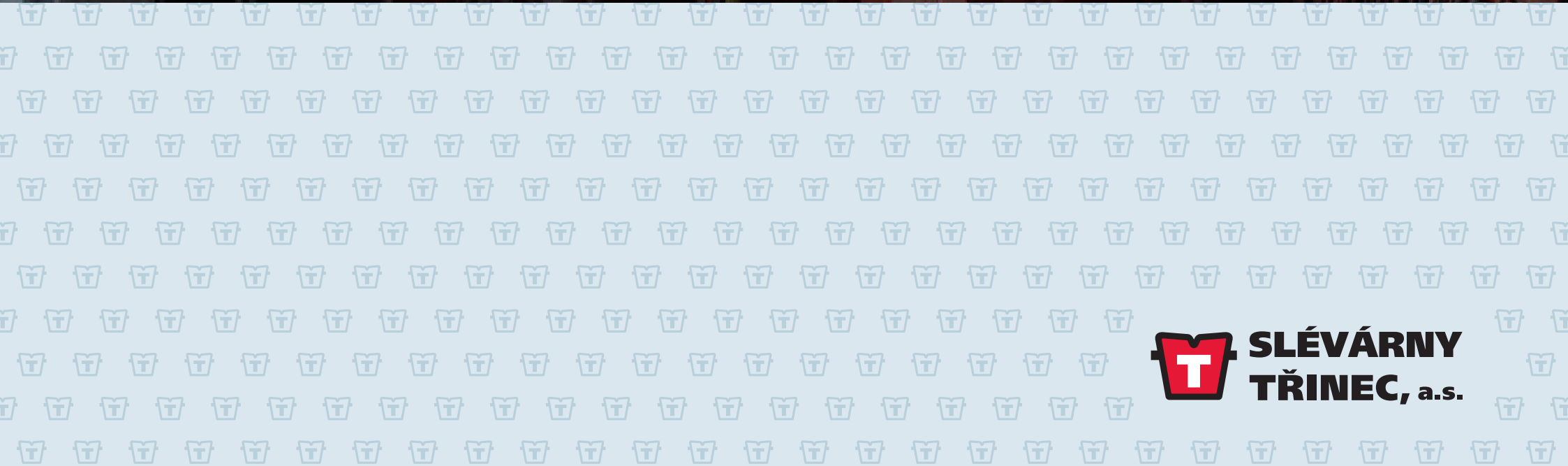


ANNUAL REPORT

2017



**SLÉVÁRNY  
TŘINEC, a.s.**

# CONTENTS

## INTRODUCTION

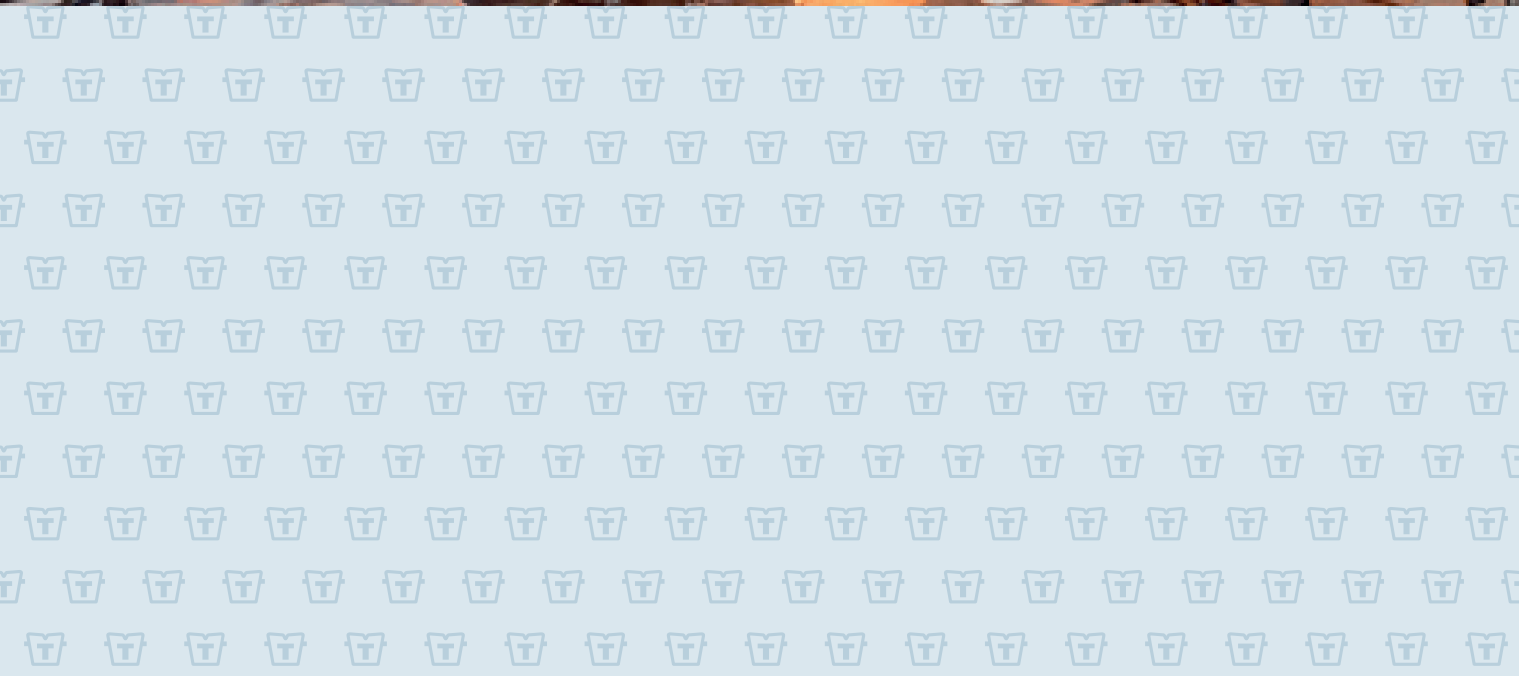
I	Introductory words of the director	4
II	General information and data	7
III	Company bodies	8
IV	Report of the Board of Directors	9
V	Report of the Supervisory Board	14

## FINANCIAL REPORT

VI	Annual Accounts for 2017	16
VII	Annual Accounts 2017: Annex	23
01	General data	23
02	Accounting methods and general accounting principles	24
03	Overview of important accounting rules and procedures	25
04	Additional data for the balance sheet and profit and loss statement	31
05	Employees, management of the company and statutory bodies	39
06	Payables not reported in accounting	40
07	Event after the reporting period of annual accounts	40
VIII	Relationship Report	41
XI	Auditor's Statement	55

**Name of the company:** Slévárny Třinec, a.s.  
**Registered seat:** Průmyslová 1001, Staré město, 739 61, Třinec, Czech Republic  
**Legal form:** joint stock company  
**Company ID:** 25830716  
**Email:** foundry@trz.cz  
[www.slevarny.trz.cz](http://www.slevarny.trz.cz)

# INTRODUCTION



## I

INTRODUCTORY WORDS  
OF THE DIRECTOR**DEAR FRIENDS,**

This annual report informs you about the results of our company in 2017.

The year 2017 was affected by plant production objectives that experienced a rising trend, thanks to a higher-than-planned price of metallic batches over the year. Also, bank interventions for the benefit of the Czech crown were ended. The higher prices of metallic batches in particular had a causal effect, but in spite of production increasing by 5.6% and incomes by 1.7% vs. the plan, the economic result was not achieved. The first quarter was very low from the production objectives point of view. Only in the second quarter did we see production meet and exceed our objectives in the case of grey alloy foundries I and II, where production was exceeded by 8.8% and 5.6% respectively. The steel foundry was mainly hit by the decrease in production and total production dropped by 6.4%. However, the higher executed price at this plant resulted in performance exceeding plan by 1%. For the purpose of elimination of input prices, in particular of the metallic batch, measures were adopted, reducing their impacts at least partly and the real economic results may be considered good, even if objectives were not met.

We have updated our Entrepreneurial Program for 2018 to 2022 following the Entrepreneurial Program of the TŽ, a.s. forming part of the Entrepreneurial Program of the TŽ-MS group.

During this update, the latest knowledge and information about market development and further basic documents as the Marketing Study and the Quality Improvement Plan, according to the ČSN EN ISO 9001 standard, were utilized.

Thanks to our activities, we are constantly forming the sense and basis for the unique nature of our company by “Increasing the value of material inputs for the TŽ primary production outside of the Třinecké železářny – Moravia Steel group.”

**The following parameters of company development are included in the Entrepreneurial Program:**

**Vision:** Modern with a long tradition

**Mission:** Be a reliable partner for customers for the supply of castings in metallurgy for construction machines, mining and processing of mineral raw materials, machine engineering, the automobile industry and other important market segments, while having such results that are interesting for the owners, managers and employees.

**Key areas (principles):**

- **Partnership** (strengthening of market position, competitiveness)
- **Management** (financial stability, permanent increase in productivity)
- **People** (cooperative team oriented towards customers)
- **Technologies** (quality, innovation, permanent improvement)



We have updated our  
Entrepreneurial Program  
for

**2018**  
**2022**

TABLE OF BASIC ECONOMIC INDICATORS IN 2013–2017.

INDICATOR / YEAR	2013	2014	2015	2016	2017
ROCE (in %)	2.69	4.17	5.63	2.49	2.26
ROS (in %)	1.29	2.09	2.74	1.55	1.34
Consumption/performance (in %)	71.57	70.05	70.20	68.31	69.95
ER before taxes (in thousands of CZK)	14,092	23,511	33,055	16,543	15,262
Indebtedness (in %)	25.67	27.91	26.45	29.65	32.42
Investments (in thousands of CZK)	11,635	29,838	58,737	144,426	22,505
Productivity from PH-ON (in thousands of CZK /emp.)*	80.97	110.36	128.88	101.25	107.98
Number of employees	675	665	672	666	647

\*Labour productivity based on value added (PH) free of costs for personnel (ON). Calculation: PH-ON/number of employees.

### Corporate Culture

For the purpose of meeting our mission and vision, we are developing our corporate culture further based on the following values and principles:

#### Values:

- Satisfied customers
- Motivated employees
- Quality
- Reliability
- Teamwork

### Principles:

- Management
- Partnership
- People
- Technologies

### Technological Research & Development

Technological research & development of Slévárny Trinec, a.s. (SL) is based on the Strategy of the company within the TŽ/MS group. It is an instrument to improve competitiveness, meet customer demands and fulfil requirements for company development. The strategy's direction is to improve the quality of casting production by researching





and developing new kinds of materials, technologies and casting construction.

Our own execution is secured in a form of research tasks, projects and technological and product innovations.

### Environment and Ecology

Regular and systematic care for the environment forms part of our policy whose effect is to produce the best conditions for permanently sustainable regional development. Each year, we submit the Program for environmental protection for this purpose, where we record respective execution of our ecological intentions and within our future outlook we meet every single step of the way to achieve a developed industrial company.

Environmental protection is one of our company's primary tasks and we consider it a company activity as important as economic results and social conditions.

### Strategic Plans

The annual Marketing Study of SL maps the needs of existing customers, forming the background document for the preparation of the Financial Plan, as well as for the proposals of strategic development possibilities and recommendations for new opportunities for all the plants. Now we are

focusing on completing the modernization of the foundry for gray alloy I and the steel foundry. At the same time, we are focused on the development of respective market segments of higher rentability and to make the manufacturing at markets with lower rentability more effective. In particular, we want to deepen our long-term partner relationships and improving their quality and create more demand for castings for automobile industry and machining equipment energetics.

I would like to express my appreciation for a job well done in 2017 to all of our business partners and our controlling company for their support. And last, but not least, I would like to thank our colleagues for their efforts and high-quality work.

  
**Ing. Zdeněk Vladár**

Company Director, Slévárny Třinec, a.s.  
In Třinec, on 16.02.2018

## II

## GENERAL INFORMATION

<b>Name of the accounting unit:</b>	Slévárny Třinec, a.s.
<b>Registered seat:</b>	Průmyslová 1001, Staré Město, 739 61 Třinec
<b>Legal form:</b>	joint stock company
<b>Main business activity:</b>	foundry industry
<b>Registered in Commercial Registry:</b>	16.02.1999
<b>Equity:</b>	CZK 550,000,000.00
<b>Share on equity:</b>	100% share of TŘINECKÉ ŽELEZÁRNY, a. s. Company ID 18050646

**Shares:** 100 pcs of common registered shares of CZK 10,000.00 nominal amount,  
399 pcs of common registered shares of CZK 1,000,000.00 nominal amount,  
15 pcs of common registered shares of CZK 10,000,000.00 nominal amount.

The company initiated business on 31.03.1999.

By 31.12.2017, the company had no branch or any other part of the plant in foreign countries.

Slévárny Třinec, a.s. belong to the consolidated group of TŘINECKÉ ŽELEZÁRNY, a.s.

## III

## COMPANY BODIES

**Main controlling bodies of the company consist of:**

Meeting of shareholders  
 Supervisory Board  
 Board of Directors  
 Director and management

**Supervisory Board:**

Ing. Ivo Žižka  
 Mr. Marian Czyž  
 Mr. Ludvík Javorek

Chairman  
 Deputy Chairman  
 member

**Board of Directors:**

Ing. Zdeněk Vladár  
 Ing. Josef Šigut  
 Mr. Miroslav Kajzar

Chairman  
 Deputy Chairman  
 member

**Top management:**

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

Director of the company  
 Economy & HR Director  
 Manufacturing Director  
 Technology & Quality Director  
 Sales Director



# IV

## REPORT OF THE BOARD OF DIRECTORS

In 2017, at its regular Meetings (22 in total), the Board of Directors of Slévárny Třinec, a.s. discussed, in particular, the preparation and evaluation of conceptual background documents and materials for the development of the joint stock company, submitted to the Supervisory Board to be assessed. Also discussed were the tasks for the Board of Directors, set by the Supervisory Board of our company, including a regular analysis and evaluation of economic results. This important point of the meeting of the Board of Directors also contained the discussion about meeting the objectives for all the key management areas (2017 Financial Plan, including the Plan for Investments and the Entrepreneurial program for 2017 to 2021), and subsequent regular discussion about achieved results for the purpose of securing the meeting of required economic results, including the execution of measures adopted to achieve a positive economic result.

Other important points discussed were mainly the Annual Report for 2016, the 2018 Financial Plan, incl. the Plan of Investments and the Entrepreneurial Program for the years 2018 to 2022.

Moreover, other issues related to keeping the company operable were monitored, assessed and solved (HM policy – organization structure, collective negotiations, work conditions, marketing and commercial strategies, product and technology innovations).

### PRODUCTION AND MARKET POSITION

According to the available data, Slévárny Třinec, a.s., belongs, with its more than 6% share on steel casting production and almost 14% share on casting production

from alloy to one of the biggest foundries in the moulding market in the Czech Republic.

### ASSORTMENT

In 2017, 34,500 tonnes of castings were produced by our company Slévárny Třinec, a.s. for a wide group of customers in 14 different market segments. This is an increase by 8.7% tonnes compared to 2016, while expressed in monetary units it is more than 5.5%. From the customer capacity requirements point of view, it was a demanding year for Slévárny Třinec, mainly for the castings from the automatic moulding line. The assortment, whose volume rose last year, included mainly components for the metallurgy industry, mechanical engineering and automobile industry.

### THE FOLLOWING TABLE SPECIFIES THE SHARES OF RESPECTIVE MARKET SEGMENTS ACCORDING TO 2017 INCOMES:

Market segments	% share
HU – Castings for metallurgy industry	29.70%
AT – Castings for automobile industry	19.14%
SR – Castings for engineering industry	17.01%
PR – Castings for counterweights	9.37%
TS – Parts for mining and processing of raw materials	8.32%
KO – Castings for railway transportation	6.30%
HV – Rollers for rolling mills	6.10%
ZE – Castings for agriculture	2.40%
ST – Castings for construction industry	0.75%
RA – Parts for press tools	0.35%
EN – Castings for energy industry	0.27%
AM – Fittings	0.14%
OF – Castings for offshore and oil industry	0.12%
RU – Marketing and art items	0.05%

## IN 2017, OUR COMPANY SUPPLIED CASTINGS FOR DIFFERENT INDUSTRIES OUTSIDE OF THE CZECH REPUBLIC, IN 17 FOREIGN COUNTRIES.

Country	% share
Czech Republic	41.59%
Italy	18.03%
Germany	14.42%
Slovakia	8.00%
Hungary	5.48%
Poland	4.78%
Belgium	3.72%
Norway	1.57%
Netherlands	0.48%
Switzerland	0.44%
Luxembourg	0.30%
Sweden	0.29%
Slovenia	0.24%
Portugal	0.21%
Austria	0.17%
United Kingdom	0.13%
France	0.13%
Estonia	0.02%

## SALES POLICY

In 2017, we based our marketing and sales strategy not only on the development and deepening of long-term partnerships with our customers, but also on the acquisition of new customers and new markets.

For this purpose, we selected the most appropriate marketing tools in our industry. In addition to business

meetings with customers (business trips and visits), we also use event marketing, where we keep the “day for customers” not just for our important long-term customers.

For the purpose of new acquisitions, we are also taking part in exhibitions, actively and passively. Last year we participated in exhibitions for suppliers in Germany, Great Britain, as well as engineering-industrial exhibitions in Italy, Denmark and HannoverMesse in Germany.

Each year, the sales policy of our company is governed by a prepared Marketing Study, whose recommendations are assessed and regularly included into the updated Entrepreneurial program of Slévárny Třinec, a.s.

The following data show the territorial distribution of our production according to incomes.

## WE CAN COMPARE THE ANNUAL CHANGE AGAIN:

	2017	2016
TŽ group	14.80%	17.22%
Domestic market – other	26.82%	26.44%
Export	58.39%	56.33%

## INVESTMENT ACTIVITIES

Investment activities of Slévárny Třinec, a.s. were routed to the following areas:

**Manufacturing** – reconstruction of the No. 11 bridge crane, adjustment of the production flow for an autom-

atized finish of AFL castings, building a roof for batch storage, additional equipment of grinding worksites by overhead pulley blocks in the foundry for grey alloy II, and production of auxiliary equipment to secure the existing production of the so-called “metallurgical exchange equipment”.

**Ecologic** – suction of the cooling grating and chain conveyors in the grey alloy I foundry.

**OHS** – reconstruction of bridge crane cabins in the grey alloy I foundry, safety measures on crane routes, back-up source for the No. 12 crane, vacuum cleaners purchased in the EX configuration.

## 2017 HR POLICIES IN SLÉVÁRNÝ TŘINEC, A.S.

HR policy contributed to the meeting of the Vision and Mission of Slévárny Třinec, a.s.

In 2017, employee retention in our company was affected by the fulfilment of orders and the economic situation of Slévárny Třinec, a.s.

During 2017 44 employees were employed by Slévárny Třinec, a.s. in total and 51 employees left.

The HR policy of Slévárny Třinec, a.s. was based on the efforts to achieve such level and structure of employment, which would lead to an increase in labour productivity under a consecutive operation of the company in all areas. The share of overhead costs on the total 2017 costs achieved 23.5%

In cooperation with the Industrial High School of the Třinecké železářny (SOŠ TŽ), we took part in meetings with educational advisors for high schools. In cooperation with the Labour bureau, we take part regularly in the “Educational Market” even at the end of year, where we present the requirements to graduates, in particular in the professions “molder” and “melter”.

In the international craftsman games, organized by the SOŠ TŽ, we take part in the challenge in the professions of molder and core molder.

An integral part of HR work is the health and safety of employees that focuses on the reduction of risks of work accidents and occupational diseases. Here, the cooperation with Enviform, s.r.o. is effective.

The collective agreement between the ZO OS KOVO trade union and Slévárny Třinec, a.s. was concluded for 2016–2018. It regulates and determines individual and collective relationships between the employer and employees, as well as the rights and obligations arising thereof. All liabilities set by the collective agreement were met in 2017.

The company continued to further educate its employees with training, in particular in the area of production quality improvement of technology and research, environmental impacts, languages and management.

Slévárny Třinec, a.s. also works closely with the Technical University of Ostrava, the Brno University of Technology and the Foundry Association of the Czech Republic.

We allow the students of high schools and universities to perform professional practice in our plants and sections. We also provide consulting services for their bachelors and diploma theses in the professions related to foundry production. Employees who study at high schools or universities are entitled to receive work reliefs.

### STRATEGIC OBJECTIVES IN HR ARE FOCUSED ON THE FOLLOWING:

- Labour productivity improvement
- Motivation of employees
- Days of production without accident
- Tight but flexible structure

**Labour productivity improvement** – management procedures for the necessary labor force are improved by making the plant indicators more accurate every month, affecting labour productivity and its increase.

**Motivation of employees** – for higher employee motivation, an evaluation system was implemented. Its goal is to achieve uniform evaluation within the entire company for the purpose of HR process improvement and to increase its efficiency. It is a tool that differentiates remunerations in dependence on the evaluation of pre-set criteria.

**Production without accident** – with regard to the nature of work in foundries, where a higher frequency of labour accidents occurs, and more attention is paid to the issue of labour accidents, compared to other areas.

Foundry Director has declared a foundry policy where the occupational health & safety principles are applied, targeting a decrease in labour accidents.

**Tight but flexible structure** – qualification deficits are eliminated with internal or external trainings. A process engineering department has been established that contributes to an increase in production efficiency.

### POLICY OF QUALITY AND MANAGEMENT SYSTEM IMPROVEMENT

At the top of the strategies and objectives of Slévárny Třinec, a.s., is the quality of products and procedures, which are prerequisite to achieve customer satisfaction. The environmental protection and care for occupational health and safety occupy the same importance in company activities as the company's economic results and social conditions.

### COMPANY QUALITY SYSTEM ENSURES:

- respecting and meeting of all specified requirements of the customer,
- use of qualified and regularly trained employees,
- high level of utilizable properties of products, declared in attestations and certifications,
- formation of human, financial, information and material sources, necessary for the quality system as tools for production improvement.

### WITHIN EMS, WE STRIVE FOR THE FOLLOWING IN SLÉVÁRNÝ TŘINEC, A.S.:

- creating and keeping of procedures, complying with the national environmental policy and with the valid Czech legal rules and other regulations in these areas,
- timely and permanent meeting of all the legislative requirements applicable to the environmental protection for all company activities,
- continuous improvement of technical parameters of manufacturing equipment, incl. their permanent monitoring and evaluation so the adverse effects of our production and non-production activities to the environment are reduced permanently.

### WITHIN THE BOZ SYSTEM IN SLÉVÁRNÝ TŘINEC, A.S., WE STRIVE FOR:

- meeting all legislative requirements for occupational health and safety,
- improving technical parameters of production equipment and technologies so the adverse effects of our production activities to the occupational health and safety are permanently reduced, the working conditions are improved and risks eliminated,
- continuous extension of knowledge of all persons, working for the organization or for its benefit, about the OHS principles and improvement of work conditions.

In 2017, functionality and efficiency of the quality system and the environmental system were confirmed by audits. The system of safe work was implemented according to the OHSAS 18 001 standard, inspected by an internal audit in 2017, while in these days, we are

not considering its certification.

These days, we secure conditions and requirements laid on the suppliers for the automobile industry in the area of truck transportation, while we are not weighing certification according to the ISO/TS 16 949 standard, etc. Conclusions and recommendations from the energy audit on the basis of the amendment of the Energy Management Act No. 406/2000 Coll., were implemented into tasks handling the optimisation of fuels and energy consumption in the process of foundry production.

### COMMENT FOR FINANCIAL RESULT

Over the year, the development of the economic result was greatly affected by rising trend of plant operations, by higher-than-planned prices of metallic batches over the year and also by the central bank ending its intervention for the benefit of the Czech crown.

In the area of costs, the priority objective was the management of performance consumption so the pressure of customers on the prices of castings could be eliminated. More significant savings vs. the plan were achieved in the area of energies and overhead material. The area of personal costs was handled with the objective to increase the average income, the highest over the last few years.

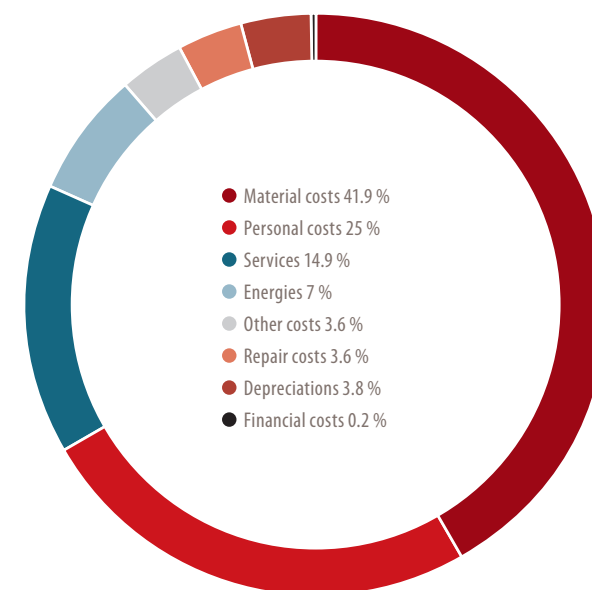
Since the beginning of 2017, the value of company assets increased in net value by CZK 56, 079.00 thousand to CZK 914, 046.00 thousand. An increase was seen in particular at short-term receivables from commercial relations. For the purpose of ensuring the 2017 investment plan, the company has drawn an investment loan of CZK

95,000.00 thousand. Over the entire year, the development of active assets was managed with the objective to optimize their value and composition so a good payment ability could be secured throughout this year.

In 2017, total company expenditures for science and research reached CZK 1,928.00 thousand.

After the balance sheet day, no important facts occurred that would require them to be published in an Annual Report.

“Composition of costs (%)”



*In Třinec, on 19.02.2017*

**Ing. Zdeněk Vladár**  
Chairman of the Board of Directors



In 2017, total company  
expenditures for science  
and research reached

**1,928**  
thousand CZK





## REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Slévárny Třinec, a.s. performed its supervisory activities in accordance with the legal rules and articles of the company association. For the calendar year of 2017, the Supervisory Board supervised the execution of competence of the Board of Directors and the execution of business activities of the company. It performed this activity particularly in the form of permanent supervision of sales management of the company and of meeting the basic program documents, particularly the Entrepreneurial Program. At its six regular and one extraordinary meeting, the Supervisory Board discussed the submitted materials and checked if the business activity of the company was being executed in compliance with legal rules as well as articles of association, resolutions of the Supervisory Board and resolutions, based on the decision of a single shareholder when executing the competence of the Meeting of Shareholders.

The supervisory activity was performed by checking the accounting and other documentations of the company related to its business activities, thus verifying the information acquired in particular from the members of the Board of Directors and other members of company management, who were invited to respective meetings of the Supervisory Board for the purpose of providing explanations or comments to such points of the meeting program.

The Supervisory Board also undertook measures to achieve pre-set objectives.

At its meeting held on February 27, 2018, the Supervisory Board investigated the following written materials:

- 2017 Annual Accounts,

- Proposal for profit distribution, reported for the accounting period of 2017 and
- Relations Report on relations between affiliated parties for the accounting period of 2017

submitted by the Board of Directors of the company.

Based on the performed investigation of these documents, at its meeting held on February 27, 2018, the Supervisory Board issued a resolution stating the following:

1. The Annual Accounts demonstrated the economic conditions of the company truly and unbiased for the entire accounting period of 2017,
2. Relationship Report for affiliate parties describes real relations between the companies and affiliated parties, while this system was carefully revealed in the accounting period of 2017,
3. The proposal of the Board of Directors of Slévárny Třinec, a.s. for the distribution of profit, reported during the accounting period of 2017, is in accordance with point C.III. of the articles of association.

By the same resolution, the Supervisory Board recommends Slévárny Třinec, a.s., all the above-mentioned documents to be approved by the Meeting of Shareholders of the company.

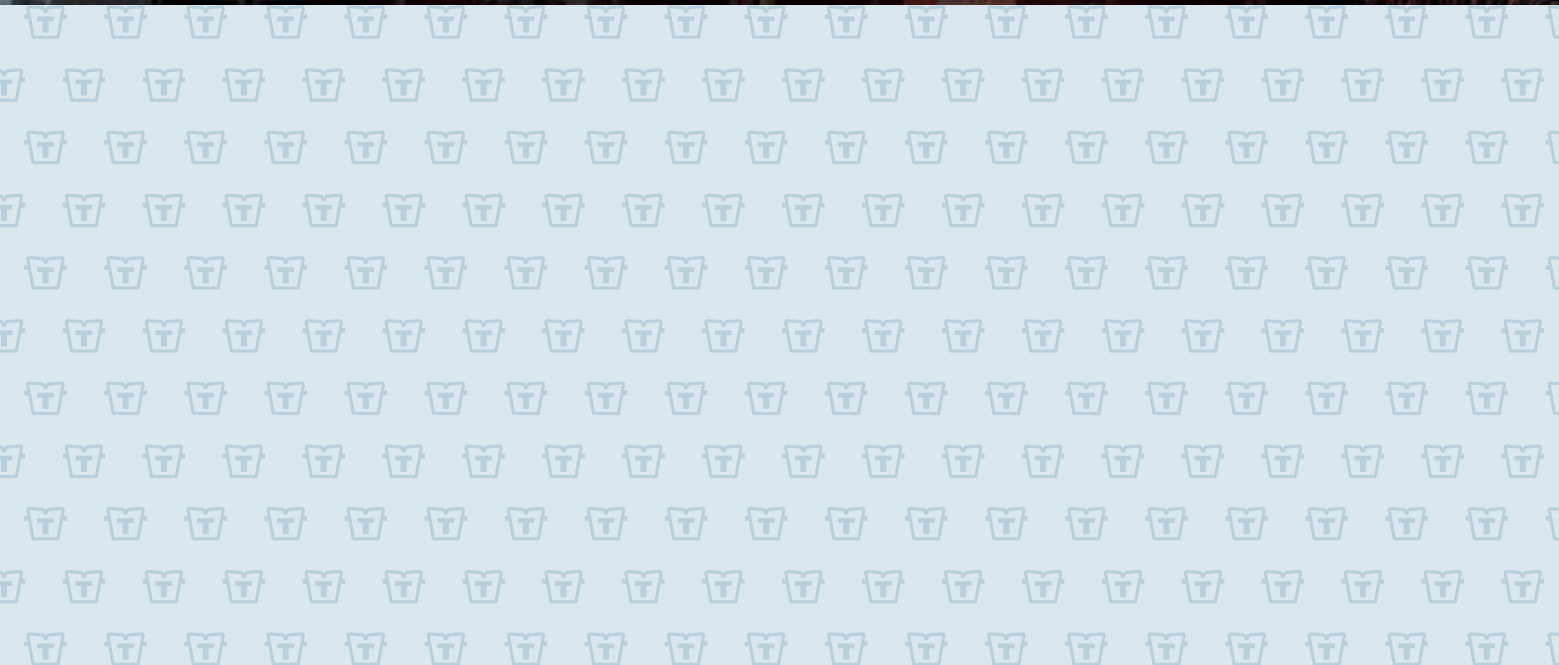
In Třinec, on 27. 02. 2018

**Ing. Ivo Žižka**

Chairman of the Supervisory Board



# FINANCIAL REPORT



# VI

## ANNUAL ACCOUNTS FOR 2017

# CONTENTS

## FINANCIAL REPORT

<b>Balance sheet in full format (Assets)</b>	<b>18</b>	3.13. The use of estimates	29
<b>Balance sheet in full format (Capital)</b>	<b>19</b>	3.14. Cash flow overview	30
<b>Profit and loss statement, divided according to the type</b>	<b>20</b>	3.15. Changes to the procedure of accounting in comparison to the previous accounting period	30
<b>Cash flow statement</b>	<b>21</b>	<b>4. Additional data for the balance sheet and profit and loss statement</b>	<b>31</b>
<b>VII Annual accounts 2017: Annex</b>	<b>23</b>	4.1. Fixed assets	31
1. General information and data	23	4.1.1. Intangible fixed assets	31
1.1. Establishment and characteristics of the business company	23	4.1.2. Tangible fixed assets	32
1.2. Amendments and supplements in the commercial register	23	4.1.3. Assets acquired in a form of financial or operating lease	33
1.3. Organization structure of the company	23	4.1.4. Fixed assets, subject to lien	33
1.4. Group specification	24	4.2. Receivables	34
1.5. Board of Directors and Supervisory Board on 31.12.2017	24	4.2.1. Short-term receivables	34
2. Accounting methods and general accounting principles	24	4.3. Equity	34
2.1. Accounting period	24	4.4. Reserves	34
3. Overview of important accounting rules and procedures	25	4.5. Payables	34
3.1. Tangible and intangible fixed assets	25	4.5.1. Long-term payables	34
3.2. Current assets	26	4.5.2. Short-term payables	35
3.3. Inventory	26	4.6. Bank loans	35
3.4. Receivables	27	4.7. Deferred tax	35
3.5. Payables	27	4.8. Income tax from common operations	36
3.6. Loans	27	4.9. Revenues from common operations	36
3.7. Reserves	28	4.10. Transactions with entities within the group	37
3.8. Recalculation of data specified in foreign currency to the Czech currency	28	4.11. Other expenses and revenues	37
3.9. Taxes	28	4.12. Research and development expenses in total	38
3.9.1. Tax depreciations of fixed assets	28	<b>5. Employees, management of the company and statutory bodies</b>	<b>39</b>
3.9.2. Due taxes	28	5.1. Employees expenses and the number of employees	39
3.9.3. Deferred taxes	28	5.2. Provision of borrowings, loans or other performances	39
3.9.4. Investment incentives	29	<b>6. Payables not reported in accounting</b>	<b>40</b>
3.10. Subsidies	29	<b>7. Events after the reporting period of annual accounts</b>	<b>40</b>
3.11. Expenses related to agency workers	29	<b>VIII RELATIONSHIP REPORT, 2017</b>	<b>41</b>
3.12. Incomes	29	<b>IX Auditor's Report</b>	<b>55</b>

## BALANCE SHEET IN FULL FORMAT

(IN THOUSANDS OF CZK)

		31. 12. 2017		31. 12. 2016	
		Gross	Adjustment	Net	Net
<b>ASSETS IN TOTAL</b>		<b>1 571 353</b>	<b>657 307</b>	<b>914 046</b>	<b>857 967</b>
<b>B.</b>	<b>Fixed assets</b>	<b>1 127 660</b>	<b>649 155</b>	<b>478 505</b>	<b>486 641</b>
B.I.	<b>Intangible fixed assets</b>	<b>6 495</b>	<b>6 142</b>	<b>353</b>	<b>214</b>
B.I.2.	Incorporation of expenses	6 142	6 142	0	0
B.I.2.1.	Software	2 950	2 950	0	
B.I.2.2.	Other valuable rights	3 192	3 192	0	
B.I.4.	Other intangible fixed assets	353		353	214
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>1 121 165</b>	<b>643 013</b>	<b>478 152</b>	<b>486 427</b>
B.II.1.	Land and constructions	295 315	147 390	147 925	139 921
B.II.1.2.	Constructions	295 315	147 390	147 925	139 921
B.II.2.	Tangible movable assets and their sets	741 746	481 424	260 322	196 869
B.II.3.	Adjustment to acquired assets	14 199	14 199	0	
B.II.5.	Provided advance payments for tangible fixed assets and tangible fixed assets under construction	<b>69 905</b>	<b>0</b>	<b>69 905</b>	<b>149 637</b>
B.II.5.1.	Advance payments for fixed tangible assets	548		548	
B.II.5.2.	Tangible fixed assets under construction	69 357		69 357	149 637
<b>C.</b>	<b>Current assets</b>	<b>443 393</b>	<b>8 152</b>	<b>435 241</b>	<b>347 711</b>
C.I.	<b>Inventory</b>	<b>206 571</b>	<b>2 637</b>	<b>203 934</b>	<b>193 942</b>
C.I.1.	Materials	85 051	502	84 549	76 501
C.I.2.	Work in progress and semi-products	121 520	2 135	119 385	117 441
C.II.	<b>Receivables</b>	<b>223 274</b>	<b>5 515</b>	<b>217 759</b>	<b>139 919</b>
C.II.1.	Long-term receivables	102	0	102	27
C.II.1.5.	Receivables - other	102	0	102	27
C.II.1.5.4.	Other receivables	102		102	27
C.II.2.	<b>Short-term receivables</b>	<b>223 172</b>	<b>5 515</b>	<b>217 657</b>	<b>139 892</b>
C.II.2.1.	Trade receivables	218 424	5 515	212 909	135 955
C.II.2.4.	Receivables - other	4 748	0	4 748	3 937
C.II.2.4.3.	Due from state – tax receivables	4 609		4 609	4 221
C.II.2.4.4.	Short-term deposits given	138		138	-288
C.II.2.4.6.	Other receivables	1		1	4
C.IV.	<b>Financial assets</b>	<b>13 548</b>	<b>0</b>	<b>13 548</b>	<b>13 850</b>
C.IV.1.	Cash	237		237	266
C.IV.2.	Bank accounts	13 311		13 311	13 584
<b>D.</b>	<b>Accruals</b>	<b>300</b>	<b>0</b>	<b>300</b>	<b>23 615</b>
D.1.	Deferred expenses	300		300	262
D.3.	Deferred income				23 353

## BALANCE SHEET IN FULL FORMAT

(IN THOUSANDS OF CZK)

		31. 12. 2017	31. 12. 2016
	<b>TOTAL LIABILITIES</b>	<b>914 046</b>	<b>857 967</b>
<b>A.</b>	<b>Equity</b>	<b>617 692</b>	<b>603 563</b>
A.I.	<b>Registered capital</b>	<b>550 000</b>	<b>550 000</b>
A.I.1.	Registered capital	550 000	550 000
A.III.	<b>Reserve funds</b>	<b>430</b>	<b>430</b>
A.III.1.	Other reserve funds	430	430
A.III.2.	Statutory and other funds		
A.IV.	<b>Profit / loss – previous years (+/-)</b>	<b>53 133</b>	<b>35 181</b>
A.IV.1.	Retained earnings from previous years	53 133	35 181
A.V.	<b>Profit / loss – current year (+/- )</b>	<b>14 129</b>	<b>17 952</b>
<b>B.+C.</b>	<b>Other sources</b>	<b>296 204</b>	<b>254 326</b>
<b>B.</b>	<b>Reserves</b>	<b>12 483</b>	<b>14 551</b>
B.IV.	Other reserves	12 483	14 551
<b>C.</b>	<b>Payables</b>	<b>283 721</b>	<b>239 775</b>
C.I.	<b>Long-term payables</b>	<b>87 162</b>	<b>71 676</b>
C.I.2.	Payables to credit institutions	72 200	57 400
C.I.8.	Deffered tax liability	14 962	14 276
C.II.	<b>Short-term payables</b>	<b>196 559</b>	<b>168 099</b>
C.II.2.	Payables to credit institutions	15 200	7 600
C.II.3.	Short-term advances received	16 081	11 926
C.II.4.	Trade payables	139 749	120 432
C.II.8.	Other payables	25 529	28 141
C.II.8.3.	Payrolls	11 856	13 182
C.II.8.4.	Payables to social security and health insurance	7 819	8 690
C.II.8.5.	State – tax payables and subsidies	2 150	2 478
C.II.8.6.	Estimated payables	2 496	2 462
C.II.8.7.	Other payables	1 208	1 329
<b>D.</b>	<b>Accruals</b>	<b>150</b>	<b>78</b>
D.1.	Accrued expenses	150	78

## PROFIT AND LOSS STATEMENT

(IN THOUSANDS OF CZK)

DIVIDED ACCORDING TO THE TYPE

	31. 12. 2017	31. 12. 2016
I. Revenues from sold goods	1 117 241	1 058 398
A. Production consumption	<b>797 693</b>	<b>728 837</b>
A.2. Consumption of materials and energies	615 348	543 187
A.3. Services	182 345	185 650
B. Change in inventory of own products (+/-)	-1 699	12 086
C. Activation (-)	-21 449	-20 657
D. Personal expenses	<b>272 865</b>	<b>270 675</b>
D.1. Wages expenses	190 190	187 735
D.2. Expenses on social security, health insurance and other expenses	<b>82 675</b>	<b>82 940</b>
D.2.1. Expenses on social security and health insurance	70 279	69 535
D.2.2. Other expenses	12 396	13 405
E. Depreciations in the operations	<b>41 639</b>	<b>43 109</b>
E.1. Depreciations of intangible and tangible fixes assets	42 631	41 489
E.1.1. Depreciations of intangible and tangible fixes assets – permanent	42 631	41 489
E.2. Depreciations of inventory	-267	2 445
E.3. Depreciations of receivables	-725	-825
III. Other operating revenues	<b>32 834</b>	<b>31 076</b>
III.2. Revenues from sold materials	29 405	27 695
III.3. Other operating revenues	3 429	3 381
F. Other operating expenses	<b>36 778</b>	<b>37 855</b>
F.2. Depreciations of sold materials	28 775	27 760
F.3. Tax and charges	1 060	1 061
F.4. Change in operating reserves and adjustments and complex deferred costs	-2 069	-1 588
F.5. Other operating expenses	9 012	10 622
* Operating profit / loss (+/-)	<b>24 248</b>	<b>17 569</b>
VI. Revenues from interests and similar revenues	<b>3</b>	<b>6</b>
VI.2. Other revenues from interests and similar revenues	3	6
J. Expenses from interests and similar expenses	704	78
J.2. Other expenses from interests and similar expenses	<b>704</b>	<b>78</b>
VII. Other financial revenues	2 884	1 011
K. Other financial expenses	11 169	1 965
* Profit / loss from financial operations (+/-)	<b>-8 986</b>	<b>-1 026</b>



L.	Income tax	1 133	-1 409
L.1.	Due income tax	447	242
L.2.	Deferred income tax (+/-)	686	-1 651
**	Profit / loss after tax (+/-)	14 129	17 952
M.	Transfer profit / loss to partners (+/-)		
***	<b>Profit / loss of current accounting period (+/-)</b>	<b>14 129</b>	<b>17 952</b>
*	Net turnover for accounting period	1 152 962	1 090 491

## STATEMENT OF CHANGES IN EQUITY

(IN THOUSANDS OF CZK)

	Registered capital	Capital funds	Revenues reserves, reserve fund	Retained profit from previous years	Retained loss from previous years	Profit / loss of current accounting period	EQUITY IN TOTAL
<b>Balance on 31.12.2015</b>	<b>550 000</b>		<b>430</b>	<b>3 361</b>		<b>31 820</b>	<b>585 611</b>
Profit / loss sharing				31 820		-31 820	0
Profit / loss of current accounting period						17 952	17 952
<b>Balance on 31.12.2016</b>	<b>550 000</b>		<b>430</b>	<b>35 181</b>		<b>17 952</b>	<b>603 563</b>
Profit / loss sharing				17 952		-17 952	0
Profit / loss of current accounting period						14 129	14 129
<b>Balance on 31.12.2017</b>	<b>550 000</b>		<b>430</b>	<b>53 133</b>		<b>14 129</b>	<b>617 692</b>

## CASH FLOW STATEMENT

(IN THOUSANDS OF CZK)

		Period by 31. 12. 2017	Period by 31. 12. 2016
<b>P.</b>	<b>Initial balance of cash and cash equivalents</b>	<b>13 850</b>	<b>6 413</b>
Z.	Profit / loss before taxes	15 262	16 543
A.1.	Adjustments by non-cash operations	41 261	41 669
A.1.1.	Depreciations of fixed assets	42 631	41 489
A.1.2.	Change in balance of adjustments, reserves	-3 060	32
A.1.5.	Interest expenses and revenues	701	72
A.1.6.	Adjustments by other non-cash operations	989	77
<b>A.*</b>	<b>Net cash flows before the changes in working capital</b>	<b>56 523</b>	<b>58 212</b>
A.2.	Change in working capital	-55 060	29 620
A.2.1.	Change in balance of receivables and temporary liability accounts	-54 792	48 760
A.2.2.	Change in balance of payables and temporary liability accounts	9 457	-22 935
A.2.3.	Change in balance of inventory	-9 725	3 795
<b>A.**</b>	<b>Net cash flow from running activities before taxation</b>	<b>1 463</b>	<b>87 832</b>
A.3.	Interests paid	-704	-78
A.4.	Interests received	3	6
A.5.	Income tax for running activities paid	-745	-897
<b>A.***</b>	<b>Net cash flow from running activities</b>	<b>17</b>	<b>86 863</b>
B.1.	Expenses on fixed assets acquisition	-22 720	-144 426
<b>B.***</b>	<b>Net cash flows from investment activities</b>	<b>-22 720</b>	<b>-144 426</b>
	<b>Cash flows from financing activities</b>		
C.1.	Change in balance of payables from financing	22 400	65 000
<b>C.***</b>	<b>Net cash flows from financing activities</b>	<b>22 400</b>	<b>65 000</b>
<b>F.</b>	<b>Net increase / decrease in cash and cash equivalents</b>	<b>-303</b>	<b>7 437</b>
<b>R.</b>	<b>Final balance of cash and cash equivalents</b>	<b>13 548</b>	<b>13 850</b>

## VII

ANNUAL ACCOUNTS 2017:  
ANNEX**1. GENERAL INFORMATION AND DATA****1.1. ESTABLISHMENT AND CHARACTERISTICS OF BUSINESS COMPANY**

Slévárny Třinec, a.s. (hereinafter later referred to only as the "Company") was established by its registration in the Commercial Registry of the Regional Court in Ostrava on 16.02.1999. Company's main scope of business is metallurgy.

Registered seat of the company is Průmyslová 1001, Staré Město, 739 61 Třinec.

The Company has a registered capital of CZK 550,000 thousand.

Annual accounts are compiled for 31.12.2017.

Natural persons and legal entities, having substantial or decisive influence in the company, are specified in the following table along with their share.

Shareholder	% share on registered capital
TŘINECKÉ ŽELEZÁRNY, a.s., Třinec, Company ID 180 50 646	100 %

**1.2. AMENDMENTS AND SUPPLEMENTS IN THE COMMERCIAL REGISTER**

During 2017, no amendment was performed in the Commercial Register.

**1.3. ORGANISATION STRUCTURE OF THE COMPANY**

Main controlling bodies of the Company are:

- Shareholders' meeting,
- Board of Directors,
- Supervisory Board,
- Director of the Company with management.

During 2017, no organization changes were made.

#### 1.4. GROUP SPECIFICATION

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

#### 1.5. BOARD OF DIRECTORS AND SUPERVISORY BOARD ON 31.12.2017

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

## 2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

Company accounting is kept and the annual accounts were compiled in accordance with act No. 563/1991 Coll., on Accounting, as amended, with Decree No. 500/2002 Coll., implementing certain provisions of act No. 563/1991 Coll., on Accounting, for accounting units that are entrepreneurs, keeping double-entry method, as amended, and with the Czech accounting standards for entrepreneurs, as amended.

The accounting respects general accounting principles, in particular the principle of assets valuation by historical costs, the principle of accounting in time and material pricing, the precautionary principle and the assumption of capability of the accounting unit to proceed with its activities.

Data in these annual accounts are expressed in thousands of Czech Crowns (thousands of CZK)

### 2.1. ACCOUNTING PERIOD

The Company has prepared financial statement for comparable periods of 2017 and 2016. Financial statement means the balance sheet, the profit and loss statement, the statement of changes in equity and the cash flow statement, forming an integral part of these annual accounts.

### 3. OVERVIEW OF IMPORTANT ACCOUNTING RULES AND PROCEDURES

#### 3.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

##### Valuation

Tangible fixed assets mean the property, whose single-case valuation exceeds CZK 40 th. while the usable life is longer than one year.

Intangible fixed assets mean the assets (like software, valuable rights, intangible results from research or similar activities), whose single-case valuation exceeds CZK 60 th. while the usable life is longer than one year.

Purchased tangible and intangible fixed assets are valued by acquisition costs. Valuation of tangible and intangible fixed assets formed by own production includes direct costs, indirect costs imminently related to the assets formation by own production or indirect costs of an administrative nature if such assets' production exceeds one year.

Tangible and intangible fixed assets acquired by donation, tangible and intangible fixed assets from own production are valued by reproductive acquisition costs if the reproductive acquisition costs are lower than own costs, the assets are newly identified in the accounting and the deposit of tangible and intangible fixed assets, with the exception of cases when the deposit is valued according to the Charter of the company or Articles of Association in a different way.

Also, the tangible fixed assets are valued by reproductive acquisition costs, while the original acquisition costs exceeded CZK 1 million and were acquired in a form of financial rent. These assets are valued by reproductive acquisition costs and entered into book as fully amortized. Reproductive acquisition costs are determined by an expert or by an estimate according to internal regulations of the Company.

Fixed assets with usable life exceeding one year, valued by a price, no higher than CZK 40 th., and the intangible assets with the usable life exceeding one year, valued by no higher price than CZK 60 th. at the time of acquisition, shall not be considered as fixed assets. Such assets are entered into book as inventories and their release for use is recorded in the profit and loss statement as a Consumption of material and energies. Intangible assets with the acquisition price not higher than CZK 60 th. at the time of acquisition are entered into expenses as Services.

Technical evaluation, if exceeding CZK 40 th. for a single asset for the entire taxable period, increases the acquisition costs of fixed assets.

Intangible results of research and similar activities of the Company, if designed for trading therewith or repetitive sale, are entered into balance sheet as intangible results of research and similar activities. Results of such activities, designed for Company's own production, are not classified as intangible fixed assets from the accounting point of view and are recorded in an off-balance sheet, in the valuation of own production.

Greenhouse gas emission certificates (hereinafter later referred to only as the "Certificates") are entered into books as intangible fixed non-depreciated assets, valued by acquisition costs or by reproductive acquisition costs when acquired for free. "Consumption of Certificates" is entered into books on the date of annual accounts compilation at minimum, in dependence on accounting unit emissions within a calendar year. In the event of acquisition without compensation, such acquisition is entered into books as a subsidy, not reducing the valuation of intangible fixed assets. Such "subsidy" is dissolved into revenues at the same time and the same amount as the Certificates are consumed and entered into costs. The sale of Certificates is demonstrated in the Other revenues from operations

On the date of annual accounts, the Certificates are valued according to the rate on the EUROPEAN ENERGY EXCHANGE. Reduction in the valuation of Certificates acquired for free, performed on the date of annual accounts, shall be reported in the balance sheet in the lines "Other intangible fixed assets" and "state – tax liabilities and subsidies." Otherwise, the Company is not performing additional pricing of emission Certificates. For the missing Certificates, the Company forms a reserve on the date of annual accounts compilation, reported in the Other Reserves and in the Change in operating reserves and adjustments in operation area and aggregate costs for the next periods. In the following accounting periods, where the missing Certificates are purchased or drawn from the free share of next period, the reserve for Certificates' purchase shall be dissolved.

### **Depreciations**

Depreciation period of fixed assets is set according to the expected period of use of assets with regard to the operation conditions.

If the Company finds out on the basis of inventory check that the estimated usable period of time is changed, it will amend its depreciation.

Most of the buildings and constructions are amortized for 20 – 40 years. Shorter period of depreciations is used for temporary buildings and constructions with a shorter lifetime (lights, fences, energy distributions, pipelines, etc.). Buildings of longer depreciation period than 60 years are buildings with a higher lifetime, e.g. the railway and road bridges, traffic tunnels, manufacturing and administrative buildings.

Most of the machines and equipment is depreciated in 15 – 25 years. Shorter period of depreciation is applied in particular to the computing equipment tools, control systems devices, etc.

Profits/losses from sale or removal of assets are determined as a difference between sale revenues and the accounting depreciated value of assets on the date of sale, while they are entered into the profit and loss statement.

### **Manner of depreciations' formation**

Depreciations of fixed assets are formed in case the accounting value is higher than the value of use, expressed as a current value of estimated future cash flows, where it is expected that they will be generated from the use of fixed assets or from estimated revenues from the expected revenues of an intended sale.

### **Value reduction**

For each balance sheet day, the Company verifies the accounting value of its tangible and intangible assets to find the signs that no depreciation occurred due to the reduction of assets value. If such signals exist, the executable value of property is estimated and the potential extent of loss from such depreciation is determined.

## **3.2. CURRENT ASSETS**

Current assets consist of cash on hand and cash in bank accounts.

## **3.3. INVENTORY**

### **Valuation**

Purchased inventories are priced by acquisition costs. The acquisition cost includes the acquisition price and additional acquisition costs – in particular the customs duty, transportation and storage charges, commissions, insurance premium and discounts.



Inventory created by own production is valued by own expenses, free of administrative overhead and with regard to the nature of production, it's based on an expert estimation of completion.

With regard to the nature of manufacturing procedure, the Company records all castings of its own production at the semi-production account.

Release of inventories from the storage is valued by the method of weighted arithmetic mean.

#### **Manner of adjustments' formation**

Adjustments for inventories are formed in cases when the reduction in pricing of inventories is not of a permanent nature, in particular on the basis of results of inventory checks and subsequent analysis of inventories' usability.

### **3.4. RECEIVABLES**

At the time of their creation, receivables are priced by a nominal value, depreciated subsequently by adjustments for doubtful and bad amounts.

#### **Manner of adjustments' formation**

The Company forms adjusting entries to receivables, whose enforceability is doubtful. Mandatory adjustments for receivables are formed in accordance with the provisions of the act of income tax and of the act on reserves for the determination of income tax base.

Accounting adjustments of receivables (besides the companies in the group) are formed as follows:

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

Furthermore, there are adjustments applied to receivables after an individual assessment of executability.

### **3.5. PAYABLES**

Trade payables are entered into accounts in their nominal value.

### **3.6. LOANS**

Loans are entered into accounts in their nominal value.

A short-term loan means also a part of long-term loans, payable in one year after the date of annual accounts.

### 3.7. RESERVES

Reserves are formed to cover future payables or expenses, whose purpose is known, it's probable that they will occur, however, often the amount or date, for which they are formed, is not known.

The Company forms reserves for future complaints related to the incomes from current accounting period. Such reserve is determined on the basis of expert estimation with regard to the evaluation of real expenses for settlement of complaints in previous accounting periods.

Furthermore, the Company forms also a reserve for employment anniversaries, retirements and the consumption of Certificates.

### 3.8. RECALCULATION OF DATA SPECIFIED IN FOREIGN CURRENCY TO THE CZECH CURRENCY

Accounting operations in foreign currencies, executed over the year, are entered into books according to the exchange rate set by the Czech National Bank for the day preceding the day of accounting case.

Financial assets in foreign currency (foreign currency cash) are recalculated to Czech crowns over the year by using a fixed monthly exchange rate, set by the Czech National Bank and valid on the first day of the month, when it was entered into books.

On the date of annual accounts compilation, there are important assets and liabilities recalculated by using the exchange rate of the Czech National Bank, valid on the date, on which the annual accounts are compiled.

### 3.9. TAXES

#### 3.9.1. *Tax depreciations of fixed assets*

For the purpose of tax depreciations' calculations, the linear method is used.

Within a period from 2005 to 2009, the accounting unit decided that the newly acquired fixed assets with acquisition costs, exceeding CZK 1 million, will be depreciated by an accelerated depreciation method.

#### 3.9.2. *Due taxes*

Due taxes for the accounting period is based on a taxable profit. Taxable profit differs from a net profit, reported in the profit and loss statement, as it does not include the items of revenues or expenses, taxable or applicable to any other period, and it does not include the items not being subject of tax, nor tax deductible. Liability of the Company, based on the due tax, is calculated by using the tax rate on the date of annual accounts' compilation.

#### 3.9.3. *Deferred taxes*

Calculation of deferred tax follows the liability method, based on a balance sheet approach.

The liability method means the procedure when the income tax rate, valid at the time when the tax liability or receivable is applied, is used for calculation.

The balance sheet approach means that the liability method is based on transitory differences, meaning the differences between the tax base for assets or liabilities and assets or liabilities specified in the balance sheet.

The tax base for assets or liabilities is the value of these assets or liabilities, applicable in the future for tax purposes.

Deferred tax is entered into resulting accounts with the exception of cases when related to the items entered directly into equity and is also included into equity. Each year, the Company evaluates the deferred tax receivable's viability and takes decision in relation to its reporting.

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

The Company received the "Decision on investment incentives' pledge" on October 18, 2006:

Income tax rebates according to the sec. 35b of the act No. 586/1992 Coll., on Income Tax, while the period of time, for which the tax rebate shall be drawn, represents 10 consecutive fiscal periods.

Total value of provided investment incentives, meaning the income tax rebate and the material support for the creation of new labour positions, may not exceed 50% of the total value of investment expenses, appropriate for the provision of support and related to the investment intention of the applicant. At the same time, the value of investment incentive, provided in a form of income tax rebate in individual fiscal periods, may not exceed 50 % of the total value of expenses actually incurred, appropriate for the granting of subsidy. At the same time, the total value of public support in a form of investment incentives may not exceed the value of CZK 100 mil.

In 2009, the Company met conditions for drawing and investment incentive. In 2017, the Company drew investment incentives of ca. CZK 2,037 th. in a form of tax rebate.

#### **3.10. SUBSIDIES**

Subsidies for the payment of expenses are entered into other operating revenues in a material and time connection to the entering of expenses designed for a preset purpose.

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

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

The Company reports personal expenses on employees, hired by employment agencies, within social security expenses, where also the actually paid wages, including the expenses on social security and health insurance, are entered. Expenses for the other equipment and protective drinks for agency workers are reported within the Consumption of materials and energies. Other agency services, as e.g. the payment for agency commission, agency overhead, are reported as the Services.

#### **3.12. INCOMES**

Incomes are entered into accounts on the date when the goods are removed from storage and the ownership right is transferred to the customer or on the date of services' execution, while they are reported after the deduction of discounts and value added tax.

#### **3.13. THE USE OF ESTIMATES**

Compilation of annual accounts requires the estimates and assumptions to be used by the management of the Company, having effects on the reported values of assets and liabilities for the annual accounts' date and for the reported amount of revenues and expenses for the monitored period. Management of the Company believes that the applied estimates and assumptions won't differ much from the actual values in the next accounting periods.

### 3.14. CASH FLOW OVERVIEW

For the cash flow purposes, cash and cash equivalents shall be considered as cash, including valuables, cash on bank account, except for the deposits with due date longer than three months, and short-term liquid assets, easily and immediately exchangeable for certain amount of funds, known in advance, while there were no significant changes to value in time.

Cash and cash equivalents may be analyzed in following way:

(data in thousands of CZK)

	Balance on 31.12.2017	Balance on 31.12.2016
Cash and cash in transit	237	266
Bank accounts, term deposits	13 311	13 584
Cash and cash equivalents in total	13 548	13 850

Cash flows from operational investment or financial activities are specified in the Cash Flow Overview.

### 3.15. CHANGES OF ACCOUNTING PROCEDURES IN COMPARISON WITH THE PREVIOUS ACCOUNTING PERIODS

In 2017, no changes were made to the accounting manner in relation to the previous accounting period.

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

### 4.1. FIXED ASSETS

#### 4.1.1. Intangible fixed assets

##### Acquisition price

(data in thousands of CZK)

	Balance on 31.12.2015	Increments	Decrements	Balance on 31.12.2016	Increments	Decrements	Balance on 31.12.2017
Software	2 950	0	0	2 950	0	0	2 950
Other royalties	3 192	0	0	3 192	0	0	3 192
Other intangible fixed assets	0	214	0	214	1 460	1 321	353
<b>In total</b>	<b>6 142</b>	<b>214</b>	<b>0</b>	<b>6 356</b>	<b>1 460</b>	<b>1 321</b>	<b>6 495</b>

##### Adjustments

(data in thousands of CZK)

	Balance on 31.12.2015	Increments	Decrements	Balance on 31.12.2016	Increments	Decrements	Balance on 31.12.2017
Software	2 950	0	0	2 950	0	0	2 950
Other royalties	3 192	0	0	3 192	0	0	3 192
Other intangible fixed assets	0	0	0	0	0	0	0
<b>In 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 of CZK)

	Balance on 31.12.2016	Balance on 31.12.2017
Software	0	0
Other royalties	0	0
Other intangible fixed assets	214	353
<b>In total</b>	<b>214</b>	<b>353</b>

##### Depreciations of intangible fixed assets, entered into expenses

On 31.12.2017 and on 31.12.2016, the intangible fixed assets were fully amortized. The balance of intangible fixed assets comprises of emission certificates.

**Aggregate amount of minor intangible assets, not specified in the balance sheet**

The aggregate amount of acquisition costs for minor intangible assets, not specified in the balance sheet, was CZK 79 thousand on 31.12.2017 (CZK 108 thousand on 31.12.2016).

**4.1.2. Tangible fixed assets****Acquisition price**

(data in thousands of CZK)

	Balance on 31.12.2015	Increments	Decrements	Balance on 31.12.2016	Increments	Decrements	Balance on 31.12.2017
Constructions	267 191	13 172	12	280 351	14 984	20	295 315
Tangible fixed assets	625 531	50 522	30 203	645 850	99 103	3 207	741 746
Tangible fixed assets in progress	64 676	148 736	63 774	149 638	33 839	114 119	69 357
Advance payments for tangible fixed assets	0	0	0	0	548		548
Difference in valuation of acquired assets	14 199	0	0	14 199			14 199
<b>In total</b>	<b>971 597</b>	<b>212 430</b>	<b>93 989</b>	<b>1 090 038</b>	<b>148 473</b>	<b>117 346</b>	<b>1 121 165</b>

**Adjustments and adjusting entries**

(data in thousands of CZK)

	Balance on 31.12.2015	Increments	Decrements	Balance on 31.12.2016	Increments	Decrements	Balance on 31.12.2017
Constructions	131 856	8 585	12	140 429	6 981	20	147 390
Tangible fixed assets	446 282	31 163	28 462	448 983	35 539	3 098	481 424
Difference in valuation of acquired assets	14 199	0	0	14 199	0	0	14 199
<b>In total</b>	<b>592 337</b>	<b>39 748</b>	<b>28 474</b>	<b>603 611</b>	<b>42 520</b>	<b>3 118</b>	<b>643 013</b>

**Net book value**

(data in thousands of CZK)

	Balance on 31.12.2016	Balance on 31.12.2017
Constructions	139 922	147 925
Tangible fixed assets	196 867	260 322
Tangible fixed assets in progress	149 638	69 357
Advance payments for tangible fixed assets	0	548
Difference in valuation of acquired assets	0	0
<b>In total</b>	<b>486 427</b>	<b>478 152</b>

In 2017, some the most important items of tangible fixed assets in progress are the following: "Reconstruction of bridge crane No. 11" reaching CZK 5,756 thousand in total as well as the "Reconstruction of crane's cabin, No. 11, 13, 30" reaching CZK 4,066 th. in total.



In 2016, one of the most significant items tangible fixed assets in progress was the “Innovation of large castings – transition to furan mix” in a total amount of CZK 92,275 th. for 31.12.2016, while the “Mechanised worksite for the finishing of castings in steel foundry” in a total amount of CZK 16,482 th. could be included as one the most important items as well.

**Some of the most important assets' increments in 2017 were the following:**

	(data in thousands of CZK)
Mixer No. 2 incl. the header of pneum. Conv. and belt conv. 3723	20 451
Mixer No. 1 incl. the header of pneum. Conv. and belt conv. 3	14 016
BUILDING OF OPERATIONS SVsI	10 672
Modification station, s. No. TRF/181	9 420

**Some of the most important assets' increments in 2016 were the following:**

	(data in thousands of CZK)
Medium freq. melting furnaces, induction 2x15 t, Inductotherm	23 237
Air blast chamber, TTK	5 382
Shake-out grid	3 736
3D printing machine for Fortus models' manufacturing	3 609

In 1999, the Company has purchased tangible fixed assets of CZK 352,875 th. in total from TŘINECKÉ ŽELEZÁRNÝ, a. s., according to the Agreement on Share Purchase, comprising of buildings and constructions for CZK 193,201 th. and machines and equipment for CZK 159,674 th. The acquisition price of tangible and intangible assets was set on the basis of expert opinions.

**Depreciations of tangible fixed assets, entered into expenses**

On December 31, 2017, depreciations of tangible fixed assets reached CZK 42,520 th. (CZK 39,748 th. on 31.12.2016).

**Aggregate amount of tangible fixed assets, not specified in balance sheet**

On December 31, 2017, the aggregate amount of acquisition price of minor tangible fixed assets, not specified in the balance sheet, reached CZK 13,221 th. (CZK 13,596 th. on 31.12.2016).

***4.1.3. Assets acquired in a form of financial or operating lease***

On 31.12.2017, the Company had no assets rented in a form of financial or operating lease.

***4.1.4. Fixed assets, subject to lien***

On 31.12.2017, the Company had tangible fixed assets, subject to lien, whose depreciated price was CZK 119,298 th. (CZK 136,744 th. on 31.12.2016).

## 4.2. RECEIVABLES

### 4.2.1. Short-term receivables

On 31.12.2017, the Company had due short-term trade receivables of CZK 51,594 th. while on 31.12.2016, it had such receivables of CZK 39,486 th.

In general, the maturity date for receivables is 30 days.

The Company has no long-term receivables with maturity date over 5 years.

#### Other short-term receivables

Due from state – tax receivables in 2017 represent receivables on the basis of VAT.

Short-term deposits given in 2017 represent in particular the advance payments for accommodation on exhibitions.

In 2017, no accrued items were reported by the Company.

## 4.3. EQUITY

On 31.12.2017, the equity of the Company consisted of 100 pcs of shares with a nominal value of CZK 10 th., 399 pcs of shares with a nominal value of CZK 1,000 th. and 15 pcs of shares with a nominal value of CZK 10,000 th. In 2006, the equity was repaid in full.

In 2017, the Company has reached a net profit after tax of CZK 14,129 th. The Board of Directors of the Company proposed to keep the profit in full within the retained profit from previous years.

Equity transfers – see the Statement of Changes in Equity.

## 4.4. RESERVES

Other reserves represent reserves kept for complaints in the amount of CZK 9,943 th. on 31.12.2017, while on 31.12.2016, these reserves reached CZK 11,502 th. Furthermore, there are reserves for employment jubilees as well, making CZK 2,539 th. on 31.12.2017, while on 31.12.2016 it reached CZK 3,049 th.

## 4.5. PAYABLES

### 4.5.1. Long-term payables

On 31.12.2017, the Company has a long-term payable on the basis of deferred tax of CZK 14,962 th. (CZK 14,276 th. on 31.12.2016).

The Company has no long-term payables with maturity date exceeding 5 years.

#### 4.5.2. Short-term payables

On 31.12.2017, the Company had short-term trade payables, already after due date, of CZK 2,030 th., while on 31.12.2016 they reached CZK 1,464 th.

A common maturity date of payables is 45 days.nů.

#### Other payables

On 31.12.2017, payables for social security insurance and for the national employment policy reached CZK 5,152 th. (CZK 5,809 th. on 31.12.2016), while the payables for public health security reached CZK 2,286 th. on 31.12.2017 (CZK 2,499 th. on 31.12.2016). On 31.12.2017, the payables for the additional pension insurance reached CZK 382 th. (CZK 382 th. on 31.12.2016). The Company has no due debts for social security and health insurance.

State – tax payables and subsidies represent in particular a short-term part of payables on the basis of income tax of natural persons, deducted for the Company employees. The Company has no tax payables after due date.

Accrued liabilities contain, in particular, undrawn personal expenses and supplies that were not invoiced.

Other payables represent in particular the deductions for employees (allowance, savings).

#### 4.6. BANK LOANS

In 2016, the Company has drawn an investment loan of CZK 65,000 th. The nominal value of credit that could be drawn is CZK 95,000 th. The last loan installment will have to be paid on 31.07.2023. On 31.12.2017, the short-term portion of this long-term loan was CZK 15,200 th. (CZK 7,600 th. on 31.12.2016).

#### 4.7. DEFERRED TAX

Deferred tax liability may be analysed in a following manner.

	(data in thousands of CZK)	
	Balance on 31.12.2017	Balance on 31.12.2016
Adjusting entries for fixed assets	-18 659	-18 638
Inventory	501	552
Receivables	465	624
Reserves	2 372	2 764
Accrued item for undrawn vacation and bonuses not paid	359	422
<b>Deferred tax liability in total</b>	<b>- 14 962</b>	<b>-14 276</b>

#### 4.8. INCOME TAX FROM COMMON OPERATIONS

The tax amount for the year may be compared with the profit according to the profit and loss statement in a following way:

(data in thousands of CZK)

	Balance on 31.12.2017	Balance on 31.12.2016
Profit before tax	15 262	16 543
Income tax rate	19%	19%
Tax under local income tax rate	2 900	3 143
Impact on taxes after the application of tax losses	0	0
Utilization of investment incentive	-2 037	-4 400
Impact of expenses/revenues, not tax deductible, on tax	-416	1 499
Due income tax for common operations in total	447	242
Impact of deferred tax	686	-1 651
<b>Income tax for common operations in total</b>	<b>1 133</b>	<b>-1 409</b>

#### 4.9. REVENUES FROM COMMON OPERATIONS

(data in thousands of CZK)

	2017	2016
Revenues from the sale of goods	0	0
Revenues from the sale of products and services:	1 117 241	1 058 398
– products	1 109 205	1 051 957
– services	8 036	6 441
<b>Revenues from the sale of goods, products and services in total</b>	<b>1 117 241</b>	<b>1 058 398</b>

#### 4.10. TRANSACTIONS WITH ENTITIES WITHIN THE GROUP

Payables for entities in the group

(data in thousands of CZK)

Název osoby	Balance on 31.12.2017	Balance on 31.12.2016
Short-term trade payables		
Třinecké železářny, a. s.	42 085	35 596
Energetika Třinec, a. s.	15 081	15 337
Strojírny a stavby Třinec, a.s.	1 676	4 222
MORAVIA STEEL a.s.	31 474	27 349
Doprava TŽ, a.s.	543	507
Třinecké gastroslužby, s.r.o.	436	435
TŘINECKÁ PROJEKCE, a.s.	483	0
TRIALFA, s.r.o.	47	31
Moravia Security, a.s.	7	7
Moravskoslezský kovošrot, a.s.	7 730	7 538
HRAT, s.r.o.	1	0
Short-term payables against entities within the group in total	99 563	91 022
Payables outside the group	40 186	29 410
<b>Short-term trade payables in total</b>	<b>139 749</b>	<b>120 432</b>

In 2017, receivables against the group entities were CZK 7,850 th., while in 2016, they reached CZK 7,009 th.

In 2017, revenues of entities within the group amounted CZK 191,406 th., while in 2016, they reached CZK 205,216 th.

In 2017, purchases from entities within the group reached CZK 619,794 th. and in 2016, the amount of CZK 523,930 th.

All the transactions with entities within the group were executed under common market conditions

#### 4.11. OTHER EXPENSES AND REVENUES

In 2017, expenses for advisory, consulting and auditing activities made CZK 1,397 th. (CZK 1,533 th. on 31.12.2016).

In 2017, considerable portion of the other operational revenues consisted of damages for the supply of raw materials of insufficient quality, reaching the amount of CZK 1,333 th. (CZK 1,266 th. on 31.12.2016).

Other financial revenues comprise of exchange rate profits. In 2017, they reached CZK 1,368 th. (CZK 1,011 th. on 31.12.2016).

In the other operational expenses for 2017, the Company reports mainly the expenses for insurance of CZK 4,014 th. (CZK 3,469 th. on 31.12.2016) and damages for poor quality production of CZK 2,671 th. (CZK 2,320 th. on 31.12.2016).

Other financial expenses consist, in particular, of exchange rate losses of CZK 10,517 th. (CZK 1,666 th. on 31.12.2016).

#### 4.12. RESEARCH AND DEVELOPMENT EXPENSES IN TOTAL

(data in thousands of CZK)		
	2017	2016
Research and development expenses	1 928	1 933

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

### 5.1. EMPLOYEE EXPENSES AND THE NUMBER OF EMPLOYEES

On 31.12.2017, the average number of employees reached 645, while there were 5 members of governing bodies. On 31.12.2016, the average number of employees reached 664, while there were 5 members of governing bodies.

In 2017, the amount of employee expenses, spent on employees, was CZK 262,319 th., while for the members of the governing bodies it reached CZK 10,546 th. In 2016, it reached CZK 262,306 th., while for the members of the governing bodies it reached CZK 8,369 th. Remuneration for the members of the Board of Directors made CZK 5,122 th. in 2017, while in 2016 it reached CZK 4,011 th. Remuneration for the members of the Supervisory Board reached CZK 324 th. for 2017, while for the year 2016, it reached CZK 333 th.

The number of employees is based on an average recalculated number of employees. Management of the company means the executive director and director for respective expert fields.

### 5.2. PROVISION OF BORROWINGS, LOANS OR OTHER PERFORMANCES

In 2017 and 2016, members of the management of the Company and of the Supervisory Board received loans beyond the limit of basic wage:

#### 2017

(data in thousands of CZK)

	Board of Directors	Supervisory Board	Management of the Company
Contributions to the life and pension insurance	36	12	24
Remuneration	5 122	324	0
Passenger vehicles/other movable and immovable assets with the possibility to be used for private purposes (such data represents the amount, by which the tax base of employees is increased)	292	0	166

#### 2016

(data in thousands of CZK)

	Board of Directors	Supervisory Board	Management of the Company
Contributions to the life and pension insurance	36	12	24
Remuneration	4 011	333	0
Passenger vehicles/other movable and immovable assets with the possibility to be used for private purposes (such data represents the amount, by which the tax base of employees is increased)	292	0	166

## 6. PAYABLES NOT REPORTED IN ACCOUNTING

On 31.12.2017, the Company was not participating on any litigations, whose decision could have a material impact on the Company.

### **Environmental liabilities**

Management of the Company does not expect any future payables, related to the damages caused by previous activities or liabilities related to the prevention of potential future damage.

The Company has not provided any guarantee to third parties.

## 7. EVENTS AFTER THE REPORTING PERIOD OF ANNUAL ACCOUNTS

After the date of annual accounts, no important events, requiring any adjustment to the annual accounts or publishing in these annual accounts, occurred.



## VIII

RELATIONSHIP REPORT,  
2017

<b>Name of the commercial company:</b>	Slévárny Třinec, a.s.
<b>Registered seat:</b>	Průmyslová 1001, Staré Město, 739 61 Třinec, Czech Republic
<b>Legal form:</b>	Joint stock company
<b>Company ID:</b>	25830716

Registered in insert 2093, section B of the Commercial Register, held at the Regional Court in Ostrava.

This Relationship Report for the relationship between the commercial company Slévárny Třinec, a.s., with its registered seat in Průmyslová 1001, Staré Město, 739 61 Třinec, Company ID 25830716, registered in section B, insert 2093, of the Commercial Register, held at the Regional Court in Ostrava (hereinafter referred to only as "Slévárny Třinec, a.s."), and controlling companies, as well as between Slévárny Třinec, a.s. and the subsidiaries under the same controlling entity, was prepared in accordance with the provisions of sec. 82 of act No. 90/2012 Coll., on Business Corporations and Cooperatives (hereinafter referred to only as the "Act on Business Corporations"), for the accounting period of 2017 (hereinafter referred to only as the "previous accounting period").

## I. SPECIFICATION OF THE CONTROLLING ENTITIES AND SUBSIDIARIES AND THE STRUCTURE OF THEIR RELATIONSHIP

### A. CONTROLLING ENTITIES

**TŘINECKÉ ŽELEZÁRNY, a. s.**, with registered seat in Průmyslová 1000, Staré Město, 739 61 Třinec, Company ID 18050646

Relationship: In the previous accounting period, TŘINECKÉ ŽELEZÁRNY, a. s., was in the position of controlling entity in relation to Slévárny Třinec, a.s.

**MORAVIA STEEL a.s.**, with registered seat in Průmyslová 1000, Staré Město, 739 61 Třinec, Company ID 63474808

Relationship: In the previous accounting period, MORAVIA STEEL a.s., was in the position of controlling entity in relation to TŘINECKÉ ŽELEZÁRNY, a. s.

**FINITRADING, a.s.**, with registered seat in nám. Svobody 526, Lyžbice, 739 61 Třinec, Company ID 61974692

Relationship: In the previous accounting period, FINITRADING, a.s., was in the position of controlling entity in relation to MORAVIA STEEL a.s.

### B. ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

**R.F.G., a.s.**, “in liquidation”, with registered seat in Třinec, nám. Svobody 526, ZIP 739 61,

Company ID 63079658

– liquidation of this commercial company was initiated on 01.01.2016 and ended on 11.01.2017 by the deletion from a commercial register.

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

Company ID 26855097

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

Company ID 28602331

**Barrandov Studio a.s.**, with registered seat in Prague 5 - Hlubočepy, Kříženeckého nám. 322/5, PSČ 152 00,

Company ID 28172469

**Beskydská golfová, a.s.**, with registered seat in č.p. 415, 739 61 Ropice,

Company ID 25352920

**MS – Slovensko s.r.o.**, with registered seat in Námestie Ľudovíta Štúra 2, Bratislava 811 02, Slovak Republic,  
Company ID 35900601

**MORAVIA STEEL IBÉRIA, S.A.**, with registered seat in Campo Grande, 35 – 9. A, P-1700 Lisbon, Portugal

**MORAVIA STEEL ITALIA s.r.l.**, with registered seat in Corso Sempione 39, 20154 Milano, Italy

**MORAVIA STEEL SLOVENIJA d.o.o.**, with registered seat in Valvazorjeva 14, 3000 Celje, Slovenia

**Moravia Steel Deutschland GmbH**, with registered seat in Cliev 19, 51515 Kürten-Herweg, Germany

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

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

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

**„NEOMET“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ**, with registered seat in ŚWIĘTEJ ROZALII 10/12, 97-500 Radomsko, Poland

**MORAVIA MINING PLC**, with registered seat in Addis Ababa, Bole 03, 5/001 – 405 A, Ethiopia

**M Steel Projects, s.r.o.**, with registered seat in Vojtecha Tvrdého 793/21, Žilina 010 01, Slovak Republic,  
Company ID 46685570

**AHP HYDRAULIKA, a. s.**, with registered seat in Vojtecha Tvrdého 793/21, Žilina 010 01, Slovak Republic,  
Company ID 31563104

**MSPProjects International s.r.o.**, with registered seat in nám. Svobody 526, Lyžbice, 739 61 Třinec,  
Company ID 03587649

**Barrandov Productions s.r.o.**, with registered seat in Křiženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5,  
Company ID 25621025

**FILMOVÁ NADACE**, with registered seat in Křiženeckého náměstí 322/5, Hlubočepy, 152 00, Prague 5,  
Company ID 27437213

**Barrandov Studios Productions s.r.o.**, with registered seat in Křiženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5,  
Company ID 03160378

**MSK Polska Sp.z o.o.**, “winding-up” with registered seat in Batalionów Chłopskich 2, 42-680 Tarnowskie Góry, Poland

**Hotel Golf Ropice a.s.**, with registered seat in č.p. 415, 739 61 Ropice,  
Company ID 278 44 919

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

**ENERGETIKA TŘINEC, a.s.**, with registered seat in Průmyslová 1024, Staré Město, 739 61 Třinec,  
Company ID 47675896

**Třinecké gastroslužby, s.r.o.**, with registered seat in Průmyslová 1035, Staré Město, 739 61 Třinec,  
Company ID 25838148

**Doprava TŽ, a.s.**, with registered seat in Třinec-Staré Město, Průmyslová 1008, PSČ 739 65,  
Company ID 25398083

**TRIALFA, s.r.o.**, with registered seat in Třinec – Kanada, ul. Míru 272, PSČ 73965,  
Company ID 25839888

**Řetězárna a.s.**, with registered seat in Polská 48, 790 81 Česká Ves,  
Company ID 47672081

**Retáže Slovakia, s.r.o.**, with registered seat in Nádražná 30, Skalica 909 01, Slovakia  
Company ID 34143483

**JuBo Jeseník s. r. o.**, with registered seat in U Jatek 600/2, 790 01 Jeseník,  
Company ID 48391514

**Řetězárna servis s.r.o.**, with registered seat in U Jatek 600/2, 790 01 Jeseník,  
Company ID 05644267

**TRISIA, a.s.**, with registered seat in nám. Svobody 526, Lyžbice, 739 61 Třinec,  
Company ID 64610152

**REFRASIL, s.r.o.**, with registered seat in Průmyslová 720, Kanská, 739 61 Třinec,  
Company ID 48395862

**VÚHŽ a.s.**, with registered seat in č.p. 240, 739 51 Dobrá,  
Company ID 27768953

**MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.**, with registered seat in Pohraniční 693/31, Vítkovice, 703 00 Ostrava,  
Company ID 25870807

**Šroubárna Kyjov, spol. s r.o.**, with registered seat in Jiráskova 987/50, 697 01 Kyjov,  
Company ID 42293588

**Moravia Security, a.s.**, with registered seat in Průmyslová 725, Kanská, 739 61 Třinec,  
Company ID 27835481

**Security Morava, s.r.o.**, with registered seat in Jiráskova 987/50, 697 01 Kyjov,  
Company ID 28346262

**Strojírny a stavby Třinec, a.s.**, with registered seat in Průmyslová 1038, Staré Město, 739 61 Třinec,  
Company ID 47674539

**„METALURGIA“** Spółka Akcyjna, with registered seat in ulica ŚWIĘTEJ ROZALII nr 10, lok. 12, 97-500 Radomsko, Poland

**„ZAMECZEK BŁOGOCICE“** SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, with registered seat in ul. STEFANA ŻEROMSKIEGO 1, 43-400 Cieszyn, Poland

**„D&D“** Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság, with registered seat in 3527 Miskolc, Sajószigeti utca 4, Hungary

**TŘINECKÁ PROJEKCE, a.s.**, with registered seat in Míru 274, Kanada, 739 61 Třinec,  
Company ID 47677741

**ŽDB DRÁTOVNA a.s.**, with registered seat in Jeremenkova 66, Pudlov, 735 51 Bohumín,  
Company ID 29400066

**DALSELV DESIGN a.s.**, with registered seat in Slévárenská 403/11, Mariánské Hory, 709 00 Ostrava,  
Company ID 28262913

**HŽP a.s.**, with registered seat in Dolní 3137/100, 796 01 Prostějov,  
Company ID 26955342

**SV servisní, s.r.o.**, with registered seat in Dolní 3137/100, 796 01 Prostějov,  
Company ID 60725974

**IMOPRA s.r.o.**, with registered seat in U Dvora 217, 687 51 Nivnice,  
Company ID 26277697

The addresses of the registered seats of the commercial companies in section I are current as of 31.12.2017.

## II. ROLE OF SLÉVÁRNY TŘINEC, A.S. AND THE WAY AND MEANS OF CONTROL

Within the relations according to the section I. of this Relationship Report, Slévárny Třinec, a.s. company is a manufacturing company whose main activity is the production of castings.

Slévárny Třinec, a.s. is controlled by TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter later referred to only as the “TŽ Company”).

In the previous accounting period, the TŽ Company had a decisive influence in Slévárny Třinec, a.s. as sole shareholder, with regard to the competence of the Shareholders Meeting of Slévárny Třinec, a.s.

### III. OVERVIEW OF DEALS AND AGREEMENTS

The following provides an overview of the negotiations and mutual agreements between Slévárny Třinec, a.s. and controlling entities, as well as between Slévárny Třinec, a.s. and the subsidiaries controlled by the same controlling entity:

- a) During the previous accounting period, the Slévárny Třinec, a.s. company did not undertake any action spurred on in the interest of controlling entity or subsidiaries controlled by such entity, related to the assets exceeding 10% of equity capital of Slévárny Třinec, a.s., according to the annual accounts for the accounting period of 2016 in terms of sec. 82 par. 2d of the Act on Business Corporations.
- b) In the following annexes to this Relationship Report, there is an overview of the agreements for the previous accounting period between Slévárny Třinec, a.s. and controlling entities, as well as between Slévárny Třinec, a.s. and the subsidiaries controlled by the same controlling entity in terms of sec. 82 par. 2e of the Act on Business Corporations:
  - Annex No. 1.: MORAVIA STEEL a.s.
  - Annex No. 2.: TŘINECKÉ ŽELEZÁRNY, a. s.
  - Annex No. 3.: ENERGETIKA TŘINEC, a.s.
  - Annex No. 4.: Strojírny a stavby Třinec, a.s.
  - Annex No. 5.: REFRASIL, s.r.o.
  - Annex No. 6.: Doprava TŽ, a.s.
  - Annex No. 7.: Třinecké gastroslužby, s.r.o.
  - Annex No. 8.: VÚHŽ a.s.
  - Annex No. 9.: TRIALFA, s.r.o.
  - Annex No. 10.: Řetězárna a.s.
  - Annex No. 11.: Moravia Security, a.s.
  - Annex No. 12.: TŘINECKÁ PROJEKCE, a.s.
  - Annex No. 13.: TRISIA, a.s.
  - Annex No. 14.: AHP HYDRAULIKA, a. s.
  - Annex No. 15.: Moravskoslezský kovošrot, a. s.
  - Annex No. 16.: ŽDB DRÁTOVNA a.s.
- c) There were no agreements existing in terms of sec. 82 par. 2e of the Act on Business Corporations in the previous accounting period between Slévárny Třinec, a.s. and controlling entities, neither between Slévárny Třinec, a.s. and the subsidiaries controlled by the same controlling entity, other than entities mentioned under point b above.

#### IV. EVALUATION OF RELATIONSHIPS

In this Relationship Report, all the important facts are mentioned, representing the requirements in terms of sec. 82 of the Act on Business Corporations, related to the relationship between Slévárny Třinec, a.s. and entities controlling it, and between Slévárny Třinec, a.s. and entities controlled by the same controlling entity.

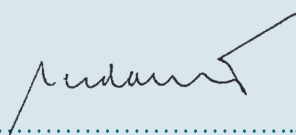
Performances and counter performances received and provided by Slévárny Třinec, a.s., based on agreements mentioned in the annexes to this Relationship Report, were provided under common business conditions.

Prices agreed between Slévárny Třinec, a.s. and controlling entities, as well as between Slévárny Třinec, a.s. and entities controlled by the same controlling entity, do not deviate from the prices that would have been agreed by independent entities. The business margin between Slévárny Třinec, a.s. and controlling entities, as well as between Slévárny Třinec, a.s. and entities controlled by the same controlling entity, meets the arms length principle.

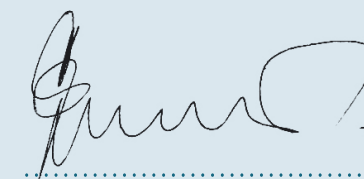
Slévárny Třinec, a.s. considers relations with controlling entities and subsidiaries controlled by the same controlling entity as beneficial, and there are no risks different than the common market risks based on business conduct in respective industries.

In the previous accounting period, no harm was caused to Slévárny Třinec, a.s. based on its relation to controlling entities and entities controlled by the same controlling entity.

In Třinec, on 23.03.2018



Ing. Zdeněk Vladár  
Chairman of the Board of Directors  
Slévárny Třinec, a.s.



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



## ANNEX NO. 1

### Overview of agreements between Slévárny Třinec, a.s. and MORAVIA STEEL a.s.

#### 2. Agreements for which the decisive factor is the provision of goods or services by MORAVIA STEEL a.s. for the benefit of Slévárny Třinec, a.s.

1. Frame agreement for the supplies of material and raw materials, valid from 1.4.2016.
2. Mandate agreement for the purchase of works and services, for the purchase of technical and overhead materials and spare parts, valid from 1.3.2016.
3. Mandate agreement for the purchase of fuels (diesel and gasoline), valid from 1.3.2016.
4. Frame agreement on truck transportation of goods, valid from 1.5.2016.
5. Orders for the provision of other services for the period from 1.2.2017 to 20.4.2017, four orders.

## ANNEX NO. 2

### Overview of agreements between Společností Slévárny Třinec, a.s. and TŘINECKÉ ŽELEZÁRNY, a.s.

#### 1. Agreements for which the decisive factor is the provision of goods and services by Slévárny Třinec, a.s. for the benefit of TŘINECKÉ ŽELEZÁRNY, a.s.

1. Agreements on the sale of castings and materials: for the period from 7.3.2016 to 23.12.2016, 22 agreements; for the period from 5.1.2017 to 7.12.2017, 118 agreements.
2. Agreements on the sale of scrap: for the period from 26.1.2017 to 19.12.2017, 23 agreements.
3. Rental agreement for non-residential premises PJVIII 1/20-Cu.u.

#### 2. Agreements for which the decisive factor is the provision of goods or services by TŘINECKÉ ŽELEZÁRNY, a.s. for the benefit of Slévárny Třinec, a.s.

1. Frame agreement on supplies of raw materials from 1.4.1999. The subject-matter of this agreement is the purchase of solid and liquid metal and liquid steel.
2. Orders for the purchase of scrap, materials and other raw materials: for the period from 3.12.2015 to 2.11.2017, 34 orders.
3. Orders for the provision of services: for the period from 12.10.2016 to 13.12.2017, 34 order

## ANNEX NO. 3

### Overview of agreements between Slévárny Třinec, a.s. and ENERGETIKA TŘINEC, a.s.

#### 1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of ENERGETIKA TŘINEC, a.s.

1. Agreements on the supply of castings from 16.1.2017, 20.1.2017 and 27.2.2017 (three agreements).
2. Rental agreements for non-residential premises from 31.7.2003 and 30.6.2005 (two agreements).).

#### 2. Agreements for which the decisive factor is the provision of goods or services by ENERGETIKA TŘINEC, a.s. for the benefit of Slévárny Třinec, a.s.

1. Agreements on energy supplies from 30.1.2015, 12.2.2015, 3.3.2015 and 28.2.2017: (four agreements).
2. Rental agreement for model storage from 31.3.2009.
3. Orders for the purchase of materials from 5.1.2017 and 11.1.2017 (two orders).

## ANNEX NO. 4

### Overview of agreements between Slévárny Třinec, a.s. and Strojírny a stavby Třinec, a.s.

#### 1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of Strojírny a stavby Třinec, a.s.

1. Orders for the construction and sale of castings for the period from 15.2.2016 to 22.12.2016, number of orders 35; for the period from 5.1.2017 to 14.12.2017, number of orders 172.
2. Orders for the provision of heat treatment services for the period from 17.1.2017 to 29.6.2017, seven orders.

#### 2. Agreements for which the decisive factor is the provision of goods or services by Strojírny a stavby Třinec, a.s. for the benefit of Slévárny Třinec, a.s.

1. Orders for casting machining for the period from 6.10.2016 to 26.10.2017, 43 orders.
2. Frame agreements on adjustments, renovations, locksmithing works, repairs, construction works and other services. For the period from 11.1.2017 to 31.10.2017, 45 orders.
3. Frame purchase agreement for the purchase of materials, spare parts and alloy waste. For the period from 23.11.2016 to 24.11.2017, 36 orders.

## ANNEX NO. 5

### Overview of agreements between Slévárny Třinec, a.s. and REFRASIL, s.r.o.

#### 1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of REFRASIL, s.r.o.

1. Three orders for the sale of castings from 16.1.2017, 30.3.2017 and 12.6.2017.

## ANNEX NO. 6

### Overview of agreements between Slévárny Třinec, a.s. and Doprava TŽ, a.s.

#### 2. Agreements for which the decisive factor is the provision of goods or services by Doprava TŽ, a.s. for the benefit of Slévárny Třinec, a.s.

1. Agreement for transportation of goods No. 01/005/2006 from 30.12.2005.
2. Agreement No. 4500934908 from 18.7.2017 – sale of artificial stones for metallurgy, incl. transportation.

## ANNEX NO. 7

### Overview of agreements between Slévárny Třinec, a.s. and Třinecké gastroslužby, s.r.o.

#### 2. Agreements for which the decisive factor is the provision of goods or services by Třinecké gastroslužby, s.r.o. for the benefit of Slévárny Třinec, a.s.

1. Agreement from 1.11.1999 on the provision of catering services, eight orders.
2. Agreement from 1.7.2007 on the provision of non-monetary performance to the employees of Slévárny Třinec, a.s. (benefits).

## ANNEX NO. 8

### Overview of agreements between Slévárny Třinec, a.s. and VÚHŽ a.s.

#### 1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of VÚHŽ a.s.

1. Agreement on roller sale from 26.5.2017.

#### 2. Agreements for which the decisive factor is the provision of goods or services by VÚHŽ a.s. for the benefit of Slévárny Třinec, a.s.

1. Order for the purchase of materials from 24.10.2016.
2. Order for scanning and dimension checks of castings from 25.4.2017

## ANNEX NO. 9

### Overview of agreements between Slévárny Třinec, a.s. and TRIALFA, s.r.o.

#### 1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of TRIALFA, s.r.o.

1. Agreements on the sale of castings: for the period from 5.1.2017 to 18.10.2017, eight orders.

#### 2. Agreements for which the decisive factor is the provision of goods or services by TRIALFA, s.r.o. for the benefit of Slévárny Třinec, a.s.

1. Orders for the purchase of materials: for the period from 9.12.2016 to 10.11.2017, seven orders.

2. Order for machinery-locksmithing works from 30.1.2017.

3. Order for the provision of employment benefits from 13.2.2017.

## ANNEX NO. 10

### Overview of agreements between Slévárny Třinec, a.s. and Řetězárna, a.s.

#### 1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of Řetězárna, a.s.

1. Agreements on the sale of castings from 6.1.2017 to 11.6.2017, four orders.

#### 2. Agreements for which the decisive factor is the provision of goods or services by Řetězárna, a.s. for the benefit of Slévárny Třinec, a.s.

1. Orders for the purchase of materials from 13.7.2017, two orders.

## ANNEX NO. 11

### Overview of agreements between Slévárny Třinec, a.s. and Moravia Security, a.s.

#### 2. Agreements for which the decisive factor is the provision of goods or services by Moravia Security, a.s. for the benefit of Slévárny Třinec, a.s.

1. Orders for the provision of services for the period from 6.1.2017 to 15.6.2017, four orders.

## ANNEX NO. 12

Overview of agreements between Slévárny Třinec, a.s. and TŘINECKÁ PROJEKCE, a.s.

### 2. Agreements for which the decisive factor is the provision of goods or services by TŘINECKÁ PROJEKCE, a.s. for the benefit of Slévárny Třinec, a.s.

1. Agreements on provision of services – design documentation, for the period from 23.2.2017 to 6.9.2017, four orders.

## ANNEX NO. 13

Overview of agreements between Slévárny Třinec, a.s. and TRISIA, a.s.

### 2. Agreements for which the decisive factor is the provision of goods or services by TRISIA, a.s. for the benefit of Slévárny Třinec, a.s.

1. Orders for the provision of services during the period from 21.2.2017 to 12.5.2017, four orders.
2. Order for the provision of employment benefits from 13.7.2017.

## ANNEX NO. 14

Overview of agreements between Slévárny Třinec, a.s. and AHP HYDRAULIKA, a.s.

### 1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of AHP HYDRAULIKA, a. s.

1. Agreements on the sale of castings from 16.4.2013, 25.8.2016, 14.2.2017, 30.3.2017 and 16.10.2017.

## ANNEX NO. 15

Overview of agreements between Společností Slévárny Třinec, a.s. and Moravskoslezský kovošrot, a.s.

### 2. Agreements for which the decisive factor is the provision of goods or services by Moravskoslezský kovošrot, a.s. for the benefit of Slévárny Třinec, a.s.

1. Orders for the purchase of scrap: for the period from 11.1.2017 to 19.12.2017, 42 orders.

**ANNEX NO. 16**

**Overview of agreements between Společností Slévárny Třinec, a.s. and ŽDB DRÁTOVNA a.s.**

**1. Agreements for which the decisive factor is the provision of goods or services by Slévárny Třinec, a.s. for the benefit of ŽDB DRÁTOVNA a.s.**

1. Agreement on the sale of castings from 20.9.2017.

# IX

## AUDITOR'S REPORT

# Deloitte.

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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 2017, 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 2017 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 významné (materiálně) nesprávné. Také posuzujeme, zda ostatní informace byly ve všech významných (materiálních) ohledech vypracovány v souladu s příslušnými právními předpisy. Tímto posouzením se rozumí, zda ostatní informace splňují požadavky právních předpisů na formální náležitosti a postup vypracování ostatních informací v kontextu významnosti (materiality), tj. zda případné nedodržení uvedených požadavků by bylo způsobitelné 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 obdržených ostatních informacích 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 vznikat v důsledku podvodů nebo chyb a považují se za významné (materiální), pokud lze reálně předpokládat, že by jednotlivě nebo v souhrnu mohly ovlivnit ekonomická rozhodnutí, která uživatelé účetní závěrky na jejím základě přijmou.

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

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

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

V Praze dne 15. března 2018

Auditorská společnost:

Deloitte Audit s.r.o.  
evidenční číslo 079



Statutární auditor:

Václav Loubek  
registrace no. 2037





