

ANNUAL REPORT
2019

**Company name:**

Slévárny Třinec, a.s.

Registered office:

Průmyslová 1001, Staré Město,
739 61 Třinec
Czech Republic

Legal form:

joint-stock company

ID number:

258 30 716

e-mail: foundry@trz.cz

<https://slevarny.trz.cz/>



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The background of the slide is a high-contrast, red-tinted photograph of an industrial setting. On the left, a worker in a hard hat and dark clothing is seen from the back, looking towards the right. On the right, a large industrial ladle is pouring a bright, glowing molten metal into a mold. The scene is filled with sparks and the intense heat of the metal. A large white circle is centered over the image, containing the text 'introductory part'.

introductory part

I

Introductory words of the Director



**Dear Friends,
This Annual Report
informs you of the results
of our company in 2019.**

The high demand for cast pieces continued at the beginning of 2019, similarly as in 2018. However, during and especially at the end of the market, the needs of our major customers significantly reduced, which eventually had a significantly negative impact on year-round performance at all production facilities. As the sole operation unit, Foundry of Grey Cast Iron I. fulfilled the planned tasks, but despite this, there was a year-on-year decrease in production by 8.7%. Compared to the previous period,

the Steel Foundry produced a larger assortment with a higher average kilogram price, but even so, this operation did not fulfil the planned tasks. A similar trend was recorded by Grey Iron Foundry II. The cooling of demand and a significant reduction in the needs of our major customers was also reflected in the pressure from customers on our sales prices. However, the opposite was true in terms of costs. The prices of raw materials and energy as well as personnel costs increased throughout the year and did not even decrease at the end of the year when we experienced a significant lack of supply. These issues significantly affected the overall profit of our company and

the significant non-fulfilment of planned tasks.

We have updated the Business Plan for 2020 to 2024 in relation to Business Plan TŽ, a.s. as part of the business programme for the TŽ-MS Group. The update used the latest knowledge and information on market developments and other basic documents, such as the Marketing Study and the Quality Improvement Plan according to ČSN EN ISO 9001.

Through our activities, we are still fulfilling the sense and the nature of our earmarking, namely the “Valuation of material Inputs of the primary production of TŽ

outside the Třinecké železářny – Moravia Steel“ Group

The Business Plan includes the following parameters for the development of our company:

Vision: In a modern manner with tradition in years

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



Key area (principles):

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

The development of economic indexes in 2015-2019 is evident from the undermentioned table.

INDEX / YEAR	2015	2016	2017	2018	2019
ROCE (in %)	5.63	2.49	2.26	3.57	-3.31
ROS (in %)	2.74	1.55	1.34	1.95	-2.05
Performance consumption/performance (in %)	70.20	68.31	69.95	69.64	70.77
Profit or loss before taxation (thousand CZK)	33,055	16,543	15,262	24,271	-24,029
Indebtedness (in %)	26.45	29.65	32.42	32.47	26.58
Investments (thousand CZK)	58,737	144,426	22,720	72,991	22,896
Productivity from added value-personal costs (thousand CZK/empl.)*	128.88	101.25	107.98	123.80	55.45
Number of employees	672	666	647	643	638

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

Company culture

For the fulfilment of the mission and vision of the company, we build and develop the company culture based on the following values and principles:

Values:

- Satisfied client
- Motivated employee
- Quality
- Responsibility
- Teamwork

Principles:

- Management
- Partnership
- People
- Technology

Technological development and research

Technological development and research and development at Slévárny Třinec, a.s. (hereinafter referred to as SL) is derived from the Strategy of the company of the TŽ/MS Group in the area of research, development and innovations, and is a means to increase competitiveness, fulfil the requirements of clients and the development of the company. It is focused to the improvement of the production of cast pieces in the area of the research and development of new kinds of materials, technologies and construction of cast pieces which influence the improvement of the whole process of the production in the SL.

The implementation is ensured in the form of research tasks, projects and technological and product innovations.

Environment and ecology

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

The protection of the environment is a priority of our company and is equal in importance to our economic results and social conditions.

Strategic intentions

The annual SL marketing study maps out the demands of existing clients as the source material for the preparation of the financial plan

as well as the strategic proposals and recommendations for new opportunities for all operating units. We completed the modernization of the production process of the steel foundry operation moulds and began work to improve the conditions for greater control of castings by building an extension to the machining hall. At the same time, we are focused on developing individual market segments with higher profitability and streamlining production for markets with lower profitability through strengthening and increasing the effectiveness of our long-term partner relations and moving towards more demanding cast pieces for the automotive industry and for machine tools.

At this point, I would like to state my appreciation of the excellent cooperation with our business partners in 2019, the parent company for its support and of the strong and top quality work of our colleagues.



Ing. Zdeněk Vladár

Director of Slévárny Třinec, a.s.
Třinec, date 24. 02. 2020

I

General data

Name of the accounting unit:	Slévárny Třinec, a.s.
Registered office:	Průmyslová 1001, Staré město, 739 61 Třinec
Legal form:	joint-stock company
Main business activity:	foundry
Date of registration in the Commercial Register:	16. 2. 1999
Capital stock:	550,000,000 CZK
Share in the capital stock:	100% share TŘINECKÉ ŽELEZÁRNY, a. s., ID number 18050646

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

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

At 31 12. 2019, the company does not have branch or other part of trade plant abroad.
Slévárny Třinec, a.s. belongs to the consolidation unit of TŘINECKÉ ŽELEZÁRNY, a.s.

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Company bodies

Basic management bodies of the company: General Meeting
Supervisory Board
Board of Directors
Director of the company with the management

Supervisory Board:

Ing. Ivo Žižka
Marian Czyž
Ludvík Javorek (01.01 – 02.01.2019)
Stanislav Waszut (03.01. – 31.12.2019)

Chairman
Deputy Chairman
Member
Member

Board of Directors:

Ing. Zdeněk Vladár
Ing. Josef Šigut
Miroslav Kajzar

Chairman
Deputy Chairman
Member

Control management:

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

Director of the company
Economy and Personnel Manager
Manufacturing Manager
Technology and Quality Manager
Sales Manager



IV

Board of Directors' report



The Board of Directors of Slévárny Třinec, a.s. in its regular meetings (in total 22) in 2019 addressed the preparation and evaluation of conceptual source materials and materials related to the development of the joint-stock company that were submitted to the Supervisory Board for evaluation. Tasks were resolved that were imposed on the Board of Directors by the Supervisory Board of the company, including the regular analysis and evaluation of economic results. Major discussion points of meetings of the Board of Directors included the fulfilment of objectives for all key areas of management (financial plan for 2019, including the investment

plan and the business plan for 2019 to 2023), and consequent regular discussions on the results achieved to ensure the required economic results.

Further important materials discussed materials were the 2018 annual report, the 2020 financial plan, including the investments plan and the business programme for 2020 to 2024.

Furthermore, other problems regarding maintaining the viability of the company were monitored, evaluated and solved – especially business and personnel policy – to ensure a sufficient number of orders and employment solutions plus others such as the organizational

structure, collective bargaining, working environment, marketing and business strategies, product and technological innovation.

Production and position on the market

According to the available statistics, Slévárny Třinec, a.s. ranks among the largest producers in the foundry market in the Czech Republic with more than a 6% share of production of steel castings and close to a 13% share of cast iron castings.

Assortment

In 2019, Slévárny Třinec, a.s. produced 32.8 thousand tons of castings for a wide range of customers in 14 different market

segments. In terms of weight, this is 8.4% less than in 2018; expressed in monetary units it is 2.16% less. Compared to the first half of 2019, which could be assessed as comparable to the previous year, there was a significant decrease in the second half of the year. If we compare the second half of 2018 and 2019, then in the second half of 2019 we produced 17% less castings than in the previous year. Nevertheless, there were industries in which the volume of production in Slévárny Třinec increased this year. These are parts for the metallurgical industry, the automotive industry and mechanical engineering.

Shares of individual market segments by sales in 2019 are in the following table:

MARKET SEGMENTATION	% SHARE
HU - Cast pieces for the metallurgical industry	33.58
AT - Cast pieces for the automotive industry	18.76
SR - Cast pieces for the civil engineering industry	12.90
PR - Counterweight cast pieces	10.71
KO - Cast pieces for railway transport	9.48
TS - Parts for mining and processing of raw materials	6.56
HV - Rollers for rolling mills	5.46
ZE - Cast pieces for the agricultural industry	0.71
ST - Cast pieces for the building industry	0.44
EN - Cast pieces for the energy industry	0.44
AM - Fittings	0.28
RA - Parts for pressing tools	0.26
OF - Cast pieces for the offshore and crude oil industry	0.21
RU - Advertising and art items	0.01

In 2018, our company supplied cast pieces for various industrial areas outside the Czech Republic – 17 countries worldwide.

COUNTRY	% SHARE
Czech Republic	25.61
Italy	24.27
Germany	20.61
Poland	11.85
Slovak Republic	8.26
Hungary	2.99
Belgium	2.48
Norway	2.24
Slovenia	0.71
Sweden	0.35
Netherlands	0.23
Switzerland	0.17
Austria	0.12
France	0.07
Portugal	0.02
Estonia	0.01
Luxembourg	0.01
United Kingdom	0.01

Sales policy

We built our marketing and business strategy in 2019 on the development and strengthening of existing long-term partnerships with our customers and on acquiring new customers and new markets. To do this, we selected the marketing tools that are the most suitable in our field. In addition to business meetings with customers (business trips and visits), we also use event marketing where we organize a „customer day“ and invite all our customers.

In order to obtain new acquisitions, we also actively and passively participate in trade fairs. In the first half of 2019, we presented ourselves through the Czech agency CZECHTRADE at the subcontracting MIDEST Lyon trade fair. We also actively participated in the Made in Steel Milano trade fair, where we exhibited as part of a joint exhibition by the TŽ-MS group. At the end of the first half of the year, we presented ourselves at the world-renowned GIFA trade fair, NEWCAST Düsseldorf, under the partial auspices of the

Ministry of Industry and Trade of the Czech Republic. Rail EXPO Kiev was the last trade fair in 2019, where we actively exhibited, which was a railway trade fair. All fairs are proposed in accordance with our business strategy to ensure prosperity of the SL.

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

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

Again, we can compare year-on-year change:

	2019	2018
TŽ Group	12.55%	13.07%
Czech Republic other	24.72%	24.28%
Export	62.73%	62.64%



Investment activity

The investment activities of Slévárny Třinec, a.s. were focused on the following areas: **Manufacturing** – renewal of the boiler room at the wood modelling shop, renewal of welding units for the steel foundry (3 sets), 1 hinge for transporting ladles, workplace for repairs and X-ray diagnostics of cores, extension of the casting processing hall, electric hoist in EX design for the paint shop, remote control installation on crane no. 19, remote control of crane No. 68 / 15t, reconstruction of the lighting of the second aisle of the production hall of Grey Iron Foundry II, access bridge to the vibrating conveyor No. 12, local heating of castings by resistance blankets.

Human Resources in Slévárny Třinec, a.s. in 2019

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

In 2019, the development of employment in the company was influenced by increased orders and by the overall economic situation in Slévárny Třinec, a.s.

During 2019, a total of 49 employees began work in Slévárny Třinec, a.s.. This figure includes 4 graduates from other companies, 4 employees from other companies outside the TŽ-MS group and 45 employees transferred from agencies. A total of 45 employees terminated their employment in 2019.

The human resources policy of Slévárny Třinec, a.s. was based on achieving a standard and structure of employment that would increase work productivity while maintaining smooth operation in all areas of the company. The share of staff costs from the total costs was 24.9 % in 2019.

To help students about to finish basic school, we participate in meetings of employers and

primary schools' educational advisers in cooperation with the Secondary Professional School of Třinecké Železářny. In cooperation with the employment office, we regularly participate in the "Education Market" where we present the newly opened apprenticeship - mainly in the "founder" and "melter" areas together with other options open to graduates.

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

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

As part of the recruiting of secondary vocational school graduates, we took part in the

"Open Day" event at a secondary technical school in Frýdek-Místek.

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

The Collective Agreement between the ZO OS KOVO trade union organisation and Slévárny Třinec, a.s. was concluded for 2019. The agreement stipulates and states the individual and collective relations between the employer and employees and the rights and obligations resulting from these relations. All commitments resulting from the Collective Agreement in 2019 were fulfilled.

The company continues with the further development of education of its own employees in the

form of training, in particular in increasing the quality of manufacturing, technology and research, environmental impact on the environment, language and management knowledge.

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

We provide secondary school and university students with professional practice in our operating units and sections and consultation on their bachelor and diploma theses in areas related to foundry production. We provide working benefits for employees who study during their employment at secondary schools or universities.

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

- increase of labour productivity

- employee motivation
- production without injuries
- streamlined and flexible structure

Increase of labour productivity – procedures for the management of labour requirements are improved so that each month the indicators for our operating units, which affect labour productivity and its increase, are specified.

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

Production without injuries – with regard to the nature of work in the foundry industry, which has a higher frequency of work

injuries, more attention is paid to this issue than to other areas. The director announces the foundry policy within which the principles of health and safety apply to reduce work injuries.

Streamlined and flexible structure – skill shortages are removed through internal and external training. Department of Process Engineering was established and participates in increasing production efficiency.

Quality increase policy and control system policy

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

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

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

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

- create and comply with procedures that correspond to the state environmental policy and which are in accordance with the valid legislation of the Czech Republic and other regulations in this area,
- timely and permanently comply with all legislative requirements applicable in the field of protection



- duly and continuously meet all valid environmental protection legislative requirements during all the company activities,
- continuously improve the technical parameters of production equipment, including
- continuous monitoring and evaluation in order to permanently reduce the adverse effects of our production and non-production activities on the environment.

Through the OHS system, Slévárny Třinec, a.s. strives to:

- comply with all legislative requirements for occupational health and safety,
- improve the technical parameters of the manufacturing equipment and technologies to permanently decrease any unfavourable influences of our production activity on occupational health and safety and to improve working conditions and eliminate risks,

- continuously increase the knowledge of all those working for the organisation of the principles of occupational health and safety and improve working conditions.

The functionality and efficiency of both the quality system and the environmental system were confirmed in 2019 by renewed audits. A safe work system according to the OH-SAS 18 001 standard was introduced, verified by an internal audit in 2019 although we are currently not considering certifying it. At present, we are ensuring the conditions and requirements that are imposed on suppliers of the automotive industry in the freight sector although we are not considering certification according to standard IATF 16 949, etc. The conclusions and recommendations from the energy audit based on the amendment of the Energy Management Act 406/2000 Coll. were developed into tasks which

resolve optimising energy and fuel consumption in the foundry production process.

Comments on financial results

The development of production and economic indicators in 2019 was largely influenced by a significant decline in demand in the second half of the year, which is generally applicable to most casting producers. The wider ranging assortment than in the previous year had a positive impact on sales, although this was reduced by the strong crown in the last quarter of the year.

The costs were managed in order to eliminate the adverse impact of lower production as well as the increase in the prices of pig iron, services and energy.

The value of the company's assets decreased year-on-year by 104,245 thousand CZK, particularly at the end of the year in connection with the decrease in production capacity.

The company is repaying the investment loan. The total amount of instalments in 2019 was 15,200 thousand CZK.

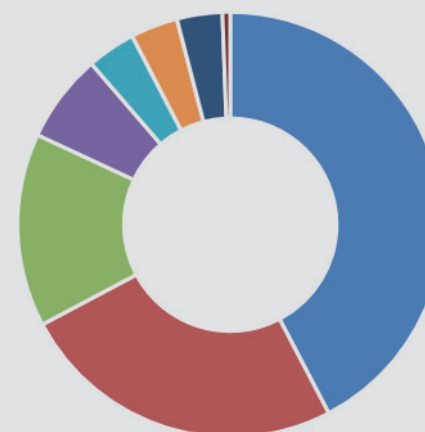
Total expenses of the company for science and research for 2019 were 1,482 thousand CZK.

No important events occurred after the balance sheet date that would require publication in the annual report.

Třinec, 25 March 2020

Ing. Zdeněk Vladár
Chairman of the Board
of Directors

Composition of costs (in %)



- 42.3% Material costs
- 24.9% Staff costs
- 14.7% Services
- 6.7% Energy
- 3.7% Other costs
- 3.6% Costs for repairs
- 3.5% Depreciation
- 0.6% Financial costs



Supervisory Board Report



The Supervisory Board of Slévárny Třinec, a.s. carried out its supervisory activities in accordance with the Act and the Articles of the Company. Throughout 2019, the Supervisory Board supervised the activities of the Board of Directors and the company's business activities. The Supervisory Board conducted these activities through continuous supervision of the company's business management and the fulfilment of the basic programme documents, in particular, the business programme. During its seven regular meetings, the Supervisory Board discussed the submitted materials and ensured that the business activities of the company were conducted in accordance with the legal regulations, the articles, the resolutions of the Supervisory Board and resolutions arising from the decision of the sole shareholder using the authority of the

General Meeting. At the date 02. 01. 2019, Mr. Ludvík Javorek terminated his activities as a member of the Supervisory Board, and from 03. 01. 2019, Stanislav Waszut was elected a member of the Supervisory Board. The supervisory activity was executed by inspection of the accounting and other company documentation concerning its business activity by which information was checked that was obtained from members of the Board of Directors and other members of the top management of the company who were invited to individual meetings of the Supervisory Board to submit an explanation or comments to individual points on the agenda.

At its meeting on 03. 03. 2020 the Supervisory Body investigated the following written material:

- Financial Statement for 2019,
- Proposal for settlement of the profit reported in the accounting period of 2019 and
- Report on relations between linked subjects for 2019

submitted by the Board of Directors of the company.

Based on the investigation of the above-mentioned documents, the Supervisory Board adopted a resolution at its meeting held on 03. 03. 2020, which states that

1. The Financial Statement truly reflects the status of the management of the company during the accounting period of 2019,
2. The Report on Relations between linked subjects describes the actual relations between the company

and linked subjects, the extent of which was reliably ascertained in the accounting period of 2019, 3. The proposal of the Board of Directors of Slévárny Třinec, a.s. for the settlement of the loss of the accounting period 2019, is in accordance with point C.III. of the Company's Articles.

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

Třinec, 25 March 2020

Ing. Ivo Žižka
Chairman of the Supervisory Board



financial part

VI

Financial statement for 2019

FINANCIAL STATEMENT AT 31 DECEMBER 2019

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

The Financial Statement includes:

Balance Sheet



Profit and Loss Statement

Summary of changes in equity

Summary of cash flow

Appendix

The Financial Statement was produced on 25 March 2020.

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

BALANCE SHEET IN FULL AT 31. 12. 2019 – ASSETS

(IN THOUSANDS CZK)

	31. 12. 2019		31. 12. 2018	
	Gross	Adjustment	Net	Net
TOTAL ASSETS	1,583,453	738,711	844,742	948,987
B. Fixed assets	1,216,491	733,349	483,142	502,102
<i>B.I. Fixed intangible assets</i>	<i>10,043</i>	<i>6,142</i>	<i>3,901</i>	<i>1,536</i>
B.I.2. Valuable rights	6,142	6,142	0	
B.I.2.1. Software	2,950	2,950	0	0
B.I.2.2. Royalties	3,192	3,192	0	0
B.I.4. Other fixed intangible assets	3,901		3,901	1,536
<i>B.II. Fixed tangible assets</i>	<i>1,206,448</i>	<i>727,207</i>	<i>479,241</i>	<i>500,566</i>
B.II.1. Land and constructions	319,931	162,215	157,716	150,626
B.II.1.2. Constructions	319,931	162,215	157,716	150,626
B.II.2. Tangible items and sets	851,973	550,793	301,180	270,798
B.II.3. Valuation difference to acquired assets	14,199	14,199	0	
B.II.5. Advances for fixed tangible assets and fixed tangible assets in progress	20,345		20,345	79,142
B.II.5.2. Fixed tangible assets in progress	20,345		20,345	79,142

THE TABLE CONTINUES ON THE FOLLOWING PAGE 

BALANCE SHEET IN FULL AT 31. 12. 2019 – ASSETS

(IN THOUSANDS CZK)

		31. 12. 2019		31. 12. 2018	
		Gross	Adjustment	Net	Net
C.	Current assets	366,962	5,362	361,600	446,885
<i>C.I.</i>	<i>Inventories</i>	183,333	807	182,526	211,343
C.I.1.	Material	66,023	487	65,536	74,704
C.I.2.	Production and semi-products in progress	117,310	320	116,990	136,639
<i>C.II.</i>	<i>Receivables</i>	170,760	4,555	166,205	224,165
C.II.1.	Long-term receivables	233		233	108
C.II.1.5.	<i>Receivables – other</i>	233		233	108
C.II.1.5.4.	Other receivables	233		233	108
<i>C.II.2.</i>	<i>Short-term receivables</i>	169,713	4,555	165,158	223,291
C.II.2.1.	Trade receivables	165,274	4,555	160,719	217,203
C.II.2.4.	<i>Receivables – other</i>	4,439		4,439	6,088
C.II.2.4.3.	State – tax receivables	4,334		4,334	5,899
C.II.2.4.4.	Short-term deposits provided	105		105	178
C.II.2.4.6.	Other receivables				11
<i>C.II.3.</i>	<i>Accrued assets</i>	814		814	766
C.II.3.1.	Deferred expenses	493		493	571
C.II.3.3.	Deferred income	321		321	195
<i>C.IV.</i>	<i>Cash</i>	12,869		12,869	11,377
C.IV.1.	Cash	354		354	299
C.IV.2.	Financial funds in bank accounts	12,515		12,515	11,078

BALANCE SHEET IN FULL AT 31. 12. 2019 – LIABILITIES

(IN THOUSANDS CZK)

	31. 12. 2019	31. 12. 2018
TOTAL LIABILITIES	844,742	948,987
A. Equity	620,191	640,828
A.I. Capital stock	550,000	550,000
A.I.1. Capital stock	550,000	550,000
A.III. Funds from profit	430	430
A.III.1. Other reserve funds	430	430
A.IV. Profit or loss from previous years (+/-)	90,398	67,262
A.IV.1. Undistributed profit or loss from previous years (+/-)	90,398	67,262
A.V. Profit or loss in ordinary accounting period (+/-)	-20,637	23,136
B.+C. Other resources	224,551	308,159
B. Reserves	14,698	13,554
B.IV. Other reserves	14,698	13,554
C. Liabilities	209,853	294,605
C.I. Long-term payables	53,687	72,629
C.I.2. Payables to credit institutions	41,800	57,000
C.I.8. Deferred tax liability	11,887	15,629
C.II. Short-term payables	155,911	221,699
C.II.2. Payables to credit institutions	15,265	15,200
C.II.3. Short-term deposits received	6,534	4,589
C.II.4. Trade payables	101,455	174,495
C.II.8. Other liabilities	32,657	27,415
C.II.8.3. Payables to employees	13,785	12,378
C.II.8.4. Payables to social security and health insurance	8,846	8,119
C.II.8.5. State – tax liabilities and subsidies	6,265	3,527
C.II.8.6. Estimated payables	2,643	2,253
C.II.8.7. Other payables	1,118	1,138
C.III. Passive accruals	255	277
C.III.1. Accrued expenses	255	277

PROFIT AND LOSS STATEMENT IN NATURE OF EXPENSE AT – 31. 12. 2019

(IN THOUSANDS CZK)

	Period to 31. 12. 2019	Period to 31. 12. 2018
I. Sales of products and services	1,171,986	1,198,033
A. Production consumption	828,275	863,452
A.2. Consumption of material and energy	621,437	660,404
A.3. Services	206,838	203,048
B. Change in stock balance of own activities (+/-)	19,647	-15,436
C. Capitalisation (-)	-18,065	-26,340
D. Staff costs	306,737	296,795
D.1. Wage costs	215,774	209,094
D.2. Costs for social insurance, health insurance and other costs	90,963	87,701
D.2.1. Costs for social security and health insurance	80,769	76,894
D.2.2. Other costs	10,194	10,807
E. Adjustment of values in the operating area	43,884	44,004
E.1. <i>Adjustment of values of tangible and intangible assets</i>	44,182	46,496
E.1.1. Adjustment of values of tangible and intangible assets – permanent	44,182	46,496
E.2. Adjustment of stock values	6	-1,837
E.3. Adjustment of values of receivables	-304	-655
III. Other operating revenues	35,179	41,173
III.2. Sales of material	29,755	38,190
III.3. Other operating revenues	5,424	2,983

THE TABLE CONTINUES ON THE FOLLOWING PAGE 

PROFIT AND LOSS STATEMENT IN NATURE OF EXPENSE AT – 31. 12. 2019

(IN THOUSANDS CZK)

	Period to 31. 12. 2019	Period to 31. 12. 2018
F. Other operating expenses	45,853	50,548
F.2. Material sold	28,891	37,532
F.3. Taxes and fees	1,056	1,066
F.4. Reserves in operating areas and complex deferred expenses	1,145	1,071
F.5. Other operating costs	14,761	10,879
* Operating profit / loss (+/-)	-19,166	26,183
VI. Revenue interest and similar revenues	24	4
VI.2. Other revenue interest and similar revenues	24	4
J. Cost interest and similar costs	1,621	1,204
J.2. Other cost interest and similar costs	1,621	1,204
VII. Other financial revenues	2,387	5,017
K. Other financial costs	5,654	5,729
* Profit or loss (+/-)	-4,864	-1,912
** Profit or loss before taxation (+/-)	-24,030	24,271
L. Income tax	-3,393	1,135
L.1. Income tax due	349	468
L.2. Income tax deferred (+/-)	-3,742	667
** Profit or loss after taxes (+/-)	-20,637	23,136
*** Profit or loss from accounting period (+/-)	-20,637	23,136
* Net turnover of accounting period	1,209,576	1,244,227

SUMMARY OF CHANGES IN EQUITY AT 31. 12. 2019

(IN THOUSANDS CZK)

	Capital stock	Capital funds	Funds from profit, reserve fund	Undistributed profit or undistributed loss from previous years	Profit or loss from the ordinary accounting period	EQUITY TOTAL
Balance at 31. 12. 2017	550,000		430	53,133	14,129	617,692
Distribution of profit or loss				14,129	-14,129	
Profit or loss from ordinary period					23,136	23,136
Balance at 31. 12. 2018	550,000		430	67,262	23,136	640,828
Distribution of profit or loss				23,136	-23,136	
Profit or loss from ordinary period					-20,637	-20,637
Balance at 31. 12. 2019	550,000		430	90,398	-20,637	620,191

SUMMARY OF CASH FLOW FOR THE PERIOD ENDING 31. 12. 2019

(IN THOUSANDS CZK)

		Období do 31. 12. 2019	Období do 31. 12. 2018
P.	Initial balance of cash flow and cash equivalents	11 377	13,548
	<i>Cash flow from main earning activity (operating activity)</i>		
Z.	Profit or loss before taxes	-24,030	24,271
A.1.	Modification by non-financial transactions	47,786	47,106
A.1.1.	Depreciation of fixed assets	44,182	46,496
A.1.2.	Changes in the balance of adjusting entries and reserves	846	-1,421
A.1.5.	Cost and revenue interests	1,597	1,200
A.1.6.	Corrections and other non-cash transactions	1,161	831
A.*	Net operating cash flow before changes in working capital	23,756	71,377
A.2.	Change in balance of working capital	18,187	16,214
A.2.1.	Change in balance of receivables and accruals of assets	57,124	-6,284
A.2.2.	Change in balance of liabilities and accruals of liabilities	-67,749	28,070
A.2.3.	Change in balance of inventories	28,812	-5,572
A.**	Net operating cash flow before taxation and extraordinary items	41,943	87,591
A.3.	Interest paid	-1,621	-1,204
A.4.	Interest received	24	4
A.5.	Income tax paid on ordinary activity	-821	-371
A.***	Net cash flow from operating activity	39,525	86,020
	<i>Cash flow from investment activity</i>		
B.1.	Expenses related to the acquisition of fixed assets	-22,896	-72,991
B.***	Net cash flow from investment activity	-22,896	-72,991
	<i>Cash flow from financial activity</i>		
C.1.	Change in balance of liabilities from financing	-15,137	-15,200
C.***	Net cash flow from financial activity	-15,137	-15,200
F.	New change in cash flow and cash equivalents	1,492	-2,171
R.	Final balance of cash flow and cash equivalents	12,869	11,377

VII

Enclosure to the Financial Statement for 2019

Name of the business company: Slévárny Třinec, a.s.
Registered office: Průmyslová 1001, 739 61 Třinec - Staré město
Legal form: joint-stock company
ID number: 258 30 716

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

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1. GENERAL DATA

1.1. COMPANY FOUNDATION AND CHARACTERISTICS OF THE BUSINESS COMPANY

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

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

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

The financial statement of the company is prepared on the date: 31. 12. 2019.

The share of natural persons and corporate bodies that has a significant or decisive influence on the company, is listed in the table below:

Shareholder	% ratio in the registered capital
TŘINECKÉ ŽELEZÁRNY, a.s., Třinec, ID number 180 50 646	100 %

1.2. CHANGES AND AMENDMENTS IN THE COMMERCIAL REGISTER

In 2019, a member of the Supervisory Board was changed. Mr Stanislav Waszut was appointed in place of Mr Ludvík Javorek. This was recorded in the Commercial Register on 3. 1. 2019.

1.3. ORGANISATIONAL STRUCTURE OF THE COMPANY

Basic management bodies of the company:

- General Meeting,
- Board of Directors,
- Supervisory Board,
- Director of the company with the management.

There were no organisational changes in 2019.

1.4. IDENTIFICATION OF THE GROUP

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

1.5. BOARD OF DIRECTORS AND SUPERVISORY BOARD AT 31. 12. 2019

	Position	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	Stanislav Waszut

2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

The company accounting and the Financial Statement was prepared in accordance with Act No. 563/1991 Coll., on accounting, as amended, Decree No. 500/2002 Coll., implementing some provisions of Act No. 563/1991 Coll., on accounting, for accounting units that are not entrepreneurs applying double-entry book-keeping, as amended and the Czech accounting standards for entrepreneurs, as amended.

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

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

2.1. ACCOUNTING PERIOD

The company prepared the Financial Statement for the comparable years 2019 and 2018. The Financial Statement comprises the Balance Sheet, Profit and Loss Statement, Summary of changes in equity, Cash Flow report and the appendix which is an integral part of the Financial Statement.

3. LIST OF SIGNIFICANT ACCOUNTING RULES AND PROCEDURES

3.1. FIXED TANGIBLE AND INTANGIBLE ASSETS

Evaluation

Tangible fixed assets are assets assessed at more than 40,000 CZK on an individual basis with a usability period of more than one year.

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

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

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

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

Tangible assets with a usability period of more than one year with an acquisition price of 40,00 CZK and lower and intangible assets with a usability period of more than one year with an acquisition price of 60,000 CZK and lower are not considered fixed assets. Such assets are booked as inventories and any issue for use is reported in the Profit and Loss Statement as the consumption of material and energy. Intangible assets with an acquisition price of 60,00 CZK and lower are reported as the acquisition as services.

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

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

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

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

Accounting depreciation

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

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

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

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

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

Calculating adjusting entries

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

Reduction in value

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

3.2. CASH

Financial funds are cash and on bank accounts.

3.3. INVENTORIES

Evaluation

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

Inventories created by the company's own activities are evaluated by its own costs without overhead expenses and, due to the nature of production, are derived from the professional estimate of the completion. Due to the nature of the manufacturing process, the company records all cast pieces from its own production in the production in progress account.

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

Calculating adjusting entries

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

3.4. RECEIVABLES

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

Calculating adjusting entries

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

Accounting adjusting entries for receivables (with the exception of enterprises in the group) are created at:

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

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

3.5. LIABILITIES

Trade payables are posted in the nominal value.

3.6. CREDITS

Credits are posted in the nominal value.

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

3.7. RESERVES

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

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

The company also creates reserves for employee jubilees, retirements.

3.8. CONVERTING DATA IN FOREIGN CURRENCIES TO CZECH CURRENCY

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

Financial assets in foreign currencies (foreign currency cash) are recalculated during the year to Czech crowns at the fixed monthly exchange rate of the Česká národní banka on the first day of the month on which they are booked.

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

3.9. TAXES

3.9.1. *Tax depreciation of fixed assets*

The linear method is used to calculate tax depreciation.

3.9.2. *Tax due*

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

3.9.3. *Deferred Tax*

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

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

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

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

Each year, the company evaluates the deferred tax assets and makes decisions about how to report them.

3.9.4. *Investment incentives*

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

Discount of income tax according to Section 35b of the Act No. 586/1992 Coll., in Income tax and the period during which it is possible to use the discount is 10 consequent taxable periods.

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

In 2009, the company fulfilled the conditions for the use of the investment incentive. The last year of drawing the investment incentive was 2018, when the company drew approximately 3,313 thousand. CZK in the form of a tax discount.

3.10. SUBSIDIES

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

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

3.11. COSTS OF EMPLOYEES HIRED THROUGH LABOUR AGENCIES

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

3.12. REVENUES

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

3.13. USE OF ESTIMATES

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

3.14. CASH FLOW STATEMENT

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

Financial funds and financial equivalents can be analysed as follows:

(DATA IN THOUSAND CZK)

	Balance at 31. 12. 2019	Balance at 31. 12. 2018
Cash and cash in transit	354	299
Accounts in banks, time deposits	12,515	11,078
Cash and cash equivalents – total	12,869	11,377

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

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

In 2019, there were no changes in the manner of accounting compared with the previous accounting period.

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

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

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

4.1. FIXED ASSETS

4.1.1. Fixed intangible assets

Acquisition price

(DATA IN THOUSAND CZK)

	Balance at 31. 12. 2017	Increments	Decrements	Balance at 31. 12. 2018	Increments	Decrements	Balance at 31. 12. 2019
Software	2,950	0	0	2,950	0	0	2,950
Other valuable rights	3,192	0	0	3,192	0	0	3,192
Other fixed intangible assets	353	2,901	1,718	1,536	5,092	2,727	3,901
Total	6,495	2,901	1,718	7,678	5,092	2,727	10,043

Adjusting entries

(DATA IN THOUSAND CZK)

	Balance at 31. 12. 2017	Increments	Úbytky	Balance at 31. 12. 2018	Increments	Decrements	Balance at 31. 12. 2019
Software	2,950	0	0	2,950	0	0	2,950
Other valuable rights	3,192	0	0	3,192	0	0	3,192
Other fixed intangible assets	0	0	0	0	0	0	0
Total	6,142	0	0	6,142	0	0	6,142

Net-book value

(DATA IN THOUSAND CZK)

	Balance at 31. 12. 2018	Balance at 31. 12. 2019
Software	0	0
Other valuable rights	0	0
Other fixed intangible assets	1,536	3,901
Total	1,536	3,901

Depreciation of fixed intangible assets posted into costs

At 31. 12. 2019 and 31. 12. 2018 fixed intangible assets were fully depreciated. The balance of fixed intangible assets are emission credits.

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

The total level of acquisition prices of low value intangible assets not mentioned in the balance sheet was 151,000 CZK at 31. 12. 2019 (55,000 CZK at 31. 12. 2018).

4.1.2. Fixed tangible assetsAcquisition price

(DATA IN THOUSAND CZK)

	Balance at 31. 12. 2017	Increments	Decrements	Balance at 31. 12. 2018	Increments	Decrements	Balance at 31. 12. 2019
Structures	295,315	10,030	60	305,285	14,646		319,931
Tangible movable assets	741,746	49,643	4,121	787,268	67,007	2,302	851,973
DHM in progress	69,357	69,459	59,674	79,142	22,996	81,793	20,345
Advances for DHM	548	0	548	0	0	0	0
Valuation differences to acquired assets	14,199	0	0	14,199	0	0	14,199
Total	1,121,165	129,132	64,403	1,185,894	104,649	84,095	1,206,448

Adjustments and adjusting entries

(DATA IN THOUSAND CZK)

	Balance at 31. 12. 2017	Increments	Decrements	Balance at 31. 12. 2018	Increments	Decrements	Balance at 31. 12. 2019
Structures	147,390	7,306	37	154,659	7,556	0	162,215
Tangible movable assets	481,424	39,064	4,018	516,470	36,589	2,266	550,793
Valuation differences to acquired assets	14,199	0	0	14,199	0	0	14,199
Total	643,013	46,370	4,055	685,328	44,145	2,266	727,207

Net-book value

(DATA IN THOUSAND CZK)

	Balance at 31. 12. 2018	Balance at 31. 12. 2019
Structures	150,626	157,716
Tangible movable assets	270,798	301,180
DHM in progress	79,142	20,345
Advances for DHM	0	0
Valuation differences to acquired assets	0	0
Total	500,566	479,241

The most important items of fixed tangible assets in progress in 2019 were:

Extension to the processing hall in the total amount 8,811 thousand CZK, and the reconstruction of the heating system in the total amount of 2,441 thousand. CZK.

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

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

The most important increments of assets in 2019 were:

(DATA IN THOUSAND CZK)

Annealing furnace No. 2	22,407
WÖHR continuous vortex mixer	15,893
Portal milling machine	9,562

The most important increments of assets in 2018 were:

(DATA IN THOUSAND CZK)

"Andromat" grinding machine including hydraulic aggregate	10,613
SAM 600 automated grinding machine, serial number 70085	7,185
MANUFACTURING HALL FOR GREY IRON 2	5,910
Bridge crane No. 10	5,756

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

Depreciations of fixed tangible assets booked into costs

Depreciations of fixed tangible assets at 31. 12. 2019 in the amount of 44,146 thousand CZK (46,370 thousand CZK at 31. 12. 2018).

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

The total level of acquisition prices of low value fixed assets not mentioned in the balance sheet at 31. 12. 2019 was 9,832 thousand CZK (11,842 thousand CZK at 31. 12. 2018).

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

At 31. 12. 2019, the company does not have any assets leased in the form of financial or operative leasing.

4.1.4. Long-term assets burdened by right of lien

At 31. 12. 2019, the company did not pledge fixed tangible assets whose net book value was 84,586 thousand CZK (98,742 thousand CZK at 31. 12. 2018).

4.2. RECEIVABLES

4.2.1. Short-term receivables

The company records at 31. 12. 2019, the company recorded short-term trade receivables after maturity in the amount of 51,267 thousand CZK, at 31. 12. 2018 in the amount of 53,800 thousand CZK.

The average maturity period of receivables is 53 days.

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

Other short-term receivables

State – tax receivables in 2019 represent receivables due to VAT.

Short-term advances provided in 2019 are mainly advances for repairs.

Estimated receivables are not reported by the company in 2019.

4.3. EQUITY

The capital stock of the company at 31. 12. 2019 consists of 100 shares with the nominal value of 10,000 thousand CZK, 399 shares with the nominal value of 1,000 thousand CZK and 15 shares with the nominal value of 10,000 thousand CZK. The capital stock was fully paid up in 2006.

In 2019, the company reported a loss of -20,637 thousand CZK. The Board of Directors of the company proposes to transfer the result of 2019 to retained earnings / unreimbursed loss of previous years.

Capital stock movements – see report: Summary of equity changes.

4.4. RESERVES

Other reserves include a reserve for claims of 12,171 thousand CZK at 31. 12. 2019 and at 31. 12. 2018 in the amount 11,178 thousand CZK, a reserve for employee jubilees, which is 2,527 thousand CZK at 31. 12. 2019 and at 31. 12. 2018 was 2,376 thousand. CZK.

4.5. LIABILITIES

4.5.1. Long-term payables

At 31. 12. 2019, the company reports long-term liability due to deferred tax of 11,887 thousand CZK (15,629 thousand CZK at 31. 12. 2018).

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

4.5.2. Short-term payables

At 31. 12. 2019, the company recorded short-term trade liabilities after maturity in the amount of 6,208 thousand CZK and at 31. 12. 2018 in the amount of 27,788 thousand CZK.

The usual maturity period for liabilities is 44 days.

Other liabilities

The level of debt from social security insurance and the contribution to the state unemployment policy liabilities on 31. 12. 2019 was 5,767 thousand CZK (5,281 thousand CZK at 31. 12. 2018), the amount of debt of public health insurance at 31. 12. 2019 was 2,595 thousand CZK (2,363 thousand CZK at 31. 12. 2018). Pension insurance liabilities were CZK 483 thousand CZK at 31. 12. 2019 (475 thousand CZK at 31. 12. 2018). The company does not have any social and health insurance liabilities after maturity.

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

Passive estimated items include unused personal expenses and uninvoiced deliveries.

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

4.6. BANK LOANS

The company pays an investment credit with a nominal value of 95,000 thousand CZK. The last instalment will be on 31. 7. 2023.

The short-term part of the long-term credit is 15,200 thousand CZK at 31. 12. 2019 (15,200 thousand at 31. 12. 2018).

4.7. DEFERRED TAX

The deferred tax liability can be analysed as follows:

	(DATA IN THOUSAND CZK)	
	Balance at 31. 12. 2019	Balance at 31. 12. 2018
Adjusting entries to fixed assets	-20,375	-18,955
Inventories	153	152
Receivables	163	224
Reserves	2,793	2,575
Estimated item for unused holiday and unpaid bonuses	421	375
Tax losses	4,958	0
Total deferred tax liability	-11,887	-15,629

4.8. INCOME TAX ON ORDINARY ACTIVITY

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

	(DATA IN THOUSAND CZK)	
	Balance at 31. 12. 2019	Balance at 31. 12. 2018
Profit before taxation	-24,029	24,271
Income tax rate	19%	19%
Tax at local income tax rate	0	4,611
Tax impact of the application of tax losses	0	0
Use of investment incentive	0	-3,313
Tax impact on costs/revenues which are not tax acceptable	0	-830
Total income tax on ordinary activity – due	0	468
Additional payment of tax from previous years	349	0
Impact of deferred tax	-3,742	667
Total income tax on ordinary activity – due	-3,393	1,135

4.9. REVENUES FROM ORDINARY ACTIVITY

(DATA IN THOUSAND CZK)

	year 2019	year 2018
Revenues from sold goods	0	0
Sales of products and services:	1,171,986	1,198,033
– products	1,162,740	1,188,704
– services	9,246	9,329
Sales of goods, products and services, total	1,171,986	1,198,033

4.10. TRANSACTIONS WITH LINKED SUBJECTS

Liabilities towards enterprises in the group

(DATA IN THOUSAND CZK)

Name of subject	Balance at 31. 12. 2019	Balance at 31. 12. 2018
Short-term payables		
– Trade liabilities		
Třinecké železářny, a. s.	24,083	61,254
Energetika Třinec, a. s.	16,321	16,813
Strojírny a stavby Třinec, a.s.	2,405	1,715
MORAVIA STEEL a.s.	21,960	45,508
Doprava TŽ, a.s.	486	660
Třinecké gastroslužby, s.r.o.	425	420
TRIALFA, s.r.o.	44	23
Moravia Security, a.s.	13	12
Moravskoslezský kovošrot, a.s.	3,993	10,327
HRAT, s.r.o.	1	1
Total short-term liabilities to enterprises in the group	69,731	136,733
Liabilities outside the group	31,724	37,762
Total short-term trade liabilities	101,455	174,495

Receivables from subjects in the group in 2019 were 11,610 thousand CZK; in 2018, it was 2,940 thousand CZK.

Revenues implemented with subjects in the group in 2019 were 174,003 thousand CZK; in 2018, it was 191,500 thousand CZK.

Purchases from subjects in the group in 2019 were 621,599 CZK thousand; in 2018, it was 658,692 thousand CZK.

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

4.11. OTHER COSTS AND REVENUES

Costs for consulting, advisory and audit activity in 2019 were 1,267 thousand CZK (1,070 thousand CZK at 31. 12. 2018).

Concerning the other operating costs in 2019, the significant part is compensation of damage for delivery of low-quality raw materials in the amount of 484 thousand CZK (523 thousand CZK at 31. 12. 2018).

The other financial revenues represent exchange gains. In 2019, the value was CZK 2,387 thousand CZK (4,993 thousand CZK at 31. 12. 2018).

In the area of the other costs, in 2019 the company reported costs for insurance in the amount of CZK 4,187 thousand CZK (4,092 thousand CZK at 31. 12. 2018) and compensation for damages to low-quality production in the amount of 3,280 thousand CZK (3,850 thousand CZK at 31. 12. 2018).

Other financial costs include exchange losses in the amount of 5,449 thousand CZK (4,701 thousand CZK at 31. 12. 2018).

4.12. TOTAL RESEARCH AND DEVELOPMENT EXPENSES

(DATA IN THOUSAND CZK)

	2019	2018
Research and development expenses	1,851	1,825

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

5.1. STAFF COSTS AND THE NUMBER OF EMPLOYEES

Average number of employees at 31. 12. 2019 is 638, members of management bodies was 6 at 31. 12. 2018 was 642 members of five management bodies.

The level of staff costs for employees in 2019 was 294,669 thousand CZK, for members of management bodies 12,067 thousand CZK.

In 2018, it was 285,008 thousand CZK, for members of management bodies 11,788 thousand CZK. Including remuneration for members of the Board of Directors in 2019 it was 5,797 thousand CZK, in 2018 it was 5,635 thousand CZK, for members of the Supervisory Board in 2019 it was 332 thousand CZK, in 2018 it was 324 thousand CZK.

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

5.2. LOANS, CREDITS AND OTHER FULFILMENTS

In 2019 and 2018, members of the top management received credits and remunerations beyond their basic salaries:

2019

(DATA IN THOUSAND CZK)

	Board of Directors	Supervisory Board	Top management of the company
Life and pension insurance contributions	42	15	28
Remuneration	5,797	332	0
Passenger cars/other movable and immovable items that can be used for private purposes (the value is the amount by which the tax base of the employees is increased)	292	0	166

2018

(DATA IN THOUSAND CZK)

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

6. PAYABLES NOT INCLUDED IN THE ACCOUNTING

At 31. 12. 2019, the company did not participate in any legal dispute where the outcome would significantly impact the company.

Ecological obligations

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

The company did not provide any guarantees for third parties.

7. EVENTS OCCURRING AFTER THE DATE OF THE FINANCIAL STATEMENT

Following the preparation but prior to the issue of the financial statement, in connection with the occurrence of the coronavirus SARS CoV-2 (causing COVID-19), the company has taken all necessary steps to minimize the risk of infection of its employees. The company has taken a number of safety and methodological measures in connection with the extraordinary measures taken by the Government of the Czech Republic and other public authorities to prevent the spread of coronavirus. The company management is currently in the process of evaluating and estimating the quantitative and qualitative impacts on the company's financial position and future results. The company will continue to closely monitor current developments and will respond operationally to protect the health of its employees and minimize the impact on its operations.

VIII

Report on relations

Name of business company: Slévárny Třinec, a.s.
Registered office: Průmyslová 1001, Staré Město, 739 61 Třinec
Legal form: joint-stock company
ID number: 25830716

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

This report on relations between Slévárny Třinec, a.s., registered office Průmyslová 1001, Staré Město, 739 61 Třinec, ID number 25830716, registered in Part B, Insert 2093, of the commercial register maintained by the Regional court in Ostrava (hereinafter referred to as “Slévárny Třinec, a.s.”) and managing subjects and between Slévárny Třinec, a.s. managed by the same managing subject is produced in accordance with the provisions of Section 82 of Act No. 90/2012 Coll., on business companies and cooperatives (hereinafter referred to as the “law on corporations”) for the 2019 accounting period (hereinafter referred to as the “previous accounting period”).

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

A. MANAGING SUBJECTS

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

ID number: 18050646

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

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

ID number: 63474808

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

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

ID number: 61974692

Relation: In the previous accounting period, FINITRADING a.s. was the managing subject of MORAVIA STEEL, a. s.

FINITRADING, a.s., ceased to exist on 31. 12. 2019 as a result of a merger with MORAVIA STEEL a.s. as the successor company.

B. SUBJECTS MANAGED BY THE SAME MANAGING SUBJECT

Moravskoslezský kovošrot, a.s., with registered office Božkova 936/73, Přívoz, 702 00 Ostrava,
ID number: 26855097

M Steel Projects a.s., with registered office Průmyslová 1000, Staré Město, 739 61 Třinec,
ID number: 28602331

Barrandov Studio a.s., with registered office Prague 5 - Hlubočepy, Kříženeckého nám. 322/5, Postcode 15200,
ID number: 28172469

Beskydská golfová, a.s., with registered office reg. No. 415, 739 61 Ropice,
ID number: 25352920

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

– In the previous accounting period, the business company was in relation to the company Slévárny Třinec, a.s. as a subject managed by the same managing subject from 1. 3. 2019 when it ceased to exist as a result of a merger with MORAVIA STEEL a.s. as the successor company.

MSK Polska Sp.z o.o. „v likvidaci“, with registered office BATALIONÓW CHŁOPSKICH 2, 42-680 TARNOWSKIE GÓRY, Poland

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

„ZAMECZEK BŁOGOCICE“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ,
with registered office street STEFANA ŻEROMSKIEGO 1, 43-400 Cieszyn, Poland

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

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

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

DALSELV DESIGN a.s., with registered office Pohraniční 693/31, Vítkovice, 703 00 Ostrava,
ID number: 28262913

– In the previous accounting period, the business company was in relation to the company Slévárny Třinec, a.s., a subject managed by the same managing subject from 31. 5. 2019, when it ceased due to the merger with Strojírny a stavby Třinec, a.s., as the successor company.

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

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

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

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

EKOSTROJÍRENSTVÍ TŘINEC, a.s., with registered office Průmyslová 1038, Staré Město, 739 61 Třinec
ID number: 08730377

– In the previous accounting period, the business company was in relation to the company Slévárny Třinec, a.s., a subject managed by the same managing subject from 1. 12. 2019.

Addresses of the registered offices of the business companies according to this part I are at 31. 12. 2019.

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

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

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

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

III. LIST OF NEGOTIATIONS AND CONTRACTS

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

In the previous accounting period, Slévárny Třinec, a.s. did not conduct any negotiations on the initiation of or in the interest of the managing subject or its managed subjects concerning assets exceeding 10% of the equity of Slévárny Třinec, a.s. ascertained according to the financial statement for the accounting period 2018 pursuant to Section 82 par. 2 letter d) of the law of business corporations.

b) List of contracts for the previous accounting period between Slévárny Třinec, a.s. and the managing subjects and between Slévárny Třinec, a.s. and subjects managed by the same managing subject pursuant to Section 82, par. 2 letter e) of the act on business corporations is contained in the following appendixes to the report on relations:

- Appendix No. 1: MORAVIA STEEL a.s.
- Appendix No. 2: TŘINECKÉ ŽELEZÁRNY, a. s.
- Appendix No. 3: ENERGETIKA TŘINEC, a.s.
- Appendix No. 4: Strojírny a stavby Třinec, a.s.
- Appendix No. 5: REFRASIL, s.r.o.
- Appendix No. 6: Doprava TŽ, a.s.
- Appendix No. 7: Třinecké gastroslužby, s.r.o.
- Appendix No. 8: VÚHŽ a.s.
- Appendix No. 9: TRIALFA, s.r.o.
- Appendix No. 10: Řetězárna a.s.
- Appendix No. 11: Moravia Security, a.s.
- Appendix No. 12: TŘINECKÁ PROJEKCE, a.s.
- Appendix No. 13: TRISIA, a.s.
- Appendix No. 14: Moravskoslezský kovošrot, a. s.
- Appendix No. 15: BOHEMIA RINGS s.r.o.
- Appendix No. 16: MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.

c) Between Slévárny Třinec, a.s. and the managing subjects and between Slévárny Třinec, a.s. and the subjects by managed the same managing subject other than subjects mentioned under letter b) above, in the previous accounting period there were no contracts pursuant to Section 82, par. 2 letter e) of the act on business corporations.

IV. EVALUATION OF RELATIONS

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

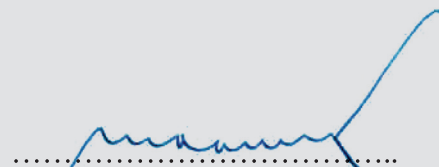
The fulfilment and the counter fulfilment received and provided for Slévárny Třinec, a.s. on the basis of the contracts contained in the appendixes to this report on relations, were provided under the usual business terms.

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

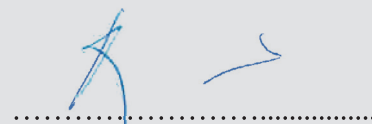
Slévárny Třinec, a.s. considers relations with managing subjects and subjects managed by the same managing subject advantageous and there are no risks to the company Slévárny Třinec, a.s. other than usual markets risks resulting from business in the respective areas.

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

Třinec, 25 March 2020



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



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

Annex No. 1

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

2. Contracts for which the provision of items or services of the business company MORAVIA STEEL a.s. in favour of Slévárny Třinec, a.s. are decisive

1. General contract for delivery of raw materials and materials valid from 1. 4. 2016.
2. Order contract for the purchase of work and services, purchase of technical and overhead material and spare parts valid from 1. 3. 2016.
3. General contract and freight transport of goods valid from 1. 5. 2016.
4. Order No. 4501081832 for services related to the Made in Steel Milano 2019 trade fair of 27. 5. 2019.

Annex No. 2

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

1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company TŘINECKÉ ŽELEZÁRNY, a. s. are decisive

1. Contracts for the sale of cast pieces and materials: from 9. 1. 2019 to 5. 12. 2019, number of contracts 93.
2. Contracts for the sale of scrap: from 17. 1. 2019 to 19. 12. 2019, number of contracts 24.
3. Weld annealing contracts: at 21. 8. 2019, number of contracts 2.
4. Contract for the lease of non-residential premises PJVIII 1/20-Cu.

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

1. General agreement for deliveries of raw materials of 1. 4. 1999. The subject of this contract is the purchase of solid and fluid iron and liquid steel.
2. Orders for the purchase of scrap, materials, and other raw materials: from 3. 1. 2019 to 12. 12. 2019, number of orders 18.
3. Orders for the provision of services: from 6. 12. 2018 to 9. 5. 2019, number of orders 29.

Annex No. 3**List of contracts between the company Slévárny Třinec, a.s. and the business company ENERGETIKA TŘINEC, a.s.****1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company ENERGETIKA TŘINEC, a.s. are decisive**

1. Contracts for the sale of cast pieces from 22. 2. 2019, to 6. 9. 2019 (5 contracts).
2. Contracts for the delivery of foundry and quartz sand from 31. 5. 2019 (1 contract).
3. Contract for the lease of non-residential premises PJVIII 1/20-Cu.

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

1. Contracts for the delivery of energies of 30. 1. 2015, 12. 2. 2015, 3. 3. 2015, 19. 12. 2016: (4 contracts).
2. Contract for leasing non-residential premises of 31. 3. 2009.
3. Order contract for selection of suppliers for electricity and natural gas of 22. 1. 2015.
4. Orders for the purchase of materials of 12. 1. 2018, 13. 12. 2018 (2 orders).
5. Orders for technical assistance of 2. 7. 2019.
6. Orders for the delivery of the control system for heating the wood modelling unit of 28. 11. 2019.

Annex No. 4**List of contracts between the company Slévárny Třinec, a.s. and the business company Strojírny a stavby Třinec, a.s.****1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company Strojírny a stavby Třinec, a.s. are decisive**

1. Orders for production and sale of cast pieces for period from 7. 1. 2019 to 10. 12. 2019, number of orders 119.
2. Orders for provision of thermal processing for period from 28. 1. 2019 to 3. 10. 2019, number of orders 7.

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

1. Orders for processing cast pieces from 15. 1. 2019 to 17. 10. 2019, number of orders 31.
2. General contracts for work where the subjects are modifications, restoration, locksmith work, repairs, construction work and other services. From 2. 1. 2019 to 7. 10. 2019, which are 24 orders.
3. General purchase contract for the purchase of materials, spare parts, and cast-iron waste. from 8. 1. 2019 to 21. 11. 2019 which are 18 orders.

Annex No. 5**List of contracts between the company Slévárny Třinec, a.s. and the business company REFRASIL, s.r.o.****1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company REFRASIL, s.r.o. are decisive**

1. Orders (quantity 10) for the sale of cast pieces from 20. 11. 2018 to 23. 9. 2019.

Annex No. 6

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

1. Contracts for which the provision of items or services of the business company Doprava TŽ, a.s. in favour of Slévárny Třinec, a.s. are decisive

1. Contract for the transport of items No. 01/005/2006 of 30. 12. 2005.
2. Contract No. 4501102523 of 12. 9. 2019 – sale of converter slag.

Annex No. 7

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

1. Contracts for which the provision of items or services of the business company Třinecké geoslužby s.r.o. in favour of Slévárny Třinec, a.s. are decisive

1. Contract of 1. 11. 1999 for the provision of catering services, number of orders 8.

Annex No. 8**List of contracts between the company Slévárny Třinec, a.s. and the business company VÚHŽ a.s.****1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company VÚHŽ a.s. are decisive**

1. Contracts for the sale of cylinders: from 14. 1. 2018 to 11. 10. 2019, number of contracts 10.

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

1. Order for work, scientific technical documentation and testing of 20. 2. 2019.
2. Order for scanning aluminium cast pieces of 1. 4. 2019.

Annex No. 9**List of contracts between the company Slévárny Třinec, a.s. and the business company TRIALFA, s.r.o.****1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company TRIALFA, s.r.o. are decisive**

1. Contracts for the sale of cast pieces: from 18. 2. 2019 to 4. 11. 2019, number of orders 4.

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

1. Orders for the purchase of materials: from 4. 12. 2018 to 24. 7. 2019, number of orders 7.
2. Order for work, machine - locksmith of 18. 12. 2018.
3. Order for the provision of employee benefits of 27. 2. 2019.

Annex No. 10

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

1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company Řetězárna, a.s. are decisive

1. Contract on sale of cast pieces of 16. 9. 2019.

Annex No. 11

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

1. Contract for which the provision of items or services of the business company Moravia Security, a.s. in favour of Slévárny Třinec a.s. are decisive

1. Order for work – service and revision of 9. 1. 2019.
2. Order for work for sales and mediation services of 28. 1. 2019.
3. Contract for the provision of security services of 1. 5. 2008.

Annex No. 12

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

1. Contracts for which the provision of items or services of the business company TŘINECKÁ PROJEKCE, a.s. in favour of Slévárny Třinec, a.s. are decisive

1. Order for work and production of drawing documentation of 28. 2. 2019.

Annex No. 13

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

1. Contracts for which the provision of items or services of the business company TRISIA, a.s. in favour of Slévárny Třinec, a.s. are decisive

1. Orders for the provision of services: from 7. 1. 2019 to 3. 12. 2019, number of orders 4.
2. Order for the provision of employee benefits of 9. 5. 2019.

Annex No. 14

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

1. Contracts for which the provision of items or services of the business company Moravskoslezský kovošrot, a.s. in favour of Slévárny Třinec, a.s. are decisive

1. Orders for the purchase of scrap: from 15. 1. 2019 to 19. 12. 2019, number of orders 37.

Annex No. 15

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

1. Contracts for which the provision of items or services of the business company BOHEMIA RINGS s.r.o. in favour of Slévárny Třinec, a.s. are decisive

1. Orders for the machining of cast pieces of 31. 10. 2018 and 11. 3. 2019, number of orders 2.

Annex No. 16

List of contracts between the company Slévárny Třinec, a.s. and the business company MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.

1. Contracts for which the provision of items or services for Slévárny Třinec, a.s. in favour of the business company MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. are decisive

1. Order for the machining of cast piece IP 1750 of 29. 11. 2019.

IX

Statement of the auditor



Deloitte Audit s.r.o.
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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 2019, 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 2019 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.

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

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

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

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

Deloitte označuje jednu či více společností Deloitte Touche Tohmatsu Limited („DTTL“), globální síť jejích členských firem a jejich spřízněných subjektů. Společnost DTTL (rovněž označovaná jako „Deloitte Global“) a každá z jejích členských firem představuje samostatný a nezávislý právní subjekt. Společnost DTTL služby klientům neposkytuje. Více informací je uvedeno na adrese www.deloitte.com/about.

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 25. března 2020

Auditorská společnost:

Deloitte Audit s.r.o.
evidenční číslo 079



Statutární auditor:

Václav Loubek
evidenční číslo 2037

