MSProjects International s.r.o.**, registered office nám. Svobody 526, Lyžbice, 739 61 Třinec,  
ID number: 03587649

**Barrandov Productions s.r.o.**, registered office Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5,  
ID number: 25621025

**FILMOVÁ NADACE**, registered office Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5,  
ID number: 27437213

**Barrandov Studios Productions s.r.o.**, registered office Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5,  
ID number: 03160378

**MSK Polska Sp.z o.o. in liquidation**, registered office BATALIONÓW CHLOPSKICH 2, 42-680 TARNOWSKIE GÓRY, Poland

**Hotel Golf Ropice a.s.**, registered office, reg. No. 415, 739 61 Ropice,  
ID number: 27844919

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

**ALPER a.s.** registered office Vrahovická 4530, 796 01 Prostějov,  
ID number: 27126226

In the previous accounting period, the business company was in relation to the company Slévárny Třinec, a.s. a subject managed by the same managing subject from 26.04.2018

**SwissCentrum Engineering, s.r.o.** registered office Vrahovická 4643, 796 01 Prostějov,  
ID number: 63494957

In the previous accounting period, the business company was in relation to the company Slévárny Třinec, a.s. as a subject managed by the same managing subject from 26.04.2018

**ENERGETIKA TŘINEC, a.s.**, registered office Průmyslová 1024, Staré Město, 739 61 Třinec,  
ID number: 47675896

**Třinecké gastroslužby, s.r.o.**, registered office Průmyslová 1035, Staré Město, 739 61 Třinec,  
ID number: 25838148

**Doprava TŽ, a.s.**, registered office Třinec-Staré Město, Průmyslová 1008, Postcode 73965,  
ID number: 25398083

**TRIALFA, s.r.o.**, registered office Třinec - Kanada, ul. Míru 272, Postcode 73965,  
ID number: 25839888

**Řetězárna a.s.**, registered office Polská 48, 790 81 Česká Ves,  
ID number: 47672081

**Reťaze Slovakia, s.r.o.**, registered office Nádražná 30, Skalica 909 01, Slovak Republic,  
ID number 34143483

**JuBo Jeseník s. r. o.**, registered office U Jatek 600/2, 790 01 Jeseník,  
ID number: 48391514

**Řetězárna servis s.r.o.**, registered office U Jatek 600/2, 790 01 Jeseník,  
ID number: 05644267

**TRISIA, a.s.**, registered office nám. Svobody 526, Lyžbice, 739 61 Třinec,  
ID number: 64610152

**REFRASIL, s.r.o.**, registered office Průmyslová 720, Kanská, 739 61 Třinec,  
ID number: 48395862

**VÚHŽ a.s.**, registered office, Reg. No. 240, 739 51 Dobrá,  
ID number: 27768953

**MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.**, registered office Pohraniční 693/31, Vítkovice, 703 00 Ostrava,  
ID number 25870807

**Šroubárna Kyjov, spol. s r.o.**, registered office Jiráskova 987/50, 697 01 Kyjov,  
ID number: 42293588

**Moravia Security, a.s.**, registered office Průmyslová 725, Kanská, 739 61 Třinec,  
ID number: 27835481

**Security Morava, s.r.o.**, registered office Jiráskova 987/50, 697 01 Kyjov,  
ID number: 28346262

**Strojírny a stavby Třinec, a.s.**, registered office Průmyslová 1038, Staré Město, 739 61 Třinec,  
ID number: 47674539

**METALURGIA Spółka Akcyjna**, registered office ulica ŚWIETEJ ROZALII No.10, lok. 12, 97-500 Radomsko, Poland

**ZAMECZEK BLOGOCICE SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA**, registered office street STEFANA ŻEROMSKIEGO 1,43-400 Cieszyn, Poland

**D&D Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság**, registered office 3527 Miskolc, Sajószigeti utca 4., Hungary

**TŘINECKÁ PROJEKCE, a.s.**, registered office Míru 274, Kanada, 739 61 Třinec,  
ID number: 47677741

**ŽDB DRÁTOVNA a.s.**, registered office Jeremenkova 66, Pudlov, 735 51 Bohumín,  
ID number: 29400066

**DALSELV DESIGN a.s.**, registered office Pohraniční 693/31, Vítkovice, 703 00 Ostrava, in the last accounting period registered office Slévárenská 403/11, Mariánské Hory, 709 00 Ostrava,  
ID number 28262913

**HŽP a.s.**, registered office Dolní 3137/100, 796 01 Prostějov,  
ID number: 26955342

**SV servisní, s.r.o.**, registered office Dolní 3137/100, 796 01 Prostějov,  
ID number: 60725974

**IMOPRA s.r.o.**, registered office U Dvora 217, 687 51 Nivnice,  
ID number: 26277697

**BOHEMIA RINGS s.r.o.** registered office, reg. No: 10, 565 43 Zámorsk,  
ID number: 49685643

In the previous accounting period, the business company was in relation to the company Slévárny Třinec, a.s. a subject managed by the same managing subject from 26.04.2018

Addresses of registered offices of business companies according to this part I are given at the status at 31.12.2018.

## II. TASK OF THE COMPANY SLÉVÁRNY TŘINEC, A.S. AND METHOD AND MEANS OF MANAGING

The company Slévárny Třinec, a.s. deals in relation with subjects according to Part I of this report on relations as a manufacturing company whose main activity is the production of cast pieces.

The company Slévárny Třinec, a.s. is directly managed by TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter referred to as "TŽ").

In the previous accounting period, the company TŽ applied decisive influence in the company Slévárny Třinec, a.s. as its sole partner during the execution of authority of the General Meeting of Slévárny Třinec, a.s.



### III. LIST OF NEGOTIATIONS AND CONTRACTS

**List of negotiations and mutual contracts between Slévárny Třinec, a.s. and managing subjects and between Slévárny Třinec, a.s. and subjects managed by the same managing subject:**

- a) In the previous accounting period, Slévárny Třinec, a.s. did not conduct any negotiations on the initiation of or in the interest of the managing subject or its managed subjects concerning assets exceeding 10% of the equity of Slévárny Třinec, a.s. ascertained according to the financial statement for the accounting period 2017 pursuant to Section 82 par. 2 letter d) of the law of business corporations.
- b) List of contracts for the previous accounting period between Slévárny Třinec, a.s. and the managing subjects and between Slévárny Třinec, a.s. and subjects managed by the same managing subject pursuant to Section 82, par. 2 letter e) of the act on business corporations is contained in the following appendixes to the report on relations:
- 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. TRISIA, a.s.
  - Appendix No. 13. AHP HYDRAULIKA, a. s.
  - Appendix No. 14. Moravskoslezský kovošrot, a. s.
  - Appendix No. 15. BOHEMIA RINGS s.r.o.
- c) Between Slévárny Třinec, a.s. and the managing subjects and between Slévárny Třinec, a.s. and the subjects by managed the same managing subject other than subjects mentioned under letter b) above, in the previous accounting period there were no contracts pursuant to Section 82, par. 2 letter e) of the act on business corporations.

## IV. EVALUATION OF RELATIONS

This report on relations contains all the important facts pursuant to Section 82 of the law of business corporations for the requirements of the report on relations concerning relations between Slévárny Třinec, a.s. and the subjects that it is managed by and between Slévárny Třinec, a.s. and subjects managed by the same managing subject.

The fulfilment and the counter fulfilment received and provided for Slévárny Třinec, a.s. on the basis of the contracts contained in the appendixes to this report on relations, were provided under the usual business terms.

Prices agreed between Slévárny Třinec, a.s. and managing subjects and between Slévárny Třinec, a.s. and subjects managed by the same subject do not differ from prices that would be agreed by independent subjects, the level of the business range between the company Slévárny Třinec, a.s. and controlling subjects and between the company Slévárny Třinec, a.s. and the subject managed by the same managing subject is in accordance with the market gap principle.

Slévárny Třinec, a.s. considers relations with managing subjects and subjects managed by the same managing subject advantageous and there are no any risks to the company Slévárny Třinec, a.s. other than usual markets risks resulting from business in the respective areas.

No prejudice originated for Třinec, a.s. from relations with managing subjects and a subject managed by the same managing subject in the previous accounting period.

Třinec, 25 March 2019

  
Ing. Josef Šigut  
Deputy Chairman of the Board of Directors  
Slévárny Třinec, a.s.



  
Miroslav Kajzar  
Member of the Board of Directors  
Slévárny Třinec, a.s.

## APPENDIX NO. 1:

**List of contracts between the company Slévárny Třinec, a.s. and the business company MORAVIA STEEL a.s.**

**2. The contract for which the provision of items or services for the company MORAVIA STEEL, a.s. in favour of the business company Slévárny Třinec a.s. is decisive.**

1. General contract for the supply of raw materials and materials valid from 1.4.2016.
2. Order contract for the purchase of work and services, purchase of technical and overhead material and spare parts valid from 1.3.2016.
3. General contract and freight transport of goods valid from 1.5.2016.
4. Order No. 4501004391 for services related to the trade fair Innotrans Berlin 2018 of 31.5.2018.

## APPENDIX NO. 2:

**List of contracts between the company Slévárny Třinec, a.s. and the business company TŘINECKÉ ŽELEZÁRNY a.s.**

**1. The contract for which the provision of items or services for the company Slévárny Třinec, a.s. in favour of the business company TŘINECKÉ ŽELEZÁRNY, a. s. is decisive.**

1. Contracts for the sale of cast pieces and materials for the period from 10.1.2017 to 21.12.2017 - number of contracts 18; for the period from 3.1.2018 to 26.11.2018 - number of contracts 98.
2. Contracts for sale of scrap for the period from 11.1.2018 to 21.12.2018 - number of contracts 27.
3. Contracts for annealing of weldments: for the period from 22.1.2018 to 13.11.2018: number of contracts 6.
4. Contract for leasing non-residential premises PJVIM 1/20-Cu.

**2. Contract for which the provision of items or services for the company TŘINECKÉ ŽELEZÁRNY, a.s. in favour of the business company Slévárny Třinec a.s. is decisive.**

1. General agreement on deliveries of raw materials of 1.4, 1999. The subject matter of this contract is the purchase of solid and liquid iron and liquid steel.
2. Orders for the purchase of scrap, materials and other raw materials: for the period from 2.1.2018 to 4.12.2018; number of orders 28.
3. Orders for the provision of services for the period from 18.1.2017 to 29.9.2018; number of orders 33.

## APPENDIX NO. 3:

### List of contracts between the company Slévárny Třinec, a.s. and the business company ENERGETIKA TŘINEC, a.s.

#### 1. Contracts for which the provision of items and/or services for the company Slévárny Třinec, a.s. in favour of the business company ENERGETIKA TŘINEC, a.s. is decisive

1. Contracts for supplies of cast pieces of 21.3.2018, 17.5.2018, 27.9.2018 (3 contracts).
2. Contracts for the supply of foundry and quartz sand from 27.9.2017 to 10.7.2018 (3 contracts).
3. Contracts for leasing on-residential premises of 31.7.2003, 30.6.2005 (2 contracts).

#### 2. Contracts for which the provision of items or services of the business company ENERGETIKA TŘINEC, a.s. in favour Společnosti Slévárny Třinec, a.s. is decisive

1. Contracts for energy supplies of 30.1.2015, 12.2.2015, 3.3.2015, 19.12.2016: (4 contracts).
2. Contract for leasing of non-residential premises of 31.3.2009
3. Order contract for the selection of a supplier of an electricity and natural gas supplier of 22.1.2015
4. Orders for the purchase of materials of 30.11.2017, 13.12.2017 (2 orders).
5. Order for repair to the heat distribution system of 6.4.2018

## APPENDIX NO. 4:

### List of contracts between the company Slévárny Třinec, a.s. and the business company Strojírny a stavby Třinec, a.s.

#### 1. Contracts for which the provision of items and/or services for the company Slévárny Třinec, a.s. in favour of the business company Strojírny a stavby Třinec, a.s. is decisive

1. Orders for production and sale of cast pieces for the period from 3.10.2017 to 22.12.2017, number of orders 29; for the period from 8.1.2018 to 16.11.2018, number of orders 124.
2. Orders for the provision of heating processing for the period from 23.3.2018 to 15.11.2018, number of orders 7.

#### 2. Contracts for which the provision of items or services of the business company Strojírny a stavby Třinec, a.s. in favour of Slévárny Třinec, a.s. is decisive

1. Orders for the processing of cast pieces for the period from 11.9.2017 to 8.11.2018, number of orders 55.
2. General contracts for work where the subject matter is modifications, restoration, locksmith work, repairs, construction work and other services.  
For the period from 21.11.2017 to 19.10.2018, 35 orders.
3. General purchase contract for the purchase of materials, spare parts and cast-iron waste. For the period from 27.11.2017 to 22.11.2018, 32 orders.

## APPENDIX NO. 5:

List of contracts between the company Slévárny Třinec, a.s. and the business company REFRASIL, s.r.o.

### 1. Contracts for which the provision of items and/or services by the company Slévárny Třinec, a.s. in favour of the business company REFRASIL, s.r.o. is decisive

1. Orders (7) for the sale of cast pieces from 6.10.2017 to 5.11.2018.

## APPENDIX NO. 6:

List of contracts between the company Slévárny Třinec, a.s. and the business company Doprava TŽ, a.s.

### 2. Contracts for which the provision of items or services of the business company Doprava TŽ, a.s. in favour of Společnosti Slévárny Třinec, a.s. is decisive

1. Contract for the transport of items No. 01/005/2006 of 30.12.2005.
2. Contract No. 4501038693 of 14.11.2018 - sale of converter slag.

## APPENDIX NO. 7:

List of contracts between the company Slévárny Třinec, a.s. and the business company Třinecké gastroslužby, s.r.o.

### 2. Contracts for which the provision of items or services by the business company Třinecké geoslužby s.r.o. in favour of Společnosti Slévárny Třinec, a.s. is decisive

1. Contract of 1.11.1999 for the provision of catering services, number of orders 10
2. Contract of 11.7.2018 for the provision of non-financial fulfilment for employees of Slévárny Třinec, a.s.(benefits).



## APPENDIX NO. 8:

List of contracts between the company Slévárny Třinec, a.s. and the business company VÚHŽ a.s.

### 1. Contracts for which the provision of items and/or services by the company Slévárny Třinec, a.s. in favour of the business company VÚHŽ a.s. is decisive

1. Contract for the sale of cylinders: from 2.8.2017 to 29.8.2018, number of contracts 6.

### 2. Contracts for which the provision of items or services by the business company VÚHŽ, a.s. in favour Společnosti Slévárny Třinec, a.s. is decisive

1. Order for work - study of 8.9.2016
2. Order for work, scientific-technical documentation and testing of 26.2.2018.

## APPENDIX NO. 9:

List of contracts between the company Slévárny Třinec, a.s. and the business company TRIALFA, s.r.o.

### 1. Contracts for which the provision of items and/or services by the company Slévárny Třinec, a.s. in favour of the business company TRIALFA, s.r.o. is decisive

1. Contracts for the sale of cast pieces for the period from 17.1.2018 to 30.10.2018, number of orders 10.

### 2. Contracts for which the provision of items or services by the business company TRIALFA s.r.o. in favour Společnosti Slévárny Třinec, a.s. is decisive

1. Orders for the purchase of materials for periods from 13.12.2017 to 7.9.2018, number of orders 7.
2. Order for work, machine - locksmith of 11.12.2017.
3. Order for the provision of employee benefits of 1.2.2018.

## APPENDIX NO. 10:

List of contracts between the company Slévárny Třinec, a.s. and the business company Řetězárna, a.s.

### 1. Contracts for which the provision of items and/or services by the company Slévárny Třinec, a.s. in favour of the business company Řetězárna, a.s. is decisive

1. Contract for the sale of cast pieces from 26.1.2018 to 24.5.2018, number of orders 3.

## APPENDIX NO. 11:

List of contracts between the company Slévárny Třinec, a.s. and the business company Moravia Security, a.s.

### 2. Contract for which the provision of items or services by the company Moravia Security, a.s. in favour of the business company Slévárny Třinec a.s. is decisive

1. Order for work - service and revision of 30.1.2018
2. Order for work for sales and mediation services of 30.1.2018
3. Contract for the provision of security services of 26.1.2018

## APPENDIX NO. 12:

Lists of contracts between the company Slévárny Třinec, a.s. and the business company TRISIA, a.s.

### 2. Contracts for which the provision of items or services by the business company TRISIA, a.s. in favour Společnosti Slévárny Třinec, a.s. is decisive

1. Orders for the provision of services for the period from 5.1.2018 to 10.5.2018, number of orders 3.
2. Order for the provision of employee benefits of 11.7.2018.

## APPENDIX NO. 13:

List of contracts between the company Slévárny Třinec, a.s. and the business company AHP HYDRAULIKA, a.s.

### 1. Contract under which Slévárny Třinec, a.s. provided items or services in favour of AHP HYDRAULIKA, a.s.

1. Contract for sale of cast pieces of 8.1.2018.

## APPENDIX NO. 14:

List of contracts between Slévárny Třinec, a.s. and Moravskoslezský kovošrot, a.s.

### 2. Contracts under which Moranský kovošrot, a.s. provided items or services in favour of Slévárny Třinec, a.s.

1. Orders for purchase of scrap for the period from 3.1.2018 to 11.12.2018, number of orders 37.

## APPENDIX NO. 15:

List of contracts between Slévárny Třinec, a.s. and BOHEMIA RINGS s.r.o.

### 2. Contracts for which the provision of items or services by TRIALFA s.r.o. in favour Slévárny Třinec, a.s. is decisive

1. Contracts for processing cast pieces of 23.4.2018 and 20.7.2018, number of orders 2.

## 09

Statement  
of the Auditor**Deloitte.**

Deloitte Audit s.r.o.  
Churchill 1  
Italská 2581/67  
120 00 Praha 2 - Vinohrady  
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 akcionáře 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 2018, 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 2018 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 odpovídá představenstvo společnosti.

Naš 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 významně (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 způsobilo 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.

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 vzniknout v důsledku podvodů nebo chyb a považují se za významné (materiální), pokud lze reálně předpokládat, že by jednotlivé 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 příloh, 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 25. března 2019

Auditorská společnost:

Deloitte Audit s.r.o.  
evidenční číslo 079



Statutární auditor:

Václav Loubek  
evidenční číslo 2037





