



MORAVIA STEEL a.s. / ANNUAL REPORT 2008

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OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Shareholders, Clients, Partners and Employees,



We are facing the end of another year and it is again my honour as the Chairman of the Supervisory Board of MORAVIA STEEL a.s. to evaluate the results achieved in the past year, 2008, which was divided between the end of economic prosperity and the start of a recession.

In the second half of last year, our field and the whole global economy saw a recession after years of global boom in the steel industry. The current global financial and economic crisis is not a short-term issue to be solved within a few months. After about ten years of crisis in the whole steel industry, individual companies and groups in this field are facing an even more serious test at the moment. The dramatic decrease in sales in the steel industry is a result of the significant problems of related branches, such as the machine industry and construction business, with the automobile industry being most heavily impacted.

The recession in the steel industry is confirmed by basis calculations available for 2008. According to the World Steel Association, global raw steel production decreased by 1.2 percent year on year, achieving 1,329.7 million tonnes. The production decreased by 5.3 percent within the EU. The year-on-year negative trend in individual months started to show in September 2008 and the global decrease in steel production was over a quarter as early as December.

The production of steel in the Czech Republic decreased year on year by almost a tenth, from 7.1 to 6.4 million tonnes. The share of production by TRINECKÉ ŽELEZÁRNY, a.s., in which MORAVIA STEEL a.s. owns a 69.04 percent share, amounted to 38.3 percent. This represents a two percent year-on-year increase of TRINECKÉ ŽELEZÁRNY, a.s.'s share in Czech steel production.

The export of Czech steel products decreased year on year by 5.5 percent. This principally concerned semi-finished products and pipes, but the export of long and flat rolled products also did not avoid decrease. On the other hand, imports into the Czech Republic increased by 4.8 percent, which was principally due to imported semi-finished and flat products. In spite of this increase, the decrease in the debit balance abated to CZK 18,155 million. This was due to a year-on-year increase in export prices, which was accompanied by a decrease in import prices last year.

MORAVIA STEEL a.s. has been on the metallurgic products market since 1996. In the course of its existence, it has strengthened its market position both in the Czech Republic and abroad. An inseparable part of MORAVIA STEEL a.s.'s operations is ensuring domestic and international transportation, purchases and sales of raw material including other inputs necessary for metallurgic production.

Despite the starting recession, MORAVIA STEEL a.s. achieved very favourable results of operations in 2008.

The Company sold goods in the amount of CZK 64,171,314 thousand in the past year, which represented a year-on-year increase of CZK 3,100,021 thousand. The profit for the past year amounted to CZK 1,489,030 thousand (2007: CZK 3,202,795 thousand).

The Company's assets grew year on year by CZK 824,682 thousand, amounting to CZK 15,090,305 thousand. Fixed assets increased by CZK 139,085 thousand to CZK 6,052,153 thousand, which represents the net amount.



The Company's equity increased from CZK 7,379,544 thousand to CZK 8,551,087 thousand. Liabilities decreased by CZK 313,159 thousand to CZK 6,514,759 thousand last year. The volume of bank loans and borrowings amounted to CZK 1,100,099 thousand.

As to the added value, the Company noted a year-on-year decrease from CZK 3,165,097 thousand to CZK 2,874,676 thousand.

Rolled wire remains the major component of the product mix. In 2008, sales of rolled wire reached 783,688 tonnes. The trend of increasing the share of high-grade brands also continued. The high level of sold volumes of rails, of which the outstanding amount of 247,960 tonnes were sold, was maintained in 2008. The sales grew year-on-year by 15,270 tonnes. Billets and continuously cast semis, of which 280,871 tonnes were sold, and products of Sochorová válcovna TŽ in Kladno, of which 260 194 tonnes were sold, were among products with significant sales volumes.

In 2008, MORAVIA STEEL a.s. sold a total of 2,252,688 tonnes to production (of which 768,302 tonnes were sold in the Czech Republic and 1,484,386 tonnes were sold abroad). Countries in the EU remained the main sales area.

Dear Shareholders, Clients, Partners and Employees,

I would like to thank you all for your loyalty and quality work, without which favourable results could not have been achieved in the past year. Such efforts will help us build and strengthen our mutual relationships in the current period. The current crisis should not weaken us but should make us stronger and show us new possibilities for development and strengthen MORAVIA STEEL a.s.'s, as well as the whole Group's position on metallurgical production markets, for the benefit of everyone involved.

Tomáš Chrenek

Chairman of the Supervisory Board of MORAVIA STEEL a.s.

2. COMPANY PROFILE

Since its formation in 1995, MORAVIA STEEL a.s. (hereinafter also the "Company") has become a reputable and stable company recognised among sellers of metallurgical products both in the Czech Republic and abroad. The Company is the majority shareholder of Třinecké železářny, a.s. and other manufacturing and trading companies.

An integral part of the Company's activity is the provision of domestic and international transportation and the purchase and sale of raw material and other inputs necessary for metallurgical production.

The basic economic indicators for 2004 to 2008 show growth in performance and gradual strengthening of the Company's financial stability despite the unfavourable development of the global economy and the metallurgical industry in 2008.

Economic indicators for 2004 - 2008 (in CZK million)

	2004	2005	2006	2007	2008
Sales of goods	50 298	53 105	57 440	61 071	64 171
Sales of own products and services	730	532	550	885	1068
Added value	2213	2 442	2 608	3165	2 875
Financial profit or loss	163	202	506	1 128	-432
Profit or loss for the period	1 553	1 779	2161	3 203	1489
Total assets	11 702	11 739	13 530	14 266	15 090
Fixed assets	4 260	4 349	4 333	5913	6 052
Equity	2 943	4 254	5 779	7 380	8 551
Proportion of liabilities, including accrued expenses and deferred income (%)	74.85%	63.76%	57.29%	48.27%	43.33%
EBIT	2 209	2 379	2 761	3917	2 045



3. STATUTORY BODIES AND MANAGEMENT OF THE COMPANY



Tomáš Chrenek
Chairman



Evžen Balko
Vice Chairman



Ján Moder
Vice Chairman



Hanns Kurt Zöllner
Member



Jan Sikora
Member



Mária Blažková
Member



Lenka Blažková
Chairwoman



Krzysztof Roch Ruciński
Vice Chairman



Mojmír Kašpříšín
Member

SUPERVISORY BOARD AS OF 31 DECEMBER 2008:

Tomáš Chrenek	Chairman
Ján Moder	Vice Chairman
Evžen Balko	Vice Chairman
Mária Blažková	Member
Hanns Kurt Zoellner	Member
Jan Sikora	Member

BOARD OF DIRECTORS AS OF 31 DECEMBER 2008:

Lenka Blažková	Chairwoman
Krzysztof Roch Ruciński	Vice Chairman
Mojmír Kašpříšín	Member

ORGANISATIONAL STRUCTURE



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◆ REPORT OF THE BOARD OF DIRECTORS

Despite the specific development noted in the past year, 2008 is among the most successful years in the history of MORAVIA STEEL a.s., as the Company generated a net profit of CZK 1,489 million.

The Company generated total revenues of CZK 41,065 million, which represents a year-on-year increase of CZK 586 million, despite a year-on-year decrease in the volume of metallurgical product sales in the amount of CZK 87,200 tonnes.

DEVELOPMENT OF THE INDUSTRY WORLDWIDE AND IN THE CZECH REPUBLIC

In 2008, the demand for metallurgical products abroad and in the Czech Republic grew in the first three quarters of the year, which caused a global rapid growth in the prices of input raw material for the production of steel. Since the beginning of the year, the producers and suppliers of iron ores, coal and coke, scrap and ferro-alloys increased prices of products by 50 to 75 percent as compared to the prices at the end of 2007.

This significant increase in raw material prices could not remain unnoticed on the metallurgical products market. Gradually, from the beginning of the third month, that fact was reflected in the plants' realisation prices. Prices of products increased every month, which in the third quarter of 2008 resulted in the highest prices in the Company's history.

Unfortunately, this situation did not last very long. In the tenth month of 2008, the demand for metallurgical products started decreasing significantly as a result of the coming global financial and economic crisis. Inventory of both producers and business firms was excessive, with surplus inventory remaining from the previous period. As a result of the decrease in economic activity, the demand for purchasing metallurgical products directly from the plants decreased. Logically, this represented serious problems for the producers, which were pressured to decrease prices and limit production capacities, principally, at the end of 2008.

Going forward, MORAVIA STEEL a.s. Group's strategy will focus on increasing the proportion of products with a higher degree of processing and creating of product chains, despite the anticipated difficult economic situation in the following years. The Group intends to continue focusing more on products intended for attractive fields such as engineering, energy, petroleum and the automotive industry. Therefore, the Company will produce rolled wire for the manufacture of screws, springs, bearings and cords, special bar steel, finalised processed steel (drawn, peeled, ground), wide and flat tool steel, and pipes.

In the short-term, the Company's objective will be to provide for the production of steel at the level necessary to maintain the operation of two blast furnaces, even though this material is used in the production and sale of products with low added value. The broad variety of products will allow maintaining this production up to the moment when demand for high quality steel products increases again.

TRENDS IN THE DEVELOPMENT OF THE STEEL INDUSTRY

- Continuous globalisation of the steel industry and the input material suppliers
- Based on the ongoing consolidation of the steel industry, the iron ores mine owner BHP Biliton initiated a takeover of the competitor Rio Tinto
- Initiation of the process of merging automotive industry steel processing firms (e.g. Scheaffler and Continental)

The steel industry in the Czech Republic made use of the global boom in metallurgy world-wide and the stable conditions of the Czech economy in 2008. Foreign investments facilitated additional economic growth, which was reflected in the growth of steel consumption. Apart from steel for the construction industry, the market noted a demand, principally, for higher added value qualities. The situation was similar on Slovak, Polish and Hungarian markets, where MORAVIA STEEL a.s. has been very active.

Development of sales in 2002 – 2008 (in tonnes)

	2002	2003	2004	2005	2006	2007	2008
Export	1 369 902	1276 511	1 329 609	1295 144	1489 520	1523 500	1 484 386
Domestic	761918	821 183	900 071	852 334	836 110	816 368	768 302
Total	2 131820	2 097 695	2 229 680	2 147 478	2 325 630	2 339 868	2 252 688

Structure of exports in percentage of the aggregate supplies (in tonnes)

	2002	2003	2004	2005	2006	2007	2008
European Union	61.2	56.8	64.2	73.7	72.6	77.5	76.7
Other Europe	23.3	24.9	14.5	5.8	6.2	3.9	3.9
Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Asia	1.4	2.5	6.3	0.3	0.2	0.1	0.1
America	5.5	6.0	5.2	10.6	10.7	8.4	8.6
Australia	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Slovakia	8.2	9.5	9.6	9.3	10.0	9.8	10.5
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Development of the range of metallurgic products sold by MORAVIA STEEL a.s. (in tonnes)

	2002	2003	2004	2005	2006	2007	2008
Rolled wire	763 831	778 254	831135	790134	844 570	824 909	783 688
Billets and continuously cast semis	328 882	311793	330 071	265 827	268 699	258 379	280 871
Reinforcing bars	394 990	275 352	257150	287 341	198 877	134 611	112 656
Rails	175 576	182 485	224 851	211090	225 076	232 690	247 960
SCHV Kladno products	220 044	233 705	240 963	247 923	267 392	271071	260194
UT Bohumín	54 773	57 380	57 450	55 535	59 406	58 000	55 383
Ferromoravie products		65 876	83 581	65 150	72 667	78 750	75 235
Other (bars, profiles, etc.)	193 724	192 850	204 479	224 478	284 777	377 209	357118
Pipes – Válcovna trub Ostrava					104166	104 249	79 583
	2 131820	2 097 695	2 229 680	2 147 478	2 325 630	2 339 868	2 252 688

In terms of volume, rolled wire remained the major commodity of the product mix. In 2008, production amounted to 783,688 tonnes, which represents a year-on-year decrease of 41,221 tonnes as a result of the impacts of the crisis. Nevertheless, the trend of increasing the proportion of high-grade steel brands continued with sales increasing from 65 percent to 68 percent of the aggregate volume of wire production. In 2008, the sale of alloyed wires increased by 2.1 percent. Of the aggregate volume of produced wire, 63 percent was designated for export, especially to EU countries.

In 2008, the Company reached its highest production and sales volume of rails in its history, amounting to 247,960 tonnes. Thanks to its provident business policy and a rather different character of the product as compared to other metallurgical products, the Company noted no significant impacts of the crisis. Of the aggregate volume of rails, 85 percent was exported. Germany, Canada, USA, Brazil, Switzerland and Denmark ranked among the major export countries. In 2008, demand stayed at the same level in the Czech Republic and remained stable due to the finalisation of the first, third and fourth railway corridors and the renovation of railway tracks.

The production volume of billets and continuously cast semis reached 280,871 tonnes, which represented a year-on-year increase of 22,492 tonnes (specifically conticasts). A significant volume of continuous cast semis was delivered and processed by Sochorová válcovna TŽ, a.s. and Válcovny trub TŽ, a.s. In this reporting period, growing demand from the railway industry and energy production sector (namely wind power plants) continued which belong to strategically supported sales targets.

After achieving record numbers in the production and sales of bars produced in the continuous light-section in 2007, 2008 saw only a slight decrease (of 4,640 tonnes). The course of the year, however, showed that the decrease in production in the machine industry and, particularly, in the automotive industry at the end of the year will result in a decrease or stagnation with regard to these products for some time. Focus on this market segment, which received a lot of the Company's effort in the previous period, has become a temporarily limiting factor. The Czech Republic, Poland and Germany are among the main sales territories.



The products of Sochorová válcovna TŽ, a.s. have always ranked among the most popular best-selling products on all our markets. After achieving record numbers in production and sales in 2007, 2008 saw a decrease of 10,877 tonnes for the same reasons as with bar steel produced on the continuous light-section. In addition to overall quality, clients principally require microalloyed steels, peeled bars, heat-treated material and enhanced property material.

The sales of flat steel again focused on deliveries to end clients and the demand for special construction projects and higher quality brands in 2008, which resulted in an increase in the average realisation price and profitability of the universal mill. The realised volume amounted to 55,383 tonnes, which represents a year-on-year decrease of 2,617 tonnes, while export markets with a 79 percent share of deliveries remain pivotal and 21 percent of deliveries were directed to the local market.

The drawn steel market experienced strong demand and a growth trend in realisation prices in 2008. The production and realisation of FERROMORAVIA, s.r.o. facilitated extraordinary results, surpassing the 85 kilotonnes limit. In the fourth quarter, demand saw a significant decrease due to the reasons described above, with realisation reaching 75,235 tonnes. In 2008, production principally concerned carbon steels, alloy steels and free-cutting steels with Bi, all this to the detriment of low grade steel.

In 2006, new commodities, namely drawn annealed and phosphated coils, were added to the product portfolio of drawn steel in TŘINECKÉ ŽELEZÁRNY, a.s. In 2008, the target line capacity was gradually reached and a total of 7,376 tonnes were realised, which represents a year-on-year increase of 4,017 tonnes. Deliveries are intended particularly for the subsequent production of bearings, MnB screws, parts for automotive industry and springs.

The operation premises of VÁLCOVNA TRUB TŽ, a.s. were renovated and modernised in 2008 and 79,680 tonnes were produced and realised. Given the increased requirements in the area of engineering and energy industries, even the most demanding customers will be satisfied. The sales were principally realised on the Czech, German, Polish, Italian and Slovak markets.

The long-term MORAVIA STEEL a.s.'s strategy is focused on increasing the share of products with a higher level of processing and creating product chains. The Group aims at manufacturing products for industries which require a higher level of processing in high-grade steel classes, such as engineering, energy, petroleum and automotive industries. Therefore, the Company prefers the production of rolled wire for manufacturing screws, springs, bearings and cords, special bar steel, finalised processed steel (drawn, peeled, ground), and wide and flat tool steel.

The purchase of raw material and other input for TŘINECKÉ ŽELEZÁRNY, a.s. and also other subsidiaries accounts for a significant component of MORAVIA STEEL a.s.'s turnover.

Strategic raw material for production in TŘINECKÉ ŽELEZÁRNY, a.s. includes ores, coal, coke, scrap, ferrous alloys, metals, basic additives and billets. MORAVIA STEEL a.s. continuously secures this raw material, delivering it within the required time and distance at favourable prices.

LOGISTICS AND CARGO TRANSPORT OF GOODS

The deterioration of the economic climate impacted the performance in freight transportation, particularly in the second half of 2008.

All freight transportation segments responded to the following important indicators and facts:

- High oil prices in the first half of 2008 (speculative transactions)
- Difficult prediction of the exchange rate development, economic growth estimate and future demand structure
- Decrease in demand in the automobile industry

Volume of MORAVIA STEEL a.s.'s transportation in 2008 – development trend:

- Decrease in the transportation volume as part of the sale of artificial metallurgical aggregates as a result of terminating crucial construction activities in the Moravian-Silesian Region
- Decrease in realised transportation as part of the services provided to other legal entities – metallurgical production, iron scrap suppliers



Cooperation with decisive providers of additional transportation services principally focused on further improvements of the system of valuation criteria for selecting transportation services providers, IT and planning systems, and ensuring the stability of contractual relations.

The Company's logistics services focused on additional analyses of the logistics systems of goods producers including the coordination activity of the senders and recipients in the course of the continued exclusion activities and construction limitations when building transportation infrastructure (principally with projects regarding the dispatch and recipient place of Třinec).

Transportation services project solutions focused on analyses and extending the range of services provided to Hanácké železářny a pérovny, a.s. and Šroubárna Kyjov, spol. s r.o.

Development of the transportation volume according to the method of shipping goods from dispatch locations: (the Company's goods, including transportation services provided to other legal entities).

	RAILWAYS	ROADS	TOTAL
2008 (thousand tonnes)	8 796	1 538	10 334
2008/2007 year-on-year development (thousand tonnes)	-160	-244	-404
2008/2007 year-on-year development (percentage)	-1.79%	-13.69%	-3.76%
2008/2006 year-on-year development (thousand tonnes)	+103	+219	+322
2008/2006 year-on-year development (percentage)	1.18%	16.60%	3.21%

MANAGEMENT SYSTEM AND PEOPLE

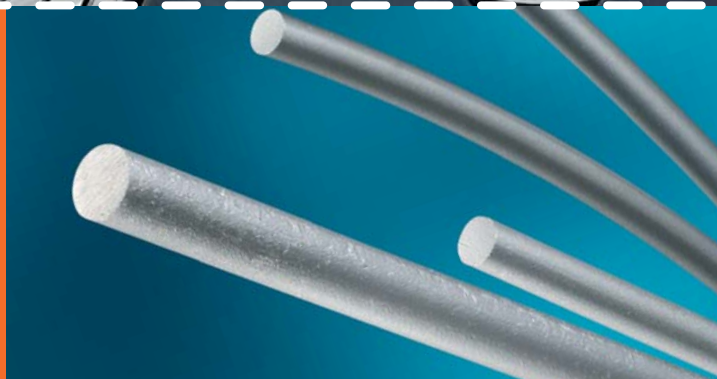
In 2008, the Company completely changed employee's computer technology. Computer performance increased, accelerating individual SAP system tasks. Along with this process, a comprehensive project for optimising and centralising printing, copying, scanning and faxing was brought into use and significantly facilitated overhead cost savings and environmental protection. In 2008, individual SAP system modules were continuously improved.

In 2008, equipment in individual employees' workplaces was modernised to create a positive working environment, which will directly impact the employees' motivation and performance.

In the long term, the Company also supports improving the education and qualifications of its employees, principally through specialised professional courses and trainings.

MORAVIA STEEL a.s. itself does not conduct research and development activities but participates in fulfilling selected Group tasks via its employees. The Company operates in accordance with applicable environmental regulations.

MORAVIA STEEL a.s. has no foreign branch.



5. REPORT OF THE SUPERVISORY BOARD

The MORAVIA STEEL a.s. Supervisory Board examined the financial statements of MORAVIA STEEL a.s. for the year ended 31 December 2008 based on documentation that was submitted to it and discussed by MORAVIA STEEL a.s.'s Board of Directors. The Supervisory Board also discussed a proposal for the allocation of profit for the year ended 31 December 2008.

Taking into account the auditor's opinion issued by Deloitte Audit s.r.o., MORAVIA STEEL a.s.'s Supervisory Board recommends that the General Meeting approve the financial statements of MORAVIA STEEL a.s. for the year ended 31 December 2008 including the proposal of the Board of Directors for the allocation of profit for the year ended 31 December 2008.

Tomáš Chrenek

Chairman of the Supervisory Board
MORAVIA STEEL a.s.

6. AUDITOR'S REPORT

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MORAVIA STEEL a.s.

Having its registered office at: Průmyslová 1000, Třinec – Staré Město, 739 70
Identification number: 63474808
Principal activities: Purchase of goods for resale and sale

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 10 March 2009 on the financial statements which are included in this annual report in Section 7.:

“We have audited the accompanying financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2008, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/cz/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

Member of Deloitte Touche Tohmatsu

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MORAVIA STEEL a.s. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.”

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 11 May 2009 on the consolidated financial statements which are included in this annual report in Section 8.:

“We have audited the accompanying consolidated financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2008, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body’s Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting regulations applicable in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of MORAVIA STEEL a.s. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.”

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of MORAVIA STEEL a.s. for the year ended 31 December 2008 which is included in this annual report in Section 9. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of MORAVIA STEEL a.s. for the year ended 31 December 2008 contains material factual misstatements.


Report on the Annual Report

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

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


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

In Prague on 3 June 2009


Audit firm:
Deloitte Audit s.r.o.
Certificate no. 79
Represented by:


Václav Loubek, authorised employee

Statutory auditor:


Václav Loubek, certificate no. 2037

7. FINANCIAL PART I. – FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, 739 70 Trinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID:	63 47 48 08

Components of the Financial Statements:

Balance Sheet


Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

THESE FINANCIAL STATEMENTS WERE PREPARED ON 10 MARCH 2009.

Statutory body of the reporting entity:	Signature
Lenka Blažková Chairwoman of the Board of Directors	
Krzysztof Roch Ruciński First Vice Chairman of the Board of Directors	

BALANCE SHEET FULL VERSION AS OF 31.12.2008

(in CZK thousand)

		31.12.2008			31.12.2007	31.12.2006
		Gross	Adjustment	Net	Net	Net
	TOTAL ASSETS	16 508 066	1 417 761	15 090 305	14 265 623	13 530 452
A.	Receivables for subscribed capital					
B.	Fixed assets	6 798 941	746 788	6 052 153	5 913 068	4 333 045
<i>B.I.</i>	<i>Intangible fixed assets</i>	94 249	30 063	64 186	56 610	63 936
B.I.1.	Start-up costs	72	72			
B.I.3.	Software	1 990	1 812	178	271	
B.I.4.	Valuable rights	91 487	27 479	64 008	56 339	63 936
B.I.6.	Other intangible fixed assets	700	700			
<i>B.II.</i>	<i>Tangible fixed assets</i>	397 441	81 291	316 150	315 379	308 746
B.II.1.	Land	273 000		273 000	273 000	273 000
B.II.3.	Individual movable assets and sets of movable assets	124 003	81 291	42 712	41 941	34 068
B.II.7.	Tangible fixed assets under construction					1 240
B.II.8.	Prepayments for tangible fixed assets	438		438	438	438
<i>B.III.</i>	<i>Non-current financial assets</i>	6 307 251	635 434	5 671 817	5 541 079	3 960 363
B.III.1.	Equity investments in subsidiaries	6 302 226	635 434	5 666 792	5 538 643	3 957 927
B.III.2.	Equity investments in associates	2 436		2 436	2 436	2 436
B.III.6.	Acquisition of non-current financial assets	2 589		2 589		
C.	Current assets	9 698 654	670 973	9 027 681	8 342 955	9 192 177
<i>C.I.</i>	<i>Inventories</i>	367 121	6 777	360 344	375 154	401 227
C.I.1.	Material	2 080		2 080	1 939	1 515
C.I.5.	Goods	365 041	6 777	358 264	373 215	399 712
<i>C.II.</i>	<i>Long-term receivables</i>	158 222		158 222	1 168	18 624
C.II.2.	Receivables - controlling entity					17 481
C.II.5.	Long-term prepayments made	1 135		1 135	1 143	1 143
C.II.7.	Other receivables	78 949		78 949	25	
C.II.8.	Deferred tax asset	78 138		78 138		
<i>C.III.</i>	<i>Short-term receivables</i>	8 211 178	664 196	7 546 982	7 516 886	6 709 156
C.III.1.	Trade receivables	7 936 213	662 458	7 273 755	7 055 670	6 420 997
C.III.2.	Receivables - controlling entity	46 134		46 134		26 404
C.III.6.	State - tax receivables	104 251		104 251	229 566	201 049
C.III.7.	Short-term prepayments made	1 032		1 032	7 990	7 394
C.III.8.	Estimated receivables	24 913		24 913	42 893	28 919
C.III.9.	Other receivables	98 635	1 738	96 897	180 767	24 393
<i>C.IV.</i>	<i>Current financial assets</i>	962 133		962 133	449 747	2 063 170
C.IV.1.	Cash on hand	613		613	644	242
C.IV.2.	Cash at bank	483 832		483 832	186 251	603 264
C.IV.3.	Short-term securities and investments	477 688		477 688	262 852	1 459 664
D. I.	Other assets	10 471		10 471	9 600	5 230
D.I.1.	Deferred expenses	1 154		1 154	1 778	3 664
D.I.2.	Complex deferred expenses	530		530		
D.I.3.	Accrued income	8 787		8 787	7 822	1 566

BALANCE SHEET FULL VERSION AS OF 31.12.2008

(in CZK thousand)

		31.12.2008	31.12.2007	31.12.2006
	TOTAL LIABILITIES & EQUITY	15 090 305	14 265 623	13 530 452
A.	Equity	8 551 087	7 379 544	5 779 146
<i>A.I.</i>	<i>Share capital</i>	3 157 000	3 157 000	1 750 000
A.I.1.	Share capital	3 157 000	3 157 000	1 750 000
<i>A.II.</i>	<i>Capital funds</i>	-314 518	2 969	12 251
A.II.3.	Gains or losses from the revaluation of assets and liabilities	-314 518	2 969	12 251
<i>A.III.</i>	<i>Statutory funds</i>	507 229	347 090	238 931
A.III.1.	Statutory reserve fund / Indivisible fund	507 229	347 090	238 931
<i>A.IV.</i>	<i>Retained earnings</i>	3 712 346	669 690	1 616 492
A.IV.1.	Accumulated profits brought forward	3 712 346	669 690	1 616 492
A.V.	Profit or loss for the current period (+ -)	1 489 030	3 202 795	2 161 472
B.	Liabilities	6 514 759	6 827 918	7 702 344
<i>B.III.</i>	<i>Short-term liabilities</i>	5 414 660	6 027 918	6 437 066
B.III.1.	Trade payables	4 797 754	5 435 911	6 219 907
B.III.4.	Payables to partners and association members		14 665	
B.III.5.	Payables to employees	24 008	14 261	40 186
B.III.6.	Social security and health insurance payables	6 513	6 079	27 754
B.III.7.	State - tax payables and subsidies	58 734	148 919	39 047
B.III.8.	Short-term prepayments received	31 636	58 477	22 547
B.III.10.	Estimated payables	47 768	152 406	75 578
B.III.11.	Other payables	448 247	197 200	12 047
<i>B.IV.</i>	<i>Bank loans and borrowings</i>	1 100 099	800 000	1 265 278
B.IV.1.	Long-term bank loans			103 106
B.IV.2.	Short-term bank loans	1 100 099	800 000	1 162 172
C. I.	Other liabilities	24 459	58 161	48 962
C.I.1.	Accrued expenses	7 758	32 977	14 630
C.I.2.	Deferred income	16 701	25 184	34 332

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD YEAR ENDED 31.12.2008

		Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2006
I.	Sales of goods	64 171 314	61 071 293	57 440 478
A.	Costs of goods sold	61 306 571	57 740 038	54 526 670
+	Gross margin	2 864 743	3 331 255	2 913 808
II.	Production	1 067 766	884 774	550 106
II.1.	Sales of own products and services	1 067 766	884 774	550 106
B.	Purchased consumables and services	1 057 833	1 050 932	855 951
B.1.	Consumed material and energy	13 200	10 694	13 480
B.2.	Services	1 044 633	1 040 238	842 471
+	Added value	2 874 676	3 165 097	2 607 963
C.	Staff costs	307 300	369 652	387 194
C.1.	Payroll costs	165 014	203 979	218 805
C.2.	Remuneration to members of statutory bodies	104 887	92 935	90 512
C.3.	Social security and health insurance costs	35 978	71 393	76 582
C.4.	Social costs	1 421	1 345	1 295
D.	Taxes and charges	1 023	1 209	1 495
E.	Depreciation of intangible and tangible fixed assets	22 565	25 473	24 344
III.	Sales of fixed assets and material	3 422	2 537	4 122
III.1.	Sales of fixed assets	2 027	1 157	2 400
III.2.	Sales of material	1 395	1 380	1 722
F.	Net book value of fixed assets and material sold	2 148	2 175	3 351
F.1.	Net book value of sold fixed assets	801	774	1 653
F.2.	Book value of sold material	1 347	1 401	1 698
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	77 174	-8 993	-8 268
IV.	Other operating income	36 264	85 871	93 700
H.	Other operating expenses	71 321	120 113	110 863
*	Operating profit or loss	2 432 831	2 743 876	2 186 806
VII.	Income from non-current financial assets	7 920	1 404 388	562 669
VII.1.	Income from subsidiaries and associates	7 920	1 404 388	562 669
IX.	Income from the revaluation of securities and derivatives	14 702	97 474	
L.	Costs of the revaluation of securities and derivatives	28 283	118 042	
M.	Change in reserves and provisions relating to financial activities	282 354	153 020	
X.	Interest income	55 815	115 314	65 668
N.	Interest expenses	44 464	44 251	67 903
XI.	Other financial income	1 513 414	683 888	499 438
O.	Other financial expenses	1 669 054	857 367	553 440
*	Financial profit or loss	-432 304	1 128 384	506 432
Q.	Income tax on ordinary activities	511 497	669 465	531 766
Q 1.	- due	511 497	669 465	531 766
**	Profit or loss from ordinary activities	1 489 030	3 202 795	2 161 472
***	Profit or loss for the current period (+/-)	1 489 030	3 202 795	2 161 472
****	Profit or loss before tax	2 000 527	3 872 260	2 693 238

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31.12.2008

(in CZK thousand)

	Share capital	Capital funds	Statutory funds	Accumulated profits brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2006	1 750 000	12 251	238 931	1 616 492	2 161 472	5 779 146
Distribution of profit or loss			108 074		-108 074	
Change in share capital	1 407 000		85			1 407 085
Dividends paid				-946 802	-2 053 398	-3 000 200
Revaluation of derivatives		-9 282				-9 282
Profit or loss for the current period					3 202 795	3 202 795
Balance at 31 December 2007	3 157 000	2 969	347 090	669 690	3 202 795	7 379 544
Distribution of profit or loss			160 139	3 042 656	-3 202 795	
Revaluation of derivatives		-317 487				-317 487
Profit or loss for the current period					1 489 030	1 489 030
Balance at 31 December 2008	3 157 000	-314 518	507 229	3 712 346	1 489 030	8 551 087

CASH FLOW STATEMENT YEAR ENDED 31.12.2008

(in CZK thousand)

		Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2006
P.	Opening balance of cash and cash equivalents	444 312	2 055 753	850 623
	<i>Cash flows from ordinary activities</i>			
Z.	Profit or loss from ordinary activities before tax	2 000 527	3 872 260	2 693 238
A.1.	Adjustments for non-cash transactions	546 394	-1 382 497	-496 623
A.1.1.	Depreciation of fixed assets	22 565	25 473	24 344
A.1.2.	Change in provisions and reserves	359 528	144 027	-8 490
A.1.3.	Profit/(loss) on the sale of fixed assets	-1 226	-383	-747
A.1.4.	Revenues from dividends and profit shares	-7 920	-1 404 388	-562 669
A.1.5.	Interest expense and interest income	-11 351	-71 063	2 235
A.1.6.	Adjustments for other non-cash transactions	184 798	-76 163	48 704
A.*	Net operating cash flow before changes in working capital	2 546 921	2 489 763	2 196 615
A.2.	Change in working capital	-1 230 023	-1 318 985	609 231
A.2.1.	Change in operating receivables and other assets	-517 822	-683 208	-809 163
A.2.2.	Change in operating payables and other liabilities	-720 910	-663 832	1 253 119
A.2.3.	Change in inventories	8 033	26 073	162 612
A.2.4.	Change in current financial assets	676	1 982	2 663
A.**	Net cash flow from operations before tax and extraordinary items	1 316 898	1 170 778	2 805 846
A.3.	Interest paid	-43 256	-44 251	-66 164
A.4.	Interest received	55 982	115 314	65 668
A.5.	Income tax paid from ordinary operations	-601 025	-549 387	-645 307
A.7.	Received dividends and profit shares	7 920	1 404 388	562 669
A.***	Net operating cash flows	736 519	2 096 842	2 722 712
	<i>Cash flows from investing activities</i>			
B.1.	Fixed assets expenditures	-447 469	-352 206	-10 001
B.2.	Proceeds from fixed assets sold	2 052	1 157	2 612
B.***	Net investment cash flows	-445 417	-351 049	-7 389
	<i>Cash flow from financial activities</i>			
C.1.	Change in payables from financing	221 960	-357 034	-870 043
C.2.	Impact of changes in equity		-3 000 200	-640 150
C.2.6.	Dividends paid		-3 000 200	-640 150
C.***	Net financial cash flows	221 960	-3 357 234	-1 510 193
F.	Net increase or decrease in cash and cash equivalents	513 062	-1 611 441	1 205 130
R.	Closing balance of cash and cash equivalents	957 374	444 312	2 055 753

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, 739 70 Trinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID:	63474808

The Company is recorded in the Register of Companies kept by the Regional Court in Ostrava, Section B, File 1297

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (hereinafter the "Company") was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the District Court in Brno – venkov on 23 August 1995 (Section B, File 1297).

As of 31 December 2008, the Company's issued share capital is CZK 3,157,000 thousand.

The Company's financial statements have been prepared as of and for the year ended 31 December 2008.

The following table shows legal entities with an equity interest greater than 20 percent and the amounts of their equity interests:

Shareholder	Ownership percentage
R.F.G., a.s., nám. Svobody 526, Třinec	50 %
FINITRADING, a.s., nám. Svobody 526, Třinec	50 %
Total	100 %

R.F.G., a.s. and FINITRADING, a.s. act in concert.

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 98.36 percent of its revenues. The Company is additionally involved in providing domestic and international shipping services.

The Company's operations are principally focused on Třinecké železářny, a.s. and its subsidiary companies (for further details refer to Notes 4.12. and 4.18.)

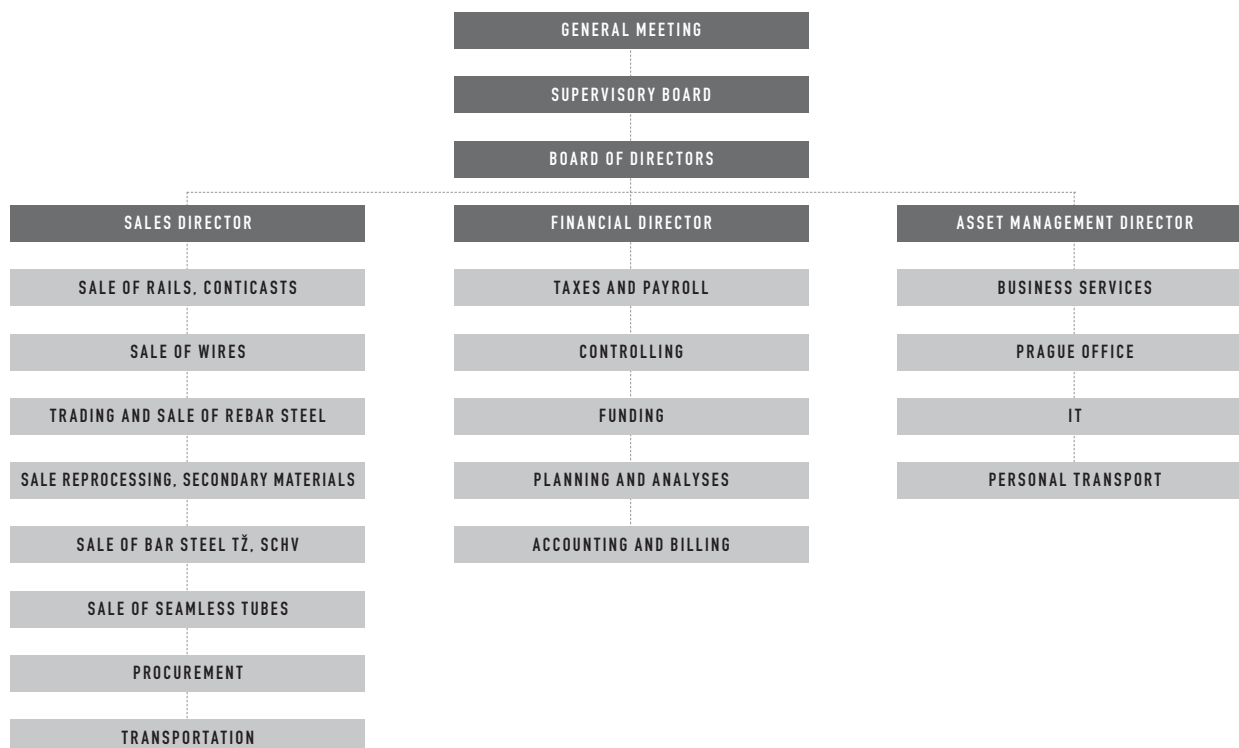
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

There were no changes in the Register of Companies during the reporting period.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2008

	Position	Name
Board of Directors	Chairwoman	Lenka Blažková
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříš
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blažková
	Member	Hanns Kurt Zoellner
	Member	Jan Sikora

1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AT 31 DECEMBER 2008



2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis with certain exceptions as described in Note 3.6., the accruals principle, the prudence concept and the going concern assumption.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. TANGIBLE FIXED ASSETS

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

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. The Company carried no internally developed tangible fixed assets during the year ended 31 December 2008.

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

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

Category of assets	Number of years
Machinery and equipment	3 – 12
Vehicles	4 – 5
Furniture and fixtures	6 – 15

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

Provisioning

Provisions against fixed assets are recognised based on an assessment of their value during the stock count.

The Company recorded no provisions against tangible and intangible fixed assets in the year ended 31 December 2008.

3.2. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Purchased intangible fixed assets are stated at cost.

The cost of fixed asset improvements exceeding CZK 60 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets is recorded over the estimated useful lives of assets using the straight line method as follows:

	Number of years
Software	4
Valuable rights	4 – 10
Other intangible fixed assets	4 – 5

3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

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

As of the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity, or securities and equity investments available for sale.

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as 'Equity investments in subsidiaries'.

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

At the balance sheet, equity investments in subsidiaries and associates are stated at cost net of any provisions.

Provisioning

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

In charging provisions against equity securities that are not fair-valued, the Company refers to its detailed knowledge of the relevant entity, the results of its operations and available expert valuations.

3.4. INVENTORY

Valuation

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

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

Goods are purchased and sold directly to customers and are not physically stored at the Company's premises. Reported stocks comprise goods in transit where supplies are delivered based on different delivery terms (e.g. delivery in port, delivery free on board). This gives rise to a certain mismatch between the purchase date and the date of sale to the customer, during which the goods are carried as the Company's assets.

Provisions

Inventory of material is provisioned in the amount of the difference between the cost and the realised cost, provided the cost is higher.

3.5. CURRENT FINANCIAL ASSETS

Current financial assets principally consist of cash on hand and cash at banks and debt securities with a maturity of less than one year held to maturity (mainly depository bills of exchange).

Current financial assets are carried at cost upon acquisition and at the balance sheet date. The cost of securities includes the direct costs of acquisition, such as fees paid to banks.

3.6. FINANCIAL DERIVATIVE INSTRUMENTS

The Company designates derivative financial instruments as either trading or hedging. The Company's criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, a decision was adopted about the hedged item and the hedging instruments, the risks that are being hedged and the approach to establishing and documenting whether the hedge is effective and the hedging relationship is formally documented;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis.

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

Derivative financial instruments are carried at fair value at the balance sheet date. In determining the fair value, the Company has referred to market values. Fair value changes in respect of trading derivatives and derivatives designated as hedges of fair values of assets and liabilities are recognised as expenses or income from derivative transactions. Fair value changes in respect of derivatives designated as future cash flow hedges are treated as gains or losses from the revaluation of assets and liabilities.

3.7. RECEIVABLES

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Receivables acquired for consideration or through an investment are stated at cost less provisioning for doubtful and bad amounts.

Provisioning

The Company recognised provisions against accounts receivable according to their aging categories as follows:

- Receivables past due by more than 180 and less than 365 days are provisioned at 50 percent; and
- Receivables past due by more than 365 days are provisioned in full.

In circumstances where there is doubt over the collectability of individual debts, the Company increases the provisioning charge taking into consideration the collateral underlying these debts.

3.8. TRADE PAYABLES

Trade payables are stated at their nominal value.

3.9. LOANS

Loans are stated at nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

3.10. FOREIGN CURRENCY TRANSLATION

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

As of the balance sheet date, financial assets, current assets and liabilities denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank as of that date. Any resulting foreign exchange rate gains and losses are recorded as the current year's financial expenses or revenues as appropriate.

3.11. RESERVES

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are either likely to be incurred or certain to be incurred, but which are uncertain as to the amount or the date on which they will arise.

3.12. FINANCE LEASES

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

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

3.13. TAXATION

3.13.1. Tax Depreciation of Fixed Assets

Depreciation of fixed assets for taxation purposes is recorded on an accelerated basis.

3.13.2. Current Tax Payable

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

3.13.3. Deferred Tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

In 2008, the Company decided to recognise the deferred tax asset for hedging derivatives. The deferred tax asset relates to items that are recognised directly in equity (refer to Note 4.10.).

3.14. IMPAIRMENT

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

3.15. USE OF ESTIMATES

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

3.16. REVENUE RECOGNITION

Revenues are recognised when supplier terms under INCOTERMS 2000 are fulfilled or when services are rendered and are reported net of discounts and VAT.

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

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

3.17. EXTRAORDINARY EXPENSES AND INCOME

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company as well as income or expenses from events or transactions that are not expected to recur frequently or regularly.

3.18. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(CZK thousand)

	31 Dec 2008	31 Dec 2007	31 Dec 2006
Cash on hand	613	644	242
Cash at bank and cash in transit	483 832	186 251	603 264
Current securities	477 688	262 852	1 459 664
Total current financial assets	962 133	449 747	2 063 170
Current account – blocked funds	–4 759	–5 435	–7 417
Total cash and cash equivalents	957 374	444 312	2 055 753

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

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

4.1. FIXED ASSETS

4.1.1. Intangible Fixed Assets

Cost

(CZK thousand)

	Balance at 31 Dec 2006	Additions	Disposals	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008
Start-up costs	72	–	–	72	–	–	72
Software	1 711	279	–	1 990	–	–	1 990
Valuable rights	76 113	–	150	75 963	15 524	–	91 487
Other intangible FA	4 877	–	48	4 829	–	4 129	700
Intangible FA under construction	–	–	–	–	–	–	–
Total	82 773	279	198	82 854	15 523	4 129	94 249

Accumulated Amortisation

(CZK thousand)

	Balance at 31 Dec 2006	Additions	Disposals	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008
Start-up costs	72	–	–	72	–	–	72
Software	1 711	8	–	1 719	93	–	1 812
Valuable rights	12 177	7 597	150	19 624	7 855	–	27 479
Other intangible FA	4 877	–	48	4 829	–	4 129	700
Total	18 837	7 605	198	26 244	7 948	4 129	30 063

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2006	Balance at 31 Dec 2007	Balance at 31 Dec 2008
Start-up costs	–	–	–
Software	–	271	178
Valuable rights	63 936	56 339	64 008
Other intangible FA	–	–	–
Intangible FA under construction	–	–	–
Total	63 936	56 610	64 186

4.1.2. Tangible Fixed Assets

Cost

(CZK thousand)

	Balance at 31 Dec 2006	Additions	Disposals	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008
Land	273 000	–	–	273 000	–	–	273 000
Individual movable assets	109 690	26 797	14 577	121 910	16 189	14 096	124 003
– <i>Machines and equipment</i>	23 302	2 188	5 389	20 101	54	1 106	19 049
– <i>Vehicles</i>	76 658	24 566	9 029	92 195	16 135	12 896	95 434
– <i>Furniture and fixtures</i>	9 730	43	159	9 614	–	94	9 520
Tangible FA under construction	1 240	26 892	28 132	–	–	–	–
Prepayments for tangible FA	438	1 166	1 166	438	–	–	438
Total	384 368	54 855	43 875	395 348	16 189	14 096	397 441

Accumulated Depreciation

(CZK thousand)

	Balance at 31 Dec 2006	Additions	Disposals	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008
Individual movable assets	75 622	18 832	14 485	79 969	15 418	14 096	81 291
– <i>Machines and equipment</i>	19 692	1 283	5 380	15 595	1 477	1 106	15 966
– <i>Vehicles</i>	47 074	17 169	8 953	55 290	13 559	12 896	55 953
– <i>Furniture and fixtures</i>	8 856	380	152	9 084	382	94	9 372
Total	75 622	18 832	14 485	79 969	15 418	14 096	81 291

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2006	Balance at 31 Dec 2007	Balance at 31 Dec 2008
Land	273 000	273 000	273 000
Individual movable assets	34 068	41 941	42 712
– <i>Machines and equipment</i>	3 610	4 506	3 083
– <i>Vehicles</i>	29 584	36 905	39 481
– <i>Furniture and fixtures</i>	874	530	148
Tangible FA under construction	1 240	–	–
Prepayments for tangible FA	438	438	438
Total	308 746	315 379	316 150

The Company principally acquired cars from 2006 to 2008.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 4,519 thousand, CZK 1,087 thousand and CZK 3,553 thousand for the years ended 31 December 2008, 2007 and 2006, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are directly expensed on a one-off basis.

4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK thousand)

	Balance at 31 Dec 2005	Additions	Disposals	Balance at 31 Dec 2006	Additions	Disposals	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008
Equity investments in subsidiaries	4 157 986	–	–	4 157 986	1 733 736	–	5 891 722	410 504	–	6 302 226
Equity investments in associates	2 436	–	–	2 436	–	–	2 436	–	–	2 436
Acquisition of non-current financial assets	–	–	–	–	–	–	–	2 589	–	2 589
Prepayments for non-current financial assets	–	–	–	–	–	–	–	–	–	–
Total	4 160 422	–	–	4 160 422	1 733 736	–	5 894 158	413 093	–	6 307 251

On 6 May 2008, the Company purchased the 100 percent equity investment in HŽP Holding a.s. (corporate ID 269 55 342) which owned the 100 percent equity investment in the subsidiary Hanácké železářny a pérovny a.s. As a result of the merger by amalgamation, HŽP Holding, a.s., with its registered office at Dolní 100, Prostějov, 797 11, corporate ID 269 55 342, as the successor company, assumed the net assets of the dissolving company Hanácké železářny a pérovny, a.s., with its registered office at Dolní 100, Prostějov, 797 11, (corporate ID 607 23 246) on 19 September 2008. In addition, the business name changed to Hanácké železářny a pérovny, a.s. with effect from 19 September 2008.

On 11 June 2008, MORAVIA STEEL Poland sp. z o.o. was formed in Poland. This company did not report any activities as of 31 December 2008.

On 18 February 2008, the Company purchased the remaining equity investment of 9.96 percent in Beskydská Golfová a.s. The purchase price between the Company and Kovopol a.s. was determined to be CZK 16,000 thousand. This purchase of shares increased the equity investment from 90.04 percent to 100 percent.

In addition, the Company purchased the shares of TŽ a.s. for CZK 2,489 thousand in the reporting period. The amount is reported in the line 'Acquired non-current financial assets'.

4.2.1. Equity Investments in Subsidiaries

2008

(CZK thousand)

Name	Registered office	Cost	Nominal value	Owner-ship %	Equity	Profit/loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.	Trinec	3 357 984	5 598 907	69.04	19 214 416	1 204 420	–	–
Barrandov Lands, a.s.	Prague	2 000	2 000	100	2 035	23	–	–
Barrandov Studio a.s.	Prague	744 609	197 048	99.82	646 419	21 636	300 000	–
Barrandov Televizní Studio, a.s.	Prague	233 020	197 048	99.82	69 577	–110 868	233 020	–
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	****)	****)	–	–
Moravia Steel AG Zug	Zug	1 947	1 947	100	****)	****)	1 947	–
Moravia Steel Italia,srl	Milano	2 580	2 075	66	69 342	38 168	–	7 920
Moravia Steel Ibéria,s.a.	Lisabon	10 850	2 533	99.33	11 038	1021	–	–
Moravia Goel Trade, d.o.o.	Samobor	59	59	60	**)	**)	59	–
MS – Slovensko s.r.o.	Bratislava	161	160	100	1 016	1	–	–
Moravia Steel Israel Ltd.	Petach Tikva	346	208	100	–86	–21	–	–
Beskydská golfová, a.s.	Ropice	149 342	125 000	100	107 711	–3 981	100 000	–
Sochorová válcovna TŽ, a.s.	Trinec	1 407 085	328 820	82	1 861 954	259 487	–	–
MORAVIA STEEL POLAND, sp. z o.o. *)	Cieszyn	408	361	100	253	–71	408	–
Hanácké železářny a pérovny, a.s. ***)	Prostějov	390 262	102 000	100	293 147	55 840	–	–
Total		6 302 226	6 559 033		22 207 480	1 427 487	635 434	7 920

*) On 11 June 2008, MORAVIA STEEL Poland sp. z o.o. was formed in Poland. As of 31 December 2008, this company reported no business activities.

**) In liquidation

***) Refer to Note 4.2

****) No data available

2007

(CZK thousand)

Name	Registered office	Cost	Nominal value	Owner-ship %	Equity	Profit/loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.	Trinec	3 357 984	5 598 907	69.04	18 009 959	3 633 114	–	1 399 727
Barrandov Lands, a.s.	Prague	2 000	2 000	100	2 012	17	–	–
Barrandov Studio a.s. **)	Prague	744 609	197 048	99.82	638 823	71 993	100 000	–
Barrandov Televizní Studio, a.s. **)	Prague	233 020	197 048	99.82	199 612	12	233 020	–
Moravia Steel Slovenija, d.o.o.	Celje	1 573	1 573	51	1 810	–1 006	–	–
Moravia Steel AG Zug	Zug	1 947	1 947	100	–178	100)	–	–
Moravia Steel Italia,srl	Milano	2 581	2 581	66	59 696	36 553	–	4 661
Moravia Steel Ibéria,s.a.	Lisbon	10 850	10 850	99.33	9 901	729	–	–
Moravia Goel Trade, d.o.o.	Samobor	59	59	60	**)	**)	59	–
MS – Slovensko s.r.o.	Bratislava	160	160	100	900	1	–	–
Moravia Steel Israel Ltd.	Petach Tikva	346	209	100	–60	–19	–	–
Beskydská golfová, a.s. ****)	Ropice	129 508	112 550	90.04	111 693	1 575	20 000	–
Sochorová válcovna TŽ, a.s. *****)	Trinec	1 407 085	328 820	82	1 602 467	402 819	–	–
Total		5 891 722	6 453 752				353 079	1 404 388

*) Barrandov Studio split through a demerger into Barrandov Studio a.s. and Barrandov Televizní studio a.s. as of 1 January 2007. The change was recorded in the Register of Companies on 1 November 2007.

**) In liquidation

***) Beskydská golfová, a.s. became a subsidiary of MORAVIA STEEL a.s. on 1 February 2007.

****) Sochorová válcovna TŽ, a.s. became a subsidiary through an investment of a share of the company into the issued share capital of MORAVIA STEEL a.s. on 21 August 2007. The change was recorded in the Register of Companies on 3 September 2007.

2006

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
TRINECKÉ ŽELEZÁRNY, a.s.	Trinec	3 357 984	5 598 907	69.04	16 404 427	2 684 148	–	559 891
Barrandov Lands, a.s.	Prague	2 000	2 000	100	1 995	7	–	–
Barrandov Studio a.s.	Prague	780 486	196 952	99.77	616 815	60 135	200 000	–
Moravia Steel Slovenija, d.o.o.	Celje	1 573	1 573	51	3 070	–	–	–
Moravia Steel AG Zug	Zug	1 947	1 947	100	548	–205	–	–
Moravia Steel Italia,srl	Milano	2 581	2 581	66	41 548	–205	–	–
Moravia Steel Ibéria, s.a.	Lisbon	10 850	10 850	99.33	11 879	25 783	–	2 778
Moravia Goel Trade, d.o.o.	Samobor	59	59	60	*)	*)	59	–
MS – Slovensko s.r.o.	Bratislava	160	160	100	906	1 003	–	–
Moravia Steel Israel Ltd.	Petach Tikva	346	209	100	–44	–25	–	–
Total		4 157 986	5 815 238				200 059	562 669

*) No data available

**) In liquidation

4.2.2. Pledged Non-Current Financial Assets and Current Equity Securities

None of the Company's non-current financial assets or current equity securities were pledged in 2008, 2007 and 2006.

4.3. INVENTORY

(CZK thousand)

Gross	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
– Material	2 080	1 939	1 515
– Inventory – raw material	25 375	52 582	68 356
– Inventory – metallurgical products	339 666	320 633	331 356
Total	367 121	375 154	401 227

In the year ended 31 December 2008, the Company recognised a provision of CZK 6,777 thousand. No prepayments for inventory were provided in the reporting periods.

4.4. RECEIVABLES

4.4.1. Long-Term Receivables

As of 31 December 2008, the Company reported a long-term receivable of CZK 130,116 thousand. The Company provided a loan to CZECH MEDIA LINK in the amount of CZK 130,116 thousand which is repayable in 2009, 2010 and 2011. The long-term portion of the loan of CZK 78,949 thousand is reported in the line 'Other long-term receivables', the short-term portion of CZK 51,167 thousand is reported in the line 'Other short-term receivables'.

4.4.2. Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Short-term			
– Customers	7 927 953	7 636 144	7 009 975
– Bills of exchange to be collected	8 260	8 260	8 260
– Provisions	–662 458	–588 734	–597 238
Total	7 273 755	7 055 670	6 420 997

In the years ended 31 December 2008, 2007 and 2006, the Company carried bill receivables provisioned in full.

4.4.3. Aging of Receivables from Customers

(CZK thousand)

Year	Category	Before due date	Past due date					Total past due	Total
			1 – 90 days	91–180 days	181–360 days	1 – 2 years	2 years and greater		
2008	Gross	6 109 515	1 213 895	3 061	35 164	909	565 409	1 818 438	7 927 953
	Provisions	27	58 117	6	34 126	909	561 013	654 171	654 198
2007	Gross	6 412 811	643 321	1 635	1 361	4 743	572 273	1 223 333	7 636 144
	Provisions	201	551	1 635	1 361	4 743	571 983	580 273	580 474
2006	Gross	5 788 684	629 027	7 402	2 110	21 499	561 253	1 221 291	7 009 975
	Provisions	71	2 439	2 183	1 822	21 499	560 964	588 907	588 978

Receivables typically mature within 30 days.

Past due receivables:

(CZK thousand)

Year	Local	Cross-border	Total
2008	651 972	1 166 466	1 818 438
2007	637 940	585 393	1 223 333
2006	661 578	559 713	1 221 291

4.4.4. Intercompany Trade Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
<i>Short-term trade receivables</i>			
TŘINECKÉ ŽELEZÁRNY, a.s.	1 903 926	1 173 314	1 005 420
Strojírny Třinec, a.s.	2 110	1 583	1 967
ENERGETIKA TŘINEC, a.s.	68 667	34 457	81 334
Slévárny Třinec, a.s.	5 214	3 333	2 334
Sochorová válcovna TŽ, a.s.	13	30	74
CMC-Třinec Stahlhandel GmbH, Germany	105	4	310
Řetězárna a.s.	11 100	28 605	27 379
FERROMORAVIA, s.r.o.	–	974	15
Barrandov Studio a.s.	78	39	–
TRINEC-CMC LTD	42	13	12
Moravia Steel Italia, srl	–	–	34
DOPRAVA TŽ, a.s.	1 372	6 253	2 353
VÁLCOVNA TRUB TŽ, a.s. *)	197	145 354	129 310
Beskydská golfová, a.s.	151	76	441
Barrandov Televizní Studio a.s.	–	–	129
VÚHŽ, a.s.	10 608	22 864	18 876
Hanácké železářny a pérovny, a.s. **)	18 378	–	–
Šroubárna Kyjov spol. s r.o. ***)	70 672	–	–
Total short-term intercompany receivables	2 092 633	1 416 899	1 269 988
Receivables outside the Group	5 843 580	6 227 505	5 748 247
Total short-term trade receivables, gross	7 936 213	7 644 404	7 018 235

*) VVT-VÍTKOVICE VÁLCOVNY TRUB, a.s. was renamed VÁLCOVNA TRUB TŽ, a.s. as of 1 April 2008.

**) On 6 May 2008, Hanácké železářny a pérovny, a.s. became the subsidiary of MORAVIA STEEL a.s.

***) Šroubárna Kyjov, spol. s r.o. became part of the group on 8 April 2008

The Company carries no long-term intercompany trade receivables.

4.4.5. Receivables from Subsidiaries

As of 31 December 2008, the Company assumed the receivable from Hanácké železářny a pérovny, a.s. in the amount of CZK 46,134 thousand as part of the purchase of Hanácké železářny a pérovny, a.s.. The loan carried no interest in the year ended 31 December 2008.

The loans provided to Barrandov Studio a.s. were repaid during 2007. The Company carried no receivables from subsidiaries as of 31 December 2007. (As of 31 December 2006, the Company reported loans from Barrandov Studio a.s. in the amount of CZK 43,885 thousand). This loan carried no interest in 2006 to 2007.

4.4.6. Pledged Receivables

The Company has pledged and conditionally assigned some of its receivables under loan arrangements. Under these agreements, receivables are pledged in 14-day or 30-day cycles as they fall due. As of 31 December 2008, the value of pledged receivables was CZK 799,329 thousand (2007: CZK 835,024 thousand, 2006: CZK 1,033,252 thousand).

4.4.7. State – Tax Receivables

State – tax receivables comprise a receivable arising from VAT in the amount of CZK 104,251 thousand as of 31 December 2008 (2007: CZK 229,566 thousand, 2006: CZK 201,049 thousand).

4.4.8. Derivative Financial Instruments

The Company hedged the exchange rate risk using derivative financial instruments during the year ended 31 December 2008. The net value of open derivative financial instruments as of 31 December 2008 was CZK (406,237) thousand (2007: CZK (17,598) thousand, 2006: CZK 12,251 thousand). The market values of individual open derivative financial instruments were reported in lines 'Other short-term receivables' (C.III.9) and 'Other short-term payables' (B.III.11) at the year-end:

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Receivables from fixed term transactions – other receivables	42 010	179 591	24 286
Payables from fixed term transactions – other payables	–448 247	–197 189	–12 035
Total derivative financial instruments	–406 237	–17 598	12 251

On the basis of an analysis of the hedging effectiveness of derivative financial instruments, the Company charged the effective portion of the hedging derivative financial instrument revaluation (with highly effective hedging) as of 31 December 2008 against 'Gains and losses from the revaluation of assets and liabilities' in the amount of CZK (392,656) thousand (2007: CZK 2,969 thousand, 2006: CZK (12,251) thousand).

4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Cash on hand	613	644	242
Total cash	613	644	242
Current accounts and cash in transit	205 427	89 530	160 356
Current accounts – blocked funds	4 759	5 435	7 417
Term deposits	273 646	91 286	435 491
Total bank accounts	483 832	186 251	603 264
Depository bills	477 688	262 852	1 459 664
Total current securities	477 688	262 852	1 459 664
Total current financial assets	962 133	449 747	2 063 170

The following tables detail the breakdown of depository bills held by the Company as of 31 December 2008, 2007 and 2006:

31 December 2008

(CZK thousand)

Issuing bank	Currency	Amount in foreign currency	Amount in CZK '000
HSBC	GBP	13 503	381 718
HSBC	EUR	800	21 549
HSBC	CZK	42 006	42 006
CSOB	CZK	15 003	15 003
ČSOB	USD	900	17 412
Total			477 688

Interest rates attached to individual depository bills are within a range of 0.02 percent to 5.42 percent p.a.

31 December 2007

(CZK thousand)

Issuing bank	Currency	Amount in foreign currency	Amount in CZK '000
HSBC	GBP	3 756	136 308
RZBC	EUR	2 001	53 281
CSOB	CZK	8 002	8 002
ČSOB	USD	1 401	25 319
ČSOB	EUR	1 500	39 942
Total			262 852

Interest rates attached to individual depository bills are within a range of 2.10 percent to 6.10 percent p.a.

31 December 2006

(CZK thousand)

Issuing bank	Currency	Amount in foreign currency	Amount in CZK '000
HSBC	GBP	22 431	918 402
HSBC	EUR	8 504	233 821
HSBC	CZK	28 509	28 509
HSBC	USD	4 506	94 078
ČSOB	USD	3 452	72 072
ČSOB	EUR	4 102	112 782
Total			1 459 664

Interest rates attached to individual depository bills are within a range of 1.80 percent to 5.20 percent p.a.

4.6. SHAREHOLDERS' EQUITY

4.6.1. Share Capital

The Company's share capital in the aggregate amount of CZK 3,157,000 thousand as of 31 December 2008 is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

4.6.2. Changes in Equity

Based on the decision of the General Meeting of Shareholders held on 23 June 2008, the profit of CZK 3,202,795 thousand for the year ended 31 December 2007 was allocated as follows:

- CZK 160,139 thousand was used to increase the balance of the statutory reserve fund; and
- CZK 3,042,656 thousand was used to pay out dividends.

4.6.3. Gains or Losses from the Revaluation of Assets and Liabilities

Gains or losses from the revaluation of assets and liabilities are reported due to the revaluation of hedging financial derivatives as of the balance sheet date (refer to Note 4.4.8). The revaluation of CZK 392,656 thousand as of 31 December 2008 is decreased by the impact of the deferred tax of CZK 78,138 thousand (refer to Note 4.10).

4.7. PAYABLES

4.7.1. Long-Term Payables

The Company carries no long-term payables as of 31 December 2008.

4.7.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Short-term payables			
– Suppliers	4 797 635	5 435 479	6 219 873
– Other payables	119	432	34
Total	4 797 754	5 435 911	6 219 907

4.7.3. Aging of Payables to Suppliers

(CZK thousand)

	Category	Before maturity	Past due					Total past due	Total
			0 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and more		
2008	Short-term	4 787 433	9 584	114	290	–	214	10 202	4 797 635
2007	Short-term	5 427 989	7 276	–	–	–	214	7 490	5 435 479
2006	Short-term	6 214 563	2 748	2 342	6	–	214	5 310	6 219 873

Payables typically mature within 45 days.

4.7.4. Intercompany Payables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Short-term trade payables			
TŘINECKÉ ŽELEZÁRNY, a.s.	1 391 773	2 135 350	2 144 842
Strojírny Třinec, a.s.	–	–	1 420
ENERGETIKA TŘINEC, a.s.	–	–	105
Sochorová válcovna TŽ, a.s.	270 965	384 868	405 066
REFRASIL, s.r.o.	–	–	7
Barrandov Televizní Studio a.s.	–	–	–179
FERROMORAVIA, s.r.o	47 651	59 712	87 851
FINITRADING, a.s.	180 006	427 307	440 840
Moravia Steel Italia,srl	–	–	33
Moravia Steel Slovenija, d.o.o.	4 030	281	202
DOPRAVA TŽ, a.s.	210	521	1 339
VÁLCOVNA TRUB TŽ,a.s.*)	103 293	35 335	183 736
Třinecké gastroslužby, s.r.o.	332	276	213
TRISIA, a.s.	9	–	18
CMC-Trinec Stahlhandel GmbH	281	3 797	61
Total intercompany short-term payables	1 998 550	3 047 447	3 265 554
Payables to other than Group companies	2 799 204	2 388 464	2 954 353
Total short-term trade payables	4 797 754	5 435 911	6 219 907

*) VVT-VÍTKOVICE VÁLCOVNY TRUB, a.s was renamed VÁLCOVNA TRUB TŽ, a.s. as of 1 April 2008.

4.7.5. Collateralised Payables or Otherwise Covered

In 2008, payables arising from the Company's bank loans are collateralised by the conditional pledge or assignment of receivables (refer to Notes 4.4.6 and 4.7.9).

4.7.6. Estimated Payables

As of 31 December 2007, estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 4,768 thousand (2007: CZK 23,582 thousand; 2006: 33,027 thousand) and unbilled work and services amounting to CZK 36,498 thousand (2007: CZK 59,707 thousand; 2006: CZK 35,359 thousand) and an estimated payable for staff costs in the amount of CZK 6,502 thousand (2007: CZK 69,117 thousand; 2006: CZK 7,192 thousand).

4.7.7. Payables from Social Security and Health Insurance

As of 31 December 2008, the aggregate amount of payables related to social security, state employment policy and health insurance contributions was CZK 6,513 thousand (2007: CZK 6,079 thousand, 2006: CZK 27,754 thousand). These payables were fully settled as of the balance sheet date.

4.7.8. State – Tax Payables

State – tax payables principally comprise a payable arising from corporate income tax amounting to CZK 54,130 thousand as of 31 December 2008 (2007: CZK 144,016 thousand, 2006: CZK 22,006 thousand).

4.7.9. Bank Loans and Debt Securities

2008

Purpose	Currency	Balance at 31 Dec 2008 in CZK '000	Collateral
Current bank loans			
Pre-export and operating financing	CZK	300 000	Conditional assignment and future pledge of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Overdraft	CZK	250 099	Conditional assignment of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Operating financing	CZK	300 000	Pledged receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Debt financing	CZK	250 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total short-term loans		1 100 099	

In the year ended 31 December 2008, the interest rates on bank loans ranged between 2.672 percent and 4.88 percent p.a.

2007

Purpose	Currency	Balance at 31 Dec 2007 in CZK '000	Collateral
Current bank loans			
Operating financing	CZK	50 000	Conditional assignment of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Debt financing	CZK	750 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total short-term loans		800 000	

The last instalment of a long-term loan was made prematurely as of 2 November 2007. In the year ended 31 December 2007, interest rates attached to bank loans were within a range of 3.12 to 6.26 percent p.a.

2006

Purpose	Currency	Balance at 31 Dec 2006 in CZK '000	Collateral
Long-term loans			
Pre-export and operating financing	EUR	515 531	Conditional assignment and future pledges of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Total		515 531	
<i>Short-term portion of long-term loans</i>		<i>-412 425</i>	
Total long-term loans		103 106	
Current bank accounts			
Operating financing	CZK	250 000	Conditional assignment of receivables, a blank bill issued by MORAVIA STEEL a.s.
Debt financing	CZK	300 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Debt financing	EUR	109 980	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Debt financing	USD	89 767	Pledged receivables, a blank bill issued by MORAVIA STEEL a.s.
Total		749 747	
<i>Short-term portion of long-term loans</i>		<i>412 425</i>	
Total short-term loans		1 162 172	
Total		1 265 278	

In the year ended 31 December 2006, interest rates attached to bank loans were within a range of 2.65 percent to 6.05 percent p.a.

4.7.10. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2008 for transportation and other services paid in 2009 in the amount of CZK 6,189 thousand (2007: CZK 29,884 thousand; 2006: CZK 8,148 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 1,569 thousand (2007: CZK 2,776 thousand; 2006: CZK 6,482 thousand).

Deferred income principally consists of income of CZK 16,633 thousand (2007: CZK 24,949 thousand; 2006: CZK 33,265 thousand) resulting from the provision of marketing rights under the Agreement concluded with CMC Curych A.G.

4.8. DEFERRED TAXATION

The deferred tax asset is analysed as follows:

Deferred Tax Arising from

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Accumulated depreciation and amortisation of fixed assets	-4 938	-4 435	-2 182
Social security and health insurance from outstanding vacation days	330	440	448
Receivables	26 247	4 655	3 022
Unpaid (unreceived) penalty	489	37	149
Inventory	1 355	-	-
Receivables (payables) from fixed term transactions	78 138	-713	-
Total	101 621	-16	1 437

In the year ended 31 December 2008, the Company recognised a deferred tax asset arising from financial derivatives in the amount of CZK 78,138 thousand. The deferred tax is recognised in the line 'Gains or losses from revaluation of assets and liabilities'.

The Company decided not to account for the deferred tax asset arising from other temporary differences due to its immateriality.

4.9. INCOME TAX ON ORDINARY AND EXTRAORDINARY ACTIVITIES

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Profit before tax	2 000 527	3 872 260	2 693 238
Tax at the domestic income tax rate of 21 % (24 % in 2006 and 2007)	420 111	929 342	646 377
Tax effect of permanent differences	91 743	-258 555	-107 363
Additional taxes of prior years	-357	-1 322	-7 248
Total income tax on ordinary and extraordinary activities	511 497	669 465	531 766

4.10. DETAILS OF INCOME

(CZK thousand)

	2008			2007			2006		
	Local	Cross-border	Total	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	22 943 561	-	22 943 561	20 607 725	-	20 607 725	21 003 963	56 511	21 060 474
Goods – metallurgical products	13 673 667	27 554 086	41 227 753	14 007 479	26 456 089	40 463 568	12 228 480	24 151 524	36 380 004
Sales of goods	36 617 228	27 554 086	64 171 314	34 615 204	26 456 089	61 071 293	33 232 443	24 208 035	57 440 478
Sales of services	756 617	311 149	1 067 766	537 270	347 504	884 774	349 206	200 900	550 106
Total sales of products and services	756 617	311 149	1 067 766	537 270	347 504	884 774	349 206	200 900	550 106

The line entitled 'Goods – raw material' represents the income from the purchases of input raw material for Třinecké železářny, a.s., and its subsidiaries. The line entitled 'Goods – metallurgical products' largely relates to sales of products purchased from Třinecké železářny, a.s., Sochorová válcovna TŽ, a.s., FERROMORAVIA, s.r.o. and VÁLCOVNA TRUB TŽ, a.s.

Sales of services principally comprise the provision of forwarding services of CZK 627,694 thousand for the year ended 2008 (2007: CZK 653,830 thousand, 2006: CZK 456,747 thousand). The sales of services also comprise revenues arising from remuneration and commissions based on mandatory contracts.

4.11. COSTS OF GOODS SOLD

(CZK thousand)

	Year ended 31 Dec 2008	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Purchase of goods – raw materials	22 142 734	19 245 889	19 844 006
Purchase of goods – metallurgical products	37 479 586	36 642 094	32 889 247
Costs for transport of goods – metallurgical products	1 684 251	1 852 055	1 793 417
Total costs of goods sold	61 306 571	57 740 038	54 526 670

4.12. SERVICES

(CZK thousand)

	Year ended 31 Dec 2008	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Transportation costs – services	586 207	624 722	429 516
Lease of trademark	123 000	123 000	123 000
Commissions	112 102	91 117	78 589
Advertising	72 116	52 224	79 955
Rental fees	6 392	6 080	5 759
Telecommunications	21 473	20 175	15 738
Legal advisory and audit activities	14 231	16 441	15 698
Other services	109 112	106 479	94 216
Total	1 044 633	1 040 238	842 471

4.13. CHANGE IN RESERVES AND PROVISIONS RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES

(CZK thousand)

	Year ended 31 Dec 2008	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Settlement of complex deferred expenses	177	–	–
Changes in provisions under special legislation	–3 701	–2 281	–14 070
– <i>provisions against receivables</i>	–3 701	–2 281	–14 070
Changes in tax non-deductible provisions:	80 698	–6 712	5 802
– <i>provisions against receivables</i>	73 921	–6 712	5 802
– <i>provisions against goods</i>	6 777	–	–
Total	77 174	–8 993	–8 268

4.14. OTHER OPERATING EXPENSES AND INCOME

Other operating income predominantly includes discounts arising from supplier terms, received fines and penalties, contractual interest and default interest.

Other operating expenses predominantly include costs of insurance and costs of the write-off of receivables.

In the year ended 31 December 2008, the Company sold no receivables (2007: it sold receivables with the nominal value of CZK 53,760 thousand for CZK 53,760 thousand, 2006: receivables with the nominal value of CZK 38,196 thousand for CZK 38,196 thousand) which were included under other operating income and expenses in the financial statements.

4.15. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is largely composed of foreign exchange rate gains of CZK 1,513,414 thousand (2007: CZK 683,888 thousand; 2006: CZK 499,438 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 1,663,363 thousand (2007: CZK 851,998 thousand; 2006: CZK 545,157 thousand). The remaining balance consists of other financial expenses such as fees under letters of credit, fees under loan agreements, bank fees and other financial costs of CZK 5,691 thousand (2007: CZK 5,370 thousand; 2006: CZK 8,283 thousand).

4.16. RELATED PARTY TRANSACTIONS

4.16.1. Income Generated with Related Parties

2008

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	21 648 345	603 355	41 013	22 292 713
Barrandov Studio a.s.	Subsidiary	–	156	3 166	3 322
Sochorová válcovna TŽ, a.s.	Subsidiary	–	9 581	–	9 581
Beskydská golfová, a.s.	Subsidiary	–	254	82	336
Hanácké železářny a pérovny, a.s. **)	Subsidiary	52 597	3 516	156	56 269
Moravia Steel Italia s.r.l.	Subsidiary	–	97	–	97
Moravia Steel Ibéria, s.a.	Subsidiary	14 260	–	–	14 260
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	287	17 815	1 300	19 402
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	515 251	228	3 269	518 748
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	16 271	22 559	1 200	40 030
FERROMORAVIA, s.r.o	Subsidiary of the subsidiary	8 690	120	598	9 408
REFRASIL, s.r.o.	Subsidiary of the subsidiary	793	212	210	1 215
VÁLCOVNA TRUB TŽ, a.s. *)	Subsidiary of the subsidiary	750 857	726	2 322	753 905
Řetězárna a.s.	Subsidiary of the subsidiary	239 097	21	–	239 118
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	–	21 816	24	21 840
CMC-Třinec Stahlhandel GmbH	Associate	–	1 922	–	1 922
VÚHŽ, a.s.	Subsidiary of the subsidiary	102 462	–	216	102 678
Šroubárna Kyjov, spol. s r.o. ***)	Subsidiary of the subsidiary	447 395	4 174	56	451 625
FINITRADING, a.s.	Controlled entity	–	–	–	–
Total		23 796 305	686 552	53 612	24 536 469

*) VVT-VÍTKOVICE VÁLCOVNY TRUB, a.s. was renamed VÁLCOVNA TRUB TŽ, a.s. as of 1 April 2008.

**) Hanácké železářny a pérovny, a.s. became the subsidiary of MORAVIA STEEL a.s. on 6 May 2008.

***) Šroubárna Kyjov, spol. s r.o. became part of the group on 8 April 2008.

2007

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	19 428 831	345 580	1 287	19 775 698
Barrandov Studio a.s. *)	Subsidiary	–	39	–	39
Sochorová válcovna TŽ, a.s.	Subsidiary	–	346	58	404
Beskydská golfová, a.s.	Subsidiary	–	233	3	236
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	–	14 166	143	14 309
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	360 697	277	–	360 974
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	8 341	18 710	–	27 051
FERROMORAVIA, s.r.o	Subsidiary of the subsidiary	–	3 402	–	3 402
REFRASIL, s.r.o.	Subsidiary of the subsidiary	1 034	51	–	1 085
VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s	Subsidiary of the subsidiary	800 696	569	2	801 267
Řetězárna a.s.	Subsidiary of the subsidiary	254 661	–	–	254 661
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	–	37 618	4	37 622
CMC-Třinec Stahlhandel GmbH	Associate	–	–	62	62
VÚHŽ, a.s.	Subsidiary of the subsidiary	98 098	–	–	98 098
Total		20 952 358	420 991	1 559	21 374 908

*) The company was established through splitting from Barrandov Studio a.s. by means of a demerger as of 1 January 2007. Barrandov Film Studio a.s. was renamed Barrandov Studio a.s. on 1 November 2007.

2006

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	19 866 118	205 496	–	20 071 614
Barrandov Studio a.s. *****)	Subsidiary	–	576	–	576
Moravia Steel Italia srl	Subsidiary	–	94	–	94
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	75	14 321	114	14 510
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	372 597	162	–	372 759
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	8 755	18 710	120	27 585
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	–	1 722	–	1 722
REFRASIL, s.r.o.	Subsidiary of the subsidiary	765	79	–	844
Řetězárna a.s.	Subsidiary of the subsidiary	215 021	–23	–	214 998
CMC-Třinec Stahlhandel GmbH	Associate	10 600	592	–	11 192
Sochorová válcovna TŽ, a.s.	*)	–	9 980	–	9 980
SD Obchodní společnost s.r.o.	**)	38	36 342	–	36 380
FINITRADING, a.s.	Controlling entity	–	56	–	56
DEMONTA Trade a.s.	*****)	–	15 904	1 200	17 104
Pozemní stavitelství Zlín a.s.	***)	8 097	–	–	8 097
Total		20 482 066	304 011	1 434	20 787 511

*) Associated company of TŘINECKÉ ŽELEZÁRNY, a.s.

**) Entity related through a common statutory executive

***) Entity related through a common member of the Board of Directors

*****) Entity related through a common member of the Supervisory Board

*****) Barrandov Studio was renamed Barrandov Televizní Studio a.s. as of 1 November 2007.

4.16.2. Purchases

2008

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	28 657 918	309	169 970	–	28 828 197
Moravia Steel Italia, s.r.l.	Subsidiary	–	–	58 055	–	58 055
Moravia Steel Ibéria, s.a.	Subsidiary	–	–	13 497	–	13 497
Moravia Steel Slovenija, d.o.o.	Subsidiary	–	–	9 306	–	9 306
Sochorová válcovna TŽ, a.s.	Subsidiary	5 401 129	–	52	–	5 401 181
CMC-TRINEC Stahlhandel GmbH	Associate	–	–	881	19	900
Beskydská golfová, a.s.	Subsidiary	–	–	3 659	–	3 659
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	–	–	5	–	5
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	7 128 044	–	259	–	7 128 303
Řetězárna a.s.	Subsidiary of the subsidiary	–	–	–	–	–
VÁLCOVNA TRUB TŽ, a.s.*)	Subsidiary of the subsidiary	526 221	41	925	–	527 187
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	1 193	–	873	–	2 066
TRISIA, a.s.	Subsidiary of the subsidiary	–	–	141	–	141
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	–	–	1 878	2 521	4 399
FINITRADING, a.s.	Controlling entity	3 417 147	–	63	–	3 417 210
VESUVIUS ČESKÁ REPUBLIKA, a.s.	–	149 548	–	–	–	149 548
Total		45 281 200	350	259 564	2 540	45 543 654

*) VVT-VÍTKOVICE VÁLCOVNY TRUB, a.s. was renamed VÁLCOVNA TRUB TŽ, a.s. as of 1 April 2008.

**) Hanácké železářny a pérovny, a.s. became the subsidiary of MORAVIA STEEL a.s. on 6 May 2008.

2007

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	27 054 552	858	167 468	–	27 222 878
Moravia Steel Italia, s.r.l.	Subsidiary	–	–	58 505	–	58 505
Moravia Steel Ibéria, s.a.	Subsidiary	–	–	8 336	–	8 336
Moravia Steel Slovenija, d.o.o.	Subsidiary	–	–	1 970	–	1 970
Sochorová válcovna TŽ, a.s.	Subsidiary	5 562 422	–	47	–	5 562 469
CMC-TRINEC Stahlhandel GmbH	Associate	–	–	2 669	3 091	5 760
Beskydská golfová, a.s.	Subsidiary	–	–	6 268	–	6 268
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	15 590	–	–	–	15 590
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	2 244	–	–	–	2 244
REFRASIL, s.r.o.	Subsidiary of the subsidiary	28	–	–	–	28
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	1 407 186	–	249	–	1 407 435
VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s.	Subsidiary of the subsidiary	2 666 440	30	911	–	2 667 381
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	2 607	–	1 716	–	4 323
TRISIA, a.s.	Subsidiary of the subsidiary	–	–	103	–	103
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	–	–	1 137	2 436	3 573
FINITRADING, a.s.	Controlling entity	2 528 278	–	–	–	2 528 278
VESUVIUS ČESKÁ REPUBLIKA, a.s.	–	140 850	–	–	–	140 850
Slévárny Třinec, a.s.	–	–	–	–	6	6
Total		39 380 197	888	249 379	5 533	39 635 997

*) Barrandov Studio was renamed Barrandov Televizní Studio a.s. as of 1 November 2007.

**) The company was formed through a demerger, splitting from Barrandov Studio a.s. as of 1 January 2007. Barrandov Film Studio was renamed Barrandov Studio a.s. as of 1 November 2007.

2006

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	24 303 748	1 834	164 106	–622	24 469 066
Moravia Steel Italia, s.r.l.	Subsidiary	–	–	38 448	–	38 448
Moravia Steel Ibéria, s.a.	Subsidiary	–	–	7 101	–	7 101
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	69 805	–	–	–	69 805
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	748	–	–	–	748
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Subsidiary of the subsidiary	129 003	–	–	–	129 003
REFRASIL, s.r.o.	Subsidiary of the subsidiary	135	–	–	–	135
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	1 216 480	–	2 087	–523	1 218 044
Řetězárna a.s.	Subsidiary of the subsidiary	2 794	–	–	–	2 794
Sochorová válcovna TŽ, a.s.	*)	4 954 319	–	45	–	4 954 364
FINITRADING, a.s.	Controlling entity	2 549 998	–	–	–	2 549 998
Total		33 227 030	1 834	211 787	–1 145	33 439 506

*) Associated company of TŘINECKÉ ŽELEZÁRNY, a.s.

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees and managers and staff costs for the years ended 31 December 2008, 2007 and 2006 are as follows:

					(CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	299	135 141	30 819	1 392	167 352
Management	17	29 873	5 159	104 916	139 948
Total	316	165 014	35 978	106 308	307 300

					(CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	297	131 954	46 184	1 322	179 460
Management	17	72 025	25 209	92 958	190 192
Total	314	203 979	71 393	94 280	369 652

					CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	285	134 194	46 968	1 275	182 457
Management	19	84 611	29 614	90 532	204 737
Total	304	218 805	76 582	91 807	387 194

The number of employees is based on the average recalculated headcount. As of 31 December 2008, management includes the Finance Director and Board Chairman, Sales Director and Board Vice Chairman, Asset Management Director and Board member, Transportation Director, Procurement Director, Sale of Wires Director, Re-processing Director, Bar Steel Director for TŽ and SCHV, Rebar Trading Director, Sale of Semi-Finished Products and Rails Director, Sale of Seamless Tubes Director, Supervisory Board Chairman, Vice Chairmen and Supervisory Board members.

Other costs principally include remuneration of statutory bodies paid in addition to basic salaries.

5.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED

The Company provides members of the Board of Directors and Supervisory Board with company cars and other movable assets for both business and private purposes (the amount presented in the table below increases the tax base of employees):

				(CZK thousand)
	2008	2007	2006	
Board of Directors	592	563	387	
Supervisory Board	1 116	814	1 216	

Benefits provided to the members of the Supervisory Board and Board of Directors also included payment of premiums under the liability insurance for damage caused in performing professional duties of a statutory member. Insurance for 2008 for all members of the Board of Directors and the Supervisory Board totalled CZK 460 thousand (2007: CZK 473 thousand, 2006: CZK 340 thousand).

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

In 2000, the Company sold 11 percent of shares in the subsidiary TŘINECKÉ ŽELEZÁRNY, a. s. to Commercial Metals AG (hereinafter "CMC"). In accordance with the sale contract entered into with CMC in 2000, CMC holds an option for the sale of the purchased 11 percent equity investment in TŘINECKÉ ŽELEZÁRNY, a.s. to the Company which can be exercised before 31 December 2010. The selling option price amounts to USD 3.36291 per share. According to this contract, CMC holds the option for the purchase of other shares which would secure the holding of its investment in the case of the decrease in voting rights or share capital. This option can be exercised before 31 December 2010. The purchase option price amounts to USD 0.56048.

The Company issued a Guarantee Statement in favour of TŘINECKÉ ŽELEZÁRNY, a.s. in respect of bank loans totalling CZK 630,000 thousand. The balance of the outstanding loan repayments collateralised in the form of the Guarantee Statement was CZK 317,889 thousand as of 31 December 2008.

As of 31 December 2008, the Company was involved in no legal dispute, the outcome of which would significantly impact its financial position.

On 1 December 2008, the Company concluded a contract for the transfer of shares with Pavel Pěnkava, the lawyer representing on the basis of a commission contract allowing the sale of a 51 percent equity investment in Moravskoslezský kovošrot, a.s. with its registered office at V Jámě 1371/8, Nové město, Prague 1, 110 00, corporate ID 268 55 097. The purchase price was determined to be CZK 106,000 thousand. The validity of the contract is subject to a suspensory condition, i.e. the ruling of the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) regarding the authorisation of association of competitors arising from the contract referred to above.

7. POST BALANCE EVENTS

On 1 December 2008, the Company concluded a contract for the transfer of shares with Pavel Pěnkava, the lawyer representing on the basis of a commission contract allowing the sale of a 51 percent equity investment in Moravskoslezský kovošrot, a.s. with its registered office at V Jámě 1371/8, Nové město, Prague 1, 110 00, corporate ID 268 55 097. The purchase price was determined to be CZK 106,000 thousand. The validity of the contract was subject to a suspensory condition, i.e. the ruling of the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) regarding the authorisation of association of competitors arising from the contract referred to above. On 5 February 2009, the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) approved, via its first-level resolution, the union of MORAVIA STEEL a.s. and Moravskoslezský kovošrot, a.s. As a result, MORAVIA STEEL can acquire the 51 percent equity investment in the assumed entity.

On 5 February 2009, the Company increased the share capital in Barrandov Televizní Studio by CZK 399,288 thousand. On 25 February 2009, the Company subscribed for another 89 shares in the aggregate amount of CZK 712 thousand. These shares were paid on 3 March 2009.

On 18 February 2009, the Company entered in a purchase contract with Čestmír Vančura for the purchase of the 50 percent equity interest in Kovárna „VIVA“ Zlín, spol. s r.o., with its registered office at tř. T. Bati 5266, Zlín, 760 01. The purchase price was determined to be CZK 175,000 thousand. The validity of the contract is subject to a suspensory condition, i.e. the ruling of the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) regarding the authorisation of association of competitors arising from the contract referred to above.

8. FINANCIAL PART II. – CONSOLIDATED FINANCIAL STATEMENTS


CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, 739 70 Trinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID:	63 47 48 08

Components of the Financial Statements:

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

THESE FINANCIAL STATEMENTS WERE PREPARED ON 11 MAY 2009.

Statutory body of the reporting entity:	Signature
Lenka Blažková Chairwoman of the Board of Directors	
Krzysztof Roch Ruciński First Vice Chairman of the Board of Directors	

CONSOLIDATED BALANCE SHEET FULL VERSION AS OF 31.12.2008

(in CZK thousand)

		31.12.2008			31.12.2007	31.12.2006
		Gross	Adjustment	Net	Net	Net
	TOTAL ASSETS	63 108 556	23 526 273	39 582 283	35 495 758	32 075 568
B.	Fixed assets	40 278 001	21 464 852	18 813 149	16 105 692	14 606 129
I.	<i>Intangible fixed assets</i>	810 583	621 996	188 587	191 748	255 989
1.	Start-up costs	93	93			
2.	Research and development	4 553	228	4 325		
3.	Software	275 971	226 746	49 225	40 584	58 616
4.	Valuable rights	503 375	381 665	121 710	104 019	67 997
6.	Other intangible fixed assets	22 151	12 468	9 683	44	112 946
7.	Intangible fixed assets under construction	4 305	796	3 509	38 818	16 430
8.	Prepayments for intangible fixed assets	135		135	8 283	
II.	<i>Tangible fixed assets</i>	38 596 683	20 793 875	17 802 808	15 655 358	14 041 657
1.	Land	1 248 539		1 248 539	1 220 268	921 452
2.	Structures	9 808 078	4 467 152	5 340 926	4 754 294	4 254 676
3.	Individual movable assets and sets of movable assets	25 809 543	16 179 777	9 629 766	8 309 499	7 734 050
6.	Other tangible fixed assets	103 008	99 262	3 746	3 572	2 391
7.	Tangible fixed assets under construction	1 493 194	41 231	1 451 963	1 114 796	925 963
8.	Prepayments for tangible fixed assets	128 487	619	127 868	253 109	203 484
9.	Valuation difference on acquired assets	5 834	5 834		-180	-359
III.	<i>Non-current financial assets</i>	208 553	48 981	159 572	139 038	199 814
1.	Equity investments in subsidiaries	154 780	28 556	126 224	103 400	166 617
2.	Equity investments in associates	28 868	16 148	12 720	13 273	12 354
3.	Other securities and investments	1 142	901	241	241	221
5.	Other non-current financial assets	20 199	1	20 198	19 965	20 622
6.	Acquisition of non-current financial assets	3 564	3 375	189	2 159	
IV.	<i>Goodwill on consolidation</i>	475 598		475 598	-39 343	-260 191
1.	Positive goodwill on consolidation	475 598		475 598	223 102	68 011
2.	Negative goodwill on consolidation				-262 445	-328 202
V.	<i>Securities and equity investments under equity accounting</i>	186 584		186 584	158 891	368 860
C.	Current assets	22 497 615	2 061 421	20 436 194	19 198 657	17 336 123
I.	<i>Inventories</i>	10 741 710	1 244 149	9 497 561	7 728 208	6 251 396
1.	Material	4 723 781	307 320	4 416 461	3 310 227	2 844 489
2.	Work in progress and semifinished goods	3 624 816	743 185	2 881 631	2 416 367	1 925 176
3.	Products	2 373 466	186 633	2 186 833	1 986 564	1 469 626
5.	Goods	13 915	7 011	6 904	14 525	11 574
6.	Prepayments for inventory	5 732		5 732	525	531
II.	<i>Long-term receivables</i>	235 439		235 439	15 883	26 958
1.	Trade receivables	17 578		17 578	4 838	9 475
5.	Long-term prepayments made	5 017		5 017	5 403	1 932
6.	Other receivables	86 216		86 216	5 642	7 819
7.	Deferred tax asset	126 628		126 628		7 732
III.	<i>Short-term receivables</i>	7 907 357	817 272	7 090 085	7 242 636	6 720 399
1.	Trade receivables	6 988 705	787 729	6 200 976	6 519 843	6 194 099
2.	Receivables from subsidiaries	4 412	4 412		25 464	7 500
4.	Receivables from partners and association members					1
5.	Social security and health insurance contributions				33	
6.	State - tax receivables	476 296		476 296	317 151	326 264
7.	Short-term prepayments made	148 128		148 128	126 060	35 083
8.	Estimated receivables	106 110		106 110	53 857	45 592
9.	Other receivables	183 706	25 131	158 575	200 228	111 860
IV.	<i>Current financial assets</i>	3 613 109		3 613 109	4 211 930	4 337 370
1.	Cash on hand	6 272		6 272	6 169	4 862
2.	Cash at bank	968 911		968 911	1 670 049	2 259 770
3.	Short-term securities and investments	2 637 926		2 637 926	2 535 712	2 072 738
D.	Other assets	332 940		332 940	191 409	133 316
1.	Deferred expenses	282 943		282 943	119 233	55 162
2.	Complex deferred expenses	21 872		21 872	30 550	50 153
3.	Accrued income	28 125		28 125	41 626	28 001
	Control number	251 914 700	94 105 092	157 809 608	141 632 732	127 800 096

CONSOLIDATED BALANCE SHEET FULL VERSION AS OF 31.12.2008

(in CZK thousand)

		31.12.2008	31.12.2007	31.12.2006
	TOTAL LIABILITIES & EQUITY	39 582 283	35 495 758	32 075 568
A.	Equity	20 404 490	17 567 277	14 293 528
<i>I.</i>	<i>Share capital</i>	3 157 000	3 157 000	1 750 000
1.	Share capital	3 157 000	3 157 000	1 750 000
<i>II.</i>	<i>Capital funds</i>	-316 574	1 114	27 652
2.	Other capital funds	18	18	15 382
3.	Gains or losses from the revaluation of assets and liabilities	-316 592	1 096	12 270
<i>III.</i>	<i>Statutory funds</i>	1 656 201	1 193 183	971 225
1.	Statutory reserve fund / Indivisible fund	1 023 590	693 282	470 691
2.	Statutory and other funds	632 611	499 901	500 534
<i>IV.</i>	<i>Retained earnings or accumulated losses</i>	12 483 126	8 142 273	7 797 127
	Retained earnings	12 483 126	8 142 273	7 952 187
	Accumulated losses brought forward			-155 060
<i>V.</i>	<i>Profit or loss for the current period net of minority interest</i>	3 176 374	4 871 875	3 504 758
1.	Profit or loss for the current period	3 117 916	4 788 187	3 392 742
2.	Share in the profit/(loss) of equity accounted investments	58 458	83 688	112 016
<i>VI.</i>	<i>Consolidation reserve fund</i>	248 363	201 832	242 766
B.	Liabilities	12 206 968	11 447 219	12 019 728
<i>I.</i>	<i>Reserves</i>	526 703	744 141	595 697
1.	Reserves under special legislation	110 517	198 629	321 825
4.	Other reserves	416 186	545 512	273 872
<i>II.</i>	<i>Long-term liabilities</i>	921 079	832 381	872 257
1.	Trade payables	18 915	32 095	6 096
5.	Long-term prepayments received	9 403	18 072	
6.	Bonds issued	1 360		
7.	Long-term bills of exchange to be paid			27 495
9.	Other payables	1 000		706
10.	Deferred tax liability	890 401	782 214	837 960
<i>III.</i>	<i>Short-term liabilities</i>	6 147 034	6 657 877	6 582 711
1.	Trade payables	4 640 950	4 749 807	5 146 106
2.	Payables to subsidiaries			358
4.	Payables to partners and association members	13 511	16 346	8 295
5.	Payables to employees	443 385	366 093	312 996
6.	Social security and health insurance payables	155 834	168 501	158 365
7.	State - tax payables and subsidies	172 449	702 179	710 130
8.	Short-term prepayments received	79 798	96 958	42 890
10.	Estimated payables	152 605	336 639	168 592
11.	Other payables	488 502	221 354	34 979
<i>IV.</i>	<i>Bank loans and borrowings</i>	4 612 152	3 212 820	3 969 063
1.	Long-term bank loans	1 608 622	1 491 536	1 922 715
2.	Short-term bank loans	3 003 530	1 718 284	2 046 348
3.	Short-term borrowings		3 000	
C.	Other liabilities	183 960	146 605	134 917
1.	Accrued expenses	137 253	102 851	71 132
2.	Deferred income	46 707	43 754	63 785
D.	Minority equity	6 786 865	6 334 657	5 627 395
	Minority share capital	2 544 312	2 553 591	2 522 401
	Minority capital funds	31 080	30 335	28 944
	Minority funds from profit, including retained earnings and losses	3 721 379	2 399 055	2 157 966
	Minority profit or loss for the current period	490 094	1 351 676	918 084
	Control number	151 109 944	135 299 938	122 297 194

CONSOLIDATED PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE
OF EXPENSE METHOD YEAR ENDED 31.12.2008

(in CZK thousand)

		Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2006
I.	Sales of goods	98 888	36 473	52 286
A.	Costs of goods sold	94 873	32 484	43 181
+	Gross margin	4 015	3 989	9 105
II.	Production	48 570 674	46 561 450	41 307 241
1.	Sales of own products and services	46 117 961	45 124 172	40 230 355
2.	Change in internally produced inventory	1 428 640	873 560	263 277
3.	Own work capitalised	1 024 073	563 718	813 609
B.	Purchased consumables and services	35 648 451	32 265 392	30 142 568
1.	Consumed material and energy	29 651 788	25 751 157	23 414 317
2.	Services	5 996 663	6 514 235	6 728 251
+	Added value	12 926 238	14 300 046	11 173 778
C.	Staff costs	5 524 015	4 872 205	4 171 690
1.	Payroll costs	3 775 819	3 253 943	2 885 948
2.	Remuneration to members of statutory bodies	141 264	129 596	123 336
3.	Social security and health insurance costs	1 287 151	1 173 585	1 039 535
4.	Social costs	319 781	315 081	122 871
D.	Taxes and charges	30 259	24 667	24 216
E.	Depreciation of intangible and tangible fixed assets	1 669 614	1 471 701	1 326 393
KR A.	Amortisation of goodwill on consolidation	108 908	37 499	6 512
KR 1.	Amortisation of negative goodwill on consolidation	262 445	67 076	79 075
III.	Sales of fixed assets and material	368 174	338 817	335 816
1.	Sales of fixed assets	169 358	45 458	68 029
2.	Sales of material	198 816	293 359	267 787
F.	Net book value of fixed assets and material sold	275 003	251 221	269 373
1.	Net book value of sold fixed assets	91 267	24 165	31 353
2.	Book value of sold material	183 736	227 056	238 020
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	778 069	-132 663	-399 279
IV.	Other operating income	2 801 475	434 847	3 385 011
H.	Other operating expenses	3 021 821	580 395	3 797 792
*	Operating profit or loss	4 950 643	8 035 761	5 776 983
VI.	Proceeds from the sale of securities and investments	19 696	219	105 180
J.	Cost of securities and investments sold	31 471	438	112 493
VII.	Income from non-current financial assets	5 710	1 145	895
1.	Income from subsidiaries and associates	4 622	375	375
2.	Income from other non-current securities and investments	293		
3.	Income from other non-current financial assets	795	770	520
VIII.	Income from current financial assets	34	1	
IX.	Income from the revaluation of securities and derivatives	16 828	105 605	61
L.	Costs of the revaluation of securities and derivatives	54 094	118 042	
M.	Change in reserves and provisions relating to financial activities	-62 890	2 501	-7 821
X.	Interest income	128 574	163 025	107 783
N.	Interest expenses	201 406	174 038	203 510
XI.	Other financial income	1 801 758	809 563	641 997
O.	Other financial expenses	2 021 004	999 858	681 579
*	Financial profit or loss	-272 485	-215 319	-133 845
Q.	Income tax on ordinary activities	1 083 559	1 719 434	1 369 730
1.	- due	1 099 844	1 820 578	1 343 459
2.	- deferred	-16 285	-101 144	26 271
**	Profit or loss from ordinary activities	3 594 599	6 101 008	4 273 408
XIII.	Extraordinary income	82	3 291	
R.	Extraordinary expenses	114		
S.	Income tax on extraordinary activities		-2 335	
1.	- due		28	
2.	- deferred		-2 363	
*	Extraordinary profit or loss	-32	5 626	
**	Consolidated profit, net of share of profit/(loss) of equity accounted investments	3 594 567	6 106 634	4 273 408
	Consolidated profit net of minority interests	3 117 916	4 788 187	3 392 742
	Minority profit or loss	476 651	1 318 447	880 666
*	Extraordinary profit or loss	58 458	83 688	112 016
	Profit for the current period (+/-)	3 653 025	6 190 322	4 385 424
***	Profit or loss for the current period (+/-)	3 176 374	4 871 875	3 504 758

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31.12.2008

(in CZK thousand)

	Share capital	Capital funds	Reserve funds, indivisible fund and other funds from profit	Profit or loss brought forward	Profit or loss for the current period	Consolidation reserve fund	Share of income of associates	TOTAL EQUITY
Balance at 31 Dec 2005	1 750 000	21 725	800 995	5 507 389	3 029 168	216 417	93 534	11 419 228
Profit for the current period					3 392 742		112 016	3 504 758
Allocation of profit			174 840	2 214 178	-2 389 018	93 534	-93 534	
Dividends paid					-640 150			-640 150
Revaluation of assets		5 927						5 927
Payments from the social fund			-4 610					-4 610
Impact of changes in the consolidated group				75 678		-67 185		8 493
Other				-118				-118
Balance at 31 Dec 2006	1 750 000	27 652	971 225	7 797 127	3 392 742	242 766	112 016	14 293 528
Increase in the share capital	1 407 000		85					1 407 085
Allocation of profit			215 020	1 124 324	-1 339 344	112 016	-112 016	
Dividends paid				-946 802	-2 053 398			-3 000 200
Impact of changes in the consolidated group		-15 379	7 489	160 838		-152 948		
Revaluation of assets and liabilities		-11 159						-11 159
Payments from the social fund			-635					-635
Profit for the current period					4 788 187		83 688	4 871 875
Other			-1	6 786		-2		6 783
Balance at 31 Dec 2007	3 157 000	1 114	1 193 183	8 142 273	4 788 187	201 832	83 688	17 567 277
Allocation of profit			462 238	4 363 167	-4 788 187	46 470	-83 688	
Impact of changes in the consolidated group				-18 774		61		-18 713
Revaluation of assets and liabilities		-317 688						-317 688
Payments from the social fund			-1 438					-1 438
Profit for the current period					3 117 916		58 458	3 176 374
Other			2 218	-3 540				-1 322
Balance at 31 Dec 2008	3 157 000	-316 574	1 656 201	12 483 126	3 117 916	248 363	58 458	20 404 490

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31.12.2008

(in CZK thousand)

		Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2006
P.	Cash and cash equivalents at the beginning of the accounting period	4 153 304	4 052 293	2 131 266
	<i>Cash flows from ordinary activities</i>			
Z.	Profit/(loss) from ordinary activities before tax	4 675 586	7 820 442	5 643 138
A.1.	Adjustments for non-cash transactions	2 443 708	1 329 351	952 755
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1 516 077	1 449 002	1 253 830
A.1.2.	Change in provisions and reserves	715 179	-130 162	-407 100
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-78 091	-7 571	-27 451
A.1.4.	Revenues from dividends and profit shares (-)	-5 451	12 118	-894
A.1.5.	Interest expense (+) excluding capitalized interest and interest income (-)	70 218	8 777	94 383
A.1.6.	Adjustments, if any, and other non-cash transactions	225 776	-2 813	39 987
A.*	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	7 119 294	9 149 793	6 595 893
A.2.	Change in non-cash component of working capital	-2 715 846	-437 997	390 573
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	341 549	-54 796	-158 630
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	-730 219	-527 232	798 120
A.2.3.	Change in inventory (+/-)	-2 367 672	-82 297	-421 668
A.2.4.	Change in current financial assets not included in cash and cash equivalents	40 496	226 328	172 751
A.**	Net cash flow from operating activities before tax and extraordinary items	4 403 448	8 711 796	6 986 466
A.3.	Interest paid (-), except interest capitalized	-198 538	-172 291	-194 030
A.4.	Interest received (+)	128 290	162 636	107 807
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-1 713 914	-1 575 366	-1 316 580
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	-104	2 751	413
A.7.	Received dividends and profit shares (+)	50 820	42 281	88 895
A.***	Net cash flow from operating activities	2 670 002	7 171 807	5 672 971
	<i>Cash flows from investing activities</i>			
B.1.	Fixed assets expenditures (-)	-2 934 313	-2 228 059	-1 978 362
B.2.	Receipts from fixed assets sold (+)	158 688	134 701	356 423
B.3.	Loans provided to related parties (-/+)		-14 100	
B.4.	Cash flows from the purchase of business or its part	-1 441 051	-325 439	
B.***	Net cash flow from investing activities	-4 216 676	-2 432 897	-1 621 939
	<i>Cash flow from financial activities</i>			
C.1.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	1 022 297	-1 012 320	-1 220 377
C.2.	Impact on cash and cash equivalents due to change in equity	-20 577	-3 625 579	-909 628
C.2.4.	Settlement of loss by partners (+)			
C.2.5.	Payments made from funds (-)		-280	-3 219
C.2.6.	Dividends and profit shares paid, including withholding tax related to these claims and including financial clearance with partners (-), except for dividends and profit shares paid between Group entities	-20 577	-3 625 299	-906 409
C.***	Net cash flow from financial activities	1 001 720	-4 637 899	-2 130 005
F.	Net increase or decrease of cash and cash equivalents	-544 954	101 011	1 921 027
R.	Cash and cash equivalents at the end of the accounting period	3 608 350	4 153 304	4 052 293

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Business Name:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, 739 70 Třinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID:	63474808

Entered in File No. 1297 of Section B of the Register of Companies maintained by the Regional Court in Ostrava.

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (henceforth the “Parent Company” or the “Company”) was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the District Court in Brno-venkov on 23 August 1995.

The Parent Company’s share capital is CZK 3,157,000 thousand.

The consolidated financial statements were prepared as of and for the year ended 31 December 2008.

The following table shows legal entities with an equity interest greater than 20 percent and the amount of their equity interest:

Shareholder	Ownership percentage
R.F.G., a.s., nám. Svobody 526, Třinec	50 %
FINITRADING, a.s., nám. Svobody 526, Třinec	50 %
Total	100 %

R.F.G., a.s. and FINITRADING, a.s. act in concert.

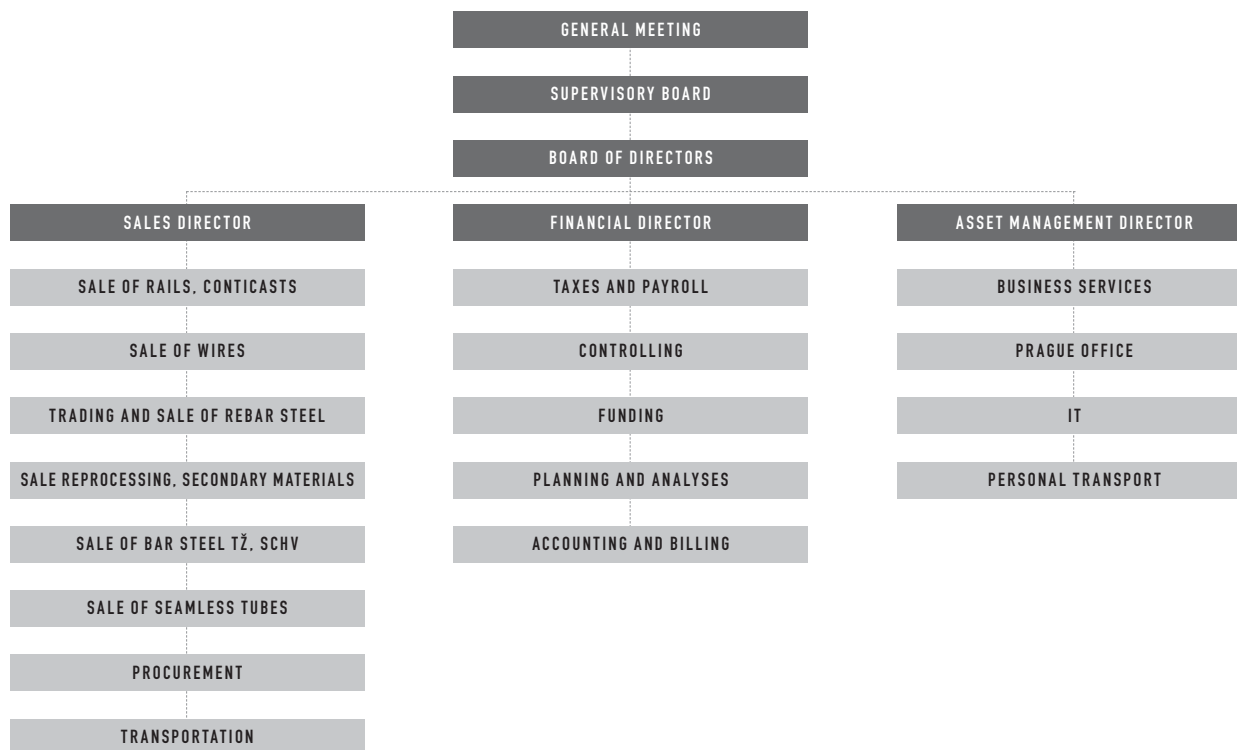
The Group is primarily engaged in metallurgical production with a closed metallurgical cycle. The Group is additionally involved in generating electricity and providing foundry and engineering services, and domestic as well as international shipment.

1.2. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2008

	Position	Name
Board of Directors	Chairwoman	Lenka Blažková
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříš
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková
	Member	Hanns Kurt Zoellner
	Member	Jan Sikora

2. DEFINITION OF THE CONSOLIDATED GROUP AND CONSOLIDATION PRINCIPLES AND METHODS

2.1. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



2.2. DEFINITION OF THE CONSOLIDATED GROUP

2.2.1. Consolidation Method

The consolidated financial statements were prepared using the proportionate consolidation method.

2.2.2. Names and Registered offices of Subsidiaries and Associates included in the Consolidated Group

The consolidated group (henceforth the "Group") included the following entities in the year ended 31 December 2008:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2008
TŘINECKÉ ŽELEZÁRNY, a.s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	69.05 %
Barrandov Studio a.s.	Prague 5, Kříženeckého nám. 5/322	Creation and production of films and other audiovisual material	99.82 %
Barrandov Televizní Studio, a.s.	Prague 5, 152 00 Kříženeckého nám. 5/322	Creation and production of films and other audiovisual material	99.82 %
MS – SLOVENSKO s.r.o.	Bratislava, Palisády 56	Agency activities	100.00 %
MORAVIA STEEL ITALIA S.R.L.	Milano, Italy	Distribution of metallurgical products	66.00 %
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	94.43 %
Hanácké železářny a pérovny a.s.	Prostějov, Dolní 100, 797 11	Production of leaf and helical springs for the automotive and railway industries	100.00 %

On 6 May 2008, the Parent Company purchased the 100 percent equity investment in HŽP Holding a.s. (corporate ID 269 55 342) which held the 100 percent equity investment in its subsidiary Hanácké železářny a pérovny a.s. As a result of the merger, HŽP Holding, a.s., as the successor company, assumed the net assets of the dissolving company Hanácké železářny a pérovny, a.s. on 19 September 2008. In addition, the name of the company changed to Hanácké železářny a pérovny, a.s. with effect from 19 September 2008.

On 18 February 2008, MORAVIA STEEL a.s. purchased the remaining equity investment of 9.96 percent of Beskydská Golfová a.s.. The purchase price between the Company and Kovopol a.s. was determined to be CZK 16,000 thousand. The purchase of shares resulted in the increase of the equity investment from 90.04 percent to 100 percent.

In addition, MORAVIA STEEL a.s. purchased the shares of TŽ a.s. for CZK 2,489 thousand in the reporting period.

Associates

Name of the company	Registered office	Business activities	Equity share
CMC – Třinec Stahlhandel GmbH	Kürten, Germany	Distribution of metallurgical products	50.00 %
TRINEC – CMC LIMITED	Sandbach, Great Britain	Distribution of metallurgical products	50.00 %

Since the trading strategy of the associated undertakings is substantially performed by CMC Trading (Europe), the Parent Company opted to consolidate the entities using the equity method of accounting.

TŘINECKÉ ŽELEZÁRNY, a.s. Sub-Group

In the year ended 31 December 2008, the sub-group includes of the following companies:

Subsidiaries:

Name	Registered office	Business activities	Equity share at 31 Dec 2008
ENERGETIKA TŘINEC, a. s.	Třinec-Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00 %
Strojírny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1038, 739 65	Locksmithing, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
FERROMORAVIA, s.r.o.	Třinec-Staré Město, Průmyslová 1688, 686 02	Production and metallurgic processing of iron and steel	100.00 %
VÁLCOVNA TRUB TŽ, a.s. *	Ostrava-Vítkovice, Výstavní 1132, 706 02	Production of steel pipes	100.00 %
VÚHŽ a.s.	Dobrá 240, 739 51	Production of automotive, metallurgical, engineering and foundry products	100.00 %
VÚHŽ NEMO a.s.	Dobrá 240, 739 51	Real estate activities, lease of movable assets	100.00 %
H&S PROGRESS s.r.o.	Dobrá 240, 739 51	Mediation of wholesale	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Metalworking, locksmithing, production of machinery and equipment	100.00 %
D 5, akciová společnost Třinec	Průmyslová 1026, 739 65 Třinec-Staré Město,	Repairs of metallurgy technological units, and machine, electrical and construction works	100.00 %
Řetězárna a.s.	Česká Ves, Polská 57, 790 81	Production of chains and chain products	51.00 %
REFRASIL, s.r.o.	Třinec – Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00 %

* VVT- VÍTKOVICE VÁLCOVNA TRUB, a.s. changed its name to VÁLCOVNA TRUB TŽ, a.s. in the reporting period

Given the acquisition of the 100 percent equity investments in Šroubárna Kyjov, spol. s r.o. and D 5, akciová společnost Třinec, the consolidation group is expanded to include these two companies for the year ended 31 December 2008. Šroubárna Kyjov, spol. s r.o. was included on 1 April 2008 and D 5, akciová společnost Třinec was included on 1 July 2008. VÚHŽ – NEMO, a.s. and ROLLSERVIS, a.s. were removed from the consolidation group due to their dissolution without liquidation upon the merger with the parent company H&S PROGRESS s.r.o.

Associates:

Name	Registered office	Business activities	Equity share at 31 Dec 2008
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec-Staré Město, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products	40.00 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	18.00 %

The following companies were included into the consolidated group (the “Group”) for the year ended 31 December 2007:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2007
TŘINECKÉ ŽELEZÁRNY, a.s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	69.04 %
Barrandov Studio a.s.	Prague 5, Kříženeckého nám. 5/322	Creation and production of films and other audiovisual material	99.82 %
Barrandov Televizní Studio, a.s.	Prague 5, 152 00, Kříženeckého nám. 5/322	Creation and production of films and other audiovisual material	99.82 %
MS – SLOVENSKO s.r.o.	Bratislava, Palisády 56	Agency activities	100.00 %
MORAVIA STEEL ITALIA S.R.L.	Milano, Italy	Distribution of metallurgical products	66.00 %
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	90.04 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	94.43 %

In the year ended 31 December 2007, the consolidation group was expanded to include Sochorová válcovna TŽ, a.s. and Beskydská golfová, a.s.

Beskydská golfová, a.s. has been included in the consolidation group and consolidated using the full method since 1 January 2007.

On 3 September 2007, the Parent Company acquired the 82 percent equity investment in Sochorová válcovna TŽ, a.s. through the investment by shareholders in the share capital. The increase in the share capital through the non-cash investment was recorded in the Register of Companies on 3 September 2007. For this reason, the subsidiary Sochorová válcovna TŽ, a.s. was consolidated using the full consolidation method from 1 September 2007 to 31 December 2007. From 1 January 2007 to 31 August 2007, the entity was consolidated as an associate of the TŘINECKÉ ŽELEZÁRNY, a.s. sub-group using the equity method of accounting.

In the year 31 December 2007, Barrandov Studio a.s. was split into Barrandov Studio a.s. (“involved company”) and Barrandov Film Studio (“successor company”). The equity investment in both subsidiaries after the spin-off amounted to 99.82 percent.

Barrandov Studio a.s. subsequently renamed to Barrandov Televizní Studio, a.s. as of 1 November 2007. Barrandov Film Studio was renamed to Barrandov Studio a.s. as of 1 November 2007.

Associates

Name of the company	Registered office	Business activities	Equity share
CMC – Třinec Stahlhandel GmbH	Kürten, Germany	Distribution of metallurgical products	50.00 %
TRINEC – CMC LIMITED	Sandbach, Great Britain	Distribution of metallurgical products	50.00 %

Since the trading strategy of the associated undertakings is substantially performed by CMC Trading (Europe), the Parent Company opted to consolidate the entities using the equity method of accounting.

TŘINECKÉ ŽELEZÁRNY, a.s. Sub-Group

The following companies were included into the consolidated group (the “Group”) for the year ended 31 December 2007:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2007
ENERGETIKA TŘINEC, a. s.	Třinec-Staré Město, Průmyslová 1024, 739 65	Production and distribution of heat and electricity	100.00 %
Strojírny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1038, 739 65	Locksmithing, smithcraft, tool engineering	100.00 %
Slévárny Třinec, a.s.	Třinec-Staré Město, Průmyslová 1001, 739 65	Foundry industry	100.00 %
FERROMORAVIA, s.r.o.	Třinec-Staré Město, Průmyslová 1688, 686 02	Production and metallurgic processing of iron and steel	100.00 %
VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s.	Ostrava-Vítkovice, Výstavní 1132, 706 02	Production of steel tubes	100.00 %
VÚHŽ a.s.	Dobrá 240, 739 51	Production of car, metallurgical, manufacturing and foundry products	100.00 %
VÚHŽ NEMO a.s.	Dobrá 240, 739 51	Real estate activities, lease of movable assets	100.00 %
H&S PROGRESS s.r.o.	Dobrá 240, 739 51	Wholesale mediation	100.00 %
ROLLSERVIS a.s.	Dobrá 240, 739 51	Administration services	100.00 %
Řetězárna a.s.	Česká Ves, Polská 57, 790 81	Production of chains and chain products	51.00 %
REFRASIL, s.r.o.	Třinec-Konská, Průmyslová 720, 739 65	Production of fireproof products	51.00 %

Given the acquisition of the 100 percent equity investment in H&S PROGRESS s.r.o., the consolidation group for the year ended 31 December 2007 is extended to include H&S PROGRESS s.r.o., VÚHŽ a.s., VÚHŽ NEMO a.s., and ROLLSERVIS, a.s. These companies were included in the TŽ consolidation group as of 1 June 2007.

Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2007
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec-Staré Město, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products	40.00 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	*)18.00 %

*) The entity was consolidated using the equity method in the period from January to August 2007, and using the full consolidation method in the period from September to December 2007 based on the acquisition of the majority investment by the parent company.

The consolidation methods were used in compliance with the consolidation rules of the consolidated sub-group – full consolidation was applied in the case of subsidiaries, consolidation under the equity method was used for associates.

2.2.3. The Balance Sheet Dates of the Companies Included in the Consolidated Group

The financial statements of the companies included in the consolidated group were prepared as of and for the years ended 31 December 2008, 2007 and 2006. The companies included in the consolidated group in the 2005 – 2008 period are based in the Czech Republic, with the exception of MS-SLOVENSKO s.r.o., which is based in Slovakia, CMC – Třinec Stahlhandel GmbH, which is based in Germany, MORAVIA STEEL ITALIA S.R.L., based in Italy and CMC TRINEC Limited based in the Great Britain, consolidated since 2006.

2.2.4. Companies Excluded from Consolidation

Subsidiaries and associates are not included in the consolidated group if:

- The equity share in the group is less than 1.5 percent or the share in the net turnover (revenues of account class 6) in the group is less than 1.5 percent;
- The companies which meet the condition set out in the first paragraph for non-inclusion in the consolidated group, thereby not entering into consolidation based on individual assessment, must also meet the group materiality criterion. Under the group materiality criterion, these companies are taken as a whole. The equity share of this whole in the Group must be less than 5 percent or the share in the net turnover (revenues of account class 6) in the group must be less than 5 percent. If the equity share is less than 5 percent while the share in the net turnover exceeds 5 percent, the decisive fact for inclusion in the consolidated group is whether the revenues largely generated by the company with related parties would have an immaterial impact on the profit and loss account after eliminating intercompany deliveries;
- Severe and long-term restrictions of the parent company hinder the company's rights connected to the control of assets or management, or, in exceptional cases, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable and provable undue delay; and
- The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

The above conditions for exclusion from consolidation are effective for all the reporting periods.

3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

The accounting records of MORAVIA STEEL ITALIA S.R.L. are maintained in accordance with the Act on Accounting and Financial Reporting applicable in Italy and the European Union.

The accounting records of MS – SLOVENSKO s.r.o. are maintained in accordance with the Accounting Act and Accounting Policies for Businesses applicable in Slovakia.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis with certain exceptions as described in Note 3.6, the accruals principle, the prudence concept and the going concern assumption.

These consolidated financial statements are presented in thousands of Czech crowns ('CZK thousand'). The figures of MS – SLOVENSKO s.r.o., MORAVIA STEEL ITALIA S.R.L., CMC – Trinec Stahlhandel GmbH and CMC TRINEC LIMITED are translated using the exchange rates prevailing at 31 December 2008, 2007 and 2006 as promulgated by the Czech National Bank.

Financial Reporting Period

The consolidated financial statements of the Parent Company for the year ended 31 December 2008 were prepared as follows:

- The balance sheet contains comparative balances as of 31 December 2007 and 31 December 2006;
- The profit and loss account comprises comparative amounts for the years ended 31 December 2007 and 31 December 2006;
- The statement of changes in equity contains comparative amounts for the years ended 31 December 2007 and 31 December 2006; and
- The cash flow statement comprises comparative amounts for the years ended 31 December 2007 and 31 December 2006.

3.1. VALUATION, DEPRECIATION AND PROVISIONING POLICIES

3.1.1. *Tangible and Intangible Fixed Assets*

Valuation

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

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

Purchased tangible and intangible fixed assets are valued at acquisition costs.

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

The following tangible and intangible fixed assets are stated at replacement cost: tangible and intangible fixed assets acquired through donation, intangible fixed assets internally generated if replacement cost is lower than internal costs, assets recently entered in the accounting records such as an inventory count surplus (accounted for by a corresponding entry in the relevant accumulated depreciation account) and an investment of intangible and tangible fixed assets, except for cases where the investment is valued differently pursuant to a Memorandum of Association or a Foundation Deed.

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

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

The cost of fixed asset improvements exceeding CZK 40 thousand on an individual basis in the taxation period increases the acquisition cost of the related fixed asset.

The results of the Group's research and development activities, if designed for trading or resale, are recognised through the balance sheet line 'Research and development'. Research and development results designed for internal purposes are not classified as intangible fixed assets for financial reporting purposes.

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

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

Depreciation for Accounting Purposes

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

Category of assets	Depreciation period in years
Structures	2 – 77
Machinery and equipment	2 – 42
Vehicles	3 – 40
Furniture and fixtures	6 – 15
Software	3 – 7
Valuable rights	4 – 10

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

Assets held under finance leases are depreciated by the lessor.

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

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

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

Objects from precious metals acquired prior to 31 December 2001 are depreciated based on actual weight loss.

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

Provisioning

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

Impairment

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

3.1.2. Non-Current Financial Assets

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

Valuation

Securities and equity investments are carried at cost upon acquisition. The cost of securities or equity investments includes direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges. Financial assets acquired prior to 1 January 2002 are stated at purchase cost.

At the balance sheet date, the Group records:

Equity investments at cost less any provisions against equity investments.

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

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

Upon sale or any other disposal, they are valued at the weighted average cost.

Investments in enterprises in which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as 'Equity investments in subsidiaries'.

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

Provisioning against Equity Investments

Investments are provisioned if there is a risk that the fair value of an unconsolidated equity investment is lower than its carrying value.

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

3.1.3. Inventory

Valuation

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

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

Internally developed inventory is valued at full operating costs established based upon a costing formula reflecting annual planned costings. The prices are determined on the basis of an annual financial plan and remain unchanged throughout the reporting period.

Internally developed inventory is revalued every 1 January of the current year in line with the costing made according to the approved financial plan.

During the reporting period, the Company analysed the internally produced inventory by comparing the valuation of own costs according to planned (planned costing) and actual costs. If the difference in valuation according to actual costs is greater than the valuation according to the planned own costs, the difference from the revaluation of internally produced inventory is reflected in financial accounting records only on the accounts of the general ledger – 'Changes in internally produced inventory' with a corresponding entry to 'Internally produced inventory'. In the contrary case, (if the difference in valuation according to the planned own costs is greater than the valuation according to actual own costs) the inventory is not remeasured and the difference is accounted for through the recognition of a provision against internally produced inventory.

Provisioning

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

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

3.1.4. Receivables

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

Provisioning

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

Non-tax deductible provisions are created as follows:

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

In circumstances where there is doubt concerning the collectability of individual debts, the Group increases the provisioning charge taking into consideration the collateral held in support of these outstanding balances.

The Group recognises provisions against interest-free long-term receivables that arose as a result of the sale of business parts. This provisioning charge is calculated as equal to the difference between the nominal value and the discounted value of repayments of these receivables.

3.1.5. Current Financial Assets

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

Current financial assets are carried at cost upon acquisition.

3.1.6. Payables

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

3.1.7. Loans

Valuation

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

The value of debt securities is increased to reflect outstanding interest expense which is recorded as a component of issued current debt securities in the balance sheet.

3.1.8. Reserves

The Group creates other reserves to provide for future risks and losses arising from business activities known at the balance sheet date. In addition, the Group records tax allowable reserves for repairs of tangible fixed assets in accordance with the Provisioning Act, and a reserve for restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation of the Environmental Ministry No. 340/97 Coll. If the reserves are not drawn within the statutory period, they are released.

3.2. FOREIGN CURRENCY TRANSLATION

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

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

As of the balance sheet date, financial assets, receivables, payables, loans, and financial borrowings denominated in a foreign currency are translated using the exchange rate as notified by the Czech National Bank as of that date, and any resulting foreign exchange differences are recognised as income or expense through the profit and loss account as appropriate.

As of the balance sheet date, non-current financial assets are translated using the exchange rate as notified by the Czech National Bank as of that date. Foreign exchange rate differences arising from fair-valued securities and equity investments are reported as a component of the carrying value of the security.

The financial statements of MS – SLOVENSKO s.r.o., MORAVIA STEEL ITALIA S.R.L., CMC – Třinec Stahlhandel GmbH and CMC – TRINEC LIMITED are translated using the exchange rates of the Czech National Bank prevailing at 31 December 2008, 2007 and 2006.

3.3. FINANCE LEASES

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

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

3.4. TAXATION

Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act No. 586/92 Coll., with the exception of assets used in the 'Univerzální trať Bohumín' plant and assets of Slévárny Třinec, a.s., which are depreciated using the straight line method.

Current Tax Payable

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

Deferred Tax

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

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

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

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

3.5. BORROWING COSTS

Borrowing costs arising from loans are expensed irrespective of the purpose for which they were drawn.

3.6. DERIVATIVE FINANCIAL INSTRUMENTS

The Group designates derivative financial instruments as either trading or hedging. The Group's criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, the documentation identifies the hedged item and the hedging instrument, defines the risk that is being hedged and the approach to establishing and documenting whether the hedge is effective, and the hedging relationship is formally documented;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis.

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

Derivative financial instruments are carried at fair value at the balance sheet date. Fair value changes in respect of trading derivatives and derivatives hedging the fair value of assets and liabilities are recognised either as an expense or income from derivative transactions as appropriate. Fair value changes of derivatives designated as cash flow hedges are recognised as gains or losses from the revaluation of assets and liabilities.

3.7. REVENUE RECOGNITION

Revenues are recognised when delivery terms under INCOTERMS 2000 are fulfilled or when services are rendered and are reported net of discounts and VAT.

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

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

3.8. USE OF ESTIMATES

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

3.9. EXTRAORDINARY EXPENSES AND INCOME

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group as well as income or expenses from events or transactions that are not expected to recur frequently or regularly.

3.10. GRANTS

The Group receives operating grants. The funds drawn are charged to expenses and operating grants received are credited to income on an accruals basis (refer to Note 5.23). In addition, the Group receives grants to fund the acquisition of fixed assets and these grants reduce the cost of the related assets.

3.11. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is capitalised as part of cost and posted to the acquisition of tangible or intangible fixed assets if the research and development projects result in fixed assets (tangible and intangible). The output of a research project is capitalised on the basis of the results of opponent proceedings.

3.12. CONSOLIDATION RULES

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

Under the equity consolidation method, financial investments of the parent company were eliminated from the balance sheet against acquired equity. The assets in the consolidated balance sheet included the item 'Securities and investments under equity accounting', whose balance is calculated as the share of the equity of associates. This item was adjusted by a portion of the profit margin, reflecting the share in the equity of an associate, on intercompany supplies of inventories not yet consumed. Liabilities of the consolidated balance sheet included the item 'Share in the profit/loss of equity accounted investments' which represents the parent company's share in the current period's results, and the 'Consolidation reserve fund' comprising an associate's accumulated profit/loss of previous years.

The assets and liabilities of companies acquired and included in the consolidated group subsequent to 1 January 2003 were remeasured at fair value in accordance with the accounting policies for consolidation.

The consolidated financial statements were prepared using the proportionate consolidation method.

The financial statements for the years ended 31 December 2006 – 2008 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statement preparation date are available in the registered office of the Parent Company.

Consolidation rules for 2006 – 2008 (definition of the consolidated group, transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Parent Company.

3.13. CASH FLOW STATEMENT

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

	(CZK thousand)		
	2008	2007	2006
Total current financial assets	3 613 109	4 211 930	4 337 370
Total cash and cash equivalents not included in cash flow	–4 759	–58 626	–285 077
Cash and cash equivalents	3 608 350	4 153 304	4 052 293

Comments on the 2008 Cash Flow Statement:

In the year ended 31 December 2008, special-purpose funds predominantly including the opening of a special purpose account relating to the loan from the bank of CZK 4,759 thousand as of 31 December 2008 are not treated as cash equivalents for cash flow reporting purposes.

In the year ended 31 December 2007, special-purpose funds predominantly including the opening of a special-purpose account in connection with the received state aid of CZK 35,444 thousand as of 31 December 2007 are not treated as cash equivalents for cash flow reporting purposes.

The change in the balance of current financial assets as of 31 December 2006 as compared to the balance sheet is principally associated with the opening of a special-purpose account in connection with the received state aid of CZK 246,216 thousand and a depository bill of exchange of CZK 30,000 thousand as of 31 December 2006.

4. ANALYSIS OF IMPACTS ON PROFIT/LOSS

4.1. CONSOLIDATED PROFIT/LOSS FOR 2008

4.1.1. Structure of the Consolidated Profit/Loss for 2008

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	1 489 030
Current year's profit made by MS – SLOVENSKO s.r.o.	
Share of current year's profit made by Barrandov Studio a.s.	15 443
Share of current year's profit made by Barrandov Televizní Studio, a.s.	-103 352
Share of current year's profit made by MORAVIA STEEL ITALIA S.R.L.	15 555
Share of current year's profit made by the TŽ, a.s. consolidation group	972 558
Share of current year's profit made by Sochorová válcovna TŽ, a.s.	206 988
Share of current year's profit made by Beskydská golfová, a.s.	-3 981
Share of current year's profit made by Hanácké železářny a pérovny a.s.	17 991
Share in profit/(loss) of equity accounted investments	31 335
Adjustments within full consolidation (see Note 4.1.2.)	537 672
Adjustments within the equity method (see Note 4.1.3.)	-2 865
Consolidated profit	3 176 374

4.1.2. Adjustments within Full Consolidation for 2008

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact	323 001
Elimination of provision against inventory, including the deferred tax impact	-6 810
Elimination of the provision against investment in Barrandov Studio a.s.	200 000
Elimination of the provision against investment in Beskydská golfová, a.s.	80 000
Amortisation of positive goodwill on consolidation of Barrandov Studio a.s.	-6 362
Amortisation of positive goodwill on consolidation of Sochorová válcovna TŽ, a.s.	-9 063
Amortisation of positive goodwill on consolidation of Beskydská golfová, a.s.	-283
Amortisation of positive goodwill on consolidation of Hanácké železářny a pérovny a.s.	-14 501
Amortisation of negative goodwill on consolidation TRINECKÉ ŽELEZÁŘNY, a.s.	-568
Elimination of dividends declared by MORAVIA STEEL ITALIA, S.R.L.	-7 920
Elimination of sales	-10 510
Reflection of the missing tax for 2007	-9 312
Total adjustments	537 672

4.1.3. Adjustments within Full Consolidation for 2008

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	-2 865
Total adjustments	-2 865

4.2. CONSOLIDATED PROFIT/LOSS FOR 2007

4.2.1. Structure of the Consolidated Profit/Loss for 2007

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	3 202 795
Current year's profit made by MS – SLOVENSKO s.r.o.	1
Share of current year's profit made by Barrandov Studio a.s.	57 847
Share of current year's profit made by Barrandov Televizní Studio, a.s.	12
Share of current year's profit made by MORAVIA STEEL ITALIA S.R.L.	24 126
Share of current year's profit made by Beskydská golfová, a.s.	1 417
Share of current year's profit made by Sochorová válcovna TŽ, a.s. for the period from 1 September 2007	47 522
Share of current year's profit made by the TŽ, a.s. consolidation group	2 865 906
Share in profit/(loss) of equity accounted investments	13 144
Adjustments within full consolidation (see Note 4.2.2.)	-1 337 821
Adjustments within the equity method (see Note 4.2.3.)	-3 074
Consolidated profit	4 871 875

4.2.2. Adjustments within Full Consolidation for 2007

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact	-97 478
Elimination of provision against inventory, including the deferred tax impact	-2 804
Elimination of the provision against investment in Barrandov Televizní Studio, a.s.	33 020
Elimination of the provision against investment in Barrandov Studio a.s.	100 000
Elimination of the provision against investment in Beskydská golfová, a.s.	20 000
Amortisation of positive goodwill on consolidation of Barrandov Studio a.s.	-35 743
Amortisation of positive goodwill on consolidation of Sochorová válcovna TŽ, a.s.	-2 266
Amortisation of positive goodwill on consolidation of Beskydská golfová, a.s.	-553
Amortisation of negative goodwill on consolidation TRINECKÉ ŽELEZÁRNY, a.s.	51 254
Elimination of dividends declared by MORAVIA STEEL ITALIA, S.R.L.	-4 661
Elimination of dividends declared by TRINECKÉ ŽELEZÁRNY, a.s.	-1 399 727
Elimination of sales	1 137
Total adjustments	-1 337 821

4.2.3. Adjustments within Full Consolidation for 2007

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	-3 074
Total adjustments	-3 074

4.3. CONSOLIDATED PROFIT/LOSS FOR 2006

4.3.1. Structure of the Consolidated Profit/Loss for 2006

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	2 161 472
Current year's profit made by MS – SLOVENSKO s.r.o.	0
Share of current year's profit made by Barrandov Studio a.s.	43 655
Share of current year's profit made by MORAVIA STEEL ITALIA S.R.L.	17 017
Share of current year's profit made by the TŽ, a.s. Sub-group	1 929 685
Share in profit/(loss) of equity accounted investments	31 501
Adjustments within full consolidation (see Note 4.3.2.)	-675 645
Adjustments within the equity method (see Note 4.3.3.)	-2 927
Consolidated profit	3 504 758

4.3.2. Adjustments within Full Consolidation for 2006

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact	-151 258
Elimination of provision against inventory, including the deferred tax impact	-18 459
Amortisation of positive goodwill on consolidation of Barrandov Studio a.s.	-6 512
Amortisation of negative goodwill on consolidation of MORAVIA STEEL ITALIA, S.R.L.	39
Amortisation of negative goodwill on consolidation of TRINECKÉ ŽELEZÁRNY, a.s.	63 214
Elimination of dividends declared by MORAVIA STEEL ITALIA, S.R.L.	-2 778
Elimination of dividends declared by TRINECKÉ ŽELEZÁRNY, a.s.	-559 891
Total adjustments	-675 645

4.3.3. Adjustments within the Equity Method for 2006

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	-2 927
Total adjustments	-2 927

5. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

5.1. INTANGIBLE FIXED ASSETS

Cost

(CZK thousand)

	Balance at 31 Dec 2005	New acqui- sitions	Additions	Disposals	Balance at 31 Dec 2006	New acqui- sitions	Additions	Disposals	Balance at 31 Dec 2007
Research and development	—	—	—	—	—	—	—	—	—
Start-up costs	696	—	—	624	72	21	—	—	93
Software	173 313	—	31 757	6 249	198 821	8 869	5 869	1 779	211 780
Valuable rights	422 459	—	2 914	176	425 197	42 677	16 163	8 325	475 712
Other intangible FA	142 219	—	3 270 089	3 294 485	117 823	5 157	102 223	215 217	9 986
Intangible FA under construction	205 006	—	26 887	214 565	17 328	—	57 875	27 207	47 996
Prepayments for intangible FA	—	—	—	—	—	—	—	—	—
Total	943 693	—	3 331 647	3 516 099	759 241	56 724	182 130	252 528	745 567

(CZK thousand)

	New acquisitions	Additions	Disposals	Balance at 31 Dec 2008
Research and development	—	4 553	—	4 553
Start-up costs	—	—	—	93
Software	31 893	35 793	3 495	275 971
Valuable rights	2 763	51 618	26 718	503 375
Other intangible FA	2 947	2 748 610	2 739 392	22 151
Intangible FA under construction	—	148 697	192 388	4 305
Prepayments for intangible FA	—	135	—	135
Total	37 603	2 989 406	2 961 993	810 583

Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 31 Dec 2005	New acqui- sitions	Additions	Disposals	Balance at 31 Dec 2006	New acqui- sitions	Additions	Disposals	Balance at 31 Dec 2007
Research and development	—	—	—	—	—	—	—	—	—
Start-up costs	696	—	0	624	72	21	—	—	93
Software	124 363	—	22 107	6 265	140 205	5 431	27 385	1 825	171 196
Valuable rights	344 922	—	12 454	176	357 200	2 823	19 995	8 325	371 693
Other intangible FA	4 877	—	—	—	4 877	5 104	13	52	9 942
Intangible FA under construction	796	—	102	—	898	—	—	3	895
Prepayments for intangible FA	—	—	—	—	—	—	—	—	—
Total	475 654	—	34 663	7 065	503 252	13 379	47 393	10 205	553 819

(CZK thousand)

	New acquisitions	Additions	Disposals	Balance at 31 Dec 2007
Research and development	—	228	—	228
Start-up costs	—	—	—	93
Software	30 505	28 624	3 579	226 746
Valuable rights	2 303	31 833	24 164	381 665
Other intangible FA	2 947	3 708	4 129	12 468
Intangible FA under construction	—	—	99	796
Prepayments for intangible FA	—	—	—	—
Total	35 755	64 393	31 971	621 996

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2005	Balance at 31 Dec 2006	Balance at 31 Dec 2007	Balance at 31 Dec 2008
Research and development	—	—	—	4 325
Start-up costs	—	—	—	—
Software	48 950	58 616	40 584	49 225
Valuable rights	77 537	67 997	104 019	121 710
Other intangible FA	137 342	112 946	44	9 683
Intangible FA under construction	204 210	16 430	38 818	3 509
Prepayments for intangible FA	—	—	8 283	135
Total	468 039	255 989	191 748	188 587

The column 'new acquisitions' in 2007 in the above tables of intangible fixed asset movements reflects the expansion of the consolidated group to include Sochorová válcovna TŽ, a.s., Beskydská golfová, a.s., H&S PROGRESS s.r.o., VÚHŽ a.s., VÚHŽ NEMO a.s. and ROLLSERVIS a.s., and new acquisitions in 2008 reflect the expansion by Hanácké železářny a pérovny a.s., Šroubárna Kyjov spol. s.r.o. and D5, akciová společnost Trinec.

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets charged to expenses amounted to CZK 57,717 thousand, CZK 34,663 thousand and CZK 25,221 thousand for the years ended 31 December 2008, 2007 and 2006, respectively.

Aggregate Amount of Low Value Intangible Fixed Assets Maintained Off-Balance Sheet

The aggregate amount of low value intangible fixed assets not included in the balance sheet totalled CZK 32,577 thousand, CZK 28,542 thousand and CZK 21,050 thousand as of 31 December 2008, 2007 and 2006, respectively.

5.2. TANGIBLE FIXED ASSETS

Cost

(CZK thousand)

	Balance at 31 Dec 2005	Additions	Disposals	Balance at 31 Dec 2006
Land	924 105	238	2 891	921 452
Structures	7 577 948	543 699	49 194	8 072 453
Individual movable assets	20 644 180	891 811	336 370	21 199 621
Other tangible FA	98 132	1 557	798	98 891
Tangible FA under construction	500 409	1 882 335	1 454 972	927 772
Prepayments	75 581	455 807	327 236	204 152
Valuation difference on acquired assets	-2 693	-	-	-2 693
Total	29 817 662	3 775 447	2 171 461	31 421 648

(CZK thousand)

	New acquisitions	Additions	Disposals	Balance at 31 Dec 2007
Land	299 375	23	582	1 220 268
Structures	467 674	318 922	40 636	8 818 413
Individual movable assets	761 278	1 314 059	333 991	22 940 967
Other tangible FA	1 155	1 323	307	101 062
Tangible FA under construction	82 345	1 698 103	1 588 898	1 119 322
Prepayments	39 000	446 213	435 678	253 687
Valuation difference on acquired assets	7 928	-	-	5 235
Total	1 658 755	3 778 643	2 400 092	34 458 954

(CZK thousand)

	New acquisitions	Additions	Disposals	Balance at 31 Dec 2008
Land	81 525	6 340	59 594	1 248 539
Structures	568 435	611 388	190 158	9 808 078
Individual movable assets	963 979	2 285 900	381 303	25 809 543
Other tangible FA	599	2 332	985	103 008
Tangible FA under construction	83 740	3 596 416	3 306 284	1 493 194
Prepayments	27 567	670 448	823 215	128 487
Valuation difference on acquired assets	-11	2 693	2 083	5 834
Total	1 725 834	7 175 517	4 763 622	38 596 683

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 31 Dec 2005	Additions	Disposals	Balance at 31 Dec 2006
Land	-	-	-	-
Structures	3 644 773	228 799	55 795	3 817 777
Individual movable assets	12 678 392	1 129 878	342 699	13 465 571
Other tangible FA	95 825	1 451	776	96 500
Tangible FA under construction	3 213	613	2 017	1 809
Prepayments	787	0	119	668
Valuation difference on acquired assets	-2 154	-180	-	-2 334
Total	16 420 836	1 360 561	401 406	17 379 991

(CZK thousand)

	New acquisitions	Additions	Disposals	Balance at 31 Dec 2007
Land	—	—	—	—
Structures	61 482	247 632	62 772	4 064 119
Individual movable assets	244 956	1 253 504	332 563	14 631 468
Other tangible FA	3	1 294	307	97 490
Tangible FA under construction	485	2 277	45	4 526
Prepayments	—	—	90	578
Valuation difference on acquired assets	3 589	6 254	2 094	5 415
Total	310 515	1 510 961	397 871	18 803 596

(CZK thousand)

	New acquisitions	Additions	Disposals	Balance at 31 Dec 2008
Land	—	—	—	—
Structures	300 610	300 403	197 980	4 467 152
Individual movable assets	539 758	1 412 327	403 776	16 179 777
Other tangible FA	476	2 193	897	99 262
Tangible FA under construction	—	37 329	624	41 231
Prepayments	—	41	—	619
Valuation difference on acquired assets	—	3 641	3 222	5 834
Total	840 844	1 755 934	606 499	20 793 875

Net Book Value

(CZK thousand)

Net book value	Balance at 31 Dec 2005	Balance at 31 Dec 2006	Balance at 31 Dec 2007	Balance at 31 Dec 2008
Land	924 105	921 452	1 220 268	1 248 539
Structures	3 933 175	4 254 676	4 754 294	5 340 926
Individual movable assets	7 965 788	7 734 050	8 309 499	9 629 766
Other tangible FA	2 307	2 391	3 572	3 746
Tangible FA under construction	497 196	925 963	1 114 796	1 451 963
Prepayments made for tangible FA	74 794	203 484	253 109	127 868
Valuation difference on acquired assets	—539	—359	—180	—
Total	13 396 826	14 041 657	15 655 358	17 802 808

The column 'new acquisitions' in 2007 in the above tables of tangible fixed asset movements reflects the expansion of the consolidated group to include Sochorová válcovna TŽ, a.s., Beskydská golfová, a.s., H&S PROGRESS s.r.o., VÚHŽ a.s., VÚHŽ NEMO a.s. and ROLLSERVIS a.s., and new acquisitions in 2008 reflect the expansion by Hanácké železářny a pérovny a.s., Šroubárna Kyjov spol. s.r.o. and D5, akciová společnost Třinec.

Principal additions to tangible fixed assets for the year ended 31 December 2008 are as follows:

(CZK thousand)

Garett winding line	273 693
Equipment for pig iron desulphurisation	208 421
Filtration equipment for the agglomeration	152 390
Sakamura press	86 315
SHUMAG III B/25 combined drawing machine	94 633
Renovation and modernisation of Big Mannesman	735 000

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets charged to expenses amounted to CZK 1,611,897 thousand, CZK 1,437,038 thousand, CZK 1,301,172 thousand for the years ended 31 December 2008, 2007 and 2006, respectively.

Aggregate Amount of Low Value Tangible Fixed Assets Maintained Off-Balance Sheet

The aggregate cost of low value tangible fixed assets not included in the balance sheet totalled CZK 512,198 thousand, CZK 452,852 thousand and CZK 401,823 thousand as of 31 December 2008, 2007 and 2006, respectively.

Fair Value

As of the acquisition date in 2008, the Group revalued the assets of D5, akciová společnost, Šroubárna Kyjov, spol. s r.o. and Hanácké železářny a pérovny, a.s. at fair value.

In the year ended 31 December 2008, the fair value revaluation of assets increased the balance of tangible fixed assets by CZK 377,131 thousand and resulted in the recognition of a deferred tax liability of CZK 71,655 thousand using the 19 percent tax rate.

As of the acquisition date in 2007, the Company revalued the assets of VÚHŽ NEMO a.s., ROLLSERVIS a.s., VÚHŽ a.s., H&S PROGRESS s.r.o. Sochorová válcovna TŽ, a.s. and Beskydská golfová, a.s. at fair value.

In the year ended 31 December 2007, the revaluation of the assets at fair value resulted in an increase in the balance of tangible fixed assets of CZK 128,176 thousand, an increase in the balance of intangible fixed assets of CZK 36,822 and the recognition of a deferred tax liability of CZK 19,071 thousand using the 19 percent tax rate.

In the year ended 31 December 2006, the revaluation of the assets at fair value increased the balance of tangible fixed assets by CZK 5,540 thousand, decreased the balance of intangible fixed assets by CZK 46 thousand, and resulted in the recognition of a deferred tax liability of CZK 1,319 thousand using the 24 percent tax rate.

5.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

(CZK thousand)

31 December 2008	Passenger cars	Machinery and equipment	Balance at 31 Dec 2008
Total estimated sum of lease instalments	68 328	347 379	415 707
Payments made as of 31 Dec 2008	44 163	213 936	258 099
Future payments to be made by 31 Dec 2009	11 153	41 378	52 531
Due in the following years	13 012	92 065	105 077

(CZK thousand)

31 December 2007	Passenger cars	Machinery and equipment	Balance at 31 Dec 2007
Total estimated sum of lease instalments	66 138	338 831	404 969
Payments made as of 31 Dec 2007	45 745	236 317	282 062
Future payments to be made by 31 Dec 2008	9 894	36 925	46 819
Due in the following years	10 499	65 589	76 088

(CZK thousand)

31 December 2006	Passenger cars	Machinery and equipment	Balance at 31 Dec 2006
Total estimated sum of lease instalments	65 575	328 264	393 839
Payments made as of 31 Dec 2006	51 947	271 004	322 951
Future payments to be made by 31 Dec 2007	8 531	27 645	36 176
Due in the following years	5 097	29 615	34 712

Operating Leases

In the years ended 31 December 2008, 2007 and 2006, the Company paid leases in the amounts of CZK 30,697 thousand, CZK 33,060 thousand and CZK 42,885 thousand, respectively.

5.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2008

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	419 290	Loan from Komerční banka, a.s.
Land	15 410	Loan from Komerční banka, a.s.
Tangible FA	436 336	Loan from České spořitelna, a.s.
Land	2 811	Loan from České spořitelna, a.s.
Tangible FA	263 135	Loan from Československá obchodní banka, a.s.
Tangible FA	403 827	Loan from Citibank, a.s.
Technology	207 983	Raifeisen Bank, a.s.
Tangible FA	1 665	ČSOB investment loan
Tangible FA	21 107	Long-term loan from Komerční banka, a.s.
Tangible FA	36 691	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible FA	125 877	Collateral for the loan – renovation and modernisation of the foundry plant
Tangible FA	99 331	Collateral for the loan – renovation and modernisation of the foundry plant
Tangible FA, Land	66 844	Komerční banka, a.s.
Tangible FA, Land	191 446	Raifeisen Bank, a.s.
Tangible FA, Land	29 517	Loan from Česká spořitelna, a.s.
Land	1 434	Loan from Oberbank AG
Tangible FA, Land	102 326	Loan from HSBC Bank plc. – Prague branch
Tangible FA, Intangible FA	122 756	Collateral of all bank loans
Land	18 000	Collateral for receivables ČMZRB loan
Tangible FA, Land	104 000	Collateral for receivables Raiffeisenbank a.s. loan
Total	2 669 786	

31 December 2007

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	15 274	Loan from Komerční banka, a.s.
Tangible FA	19 231	Loan from Komerční banka, a.s.
Tangible FA	42 806	Long-term loan from UniCredit Bank Czech Republic, a.s.
Technology	221 035	Loan from Raiffeisen Bank, a.s.
Tangible FA	367 101	Loan from Komerční banka, a.s.
Land	12 341	Loan from Komerční banka, a.s.
Tangible FA	503 752	Loan from Česká spořitelna, a.s.
Land	2 811	Loan from Česká spořitelna, a.s.
Tangible FA	289 102	Loan from Československá obchodní banka, a.s.
Tangible FA	445 903	Loans from Citibank, a.s.
Tangible FA	2 120	Investment loan from Československá obchodní banka, a.s.
Tangible FA, Land	69 690	Loan from HSBC Bank plc – Prague branch
Tangible FA	2 950	Loan from HSBC Bank plc – Prague branch
Tangible FA	30 235	Loan from HSBC Bank plc – Prague branch
Land	2 370	Loan from Komerční banka, a.s.
Land	56 791	Loan from Komerční banka, a.s.
Tangible FA	7 460	Loan from Komerční banka, a.s.
Land	1 022	Loan from Raiffeisenbank a.s.
Tangible FA	197 006	Loan from Raiffeisen Bank, a.s.
Land	2 096	Loan from Česká spořitelna, a.s.
Tangible FA	24 776	Loan from Česká spořitelna, a.s.
Land	18 000	Loan from ČMZRB
Land, building	104 000	Loan from Raiffeisen Bank, a.s.
Total	2 437 872	

31 December 2006

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	319 028	Loan from Komerční banka, a.s.
Land	12 075	Loan from Komerční banka, a.s.
Tangible FA	17 051	Loan from Komerční banka, a.s.
Tangible FA	48 922	Loan from HVB, a.s.
Technology	234 161	Loan from Raiffeisen Bank, a.s.
Tangible FA	472 216	Loan from Citibank, a.s.
Tangible FA	314 988	Loan from ČSOB, a.s.
Tangible FA	534 146	Loan from Česká spořitelna, a.s.
Land	2 811	Loan from Česká spořitelna, a.s.
Land	59 161	Loan from Komerční banka, a.s.
Tangible FA	7 590	Loan from Komerční banka, a.s.
Land	1 022	Loan from Raiffeisen Bank, a.s.
Tangible FA	182 098	Loan from Raiffeisen Bank, a.s.
Total	2 205 269	

5.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

5.5.1. Summary of Unconsolidated Investments in 2008

Year Ended 31 December 2008

(CZK thousand)

Name of the company	Cost	Nominal value	Share in %	Equity	Profit/loss	Provision	Net cost
Barrandov Lands, a.s.	2 000	2 000	100	2 035	23	0	2 000
Moravia Steel Slovenija, d.o.o.	1 573	867	51	2 062	231	0	1 573
Moravia Steel AG Zug	1 947	1 947	100	691	578	-1 947	0
Moravia Steel Ibéria,s.a.	10 850	2 533	99.33	11 038	1 021	0	10 850
Moravia Goel Trade, d.o.o.	59	59	60	**))	**))	-59	0
Moravia Steel Israel Ltd.	347	208	100	-86	-21	0	347
Moravia Steel Poland, sp. z.o.o. ***)	408	361	100	253	-71	-408	0
Barrandov FM,a.s.	8 850	8 850	98	**))	**))	-8 850	0
Barrandov Productions s.r.o. ****)	100	100	100	5 372	640	0	100
Filmová nadace RWE & Barrandov Studio *****)	500	500	100	1 223	-822	0	500
Česká parforsní společnost s.r.o.	20	20	20	*))	*))	0	20
SV servisní s.r.o. *****)	1 800	1 800	100	17 265	3 637	0	1 800
Total	28 454	19 245			5 216	-11 264	17 190

*) Data are not available

**) In liquidation

***) On 11 June 2008 Moravia Steel Poland, sp. z.o.o. was formed in Poland, this company reported no business activities as of 31 December 2008.

****) Non-audited results

*****) Balance at 31 December 2007, reporting period ended 29 February 2008

*****) SV servisní s.r.o. was included in the group due to the purchase of HŽP as its sole owner.

(CZK thousand)

Equity securities and investments in companies with minority influence, i.e. less than 20 %				
Type of security and investment	Cost	Fair value	Provision	Net cost
Akcie Casino Playing Games, in liquidation *)	901	0	901	0
Total	901	0	901	0

*) Securities of this entity were included in the Group as a result of the acquisition of HŽP

Summary of Unconsolidated Investments of TŽ, a.s. Sub-group:

(CZK thousand)

Equity securities and investments in subsidiaries (shareholding greater than 50 %)								
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity *)	Profit after tax*)	Provision	Net cost
Třinecké gastroslužby, s.r.o.	25 643	25 800	—	100	31 728	1 951	0	25 643
Doprava TŽ, a.s.	15 755	16 000	115	100	68 236	16 776	0	15 755
TRIALFA, s.r.o.	100	100	—	100	21 629	4 487	0	100
Steel Consortium Partners, a.s.	19 000	19 000	117	100	1 786	-85	-17 213	1 787
Reťaze Slovakia s.r.o.	14 041	4 936	0	80	17 551	2 443	0	14 041
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	*)	45 738	—	99	36 156	5 429	0	*)
TRISIA, a.s.	19 364	9 900	990	66	65 638	-1 645	0	19 364
Regionální inovační centrum F-M, s.r.o.	240	240	—	100	2 357	36	0	240
Moravia Security, a.s.	12 000	12 000	12	100	7 129	-4 781	0	12 000
Soukromá střední škola Třinec, s.r.o.	2 000	2 000	—	100	1 971	-29	0	2 000
Sroubarna Kyjov TK Vida ve Metal Sanay ve Ticarel Limited Sirketi	148	—	—	—	—	—	-79	69
Total	126 326						-17 292	109 034

Note: *) confidential information

(CZK thousand)

Equity securities and investments in associates (shareholding between 20 – 50 %)								
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity *)	Profit after tax*)	Provision	Net cost
ZAMECZEK BŁOGOCICE	148	148	–	45	–925	–927	0	148
SILESIA SLAG, a.s.	1 761	1 760	74	44	3 843	–9	–69	1 692
TRINECKÁ PROJEKCE, a.s.	750	1 125	75	34	11 016	905	0	750
Hutnictví železa, a.s.	25 961	16 191	26 985	39	45 602	–243	–16 044	9 917
Kvalif. a personální agentura, o.p.s.	35	34	–	33	804	–61	–35	0
HRAT, s.r.o.	213	100	–	23	2 644	1 300	0	213
Total	28 868						–16 148	12 720

(CZK thousand)

Equity securities and investments in companies with a minority interest (shareholding lower than 20 %)								
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity *)	Profit after tax*)	Valuation difference	Net cost
KPM CONSULT, a.s.	100	100	10	10	14 509	3 148	0	100
SAVER Česká Ves, s.r.o.	121	121	0	10	10 063	2 477	0	121
Informatel zájmové sdružení	20	20	–	5	0	0	0	20
ACRI, Praha	20	20	–	2,08	1 095	1	–20	0
Total	261						–20	241

*) preliminary results

Other Non-Current Financial Assets

(CZK thousand)

Investment	Acquisition cost	Description of investment/collateral	Provision
Term deposit	20 199	Bank guarantee collateral	–1
Acquired non-current financial assets	3 564		–3 375

(CZK thousand)

Value of the investment	
Total non-current financial assets for the Sub-group	142 282
Total non-current financial assets for the Group	159 572

The Group did not generate material financial revenues from the unconsolidated investments in the year ended 31 December 2008.

With the exception of the presented figures, market values of the securities are not available.

*5.5.2. Summary of Unconsolidated Investments in 2007***Year Ended 31 December 2007**

(CZK thousand)

Name of the company	Cost	Nominal value	Share in %	Equity	Profit/loss	Provision	Net cost
Barrandov Lands, a.s.	2 000	2 000	100	2 012	17	0	2 000
Moravia Steel Slovenija, d.o.o.	1 573	1 573	51	1 810	–1 006	0	1 573
Moravia Steel AG Zug	1 947	1 947	100	339	–174	0	1 947
Moravia Steel Ibéria, s.a.	10 850	10 850	99.33	9 901	729	0	10 850
Moravia Goel Trade, d.o.o.	59	59	60	***)	***)	–59	0
Moravia Steel Israel Ltd.	346	209	100	38	–20	0	209
Barrandov FM, a.s.	8 850	8 850	98	****)	****)	–8 850	0
Kinorevue s.r.o.	165	165	66	*)	*)	–165	0
Fabia spol. s r.o. – in liquidation	1 000	1 000	100	***)	***)	–1 000	0
TV Barrandov s.r.o.	200	200	100	–18 967	–17 011	0	200
Barrandov Productions s.r.o. **)	100	100	100	4 731	1 952	0	100
Filmová nadace RWE & Barrandov Studio ***)	500	500	100	1 888	–872	0	500
Total	27 590	27 453			–18 337	–10 074	17 516

*) The petition of bankruptcy rejected

**) Non-audited results

***) In liquidation

****) Bankruptcy completed

Summary of Unconsolidated Investments of TŽ, a.s. Sub-group:

(CZK thousand)

Equity securities and investments in subsidiaries (shareholding greater than 50 %)								
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Profit/loss	Provision	Net cost
Třinecké gastroslužby, s.r.o.	25 643	25 800	–	100	29 806	174	0	25 643
Doprava TŽ, a.s.	15 755	16 000	115	100	58 380	22 178	0	15 755
TRIALFA, s.r.o.	100	100	–	100	17 785	2 651	0	100
Steel Consortium Partners, a.s.	19 000	19 000	117	100	1 870	–94	–17 129	1 871
Reťaze Slovakia s.r.o.	4 936	4 936	–	80	14 975	1 585	0	4 936
VÍTKOVICE – VaV, spol. s.r.o.	*)	45 738	–	99	32 223	2 090	0	*)
TRISIA, a.s.	19 364	9 900	990	66	67 171	–1 669	0	19 364
Regionální inovační centrum F-M, s.r.o.	180	180	–	75	2 320	18	0	180
Total	103 013						–17 129	85 884

Note.: *) confidential information

(CZK thousand)

Equity securities and investments in associates (shareholding between 20 – 50 %)								
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Profit/loss	Provision	Net cost
SILESIALAG, a.s.	1 760	1 760	74	44	3 851	–27	–66	1 694
TRINECKÁ PROJEKCE, a.s.	750	1 125	75	34	11 761	2 398	0	750
Hutnictví železa, a.s.	25 963	16 397	27 328	39	48 436	182	–15 134	10 829
Kvalif. a personální agentura, o.p.s.	34	34	–	33	852	350	–34	0
MS-UNIKOV OSTRAVA, s.r.o.	52 000	52 000	–	25	*)	*)	–52 000	0
Total	80 507						–67 234	13 273

Note.: *) The bankruptcy trustee has not provided the information.

(CZK thousand)

Equity securities and investments in companies with a minority interest (shareholding lower than 20 %)									
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Profit/loss	Provision	Net cost	Name of the company
HRAT, s.r.o.	50	50	–	12	1 583	570	–50	0	0
KPM CONSULT, a.s.	100	100	10	10	11 648	1 738	0	100	0
SAVAREN Česká Ves, s.r.o.	121	121	–	10	7 586	2 822	0	121	0
Informatel zájmové sdružení	20	20	–	5				20	
ACRI, Praha	20	20	–	2	1 108	–223	–20	0	0
Total	311						–70	241	0

(CZK thousand)

Investment	Acquisition cost	Description of investment/collateral	Provision
Acquired non-current financial assets	5 632		3 473
Term deposit	19 965	Bank guarantee collateral	–

(CZK thousand)

	Value of the investment
Total non-current financial assets for the Sub-group	121 522
Total non-current financial assets for the Group	139 038

The Group did not generate material financial revenues from the unconsolidated investments in the year ended 31 December 2007.

With the exception of the presented figures, market values of the securities are not available.

5.5.3. Summary of Unconsolidated Investments in 2006

31 December 2006

(CZK thousand)

Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Profit/loss	Provision	Net cost
Moravia Steel Slovenija, d.o.o.	1 573	1 573	8 513	51	3 070	–	–	1 573
Moravia Steel AG Zug	1 947	1 947	100	100	548	–205	–	1 947
Moravia Steel Ibéria, a.s.	10 850	10 850	14 900	99.33	11 879	1 003	–	10 850
Moravia Goel Trade, d.o.o.	59	59	–	100	****)	****)	59	–
Moravia Steel Israel Ltd.	346	209	38	100	*)	*)	–	346
Barrandov Lands, a.s.	2 000	2 000	–	100	1 995	7	–	2 000
Barrandov FM, a.s.	8 850	8 850	180	98	*)	*)	8 850	–
Kinorevue s.r.o.	165	165	–	66	****)	****)	165	–
Fabia spol. s r.o. – in liquidation	1 000	1 000	–	100	****)	****)	1 000	–
Barrandov Production s.r.o.	100	100	–	100	2 779	807	–	100
Film foundation RWE & Barrandov Studio **)	500	500	–	100	500	–94	–	500
TV Barrandov s.r.o. ****)	200	200	–	100	–1 937	–2 137	–	200
Total	27 590						10 074	17 516

*) No data available

**) Balance as of 31 December 2006, reporting period ended 28 February 2007

****) First year of business activity, profit anticipated in future and thus no provision charged

*****) In liquidation

*****) The petition of bankruptcy rejected for the lack of assets

Summary of Unconsolidated Investments of the TŽ, a.s. Sub-group:

(CZK thousand)

Equity securities and investments in subsidiaries (shareholding greater than 50 %)								
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Profit/loss	Provision	Net cost
Trinecké gastroslužby, s.r.o.	25 642	25 800	–	100	29 831	184	–	25 642
Doprava TŽ, a.s.	15 755	16 000	115	100	39 718	16 192	–	15 755
TRIALFA, s.r.o.	100	100	–	100	17 407	7 359	–	100
Steel Consortium Partners, a.s.	19 000	19 000	117	100	1 965	–194	17 035	1 965
Refaze Slovakia s.r.o.	4 936	4 936	–	80	13 505	1 854	–	4 936
TRISIA, a.s.	19 364	9 900	990	66	68 770	–1 654	–	19 364
Beskydská golfová, a.s.	93 048	63 028	107	90	55 118	–2 751	11 709	81 339
Total	177 845						28 744	149 101

(CZK thousand)

Equity securities and investments in associates (shareholding between 20 – 50 %)								
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Profit/loss	Provision	Net cost
SILESIALAG, a.s. *)	1 760	1 760	74	44	3 878	–67	54	1 706
TRINECKÁ PROJEKCE, a.s.	750	1 125	75	34.09	11 290	2 655	–	750
Hutnictví železa, a.s.	23 573	14 144	23 573	33.82	47 886	482	13 675	9 898
Kvalif. a personální agentura, o.p.s.	34	34	–	33.33	501	139	34	–
MS-UNIKOV OSTRAVA, s.r.o.	52 000	52 000	–	24.97	**)	**)	52 000	–
Total	78 117						65 763	12 354

*) Trinecká hutní, a.s. was renamed to SILESIALAG, a.s.

**) The bankruptcy trustee has not provided the information.

(CZK thousand)

Equity securities and investments in companies with a minority interest (shareholding lower than 20 %)									
Name of the company	Cost	Nominal value	Number of securities	Share in %	Equity	Net profit/loss	Valuation difference	Fair value	Financial revenue for the year
HRAT, s.r.o.	50	50	–	11.63	1 155	463	50	–	–
KPM CONSULT, a.s.	100	100	10	10	8 791	611	–	100	–
SAVAREN Česká Ves, s.r.o.	121	121	–	10	4 764	1 823	–	121	–
Total	271						50	221	

(CZK thousand)

Investment	Acquisition cost	Description of investment/collateral	Provision
Term deposit	20 622	Bank guarantee collateral	–

(CZK thousand)

	Value of the investment
Total non-current financial assets for the Sub-group	153 449
Total non-current financial assets for the Group	170 965

The Group did not generate material financial revenues from the unconsolidated investments in the year ended 31 December 2006.

With the exception of the presented figures, market values of the securities are not available.

5.5.4. Securities and Equity Investments under Equity Accounting

(CZK thousand)

Securities and equity investments under equity accounting	2008	2007	2006
VESUVIUS ČESKÁ REPUBLIKA, a.s.	87 439	88 213	97 471
MORAVIA ENERGO, a.s.	–	–	–
Sochorová válcovna TŽ, a.s.	*)	*)	215 939
CMC TRINEC LIMITED	24 793	23 175	19 079
CMC – TRINEC Stahlhandel GmbH	74 352	47 503	36 371
Total	186 584	158 891	368 860

*) Since 1 September 2007, the company has been consolidated using the full consolidation method (refer to Note 2.1.2.)

5.6. INVENTORY

(CZK thousand)

Inventory structure	Balance at 31 Dec 2008	Provisions at 31 Dec 2008	Net balance at 31 Dec 2008	Balance at 31 Dec 2007	Provisions 31 Dec 2007	Net balance at 31 Dec 2007	Balance at 31 Dec 2006	Provisions at 31 Dec 2006	Net balance at 31 Dec 2006
Material	4 723 781	–307 320	4 416 461	3 484 268	–174 041	3 310 227	3 021 379	–176 890	2 844 489
Internally produced inventory:	5 998 282	–929 818	5 068 464	4 569 642	–166 711	4 402 931	3 707 924	–313 122	3 394 802
– Work in progress and semi-finished products	3 624 816	–743 185	2 881 631	2 513 791	–97 424	2 416 367	2 130 977	–205 801	1 925 176
– Finished products	2 373 466	–186 633	2 186 833	2 055 851	–69 287	1 986 564	1 576 947	–107 321	1 469 626
Goods	13 915	–7011	6 904	17 357	–2 832	14 525	11 574	–	11 574
Prepayments	5 732	–	5 732	525	–	525	531	–	531
Total	10 741 710	–1 244 149	9 497 561	8 071 792	–343 584	7 728 208	6 741 408	–490 012	6 251 396

5.7. RECEIVABLES

5.7.1. Long-Term Receivables

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
– Trade receivables	17 578	4 838	9 475
– Prepayments made	5 017	5 403	1 932
– Other receivables	86 216	5 642	7 819
– Deferred tax asset	126 628	–	7 732
Total	235 439	15 883	26 958

The increase in other receivables as of 31 December 2008 predominantly included the provision of a loan to CZECH MEDIA LINK of CZK 130,116 thousand which is repayable in 2009, 2010 and 2011. The long-term portion of the receivable of CZK 78,949 thousand is reported in the line “Other long-term receivables”, the short-term portion of the receivable of CZK 51,167 thousand is reported on the line “Other short-term receivables”. The deferred tax asset is described in detail in Note 5.14.2.

Aggregate Maturities of Long-Term Trade Receivables as of 31 December 2008

(CZK thousand)

Year	Trade receivables and long-term prepayments	Other receivables	Deferred tax asset	Total
2010	4 681	69 814	100 560	170 375
2011	2 940	14 236	26 068	43 244
2012	2 896	605	–	3 501
2013	6 933	563	–	7 496
2014	4 865	620	–	5 485
After 2014	280	378	–	658
Total	22 595	86 216	126 628	235 439

Long-term receivables are settled within their due terms.

5.7.2. Structure of Short-Term Receivables

Aging of Short-Term Trade Receivables

(CZK thousand)

Balance at 31 Dec	Category	Before due date	Past due date					Total	Total
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and greater		
2008	Short-term	4 759 029	1 499 347	21 392	53 041	11 577	644 319	2 229 676	6 988 705
	Provisions	–12 778	–78 848	–3 173	–43 798	–7 543	–639 589	–774 951	–787 729
	Total	4 46 251	1 420 499	16 219	9 243	4 034	4 730	1 454 725	6 200 976
2007	Short-term	5 687 325	831 789	12 168	8 139	13 011	650 478	1 523 845	7 211 170
	Provisions	–11 925	–592	–2 456	–5 224	–12 998	–649 872	–679 402	–691 327
	Total	5 675 400	831 197	9 712	2 915	13	606	844 443	6 519 843
2006	Short-term	5 388 947	791 749	20 346	14 238	30 300	678 580	1 535 213	6 924 160
	Provisions	–13 410	–2 727	–3 008	–4 803	–28 302	–677 811	–716 651	–730 061
	Total	5 375 537	789 022	17 338	9 435	1 998	769	818 652	6 194 099

Receivables typically mature within 30 days, intra-group receivables typically mature within 30 days.

Breakdown of Short-Term Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
– Customers	6 977 667	7 202 307	6 903 106
– Bills of exchange for collection	8 260	8 260	10 162
– Other receivables	2 778	603	10 892
– Provisions	–787 729	–691 327	–730 061
Total	6 200 976	6 519 843	6 194 099

Other Short-Term Receivables

Other prepayments made principally involve prepayments for supplied services. Other receivables mainly relate to short-term loans, provided supplier loans and receivables associated with the sale of a business part. Estimated receivables principally include unbilled supplies of rails.

5.7.3. Intercompany Receivables

Short-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
• Trade receivables			
CMC-Třinec Stahlhandel GmbH	18 073	8 967	8 119
TRINEC-CMC LTD	42	13	12
Doprava TŽ, a.s.	8 086	17 677	9 332
Řetaze Slovakia, s.r.o..	–	1 631	883
TRIALFA, s.r.o.	10 069	6 349	7 886
TŘINECKÁ PROJEKCE, a.s.	118	144	163
Třinecké gastroslužby, s.r.o.	1 897	2 668	907
Sochorová válcovna TŽ, a.s. **)	**)	**)	306 414
Kvalifikační a personální agentura, o.p.s.	78	4	5
TRISIA, a.s.	6	4	30
VESUVIUS ČR, a.s. Třinec	11 524	4 056	6 134
Beskydská golfová, a.s. ***)	***)	***)	957
SILESIALAG, a.s.	1	4	12
Steel Consortium Partners, a.s.	16	1	–
ZAMECZEK BLOGOCICE *)	40 757	–	–
Regionální informační centrum Frýdek-Místek, s.r.o.	157	–	–
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o. *)	33	–	–
Moravia Security, a.s. *)	117	–	–
Barrandov Productions, s.r.o.	811	811	757
Barrandov FM, a.s.	–	–	8 375
Filmová nadace RWE & Barrandov Studio	14	14	9
TV Barrandov s.r.o.	402	25 866	2 912
Total	92 201	68 209	352 907
• Other intercompany receivables			
VESUVIUS ČR, a.s. Třinec	8 000	8 113	8 000
Sochorová válcovna TŽ, a.s. **)	**)	**)	10 391
Total	8 000	8 113	25 891
Total short-term intercompany receivables	100 201	76 322	378 798
Other than intercompany receivables	6 989 884	7 166 314	6 341 601
Total short-term receivables	7 090 085	7 242 636	6 720 399

*) Moravia Security, a.s. became part of the group on 15 February 2008 and Zameczek Blogocice on 24 October 2008, the name of VÍTKOVICE – Výzkum a vývoj, spol. s r.o. changed to MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.,

**) Since 1 September 2007, the company has been consolidated using the full consolidation method (refer to Note 2.1.2.)

***) Since 1 January 2007, the company has been consolidated using the full consolidation method (refer to Note 2.1.2.)

Long-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
<i>Long-term receivables</i>			
• Trade receivables			
Sochorová válcovna TŽ, a.s. **)	**)	**)	7 172
Total	–	–	–
Total long-term intercompany receivables	–	–	7 172
Other than intercompany receivables	235 439	15 883	19 786
Total long-term receivables	235 439	15 883	26 958

**) Since 1 September 2007, the company has been consolidated using the full consolidation method (refer to Note 2.1.2.)

5.7.4. Pledged Receivables

The Group has pledged and conditionally assigned some of its receivables under loan agreements. Under these agreements, receivables are pledged in 14 – day or 30-day cycles as they fall due. As of 31 December 2008, the amount of pledged receivables was CZK 930,585 thousand.

5.8. DERIVATIVE FINANCIAL INSTRUMENTS

The Group hedged the exchange rate risk using derivative financial instruments during the year ended 31 December 2008. The net value of open derivative financial instruments as of 31 December 2008 was CZK (406,237) thousand (2007: CZK 17,598 thousand, 2006: CZK 12,251 thousand). The market values of individual open derivative financial instruments were reported in lines 'Other short-term receivables' (C.III.9) and 'Other short-term payables' (B.III.11) at the year-end:

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Receivables from fixed term transactions – other receivables	42 010	179 591	24 286
Payables from fixed term transactions – other payables	-448 247	-197 189	-12 035
Total derivative financial instruments	-406 237	-17 598	12 251

On the basis of an analysis of the hedge effectiveness of derivative financial instruments, the Company charged the effective portion of the hedging derivative instrument revaluation (with highly effective hedging) as of 31 December 2008 against 'Gains and losses from the revaluation of assets and liabilities' in the amount of CZK (392,656) thousand (2007: CZK 2,969 thousand, 2006: CZK (12,251) thousand).

5.9. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Cash	6 272	6 169	4 862
Current accounts	609 002	1 363 689	1 556 491
Current accounts with transaction limits	4 759	40 879	7 874
Current deposit – special-purpose funds of the received state aid	0	35 444	246 216
Term deposits	355 150	265 481	449 189
Current securities	2 637 926	2 535 712	2 072 738
Total current financial assets	3 613 109	4 211 930	4 337 370

As of 31 December 2008, the Group reports depository bills of exchange in the amount of CZK 2,622,577 thousand (2007: CZK 2,517,116 thousand, 2006: CZK 620,562 thousand) and tradable securities in the amount of CZK 15,349 thousand (2007: CZK 18,596 thousand, 2006: CZK 82,055 thousand).

5.10. TEMPORARY ASSETS

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Deferred expenses	282 943	119 233	55 162
Deferred expenses – lease contracts	80 602	14 914	24 593
Other deferred expenses – studies, projects, interest, subscription payments	202 341	104 096	30 569
Complex deferred expenses	21 872	30 550	50 153
Accrued income	28 125	41 626	28 001
Total deferred expenses and accrued income	332 940	191 409	133 316

5.11. EQUITY

5.11.1. Shareholders' Equity

Movements in equity are reported in a standalone consolidated statement of changes in equity.

Allocations to the statutory reserve fund are made at 5 percent of net profit until the fund reaches 20 percent of the Company's share capital as required by legislation.

Gains and losses from revaluation comprise gains/losses from the revaluation of available-for-sale securities less the deferred tax liability.

The General Meeting of the Parent Company decided not to declare dividends for 2007,

dividends for 2006 amounted to CZK 3,000,200 thousand, and dividends for 2005 amounted to CZK 640,150 thousand.

5.11.2. Share Capital

As of 31 December 2008, the share capital amounted to CZK 3,157,000 thousand. The Company's share capital is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

5.12. RESERVES

(CZK thousand)

	Reserves under statutory regulations		Other reserves	Total reserves
	Reserve for repairs of tangible FA	Reserve for restoration		
Balance at 31 Dec 2006	627 317	3 398	188 586	819 301
Creation	76 476	305	148 946	225 727
Use	384 321	1 350	63 660	449 331
Balance at 31 Dec 2006	319 472	2 353	273 872	595 697
New acquisition	644	0	0	644
Creation	31 971	257	319 710	351 938
Use	155 737	331	48 070	204 138
Balance at 31 Dec 2007	196 350	2 279	545 512	744 141
New acquisition	32 447	0	100	32 547
Creation	23 939	136	485 002	509 077
Use	144 258	376	614 428	759 062
Balance at 31 Dec 2008	108 478	2 039	416 186	526 703

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

Other reserves consist of reserves for the scrapping of equipment, emission allowances, additionally assessed taxes, real estate transfer tax, employee bonuses, commitments in litigation and losses incurred in connection with a concluded long-term contract, and the reserve for business risks predominantly arising from the operation of fixed assets.

5.13. PAYABLES

5.13.1. Long-Term Payables

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Long-term payables			
– Trade payables	18 915	32 095	6 096
– Long-term bills of exchange to be settled	–	–	27 495
– Other payables	11 763	18 072	706
– Deferred tax liability	890 401	782 214	837 960
Total	921 079	832 381	872 257

Other long-term payables include long-term supplier loans.

Long-term bills of exchange to be settled reported as of 31 December 2006 reflected the nominal value of bills of exchange issued in order to cover the due amount arising from the renovation and modernisation of the light section mill. Interest expense on these bills of exchange is recorded as a deferred expense. As of 31 December 2008 and 2007, these bills of exchange are recorded as short-term trade payables.

5.13.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Short-term trade payables			
– Suppliers	4 640 543	4 722 465	5 116 693
– Bills of exchange to be settled	0	26 620	27 495
– Other payables	407	722	1 918
Total	4 640 950	4 749 807	5 146 106

Aging of short-term trade payables:

(CZK thousand)

Balance at 31 Dec	Category	Before due date	Past due date					Total
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and greater	
2008	Short-term	4 473 112	134 918	10 042	17 268	632	4 978	4 640 950
2007	Short-term	4 672 011	71 185	3 349	696	963	1 603	4 749 807
2006	Short-term	5 091 358	48 828	3 314	173	1 030	1 403	5 146 106

5.13.3. Other Payables

As of 31 December 2008, 2007 and 2007, the aggregate amount of payables to social security and contribution to state employment policy amounted CZK 155,834 thousand, CZK 168,501 and CZK 158,365 thousand, respectively. These payables were duly settled as of the balance sheet date.

State – tax payables and subsidies predominantly include the short-term portion of payables arising from public subsidies and an income tax payable.

Estimated payables predominantly include unbilled supplies for work and services and an estimated payable for outstanding vacation days and annual bonuses including insurance payments.

Other payables of the Company predominantly include negative amounts from transactions with financial derivatives (refer to Note 5.8.), the short-term portion of supplier loans, deductions from employees and payables arising from the acquisition of equity investments.

5.13.4. Intercompany Payables

Short-Term Payables

(CZK thousand)

Company's name	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
• Trade balances			
Doprava TŽ, a.s.	6 960	7 505	7 569
Hutnictví železa, a.s.	694	678	540
Moravia Security, a.s. ****)	7 411	–	–
TRIALFA, s.r.o.	16 265	17 111	16 585
TRISIA, a.s.	3 674	3 906	236
TŘINECKÁ PROJEKCE, a.s.	2 197	14 053	9 326
Třinecké gastroslužby, s.r.o.	10 032	11 635	6 238
VESUVIUS ČR, a.s. Třinec	3 118	17 170	48 533
Beskydská golfová, a.s. **)	***)	***)	16
CMC-Třinec Stahlhandel GmbH	451	3 797	23
Sochorová válcovna TŽ, a.s. *)	**)	**)	409 771
VESUVIUS SLAVIA a.s.	–	–	4 421
STEELTEC CZ, s.r.o.	–	–	295
FINITRADING, a.s.	180 006	427 307	440 840
MORAVIA STEEL SLOVENIJA d.o.o.	4 030	281	202
Kvalifikační a personální agentura, v.o.s.	57	37	–
Barrandov Productions, s.r.o.	1 190	1983	–
TV Barrandov s.r.o.	–	5	2
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o. ****)	1 868	–	–
Regionální inovační centrum Frýdek – Místek, s.r.o.	43	–	–
SV servisní, s.r.o. ***)	4 197	–	–
Total short-term intercompany payables	242 193	505 468	944 597
Other than intercompany payables	5 904 841	6 152 409	5 638 114
Total short-term payables	6 147 034	6 657 877	6 582 711

*) On 21 August 2007, Sochorová válcovna TŽ, a.s. became a subsidiary through an investment in the share capital of MORAVIA STEEL a.s. This fact was recorded to the Register of Companies on 3 September 2007.

**) Since 1 January 2007, the company has been consolidated using the full consolidation method (refer to Note 2.1.2.)

***) SV servisní s.r.o. was included in the group due to the purchase of HŽP as its sole owner.

****) Moravia Security, a.s. became part of the group on 15 February 2008 and Zameczek Błogocice on 24 October 2008, the name of VÍTKOVICE – Výzkum a vývoj, spol. s r.o. changed to MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.

5.14. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

5.14.1. Deferred Tax Liability

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

(CZK thousand)

Deferred tax arising from	Tax rate in %	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Difference between the tax and accounting carrying values of fixed assets	24	–	–	5 298 481
Difference between the tax and accounting carrying values of fixed assets	19	6 380 322	5 982 367	–
Difference between the tax and accounting carrying values of fixed assets	21	–	146 817	–
Difference between the tax and accounting carrying values of fixed assets	20	275 868	–	–
Revaluation of available for sale securities	25	–	–	–20
Revaluation of available for sale securities	19	–20	–	–
Revaluation of assets to fair value charged against equity	24	–	–	5 496
Revaluation of assets to fair value charged against equity	19	377 131	100 372	–
Accounting reserves	19	–11 563	–235 200	–
Accounting reserves	21	–	–272 940	–
Accounting reserves	20	–387 081	–	–
Accounting reserves	24	–	–	–242 769
Provisions	21	–	–277 213	–
Provisions	19	–191 364	–150 550	–
Provisions	20	–1 136 296	–	–
Provisions	24	–	–	–605 493
Expenses to be utilised in subsequent periods	24	–	–	–64 893
Expenses to be utilised in subsequent periods	20	–36 404	–	–
Expenses to be utilised in subsequent periods	19	–7 310	–	–
Expenses to be utilised in subsequent periods	21	–	–84 433	–
Utilisable tax loss	24	–	–	–102 567
Utilisable tax loss	19	–39 336	–	–
Unrealised profit on the sale of tangible FA within the Group	21	–	–25 978	–
Unrealised profit on the sale of tangible FA within the Group	20	–36 630	–	–
Unrealised profit on the sale of tangible FA within the Group	19	–357 908	–364 816	–
Unrealised profit on the sale of tangible FA within the Group	24	–	–	–416 773
Unrealised profit on the sale of inventory within the Group	21	–	–109 060	–
Unrealised profit on the sale of inventory within the Group	20	–69 905	–	–
Unrealised profit on the sale of inventory within the Group	24	–	–417 124	–389 808
Total temporary differences		4 759 504	4 292 242	3 481 654
Deferred tax liability		890 401	782 214	837 960

(CZK thousand)

Analysis of movements		
1 January 2007		837 960
Changes in the consolidation group – new acquisitions		34 390
Current changes charged to the profit and loss account		–101 144
Current changes charged against equity		11 008
31 December 2007		782 214
Changes in the consolidation group – new acquisitions		23 384
Current changes charged to the profit and loss account		32 205
Current changes charged against equity		52 598
31 December 2008		890 401

5.14.2. Deferred Tax Asset

	Tax rate (%)	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Difference between the tax and accounting carrying values of tangible fixed assets	24	–	–	8 421
Difference between the tax and accounting carrying values of tangible fixed assets	20	–12 492	–	–
Difference between the tax and accounting carrying values of tangible fixed assets	19	–40 481	–	–
Accounting reserves	24	–	–	12 500
Expenses deductible for tax purposes in the following years	20	490	–	–
Provisions	24	–	–	5 350
Provisions	20	27 660	–	–
Receivables (payables) from fixed term transactions	20	390 691	–	–
Utilisable tax loss	24	–	–	5 946
Utilisable tax loss	20	96 450	–	–
Utilisable tax loss	19	177 685	–	–
Total temporary differences		640 003	–	32 217
Deferred tax asset		126 628	–	7 732

(CZK thousand)

Analysis of movements	
1 January 2007	7 732
Current changes charged to the profit and loss account	-7 732
31 December 2007	-
Current changes charged to the profit and loss account	48 490
Current changes charged to the equity	78 138
31 December 2008	126 628

5.15. BANK LOANS AND BORROWINGS

The aggregate balance of outstanding bank loans is CZK 4,612,152 thousand. In 2008, the interest rate on bank loans varied between 2.67 % and 6.94 % p.a., in 2007 between 3.12 % and 6.26 % p.a., in 2006 between 3.76 % and 6.05 % p.a.

5.15.1. Bank Loans and Grants for 2008

Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006	Form of collateral at 31 Dec 2008
Investment	EUR	22 668	31 370	17 203	SACE guarantee insurer
Investment	CZK	45 000	75 000	105 000	Movable assets, guarantee statement
Investment	EUR	-	3 113	10 783	ÖKB guarantee insurer
Investment	EUR	339 143	490 143	659 379	Hermes guarantee insurer
Investment	EUR	-	17 633	36 424	Hermes guarantee insurer
Investment	EUR	-	-	7 124	CESCE guarantee insurer
Investment	EUR	-	-	6 306	SACE guarantee insurer
Investment	CZK	-	-	18 750	Real estate
Investment	EUR	3 995	32 960	64 008	SACE guarantee insurer
Investment	CZK	-	50 000	90 000	Real estate
Investment	EUR	-	11 508	23 773	No collateral
Operating	EUR	-	-	8 249	Guarantee statements of TŽ
Investment	CZK	15 773	78 867	157 734	Immovable and movable assets, blank bill of exchange
Investment	CZK	18 000	54 000	90 000	Movable assets, guarantee statements of MS
Investment	CZK	53 800	88 200	122 600	Immovable and movable assets, blank bill of exchange
Operating	EUR	-	-	103 106	Conditional cession and pledging of receivables, blank bill of exchange
Investment	CZK	144 444	188 889	233 333	Immovable and movable assets, blank bill of exchange
Investment	EUR	5 386	15 972	24 745	Movable assets, blank bill of exchange
Investment	CZK	35 000	9 801	-	-
Investment	CZK	8 079	11 979	-	Komerční banka a.s. for investment
Investment	CZK	363 214	7 198	-	Unprotected blank bill of exchange
Investment	EUR	7 830	11 180	-	Blank bill of exchange, pledge of real estate
Investment	CZK	4 887	8 552	-	Blank bill of exchange, pledge of movable assets
Investment	CZK	350	1 670	-	Blank bill of exchange, pledge of movable assets
Investment	CZK	-	39 957	-	Pledge of immovable assets
Investment	CZK	-	126 421	12 198	Real estate, blank bill of exchange
Investment	CZK	84 000	108 000	132 000	Pledge of real estate
Investment	CZK	25 000	29 123	-	Pledge of real estate
Investment	EUR	14 542	-	-	UCB Czech Republic, a.s.
Investment	EUR	7 810	-	-	Komerční banka a.s. for investment
Investment	CZK	40 113	-	-	Pledge of receivables, real estate
Investment	CZK	36 000	-	-	Pledge of receivables, real estate
Investment	CZK	52 381	-	-	Česká spořitelna a.s.
Investment	EUR	154 969	-	-	HSBC Bank plc – Prague branch
Investment	CZK	63 073	-	-	HSBC Bank plc – Prague branch
Investment	CZK	33 730	-	-	Pledged real estate
Investment	CZK	13 765	-	-	Blank bill of exchange, pledged real estate
Investment	CZK	15 670	-	-	Blank bill of exchange, pledged real estate
Total		1 608 622	1 491 536	1 922 715	

Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006	Form of collateral at 31 Dec 2008
Investment	CZK	30 000	30 000	30 000	Movables, guarantee statements of MS, a.s
Investment	CZK	44 445	44 445	44 445	Movables and immovable assets, blank bill of exchange
Investment	EUR	–	–	2 750	Movables, blank bill of exchange
Operating	CZK	–	–	29 995	–
Investment	EUR	3 150	7 326	7 567	ÖKB guarantee insurer
Investment	EUR	148 220	153 565	197 301	Hermes guarantee insurer
Investment	EUR	17 838	17 633	18 212	Hermes guarantee insurer
Investment	EUR	–	6 897	14 248	CESCE guarantee insurer
Investment	EUR	–	–	17 787	EKN guarantee insurer
Investment	EUR	–	–	6 266	EKN guarantee insurer
Investment	EUR	–	6 105	12 611	SACE guarantee insurer
Investment	EUR	–	–	6 944	KUKE guarantee insurer
Investment	CZK	–	–	75 000	Real estate
Investment	EUR	29349	29 012	29 965	SACE guarantee insurer
Operating	CZK	–	–	4 847	Blank bill of exchange
Operating	CZK	–	–	1 000	–
Operating	CZK	–	–	1 902	–
Operating	EUR	–	–	10 998	–
Investment	EUR	11 642	11 508	11 887	No collateral
Investment	CZK	50 000	40 000	40 000	Real estate, blank bill of exchange
Investment	CZK	63 094	63 094	63 094	Immovable and movable assets, blank bill of exchange
Investment	CZK	36 000	36 000	36 000	Movable assets
Investment	CZK	34 400	34 400	34 400	Pledged movables and immovable assets and collateralising blank bill of exchange
Operating	CZK	–	–	155 000	Receivables, current assets
Operating	CZK	29	64	35	No collateral
Investment	EUR	9 067	8 963	9 821	SACE guarantee insurer
Short-term	EUR	–	–	109 980	Pledged receivables, blank bill of exchange
Revolving	USD	–	–	89 767	Pledged receivables, blank bill of exchange
Operating	CZK	550 000	750 000	300 000	Pledged receivables, blank bill of exchange
Operating	CZK	250 099	50 000	250 000	Conditional cession of receivables
Operating	CZK	300 000	–	–	Conditional cession of receivables
Investment	CZK	24 000	24 000	18 000	Pledged immovable assets
Operating	CZK	92 417	7 500	–	–
Operating	CZK	–	7 986	–	–
Investment	CZK	2 639	1 413	–	–
Investment	CZK	1 000	4 000	–	–
Investment	CZK	4 422	4 712	–	–
Investment	CZK	10 772	7 986	–	Movable assets
Investment	CZK	4 039	1 331	–	–
Investment	EUR	–	10 000	–	Immovable assets, blank bill of exchange
Operating	CZK	4 000	4 000	–	Blank bill of exchange, receivables
Operating	CZK	960	11 423	–	Blank bill of exchange, receivables
Operating	CZK	2 000	15 000	–	Blank bill of exchange, receivables
Operating	CZK	8 000	9 300	–	Blank bill of exchange, pledged immovables
Investment	CZK	10 000	–	–	–
Investment	CZK	1 616	–	–	–
Investment	EUR	135 578	–	–	Pledged assets, blank bills of exchange
Investment	EUR	14 930	–	–	Pledged assets, blank bills of exchange
Investment	CZK	10 772	–	–	Receivables
Investment	CZK	24 000	–	–	Real estate, receivables
Operating	CZK	35 000	–	–	–
Investment	CZK	64 751	–	–	Blank bill of exchange, receivables
Operating	CZK	305 000	–	–	Blank bill of exchange, receivables
Investment	CZK	72 681	–	–	Pledged contracts for tangible fixed assets
Operating	EUR	–	–	412 425	Conditional cession and pledging of receivables, blank bill of exchange
Investment	EUR	–	–	4 000	Blank bill of exchange, pledged immovables
Operating	EUR	–	–	101	No collateral
Operating	CZK	370 000	300 000	–	Pledged contracts for tangible fixed assets
Operating	EUR	–	1 455	–	–
Investment	CZK	660	1 650	–	Pledged immovables

Type of loan	Currency	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006	Form of collateral at 31 Dec 2008
Investment	CZK	5 567	5 016	–	Pledged immovables
Investment	CZK	31 556	–	–	–
Investment	CZK	2 142	–	–	Blank bill of exchange, pledged immovables
Investment	CZK	4 000	–	–	Blank bill of exchange, pledged immovables
Investment	CZK	4 330	–	–	Blank bill of exchange, pledged immovables
Investment	CZK	14 302	–	–	–
Investment	CZK	19 633	–	–	–
Operating	CZK	59 398	–	–	–
Investment	CZK	14 890	–	–	Pledged immovables
Investment	CZK	40 000	–	–	Pledged immovables
Investment	CZK	18 642	–	–	Pledged immovables
Investment	CZK	12 500	12 500	–	Pledged immovables
Total		3 003 530	1 718 284	2 046 348	

Repayment Schedule

(CZK thousand)

Years	2009	2010	2011	2012	2013	In subsequent periods	Total
Loan instalments	3 003 530	676 290	351 289	274 394	184 207	122 442	4 612 152

5.16. ACCRUED EXPENSES AND DEFERRED INCOME

(CZK thousand)

	31 Dec 2008	31 Dec 2007	31 Dec 2006
Accrued expenses	137 253	102 851	71 132
– Interest	9 091	12 098	19 963
– Invoices, credit notes	128 162	90 753	51 169
Deferred income	46 707	43 754	63 785
Total accrued expenses and deferred income	183 960	146 605	134 917

5.17. OTHER OFF-BALANCE SHEET LIABILITIES

MORAVIA STEEL a.s.

In 2000, the Company sold 11 percent of shares in the subsidiary TRINECKÉ ŽELEZÁRNY, a. s. to Commercial Metals AG (hereinafter “CMC”). In accordance with the sale contract entered into with CMC in 2000, CMC holds an option for the sale of the purchased 11 percent equity investment in TRINECKÉ ŽELEZÁRNY, a.s. to the Company which can be exercised before 31 December 2010. The selling option price amounts to USD 3,36291 per share. According to this contract, CMC holds the option for the purchase of other shares which would secure the holding of its investment in the case of the decrease in voting rights or share capital. This option can be exercised before 31 December 2010. The purchase option price amounts to USD 0.56048 per share.

The Company issued a Guarantee Statement in favour of TRINECKÉ ŽELEZÁRNY, a.s. in respect of bank loans totalling CZK 630,000 thousand. The balance of the outstanding loan repayments collateralised in the form of the Guarantee Statement was CZK 317,889 thousand as of 31 December 2008.

As of 31 December 2008, the Company was involved in no legal dispute, the outcome of which would significantly impact the company.

On 1 December 2008, the Company concluded a contract for the transfer of shares with Pavel Pěnkava, the lawyer representing on the basis of a commission contract allowing the sale of a 51 percent equity investment in Moravskoslezský kovošrot, a.s. with its registered office at V Jámě 1371/8, Nové město, Prague 1, 110 00, corporate ID 268 55 097. The purchase price was determined to be CZK 106,000 thousand. The validity of the contract was subject to a suspensory condition, i.e. the ruling of the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) regarding the authorisation of association of competitors arising from the contract referred to above. On 5 February 2009, the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) approved, via its first-level resolution, the association of MORAVIA STEEL a.s. and Moravskoslezský kovošrot, a.s. As a result, MORAVIA STEEL acquired the 51 percent equity investment in the assumed entity.

SOCHOROVÁ VÁLCOVNA TŽ, a.s.

Environmental Liabilities

The Company anticipates incurring costs of CZK 8,992 thousand to remove environmental burdens over the following years. These anticipated costs are based upon the Company's own assessment of environmental pollution resulting from the Company's business plan, which are fully covered by other reserves.

Legal Disputes

As of 31 December 2008, the company was involved in no significant legal dispute, the outcome of which would significantly impact the company.

TŘINECKÉ ŽELEZÁRNY, a. s.

Type of liability	Aggregate amount at 31 Dec 2008	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
<i>Parent company debt acceptance</i>	0	0	CZK 99,825 thousand	CZK 515,531 thousand
<i>Guarantee statements</i>				
– to Group companies	EUR 77 thousand	CZK 2,074 thousand	CZK 2,050 thousand	–
<i>Guarantees</i>				
– to other entities	USD 705 thousand	CZK 13,641 thousand	CZK 23,119 thousand	CZK 15,216 thousand
	EUR 750 thousand	CZK 20,198 thousand	CZK 19,965 thousand	CZK 20,621 thousand
	CZK 5,000 thousand	CZK 5,000 thousand	CZK 5,000 thousand	CZK 5,000 thousand
<i>Collateralising blank bills of exchange</i>				
– to other entities	0	0	0	CZK 399,290 thousand

The Company was subject to an environmental audit which indicates the Company's liabilities relating to the environment. Pursuant to the audit, the Company entered into a contract with the Czech Property Fund for the settlement of expenses incurred for the settlement of the environmental liabilities before the privatisation up to CZK 514 million. As of 31 December 2008, 2007 and 2006, the Company drew the funds in the amounts of CZK 335,735 thousand, CZK 299,316 thousand and CZK 259,744 thousand, respectively.

Given that the Company concluded an amendment to this contract with the Czech Republic – Ministry of Finance on 3 November 2008, the guarantee of the Ministry amounts up to CZK 843.6 million. This guarantee covers environmental liabilities of the Company, therefore the reserve for environmental burdens was released.

ENERGETIKA TŘINEC, a.s.

(CZK thousand)

Type of liability	Aggregate amount	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Blank bills of exchange – collateral for long-term bank loans	200 000	200 000	200 000	200 000
Blank bills of exchange – collateral for overdraft loans	100 000	100 000	100 000	100 000
Total	300 000	300 000	300 000	300 000

The company provides no guarantees for liabilities to third parties.

The company holds the ČSN EN ISO 14001 certificate and successfully passed an EMS compliance audit in 2008 performed by EZU, a.s. Praha. According to the results of the audit, no extraordinary environmental expenses are anticipated to be incurred in the future periods. As of 31 December 2008, the company was involved in no significant legal dispute, the outcome of which would significantly impact the company.

The company is not aware of any material contingent losses.

VÁLCOVNA TRUB TŽ, a.s.

The company's off-balance sheet records show payables of CZK 1,190 thousand arising from outstanding default interest charged until 2000.

As of 31 December 2008, the company was involved in no significant legal dispute, the outcome of which would significantly impact the company.

As of 31 December 2008, there was no environmental audit of the company. As a result, the company's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

Strojírny Třinec, a.s.

The company received non-payment bank guarantees from Komerční banka, a.s. for the prepayments to customers.

As of 31 December 2008, the company was involved in no significant legal dispute, the outcome of which would significantly impact the company.

At the balance sheet date, the company recorded future liabilities as a result of the contracted capital expenditure of CZK 19,433 thousand.

As of 31 December 2008, there was no environmental audit of the company. As a result, the company's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

FERROMORAVIA, s.r.o.

As of 31 December 2008, there was no environmental audit of the company. As a result, the company's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

D 5, akciová společnost, Třinec

The company records the following off balance sheet liabilities: loans collateralised by the blank bill of exchange and aggregate future receivables up to CZK 100 million. As of 31 December 2008, the company was involved in no legal dispute. The company records no environmental liabilities.

As of the balance sheet date, the company records no material future payables arising from expenditure for tangible fixed assets arising from concluded contracts.

VUHŽ, a.s.

As of 31 December 2008, the company records no off balance sheet liabilities.

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

Řetězárna, a.s.

In the year ended 31 December 2008, the company concluded forward contracts for the hedging of the exchange rate in 2009 and 2010 in the aggregate amount of EUR 2,300 thousand. The fair value measurement of these transactions was recognised in the profit and loss account.

Hanácké železářny a pérovny, a.s.

At the balance sheet date, the company recorded future liabilities as a result of the contracted capital expenditure of CZK 82.4 million (EUR 3,060 thousand).

In April 2008, the Bureau Veritas certification was audited pursuant to ISO 14001. No failures were noted during the audit and it was confirmed that the company's environmental management system is in line with the requirements of ISO 14001:2004 regarding certification – design, development and production of springs through hot forming, helical and leaf springs and stabilisers.

Beskydská golfová, a.s.**Easements:**

Reporting period			
Name of the asset	Purpose	Legal effect	Entity
Plot of land 332	Placement of the high voltage line and supporting columns for the high voltage network, right of entry with the purpose of repairs in the protective area on the part of the plot of land	28 July 2006	Severomoravská energetika, a.s.
Plot of land 333/1			
Plot of land 344			

Payables collateralised by bills of exchange:

Reporting period			
Name of the entity	Type of payable	Maturity date	Due amount
ČMZRB, a.s.	Investment special purpose loan	3 July 2009	CZK 5 967 thousand
CAC Leasing, a.s.	LS 1101900329-simulator	5 Jan 2009	CZK 2 259 thousand
CAC Leasing, a.s.	LS 1101900343-machinery	5 June 2009	CZK 2 183 thousand
Plzeňský Prazdroj, a.s.	Contract for the advertising	31 July 2011	CZK 150 thousand
CAC Leasing, a.s.	LS 1101900398-machinery	5 May 2010	CZK 5 878 thousand
Total			CZK 16 437 thousand

Slévárny Třinec, a.s., REFRASIL, s.r.o., Barrandov Studio a.s., Barrandov Televizní Studio, a.s., MS SLOVENSKO, s.r.o., MORAVIA STEEL ITALIA, SRL, Šroubárna Kyjov, spol. s r.o. and H&S PROGRESS s.r.o.

The companies are unaware of any off balance sheet liabilities as of 31 December 2008.

6. ADDITIONAL INFORMATION OF THE PROFIT AND LOSS ACCOUNT

6.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

2008 (CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	12 452 172	27 582 715	40 034 887
Power generation	320 073	0	320 073
Production of refractory material	65 466	89 600	155 066
Foundry activities	1 127 460	21 460	1 148 920
Engineering activities	647 503	1 516 819	2 164 322
Sales of goods	59 465	39 423	98 888
Services	1 944 680	350 013	2 294 693
Change in inventory	1 428 640	0	1 428 640
Own work capitalised	1 024 073	0	1 024 073
Total	19 069 532	29 600 030	48 669 562

2007 (CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	14 040 120	26 913 446	40 953 566
Power generation	308 701	–	308 701
Production of refractory material	55 352	110 998	166 350
Foundry activities	322 046	752 371	1 074 417
Engineering activities	165 143	428 290	593 433
Sales of goods	30 379	6 094	36 473
Services	1 637 747	389 958	2 027 705
Change in inventory	873 560	–	873 560
Own work capitalised	563 718	–	563 718
Total	17 996 766	28 601 157	46 597 923

2006 (CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	12 228 480	24 151 524	36 380 004
Power generation	300 512	–	300 512
Production of refractory material	63 804	105 328	169 132
Foundry activities	290 349	651 512	941 861
Engineering activities	496 460	744 022	1 240 482
Sales of goods	34 343	17 943	52 286
Services	960 612	237 752	1 198 364
Change in inventory	263 277	–	263 277
Own work capitalised	813 609	–	813 609
Total	15 451 446	25 908 081	41 359 527

6.2. CONSUMED PURCHASES (CZK thousand)

	2008	2007	2006
Consumed material	27 654 482	24 267 270	22 053 599
Consumed energy	1 997 306	1 483 887	1 360 718
Sales of goods	94 873	32 484	43 181
Total consumed purchases	29 746 661	25 783 641	23 457 498

6.3. SERVICES (CZK thousand)

	2008	2007	2006
Repair and maintenance	1 252 560	1 207 019	1 289 864
Transportation	2 744 565	2 888 877	2 619 260
Cooperation	612 328	1 207 831	1 071 788
Leasing	46 595	52 695	75 170
Right of use	156 284	158 860	82 395
Marketing	224 504	170 083	166 689
Rental	136 801	128 381	115 633
Clean-up work	82 917	84 273	80 181
Commissions	114 645	97 729	83 189
Other services	625 434	518 487	1 144 082
Total	5 996 663	6 514 235	6 728 251

Other services primarily include transport and telecommunication, legal advisory services and auditing, advertisement, lease of a trademark, services of a corporate employee agency, services related to health safety and protection, security guards, training, clean-up work and other auxiliary work.

6.4. OTHER OPERATING INCOME

(CZK thousand)

	2008	2007	2006
Contractual penalties and default interest	9 326	8 820	4 810
Recoveries of receivables written off and transferred	21 194	57 436	40 401
Grants received	20 356	72 439	107 879
Release to income of the CO ₂ emission allowances according to the National Allocation Plan	2 687 241	187 920	3 172 948
Sundry operating income	63 358	108 232	58 973
Total other operating income	2 801 475	434 847	3 385 011

6.5. OTHER OPERATING EXPENSES

(CZK thousand)

	2008	2007	2006
Gifts	48 627	32 748	40 774
Contractual penalties and default interest	5 269	3 554	628
Other penalties and fines	2 777	2 247	70
Write-offs of receivables and transferred receivables	53 710	106 413	351 407
Sundry operating expenses	137 150	203 159	185 485
Charge to expenses for the CO ₂ emission allowances according to the National Allocation Plan	2 740 908	187 920	3 173 460
Deficits and damage relating to operating activities	33 380	44 353	45 968
Total other operating expenses	3 021 821	580 395	3 797 792

6.6. GRANTS

Grants for operating purposes of CZK 6,026 thousand received in 2008 (CZK 7,860 thousand and CZK 3,025 thousand in 2007 and 2006, respectively) include grants for research purposes, and grants received from the Employment Office in prior years.

In addition, the Group received allowances of CZK 6,893 thousand and CZK 25,423 thousand from the Ministry of Industry and Trade as of 31 December 2007 and 2006, respectively, designed to address the social implications of the steel industry restructuring efforts.

Drawing of Allowed State Aid

The state aid is provided both for operating and investment purposes.

Until 2008, the Company received CZK 278,786 thousand and CZK 149,217 thousand for operating and investment purposes, respectively.

(CZK thousand)

	Eligible expenses in 2004	Allowed state aid in 2004 (drawn)	Eligible expenses in 2005	Allowed state aid in 2005 (drawn)	Eligible expenses in 2006	Allowed state aid in 2006 (drawn)
Research and development	11 323	5 175	233 510	99 235	235 847	96 822
Environment	0	0	50 721	28 911	50 960	29 047
Education	7 842	2 745	20 250	8 537	45 628	22 361
Total	19 165	7 920	304 481	136 683	332 435	148 230

(CZK thousand)

	Eligible expenses in 2007	Allowed state aid in 2007 (drawn)	Total eligible expenses until 31 Dec 2007	Total allowed state aid until 31 Dec 2007 (drawn)	Allowed state aid (received)	Returned allowed state aid	Allowed state aid (to be drawn)
Research and development	144 691	57 034	625 371	258 266	388 100	94 904	34 930
Environment	98 479	56 133	200 160	114 091	140 335	26 244	0
Education	29 576	10 445	103 296	44 088	48 241	4 153	0
Total	272 746	123 612	928 827	416 445	576 676	125 301	34 930

(CZK thousand)

	Eligible expenses in 2008	Allowed state aid in 2008 (drawn)	Total eligible expenses until 31 Dec 2008	Total allowed state aid until 31 Dec 2008 (drawn)	Allowed state aid (received)	Returned allowed state aid	Allowed state aid (to be drawn)
Research and development	20 707	11 589	646 078	269 855	388 100	118 245	0
Environment	0	0	200 160	114 091	140 335	26 244	0
Education	0	0	103 296	44 088	48 241	4 184	0
Total	20 707	11 589	949 534	428 034	576 676	148 673	0

Environmental and educational projects were completed as of 31 December 2007. Research and development projects were completed as of 30 June 2008.

6.7. RELATED PARTY TRANSACTIONS

6.7.1. Income Generated with Related Parties which Were not Eliminated in respect of the Fully Consolidated Companies of the Group

The column 'Relation to the company' is disclosed from the perspective of the MORAVIA STEEL a.s. Group.

2008

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	63	92 418	26 237	78	3 000	121 796
Kvalif. a pers. agentura, o.p.s.	Controlled entity	–	–	213	–	–	213
Reťaze Slovakia s.r.o.	Controlled entity	–	26 034	130	–	–	26 164
TRIALFA, a.s.	Controlled entity	33	62 885	5 228	1 358	–	69 504
TRISIA, a.s.	Controlled entity	–	1	74	70	–	145
TRINECKÁ PROJEKCE, a.s.	Controlled entity	–	529	727	8	375	1 639
Třinecké gastroslužby, s.r.o.	Controlled entity	13	2 194	5 347	1 002	–	8 556
VESUVIUS ČR, a.s.	Controlled entity	–	5 652	20 066	56	45 255	71 029
CMC Třinec Stahlhandel GmbH	Associate	–	160 541	1 922	–	–	162 463
SILESIALAG, a.s.	Controlled entity	–	–	21	–	–	21
Steel Consortium Partners, a.s.	Controlled entity	–	–	57	–	–	57
Moravia Steel Ibéria, s.a.	Controlled entity	14 260	–	–	–	–	14 260
Moravia Security, a.s.	Controlled entity	490	78	683	47	–	1 298
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	–	154	256	628	–	1 038
ZAMECZEK BŁOGOCICE	Controlled entity	–	–	–	–	614	614
Regionální informační centrum Frýdek – Místek s.r.o.	Controlled entity	–	–	107	–	–	107
Barrandov Productions, s.r.o.	Controlled entity	24	72	10 744	74	–	10 914
Filmová nadace RWE & Barrandov Studio	Controlled entity	–	–	142	3	–	145
Total		14 883	350 558	71 954	3 324	49 244	489 963

2007

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	12	104 787	41 630	88	–	146 517
Kvalif. a pers. agentura, o.p.s.	Controlled entity	–	–	199	–	–	199
Reťaze Slovakia s.r.o.	Controlled entity	–	24 144	–	–	–	24 144
TRIALFA, a.s.	Controlled entity	7	60 083	4 223	2 210	–	66 523
TRISIA, a.s.	Controlled entity	9	2	3 776	1 160	–	4 947
TRINECKÁ PROJEKCE, a.s.	Controlled entity	–	2 715	729	1	–	3 445
Třinecké gastroslužby, s.r.o.	Controlled entity	8	2 122	4 877	866	–	7 873
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Controlled entity	–	5 154	17 554	57	–	22 765
CMC Třinec Stahlhandel GmbH	Associate	–	97 377	–	62	–	97 439
SILESIALAG, a.s.	Controlled entity	–	–	46	–	–	46
Steel Consortium Partners, a.s.	Controlled entity	–	–	51	–	–	51
Barrandov Productions, s.r.o.	Controlled entity	23	204	6 447	137	–	6 811
Filmová nadace RWE & Barrandov Studio	Controlled entity	–	–	140	–	–	140
TV Barrandov s.r.o.	Controlled entity	–	–	–	–	374	374
Total		59	296 588	79 672	4 581	374	381 274

2006

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	16	48 543	3 474	118	–	52 151
Kvalif. a pers. agentura, o.p.s.	Controlled entity	–	–	190	–	–	190
Reťaze Slovakia s.r.o.	Controlled entity	–	24 271	–	–	–	24 271
TRIALFA, a.s.	Controlled entity	12	40 743	2 682	1 844	–	45 281
TRISIA, a.s.	Controlled entity	–	–	48	43	–	91
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	46	417	1 120	3	–	1 586
Třinecké gastroslužby, s.r.o.	Controlled entity	15	2 187	3 208	999	–	6 409
VESUVIUS ČR, a.s.	Controlled entity	7	4 344	18 646	29	–	23 026
Sochorová válcovna TŽ, a.s.	Controlled entity	31	3 701 091	23 461	10 324	266	3 735 173
CMC Třinec Stahlhandel GmbH	Controlled entity	–	108 335	–	–	–	108 335
Beskydská golfová, a.s.	Controlled entity	–	–	300	–	119	419
SILESIAFLAG, a.s.	Controlled entity	–	–	64	–	–	64
Steel Consortium Partners, a.s.	Controlled entity	–	–	39	–	94	133
CMC-Třinec Stahlhandel GmbH	Associate	–	10 600	592	–	–	11 192
SD Obchodní společnost s.r.o.	*)	38	38	36 342	–	–	36 418
FINITRADING, a.s.	Controlling entity	–	–	56	–	–	56
DEMONTA Trade a.s.	*)	–	–	15 904	1 200	–	17 104
Pozemní stavitelství Zlín a.s.	**)	8 097	8 097	–	–	–	16 194
Barrandov Productions, s.r.o.	Controlled entity	16	74	2 365	3	–	2 458
Filmová nadace RWE & Barrandov Studio	Controlled entity	1	–	107	–	–	108
TV Barrandov s.r.o.	Controlled entity	9	–	575	28	–	612
Total		8 288	3 948 740	109 173	14 591	479	4 081 271

*) Entity related through a common member of the Supervisory Board

**) Entity related through a common member of its Board of Directors

6.7.2. Costs Incurred with Related Parties which Were not Eliminated in respect of the Fully Consolidated Companies of the Group

The column 'Relation to the company' is disclosed from the perspective of the MORAVIA STEEL a.s. Group.

2008

(CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total	Total
Doprava TŽ, a.s.	Controlled entity	48	4 536	70 298	78	74 960	121 796
Hutnictví železa, a.s.	Controlled entity	–	–	6 364	–	6 364	213
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	3	–	225	295	523	26 164
Moravia Steel Ibéria, s.a.	Controlled entity	–	–	13 497	–	13 497	69 504
Reťaze Slovakia, s.r.o.	Controlled entity	–	413	1 484	–	1 897	145
TRIALFA, s.r.o.	Controlled entity	–	12 625	20 936	69 569	103 130	1 639
TRISIA, a.s.	Controlled entity	–	–	302	–	302	8 556
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	9 645	529	8 172	497	18 843	71 029
Třinecké gastroslužby, s.r.o.	Controlled entity	469	15 064	11 243	66 947	93 723	162 463
Moravia Steel Slovenija, d.o.o.	Controlled entity	–	–	9 306	–	9 306	21
VESUVIUS ČR, a.s.	Controlled entity	–	149 586	57 955	–	207 541	57
CMC Třinec Stahlhandel GmbH	Associate	–	–	1 097	19	1 116	14 260
FINITRADING, a.s.	Controlling entity	–	3 417 147	63	–	3 417 210	1 298
Moravia Security, a.s.	Controlled entity	–	–	40 842	1 355	42 197	1 038
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	–	29	11 222	–	11 251	614
Barrandov Productions s.r.o.	Controlled entity	–	–	377	–	377	107
Filmová nadace RWE & Barrandov Studio	Controlled entity	–	–	–	100	100	10 914
SV servisní, s.r.o.	Controlled entity	–	–	36 313	–	36 313	145
Total		10 165	3 599 929	289 696	138 860	4 038 650	489 963

2007

(CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	–	3 585	86 378	–	89 963
Hutnictví železa, a.s.	Controlled entity	–	30	6 247	–	6 277
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	–	–	316	–	316
Refaze Slovakia, s.r.o.	Controlled entity	–	534	1 708	–	2 242
TRIALFA, s.r.o.	Controlled entity	–	14 022	17 161	68 019	99 202
TRISIA, a.s.	Controlled entity	–	–	29 085	148	29 233
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	25 374	40	10 324	–	35 738
Třinecké gastroslužby, s.r.o.	Controlled entity	–	14 320	20 586	52 431	87 337
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Controlled entity	80	140 872	63 477	–	204 429
Moravia Steel Ibéria, s.a.	Controlled entity	–	–	8 336	–	8 336
Moravia Steel Slovenija, d.o.o.	Controlled entity	–	–	1 970	–	1 970
CMC-TRINEC Stahlhandel GmbH	Controlled entity	–	–	2 669	3 091	5 760
FINITRADING, a.s.	Controlled entity	–	2 528 278	–	–	2 528 278
Barrandov Productions, s.r.o.	Controlled entity	–	–	2 583	66	2 649
Filmová nadace RWE & Barrandov Studio	Controlled entity	–	–	–	796	796
TV Barrandov s.r.o.	Controlled entity	–	–	104	60	164
Total		25 454	2 701 681	250 944	124 611	3 102 690

2006

(CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	73	576	79 970	1	80 620
Hutnictví železa, a.s.	Controlled entity	–	–	6 490	–	6 490
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	–	–	443	–	443
Refaze Slovakia, s.r.o.	Controlled entity	–	2 172	–	–	2 172
TRIALFA, s.r.o.	Controlled entity	–	10 627	79 962	–	90 589
TRISIA, a.s.	Controlled entity	–	–	32 299	192	32 491
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	34 025	–	7 518	–	41 543
Třinecké gastroslužby, s.r.o.	Controlled entity	–	13 995	14 527	47 884	76 406
VESUVIUS ČR, a.s.	Controlled entity	–	129 023	65 980	–	195 003
Sochorová válcovna TŽ, a.s.	Controlled entity	147	4 955 690	25 128	5 363	4 986 328
CMC Třinec Stahlhandel GmbH	Associate	–	–	164	4	168
Beskydská golfová, a.s.	Controlled entity	–	–	676	–	676
FINITRADING, a.s.	Controlled entity	–	2 549 998	–	–	2 549 998
MORAVIA STEEL IBERIA S.A	Controlled entity	–	–	7101	–	7 101
Barrandov Productions, s.r.o.	Controlled entity	–	15	6 545	–	6 560
Filmová nadace RWE & Barrandov Studio	Controlled entity	–	4	–	715	719
TV Barrandov s.r.o.	Controlled entity	–	–	4	–	4
SD Obchodní společnost s.r.o.	*)	–	598 633	–	–	598 633
DEMONTA T, s.r.o.	*)	–	86 247	–	–	86 247
DEMONTA Trade a.s.	*)	–	180 951	412	–	181 363
Total		34 245	8 527 931	327 219	54 159	8 943 554

*) Entity related through a common Supervisory Board member

7. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

7.1. STAFF COSTS AND NUMBER OF EMPLOYEES

2008

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	316	17	307 300	139 948
Barrandov Studio, a.s.	319	20	154 320	19 940
Barrandov Televizní Studio, a.s.	74	5	47 562	9 314
MORAVIA STEEL ITALIA S.R.L.	8	3	7 867	*)
MORAVIA STEEL SLOVENSKO, s.r.o.	—	—	—	—
Sochorová válcovna TŽ, a.s.	722	9	326 067	21 491
Beskydská golfová, a.s.	15	3	5 445	66
Hanácké železářny a pérovny, a.s.	320	7	86 882	9 745
TRINECKÉ ŽELEZÁŘNY, a.s.	5 539	6	2 685 883	68 893
ENERGETIKA TRINEC, a.s.	381	5	178 413	10 921
Strojírny Trinec, a.s.	1 029	8	390 043	17 309
Slévárny Trinec, a.s.	722	5	283 169	8 852
REFRASIL, s.r.o.	205	2	90 125	14 792
Řetězárna a.s.	311	6	115 659	12 544
VÁLCOVNA TRUB TŽ, a.s.	801	4	329 649	7 172
FERROMORAVIA, s.r.o.	247	5	91 870	8 174
H&S PROGRESS, s.r.o.	0	0	102	0
Šroubárna Kyjov, spol. s r.o.	301	9	87 050	6 883
D5, a.s.	759	8	154 795	7 778
VUHŽ, a.s.	348	14	181 814	31 856
Total under full consolidation	12 417	136	5 524 015	395 678

*) Data not available.

2007

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	314	17	369 652	190 192
Barrandov Studio, a.s.	334	21	171 656	32 714
Barrandov Televizní Studio, a.s.	—	—	—	—
MORAVIA STEEL ITALIA S.R.L.	*)	*)	6 096	*)
MORAVIA STEEL SLOVENSKO, s.r.o.	—	—	—	—
Sochorová válcovna TŽ, a.s.	717	9	115 368	14 681
Beskydská golfová, a.s.	12	3	4 517	81
TRINECKÉ ŽELEZÁŘNY, a.s.	5 428	6	2 638 118	47 105
ENERGETIKA TRINEC, a.s.	386	5	181 285	12 515
Strojírny Trinec, a.s.	1 025	8	372 244	17 309
Slévárny Trinec, a.s.	673	5	294 970	8 631
REFRASIL, s.r.o.	217	2	90 610	14 464
Řetězárna, a.s.	325	7	118 057	20 293
VVT VÍTKOVICE VÁLCOVNA TRUB, a.s.	801	4	317 446	10 789
FERROMORAVIA, s.r.o.	245	5	90 560	9 068
H&S PROGRESS, s.r.o.	6	1	1 604	162
ROLLSERVIS a.s.	29	1	5 109	332
VÚHŽ a.s.	306	13	94 867	8 213
VUHŽ NEMO a.s.	—	—	46	—
Total under full consolidation	10 818	107	4 872 205	397 780

*) Data not available.

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	285	19	387 194	204 737
Barrandov Studio a.s.	325	19	156 370	23 598
MORAVIA STEEL ITALIA S.R.L.	6	2	9 971	6 657
MORAVIA STEEL SLOVENSKO	–	–	–	–
TŘINECKÉ ŽELEZÁRNY, a.s.	5 417	6	2 330 356	68 162
ENERGETIKA TŘINEC, a.s.	391	6	168 755	18 307
Strojírny Třinec, a.s.	1 002	7	326 126	15 166
Slévárny Třinec, a.s.	660	5	218 776	8 907
REFRASIL, s.r.o.	215	2	85 302	13 995
Řetězárna, a.s.	328	7	113 759	20 402
VVT VÍTKOVICE VÁLCOVNA TRUB, a.s.	826	3	293 543	6 543
FERROMORAVIA, s.r.o.	243	5	81 538	9 744
Total under full consolidation	9 698	81	4 171 690	396 218

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

The amount of bonuses, advances, borrowings, other receivables, payables and other benefits to members of the statutory, management and supervisory bodies is as follows:

(CZK thousand)

Company/performance	2008	2007	2006
MORAVIA STEEL a.s.	107 084	94 808	92 475
Use of management cars	1 708	1 377	1 603
Damage liability insurance	460	473	340
Bonuses	104 916	92 958	90 532
TŘINECKÉ ŽELEZÁRNY, a.s.	19 770	21 086	35 178
Use of management cars	804	962	969
Life insurance contribution	–	–	14 674
Damage liability insurance	438	1 260	863
Bonuses	18 528	18 864	18 672
ENERGETIKA TŘINEC, a.s.	1 468	1 558	1 775
Use of management cars	462	488	744
Life insurance contribution	185	207	228
Damage liability insurance	173	197	155
Bonuses	648	666	648
Strojírny Třinec, a.s.	1 175	1 076	1 106
Use of management cars	439	443	389
Life insurance contribution	38	–	38
Damage liability insurance	50	–	31
Bonuses	648	663	648
Slévárny Třinec, a.s.	714	705	700
Use of management cars	4	5	5
Life insurance contribution	29	29	24
Damage liability insurance	33	23	23
Bonuses	648	648	648
REFRASIL, s.r.o.	625	1 480	1 746
Use of management cars	237	237	–
Life insurance contribution	4	856	1 284
Damage liability insurance	–	3	2
Bonuses	384	384	460
FERROMORAVIA, s.r.o.	847	125	1 923
Use of management cars	523	–	577
Damage liability insurance	–	125	118
Bonuses	324	–	1 228
Řetězárna a.s.	7 667	8 366	8 243
Bonuses	6 774	7 470	7 176
Life insurance contribution	–	–	168
Use of management cars	872	872	899
Damage liability insurance	21	24	–

Company/performance	2008	2007	2006
VÁLCOVNA TRUB TŽ, a.s.	1 507	972	1 105
Use of management cars	481	305	457
Life insurance contribution	378	19	–
Bonuses	648	648	648
Barrandov Studio a.s.	4 489	5 291	4 840
Use of management cars	769	636	1 214
Bonuses	3 685	4 625	3 600
Life insurance contribution	35	30	26
Barrandov Televizní Studio a.s.	8 036		
Use of management cars	8 036	–	–
Sochorová válcovna TŽ, a.s.	5 647	5 935	–
Life insurance contribution	47	15	–
Bonuses	5 600	5 920	–
H&S PROGRESS s.r.o.	78	190	0
Damage liability insurance	–	1	0
Bonuses	78	189	0
ROLLSERVIS a.s.	–	439	0
Use of management cars	–	14	0
Damage liability insurance	–	2	0
Bonuses	–	423	0
VÚHŽ a.s.	1 512	9 904	0
Use of management cars	931	510	0
Life insurance contribution	38	13	0
Damage liability insurance	75	25	0
Bonuses	468	9 356	0
VUHŽ NEMO a.s.	–	46	0
Bonuses	–	46	0
Hanácké železářny a pérovny, a.s.	1 130	–	–
Life insurance contribution	336	–	–
Bonuses	794	–	–
D5, a.s.	862	–	–
Use of management cars	291	–	–
Life insurance contribution	37	–	–
Bonuses	534	–	–
Šroubárna Kyjov, s.r.o.	536	–	–
Use of management cars	367	–	–
Life insurance contribution	3	–	–
Bonuses	166	–	–
Total	163 147	169 340	147 131

8. POST BALANCE SHEET EVENTS

On 1 December 2008, the Parent Company concluded a contract for the transfer of shares with Pavel Pěnkava, the lawyer representing on the basis of a commission contract allowing the sale of a 51 percent equity investment in Moravskoslezský kovošrot, a.s. with its registered office at V Jámě 1371/8, Nové město, Prague 1, 110 00, corporate ID 268 55 097. The purchase price was determined to be CZK 106,000 thousand. The validity of the contract was subject to a suspensory condition, i.e. the ruling of the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) regarding the authorisation of association of competitors arising from the contract referred to above. On 5 February 2009, the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) approved, via its first-level resolution, the association of MORAVIA STEEL a.s. and Moravskoslezský kovošrot, a.s. As a result, MORAVIA STEEL acquired the 51 percent equity investment in the assumed entity.

On 5 February 2009, the Parent Company increased the share capital in Barrandov Televizní Studio by CZK 399,288 thousand. On 25 February 2009, the Company subscribed for another 89 shares in the aggregate amount of CZK 712 thousand. These shares were paid on 3 March 2009.

On 18 February 2009, the Parent Company entered in a purchase contract with Čestmír Vančura for the purchase of the 50 percent equity interest in Kovárna „VIVA“ Zlín, spol. s r.o., with its registered office at tř. T. Bati 5266, Zlín, 760 01. The purchase price was determined to be CZK 175,000 thousand. The validity of the contract is subject to a suspensory condition, i.e. the ruling of the Office for the Protection of Economic Competition in the Czech Republic (ÚOHS) regarding the authorisation of association of competitors arising from the contract referred to above. On 6 May 2009, the first instalment of CZK 50,000 thousand, which has the nature of a prepayment for the purchase price, was paid. If the Office for the Protection of Economic Competition in the Czech Republic does not allow the association before 30 September 2009 at the latest, the first instalment for the purchase price will be refunded to MORAVIA STEEL a.s. before 30 October 2009.

On 21 January 2009, Trinecké železářny, a.s. increased its equity investment in ZAMECZEK BŁOGOCICE Spółka z ograniczoną odpowiedzialnością, Poland, by 43 percent i.e. to a total of 88 percent.

Trinecké železářny, a.s. entered into a contract leading to the control of METALURGIA S.A. based in Radomsk, Poland. The transaction will be completed following the fulfilment of the suspensory conditions involving, among others, the receipt of approvals from the relevant anti-monopoly offices.

9. REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2008

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Třinec-Staré Město, Průmyslová 1000, PSČ 739 70
Legal Status:	Joint Stock Company
Corporate ID:	25872940
Tax ID:	CZ 25872940

The Company is recorded in the Register of Companies held by the Regional Court in Ostrava, Section B, File 1297

MORAVIA STEEL a.s., based at Průmyslová 1000, 739 70 Třinec-Staré Město, corporate ID: 63474808, recorded in the Register of Companies, Section B, File 1297, maintained at the Regional Court in Ostrava (henceforth the “Company”), forms a holding group with the entities listed below in terms of Section 66a (7) of the Commercial Code.

This report on related party transactions has been prepared in accordance with Section 66a (9) of the Commercial Code for the reporting period ended 31 December 2008 (henceforth the “reporting period”).

I. Definition of the Holding Group

A. Controlling Entities

FINITRADING a.s., based at nám. Svobody 526, 739 61 Třinec, corporate ID: 61974692

Relation to the Company: controlling entity acting in concert with R.F.G., a.s. under Section 66b (1) and Section 66b (2) (b) of the Commercial Code
FINITRADING, a.s. was the controlling entity and also the sole shareholder of R.F.G., a.s. throughout 2008.

R.F.G., a.s., based at nám. Svobody 526, 739 61 Třinec, corporate ID: 63079658

Relation to the Company: controlling entity acting in concert with FINITRADING a.s. under Section 66b (1) and Section 66b (2) (b) of the Commercial Code

B. ENTITIES CONTROLLED BY THE COMPANY

TŘINECKÉ ŽELEZÁRNY, a.s. based at Průmyslová 1000, 739 70 Třinec-Staré Město, corporate ID: 18050646

Relation to the Company: entity controlled by the Company as the majority shareholder under Section 66a (3) (a) of the Commercial Code and by the Company acting in concert with FINITRADING a.s. under Section 66a (4) of the Commercial Code

Sochorová válcovna TŽ, a.s. based at Průmyslová 1000, 739 70 Třinec-Staré Město, corporate ID: 25872940

Relation to the Company: entity controlled by the Company as the majority shareholder under Section 66a (3) (a) of the Commercial Code and by the Company acting in concert with TŘINECKÉ ŽELEZÁRNY, a.s. under Section 66a (4) of the Commercial Code

Moravia Steel AG Zug based at Oberallmendstrasse 16, 6302 Zug, Switzerland

Relation to the Company: subsidiary

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

Relation to the Company: subsidiary

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

Relation to the Company: subsidiary

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

Relation to the Company: subsidiary

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

Relation to the Company: subsidiary

CMC – TRINEC Stahlhandel, GmbH based at Cliev 19, 515 15 Kürten, Germany

Relation to the Company: subsidiary

TRINEC – CMC LIMITED based at Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, England

Relation to the Company: subsidiary

Barrandov Televizní Studio a.s. based at Kříženeckého nám. 322, 15 200 Prague 5, corporate ID: 41693311

Relation to the Company: subsidiary

Barrandov Studio a.s. based at Kříženeckého nám. 322/5, 152 00 Prague 5, Hlubočepy, corporate ID 28172469

Relation to the Company: subsidiary

Barrandov Lands a.s. based at Kříženeckého nám. 322/5, Prague 5, corporate ID: 27225674

Relation to the Company: subsidiary

MS – Slovensko s.r.o. based at Palisády 56, 811 06 Bratislava, Slovakia

Relation to the Company: subsidiary

MORAVIA STEEL ISRAEL Ltd. based at 23 Efal St., Petach Tikva 49511, P.O.B. 3286, Israel

Relation to the Company: subsidiary

Beskydská golfová, a.s. based at Ropice 415, 739 56, corporate ID: 25352920

Relation to the Company: subsidiary

Hanácké železářny a pérovny, a.s. based at Dolní 100, Prostějov, 797 11, corporate ID: 26955342

Relation to the Company: subsidiary

MORAVIA STEEL POLAND Sp. z o.o. based at Bobrecka 27, Cieszyn 43-400, Poland

Relation to the Company: subsidiary

Relations between the Company and the above-mentioned entities controlled by the Company are described in a report on related parties for each of these controlled entities, each of which prepares a report on relations between related parties separately and details its transactions with the Company for the given reporting period. The Company incurred no damage in connection with these relations.

II. DESCRIPTION OF RELATIONS

A. RELATIONS BETWEEN RELATED PARTIES

- a) Relations in terms of Section 66a (9) of the Commercial Code that arose during the reporting period between the Company and FINITRADING a.s. as the controlling entity are disclosed in Part B of this Section.
- a) Relations in terms of Section 66a (9) of the Commercial Code that arose between the Company and R.F.G., a.s. as the controlling entity are disclosed in Part C of this Section.

B. DESCRIPTION OF RELATIONS OF THE COMPANY WITH THE CONTROLLING ENTITY FINITRADING A.S.

B.1. Sales

The Company effected no sales of goods to the controlling entity during the reporting period.

B.2. Purchases

B.2.1. Framework Purchase Contract No. S-040047

Framework Contract No. S-040047 effective for the period from 1 January 2005 to 31 December 2009 was concluded by the Company and the controlling entity on 22 November 2004. Under the contract, the controlling entity makes a long-term undertaking to supply lump Zaporizhia aglo-ore to the Company. The framework contract was implemented in 2008 on the basis of Purchase Contract No. S-070005, i.e. Amendment No. 3 of 31 January 2008, and Purchase Contract No. S-080005 of 31 March 2008, which is valid until 31 January 2009. During 2008, purchase prices were specified in the form of amendments to the above-mentioned purchase contracts.

In the reporting period, the total purchase price paid by the Company for the supply of the aglo-ore based on these contracts amounted to CZK 2,265,180 thousand excluding VAT.

B.2.2. Framework Purchase Contract No. S-040048

Framework Contract No. S-040048 effective for the period from 1 January 2005 to 31 December 2009 was concluded by the Company and the controlling entity on 22 November 2004. Under the contract, the controlling entity makes a long-term undertaking to supply lump Zaporizhia ore to the Company. The framework contract was implemented in 2008 on the basis of Purchase Contract No. S-070006, i.e. Amendment No.3 of 31 January 2008, and Purchase Contract No. S-080006 of 31 March 2008, which is valid until 31 January 2009. During 2008, purchase prices were specified in the form of amendments to the above-mentioned purchase contracts.

In the reporting period, the total price paid by the Company for the supply of the lump ore based on these contracts amounted to CZK 491,576 thousand excluding VAT.

B.2.3. Purchase Contract No. S-070007 and Purchase Contract No. S-080007

The Company purchased Krivbas aglo-ore from the controlling entity pursuant to Amendment No. 4 concluded on 31 January 2008 as part of Purchase Contract No. S-070007 and pursuant to Purchase Contract No. S-080007 of 31 March 2008. Purchase Contract No. S-080007 was concluded for a definite period of time until 31 January 2009.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of the Krivbas aglo-ore based on the purchase contracts amounted to CZK 626,386 thousand excluding VAT.

B.2.4. Purchase Contract No. S-080010

Pursuant to Purchase Contract No. S-080010 of 31 October 2008, the controlling entity realised supplies of the Jakovlevská aglo-ore to the Company. The Purchase Contract is signed for a definite period of time until 30 April 2009.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of the Jakovlevská aglo-ore based on the Purchase Contract amounted to CZK 30,534 thousand excluding VAT.

B.2.5. Purchase Contract No. S-080008

Pursuant to Purchase Contract No. S-080008 of 20 August 2008, the controlling entity realised supplies of unsorted aglo-ore to the Company. The Purchase Contract is signed for a definite period of time until 30 September 2009.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of unsorted aglo-ore based on the Purchase Contract amounted to CZK 4,130 thousand excluding VAT.

B.3. Other Contractual Arrangements

No other contractual arrangements in terms of Section 66a (9) of the Commercial Code were entered into between the Company and FINITRADING a.s. during the reporting period.

B.4. Other Legal Acts

No other significant legal acts in terms of Section 66a (9) of the Commercial Code were implemented by the Company in the interest of the controlling entity – FINITRADING a.s. during the reporting period.

B.5. Other Measures

No other measures were adopted by the Company at the initiative or in the interest of the controlling entity FINITRADING a.s. during the reporting period.

B. 6. Overall Assessment of Relations to the Controlling Entity under Section 66a (9) of the Commercial Code

The report highlights all material contracts entered into during the reporting period and the total amount of received supplies and provided counter-performance between the Company and the controlling entity. The analyses of received performance and provided counter-performance, as disclosed in Section B, have shown that the performance was provided under standard business terms and conditions. The goods are supplied for arm's length prices established by reference to market prices. The Company incurred no damage in connection with its relations with the controlling entity.

C. DESCRIPTION OF RELATIONS OF THE COMPANY WITH THE CONTROLLING ENTITY R.F.G., A.S.

In the reporting period, no purchases or sales of goods or services were effected between the Company and R.F.G., a.s. No other significant legal acts or measures in terms of Section 66a (9) of the Commercial Code were implemented in the interest of the controlling entity – R.F.G. a.s. during the reporting period.

In Třinec on 5 March 2009



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Lenka Blažková
Chairwoman of the Board of Directors



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Krzysztof Ruciński
Vice-Chairman of the Board of Directors