ANNUAL REPORT 2009

MORAVIA STEEL

MORAVIA STEEL

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INTRODUCTORY STATEMENT OF THE SUPERVISORY BOARD CHAIRMAN

Dear Shareholders, Business partners and Employees,

Again, it is my role as the Chairman of the Supervisory Board of MORAVIA STEEL a.s. to evaluate the results which our joint stock company recorded in the elapsed period, i.e. in the year 2009.

It was a year in which the global financial and economic crisis appeared in the full extent. In particular, the metallurgical industry was struck severely as it is dependent on other consumer and processing sectors, such as the automotive industry, general engineering, power engineering or building industry. The recession has not avoided the steel-making industry in the Czech Republic and consequently TŘINECKÉ ŽELEZÁRNY, a.s. – MORAVIA STEEL a.s. A decline in the production and investment activities in nearly all market segments led to a dramatic drop in consumption and demand for steel and, as a consequence, to a drop in sales prices, which was more progressive than the drop in the basic input raw materials.

The Czech steel industry observed a year-on-year drop in the steel production of up to 28 %. A similar trend was observed in major markets of our Group, i.e. the European Union, USA and a number of other countries. Asia, primarily due to China, was the only world region, where steel production grew. The drop within the Czech steel industry has not bypassed even the subsidiary, TŘINECKÉ ŽELEZÁRNY, a.s., considering that it produced almost ten % less steel and rolled products when compared to 2008.

In spite of the continuing complicated economic situation and temporary growth in lower grade products, the long-term strategy of TŘINECKÉ ŽELEZÁRNY, a.s. – MORAVIA STEEL a.s. continues to be oriented on an increase in the share of the products with a higher degree of processing and building product chains. The Group intends to continue for using on products destined for such fields as engineering, power engineering, petroleum and automotive industries. Therefore, production of wire rod for the manufacturing of screws, springs, bearings and tire cords, special iron bars, finally treated steel, wide and flat tool steel and tubes is preferred. Within this strategy, two other companies joined the Group last year. MORAVIA STEEL a.s. now owns a fifty % share interest in KOVÁRNA VIVA a.s. (a forging company) and the subsidiary, TŘINECKÉ ŽELEZÁRNY, a.s., owns a hundred % share interest in a Polish company, METALURGIA S.A., located in Radomsk. In the last year, MORAVIA STEEL a.s. also acquired Moravskoslezský kovošrot, a.s. (a scrap yard) to its portfolio of companies.

MORAVIA STEEL a.s. has operated on the market of metallurgical production since 1996. Since then, it has built a sound and stabilised position on the domestic and foreign markets. The provision of domestic and international shipping services, purchase and sales of raw materials and other inputs required for the metallurgical production has been an integral part of the activities of MORAVIA STEEL a.s.

In 2009, in spite of the unfavourable situation on the Czech and world economy, MORAVIA STEEL a.s. achieved positive economic results in the accounting period, amounting to CZK 710 million. The last year's dramatic drop in the prices of steel products however caused a drop in the total sales for sold goods, of 36.2 %, to CZK 40.931 billion.

The Company's assets fell from CZK 15.090 billion to CZK 13.953 billion on a year on year basis. The fixed assets of MORAVIA STEEL a.s. increased from CZK 6.052 billion to CZK 6.713 billion.

In the last year, the Company's equity amounted to CZK 7.493 billion. In 2008, this figure amounted to CZK 8.551 billion. The share of liabilities including other liabilities amounted to 46.3 %.

The added value dropped from CZK 2.875 billion to CZK 1.848 billion when compared to 2008.

In terms of volume, rolled wire remained the major commodity of our product range. In the last year, sales amounted to CZK 817.301 kt and they were 33.6 kt higher than in 2008. Nonetheless, this was due to a temporary increase in the production and deliveries of low-grade wire rod, which was delivered to the market in the volume of ca. 70 kt more than in 2008, which showed in the drop in the average price by 28 %. Continually cast blooms and billets and semi-finished products were the second largest commodity in terms of volume. Their last year sales dropped by 54.7 kt to 226.1 kt. The key reason was the slump in the production of the rail wheel sets, forging companies and components for wind farms. Traditionally, rails were another significant product. Their sales fell from the record of almost 248 kt in 2008 to the last year's volume of 220.7 kt. However, the average price was slightly higher, by nearly one %. The products from Sochorová válcovna TŽ Kladno (the rolling Mill) can be ranked among the commodities which are significant in terms of their volume, with the 2009 sales of 185.5 kt.

In 2009, MORAVIA STEEL a.s. sold metallurgical products in the total volume of 2,020.9 kt. A total of 1,374.3 was destined for export markets. The remaining 646.6 kt were sold on the domestic market. The EU's share in our foreign sales accounted for 76.1 %. Other significant markets included Slovakia and America with their share of 12.4 % and 8 %, respectively.

Dear Shareholders, Business partners and Employees,

I would like to warmly thank you for the contributing cooperation in the enormously difficult last year. Getting over the continuing difficult time successfully is inconceivable without long-term and helpful relations. Therefore, let me take this opportunity and address you all and ask you to retain your favour MORAVIA STEEL a.s. and our entire group and hence contribute to our stabilisation and the consolidation of our position both in the steel-making industry and in the associated markets with steel products.

Tomáš Chrenek

Supervisory Board Chairman MORAVIA STEEL a.s.

COMPANY PROFILE

Since its incorporation in 1995, MORAVIA STEEL a.s. has become a renowned and stable partner for metallurgical products sellers in the Czech Republic as well as abroad.

It is an owner of the major interest in TŘINECKÉ ŽELEZÁRNY, a.s. and other production and trading companies. In 2009, their number has extended by newly acquired share interests in Kovárna "VIVA" Zlín, spol. s.r.o. (a forging shop) and Moravskoslezský kovošrot, a.s. (a scrap yard).

Provision of domestic and international shipping services and procurement of raw materials and other inputs required for the metallurgical production is an integral part of the Companies' activities.

The basic economic indicators of MORAVIA STEEL a.s. between 2005 and 2009 are considerably affected by the development of the world economy and financial markets, particularly in 2008 and 2009.

ECONOMIC INDICATORS FOR 2005 – 2009 (IN CZK MILLION)

INDICATOR	2005	2006	2007	2008	2009
Sales of goods	53,105	57,440	61,071	64,171	40,931
Sales of own products and services	532	550	885	1,068	730
Added value	2,442	2,608	3,165	2,875	1,848
Financial profit or loss	202	506	1,128	-432	-550
Profit or loss of the reporting period	1,779	2,161	3,203	1,489	710
Total assets	11,739	13,530	14,266	15,090	13,953
Fixed assets	4,349	4,333	5,913	6,052	6,713
Equity	4,254	5,779	7,380	8,551	7,493
Proportion of liabilities, including other liabilities (%)	63.76 %	57.29 %	48.27 %	43.33 %	46.30 %
EBIT	2,379	2,761	3,917	2,045	968

STATUTORY BODIES AND MANAGEMENT OF THE COMPANY

Tomáš Chrenek
Chairman

Evžen Balko
Vice-Chairman

Ján Moder
Vice-Chairman

Hanns Kurt Zöllner
Member

Jaroslava Ciahotná
Member

Mária Blašková
Member

Lenka Blažková
Chairman

Krzysztof Roch Ruciński
Vice-Chairman

Mojmír Kašprišin
Member

Supervisory Board as of 31 December 2009

Tomáš Chrenek	Chairman
Ján Moder	Vice Chairman
Evžen Balko	Vice Chairman
Mária Blašková	Member
Hanns Kurt Zoellner	Member
Jaroslava Ciahotná	Member

Board of Directors as of 31 December 2009

Lenka Blažková	Chairwoman
Krzysztof Roch Ruciński	Vice Chairman
Mojmír Kašprišin	Member

ORGANISATIONAL STRUCTURE

Since its incorporation in 1995, MORAVIA STEEL a.s. has become a renowned and stable notion amongst metallurgical products sellers in the Czech Republic as well as abroad

IV. REPORT OF THE BOARD OF DIRECTORS

In 2009, MORAVIA STEEL a.s., as was metallurgical companies, was struck by the continuing instability on the world financial markets with a considerable drop in the demand for metallurgical products.

In the first half of the year, the sales of metallurgical products were in an amount which enabled the Company to utilise production capacities in the Group at the average of 80 – 85 %. The second half brought a gradual recovery of demand, so that at the year end the capacity potential was fully utilised.

Nevertheless, a dramatic drop in the prices was the major cause of the reduction in the total sales of goods, amounting to CZK 40,931 million in 2009, which is 36.2 % less when compared to the previous year.

In spite of the unfavourable effects, profit after tax in the amount of CZK 710 million was achieved in 2009.

DEVELOPMENT OF THE INDUSTRY GLOBALLY AND IN THE CZECH REPUBLIC

Metallurgy, as an industry largely dependent on other consumer and processing industries, such as the automotive industry, general engineering, power engineering and building industry, was severely affected by the drop in demand for steel caused by the decline in economic growth and industrial production in most parts of the world. This crisis situation, which emerged in metallurgy as early as October 2008, lasted practically the entire year 2009 and it shall considerably affect the beginning of 2010 as well.

In 2009, the consolidation processes in metallurgy were suspended, particularly due to insufficiency of financial funds; this primarily concerns the takeover of Rio Tinto by BHP Biliton then being prepared. Steel concerns had to terminate the majority of investments and other acquisitions and were forced to apply for the government assistance. At this time, steel production in Europe dropped by 45 %, unlike in China, where production continued to rise.

For some products, the demand amounted to some 50 to 60 % of production capacities in the most critical months and all alternatives needed to be sought to maintain the total steel production at the level enabling to operate the two blast furnaces. This aim was achieved despite a temporary increase in the production of lower grade products, which had been suppressed within the long-term strategy.

In spite of the expected painful economic situation and a temporary increase in production of lower grade products, the long-term strategy of MORAVIA STEEL a.s. continues in the upcoming years to be concentrated on an increase in the proportion of the products with a higher degree of processing and development of product chains. The Group shall continue to focus more on products intended for such fields as engineering, power engineering, petroleum and automotive industries. Therefore, the production of wire rod for the manufacturing of screws, springs, bearings and tire cords, special iron bars, finally treated steel (drawn, peeled and ground steel) and wide and flat tool steel shall be preferred.

Within the short-term strategy, the major objective is an overall improvement of the financial situation of TŽ-MS a.s. Group. The demand for steel products has slightly levelled off and the production capacities are approaching the 100 % rate. In spite of this, the price level of metallurgical products remains too low and in comparison with the prices of all raw materials and energy, it does not guarantee achievement of the required economic result.

THE TREND IN THE DEVELOPMENT OF THE STEEL INDUSTRY

The presumption of further development indicates that China's share in the total world steel production shall increase from the present 671 million tons to 840 million tons in 2012, which considering the limited resources of the Company's raw materials will have considerable effects on raw material prices.

The metallurgical industry in the Czech Republic in 2009 was also utterly under the effects of the conditions which occurred in most parts of the world as a consequence of the world financial and economic crisis. The drop in production and investment activities almost in all segments of the market meant a decline in steel consumption, demand and consequently the prices as well. A similar situation was observed on the markets of Germany, Italy, Poland, Hungary and Slovakia, where a substantial part of deliveries are destined.

Development of sales between 2004 – 2009 (in tonnes)

DELIVERIES IN TONES	2004	2005	2006	2007	2008	2009
Export	1,329,609	1,295,144	1,489,520	1,523,500	1,484,386	1,374,281
Domestic	900,071	852,334	836,110	816,368	768,302	646,604
Total	2,229,680	2,147,478	2,325,630	2,339,868	2,252,688	2,020,885

Percentage Exports Structure of the Aggregate Supplies (in tonnes)

EXPORT STRUCTURE IN % OF THE TOTAL DELIVERIES IN T	2004	2005	2006	2007	2008	2009
European Union	64.2	73.7	72.6	77.5	76.7	76.1
Other European countries	14.5	5.8	6.2	3.9	3.9	2.9
Africa	0.2	0.2	0.2	0.2	0.1	0.3
Asia	6.3	0.3	0.2	0.1	0.1	0.2
America	5.2	10.6	10.7	8.4	8.6	8.0
Australia	0.1	0.1	0.1	0.1	0.1	0.1
Slovakia	9.6	9.3	10.0	9.8	10.5	12.4
	100.0	100.0	100.0	100.0	100.0	100.0

MORAVIA STEEL a.s. steel products assortment structure development (in tonnes)

SALES IN TONS	2004	2005	2006	2007	2008	2009
Wire rod	831,135	790,134	844,570	824,909	783,688	817,301
Blooms and castings continual casted blooms + semi-finished products	330,071	265,827	268,699	258,379	280,871	226,066
Rebar	257,150	287,341	198,877	134,611	112,656	185,428
Rails	224,851	211,090	225,076	232,690	247,960	220,715
SCHV Kladno products	240,963	247,923	267,392	271,071	260,194	185,513
Universal Mill Bohumín	57,450	55,535	59,406	58,000	55,383	44,902
Ferromoravia Products	83,581	65,150	72,667	78,750	75,235	41,505
Other (bars, sections etc.)	204,479	224,478	284,777	377,209	357,118	208,727
Tubes – VTTŽ Ostrava			104,166	104,249	79,583	79,959
Strojírny Třinec (Machine Works)						10,769
	2,229,680	2,147,478	2,325,630	2,339,868	2,252,688	2,020,885

In terms of the volume, rolled wire is traditionally the major commodity of the product mix. The production and sales in 2009 were 33.6kt higher than in 2008 and owing to this fact we succeeded, at least to a certain extent, in compensating for the drop in the production of steel bars of all types. This was possible only due to the temporary increase in the production and deliveries of low-grade wire rod, of which ca.70 kt more was delivered to the market than in 2008. This fact has been reflected to a certain extent also in the drop in the average price by 28 %.

With regard to their character and a different method of trading (long-term tenders), rails have their particularities and stand out of some relations applicable to other metallurgical products. In particular, as a result of insufficiency of finances for coverage of long-term tenders, there was a drop in deliveries of 27.2 kt compared to the historically record production in 2008; however the average price achieved in 2009 was slightly higher (by 0.9 %). The main export markets included Germany, USA, Canada, Poland and Brazil. The deliveries to the Czech Republic are maintained at the level of the past years owing to the projects of railway corridors and reconstruction of tracks.

The production and sales of castings and rolled blooms was achieved in the amount of 226.1kt, i.e. 54.7kt lower than in 2008. This drop was caused particularly by a slump in the production of rail wheel sets, forging shops and components for windmills.

The products struck by the crisis the include heavy, medium and light section steel from the Billet Mill TZ in Kladno, Medium Section Mill and Light Section Mill, which are almost exclusively consumed in the automotive industry, forging shops and general engineering.

137.6 kt less products were supplied to the market from the Medium and Light Section Mills in 2009 when compared with 2008, which corresponds to 61.5 % of the deliveries in the previous year. The customer's large inventories from 2008, which were consumed particularly during the first half of 2009, affected this drop dramatically.

The products of SCHV TŽ in Kladno (Billet Mill) also reported a steep drop, i.e. by 74.7 kt to 71.3 % of the 2008 volume. These products belonged among the historically most sought-after and it is realistic to forecast that this situation shall return to normal in the near future.

In 2009, the sales of wide steel from the Universal Mill in Bohumín continued to concentrate on deliveries to final customers and for special construction projects in higher grades of steel, as a consequence of which a more moderate fall was observed than in other bar steel grades. A total of 44.9 kt of wide steel was delivered to the market, i.e. 81.1 % of the 2008 volume. A more dramatic fall was recorded on the domestic market than in deliveries abroad.

In the end, the drawn bar steel market turned out to be the most problematic of all. Only 41.5 kt was sold on the market from the Ferromoravia Drawing Mill in 2009. When compared to 75.2 kt in 2008, this is only 55.2 % of this volume. The rival drawing mills on the surrounding markets appeared in a similar situation.

Approximately the same volume of production and sales was achieved in Válcovna trub TŽ (the Tube Mill) as in 2008, i.e. 80 kt; it should be noted however that in 2008 reconstruction of the plant took place, which implied a production limitation. When compared to 2006 and 2007, the 80kt produced in 2009 equals 76.7 % of the amount achieved in those years. Having started the operation after the reconstruction, we expect to be also able to satisfy demanding customers whom we could not have supplied prior to the reconstruction.

A total of 185.4 kt of ribbed rebar was delivered to the market, which is 72.8 kt more than in 2008. A greater volume of this product, having been intentionally suppressed in the recent years in favour of quality round bar steel, was deliberately offered to the market so that the effects of the plunge in the demand for round bar steel at the Light Section Mill would be eliminated in the maximum extent possible.

The long-tem strategy of MORAVIA STEEL a.s. focuses on the increase in the share of products with a higher degree of processing and building of product chains. The Group orientates more on products intended for industries requiring a higher degree of formation with higher quality steel grades, such as engineering, power engineering, petroleum and automotive industries. For this reason, preference is given to the production of wire rod for the manufacturing of screws, springs, bearings and tire cords, special iron bars, finally treated steel (drawn, peeled and ground steel) and wide and flat tool steel. Implementing this strategy, in 2009, MORAVIA STEEL a.s. acquired a 50 % share interest in KOVÁRNA VIVA (a forging shop) and TŘINECKÉ ŽELEZÁRNY, a.s. acquired a 100 % share interest in METALURGIA RADOMSKO.

The long-tem strategy of MORAVIA STEEL a.s. focuses on the increase in the share of products with a higher degree of processing and building of product chains

The procurement of raw materials and other inputs for TŘINECKÉ ŽELEZÁRNY, a.s. and also for other subsidiaries constitutes a significant part of the MORAVIA STEEL's turnover.

Strategic raw materials for production in Třinecké železárny, a.s. include ores, coal, coke, scrap, ferrous alloys, metals, basic additives and billets. MORAVIA STEEL a.s. continuously procures these raw materials, delivering them at the required distances, according to the time schedule and within reasonable price relations.

LOGISTICS, HAULAGE OF GOODS

In 2009, haulage was characteristic particularly for increased demands on logistic solutions with a maximum emphasis on quality, cost-effectiveness, prevention and insuring risks of haulage services.

The development of the shipped volumes by the method of shipping from the places of dispatch: (goods of MORAVIA STEEL a.s, including shipping services provided to other legal entities)

	RAILWAYS	ROADS	TOTAL
2009 (1000 tonnes)	7,323	1,441	8,764
Year-on-year development 2009/2008 (1000 tonnes)	-1,473	-97	-1,570
Year-on-year development 2009/2008 (%)	-16.75 %	-6.31 %	-15.19 %

MORAVIA STEEL a.s. recorded a year-on-year drop in customer's enquiries for shipping services outside the TŘINECKÉ ŽELEZÁRNY, a.s. – MORAVIA STEEL a.s. Group, in the amount of 44.3 %.

The business situation demanded a flexible reaction to the following important indicators and facts:

- trends of customers' minimisation of stock
- changes in the territorial shipping enquiries
- increased enquiries for haulage regarding fixed-date non-carload freight transports and order consolidation

The demands for meeting haulage enquiries were also affected by:

- concerning railway carriage – limitations arising from the continuing construction and closure activities in construction of the transport infrastructure, concerning particularly Třinec as the place of dispatch and receipt
- concerning haulage – an excess of supply of transportation capacities over the demand in the first half of the year in contrast to the growth in the transportation performance in the second half of the year
- concerning sea carriage – a temporary reduction in the capacity of the shipping space

With a view to ensuring a high standard and quality of deliveries, new shipping solutions and models were designed in cooperation with the major railway carriers concerning logistic trains and utilisation of the new cargo space of wagons.

The logistic services of MORAVIA STEEL a.s. were concentrated on additional analyses of logistic and project solutions of shipping services, including coordination activities of consigners and consignees of goods of the TŘINECKÉ ŽELEZÁRNY, a.s. – MORAVIA STEEL a.s. Group. Concerning Třinec as the dispatch and reception places, besides others, the quality of infrastructure was enhanced by opening a new flyover for road freight vehicles in the Industrial Zone Baliny.

THE MANAGEMENT SYSTEM, PEOPLE

In the MS/TZ Group, the project of New GL (New General Ledger) migration and SEM-BCS (Strategic Enterprise Management – Business Consolidation) consolidation were completed, in which the staff of MORAVIA STEEL a.s. participated.

In spite of the introduced cost-saving measures, the Company's leadership attempts to create a favourable and motivating working environment for all employees.

MORAVIA STEEL a.s. promotes education and qualification growth of their staff, particularly in the form of professional specialist courses and training.

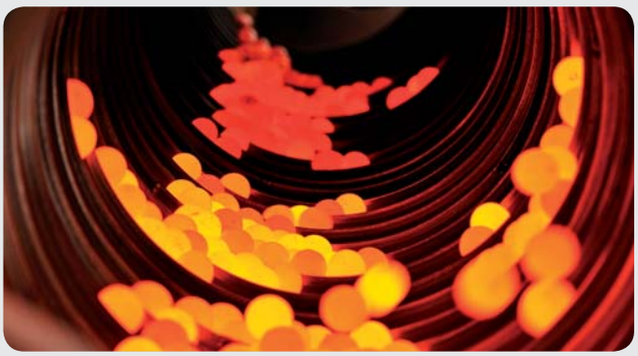
The Company does not carry on independent development and research, however, through their staff, it participates in completion of the selected assignments of the Group.

The Company carries on its activity in accordance with the applicable legislation concerning environmental protection.

MORAVIA STEEL a.s. has no organisation component abroad.

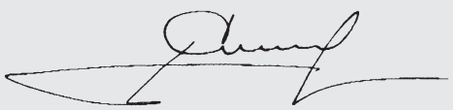
In 2009, haulage was characteristic particularly for increased demands on logistic solutions with a maximum emphasis on quality, cost-effectiveness, prevention and insuring risks of haulage services

V. 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 2009 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 2009.

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 2009 including the proposal of the Board of Directors for the allocation of profit for the year ended 31 December 2009.



Tomáš Chrenek

Chairman of the Supervisory Board

MORAVIA STEEL a.s. promotes education and qualification growth of their staff, particularly in the form of professional specialist courses and training

VI. REPORT OF THE AUDIT COMMITTEE

In accordance with applicable legislation, corporate articles, and schedule of activities of the audit committee, approved by the Audit Committee at its meeting held on 19 May 2010, the Audit Committee monitored the proceedings of preparing the financial statements as well as consolidated financial statements for 2009.

In this context, the Audit Committee monitored the integrity of financial information provided by the company and the consistency and appropriateness of accounting policies used in the company.

The Audit Committee also reviewed the process of statutory audit of individual statements and consolidated statements for 2009 and the issuing an auditor's report on the verification of individual accounts and the auditor's report on the consolidated financial statements for 2009. In this process, the independence and objectivity of the auditor were verified in particular and the effectiveness of the statutory audit was reviewed.

The Audit Committee was involved in communication between the auditor and company management and assessed how the company management abided the recommendations that the auditor had provided.

The Audit Committee also monitored the preparation and process of audit of the Individual and Consolidated Financial Statements for the year ended 31 December 2009 prepared in accordance with the International Accounting Standards.

Dana Trezziová

Audit Committee Chairwoman

FINANCIAL PART

VII. AUDITOR'S REPORT

Deloitte.

Deloitte Audit s.r.o.
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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

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 12 March 2010 on the financial statements which are included in this annual report in Section 8.:

"We have audited the accompanying financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2009, and the profit and loss account, statement of changes in equity and cash flow statemen: 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.

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 2009, 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 7 May 2010 on the consolidated financial statements which are included in this annual report in Section 9.:

"We have audited the accompanying consolidated financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2009, 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.

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Member of Deloitte Touche Tohmatsu

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 2009, 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 2009 which is included in this annual report in Section 10. 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 2009 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 16 June 2010

Audit firm:

Deloitte Audit s.r.o.
certificate no. 79

Deloitte

Statutory auditor:

Václav Loubek
certificate no. 2037

VIII. FINANCIAL PART I. – FINANCIAL STATEMENTS

Financial Statements for the Year Ended 31 December 2009

Name of the Company:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, 739 70 Třinec-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 12 March 2010.

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 31.12.2009

(CZK thousand)

		12/31/2009			12/31/2008	12/31/2007
		Gross	Adjustment	Net	Net	Net
	TOTAL ASSETS	**15 205 395**	**1 252 507**	**13 952 888**	**15 090 305**	**14 265 623**
B.	**Fixed assets**	**7 613 336**	**900 398**	**6 712 938**	**6 052 153**	**5 913 068**
B.I.	*Intangible fixed assets*	**94 247**	**39 303**	**54 944**	**64 186**	**56 610**
B.I.1.	Start-up costs	72	72			
B.I.3.	Software	1 990	1 905	85	178	271
B.I.4.	Valuable rights	91 485	36 626	54 859	64 008	56 339
B.I.6.	Other intangible fixed assets	700	700			
B.II.	*Tangible fixed assets*	**110 441**	**80 092**	**30 349**	**316 150**	**315 379**
B.II.1.	Land				273 000	273 000
B.II.3.	Individual movable assets and sets of movable assets	110 003	80 092	29 911	42 712	41 941
B.II.8.	Prepayments for tangible fixed assets	438		438	438	438
B.III.	*Non-current financial assets*	**7 408 648**	**781 003**	**6 627 645**	**5 671 817**	**5 541 079**
B.III.1.	Equity investments in subsidiaries	7 215 526	781 003	6 434 523	5 666 792	5 538 643
B.III.2.	Equity investments in associates	177 747		177 747	2 436	2 436
B.III.6.	Acquisition of non-current financial assets	15 375		15 375	2 589	
C.	**Current assets**	**7 585 582**	**352 109**	**7 233 473**	**9 027 681**	**8 342 955**
C.I.	*Inventories*	**259 439**		**259 439**	**360 344**	**375 154**
C.I.1.	Material	1 811		1 811	2 080	1 939
C.I.5.	Goods	257 628		257 628	358 264	373 215
C.II.	*Long-term receivables*	**33 959**		**33 959**	**158 222**	**1 168**
C.II.5.	Long-term prepayments made	1 127		1 127	1 135	1 143
C.II.7.	Other receivables	13 357		13 357	78 949	25
C.II.8.	Deferred tax asset	19 475		19 475	78 138	
C.III.	*Short-term receivables*	**6 257 208**	**352 109**	**5 905 099**	**7 546 982**	**7 516 886**
C.III.1.	Trade receivables	5 946 878	350 309	5 596 569	7 273 755	7 055 670
C.III.2.	Receivables – controlling entity	15 134		15 134	46 134	
C.III.6.	State – tax receivables	162 943		162 943	104 251	229 566
C.III.7.	Short-term prepayments made	3 682		3 682	1 032	7 990
C.III.8.	Estimated receivables	25 273		25 273	24 913	42 893
C.III.9.	Other receivables	103 298	1 800	101 498	96 897	180 767
C.IV.	*Current financial assets*	**1 034 976**		**1 034 976**	**962 133**	**449 747**
C.IV.1.	Cash on hand	1 212		1 212	613	644
C.IV.2.	Cash at bank	647 953		647 953	483 832	186 251
C.IV.3.	Short-term securities and investments	385 811		385 811	477 688	262 852
D. I.	**Other assets**	**6 477**		**6 477**	**10 471**	**9 600**
D.I.1.	Deferred expenses	2 056		2 056	1 154	1 778
D.I.2.	Complex deferred expenses	353		353	530	
D.I.3.	Accrued income	4 068		4 068	8 787	7 822

Balance Sheet Full Version as of 31.12.2009 (CZK thousand)

		12/31/2009	12/31/2008	12/31/2007
	TOTAL LIABILITIES & EQUITY	**13 952 888**	**15 090 305**	**14 265 623**
A.	**Equity**	**7 492 814**	**8 551 087**	**7 379 544**
A.I.	*Share capital*	**3 157 000**	**3 157 000**	**3 157 000**
A.I.1.	Share capital	3 157 000	3 157 000	3 157 000
A.II.	*Capital funds*	**-83 025**	**-314 518**	**2 969**
A.II.3.	Gains or losses from the revaluation of assets and liabilities	-83 025	-314 518	2 969
A.III.	*Statutory funds*	**581 680**	**507 229**	**347 090**
A.III.1.	Statutory reserve fund / Indivisible fund	581 680	507 229	347 090
A.IV.	*Retained earnings*	**3 126 902**	**3 712 346**	**669 690**
A.IV.1.	Accumulated profits brought forward	3 126 902	3 712 346	669 690
A.V.	*Profit or loss for the current period (+ -)*	**710 257**	**1 489 030**	**3 202 795**
B.	**Liabilities**	**6 443 388**	**6 514 759**	**6 827 918**
B.III.	*Short-term liabilities*	**5 343 363**	**5 414 660**	**6 027 918**
B.III.1.	Trade payables	4 488 299	4 797 754	5 435 911
B.III.4.	Payables to partners and association members	533 965		14 665
B.III.5.	Payables to employees	21 949	24 008	14 261
B.III.6.	Social security and health insurance payables	6 279	6 513	6 079
B.III.7.	State – tax payables and subsidies	78 645	58 734	148 919
B.III.8.	Short-term prepayments received	49 295	31 636	58 477
B.III.10.	Estimated payables	59 492	47 768	152 406
B.III.11.	Other payables	105 439	448 247	197 200
B.IV.	*Bank loans and borrowings*	**1 100 025**	**1 100 099**	**800 000**
B.IV.1.	Long-term bank loans	300 000		
B.IV.2.	Short-term bank loans	800 025	1 100 099	800 000
C. I.	**Other liabilities**	**16 686**	**24 459**	**58 161**
C.I.1.	Accrued expenses	8 372	7 758	32 977
C.I.2.	Deferred income	8 314	16 701	25 184

Profit and Loss Account Structured by the Nature of Expense Method Year Ended 31.12.2009 (CZK thousand)

		Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007
I.	Sales of goods	40 931 243	64 171 314	61 071 293
A.	Costs of goods sold	39 005 732	61 306 571	57 740 038
+	**Gross margin**	**1 925 511**	**2 864 743**	**3 331 255**
II.	Production	730 135	1 067 766	884 774
II.1.	Sales of own products and services	730 135	1 067 766	884 774
B.	Purchased consumables and services	807 456	1 057 833	1 050 932
B.1.	Consumed material and energy	6 734	13 200	10 694
B.2.	Services	800 722	1 044 633	1 040 238
+	**Added value**	**1 848 190**	**2 874 676**	**3 165 097**
C.	Staff costs	317 548	307 300	369 652
C.1.	Payroll costs	166 257	165 014	203 979
C.2.	Remuneration to members of statutory bodies	104 846	104 887	92 935
C.3.	Social security and health insurance costs	44 985	35 978	71 393
C.4.	Social costs	1 460	1 421	1 345
D.	Taxes and charges	991	1 023	1 209
E.	Depreciation of intangible and tangible fixed assets	23 174	22 565	25 473
III.	Sales of fixed assets and material	3 557	3 422	2 537
III.1.	Sales of fixed assets	2 710	2 027	1 157
III.2.	Sales of material	847	1 395	1 380
F.	Net book value of fixed assets and material sold	2 756	2 148	2 175
F.1.	Net book value of sold fixed assets	1 906	801	774
F.2.	Book value of sold material	850	1 347	1 401
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-318 687	77 174	-8 993
IV.	Other operating income	33 230	36 264	85 871
H.	Other operating expenses	374 426	71 321	120 113
*	**Operating profit or loss**	**1 484 769**	**2 432 831**	**2 743 876**
VII.	Income from non-current financial assets	5 229	7 920	1 404 388
VII.1.	Income from subsidiaries and associates	5 229	7 920	1 404 388
IX.	Income from the revaluation of securities and derivates		14 702	97 474
L.	Costs of the revaluation of securities and derivates		28 283	118 042
M.	Change in reserves and provisions relating to financial activities	145 569	282 354	153 020
X.	Interest income	14 138	55 815	115 314
N.	Interest expenses	33 337	44 464	44 251
XI.	Other financial income	780 373	1 513 414	683 888
O.	Other financial expenses	1 170 952	1 669 054	857 367
*	**Financial profit or loss**	**-550 118**	**-432 304**	**1 128 384**
Q.	Income tax on ordinary activities	224 394	511 497	669 465
Q 1.	– due	224 394	511 497	669 465
**	**Profit or loss from ordinary activities**	**710 257**	**1 489 030**	**3 202 795**
***	**Profit or loss for the current period (+/-)**	**710 257**	**1 489 030**	**3 202 795**
****	**Profit or loss before tax**	**934 651**	**2 000 527**	**3 872 260**

Statement of Changes in Equity Year Ended 31.12.2009

(CZK thousand)

	Share capital	Capital funds	Statutory funds	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2007	**3 157 000**	**2 969**	**347 090**	**669 690**		**3 202 795**	**5 779 146**
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**
Distribution of profit or loss			74 451			-74 451	
Dividends paid				-585 444		-1 414 579	-2 000 023
Revaluation of derivatives		231 493					231 493
Profit or loss for the current period						709 524	709 524
Balance at 31 December 2009	**3 157 000**	**-83 025**	**581 680**	**3 126 902**		**709 524**	**7 492 081**

Cash Flow Statement Year Ended 31.12.2009

(CZK thousand)

		Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007
P.	**Opening balance of cash and cash equivalents**	**957 374**	**444 312**	**2 055 753**
	Cash flows from ordinary activities			
Z.	Profit or loss from ordinary activities before tax	934 651	2 000 527	3 872 260
A.1.	Adjustments for non-cash transactions	178 343	546 394	-1 382 497
A.1.1.	Depreciation of fixed assets	23 174	22 565	25 473
A.1.2.	Change in provisions and reserves	-173 118	359 528	144 027
A.1.3.	Profit/(loss) on the sale of fixed assets	-804	-1 226	-383
A.1.4.	Revenues from dividends and profit shares	-5 229	-7 920	-1 404 388
A.1.5.	Interest expense and interest income	19 199	-11 351	-71 063
A.1.6.	Adjustments for other non-cash transactions	315 121	184 798	-76 163
A.*	**Net operating cash flow before changes in working capital**	**1 112 994**	**2 546 921**	**2 489 763**
A.2.	Change in working capital	1 447 668	-1 230 023	-1 318 985
A.2.1.	Change in operating receivables and other assets	1 698 408	-517 822	-683 208
A.2.2.	Change in operating payables and other liabilities	-359 667	-720 910	-663 832
A.2.3.	Change in inventories	107 682	8 033	26 073
A.2.4.	Change in current financial assets	1 245	676	1 982
A.**	**Net cash flow from operations before tax and extraordinary items**	**2 560 662**	**1 316 898**	**1 170 778**
A.3.	Interest paid	-34 673	-43 256	-44 251
A.4.	Interest received	14 068	55 982	115 314
A.5.	Income tax paid from ordinary operations	-204 340	-601 025	-549 387
A.7.	Received dividends and profit shares	5 229	7 920	1 404 388
A.***	**Net operating cash flows**	**2 340 946**	**736 519**	**2 096 842**
	Cash flows from investing activities			
B.1.	Fixed assets expenditures	-797 494	-447 469	-352 206
B.2.	Proceeds from fixed assets sold	2 710	2 052	1 157
B.3.	Loans provided to related parties	28 000		
B.***	**Net investment cash flows**	**-766 784**	**-445 417**	**-351 049**
	Cash flow from financial activities			
C.1.	Change in payables from financing	-74	221 960	-357 034
C.2.	Impact of changes in equity	-1 500 000		-3 000 200
C.2.6.	Dividends paid	-1 500 000		-3 000 200
C.***	**Net financial cash flows**	**-1 500 074**	**221 960**	**-3 357 234**
F.	**Net increase or decrease in cash and cash equivalents**	**74 088**	**513 062**	**-1 611 441**
R.	**Closing balance of cash and cash equivalents**	**1 031 462**	**957 374**	**444 312**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Name of the Company:	**MORAVIA STEEL a.s.**
Registered Office:	Průmyslová 1000, 739 70 Třinec-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 2009, the Companys issued share capital is CZK 3,157,000 thousand.

The Companys financial statements have been prepared as of and for the year ended 31 December 2009.

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 98.25 percent of its revenues. The Company is additionally involved in providing domestic and international shipping services.

The Companys operations are principally focused on Třinecké železárny, a.s. and its subsidiary companies (for further details refer to Notes 4.16)

1.2. Changes and Amendments to the Register of Companies

There was a change in the member of the Supervisory Board in the reporting period, Jan Sikora was replaced by Jaroslava Ciahotná, the change was recorded in the Register of Companies on 11 August 2009.

1.3. Board of Directors and Supervisory Board as of 31 December 2009

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

1.4. Organisational Structure of the Company at 31 December 2009

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 2009.

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

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 2009.

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 Companys 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 Companys assets.

Provisions

No provisions were recognised in respect of inventory in 2009.

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 Companys 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 years 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 Companys 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.

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.

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.

In 2009, 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 4.8.).

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 2009	31 Dec 2008	31 Dec 2007
Cash on hand	1 212	613	644
Cash at bank and cash in transit	647 953	483 832	186 251
Current securities	385 811	477 688	262 852
Total current financial assets	**1 034 976**	**962 133**	**449 747**
Current account – blocked funds	-3 514	-4 759	-5 435
Total cash and cash equivalents	**1 031 462**	**957 374**	**444 312**

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 2007	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Start-up costs	72	-	-	72	-	-	72
Software	1 990	-	-	1 990	-	-	1 990
Valuable rights	75 963	15 524	-	91 487	-	2	91 485
Other intangible FA	4 829	-	4 129	700	-	-	700
Intangible FA under construction	-	-	-	-	-	-	-
Total	**82 854**	**15 524**	**4 129**	**94 249**	**-**	**2**	**94 247**

Accumulated Amortisation (CZK thousand)

	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Start-up costs	72	-	-	72	-	-	72
Software	1 719	93	-	1 812	93	-	1 905
Valuable rights	19 624	7 855	-	27 479	9 149	2	36 626
Other intangible FA	4 829	-	4 129	700	-	-	700
Total	**26 244**	**7 948**	**4 129**	**30 063**	**9 242**	**2**	**39 303**

Net Book Value (CZK thousand)

	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Start-up costs	-	-	-
Software	271	178	85
Valuable rights	56 339	64 008	54 859
Other intangible FA	-	-	-
Intangible FA under construction	-	-	-
Total	**56 610**	**64 186**	**54 944**

4.1.2. Tangible Fixed Assets

Cost (CZK thousand)

	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Land	273 000	-	-	273 000	-	273 000	-
Individual movable assets	121 910	16 189	14 096	124 003	3 038	17 037	110 003
– Machines and equipment	20 101	54	1 106	19 049	117	1 202	17 964
– Vehicles	92 195	16 135	12 896	95 434	2 921	15 381	82 974
– Furniture and fixtures	9 614	-	94	9 520	-	455	9 065
Tangible FA under construction	-	-	-	-	2 970	2 970	-
Prepayments for tangible FA	438	-	-	438	-	-	438
Total	**395 348**	**16 189**	**14 096**	**397 441**	**6 008**	**293 008**	**110 441**

Accumulated Depreciation (CZK thousand)

	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Individual movable assets	79 969	15 418	14 096	81 291	13 932	15 131	80 092
– Machines and equipment	15 595	1 477	1 106	15 966	1 044	1 148	15 862
– Vehicles	55 290	13 559	12 896	55 953	12 802	13 531	55 224
– Furniture and fixtures	9 084	382	94	9 372	86	452	9 006
Total	**79 969**	**15 418**	**14 096**	**81 291**	**13 932**	**15 131**	**80 092**

Net Book Value (CZK thousand)

	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Land	273 000	273 000	-
Individual movable assets	41 941	42 712	29 911
– Machines and equipment	4 506	3 083	2 102
– Vehicles	36 905	39 481	27 750
– Furniture and fixtures	530	148	59
Tangible FA under construction	-	-	-
Prepayments for tangible FA	438	438	438
Total	**315 379**	**316 150**	**30 349**

The Company principally acquired cars from 2007 to 2009.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 663 thousand, CZK 4,519 thousand and CZK 1,087 thousand for the years ended 31 December 2009, 2008 and 2007, 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 2006	Additions	Disposals	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Equity investments in subsidiaries	4 157 986	1 733 736	-	5 891 722	410 504	-	6 302 226	913 300	-	7 215 526
Equity investments in associates	2 436	-	-	2 436	-	-	2 436	175 311	-	177 747
Acquisition of non-current financial assets	-		-	-	2 589	-	2 589	1 101 397	1 088 611	15 375
Prepayments for non-current financial assets	-	-	-	-	-	-	-	-	-	-
Total	**4 160 422**	**1 733 736**	**-**	**5 894 158**	**413 093**	**-**	**6 307 251**	**2 202 794**	**1 088 611**	**7 408 648**

On 5 February 2009, the Company purchased the 51 percent equity investment in Moravskoslezský kovošrot, a.s., corporate ID 268 55 097, with its registered office at V Jámě 1371/8, Prague 1, 110 00. The acquisition cost amounted to CZK 106,100 thousand.

On 19 March 2009, the Company increased the share capital in Barrandov Lands a.s. by CZK 273,000 thousand through a non-cash investment of land.

On 27 July 2009, the Company increased the share capital of Hanácké železárny a pérovny, a.s. by CZK 28,000 thousand, i.e. from CZK 102,000 thousand to CZK 130,000 thousand through the subscription of 28,000 ordinary registered shares with the nominal value of CZK 1,000 per share.

On 31 July 2009, the Company increased the share capital of Beskydská Golfová, a.s. by CZK 105,000 thousand, i.e. from CZK 125,000 thousand to CZK 230,000 thousand. The change was recorded on 24 August 2009.

During 2009, the Company increased the share capital of Barrandov Televizní studio a.s. by CZK 400,000 thousand, i.e. from CZK 197,400 thousand to CZK 597,400 thousand. The increase in the share capital was recorded in the Register of Companies on 13 March 2009. On 24 November 2009, the Company purchased the shares of Barrandov Televizní Studio a.s. of CZK 120 thousand. As of 31 December 2009, the purchase was not recorded in the Register of Companies.

On 24 November 2009, the Company purchased the shares of Barrandov Studio a.s. in the aggregate amount of CZK 1,080 thousand. As of 31 December 2009, the purchase was not recorded in the Register of Companies.

On 27 May 2009, the Company purchased the 50 percent equity investment in Kovárna "VIVA" Zlín, spol. s r.o., corporate ID: 46978496, registered office: tř. T. Bati 5266, Zlín 760 01. The acquisition cost amounts to CZK 175,311 thousand.

On 23 September 2009, the Company formed a new entity M Steel Projects a.s., corporate ID: 28602331, registered office at Průmyslová 1000, Třinec-Staré Město 739 70. The cost of the entity was CZK 10,000 thousand. The fact was recorded in the Register of Companies on 5 October 2009. As of 31 December 2009, the amount was reported in line 043 Acquisition of non-current financial assets.

Based on the contract dated 15 December 2009 Moravia Steel Middle East FZCO with its registered office at Jebel Ali Free Zone, 133, 3Ws Jafza View, Dubai, UAE, was formed. The acquisition cost of the 40 percent equity investment in this entity amounted to CZK 2,886 thousand. The amount was also reported in line 043 Acquisition of non-current financial assets as of 31 December 2009.

4.2.1. Equity Investments in Subsidiaries

2009 (CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/ loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.	Třinec	3 357 984	5 598 907	69.05	18 482 880	-731 536	-	-
Barrandov Lands a.s.	Prague	275 000	280 000	100	280 082	-12	-	-
Barrandov Studio a.s.	Prague	745 689	197 072	99.83	659 677	19 423	100 000	-
Barrandov Televizní Studio a.s.	Prague	633 140	597 072	99.95	54 578	-422 328	578 589	-
MORAVIA STEEL SLOVENIJA d.o.o.	Celje	1 573	867	51	2 297	-608	-	-
Moravia Steel AG Zug	Zug	1 947	1 947	100	1 009	-277	1 947	-
MORAVIA STEEL ITALIA s.r.l.	Milan	2 580	2 075	66	65 268	19 366	-	5 229
MORAVIA STEEL IBÉRIA, S.A.	Lisbon	10 850	2 533	99.33	12 021	1 174	-	-
MORAVIA GOEL TRADE d.o.o.	Samobor	59	59	60	**)	**)	59	-
MS – Slovensko s.r.o.	Bratislava	161	160	100	999	-	-	-
MORAVIA STEEL ISRAEL Ltd.	Petach Tikva	346	208	100	*)	*)	-	-
Beskydská golfová, a.s	Ropice	254 342	230 000	100	212 765	-152	100 000	-
Sochorová válcovna TŽ, a.s.	Třinec	1 407 085	328 820	82	1 511 508	-343 383	-	-
MORAVIA STEEL POLAND sp. Z o.o.	Cieszyn	408	361	100	208	-44	408	-
Hanácké železárny a pérovny, a.s.	Prostějov	418 262	130 000	100	324 354	18 609	-	-
Moravskoslezský kovošrot, a.s.	Prague	106 100	1 020	51	151 205	32 388	-	-
Total		**7 215 526**	**7 371 101**		**21 758 851**	**-1 407 380**	**781 003**	**5 229**

*) No data available

**) In liquidation

In 2009, the Company increased the provision against the equity investment in Barrandov Televizní Studio a.s. by CZK 345,569 thousand (to the aggregate amount of CZK 578,589 thousand). In addition, the Company released the provision against the financial investment in Barrandov Studio a.s. of CZK 200,000 thousand.

2008 (CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/ loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.	Třinec	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 s.r.l.	Milan	2 580	2 075	66			-	7 920
MORAVIA STEEL IBÉRIA, S.A.	Lisbon	10 850	2 533	99.33	11 038	1 021	-	-
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.	Třinec	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	-
MORAVIA STEEL ITALIA s.r.l. ****)	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

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

****) On 6 May 2008, the Company purchased the 100 percent equity investment in MORAVIA STEEL ITALIA s.r.l., corporate ID 269 55 342, which held the 100 % equity investment in its subsidiary Hanácké železárny 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 a successor company, assumed all net assets of the dissolving Hanácké železárny a pérovny, a.s., with its registered office at Dolní 100, Prostějov 797 11, corporate ID 607 23 246, on 19 September 2008.

2007 (CZK thousand)

Name	Registered office	Cost	Nominal value	Owner-ship %	Equity	Profit/ loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.	Třinec	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 s.r.l.	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.*****)	Třinec	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 a.s. 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.

4.2.2. Equity Investments in Associates

2009 (CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/ loss	Provision	Dividend income for the period
Kovárna „VIVA“ Zlín, spol. s r.o.	Zlín	175 311	500	50	213 326	2 061	-	-
CMC - TRINEC Stahlhandel, GmbH	Kürten	987	987	50	221 870	60 514	-	-
TRINEC - CMC LIMITED	Cheshire	1 449	1 449	50	50 889	-1 378	-	-
Total		**177 747**	**2 936**		**486 085**	**61 197**	**-**	**-**

In 2007 and 2008, the Company reported its equity investments in CMC – TRINEC Stahlhandel, GmbH and TRINEC – CMC LIMITED as equity investments in associates.

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

None of the Companys non-current financial assets or current equity securities were pledged in 2009, 2008 and 2007.

4.3. Inventory

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
– Material	1 811	2 080	1 939
– Inventory – raw material	4 563	25 375	52 582
– Inventory – metallurgical products	253 065	339 666	320 633
Total	**259 439**	**367 121**	**375 154**

In the year ended 31 December 2008, the Company recognised a provision against inventory – metallurgical products 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 2009, the Company reports a long-term receivable of CZK 33,959 thousand.

In the year ended 31 December 2008, the Company provided a loan to CZECH MEDIA LINK which was transferred to Media Master s.r.o. during 2009. As of 31 December 2009, the loan amounted to CZK 108,377 thousand and is repayable in 2010 and 2011. The long-term portion of the loan of CZK 13,357 thousand is reported in the line Other long-term receivables, the short-term part of the receivable of CZK 95,021 thousand is reported in the line Other short-term receivables.

4.4.2. Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Short-term			
– Customers	5 938 618	7 927 953	7 636 144
– Bills of exchange to be collected	8 260	8 260	8 260
– Provisions – customers	-342 049	-654 198	-580 474
– Provisions – bills of exchange to be collected	-8 260	-8 260	-8 260
Total	**5 596 569**	**7 273 755**	**7 055 670**

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	9 – 80 days	181 – 360 days	1 – 2 years	2 years and greater		
2009	Gross	4 943 785	634 256	2 667	40 135	98 034	219 741	994 833	**5 938 618**
	Provisions	339	1 416	0	23 621	98 034	218 639	341 710	**342 049**
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**

Receivables typically mature within 30 days.

Past due receivables:

(CZK thousand)

Year ended	Local	Cross-border	Total
31 Dec 2009	328 929	674 164	**1 003 093**
31 Dec 2008	651 972	1 166 466	**1 818 438**
31 Dec 2007	637 940	585 393	**1 223 333**

4.4.4. Intercompany Trade Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Short-term trade receivables			
TŘINECKÉ ŽELEZÁRNY, a.s.	1 438 628	1 903 926	1 173 314
Strojírny Třinec,a.s.	98	2 110	1 583
ENERGETIKA TŘINEC, a.s.	83 021	68 667	34 457
Slévárny Třinec, a.s.	2 146	5 214	3 333
Sochorová válcovna TŽ, a.s.	992	13	30
CMC-TRINEC Stahlhandel, GmbH, Germany	5 183	105	4
Řetězárna a.s.	16 983	11 100	28 605
FERROMORAVIA, s.r.o.	73	-	974
Barrandov Studio a.s.	39	78	39
TRINEC-CMC LIMITED	8	42	13
MORAVIA STEEL ITALIA s.r.l.	161	-	-
DOPRAVA TŽ, a.s.	885	1 372	6 253
VÁLCOVNA TRUB TŽ, a.s.	11 676	197	145 354
Třinecké gastroslužby, s.r.o.	-	-	-
Beskydská golfová, a.s.	76	151	76
Barrandov Televizní Studio a.s.	-	-	-
VÚHŽ, a.s	9 545	10 608	22 864
Šroubárna Kyjov spol. s r.o.	33 526	70 672	-
Kovárna „VIVA“, spol. s r.o.	16 535	7 296	19 957
Total short-term intercompany receivables	**1 619 575**	**2 092 633**	**1 416 899**
Receivables outside the Group	4 327 303	5 836 284	5 544 475
Total short-term trade receivables, gross	**5 946 878**	**7 936 213**	**7 644 404**

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 železárny a pérovny, a.s. in the amount of CZK 46,134 thousand. As of 31 December 2009, the unpaid portion of the receivable amounted to CZK 15,134 thousand. The loan carried no interest in the year ended 31 December 2009.

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 2009, the value of pledged receivables was CZK 796,086 thousand (2008: CZK 799,329 thousand, 2007: CZK 835,024 thousand).

4.4.7. State – Tax Receivables

State – tax receivables comprise a receivable arising from VAT in the amount of CZK 162,943 thousand as of 31 December 2009 (2008: CZK 104,251 thousand, 2007: CZK 229,566 thousand).

4.4.8. Derivative Financial Instruments

The Company hedged against the exchange rate risk using derivative financial instruments during the year ended 31 December 2009. The net value of open derivative financial instruments as of 31 December 2009 was CZK (102,500) thousand (2008: CZK (406,237) thousand, 2007: CZK (17,598) 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 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Receivables from fixed term transactions – other receivables	2 924	42 010	179 591
Payables from fixed term transactions – other payables	-105 424	-448 247	-197 189
Total derivative financial instruments	**-102 500**	**-406 237**	**-17 598**

On the basis of an analysis of the hedge 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 2009 against Gains and losses from the revaluation of assets and liabilities in the amount of CZK 102,500 thousand (2008: CZK 392,656 thousand, 2007: CZK (2,969) thousand).

4.5. Current Financial Assets

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Cash on hand	1 212	613	644
Total cash	**1 212**	**613**	**644**
Current accounts and cash in transit	78 372	205 427	89 530
Current accounts – blocked funds	3 514	4 759	5 435
Term deposits	566 067	273 646	91 286
Total bank accounts	**647 953**	**483 832**	**186 251**
Depository bills	385 811	477 688	262 852
Total current securities	**385 811**	**477 688**	**262 852**
Total current financial assets	**1 034 976**	**962 133**	**449 747**

The following tables detail the breakdown of depository bills held by the Company as of 31 December 2009:

31 December 2009

(CZK thousand)

Issuing bank	Currency	Amount in foreign currency	Amount in CZK 000
HSBC	CZK	12 000	12 000
HSBC	EUR	8 000	211 720
CSOB	CZK	19 000	19 000
CSOB	EUR	2 700	71 456
ČSOB	USD	3 900	71 635
Total			**385 811**

Interest rates attached to individual depository bills are within a range of 0.7 percent to 2.82 percent p.a.

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.

4.6. Shareholders Equity

4.6.1. Share Capital

The Companys share capital in the aggregate amount of CZK 3,157,000 thousand as of 31 December 2009 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 Companys Supervisory Board.

4.6.2. Changes in Equity

Based on the decision of the General Meeting of Shareholders held on 22 June 2009, the profit of CZK 1,489,030 thousand for the year ended 31 December 2008 was allocated as follows:

– CZK 74,451 thousand was used to increase the balance of the statutory reserve fund; and

– CZK 1,414,579 thousand was used to pay out dividends.

In addition, the General Meeting decided to pay dividends of CZK 585,444 thousand from retained earnings. Of the aggregate amount of dividends of CZK 2,000,023 thousand, as of the balance sheet date the portion of CZK 500,023 thousand was not paid out which is reported in short-term payables in line B.III.4 Payables to owners and association members.

4.7. Payables

4.7.1. Long-Term Payables

The Company carries no long-term payables as of 31 December 2009.

4.7.2. Short-Term Trade Payables (CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Short-term payables			
– Suppliers	4 488 130	4 797 635	5 435 479
– Other payables	169	119	432
Total	**4 488 299**	**4 797 754**	**5 435 911**

4.7.3. Aging of Payables to Suppliers (CZK thousand)

r	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		
2009	Short-term	4 463 419	24 130	188	179	-	214	24 711	4 488 130
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

Payables typically mature within 45 days.

4.7.4. Intercompany Payables (CZK thousand)

Name of the entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Short-term trade payables			
TŘINECKÉ ŽELEZÁRNY, a.s.	1 681 422	1 391 773	2 135 350
Strojírny Třinec, a.s.	20 235	-	-
ENERGETIKA TŘINEC, a.s.	-	-	-
Sochorová válcovna TŽ, a.s.	227 854	270 965	384 868
Řetězárna a.s.	-	-	-
REFRASIL, s.r.o.	-	-	-
Barrandov Televizní Studio a.s. *)	-	-	-
FERROMORAVIA, s.r.o.	46 844	47 651	59 712
FINITRADING, a.s.	239 932	180 006	427 307
MORAVIA STEEL ITALIA s.r.l.	11 057	-	-
MORAVIA STEEL IBÉRIA, S.A.	-	-	-
MORAVIA STEEL SLOVENIJA d.o.o.	1 656	4 030	281
DOPRAVA TŽ, a.s.	9	210	521
Slévárny Třinec, a.s.	-	-	-
VÁLCOVNA TRUB TŽ,a.s.*)	14 872	103 293	35 335
Třinecké gastroslužby, s.r.o.	351	332	276
Beskydská golfová, a.s.	45	-	-
TRISIA, a.s.	-	9	-
CMC-Trinec Stahlhandel, GmbH	-	281	3 797
TRINEC – CMC LIMITED	2 127	-	-
TRIALFA, s.r.o.	-	-	-
Hanácké železárny a pérovny,a.s.	-	-	-
Kovárna"VIVA",spol. s r.o.	-	-	-
Total intercompany short-term payables	**2 246 404**	**1 998 550**	**3 047 447**
Payables to other than Group companies	2 241 895	2 799 205	2 388 464
Total short-term trade payables	**4 488 299**	**4 797 754**	**5 435 911**

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

**) On 6 May 2008, MORAVIA STEEL ITALIA s.r.l. became the subsidiary of MORAVIA STEEL a.s.

4.7.5. Collateralised Payables or Otherwise Covered

In 2009, payables arising from the Companys bank loans are collateralised by the conditional pledge or assignment of receivables (refer to Notes 4.4.6. and 4.7.10.).

4.7.6. Payables to Partners and Association Members

As of 31 December 2009, the Company reports payables arising from unpaid dividends to controlling entities of CZK 500,023 thousand in this line. In addition, the Company records a payable arising from the increase in the share capital in Beskydská golfová, a.s. of CZK 31,100 thousand.

4.7.7. Estimated Payables

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 15,462 thousand (2008: CZK 4,768 thousand; 2007: CZK 23,582 thousand) and unbilled work and services amounting to CZK 38,595 thousand (2008: CZK 36,498 thousand; 2007: CZK 59,707 thousand) and an estimated payable for staff costs in the amount of CZK 5,435 thousand (2008: CZK 6,502 thousand; 2007: CZK 69,117 thousand).

4.7.8. Payables from Social Security and Health Insurance

As of 31 December 2009, the aggregate amount of payables related to social security, state employment policy and health insurance contributions was CZK 6,279 thousand (2008: CZK 6,513 thousand, 2007: CZK 6,079 thousand). These payables were fully settled as of the balance sheet date.

4.7.9. State – Tax Payables

State – tax payables principally comprise a payable arising from corporate income tax amounting to CZK 75,165 thousand as of 31 December 2009 (2008: CZK 54,130 thousand, 2007: CZK 144,016 thousand).

4.7.10. Bank Loans and Debt Securities

2009

Purpose	Currency	Balance at 31 Dec 2009 in CZK 000	Collateral
Long-term loans			
Pre-export and operating financing – maturity on 5 May 2011	CZK	300 000	Conditional assignment and future pledge of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Total		**300 000**	
Short-term portion of long-term loans		0	
Total long-term loans		300 000	
Current bank accounts			
Overdraft	CZK	250 025	Conditional assignment of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Debt financing	CZK	300 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Debt financing	CZK	250 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total		**800 025**	
Short-term portion of long-term loans		0	
Total short-term loans		**800 025**	
Total		**800 025**	

In the year ended 31 December 2009, the interest rates on bank loans ranged between 1.386 percent and 4.88 percent p.a.

2008

Purpose	Currency	Balance at 31 Dec 2008 in CZK 000	Collateral
Long-term loans			
Pre-export and operating financing – maturity on 5 May 2011	CZK	300 000	Conditional assignment and future pledge of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Total		300 000	
Short-term portion of long-term loans		-300 000	
Total long-term loans		-	
Current bank loans			
Overdraft	CZK	250 099	Conditional assignment of receivables, blank bills of exchange issued by MORAVIA STEEL a.s.
Debt financing	CZK	300 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Debt financing	CZK	250 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total		**800 099**	
Short-term portion of long-term loans		300 000	
Total short-term loans		**1 100 099**	
Total		**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**	

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.

4.7.11. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2009 for transportation and other services paid in 2010 in the amount of CZK 8,140 thousand (2008: CZK 6,189 thousand; 2007: CZK 29,884 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 232 thousand (2008: CZK 1,569 thousand; 2007: CZK 2,776 thousand).

Deferred income principally consists of income of CZK 8,314 thousand (2008: CZK 16,633 thousand; 2007: CZK 24,949 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 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Accumulated depreciation and amortisation of fixed assets	-5 516	-4 938	-4 435
Estimated payable arising from outstanding vacation days	1 033	330	440
Provisions – receivables	14 071	26 247	4 655
Unpaid (unreceived) penalty	-7 254	489	37
Provisions – inventory	-	1 355	-
Receivables (payables) from fixed term transactions	19 475	78 138	-713
Total	**21 809**	**101 621**	**-16**
Total recognised tax asset (+) / liability (-)	**19 475**	**78 138**	**0**

In the years ended 31 December 2008 and 2009, the Company recognised a deferred tax asset arising from fixed term transactions in the amount of CZK 78,138 thousand and CZK 19,475 thousand, respectively. The deferred tax is recognised against 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 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Profit before tax	934 651	2 000 527	3 872 260
Tax at the domestic income tax rate of 20 %, 21 % (24 % in 2007)	186 930	420 111	929 342
Tax effect of permanent differences	37 712	91 743	-258 555
Additional taxes of prior years	-248	-357	-1 322
Total income tax on ordinary and extraordinary activities	**224 394**	**511 497**	**669 465**

4.10. Details of Income

(CZK thousand)

	2009			2008			2007		
	Local	Cross-border	Total	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	12 957 254	-	12 957 254	22 943 561	-	22 943 561	20 607 725	-	20 607 725
Goods – metallurgical products	9 012 960	18 961 029	27 973 989	13 673 667	27 554 086	41 227 753	14 007 479	26 456 089	40 463 568
Sales of goods	21 970 214	18 961 029	40 931 243	36 617 228	27 554 086	64 171 314	34 615 204	26 456 089	61 071 293
Sales of services	582 107	148 028	730 135	756 617	311 149	1 067 766	537 270	347 504	884 774
Total sales of products and services	**582 107**	**148 028**	**730 135**	**756 617**	**311 149**	**1 067 766**	**537 270**	**347 504**	**884 774**

The line entitled Goods – raw material represents the income from the purchases of input raw material for Třinecké železárny, a.s., and its subsidiaries. The line entitled Goods – metallurgical products largely relates to sales of products purchased from Třinecké železárny, 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 414,284 thousand for the year ended 31 December 2009 (2008: CZK 627,694 thousand, 2007: CZK 653,830 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 2009	Year ended 31 Dec 2008	Year ended 31 Dec 2007
Purchase of goods – raw materials	12 484 862	22 142 734	19 245 889
Purchase of goods – metallurgical products	24 957 753	37 479 586	36 642 094
Costs for transport of goods – metallurgical products	1 563 117	1 684 251	1 852 055
Total costs of goods sold	**39 005 732**	**61 306 571**	**57 740 038**

4.12. Services

(CZK thousand)

	Year ended 31 Dec 2009	Year ended 31 Dec 2008	Year ended 31 Dec 2007
Transportation costs – services	380 748	586 207	624 722
Lease of trademark	123 000	123 000	123 000
Commissions	92 824	112 102	91 117
Advertising	72 174	72 116	52 224
Rental fees	8 076	6 392	6 080
Telecommunications	19 142	21 473	20 175
Legal advisory and audit activities	12 764	14 231	16 441
Other services	91 994	109 112	106 479
Total	**800 722**	**1 044 633**	**1 040 238**

4.13. Change in Reserves and Provisions Relating to Operating Activities and Complex Deferred Expenses

(CZK thousand)

	Year ended 31 Dec 2009	Year ended 31 Dec 2008	Year ended 31 Dec 2007
Settlement of complex deferred expenses	177	177	-
Changes in provisions under special legislation	-254 953	-3 701	-2 281
– provisions against receivables	-254 953	-3 701	-2 281
Changes in tax non-deductible provisions:	-63 911	80 698	-6 712
– provisions against receivables	-57 134	73 921	-6 712
– provisions against goods	-6 777	6 777	-
Total	**-318 687**	**77 174**	**-8 993**

4.14. Other Operating Expenses and Income

In the year ended 31 December 2009 (2008), the Company sold no receivables. In 2007, it sold receivables with the nominal value of CZK 53,760 thousand for CZK 53,760 thousand which were included under other operating income and expenses in the financial statements. The increase in other operating expenses in 2009 is due to the write-off of the fully provisioned receivables from VT Dios Chomutov of CZK 323,004 due to the completion of the bankruptcy proceedings.

4.15. Other Financial Expenses and Income

Other financial income is largely composed of foreign exchange rate gains of CZK 780,373 thousand (2008: CZK 1,513,414 thousand; 2007: CZK 683,888 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 1,166,538 thousand (2008: CZK 1,663,363 thousand; 2007: CZK 851,998 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 4,414 thousand (2008: CZK 5,691 thousand; 2007: CZK 5,370 thousand).

4.16. Related Party Transactions

4.16.1. Income Generated with Related Parties

2009

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	12 326 407	463 447	38 596	-	12 828 450
Barrandov Studio a.s.	Subsidiary	-	156	1 750	-	1 906
Sochorová válcovna TŽ, a.s.	Subsidiary	-	9 856	9 350	-	19 206
Beskydská golfová, a.s.	Subsidiary	-	254	148	-	402
HŽP Holding, a.s.**)	Subsidiary	115 241	8 302	1 311	-	124 854
MORAVIA STEEL ITALIA s.r.l.	Subsidiary	-	254	-	-	254
MORAVIA STEEL IBÉRIA, S.A.	Subsidiary	-	-	-	-	-
Kovárna"VIVA", spol. s r.o.	Subsidiary	52 645	941	-	-	53 586
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	5 609	1 242	-	6 851
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	549 461	92	3 637	-	553 190
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	6 338	9 636	1 142	-	17 116
FERROMORAVIA,s.r.o.	Subsidiary of the subsidiary	4 930	104	552	-	5 586
REFRASIL, s.r.o.	Subsidiary of the subsidiary	1 820	228	192	-	2 240
VÁLCOVNA TRUB TŽ, a.s.*)	Subsidiary of the subsidiary	70 117	619	2 096	-	72 832
Řetězárna a.s.	Subsidiary of the subsidiary	126 837	-	12	-	126 849
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	5 303	15	-	5 318
CMC-TRINEC Stahlhandel, GmbH	Associate	205 268	109	-	-	205 377
VÚHŽ, a.s.	Subsidiary of the subsidiary	36 148	-	336	-	36 484
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	247 901	8 981	446	-	257 328
FINITRADING, a.s.	Controlled entity	-	-	1 224	-	1 224
Total		**13 743 113**	**513 891**	**62 049**	**-**	**14 319 053**

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

**) On 6 May 2008, HŽP Holding, a.s. became the subsidiary of MORAVIA STEEL a.s.

2008 (CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	21 648 345	603 581	40 787	-	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
HŽP Holding, 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	17 876	1 239	-	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	158	560	-	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	-	763 905
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-TRINEC 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**	**686 877**	**53 287**	**-**	**24 536 469**

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

**) HŽP Holding, a.s. became the subsidiary of MORAVIA STEEL a.s. on 6 May 2008.

2007 (CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. 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-TRINEC 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.

4.16.2. Purchases

2009 (CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	19 364 538	297	167 314	4 234	-	19 536 383
MORAVIA STEEL ITALIA s.r.l.	Subsidiary	-	-	51 476	-	-	51 476
MORAVIA STEEL IBÉRIA, S.A.	Subsidiary	-	-	-	-	-	-
MORAVIA STEEL SLOVENIJA d.o.o.	Subsidiary	-	-	-	-	-	-
Barrandov Studio a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio a.s.	Subsidiary	-	-	-	-	-	-
Sochorová válcovna TŽ, a.s.	Subsidiary	2 796 734	-	51	3 890	-	2 800 675
Kovárna „VIVA“,spol. s r.o.	Subsidiary	-	-	-	-	-	-
CMC-TRINEC Stahlhandel, GmbH	Associate	-	-	314	-	-	314
Beskydská golfová, a.s.	Subsidiary	-	-	8 169	-	-	8 169
MORAVIA STEEL ITALIA s.r.l.**)	Subsidiary	-	-	-	-	-	-
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	266 719	-	-	-	-	266 719
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	-	-	-	-
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	593 931	-	251	20	-	594 202
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
VÁLCOVNA TRUB TŽ, a.s.*)	Subsidiary of the subsidiary	1 829 433	70	848	-	-	1 830 351
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	795	-	101	-	-	896
TRISIA, a.s.	Subsidiary of the subsidiary	-	14	377	-	-	391
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	1 528	2 583	-	4 111
FINITRADING, a.s.	Controlling entity	2 365 665	-	-	-	-	2 365 665
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	115 750	-	-	-	-	115 750
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	32	-	-	-	-	32
Total		**27 333 597**	**381**	**230 429**	**10 727**	**-**	**27 575 134**

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

**) On 6 May 2008, MORAVIA STEEL ITALIA s.r.l. became the subsidiary of MORAVIA STEEL a.s.

2008 (CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary 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
Barrandov Studio a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio a.s.	Subsidiary	-	-	-	-	-	-
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
MORAVIA STEEL ITALIA s.r.l.**)	Subsidiary	-	-	-	-	-	-
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	-	5	-	-	5
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	-	-	-	-
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	-	-	2 065
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**	**259 563**	**2 540**	**-**	**45 543 653**

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

**) On 6 May 2008, MORAVIA STEEL ITALIA s.r.l. became the subsidiary of MORAVIA STEEL a.s.

2007 (CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary 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
Barrandov Studio a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio a.s.	Subsidiary	-	-	-	-	-	-
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
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
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 a.s. 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 a.s. was renamed Barrandov Studio a.s. as of 1 November 2007.

5. Employees, Management and Statutory Bodies

5.1. Staff Costs and Number of Employees

The average number of the Companys employees and managers and staff costs for the years ended 31 December 2009, 2008 and 2007 are as follows:

2009 (CZK thousand)

	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	294	119 629	39 270	1 427	160 326
Management	17	46 628	5 715	104 879	157 222
Total	**311**	**166 257**	**44 985**	**106 306**	**317 548**

2008 (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**	**35978**	**106 308**	**307 300**

2007 (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**

The number of employees is based on the average recalculated headcount. As of 31 December 2009, 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 other than the salaries form.

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)

	2009	2008	2007
Board of Directors	616	592	563
Supervisory Board	1 324	1 116	814

Management of the Company includes the CEO and the Board of Directors.

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 2009 for all members of the Board of Directors and the Supervisory Board totalled CZK 1,230 thousand (2008: CZK 460 thousand, 2007: CZK 473 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 207,444 thousand as of 31 December 2009.

The Company records two guarantees issued by the bank for the Company in favour of third parties in the aggregate amount of EUR 604 thousand as guarantees for the participation in tenders.

As of 31 December 2009, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

7. Post Balance Events

No significant events occurred subsequent to the balance sheet date.

IX. FINANCIAL PART II. – CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the Year Ended 31 December 2010

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

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 7 May 2010.

	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 31.12.2009

(CZK thousand)

		12/31/2009			12/31/2008	12/31/2007
		Gross	Adjustment	Net	Net	Net
	TOTAL ASSETS	**60 762 133**	**25 589 059**	**35 081 629**	**39 582 283**	**35 495 758**
B.	**Fixed assets**	**41 921 759**	**23 397 698**	**18 432 616**	**18 813 149**	**16 105 692**
I.	*Intangible fixed assets*	**887 862**	**681 203**	**206 659**	**188 587**	**191 748**
1.	Start-up costs	95	93	2		
2.	Research and development	6 243	2 828	3 415	4 325	
3.	Software	285 033	252 403	32 630	49 225	40 584
4.	Valuable rights	510 223	415 751	94 472	121 710	104 019
5.	Goodwill	376	376	0	0	0
6.	Other intangible fixed assets	83 369	8 956	74 413	9 683	44
7.	Intangible fixed assets under construction	2 523	796	1 727	3 509	38 818
8.	Prepayments for intangible fixed assets	0			135	8 283
II.	*Tangible fixed assets*	**40 147 745**	**22 665 886**	**17 481 859**	**17 802 808**	**15 655 358**
1.	Land	1 268 304		1 268 304	1 248 539	1 220 268
2.	Structures	10 535 780	4 838 962	5 696 818	5 340 926	4 754 294
3.	Individual movable assets and sets of movable assets	27 221 847	17 706 199	9 515 648	9 629 766	8 309 499
6.	Other tangible fixed assets	103 901	99 900	4 001	3 746	3 572
7.	Tangible fixed assets under construction	849 089	15 334	833 755	1 451 963	1 114 796
8.	Prepayments for tangible fixed assets	165 083	1 750	163 333	127 868	253 109
9.	Valuation difference on acquired assets	3 741	3 741	0		-180
III.	*Non-current financial assets*	**257 398**	**50 609**	**206 789**	**159 572**	**139 038**
1.	Equity investments in subsidiaries	201 321	29 861	171 460	126 224	103 400
2.	Equity investments in associates	28 719	16 370	12 349	12 720	13 273
3.	Other long-term securities and investments	1 146	901	245	241	241
5.	Other non-current financial assets	19 850	1	19 849	20 198	19 965
6.	Acquisition of non-current financial assets	6 362	3 476	2 886	189	2 159
IV.	*Goodwill on consolidation*	**222 687**		**131 242**	**475 598**	**-39 343**
1.	Positive goodwill on consolidation	222 687	91 445	131 242	475 598	223 102
2.	Negative goodwill on consolidation					-262 445
V.	*Securities and equity investments under equity accounting*	**406 067**		**406 067**	**186 584**	**158 891**
C.	**Current assets**	**18 534 804**	**2 191 361**	**16 343 443**	**20 436 194**	**19 198 657**
I.	*Inventories*	**8 908 536**	**1 646 455**	**7 262 081**	**9 497 561**	**7 728 208**
1.	Material	3 703 292	271 765	3 431 527	4 416 461	3 310 227
2.	Work in progress and semifinished goods	3 001 462	882 630	2 118 832	2 881 631	2 416 367
3.	Products	2 161 587	489 415	1 672 172	2 186 833	1 986 564
5.	Goods	34 567	1 354	33 213	6 904	14 525
6.	Prepayments for inventory	7 628	1 291	6 337	5 732	525
II.	*Long-term receivables*	**140 392**		**140 392**	**235 439**	**15 883**
1.	Trade receivables	6 398		6 398	17 578	4 838
2.	Receivables from subsidiaries	5 000		5 000		0
5.	Long-term prepayments made	4 334		4 334	5 017	5 403
6.	Other receivables	18 722		18 722	86 216	5 642
7.	Deferred tax asset	105 938		105 938	126 628	
III.	*Short-term receivables*	**6 027 639**	**544 906**	**5 482 733**	**7 090 085**	**7 242 636**
1.	Trade receivables	5 354 255	514 932	4 839 323	6 200 976	6 519 843
2.	Receivables from subsidiaries	4 073	4 011	62		25 464
3.	Receivables from associates	20		20		0
5.	Social security and health insurance contributions					33
6.	State – tax receivables	326 513		326 513	476 296	317 151
7.	Short-term prepayments made	84 157	835	83 322	148 128	126 060
8.	Estimated receivables	100 706		100 706	106 110	53 857
9.	Other receivables	157 915	25 128	132 787	158 575	200 228
IV.	*Current financial assets*	**3 458 237**		**3 458 237**	**3 613 109**	**4 211 930**
1.	Cash on hand	7 129		7 129	6 272	6 169
2.	Cash at bank	2 760 288		2 760 288	968 911	1 670 049
3.	Short-term securities and investments	690 820		690 820	2 637 926	2 535 712
D.	**Other assets**	**305 570**		**305 570**	**332 940**	**191 409**
1.	Deferred expenses	225 334		225 334	282 943	119 233
2.	Complex deferred expenses	72 131		72 131	21 872	30 550
3.	Accrued income	8 105		8 105	28 125	41 626
	Control number	**242 336 895**	**102 447 681**	**139 614 879**	**157 809 608**	**141 632 732**

Consolidated Balance Sheet Full Version as of 31.12.2009

(CZK thousand)

		12/31/2009	12/31/2008	12/31/2007
	TOTAL LIABILITIES & EQUITY	**35 081 629**	**39 582 283**	**35 495 758**
A.	**Equity**	**17 942 622**	**20 404 490**	**17 567 277**
I.	*Share capital*	**3 157 000**	**3 157 000**	**3 157 000**
1.	Share capital	3 157 000	3 157 000	3 157 000
II.	*Capital funds*	**-117 160**	**-316 574**	**1 114**
2.	Other capital funds	1 053	18	18
3.	Gains or losses from the revaluation of assets and liabilities	-118 213	-316 592	1 096
III.	*Statutory funds*	**1 767 894**	**1 656 201**	**1 193 183**
1.	Statutory reserve fund / Indivisible fund	1 151 439	1 023 590	693 282
2.	Statutory and other funds	616 455	632 611	499 901
IV.	*Retained earnings or accumulated losses*	**13 489 335**	**12 483 126**	**8 142 273**
	Retained earnings	13 617 488	12 483 126	8 142 273
	Accumulated losses brought forward	-128 153		
V.	*Profit or loss for the current period net of minority interest*	**-669 927**	**3 176 374**	**4 871 875**
1.	Profit or loss for the current period	-729 034	3 117 916	4 788 187
2.	Share in the profit/(loss) of equity accounted investments	59 107	58 458	83 688
VI.	*Consolidation reserve fund*	**315 480**	**248 363**	**201 832**
B.	**Liabilities**	**10 508 009**	**12 206 968**	**11 447 219**
I.	*Reserves*	**222 861**	**526 703**	**744 141**
1.	Reserves under special legislation	21 048	110 517	198 629
2.	Reserve for pensions and similar liabilities	4 105	0	0
3.	Income tax reserve	539	0	0
4.	Other reserves	197 169	416 186	545 512
II.	*Long-term liabilities*	**702 422**	**921 079**	**832 381**
1.	Trade payables	9 514	18 915	32 095
5.	Long-term prepayments received	5 919	9 403	18 072
6.	Bonds issued		1 360	
7.	Long-term bills of exchange to be paid			
9.	Other payables	10 884	1 000	
10.	Deferred tax liability	676 105	890 401	782 214
III.	*Short-term liabilities*	**5 697 314**	**6 147 034**	**6 657 877**
1.	Trade payables	3 996 748	4 640 950	4 749 807
2.	Payables to subsidiaries	3 502		
4.	Payables to partners and association members	513 926	13 511	16 346
5.	Payables to employees	395 807	443 385	366 093
6.	Social security and health insurance payables	137 541	155 834	168 501
7.	State – tax payables and subsidies	184 580	172 449	702 179
8.	Short-term prepayments received	112 910	79 798	96 958
10.	Estimated payables	210 169	152 605	336 639
11.	Other payables	142 131	488 502	221 354
IV.	*Bank loans and borrowings*	**3 885 412**	**4 612 152**	**3 212 820**
1.	Long-term bank loans	1 642 139	1 608 622	1 491 536
2.	Short-term bank loans	2 243 273	3 003 530	1 718 284
3.	Short-term borrowings			3 000
C.	**Other liabilities**	**84 974**	**183 960**	**146 605**
1.	Accrued expenses	59 771	137 253	102 851
2.	Deferred income	25 203	46 707	43 754
D.	**Minority equity**	**6 546 024**	**6 786 865**	**6 334 657**
	Minority share capital	2 605 493	2 544 312	2 553 591
	Minority capital funds	13 874	31 080	30 335
	Minority funds from profit, including retained earnings and losses	4 214 825	3 721 379	2 399 055
	Minority profit or loss for the current period	-288 168	490 094	1 351 676
	Control number	**133 380 038**	**151 109 944**	**135 299 938**

Consolidated Profit and Loss Account Structured by the Nature of Expense Method Year Ended 31.12.2009

(CZK thousand)

		Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007
I.	Sales of goods	216 556	98 888	36 473
A.	Costs of goods sold	158 255	94 873	32 484
+	**Gross margin**	**58 301**	**4 015**	**3 989**
II.	Production	32 121 369	48 570 674	46 561 450
1.	Sales of own products and services	32 310 121	46 117 961	45 124 172
2.	Change in internally produced inventory	-835 232	1 428 640	873 560
3.	Own work capitalised	646 480	1 024 073	563 718
B.	Purchased consumables and services	25 473 287	35 648 451	32 265 392
1.	Consumed material and energy	21 927 629	29 651 788	25 751 157
2.	Services	3 545 658	5 996 663	6 514 235
+	**Added value**	**6 706 383**	**12 926 238**	**14 300 046**
C.	Staff costs	4 875 457	5 524 015	4 872 205
1.	Payroll costs	3 395 687	3 775 819	3 253 943
2.	Remuneration to members of statutory bodies	140 129	141 264	129 596
3.	Social security and health insurance costs	1 114 693	1 287 151	1 173 585
4.	Social costs	224 948	319 781	315 081
D.	Taxes and charges	19 324	30 259	24 667
E.	Depreciation of intangible and tangible fixed assets	1 870 354	1 669 614	1 471 701
KR A.	Amortisation of goodwill on consolidation	313 270	108 908	37 499
KR 1.	Amortisation of negative goodwill on consolidation	171 743	262 445	67 076
III.	Sales of fixed assets and material	88 869	368 174	338 817
1.	Sales of fixed assets	32 617	169 358	45 458
2.	Sales of material	56 252	198 816	293 359
F.	Net book value of fixed assets and material sold	71 464	275 003	251 221
1.	Net book value of sold fixed assets	18 559	91 267	24 165
2.	Book value of sold material	52 905	183 736	227 056
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-557 548	778 069	-132 663
IV.	Other operating income	1 415 181	2 801 475	434 847
H.	Other operating expenses	2 190 446	3 021 821	580 395
V.	Transfer of operating income	18 562	796	0
I.	Transfer of operating expenses	18 562	796	0
*	**Operating profit or loss**	**-400 591**	**4 950 643**	**8 035 761**
VI.	Proceeds from the sale of securities and investments		19 696	219
J.	Cost of securities and investments sold		31 471	438
VII.	Income from non-current financial assets	2 374	5 710	1 145
1.	Income from subsidiaries and associates		4 622	375
2.	Income from other non-current securities and investments		293	
3.	Income from other non-current financial assets	2 374	795	770
VIII.	Income from current financial assets	36	34	1
IX.	Income from the revaluation of securities and derivates	19 134	16 828	105 605
L.	Costs of the revaluation of securities and derivates	1 760	54 094	118 042
M.	Change in reserves and provisions relating to financial activities	3 001	-62 890	2 501
X.	Interest income	42 634	128 574	163 025
N.	Interest expenses	149 264	201 406	174 038
XI.	Other financial income	979 457	1 801 758	809 563
O.	Other financial expenses	1 455 218	2 021 004	999 858
*	**Financial profit or loss**	**-565 608**	**-272 485**	**-215 319**
Q.	Income tax on ordinary activities	61 241	1 083 559	1 719 434
1.	– due	314 348	1 099 844	1 820 578
2.	– deferred	-253 107	-16 285	-101 144
**	**Profit or loss from ordinary activities**	**-1 027 440**	**3 594 599**	**6 101 008**
XIII.	Extraordinary income	217	82	3 291
R.	Extraordinary expenses	20	114	
S.	Income tax on extraordinary activities		0	-2 335
1.	– due			28
2.	– deferred			-2 363
*	**Extraordinary profit or loss**	**197**	**-32**	**5 626**
**	**Consolidated profit or loss, net of share of profit/(loss) of equity accounted investments**	**-1 027 243**	**3 594 567**	**6 106 634**
	Consolidated profit or loss net of minority interests	-729 034	3 117 916	4 788 187
	Minority profit or loss	-298 209	476 651	1 318 447
*	Share of profit or loss of equity accounted investments	59 107	58 458	83 688
T.	**Transfer of share of profit or loss to partners (+/-)**			
	Profit or loss for the current period (+/-)	-968 136	3 653 025	6 190 322
***	**Profit or loss for the current period net of minority interest (+/-)**	-669 927	3 176 374	4 871 875

Consolidated Statement of Changes in Equity Year Ended 31.12.2009 (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 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	0
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		0
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	0
Impact of changes in the consolidated group			0	-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**
Allocation of profit			111 625	1 591 712	-1 703 337	58 458	-58 458	0
Dividends paid				-585 444	-1 414 579			-2 000 023
Impact of changes in the consolidated group		4 323	-15	-6 096				-1 788
Revaluation of assets and liabilities		195 091		477				195 568
Payments from the social fund			-374					-374
Share in changes in the aggregate amount of other equity of associates						8 659		8 659
Profit for the current period					-729 034		59 107	-669 927
Other			457	5 560				6 017
Balance at 31 Dec 2009	**3 157 000**	**-117 160**	**1 767 894**	**13 489 335**	**-729 034**	**315 480**	**59 107**	**17 942 622**

Consolidated Cash Flow Statement Year Ended 31.12.2009

(in CZK thousand)

		Year ended 12/31/2009	Year ended 12/31/2008	Year ended 12/31/2007
P.	**Cash and cash equivalents at the beginning of the accounting period**	**3 608 350**	**4 153 304**	**4 052 293**
	Cash flows from ordinary activities			
Z.	Profit/(loss) from ordinary activities before tax	-966 199	4 675 586	7 820 442
A.1.	Adjustments for non-cash transactions	2 183 374	2 443 708	1 329 351
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	2 011 881	1 516 077	1 449 002
A.1.2.	Change in provisions and reserves	-554 547	715 179	-130 162
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-14 058	-78 091	-7 571
A.1.4.	Revenues from dividends and profit shares (-), except as paid by consolidated group entities	-2 374	-5 451	12 118
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	106 612	70 218	8 777
A.1.6.	Adjustments, if any, and other non-cash transactions	635 860	225 776	-2 813
A.*	**Net cash flow from operating activities before tax, movements in working capital and extraordinary items**	**1 217 175**	**7 119 294**	**9 149 793**
A.2.	Change in non-cash component of working capital	2 810 154	-2 715 846	-437 997
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	1 597 747	341 549	-54 796
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	-741 856	-730 219	-527 232
A.2.3.	Change in inventory (+/-)	1 953 025	-2 367 672	-82 297
A.2.4.	Change in current financial assets not included in cash and cash equivalents	1 238	40 496	226 328
A.**	**Net cash flow from operating activities before tax and extraordinary items**	**4 027 329**	**4 403 448**	**8 711 796**
A.3.	Interest paid (-), except interest capitalised	-151 618	-198 538	-172 291
A.4.	Interest received (+)	43 580	128 290	162 636
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-207 438	-1 713 914	-1 575 366
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	32	-104	2 751
A.7.	Received dividends and profit shares (+)	42 374	50 820	42 281
A.***	**Net cash flow from operating activities**	**3 754 259**	**2 670 002**	**7 171 807**
	Cash flows from investing activities			
B.1.	Fixed assets expenditures (-)	-1 440 459	-2 934 313	-2 228 059
B.2.	Receipts from fixed assets sold (+)	35 299	158 688	134 701
B.3.	Loans provided to related parties (-/+)		0	-14 100
B.4.	Cash flows from the purchase of business or its part	-152 223	-1 441 051	-325 439
B.5.	Casf flows from the deconsolidation of business or its part	-1 015	0	
B.***	**Net cash flow from investing activities**	**-1 558 398**	**-4 216 676**	**-2 432 897**
	Cash flow from financial activities			
C.1.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	-833 914	1 022 297	-1 012 320
C.2.	Impact on cash and cash equivalents due to change in equity	-1 515 581	-20 577	-3 625 579
C.2.5.	Payments made from funds (-)			-280
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	-1 515 581	-20 577	-3 625 299
C.***	**Net cash flow from financial activities**	**-2 349 495**	**1 001 720**	**-4 637 899**
F.	**Net increase or decrease of cash and cash equivalents**	**-153 634**	**-544 954**	**101 011**
R.	**Cash and cash equivalents at the end of the accounting period**	**3 454 716**	**3 608 350**	**4 153 304**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 Companys share capital is CZK 3,157,000 thousand.

The consolidated financial statements were prepared as of and for the year ended31 December 2009.

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 2009

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

There was a change in the member of the Supervisory Board in the reporting period, Jan Sikora was replaced by Jaroslava Ciahotná, the change was recorded in the Register of Companies on 11 August 2009.

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 2009:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2009
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	99.83 %
Barrandov Televizní Studio a.s.	Prague 5, 152 00, Kříženeckého nám. 5/322	Broad digital television broadcasting	99.95 %
Barrandov Lands a.s.	Prague 5, 152 00, Kříženeckého nám. 5/322	Facility management, real estate activities	100.00 %
MORAVIA STEEL ITALIA s.r.l.	Milan, Italy	Distribution of metallurgical products	66.00 %
Beskydská golfová, a.s.	Ropice, 739 56, 415	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 železárny a pérovny, a.s.	Prostějov, 797 11, Dolní 100	Production of leaf and helical springs for the automotive and railway industries	100.00 %
Moravskoslezský kovošrot, a.s.	Prague 1, 110 00, V Jámě 1371/8	Purchase, processing and sales of metal scrap and non-ferrous metals	51.00 %
M Steel Projects a.s.	Průmyslová 1000, Třinec	Lease of real estate, apartments and non-residential premises	100.00 %

On 5 February 2009, the Company purchased a 51% equity investment in Moravskoslezský kovošrot, a.s., corporate ID 268 55 097, with its registered office at V Jámě 1371/8, Prague 1, 110 00. The acquisition cost amounted to CZK 106,100 thousand.

On 24 November 2009, the Company purchased the shares of Barrandov Studio a.s. of CZK 1,080 thousand and Barrandov Televizní Studio a.s. of CZK 120 thousand. This fact was not recorded in the Register of Companies as of 31 December 2009.

In addition, the Company formed a new entity M Steel Projects a.s., corporate ID: 28602331, with its registered iffice at Průmyslová 1000, Třinec-Staré Město, 739 70. This fact was not recorded in the Register of Companies as of 5 October 2009.

Associates

Name of the company	Registered office	Business activities	Equity share
CMC – TRINEC Stahlhandel, GmbH	Kürten, Germany	Distribution of metallurgical products	50.00 %
TRINEC – CMC LIMITED	Sandbach, United Kingdom	Distribution of metallurgical products	50.00 %
Kovárna „VIVA" Zlín, spol. s r.o.	Zlín, tř. T. Bati 5266, 76001	Production of die forgings	50.00 %

On 27 May 2009, the Company purchased a 50 % equity investment in Kovárna "VIVA" Zlín, spol. s r.o., corporate ID: 46978496, with its registered office at tř. T. Bati 5266, Zlín 760 01. The acquisition cost amounted to CZK 175,311 thousand.

Since the trading strategy of the associated undertakings is substantially performed by a different company, 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 2009, the sub-group includes of the following companies:

Subsidiaries:

Name	Registered office	Business activities	Equity share at 31 Dec 2009
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 %
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 %
METALURGIA S.A.	Radomsko, Świętej Rozalii nr 10/12, 97-500, Poland	Production of nails, wire and wire products	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 %

Associates:

Name	Registered office	Business activities	Equity share at 31 Dec 2009
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 %

Given the acquisition of the 100 percent equity investment in Metalurgia S.A., the consolidation group was expanded to include this entity in 2009. Metalurgia S.A. was included as of 30 September 2009.

Moravskoslezský kovošrot, a.s. Sub-Group

Subsidiaries

Name	Registered office	Business activities	Equity share at 31 Dec 2009
MSK Polska Sp. z o.o.	Batalionów Chłopskich 2 42-680 Tarnowskie Góry	Purchase, processing and sale of metal scrap and non-ferrous metals	84 %

The following companies were included into the consolidated group (the "Group") for 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	69.04 %
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.	Milan, Italy	Distribution of metallurgical products	66.00 %
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	94.43 %
Hanácké železárny a pérovny, a.s.	Prostějov, 797 11, Dolní 100	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 MORAVIA STEEL ITALIA s.r.l. (corporate ID 269 55 342) which held the 100 percent equity investment in its subsidiary Hanácké železárny a pérovny, a.s. As a result of the merger by amalgamation, MORAVIA STEEL ITALIA s.r.l., as the successor company, assumed the net assets of the dissolving company Hanácké železárny a pérovny, a.s. on 19 September 2008. In addition, the name of the company changed to Hanácké železárny 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 the 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 – TRINEC 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 2008:

Subsidiaries

Name of the company	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 tubes	100.00 %
VÚHŽ a.s.	Dobrá 240, 739 51	Production of car, metallurgical, manufacturing and foundry products	100.00 %
H&S PROGRESS, s.r.o.	Dobrá 240, 739 51	Wholesale mediation	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 was 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 of the company	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 a.s. was renamed to Barrandov Studio a.s. as of 1 November 2007.

Associates

Name of the company	Registered office	Business activities	Equity share
CMC – TRINEC 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 of accounting 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 2009, 2008 and 2007. The companies included in the consolidated group in the 2007 – 2009 period are based in the Czech Republic, with the exception of CMC – TRINEC Stahlhandel, GmbH, which is based in Germany, MORAVIA STEEL ITALIA s.r.l., based in Italy, TRINEC - CMC LIMITED based in Great Britain and METALURGIA S.A. and MSK Polska Sp. z o.o. based in Poland.

2.2.4. Companies Excluded from Consolidation

Entities in which the Company has control, joint control or substantial influence are not included in the consolidated group if:

- The assets of such an entity do not exceed CZK 150 million;
- The equity share in the entity in proportion to the total equity of all companies in the group is less than 1.5 percent;
- The share in the net turnover (revenues of account class 6) in the group is less than 1.5 percent;
- Severe and long-term restrictions of the parent company hinder the companys 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 or with inevitable and provable undue delay;
- The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

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 one whole. The total assets of this whole must be less than CZK 500 million, the equity share of this whole in the Group must be less than 5 percent and the share in the net turnover (revenues of account class 6) in the group must be less than 5 percent. If the assets are less than CZK 500 million and 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 are largely generated by the company with related parties and would have an immaterial impact on the profit and loss account after eliminating intercompany deliveries. For calculating materiality levels, all companies in the Group with the exception of companies in liquidation or subject to bankruptcy proceedings are taken into account.

3. Basis of Accounting and General Accounting Principles

The Groups 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. The accounting records of MSK Polska Sp.z o.o. are maintained in accordance with the Act on Accounting and Financial Reporting applicable in Poland.

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 MORAVIA STEEL ITALIA s.r.l., CMC – TRINEC Stahlhandel, GmbH, TRINEC - CMC LIMITED and MSK Polska Sp. z o.o. are translated using the exchange rates prevailing at 31 December 2009, 2008 and 2007 as promulgated by the Czech National Bank.

Financial Reporting Period

The consolidated financial statements of the Parent Company for the year ended 31 December 2009 were prepared as follows:

- The balance sheet contains comparative balances as of 31 December 2008 and 31 December 2007;
- The profit and loss account comprises comparative amounts for the years ended 31 December 2008 and 31 December 2007;
- The statement of changes in equity contains comparative amounts for the years ended 31 December 2008 and 31 December 2007; and
- The cash flow statement comprises comparative amounts for the years ended31 December 2008 and 31 December 2007.

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 Groups 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 Groups 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 and are recorded off balance sheet in the valuation of own costs.

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 consolidated 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 consolidated balance sheet date is recognised in the 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 consolidated 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 accounting period when the missing allowances are purchased or used from the free of charge allocation of the following period.

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.

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.

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 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 or anticipated income from the intended sale.

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.

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 consolidated 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, securities of the same type 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, its anticipated future cash flows and the results of its operations and reflects its interest in the entitys 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.

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 full own costs according to planned (planned costing) and actual costs. If the difference in valuation according to actual full own costs is greater than the valuation according to the planned full own costs, the difference from the revaluation of internally produced inventory is reflected in the 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 full own costs is greater than the valuation according to actual full 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 movements, 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 (against receivables from other than Group companies) 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 addition, provisions are recognised against specific receivables following an assessment of their collectability.

The Group recognises provisions against other interest-free long-term receivables. This provisioning charge is calculated as equal to the difference between the nominal value and the discounted value 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 and Borrowings

Valuation

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

3.1.8. Reserves

The Group creates other reserves to provide for future risks known at the consolidated 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. 294/2005 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.

At the consolidated balance sheet date, the relevant assets and liabilities are translated at the Czech National Banks exchange rate prevailing as of that date.

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. The taxable profit differs from the 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 Groups liability for current tax is calculated using tax rates that have been enacted by the consolidated 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.

The deferred tax asset/liability reported by the Group is the sum of deferred tax assets/liabilities of individual companies of the consolidation group that are reported by companies in their separate financial statements.

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 Groups criteria for a derivative instrument to be accounted for as a hedge are as follows:

- In accordance with the financial risk management strategy, at the inception of the hedge, a decision was made regarding hedged items and hedging instruments, risks to be hedged, the approach to establishing and documenting whether the hedge is effective;
- 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, the Group assesses effectiveness at the derivative trade date and subsequently at the balance sheet date.

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

Derivative financial instruments are concluded for the contracted transaction volume. Derivative financial instruments are carried at fair value at the consolidated balance sheet date. In determining the fair value, the Company has referred to the market value.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a legally enforceable contract, a forecasted future transaction, groups of assets, groups of liabilities, legally enforceable contracts or forecasted future transactions with similar characteristics where the same type and category of risk is the subject of the hedge. Gains or losses arising over the term of the hedge from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to the hedged risks are retained on the balance sheet. The gains or losses are taken to income or expenses in the same period in which the income or expenses associated with the hedged item are recognised. Gains or losses arising from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to unhedged risks are recorded as expenses or income from derivative transactions at the measurement date.

3.7. Costs Relating to Employees Hired through an Employment Agency

The Group reports staff costs of employees hired through an employment agency as part of social costs which include the actually paid salaries including social security costs and health insurance. The costs of other aids and protective drinks for agency employees are reported under Consumed material and energy. Other services of the agency, such as mediation fees and agency overheads are reported under Services.

3.8. 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.

3.9. Use of Estimates

The presentation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated 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.

3.10. 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.

3.11. 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 6.6). In addition, the Group receives grants to fund the acquisition of fixed assets and these grants reduce the cost of the related assets.

3.12. 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 or intangible). The output of a research project is capitalised on the basis of the results of opponent proceedings. A detailed analysis of the projects in progress is undertaken at the consolidated balance sheet date and the costs incurred are charged to expenses or recognised as complex deferred expenses in the event that there is doubt over the completion or future utilisation of the project.

3.13. Year-on-Year Changes in Valuation, Depreciation or Accounting Policies

With effect from the year ended 31 December 2009, the Group changed the policy of accounting for prepayments made for fixed assets denominated in foreign currencies. The account of "Tangible fixed assets under construction" includes the invoiced amount which equals the amount of the prepayment made which was translated at the exchange rate effective as of the date on which the prepayment was made, and it further reflects an additional payment related to the invoice translated at the foreign exchange rate effective as of the date on which the invoice was recorded. In previous reporting periods, the Group accounted for the aggregate invoice using the exchange rate effective as of the transaction date.

For this reason, at the balance sheet date the receivable arising from a prepayment made for tangible fixed assets denominated in a foreign currency is not retranslated at the exchange rate of the Czech National Bank effective as of that date, as opposed to previous reporting periods.

With effect from 2010, the Group changed the policy for accounting for the revaluation of internally developed inventory such that the revaluation difference according to the actual full internal operating costs and the valuation per the anticipated full internal operating costs is reflected in the financial accounting records in the general ledger accounts "Change in internally developed inventory" with a corresponding entry to "Internally developed inventory".

3.14. 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. Furthermore, financial investments of the parent company were eliminated against acquired equity, inter-company 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 equity investments under equity accounting, whose balance is calculated as the share in 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 companys share in the current periods results, and the Consolidation reserve fund comprising an associates accumulated profit/loss of previous years.

Goodwill arising on consolidation represents the difference between the cost of an investment in a subsidiary and its value determined on the basis of the Parent Companys interest in the fair value of equity which arises as a difference between the fair values of assets and the fair values of liabilities as of the acquisition date or as of the date of a further capital increase (a further increase of securities or equity investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company.

Before 2007, goodwill arising on consolidation was amortised on a straight line basis over 20 years if there were no reasons for a shorter amortisation period. Goodwill arising on consolidation was charged to positive consolidation goodwill in expenses from ordinary activities or credited to negative consolidation goodwill in income from ordinary activities, as appropriate.

In the year ended 31 December 2008, the Group changed the policy of valuing, depreciating and accounting for goodwill arising on consolidation. Positive (negative) goodwill arising on consolidation is carried at cost which is adjusted by cumulative losses (gains) from impairment. It is tested for impairment on an annual basis.

Amortisation charges of goodwill arising on consolidation are recognised in a special consolidated profit and loss account line item.

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

The consolidation of the financial statements was performed using the direct consolidation method.

The financial statements for the years ended 31 December 2007-2009 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 statements preparation date are available in the registered office of the Parent Company.

The consolidation rules for 2007-2009 (definition of the consolidated group, method of transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Parent Company.

3.15. Cash Flow Statement

The cash flow statement is prepared using the indirect method.

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

Cash and cash equivalents can be analysed as follows:

(CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Total current financial assets	**3 458 237**	**3 613 109**	**4 211 930**
Total cash and cash equivalents not included in cash flow	-3 521	-4 759	-58 626
Total cash and cash equivalents	**3 454 716**	**3 608 350**	**4 153 304**

Comments on the Cash Flow Statement as of 31 December 2009:

Cash equivalents not reported in the cash flow as of 31 December 2009 and 2008 include blocked cash representing the opening of a special-purpose account of CZK 3,514 thousand and CZK 4,759 thousand as of 31 December 2009 and 31 December 2008, respectively, in connection with a loan obtained from a bank.

Cash and cash equivalents not reported in the cash flow as of 31 December 2007 include blocked cash representing the opening of a special-purpose account of CZK 35,444 thousand as of 31 December 2007 in connection with the received state aid.

4. Analysis of Impacts on Profit/Loss

4.1. Consolidated Profit/Loss for 2009

4.1.1. Structure of the Consolidated Profit/Loss for 2009

(CZK thousand)

Current years profit made by MORAVIA STEEL a.s.	710 257
Current years profit made by M Steel Projects a.s.	-225
Current years profit made by Barrandov Lands a.s.	-12
Current years profit made by Hanácké železárny a pérovny, a.s.	11 206
Current years profit made by Beskydská golfová, a.s.	-152
Share of current years profit made by Barrandov Studio a.s.	16 962
Share of current years profit made by Barrandov Televizní Studio a.s.	-422 370
Share of current years profit made by MORAVIA STEEL ITALIA s.r.l.	12 535
Share of current years profit made by the TŽ, a.s. consolidation group	-975 491
Share of current years profit made by Sochorová válcovna TŽ, a.s.	-343 492
Share of current years profit made by Moravskoslezský kovošrot, a.s.	-6 617
Share in profit/(loss) of equity accounted investments	58 432
Adjustments within full consolidation (see Note 4.1.2.)	268 365
Adjustments within the equity method (see Note 4.1.3.)	675
Consolidated profit	**- 669 927**

4.1.2. Adjustments within Full Consolidation for 2009

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit	318 116
Elimination of provision against inventory, including the deferred tax impact	-3 603
Elimination of the provision against investment in Barrandov Studio a.s.	-200 000
Elimination of the provision against investment in Barrandov Televizní Studio a.s.	345 569
Amortisation of positive goodwill on consolidation of Barrandov Studio a.s.	-16 369
Amortisation of positive goodwill on consolidation of Sochorová válcovna TŽ, a.s.	-124 630
Amortisation of positive goodwill on consolidation of Beskydská golfová, a.s.	-14 826
Amortisation of positive goodwill on consolidation of Moravskoslezský kovošrot, a.s.	-30 822
Amortisation of positive goodwill on consolidation of Kovárna „VIVA“ Zlín, spol. s r.o.	- 4 910
Amortisation of negative goodwill on consolidation of Barrandov Lands a.s.	5 069
Elimination of dividends declared by MORAVIA STEEL ITALIA s.r.l.	-5 229
Total adjustments	**268 365**

4.1.3. Adjustments within Full Consolidation for 2009

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	675
Total adjustments	**675**

4.2. Consolidated Profit/Loss for 2008

4.2.1. Structure of the Consolidated Profit/Loss for 2008 (CZK thousand)

Current years profit made by MORAVIA STEEL a.s.	1 489 030
Current years profit made by MS – Slovensko s.r.o.	
Share of current years profit made by Barrandov Studio a.s.	15 443
Share of current years profit made by Barrandov Televizní Studio a.s.	-103 352
Share of current years profit made by MORAVIA STEEL ITALIA s.r.l.	15 555
Share of current years profit made by the TŽ, a.s. consolidation group	972 558
Share of current years profit made by Sochorová válcovna TŽ, a.s.	206 988
Share of current years profit made by Beskydská golfová, a.s.	-3 981
Share of current years profit made by Hanácké železárny 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**

4.2.2. 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 železárny a pérovny, a.s.	-14 501
Amortisation of negative goodwill on consolidation TŘINECKÉ ŽELEZÁRNY, 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**

4.2.3. 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**

4.3. Consolidated Profit/Loss for 2007

4.3.1. Structure of the Consolidated Profit/Loss for 2007 (CZK thousand)

Current years profit made by MORAVIA STEEL a.s.	3 202 795
Current years profit made by MS – Slovensko s.r.o.	1
Share of current years profit made by Barrandov Studio a.s.	57 847
Share of current years profit made by Barrandov Televizní Studio a.s.	12
Share of current years profit made by MORAVIA STEEL ITALIA s.r.l.	24 126
Share of current years profit made by Beskydská golfová, a.s.	1 417
Share of current years profit made by Sochorová válcovna TŽ, a.s. for the period from 1 September 2007	47 522
Share of current years 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**

4.3.2. 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 TŘINECKÉ ŽELEZÁRNY, a.s.	51 254
Elimination of dividends declared by MORAVIA STEEL ITALIA s.r.l.	-4 661
Elimination of dividends declared by TŘINECKÉ ŽELEZÁRNY, a.s.	-1 399 727
Elimination of sales	1 137
Total adjustments	**-1 337 821**

4.3.3. 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**

5. Additional Information on the Balance Sheet and Profit and Loss Account

5.1. Intangible Fixed Assets

Cost (CZK thousand)

	Balance at 1 Jan 2007	New acquisitions	Additions	Disposals	Balance at 31 Dec 2007	New acquisitions	Additions	Disposals	Balance at 31 Dec 2008
Research and development	-	-	-	-	-	-	4 553	-	4 553
Start-up costs	72	21	-	-	93	-	-	-	93
Software	198 821	8 869	5 869	1 779	211 780	31 893	35 793	3 495	275 971
Valuable rights	425 197	42 677	16 163	8 325	475 712	2 763	51 618	26 718	503 375
Other intangible FA	117 823	5 157	102 223	215 217	9 986	2 947	2 748 610	2 739 392	22 151
Intangible FA under construction	17 328	-	57 875	27 207	47 996		148 697	192 388	4 305
Prepayments for intangible FA	-	-	-	-	-	-	135	-	135
Total	**759 241**	**56 724**	**182 130**	**252 528**	**745 567**	**37 603**	**2 989 406**	**2 961 993**	**810 583**

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2009
Research and development	1 560	-	1	131	6 243
Start-up costs	2	-	-	-	95
Goodwill	347	-	-	29	376
Software	1 753	8 043	881	147	285 033
Valuable rights	300	6 525	2	25	510 223
Other intangible FA	38 618	1 209 568	1 190 200	3 232	83 369
Intangible FA under construction	-	4 790	6 572	-	2 523
Prepayments for intangible FA	-	20 000	20 135	-	-
Total	**42 580**	**1 248 926**	**1 217 791**	**3 564**	**887 862**

Accumulated Amortisation and Provisions (CZK thousand)

	Balance at 1 Jan 2007	New acquisitions	Additions	Disposals	Balance at 31 Dec 2007	New acquisitions	Additions	Disposals	Balance at 31 Dec 2008
Research and development	-	-	-	-	-	-	228	-	228
Start-up costs	72	21	-	-	93	-	-	-	93
Software	140 205	5 431	27 385	1 825	171 196	30 505	28 624	3 579	226 746
Valuable rights	357 200	2 823	19 995	8 325	371 693	2 303	31 833	24 164	381 665
Other intangible FA	4 877	5 104	13	52	9 942	2 947	3 708	4 129	12 468
Intangible FA under construction	898	-	-	3	895	-	-	99	796
Total	**503 252**	**13 379**	**47 393**	**10 205**	**553 819**	**35 755**	**64 393**	**31 971**	**621 996**

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2009
Research and development	1 560	909	-	131	2 828
Start-up costs	-	-	-	-	93
Goodwill	347	-	-	29	376
Software	1 753	24 638	881	147	252 403
Valuable rights	-	34 088	2	-	415 751
Other intangible FA	-	175	3 687	-	8 956
Intangible FA under construction	-	-	-	-	796
Total	**3 660**	**59 810**	**4 570**	**307**	**681 203**

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Research and development	-	4 325	3 415
Start-up costs	-	-	2
Software	40 584	49 225	32 630
Valuable rights	104 019	121 710	94 472
Other intangible FA	44	9 683	74 413
Intangible FA under construction	38 818	3 509	1 727
Prepayments for intangible FA	8 283	135	-
Total	**191 748**	**188 587**	**206 659**

The tables of movements within intangible fixed assets include the column new acquisitions relating to the expansion of the consolidated group to include METALURGIA S.A., Moravskoslezský Kovošrot, a.s. and Barrandov Lands a.s. in 2009, Hanácké železárny a pérovny, a.s., Šroubárna Kyjov spol. s.r.o. and D5, akciová společnost Třinec in 2008, and 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. in 2007.

Additions to and disposals of other intangible fixed assets predominantly include the allocation and consumption of greenhouse emission allowances.

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets charged to expenses amounted to CZK 56,334 thousand, CZK 57,717 thousand and CZK 34,663 thousand for the years ended 31 December 2009, 2008 and 2007, respectively.

Other intangible assets include greenhouse gas emission allowances. The Group anticipates that the number of allowances allocated necessary to cover the consumption of greenhouse gas emissions will be insufficient before the end of 2009. For this reason, the Group recognised a reserve for these missing allowances in the amount of CZK 15,536 thousand as of 31 December 2009.

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 31,090 thousand, CZK 32,577 thousand and CZK 28,542 thousand as of 31 December 2009, 2008 and 2007, respectively.

5.2. Tangible Fixed Assets

Cost

(CZK thousand)

	Balance at 1 Jan 2007	New acquisitions	Additions	Disposals
Land	921 452	299 375	23	582
Structures	8 072 453	467 674	318 922	40 636
Individual movable assets	21 199 621	761 278	1 314 059	333 991
Other tangible FA	98 891	1 155	1 323	307
Tangible FA under construction	927 772	82 345	1 698 103	1 588 898
Prepayments	204 152	39 000	446 213	435 678
Valuation difference on acquired assets	-2 693	7 928	-	-
Total	**31 421 648**	**1 658 755**	**3 778 643**	**2 400 092**

(CZK thousand)

	Balance at 31 Dec 2007	New acquisitions	Additions	Disposals	Balance at 31 Dec 2008
Land	1 220 268	81 525	6 340	59 594	1 248 539
Structures	8 818 413	568 435	611 388	190 158	9 808 078
Individual movable assets	22 940 967	963 979	2 285 900	381 303	25 809 543
Other tangible FA	101 062	599	2 332	985	103 008
Tangible FA under construction	1 119 322	83 740	3 596 416	3 306 284	1 493 194
Prepayments	253 687	27 567	670 448	823 215	128 487
Valuation difference on acquired assets	5 235	-11	2 693	2 083	5 834
Total	**34 458 954**	**1 725 834**	**7 175 517**	**4 763 622**	**38 596 683**

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2009
Land	292 792	3 187	276 214	-	1 268 304
Structures	248 896	474 077	12 865	17 594	10 535 780
Individual movable assets	599 976	1 333 031	567 829	47 126	27 221 847
Other tangible FA	1 508	11	732	106	103 901
Tangible FA under construction	8 049	1 029 171	1 681 549	224	849 089
Prepayments	-	303 854	267 258	-	165 083
Valuation difference on acquired assets	-	-	2 093	-	3 741
Total	**1 151 221**	**3 143 331**	**2 808 540**	**65 050**	**40 147 745**

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2007	New acquisitions	Additions	Disposals
Land	3 817 777	61 482	247 632	62 772
Individual movable assets	13 465 571	244 956	1 253 504	332 563
Other tangible FA	96 500	3	1 294	307
Tangible FA under construction	1 809	485	2 277	45
Prepayments	668	-	-	90
Valuation difference on acquired assets	-2 334	3 589	6 254	2 094
Total	**17 379 991**	**310 515**	**1 510 961**	**397 871**

(CZK thousand)

	Balance at 31 Dec 2007	New acquisitions	Additions	Disposals	Balance at 31 Dec 2008
Land	4 064 119	300 610	300 403	197 980	4 467 152
Individual movable assets	14 631 468	539 758	1 412 327	403 776	16 179 777
Other tangible FA	97 490	476	2 193	897	99 262
Tangible FA under construction	4 526	-	37 329	624	41 231
Prepayments	578	-	41	-	619
Valuation difference on acquired assets	5 415	-	3 641	3 222	5 834
Total	**18 803 596**	**840 844**	**1 755 934**	**606 499**	**20 793 875**

(CZK thousand)

	New acquisitions	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2009
Structures	116 878	264 751	19 331	9 512	4 838 962
Individual movable assets	464 530	1 594 310	569 829	37 411	17 706 199
Other tangible FA	1 182	217	844	83	99 900
Tangible FA under construction	597	11 944	38 490	52	15 334
Prepayments	-	1 162	31	-	1 750
Valuation difference on acquired assets	-	531	2 624	-	3 741
Total	**583 187**	**1 872 915**	**631 149**	**47 058**	**22 665 886**

Net Book Value

(CZK thousand)

Net book value	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Land	1 220 268	1 248 539	1 268 304
Structures	4 754 294	5 340 926	5 696 818
Individual movable assets	8 309 499	9 629 766	9 515 648
Other tangible FA	3 572	3 746	4 001
Tangible FA under construction	1 114 796	1 451 963	833 755
Prepayments for tangible FA	253 109	127 868	163 333
Valuation difference on acquired assets	-180	-	-
Total	**15 655 358**	**17 802 808**	**17 481 859**

The tables of movements within tangible fixed assets include the column new acquisitions in 2009 relating to the expansion of the consolidated group to include METALURGIA S.A., Moravskoslezský Kovošrot, a.s. and Barrandov Lands a.s. in 2008 relating to the expansion of the consolidated group to include Hanácké železárny a pérovny, a.s., Šroubárna Kyjov spol. s.r.o. and D5, akciová společnost Třinec, in 2007 relating to 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.

Principal additions to tangible fixed assets for the year ended 31 December 2009 are as follows:

(CZK thousand)

Danieli rating walking beam furnace	303 748
Gauge plant and Rotomat (transomat)	215 106
Replacement of the pouring crane in the convertors operation	133 902
Furnace section hall	70 221
Technical improvement on the equipment for unloading coke	61 503
Technical improvements on locomotives	49 435
Technical improvement of rolling platforms of the continuous light section mill	32 419
KSH 602D welding machine	38 098
Dividing section	24 408
SKIQ 16 CNC vertical lathe	21 332
KBA 601 bending machine	17 219
SCHV area fencing	16 946
Waste heat boiler at C rolling mill	14 082
WED 601 resistance heating	11 176
Dust removal from technological lines	9 213

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets charged to expenses amounted to CZK 1,814,020 thousand, CZK 1,611,897 thousand, CZK 1,437,038 thousand for the years ended 31 December 2009, 2008 and 2007, respectively.

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

The aggregate cost of low value tangible fixed assets not included in the balance sheet totalled CZK 471,341 thousand, CZK 512,198 thousand and CZK 452,852 thousand as of 31 December 2009, 2008 and 2007, respectively.

Fair Value

As of the acquisition date in 2009, the Group revalued the assets of METALURGIA S.A. and Moravskoslezský kovošrot, a.s. at fair value.

In the year ended 31 December 2009, the revaluation of assets to fair value increased the balance of intangible fixed assets by CZK 41,847 thousand and the balance of tangible fixed assets by CZK 84,882 thousand and resulted in the recognition of a deferred tax liability of CZK 24,079 thousand using the 19 percent tax rate.

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

In the year ended 31 December 2008, the revaluation of assets to fair value 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 assets to fair value increased the balance of tangible fixed assets by CZK 128,176 thousand and the balance of intangible fixed assets by CZK 36,822 thousand and resulted in the recognition of a deferred tax liability of CZK 19,071 thousand using the 19 percent tax rate.

5.3. Assets Held under Finance and Operating Lease Agreements

Finance Leases

(CZK thousand)

31 December 2009	Passenger cars	Machinery and equipment	Balance at31 Dec 2009
Total estimated sum of lease instalments	55 225	345 810	401 035
Payments made as of 31 Dec 2009	38 049	232 622	270 671
Future payments to be made by 31 Dec 2010	8 985	40 882	49 867
Due in the following years	8 191	72 306	80 497

(CZK thousand)

31 December 2008	Passenger cars	Machinery and equipment	Balance at31 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 at31 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

Operating Leases

In the years ended 31 December 2009, 2008 and 2007, the Company paid leases in the amounts of CZK 41,237 thousand, CZK 30,697 thousand and CZK 33,060 thousand, respectively.

5.4. Fixed Assets Pledged as Security

31 December 2009

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	364 614	Loan from Česká spořitelna, a.s.
Land	2 811	Loan from Česká spořitelna, a.s.
Tangible FA	237 167	Loan from ČSOB, a.s.
Tangible FA	349 026	Loan from Citibank a.s.
Technology	194 847	Loan from Raiffeisenbank, a.s.
Tangible FA	721 996	Loan from Česká spořitelna, a.s.
Tangible FA	30 576	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible FA	18 055	Long-term loan from KB, a.s.
Tangible FA	23 498	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible FA	16 681	Long-term loan from ČSOB, a.s.
Land	6	Loan and bank guarantees from KB, a.s.
Tangible FA	15 764	Loan and bank guarantees from KB, a.s.
Tangible FA	2 494	Loan from Citibank a.s.
Tangible FA	1 198	Loan from Citibank a.s.
Tangible FA	965	Loan from Citibank a.s.
Tangible FA	422	Loan from Citibank a.s.
Tangible FA	2 908	Loan from Citibank a.s.
Tangible FA	7 672	Loan from Citibank a.s.
Land	10 506	Loan from ČSOB, a.s.
Technology	268 920	Loan from ČSOB, a.s.
Tangible FA	126 674	Loan from KB, a.s.
Technology	44 675	Loan from KB, a.s.
Tangible FA	83 377	Loan from Fortis Bank Polska S.A.
Land, Tangible FA	52 000	Loan from Raiffeisenbank, a.s.
Tangible FA	169 490	Loan from HSBC Bank plc. – Prague branch
Tangible FA, Intangible FA	110 167	Collateral of all bank loans
Land, Tangible FA	270 638	Loan from Raiffeisenbank, a.s.
Land, Tangible FA	37 462	Loan from Česká spořitelna, a.s.
Land	34 582	Loan from Oberbank AG
Total	**3 199 191**	

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 Česká spořitelna, a.s.
Land	2 811	Loan from Česká 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	Raiffeisenbank, 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	Raifeisenbank, 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 Raiffeisenbank, 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 Raiffeisenbank, 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 Raiffeisenbank, a.s.
Total	**2 437 872**	

5.5. Summary of Unconsolidated investments

5.5.1. Summary of Unconsolidated Investments in 2009

Year Ended 31 December 2009 (CZK thousand)

Name of the company	Cost	Nominal value	Share in %	Equity	Profit/loss	Provision	Net cost
MORAVIA STEEL SLOVENIJA d.o.o.	1 573	867	51	2 297	-608	-	1 573
Moravia Steel AG Zug	1 947	1 947	100	1 009	-277	-1 947	-
MORAVIA STEEL IBÉRIA, S.A.	10 850	2 533	99.33	12 021	1 174	-	10 850
MORAVIA GOEL TRADE d.o.o.	59	59	60	**)	**)	-59	-
MS – Slovensko s.r.o. ******)	161	160	100	999	-	-	161
MORAVIA STEEL ISRAEL Ltd.	346	208	100	*)	*)	-	346
MORAVIA STEEL POLAND sp. Z o.o ***)	408	361	100	208	-44	-408	-
Barrandov FM,a.s.	8 850	8 850	98	*)	*)	-8 850	-
Barrandov Productions s.r.o. ****)	100	100	100	4 419	-709	-	100
Filmová nadace RWE & Barrandov Studio *****)	500	500	100	1 325	-474	-	500
Česká parforsní společnost s.r.o.	20	20	20	*)	*)	-	20
SV servisní s.r.o.	1 800	1 800	100	20 006	2 741	-	1 800
Total	**26 614**	**17 405**		**42 284**	**1 803**	**-11 264**	**15 350**

*) Information is not available

**) In liquidation

***) On 11 June 2008, MORAVIA STEEL POLAND sp. Z o.o. was formed in Poland. As of 31 December 2009, this entity reported no business activities.

****) Unaudited results

*****) Balance as of 31 December 2009, the reporting period ended 28 February 2010

******) The company was consolidated in prior years; it was removed from the consolidation group as of 31 December 2009 due to its immateriality.

(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**
Shares of Casino Playing Games, in liquidation *)	901	-	901	-
Total	**901**	**-**	**901**	**-**

*) Securities of this entity were included in the Group as a result of the acquisition of HŽP in 2008

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	**Gross carrying amount**	**Nominal value**	**Number of securities**	**Share in %**	**Equity**	**Profit after tax**	**Provision**	**Net carrying amount**	**Financial income for the year**
Třinecké gastroslužby, s.r.o.	25 643	25 800	-	100.00	*34 622*	*3 253*	-	25 643	-
Doprava TŽ, a.s.	15 755	16 000	115	100.00	*80 255*	*15 105*	-	15 755	-
TRIALFA, s.r.o.	100	100	-	100.00	*21 962*	*1 734*	-	100	-
Steel Consortium Partners, a.s.	19 000	19 000	117	100.00	*1 695*	*-91*	-17 305	1 695	-
Reťaze Slovakia s.r.o.	11 698	4 936	-	80.00	*14 623*	*11*	-	11 698	179
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	*)	45 738	-	89.11	*45 465*	*4 621*	-	*)	-
TRISIA, a.s.	19 364	9 900	990	66.00	*63 765*	*-1 711*	-	19 364	-
„ZAMECZEK BŁOGOCICE“ Społka z ograniczoną odpowiedzialnością Cieszyn (PL)**)	7 920	7 920	-	88.00	*7 528*	*-497*	-	7 920	-
Moravia Security, a.s.	12 000	12 000	12	100.00	8 926	1 708	-	12 000	-
Neomet Sp. z o o. (PL)	1 214	1 214	22	100.00	1 096	-30	-1 214	-	123
Soukromá střední škola Třinec, š.p.o.	2 000	2 000	-	100.00	*2 930*	*453*	-	2 000	-
Sroubarna Kyjov TK Vida ve Metal Sanay ve Ticarel Limited Sirketi	146	146	-	100.00	-	-	-77	69	-
Total	**174 707**						**-18 597**	**156 110**	**302**

Note:*) Confidential information

In italics – preliminary results as of 31 December 2009

**) data in thousands PLN

(CZK thousand)

Equity securities and investments in associates (shareholding between 20 - 50 %)									
Name of the company	**Gross carrying amount**	**Nominal value**	**Number of securities**	**Share in %**	**Equity**	**Profit after tax**	**Provision**	**Net carrying amount**	**Financial income for the year**
SILESIASLAG, a.s.	1 760	1 760	74	44.00	*3 826*	*-16*	-76	1 684	-
TŘINECKÁ PROJEKCE, a.s.	750	1 125	75	34.09	*10 645*	*-28*	-	750	-
Kvalif. a personální agentura, o.p.s.	34	34	-	33.33	*262*	*-28*	-34	-	-
Hutnictví železa, a.s.	25 963	16 397	27 328	39.21	*46 559*	*-601*	-16 260	9 703	-
HRAT, s.r.o.	212	100	-	23.26	*3 003*	*968*	-	212	-
Total	**28 719**						**-16 370**	**12 349**	**-**

(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**	**Fair value**	**Financial income for the year**
KPM CONSULT, a.s.	100	100	10	10.00	*17 943*	*3 795*	-	100	-
SAVER Česká Ves, s.r.o.	121	121	-	10.00	*13 609*	*3 548*	-	121	42
Informetal zájmové sdružení	20	20	-	5.00	-	-	-	20	-
Družstvo Envicrack	4	4	-	-	-	-	-	4	-
ACRI, Praha	20	20	-	2.08	1 184	29	-20	-	-
Total	**265**							**245**	**42**

Italics – preliminary results

Other Non-Current Financial Assets

Investment	Purchase cost	Description of investment/collateral	Provision	Financial income for 2009
Term deposit	19 850	Bank guarantee collateral	-1	237
Acquired non-current financial assets	6 362		-3 476	-

(CZK thousand)

	Value of investment
Total non-current financial assets for the TŽ consolidation sub-group	188 553
Total non-current financial assets for the MS group	**206 789**

The principal additions to non-current financial assets as of 31 December 2009 include:

- Acquisition of the 43 % equity investment in „ZAMECZEK BŁOGOCICE“, Spółka z ograniczoną odpowiedzialnością; as of 31 December 2009, the Company holds the 88 % equity investment in this entity; and
- Increase in the share capital of „ZAMECZEK BŁOGOCICE“, Spółka z ograniczoną odpowiedzialnością.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2009.

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

5.5.2. 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**

*) Information is 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.

****) Unaudited 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**
Shares of Casino Playing Games, in liquidation *)	901	-	901	-
Total	**901**	**-**	**901**	**-**

*) 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	-	25 643
Doprava TŽ, a.s.	15 755	16 000	115	100	68 236	16 776	-	15 755
TRIALFA, s.r.o.	100	100	-	100	21 629	4 487	-	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	-	80	17 551	2 443	-	14 041
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	*)	45 738	-	99	36 156	5 429	-	*)
TRISIA, a.s.	19 364	9 900	990	66	65 638	-1 645	-	19 364
Regionální inovační centrum F-M, s.r.o.	240	240	-	100	2 357	36	-	240
Moravia Security, a.s.	12 000	12 000	12	100	7 129	-4 781	-	12 000
Soukromá střední škola Třinec, s.r.o.	2 000	2 000	-	100	1 971	-29	-	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	-	148
SILESIASLAG, a.s.	1 761	1 760	74	44	3 843	-9	-69	1 692
TŘINECKÁ 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	-
HRAT, s.r.o.	213	100	-	23	2 644	1 300	-	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**	**Fair value**
KPM CONSULT, a.s.	100	100	10	10	14 509	3 148	-	100
SAVER Česká Ves, s.r.o.	121	121	-	10	10 063	2 477	-	121
Informatel zájmové sdružení	20	20	-	5	-	-	-	20
ACRI, Praha	20	20	-	2.08	1 095	1	-20	-
Total	**261**						**-20**	**241**

*) preliminary results

Other Non-Current Financial Assets

(CZK thousand)

Investment	Purchase 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 any material financial income 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.

5.5.3. 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	-	2 000
MORAVIA STEEL SLOVENIJA d.o.o.	1 573	1 573	51	1 810	-1 006	-	1 573
Moravia Steel AG Zug	1 947	1 947	100	339	-174	-	1 947
MORAVIA STEEL IBÉRIA, S.A.	10 850	10 850	99.33	9 901	729	-	10 850
MORAVIA GOEL TRADE d.o.o.	59	59	60	***)	***)	-59	-
MORAVIA STEEL ISRAEL Ltd.	346	209	100	38	-20	0	209
Barrandov FM,a.s.	8 850	8 850	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	-
TV Barrandov s.r.o.	200	200	100	-18 967	-17 011	-	200
Barrandov Productions s.r.o. **)	100	100	100	4 731	1 952	-	100
Filmová nadace RWE & Barrandov Studio ***)	500	500	100	1 888	-872	-	500
Total	**27 590**	**27 453**			**-18 337**	**-10 074**	**17 516**

*) The petition of bankruptcy rejected

**) Unaudited 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	-	25 643
Doprava TŽ, a.s.	15 755	16 000	115	100	58 380	22 178	-	15 755
TRIALFA, s.r.o.	100	100	-	100	17 785	2 651	-	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	-	4 936
VÍTKOVICE – VaV, spol, s.r.o.	*)	45 738	-	99	32 223	2 090	-	*)
TRISIA, a.s.	19 364	9 900	990	66	67 171	-1 669	-	19 364
Regionální inovační centrum F-M, s.r.o.	180	180	-	75	2 320	18	-	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**
SILESIASLAG, a.s.	1 760	1 760	74	44	3 851	-27	-66	1 694
TŘINECKÁ PROJEKCE, a.s.	750	1 125	75	34	11 761	2 398	-	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	-
MS-UNIKOV OSTRAVA, s.r.o.	52 000	52000	-	25	*)	*)	-52 000	-
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**	**Valuation difference**	**Fair value**	**Financial income for the year**
HRAT, s.r.o.	50	50	-	12	1 583	570	-50	-	-
KPM CONSULT, a.s.	100	100	10	10	11 648	1 738	-	100	-
SAVAREN Česká Ves, s.r.o.	121	121	-	10	7 586	2 822	-	121	-
Informatel zájmové sdružení	20	20	-	5	-	-	-	20	-
ACRI, Praha	20	20	-	2	1 108	-223	-20	-	-
Total	**311**						**-70**	**241**	**-**

(CZK thousand)

Investment	**Purchase 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 any material financial income 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.

5.6. Accounting for Goodwill Arising on Consolidation

2009

(CZK thousand)

	Gross	**Adjustment**	**Net**	**Recognition in equity**	**Recognition in expenses**	**Recognition in income**
Positive goodwill arising on consolidation						
Barrandov Studio a.s.	92 179	76 944	15 235	-	15 874	-
Barrandov Televizní Studio a.s.	-	-	-	-	494	-
Beskydská golfová, a.s.	-	-	-	-	14 826	-
Sochorova válcovna TŽ, a.s.	-	-	-	-	124 630	-
Hanácké železárny a pérovny, a.s.	130 508	14 501	116 007	-	-	-
Moravskoslezský kovošrot, a.s.	0	-	-	-	30 822	-
Kovárna „VIVA“ Zlín, spol. s r.o.	-	-	-	-	4 911	-
H&S PROGRESS, s.r.o	-	-	-	18 671	867	-
Šroubárna Kyjov, spol. s r.o.	-	-	-	49 567	120 846	-
Total	**222 687**	**91 445**	**131 242**	**68 238**	**313 270**	**-**
Negative goodwill arising on consolidation						
METALURGIA S.A.	-	-	-	-	-	166 684
Barrandov Lands a.s.	-	-	-	-	-	5 059
Total	**-**	**-**	**-**	**-**	**-**	**171 743**

In 2009, the Group recognised the negative goodwill arising on consolidation of METALURGIA S.A. in the amount of CZK 166,684 thousand in income.

In 2009, pursuant to an impairment analysis, the Company wrote off the positive goodwill arising on consolidation. Part of the goodwill that relates to the deferred tax arising from revaluation of assets and liabilities was recognised in equity – Gains or losses from revaluation of assets and liabilities. In prior years, the deferred tax arising from revaluation of assets and liabilities was reported against positive goodwill arising on consolidation. In 2009, the Group reports the deferred tax against equity – Gains or losses from revaluation of assets and liabilities.

2008 (CZK thousand)

	Gross	Adjustment	Net	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation					
Barrandov Studio a.s.	91 164	61 070	30 094	4 268	-
Beskydská golfová, a.s.	16 188	1 362	14 826	809	
Sochorova válcovna TŽ, a.s.	135 960	11 330	124 630	9 064	-
Hanácké železárny a pérovny, a.s.	130 508	14 501	116 007	14 501	
TŘINECKÉ ŽELEZÁRNY, a.s.	-	-	-	568	
H&S PROGRESS, s.r.o	45 172	25 634	19 538	24 603	-
D 5, akciová společnost	-	-	-	55 095	-
Šroubárna Kyjov, spol. s r.o.	170 503	-	170 503	-	-
Total	**589 495**	**113 897**	**475 598**	**108 908**	**-**
Negative goodwill arising on consolidation					
FERROMORAVIA, s.r.o.	-	-	-	-	16 435
VÁLCOVNA TRUB TŽ, a.s.	-	-	-	-	232 394
Řetězárna a.s.	-	-	-	-	13 616
Total	**-**	**-**	**-**	**-**	**262 445**

In the year ended 31 December 2008, the Company changed the policy of valuing, depreciating and accounting for goodwill arising on consolidation, as described in Note 3.14. For this reason, the Company recognised the aggregate balance of the negative goodwill on consolidation of CZK 262,445 thousand in income and the balance of the positive goodwill arising on consolidation of CZK 79,698 thousand in expenses.

2007 (CZK thousand)

	Gross	Adjustment	Net	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation					
H&S PROGRESS, s.r.o.	45 571	1 031	44 540	1 031	-
Barrandov Studio a.s.	91 164	56 802	34 362	33 649	-
Beskydská golfová, a.s.	11 058	553	10 505	553	-
Sochorova válcovna TŽ, a.s.	135 960	2 266	133 694	2 266	
Total	**283 753**	**60 651**	**223 102**	**37 499**	**-**
Negative goodwill arising on consolidation					
FERROMORAVIA, s.r.o.	-21 581	5 146	-16 435	-	1 080
TŘINECKÉ ŽELEZÁRNY, a.s.	-	-	-	-	51 254
VVT – VÍTKOVICE VÁLCOVNA TRUB, a.s.	-261 852	29 486	-232 366	-	13 095
Řetězárna a.s.	-25 243	11 599	-13 644	-	1 647
Total	**-308 676**	**46 231**	**-262 445**	**-**	**67 076**

5.7. Securities and Equity Investments under Equity Accounting

(CZK thousand)

Securities and equity investments under equity accounting	2009	2008	2007
VESUVIUS ČESKÁ REPUBLIKA, a.s.	83 475	87 439	88 213
CMC – TRINEC LIMITED	25 444	24 793	23 175
CMC – TRINEC Stahlhandel, GmbH	110 939	74 352	47 503
Kovárna „VIVA“ Zlín, spol. s r.o. *)	186 209	-	-
Total	**406 067**	**186 584**	**158 891**

*) On 27 May 2009, the Company purchased the 50 % equity investment in Kovárna „VIVA“ Zlín, spol. s r.o., corporate ID: 46978496, registered office: tř. T. Bati 5266, Zlín, 760 01. The acquisition cost amounts to CZK 175,311 thousand.

5.8. Inventory

(CZK thousand)

Inventory structure	Balance at 31 Dec 2009	Provisions at 31 Dec 2009	Net balance at 31 Dec 2009	Balance at 31 Dec 2008	Provisions 31 Dec 2008	Net balance at 31 Dec 2008	Balance at 31 Dec 2007	Provisions at 31 Dec 2007	Net balance at 31 Dec 2007
Material	3 703 292	-271 765	3 431 527	4 723 781	-307 320	4 416 461	3 484 268	-174 041	3 310 227
Internally produced inventory:	5 163 049	-1 372 045	3 830 554	5 998 282	-929 818	5 068 464	4 569 642	-166 711	4 402 931
– Work in progress and semi-finished products	3 001 462	-882 630	2 118 832	3 624 816	-743 185	2 881 631	2 513 791	-97 424	2 416 367
– Finished products	2 161 587	-489 415	1 672 172	2 373 466	-186 633	2 186 833	2 055 851	-69 287	1 986 564
Goods	34 567	-1 354	33 213	13 915	-7011	6 904	17 357	-2 832	14 525
Prepayments	7 628	-1 291	6 337	5 732	-	5 732	525	-	525
Total	**8 908 536**	**-1 646 455**	**7 262 081**	**10 741 710**	**-1 244 149**	**9 497 561**	**8 071 792**	**-343 584**	**7 728 208**

5.9. Receivables

5.9.1. Long-Term Receivables (CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
– Trade receivables	6 398	17 578	4 838
–Receivables – controlling entity	5 000	-	-
– Prepayments made	4 334	5 017	5 403
– Other receivables	18 722	86 216	5 642
– Deferred tax asset	105 938	126 628	-
Total	**140 392**	**235 439**	**15 883**

In 2008, the Group provided a loan to CZECH MEDIA LINK. The loan was transferred to Media Master s.r.o. during 2009. As of 31 December 2009, the loan amounted to CZK 108,377 thousand, repayable in 2010 and 2011. The long-term portion of the receivable of CZK 13,357 thousand is reported in the line "Other long-term receivables", the short-term portion of the receivable of CZK 95,021 thousand is reported in the line "Other short-term receivables".

Aggregate Maturities of Long-Term Trade Receivables as of 31 December 2009 (CZK thousand)

Year	Trade receivables and long-term prepayments	Receivables – controlling entity	Other receivables
2011	1 861	5 000	16 903
2012	1 896	-	793
2013	5 758	-	584
2014	919	-	239
2015	19	-	200
After 2015	279	-	3
Total	**10 732**	**5 000**	**18 722**

Long-term receivables are settled within their due terms.

5.9.2. Structure of Short-Term Receivables

Aging of Short-Term Trade Receivables (CZK thousand)

Balance	Category	Before due date	Past due date						Total
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and greater	Total	
2009	Short-term	4 001 412	806 295	19 576	89 761	127 603	309 608	1 352 843	5 354 255
	Provisions	-1 765	-16 366	-2 161	-58 801	-127 558	-308 281	-513 167	-514 932
	Total	**3 999 647**	**789 929**	**17 415**	**30 960**	**45**	**1 327**	**839 676**	**4 839 323**
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**

Receivables typically mature within 30 days, intercompany receivables typically mature within 30 days.

Breakdown of Short-Term Trade Receivables (CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
– Customers	5 343 767	6 977 667	7 202 307
– Bills of exchange for collection	9 303	8 260	8 260
– Other receivables	1 185	2 778	603
– Provisions	-514 932	-787 729	-691 327
Total	**4 839 323**	**6 200 976**	**6 519 843**

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.

5.9.3. Intercompany Receivables

Short-Term Receivables (CZK thousand)

Entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
• Trade receivables			
CMC-TRINEC Stahlhandel, GmbH	5 183	18 073	8 967
TRINEC-CMC LIMITED	8	42	13
Doprava TŽ, a.s.	6 134	8 086	17 677
Řeťaze Slovakia, s.r.o..	-	-	1 631
TRIALFA, s.r.o.	2 121	10 069	6 349
TŘINECKÁ PROJEKCE, a.s.	193	118	144
Třinecké gastroslužby, s.r.o.	1 087	1 897	2 668
Soukromá střední škola Třinec, š. p. o.*)	19	-	-
NEOMET, S.A.	3	-	-
Kvalifikační a personální agentura, o.p.s.	3	78	4
TRISIA, a.s.	5	6	4
VESUVIUS ČR, a.s. Třinec	3 729	11 524	4 056
Kovárna „VIVA“, spol. s r.o.**)	16 535	-	-
SILESIASLAG, a.s.	3	1	4
Steel Consortium Partners, a.s.	3	16	1
ZAMECZEK BLOGOCICE	-	40 757	-
Regionální informační centrum Frýdek-Místek, s.r.o.	-	157	-
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM, s.r.o.	364	33	-
Moravia Security, a.s.	177	117	-
Barrandov Productions, s.r.o.	632	811	811
Filmová nadace RWE & Barrandov Studio	43	14	14
TV Barrandov s.r.o.	-	402	25 866
Total	**36 242**	**92 201**	**68 209**
• Receivables – controlling entity			
TRISIA, a.s.	60	-	-
Total	**36 302**	**92 201**	**68 209**
• Other intercompany receivables			
VESUVIUS ČR, a.s. Třinec	-	8 000	8 113
Total	**-**	**8 000**	**8 113**
Total short-term intercompany receivables	**36 302**	**100 201**	**76 322**
Other than intercompany receivables	5 446 431	6 989 884	7 166 314
Total short-term receivables	5 482 733	7 090 085	7 242 636

* The legal status of the privately owned high school was changed from a limited liability company into a corporate entity – educational institution and entered in the Register of Educational Corporate Entities as of 2 September 2009. Moravskoslezský kovošrot, a.s. Praha became part of the group on 12 February 2009.

**) On 27 May 2009, the Company purchased the 50 % equity investment in Kovárna "VIVA" Zlín, spol. s r.o., corporate ID: 46978496, registered office: tř. T. Bati 5266, Zlín, 760 01. The acquisition cost amounts to CZK 175,311 thousand.

Long-Term Receivables (CZK thousand)

Entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Long-term receivables			
Receivables – controlling entity			
TRISIA, a.s.	5 000	-	-
Total	**5 000**	**-**	**-**
Total long-term intercompany receivables	**5 000**	**-**	**-**
Other than intercompany receivables	135 392	235 439	15 883
Total long-term receivables	**140 392**	**235 439**	**15 883**

5.9.4. 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 2009, the amount of pledged receivables was CZK 981,798 thousand.

5.10. Derivative Financial Instruments

The Group hedged the exchange rate risk using derivative financial instruments during the year ended 31 December 2009. The net value of open derivative financial instruments as of 31 December 2009 was CZK (102,500) thousand (2008: CZK (406,237) thousand, 2007: CZK (17,598) thousand). The market values of individual open derivative financial instruments were reported in the 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 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Receivables from fixed term transactions – other receivables	2 924	42 010	179 591
Payables from fixed term transactions – other payables	-105 424	-448 247	-197 189
Total derivative financial instruments	**-102 500**	**-406 237**	**-17 598**

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 2009 against Gains and losses from the revaluation of assets and liabilities in the amount of CZK 102,500 thousand (2008: CZK (392,656) thousand, 2007: CZK 2,969 thousand).

5.11. Current Financial Assets

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Cash	7 129	6 272	6 169
Current accounts	2 162 727	609 002	1 363 689
Current accounts with transaction limits	3 514	4 759	40 879
Current deposit – special-purpose funds of the received state aid	-	-	35 444
Term deposits	594 047	355 150	265 481
Current securities	690 813	2 637 926	2 535 712
Other securities available for sale not included in the cash flow	7	-	-
Total current financial assets	**3 458 237**	**3 613 109**	**4 211 930**

As of 31 December 2009, the Group reports depository bills of exchange in the amount of CZK 652,311 thousand (2008: CZK 2,622,577 thousand, 2007: CZK 2,517,116 thousand) and tradable securities in the amount of CZK 38,509 thousand (2008: CZK 15,349 thousand, 2007: CZK 18,596 thousand).

5.12. Temporary Assets

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Deferred expenses	225 334	282 943	119 233
Deferred expenses – lease contracts	4 337	80 602	14 914
Other deferred expenses – studies, projects, interest, subscription payments	220 997	202 341	104 096
Complex deferred expenses	72 131	21 872	30 550
Accrued income	8 105	28 125	41 626
Total deferred expenses and accrued income	**305 570**	**332 940**	**191 409**

5.13. Equity

5.13.1. 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 Companys 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 to declare dividends of CZK 585,444 thousand for 2009 from retained earnings brought forward. Of the aggregate amount of dividends of CZK 2,000,023 thousand, CZK 500,023 thousand was not paid out as of the consolidated balance sheet date which is reported as a component of short-term payables in line B.III.4. Payables to partners and association members.

5.13.2. Share Capital

As of 31 December 2009, the share capital amounted to CZK 3,157,000 thousand. The Companys 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 Companys Supervisory Board.

5.14. Reserves

(CZK thousand)

	Reserves under statutory regulations					
	Reserve for repairs of tangible FA	Reserve for restoration costs	Reserve for pensions and similar liabilities	Income tax reserve	Other reserves	Total reserves
Balance at 31 Dec 2006	**319 472**	**2 353**		-	**273 872**	**595 697**
New acquisition	644	-		-	-	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	-	-	-	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**
New acquisition	22 000	-	4 674	-	1 317	5 991
Creation	7 284	29	223	539	154 347	162 422
Use	118 782	-	792	-	374 681	472 255
Balance at 31 Dec 2009	**18 980**	**2 068**	**4 105**	**539**	**197 169**	**222 861**

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.

5.15. Payables

5.15.1. Long-Term Payables

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Long-term payables			
– Trade payables	9 514	18 915	32 095
– Long-term bills of exchange to be settled	5 919	9 403	18 072
– Other payables	10 884	1 000	-
– Deferred tax liability	676 105	890 401	782 214
Total	**702 422**	**921 079**	**832 381**

5.15.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Short-term trade payables			
– Suppliers	3 996 343	4 640 543	4 722 465
– Bills of exchange to be settled	-	-	26 620
– Other payables	405	407	722
Total	**3 996 748**	**4 640 950**	**4 749 807**

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	
2009	Short-term	3 905 234	83 567	1 036	351	3 698	2 862	3 996 748
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

5.15.3. Other Payables

As of 31 December 2009, 2008 and 2007, the aggregate amount of payables in respect of social security and state employment policy contributions amounted CZK 137,541 thousand, CZK 155,834 and CZK 168,501 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 5.10.), the short-term portion of supplier loans, deductions from employees and payables arising from the acquisition of equity investments.

As of 31 December 2009, the Group records payables arising from unpaid dividends to controlling entities of CZK 500,023 thousand in the line Payables to partners and association members.

5.15.4. Intercompany Payables

Short-Term Payables (CZK thousand)

Companys name	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
• Trade payables			
Doprava TŽ, a.s.	8 663	6 960	7 505
Hutnictví železa, a.s.	638	694	678
Moravia Security, a.s.	9 342	7 411	-
TRIALFA, s.r.o.	14 879	16 265	17 111
TRISIA, a.s.	1 319	3 674	3 906
TŘINECKÁ PROJEKCE, a.s.	2 919	2 197	14 053
Třinecké gastroslužby, s.r.o.	8 736	10 032	11 635
VESUVIUS ČR, a.s. Třinec	5 833	3 118	17 170
Security Morava s.r.o.	324	-	-
CMC-TRINEC Stahlhandel, GmbH	-	451	3 797
D5, akciová společnost	1 159	-	-
TRINEC – CMC LIMITED	2 127	-	-
ZAMECZEK BŁOGOCICE Sp. z o.o.	1 289	-	-
FINITRADING, a.s.	239 932	180 006	427 307
MORAVIA STEEL SLOVENIJA d.o.o.	1 656	4 030	281
Kvalifikační a personální agentura, v.o.s.	85	57	37
Barrandov Productions, s.r.o.	3 185	1 190	1983
TV Barrandov s.r.o.	-	-	5
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	758	1 868	-
Soukromá střední škola Třinec, š. p. o. *)	1 499	-	-
Regionální inovační centrum Frýdek-Místek, s.r.o.	-	43	-
SV servisní, s.r.o.	55	4 197	-
Total intercompany short-term payables	**302 899**	**242 193**	**505 468**
Other intercompany payables			
ZAMECZEK BŁOGOCICE Sp. z o.o.	5 559	-	-
Total	**5 559**	-	-
Total short-term intercompany payables	**308 458**	-	-
Other than intercompany payables	5 388 856	5 904 841	6 152 409
Total short-term payables	**5 697 314**	**6 147 034**	**6 657 877**

* The legal status of the privately owned high school was changed from a limited liability company into a corporate entity – educational institution and entered in the Register of Educational Corporate Entities as of 2 September 2009. Moravskoslezský kovošrot, a.s. Praha became part of the group on 12 February 2009.

5.16. Deferred Tax Liability and Deferred Tax Asset

5.16.1. 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 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Difference between the tax and accounting carrying values of fixed assets	19	6 733 745	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	19	-20	-20	-
Revaluation of assets to fair value charged against equity	19	423 585	377 131	100 372
Accounting reserves	19	-168 285	-11 563	-235 200
Accounting reserves	21	-	-	-272 940
Accounting reserves	20	-	-387 081	-
Provisions	21	-	-	-277 213
Provisions	19	-1 663 342	-191 364	-150 550
Provisions	20	-	-1 136 296	-
Expenses to be utilised in subsequent periods	20	-	-36 404	-
Expenses to be utilised in subsequent periods	19	-108 369	-7 310	-
Expenses to be utilised in subsequent periods	21	-	-	-84 433
Utilisable tax loss	19	-1 358 365	-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	-358 379	-357 908	-364 816
Unrealised profit on the sale of inventory within the Group	19	57 877	-	-
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
Total temporary differences		**3 558 447**	**4 759 504**	**4 292 242**
Deferred tax liability		**676 105**	**890 401**	**782 214**

(CZK thousand)

Analysis of movements	
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**
Changes in the consolidation group – new acquisitions	490
Current changes charged to the profit and loss account	-223 654
Current changes charged against equity	8 868
31 December 2009	**676 105**

5.16.2. Deferred Tax Asset

(CZK thousand)

	Tax rate (%)	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
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	- 167 684	-40 481	-
Accounting reserves	19	13 121	-	-
Expenses deductible for tax purposes in the following years	20	-	490	
Provisions	19	49 063	-	-
Provisions	20	-	27 660	-
Expenses deductible for tax purposes in the following years	19	4 905	-	-
Receivables (payables) from fixed term transactions	20	-	390 691	-
Receivables (payables) from fixed term transactions	19	102 500	-	-
Utilisable tax loss	20	-	96 450	-
Utilisable tax loss	19	555 663	177 685	-
Total temporary differences		**557 568**	**640 003**	**-**
Deferred tax asset		**105 938**	**126 628**	**-**

(CZK thousand)

Analysis of movements	
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**
New acquisition	8 520
Current changes charged to the profit and loss account	29 453
Current changes charged to the equity	-58 663
31 December 2009	**105 938**

5.17. Bank Loans and Borrowings

The aggregate balance of outstanding bank loans is CZK 3,885,412 thousand. In 2009, the interest rate on bank loans varied between 1.386 % and 4.88 % p.a., in 2008 between 2.67 % and 6.94 % p.a., in 2007 between 3.12 % and 6.26 % p.a.

5.17.1. Bank Loans and Grants for 2009

Long-Term Bank Loans (CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Form of collateral at 31 Dec 2009
Investment	EUR	13 366	22 668	31 370	SACE guarantee insurer
Investment	CZK	15 000	45 000	75 000	Movable assets, guarantee statement
Investment	EUR	-	-	3 113	ÖKB guarantee insurer
Investment	EUR	232 264	339 143	490 143	Hermes guarantee insurer
Investment	EUR	-	-	17 633	Hermes guarantee insurer
Investment	EUR	-	3 995	32 960	SACE guarantee insurer
Investment	CZK	-	-	50 000	Real estate
Investment	EUR	-	-	11 508	No collateral
Investment	CZK	-	15 773	78 867	Immovable and movable assets, blank bill of exchange
Investment	CZK	-	18 000	54 000	Movable assets, guarantee statements of MS
Investment	CZK	19 400	53 800	88 200	Immovable and movable assets, blank bill of exchange
Investment	CZK	100 000	144 444	188 889	Immovable and movable assets, blank bill of exchange
Investment	EUR	-	5 386	15 972	Movable assets, blank bill of exchange
Investment	CZK	25 000	35 000	9 801	-
Investment	CZK	2 647	8 079	11 979	Komerční banka a.s. for investment
Investment	CZK	321 791	363 214	7 198	Unprotested 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 real estate
Investment	CZK	-	-	126 421	Immovable assets, blank bill of exchange
Investment	CZK	60 000	84 000	108 000	Pledge of real estate
Investment	CZK	12 500	25 000	29 123	Pledge of real estate
Investment	CZK	170 000	-	-	Pledge of real estate
Investment	CZK	9 985	-	-	Pledge of real estate
Investment	EUR	9 527	14 542	-	UCB Czech Republic, a.s.
Investment	EUR	21 172	7 810	-	Komerční banka a.s. for investment
Investment	CZK	28 834	40 113	-	Pledge of receivables, real estate
Investment	CZK	12 000	36 000	-	Pledge of receivables, real estate
Investment	EUR	5 955	-	-	Immovable and movable assets
Investment	CZK	98 194	52 381	-	Česká spořitelna a.s.
Investment	EUR	114 220	154 969	-	HSBC Bank plc – Prague branch
Investment	CZK	29 803	63 073	-	HSBC Bank plc – Prague branch
Investment	CZK	28 108	33 730	-	Pledged real estate
Investment	CZK	-	13 765	-	Blank bill of exchange, pledged real estate
Investment	CZK	12 373	15 670	-	Blank bill of exchange, pledged real estate
Operating	CZK	300 000	-	-	Conditional cession and pledging of receivables, blank bill of exchange
Total		**1 642 139**	**1 608 622**	**1 491 536**	

Short-Term Bank Loans (CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007	Form of collateral at 31 Dec 2009
Investment	CZK	30 000	30 000	30 000	Movables, guarantee statements of MS, a.s
Investment	CZK	44 444	44 445	44 445	Movable and immovable assets, blank bill of exchange
Investment	EUR	-	3 150	7 326	ÖKB guarantee insurer
Investment	EUR	101 023	148 220	153 565	Hermes guarantee insurer
Investment	EUR	-	17 838	17 633	Hermes guarantee insurer
Investment	EUR	-	-	6 897	CESCE guarantee insurer
Investment	EUR	-	-	6 105	SACE guarantee insurer
Investment	EUR	3 926	29 349	29 012	SACE guarantee insurer
Investment	CZK	1 222	-	-	Blank bill of exchange., pledged movable assets
Investment	EUR	1 985	-	-	Movable assets
Investment	EUR	5 293	-	-	Immovable and movable assets
Investment	EUR	5 293	-	-	-
Investment	EUR	5 293	-	-	Immovable and movable assets
Investment	EUR	5 558	-	-	Immovable and movable assets
Investment	EUR	-	11 642	11 508	No collateral
Investment	CZK	-	50 000	40 000	Real estate, blank bill of exchange
Investment	CZK	15 773	63 094	63 094	Immovable and movable assets, blank bill of exchange
Investment	CZK	18 000	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	10 602	-	-	Pledged receivables
Operating	CZK	5 061	29	64	No collateral
Investment	EUR	8 911	9 067	8 963	SACE guarantee insurer
Investment	PLN	90 290	-	-	Immovable and movable assets
Operating	CZK	250 000	550 000	750 000	Pledged receivables, blank bill of exchange
Operating	CZK	250 025	250 099	50 000	Conditional cession of receivables
Operating	CZK	300 000	300 000	-	Conditional cession of receivables
Investment	CZK	24 000	24 000	24 000	Pledged real estate
Operating	CZK	51 264	92 417	7 500	-
Investment *)	EUR/CZK	105 887	-	-	Statement of the parent company, pledged assets, blank bill of exchange
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	Real estate, 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 real estate
Investment	CZK	10 000	10 000	-	Guarantee statements by Třinecké železárny, a. s.
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	EUR	10 586	10 772	-	Receivables
Investment	CZK	24 000	24 000	-	Real estate, receivables
Operating	CZK	-	35 000	-	-
Investment	CZK	75 715	64 751	-	Guarantee statement by Třinecké železárny, a. s.
Operating	CZK	305 000	305 000	-	Blank bill of exchange, receivables
Investment	CZK	72 012	72 681	-	Pledge contracts for tangible fixed assets
Operating	CZK	45 000	-	-	-
Operating	CZK	230 000	370 000	300 000	Pledge contracts for tangible fixed assets
Operating	EUR	-	-	1 455	-
Investment	CZK	-	660	1 650	Pledged real estate
Investment	CZK	5 622	5 567	5 016	Pledged real estate
Investment	CZK	-	31 556	-	-
Investment	CZK	3 472	2 142	-	Blank bill of exchange, pledged real estate
Investment	CZK	-	4 000	-	Blank bill of exchange, pledged real estate
Investment	CZK	4 440	-	-	Pledged real estate
Investment	CZK	4 330	4 330	-	Blank bill of exchange, pledged real estate
Investment	CZK	-	14 302	-	-
Investment	CZK	11 818	19 633	-	-
Operating	CZK	-	59 398	-	-
Investment	CZK	-	14 890	-	Pledged real estate
Investment	CZK	40 000	40 000	-	Pledged real estate
Investment	CZK	20 528	18 642	-	Pledged real estate
Investment	CZK	12 500	12 500	12 500	Pledged real estate
Total		**2 243 273**	**3 003 530**	**1 718 284**	

* Slévárny Třinec reclassified long-term loans to short-term loans following the assessment of conditions of loan contracts.

Repayment Schedule (CZK thousand)

Years	2010	2011	2012	2013	2014	In subsequent periods	Total
Loan instalments	2 243 273	937 446	365 045	188 301	119 290	32 057	3 885 412

5.18. Accrued Expenses and Deferred Income

(CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Accrued expenses	59 771	137 253	102 851
Deferred income	25 203	46 707	43 754
Total accrued expenses and deferred income	**84 974**	**183 960**	**146 605**

5.19. Other Off-balance Sheet Liabilities

MORAVIA STEEL a.s.

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 of TŘINECKÉ ŽELEZÁRNY, a.s. The option can be exercised until 31 December 2010. The purchase option price amounts to USD 0.56048 per share.

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 207,444 thousand as of 31 December 2009.

The Company records two guarantees issued by the bank for the Company in favour of third parties in the aggregate amount of EUR 604 thousand as guarantees for the participation in a tender.

As of 31 December 2009, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

SOCHOROVÁ VÁLCOVNA TŽ, a.s.

Environmental Liabilities

The company recorded no environmental liabilities in the year ended 31 December 2009. The assets to which the legacy environmental burdens related and that were covered by a reserve were sold. However, the company takes into account a potential environmental risk in recognising reserves for the liquidation of investment assets.

Legal Disputes

As of 31 December 2009, 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 2009	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Parent company debt acceptance	-	-	-	CZK 99 825 thousand
Guarantee statements				
– to Group companies	EUR 48 thousand	CZK 1 270 thousand	CZK 2 074 thousand	CZK 2 050 thousand
Guarantees				
– to other entities	USD 705 thousand	CZK 12 951thousand	CZK 13 641 thousand	CZK 23 119 thousand
	EUR 1 127 thousand	CZK 29 821 thousand	CZK 20 198 thousand	CZK 19 965 thousand
	CZK 5 000 thousand	CZK 5 000 thousand	CZK 5 000 thousand	CZK 5 000 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 2009, 2008 and 2007, the Company drew the funds in the amounts of CZK 375,465 thousand, CZK 335,735 thousand and CZK 299,316 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 Company records no reserve for environmental burdens.

ENERGETIKA TŘINEC, a.s. (CZK thousand)

Type of liability	Aggregate amount	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
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
Total	**200 000**	**200 000**	**300 000**	**300 000**

The company provides no guarantees for liabilities to third parties.
The company holds the ČSN EN ISO 14001 certificate and anticipates incurring no extraordinary environmental costs in the following years.
As of 31 December 2009, 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 companys off-balance sheet records show payables of CZK 1,190 thousand arising from outstanding default interest charged until 2000.
As of 31 December 2009, the company was involved in no significant legal dispute, the outcome of which would significantly impact the company.
The companys management believes that there are no material contingent liabilities pertaining to environmental damage.

Strojírny Třinec, a.s.

In 2009, ČSOB, a.s. issued a non-payment bank guarantee for the refund of the retention fee.
As of 31 December 2009, 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 734 thousand.
As of 31 December 2009, there was no environmental audit of the company. As a result, the companys management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage. However, management of the company believes that liabilities are not material.

FERROMORAVIA, s.r.o.

As of 31 December 2009, there was no environmental audit of the company. As a result, the companys 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:

31 December 2009
Loan collateralised by the pledge on receivables in the aggregate amount of CZK 50 million of which no less than CZK 20 million was in other than MS-TŽ group receivables.

31 December 2008 and 31 December 2007
Loan collateralised by the blank bill of exchange and aggregate future receivables up to CZK 100 million.
As of 31 December 2009, the company was involved in no legal dispute except for recovery of receivables through courts.
The company records no environmental liabilities.
As of the balance sheet date, the company records no material future payables arising from expenditure for fixed assets arising from concluded contracts.

VUHŽ, a.s.

The company records the following off balance sheet liabilities:

31 December 2009

Type of liability	Aggregate amount	Balance at 31 Dec 2009
Guarantees		
– to other entities	32 000	14 731

31 December 2008

Type of liability	Aggregate amount	Balance at 31 Dec 2008
Guarantees		
– to other entities	22 000	6 840

31 December 2007

Type of liability	Aggregate amount	Balance at 31 Dec 2007
Guarantees		
– to other entities	22 000	10 140

Land and buildings of the company carry established easements in favour of:

– H&S PROGRESS, s.r.o – an easement of walking, driving, access to the building and the plot of land, drain of rain water, the use of gas, electricity, water and pressed air distribution system; and

– Jindřich Rašner and Jaroslav Vaníček – easement of walking and driving.

H&S PROGRESS, s.r.o.

The company records the following off balance sheet liabilities:

31 December 2009

Type of liability	Aggregate amount	Balance at 31 Dec 2009
Guarantees		
– group companies	56 869	15 953

31 December 2008

Type of liability	Aggregate amount	Balance at 31 Dec 2008
Guarantees		
– group companies	95 049	34 867

31 December 2007

Type of liability	Aggregate amount	Balance at 31 Dec 2007
Guarantees		
– group companies	95 049	71 457

Plots of the companys land nos. 1434/2 and 1434/3 carry established easements in favour of:

– VÚHŽ a.s. – easement of walking, driving, access to the building, drain of rain water, use of gas, electricity, water and pressed air distribution system; and

– Jindřich Rašner – easement of walking and driving.

Slévárny Třinec, a.s.

As of 31 December 2009, the company was involved in no legal dispute, the outcome of which would significantly impact the company.

In 2007, there was an environmental audit of the Company. Pursuant to the results of the environmental audit, Slévárny Třinec, a.s. received an extended environmental certificate according to EN ISO 14001:2004 reg. no. 04104000222 until 2009.

The companys management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

The company provided no guarantee to third parties.

Hanácké železárny a pérovny, a.s.

Contingent Material Losses

The company recognised provisions and reserves for all known and material contingent losses.

Legal Disputes

As of 31 December 2009, the company was involved in no legal dispute, the outcome of which would significantly impact the company.

Third Party Liabilities

The company records no and provided no third party liabilities.

Liabilities Associated with the Construction and Acquisition of Assets (Including Financial Leases)

At the balance sheet date, the company recorded future liabilities as a result of the contracted capital expenditure of CZK 37,775 thousand (EUR 1,131 thousand + CZK 7, 838 thousand).

Environmental Liabilities

In April 2008, the company underwent an audit by Bureau Veritas Certification in accordance with ISO 14001. No defects were identified during the audit and it was confirmed that the system of the environmental management of the organisation complies with the requirements of ISO 14001:2004 in the certification – design, development and production of hot shaped sprint, helical and leaf sprint and stabilisers. The certificate is valid until 14 May 2011.

Beskydská golfová, a.s.

Easements:

Reporting period			
Name of the asset	**Purpose**	**Legal effect**	**Entity**
Limitation of the ownership right			
Plot of land 332	Installation of high voltage wires and supporting columns of the high voltage network, right of entry for the purpose of repairs in the protection zone in the part of the plot of land	28 July 2003	Severomoravská energetika, a.s.
Plot of land 333/1			
Plot of land 344			
Plot of land 352	Walking and driving	17 Dec 2008	Wojnar Rudolf
Plot of land 352	Installation of the industrial water conduit	3 March 2009	Energetika Třinec, a.s.
Plot of land 299/1			
Plot of land 330/3			
Plot of land 332			
Other rights			
Plot of land 351	Walking and driving	17 Dec 2008	Wojnar Rudolf
Plot of land 354/2			
Plot of land 2117/2			
Plot of land 2117/1			
Plot of land 2112/4			
Plot of land 351	Walking and driving	17 Dec 2008	Wojnar Rudolf
Plot of land 354/2			
Plot of land 2117/2			
Plot of land 2117/1			
Plot of land 2117/3			
Plot of land 2159/2	Construction of two bridges	14 Sept 2009	Povodí Odry, státní podnik
Plot of land 2159/2	Installation of the drain mouth	14 Sept 2009	Povodí Odry, státní podnik

Payables collateralised by bills of exchange:

Reporting period			
Name of the entity	**Type of payable**	**Maturity date**	**Due amount**
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 6 028 thousand**

Moravskoslezský kovošrot, a.s.

In 2009, Moravskoslezský kovošrot, a.s. provided a guarantee in favour of BANK POLSKA KASA OPIEKI, spólka akcyjna for the operating loan of PLN 3.5 million received by the subsidiary MSK Polska sp. z o.o. As of the balance sheet date, there were no risks based on which the company should be asked to settle its payable arising from the guarantee referred to above.

REFRASIL, s.r.o., Šroubárna Kyjov, spol. s r.o., Barrandov Studio a.s., Barrandov Televizní Studio a.s., Barrandov Lands a.s., M Steel Projects a.s. and **MORAVIA STEEL ITALIA, s.r.l.**

The companies are unaware of any off balance sheet liabilities as of 31 December 2009.

6. Additional Information of the Profit and Loss Account

6.1. Income from Current Activities of the Group

2009 (CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	8 523 485	19 804 356	28 327 841
Power generation	510 884	-	510 884
Production of refractory material	34 859	57 168	92 027
Foundry activities	282 646	328 004	610 650
Engineering activities	422 024	492 242	914 266
Sales of goods	45 344	171 212	216 556
Services	1 669 010	185 443	1 854 453
Change in inventory	-835 232	-	-835 232
Own work capitalised	646 480	-	646 480
Total	**11 299 500**	**21 038 425**	**32 337 925**

2008 (CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	12 452 172	27 582 715	40 034 887
Power generation	320 073	-	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	-	1 428 640
Own work capitalised	1 024 073	-	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**

6.2. Consumed Purchases

(CZK thousand)

	2009	2008	2007
Consumed material	19 854 733	27 654 482	24 267 270
Consumed energy	2 072 896	1 997 306	1 483 887
Sales of goods	158 255	94 873	32 484
Total consumed purchases	**22 085 884**	**29 746 661**	**25 783 641**

6.3. Services

(CZK thousand)

	2009	2008	2007
Repair and maintenance	808 529	1 252 560	1 207 019
Transportation	781 243	2 744 565	2 888 877
Cooperation	411 824	612 328	1 207 831
Leasing	53 035	46 595	52 695
Right of use	152 111	156 284	158 860
Marketing	227 093	224 504	170 083
Rental	99 050	136 801	128 381
Clean-up work	67 305	82 917	84 273
Commissions	94 392	114 645	97 729
Filming and art services	301 045	39 362	16 209
Other services	550 031	586 072	502 278
Total	**3 545 658**	**5 996 663**	**6 514 235**

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 and other auxiliary work.

6.4. Other Operating Income

(CZK thousand)

	2009	2008	2007
Contractual penalties and default interest	14 579	9 326	8 820
Recoveries of receivables written off and transferred	46 035	21 194	57 436
Grants received	30 060	20 356	72 439
Release to income of the CO_2 emission allowances according to the National Allocation Plan	1 176 852	2 687 241	187 920
Sundry operating income	147 655	63 358	108 232
Total other operating income	**1 415 181**	**2 801 475**	**434 847**

6.5. Other Operating Expenses

(CZK thousand)

	2009	2008	2007
Gifts	77 926	48 627	32 748
Contractual penalties and default interest	2 666	5 269	3 554
Other penalties and fines	3 619	2 777	2 247
Write-offs of receivables and transferred receivables	635 529	53 710	106 413
Sundry operating expenses	224 065	137 150	203 159
Charge to expenses for the CO_2 emission allowances according to the National Allocation Plan	1 190 279	2 740 908	187 920
Deficits and damage relating to operating activities	56 362	33 380	44 353
Total other operating expenses	**2 190 446**	**3 021 821**	**580 395**

6.6. Grants

Grants for operating purposes of CZK 24,178 thousand received in 2009 (CZK 6,026 thousand and CZK 7,860 thousand in 2008 and 2007, respectively) include grants for research purposes, and grants received from the Labour Office in prior years.

6.7. Other Financial Expenses and Income

Other financial expenses and income in the years ended 31 December 2009, 2008 and 2007 predominantly included foreign exchange rate losses and gains.

6.8. Related Party Transactions

6.8.1. 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.

2009

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	122	55 437	9 571	94	-	65 224
Kvalif. a pers. agentura, o.p.s.	Controlled entity	-	-	206	-	-	206
Reťaze Slovakia s.r.o.	Controlled entity	-	14 943	10	-	2 137	17 090
TRIALFA, a.s.	Controlled entity	-	29 007	4 981	1 008	-	34 996
TRISIA, a.s.	Controlled entity	-	-	100	-	60	160
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	178	1 605	1 182	1	-	2 966
Třinecké gastroslužby, s.r.o.	Controlled entity	11	2 240	9 293	913	-	12 457
VESUVIUS ČR, a.s.	Controlled entity	-	5 545	16 883	1	-	22 429
CMC-TRINEC Stahlhandel, GmbH	Associate	-	227 892	109	-	-	228 001
SILESIASLAG, a.s.	Controlled entity	-	-	24	-	-	24
Steel Consortium Partners, a.s.	Controlled entity	-	-	60	-	-	60
FINITRADING, a.s.	Controlling entity	-	-	-	1 224	-	1 224
Moravia Security, a.s.	Controlled entity	33	202	1 364	26	-	1 625
Security Morava, s.r.o.	Controlled entity	-	-	4	-	-	4
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	9	3	2 300	292	-	2 604
Soukromá střední škola Třinec, š.p.o.		2	6	295	32	-	335
ZAMECZEK BŁOGOCICE	Controlled entity	-	-	599	-	528	1 127
Kovárna"VIVA", spol. s r.o.	Associate	-	52 645	941	-	-	53 586
Barrandov Productions, s.r.o.	Controlled entity	6	1	4 575	87	-	4 669
Filmová nadace RWE & Barrandov Studio	Controlled entity	-	-	145	8	-	153
SV servisní, s.r.o.	Controlled entity	-	-	799	-		799
Total		**361**	**389 526**	**53 441**	**3 686**	**2 725**	**449 739**

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
TŘINECKÁ 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 – TRINEC Stahlhandel, GmbH	Associate	-	160 541	1 922	-	-	162 463
SILESIASLAG, 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
TŘINECKÁ 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 – TRINEC Stahlhandel, GmbH	Associate	-	97 377	-	62	-	97 439
SILESIASLAG, 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**

6.8.2. 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.

2009 (CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	196	4 178	66 825	-	71 199
Hutnictví železa, a.s.	Controlled entity	-	-	6 680	-	6 680
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	-	-	344	331	675
Reťaze Slovakia, s.r.o.	Controlled entity	-	888	537	-	1 425
TRIALFA, s.r.o.	Controlled entity	-	10 085	16 085	51 929	78 099
TRISIA, a.s.	Controlled entity	-	26	12 483	18	12 527
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	13 131	-	12 821	-	25 952
Třinecké gastroslužby, s.r.o.	Controlled entity	-	15 907	12 294	75 145	103 346
VESUVIUS ČR, a.s.	Controlled entity	-	115 758	54 707	-	170 465
CMC TRINEC Stahlhandel, GmbH	Associate	-	-	532	-	532
FINITRADING, a.s.	Controlling entity	-	2 365 665	-	-	2 365 665
Security Morava, s.r.o.	Controlled entity	-	-	1 457	-	1 457
Moravia Security, a.s.	Controlled entity	188	41 470	34 165	213	76 036
Soukromá střední škola Třinec, š.p.o.	Controlled entity	-	39	3 537	-	3 576
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	-	-	1 279	-	1 279
Kovárna „VIVA“ Zlín, spol. s r.o.	Associate	-	587	-	-	587
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	38	-	11 724	-	11 762
Barrandov Productions s.r.o.	Controlled entity	-	-	434	-	434
Filmová nadace RWE & Barrandov Studio	Controlled entity	-	-	-	796	796
SV servisní, s.r.o.	Controlled entity	-	40 563	1 881	-	42 444
Total		**13 553**	**2 595 166**	**237 785**	**128 432**	**2 974 936**

2008 (CZK thousand)

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

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
Reťaze 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	140872	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	Associate	-	-	2 669	3 091	5 760
FINITRADING, a.s.	Controlling 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**

7. Employees, Management and Statutory Bodies

7.1. Staff Costs and Number of Employees

2009 (CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	311	17	317 548	157 222
Barrandov Studio a.s.	248	10	140 905	14 788
Barrandov Televizní Studio a.s.	69	4	61 985	8 748
MORAVIA STEEL ITALIA s.r.l.	5	3	8 406	7 373
Moravskoslezský kovošrot, a.s.	56	6	22 665	4 283
Sochorová válcovna TŽ, a.s.	655	9	251 085	15 575
Beskydská golfová, a.s.	31	1	10 729	368
Hanácké železárny a pérovny, a.s.	252	7	103 686	13 205
TŘINECKÉ ŽELEZÁRNY, a.s.	5 319	6	2 327 324	48 857
ENERGETIKA TŘINEC, a.s.	370	5	151 692	8 906
Strojírny Třinec, a.s..	929	8	305 320	13 354
Slévárny Třinec, a.s.	734	5	190 261	4 341
REFRASIL, s.r.o.	162	2	74 716	11 752
Řetězárna a.s.	255	6	93 654	13 237
VÁLCOVNA TRUB TŽ, a.s.	738	4	259 900	8 638
FERROMORAVIA, s.r.o.	180	5	65 867	4 617
H & S PROGRESS, s.r.o.	-	-	26	-
Šroubárna Kyjov, spol. s r.o.	294	6	105 032	7 594
D 5, a.s.	732	8	237 372	11 249
VUHŽ, a.s.	269	11	126 096	17 353
METALURGIA S.A.	324	4	21 188	7 222
Total under full consolidation	**11 933**	**127**	**4 875 457**	**378 682**

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	*)
Sochorová válcovna TŽ, a.s.	722	9	326 067	21 491
Beskydská golfová, a.s.	15	3	5 445	66
Hanácké železárny a pérovny, a.s.	320	7	86 882	9 745
TŘINECKÉ ŽELEZÁRNY, a.s.	5 539	6	2 685 883	68 893
ENERGETIKA TŘINEC, a.s.	381	5	178 413	10 921
Strojírny Třinec, a.s..	1 029	8	390 043	17 309
Slévárny Třinec, 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.	-	-	102	-
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
MORAVIA STEEL ITALIA s.r.l.	*)	*)	6 096	*)
Sochorová válcovna TŽ, a.s.	717	9	115 368	14 681
Beskydská golfová, a.s.	12	3	4 517	81
TŘINECKÉ ŽELEZÁRNY, a.s.	5 428	6	2 638 118	47 105
ENERGETIKA TŘINEC, a.s.	386	5	181 285	12 515
Strojírny Třinec, a.s..	1 025	8	372 244	17 309
Slévárny Třinec, 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.

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	2009	2008	2007
MORAVIA STEEL a.s.	**108 049**	**107 084**	**94 808**
Use of management cars	1 940	1 708	1 377
Damage liability insurance	1 230	460	473
Bonuses	104 879	104 916	92 958
TŘINECKÉ ŽELEZÁRNY, a.s.	**17 034**	**19 770**	**21 086**
Use of management cars	1 168	804	962
Damage liability insurance	858	438	1 260
Bonuses	15 008	18 528	18 864
ENERGETIKA TŘINEC, a.s.	**1 336**	**1 468**	**1 558**
Use of management cars	462	462	488
Life insurance contribution	185	185	207
Damage liability insurance	41	173	197
Bonuses	648	648	666
Strojírny Třinec, a.s.	**982**	**1 175**	**1 076**
Use of management cars	252	439	443
Life insurance contribution	53	38	-
Damage liability insurance	29	50	-
Bonuses	648	648	663
Slévárny Třinec, a.s.	**714**	**714**	**705**
Use of management cars	4	4	5
Life insurance contribution	29	29	29
Damage liability insurance	33	33	23
Bonuses	648	648	648
REFRASIL, s.r.o.	**630**	**625**	**1 480**
Use of management cars	237	237	237
Life insurance contribution	-	4	856
Damage liability insurance	9	-	3
Bonuses	384	384	384
FERROMORAVIA, s.r.o.	**786**	**847**	**125**
Use of management cars	462	523	-
Damage liability insurance	-	-	125
Bonuses	324	324	-
Řetězárna a.s.	**6 081**	**7 667**	**8 366**
Bonuses	5 260	6 774	7 470
Life insurance contribution	-	-	-
Use of management cars	809	872	872
Damage liability insurance	12	21	24

VÁLCOVNA TRUB TŽ, a.s.	**946**	**1 507**	**972**
Use of management cars	296	481	305
Life insurance contribution	18	378	19
Bonuses	632	648	648
Barrandov Studio a.s.	**4 707**	**4 489**	**5 291**
Use of management cars	721	769	636
Bonuses	3 960	3 685	4 625
Life insurance contribution	26	35	30
Barrandov Televizní Studio a.s.	**4 279**	**8 036**	**-**
Use of management cars	4 279	8 036	-
Sochorová válcovna TŽ, a.s.	**2 297**	**5 647**	**5 935**
Retirement insurance contribution	47	47	15
Bonuses	2250	5 600	5 920
H&S PROGRESS, s.r.o.	**-**	**78**	**190**
Damage liability insurance	-	-	1
Bonuses	-	78	189
ROLLSERVIS a.s.	**-**	**-**	**439**
Use of management cars	-	-	14
Damage liability insurance	-	-	2
Bonuses	-	-	423
VÚHŽ a.s.	**2 250**	**1 512**	**9 904**
Use of management cars	1 001	931	510
Life insurance contribution	52	38	13
Damage liability insurance	729	75	25
Bonuses	468	468	9 356
VUHŽ NEMO a.s.	**-**	**-**	**46**
Bonuses	-	-	46
Hanácké železárny a pérovny, a.s.	**1 463**	**1 130**	**-**
Life and retirement insurance contribution	383	336	-
Bonuses	1 080	794	-
D5, a.s.	**1 392**	**862**	**-**
Use of management cars	586	291	-
Life insurance contribution	29	37	-
Damage liability insurance	56	-	-
Bonuses	721	534	-
Šroubárna Kyjov, s.r.o.	**829**	**536**	**-**
Use of management cars	464	367	-
Life insurance contribution	19	3	-
Damage liability insurance	22	-	-
Bonuses	324	166	-
METALURGIA S.A.	**1 932**	**-**	**-**
Use of management cars	203	-	-
Bonuses	1 729	-	-
Moravskoslezský kovošrot, a.s.	**5 515**	**-**	**-**
Use of management cars	1 927	-	-
Life insurance contribution	206	-	-
Damage liability insurance	1	-	-
Bonuses	3 381	-	-
Total	**161 222**	**163 147**	**169 340**

8. Post Balance Sheet Events

In 2010, VÁLCOVNA TRUB TŽ, a.s. is anticipated to merge with TŘINECKÉ ŽELEZÁRNY, a.s. by amalgamation. The effective date of the merger is 1 January 2010. Management of the TŘINECKÉ ŽELEZÁRNY, a.s. has taken initial steps to implement the merger. Based on the draft merger project, VÁLCOVNA TRUB TŽ, a.s. is the dissolving entity while TŘINECKÉ ŽELEZÁRNY, a. s. is the successor entity.

It was decided that 1 January 2010 would be the effective date of the in-country merger by amalgamation of H&S PROGRESS, s. r. o. (the dissolving company) and VÚHŽ a.s. (the successor company). As of the date when the in-country merger by amalgamation will be recorded in the Register of Companies, H&S PROGRESS, s. r. o. will be dissolved without liquidation and all net assets, rights and obligations of the company will pass to VÚHŽ a. s. The Regional Court in Ostrava ruled on 4 May 2010 that the change would be recorded in the Register of Companies on 31 May 2010.

On 30 March 2010, the General Meeting approved the change in the legal status of Kovárna „VIVA“ Zlín, spol. s r.o. to a joint stock company. This change was recorded in the Register of Companies on 1 May 2010.

X. REPORT ON RELATIONS BETWEEN RELATED PARTIES FOR THE REPORTING PERIOD OF 2009

Author:	**MORAVIA STEEL a.s.**
Registered Office:	Třinec-Staré Město, Průmyslová 1000, Postcode: 739 70
Legal form:	Joint Stock Company
Corporate ID:	63474808
Tax ID:	CZ63474808

Registered insert File No. 1297, Section B of the Commercial Register held by the Regional Court in Ostrava

MORAVIA STEEL a.s., with its seat at Třinec-Staré Město, Průmyslová 1000, Postcode: 739 70, Corporate ID: 63474808, recorded in the Commercial Register, Section B, Insert No. 1297, held at the Regional Court in Ostrava (hereinafter "the Author") forms a holding group with the parties listed below under the provisions of Section 66a(7) of the Commercial Code.

This Report on Relations with Related Parties has been prepared in accordance with Section 66a (9) of the Commercial Code for the reporting period ended 31 December 2009 (hereinafter only "the Reporting Period").

I. Definition of the Holding Group

A. Controlling Persons

FINITRADING, a.s., with its registered office at nám. Svobody 526, Postcode 739 61 Třinec, Corporate ID: 61974692

Relation: During the entire Reporting Period, FINITRADING, a.s. was in the position of the controlling person with respect to the Author (held 50 % shares), since, pursuant to Section 66b(1) and Section 66b(2)(b) of the Commercial Code, it acted in concert with another shareholder, R.F.G., a.s., which holds the remaining 50 % share. During the entire year 2009, FINITRADING, a.s. was also a controlling person as the sole shareholder of R.F.G., a.s. FINITRADING, a.s. was also in the position of a controlling person with respect to TŘINECKÉ ŽELEZÁRNY, a.s., where the position of the controlling person is evidenced by a legal presumption under Section 66a(4) of the aforesaid Act, since FINITRADING, a.s. and MORAVIA STEEL a.s., being persons acting in concert, hold the majority of voting rights in this company

R.F.G., a.s., with its registered office at nám. Svobody 526, Postcode 739 61 Třinec, Corporate ID: 63079658

Relation: During the entire reporting period, R.F.G., a.s. was in the position of a controlling person with respect to the Author, since, pursuant to Section 66b(1) and Section 66b(2b) of the Commercial Code, it acted in concert with the aforesaid company, FINITRADING, a.s.

B. Companies Controlled by the Author

TŘINECKÉ ŽELEZÁRNY, a.s., with its registered office at Třinec-Staré Město, Průmyslová 1000, Postcode: 739 70, Corporate ID: 18050646

Relation: a company controlled by the Author as the majority shareholder under Section 66a (3a) of the Commercial Code who held 69,05 % shares as of 31/12/09 and by the Author acting in concert with FINITRADING, a.s. under Section 66a (4) of the Commercial Code.

Sochorová válcovna TŽ, a.s., with its registered office at Třinec-Staré Město, Průmyslová 1000, Postcode: 739 70, Corporate ID: 25872940

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

Moravia Steel AG Zug, with its registered office at Oberallmendstrasse 16, 6302 Zug, Switzerland

Relation: the Author´s subsidiary

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

Relation: the Author´s subsidiary

MORAVIA GOEL TRADE d.o.o. "in liquidation", with its registered office at Perkovčeva 48, 104 30 Samobor, Croatia

Relation: the Author´s subsidiary

MORAVIA STEEL ITALIA s.r.l., with its registered office at via Niccolini 26, 20154 Milan, Italy

Relation: the Author´s subsidiary

MORAVIA STEEL SLOVENIJA d.o.o., with its registered office at Valvazorjeva 14, 3000 Celje, Slovenia
Relation: the Author´s subsidiary

CMC – TRINEC Stahlhandel, GmbH, with its registered office at Cliev 19, 515 15 Kürten, Germany
Relation: the Author´s subsidiary

TRINEC – CMC LIMITED, with its registered office at Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, England
Relation: the Author´s subsidiary

Barrandov Televizní Studio a.s., with its registered office at Kříženeckého nám. 322, Prague 5, Postcode 152 00, Corporate ID: 41693311
Relation: the Author´s subsidiary

Barrandov Studio a.s., with its registered office at Kříženeckého nám. 322/5, Hlubočepy, Prague 5, Postcode 152 00, Corporate ID: 28172469
Relation: the Author´s subsidiary

Barrandov Lands a.s., with its registered office at Prague 5, Kříženeckého nám. 322/5, Postcode 152 00, Corporate ID: 27225674
Relation: the Author´s subsidiary

MS – Slovensko s.r.o., with its registered office at Palisády 56, Bratislava, Postcode 811 06, Slovakia
Relation: the Author´s subsidiary

MORAVIA STEEL ISRAEL Ltd., with its registered office at 23 Efal St., Petach Tikva 49511, P.O.B. 3286, Israel
Relation: the Author´s subsidiary

Beskydská golfová, a.s., with its registered office at Ropice 415, Postcode 739 56, Corporate ID: 25352920
Relation: the Author´s subsidiary

Hanácké železárny a pérovny, a.s., with its registered office at Prostějov, Dolní 100, Postcode 797 11, Corporate ID: 26955342
Relation: the Author´s subsidiary

MORAVIA STEEL POLAND sp. Z o.o., with its registered office at Bobrecka 27, Cieszyn 43-400, Poland
Relation: the Author´s subsidiary

M Steel Projects a.s., with its registered office at Třinec-Staré Město, Průmyslová 1000, Postcode: 739 70, Corporate ID: 28602331
Relation: the Author´s subsidiary

Moravskoslezský kovošrot, a.s., with its registered office at Prague 1, Nové Město, V Jámě 1371/8, Postcode: 110 00, Corporate ID: 26855097
Relation: a company controlled by the Author as the majority shareholder under Section 66a (3a) of the Commercial Code (as of 31 December 2009, the Author holds 51 % share)

Moravia Steel Middle East FZCO, with its registered office at Jebel Ali Free Zone, Building 18-19 # 133, Dubai, U.A.E.
Relation: the Author´s subsidiary

The description of the relations between the Author and the above-mentioned companies controlled by the Author is provided in the Report on Relations of each of the controlled companies which separately prepare the report on relations between related parties and describes the individual relations with respect to the Author in the relevant reporting period. The Author incurred no detriment in connection with these relations.

II. Description of Relations

A. Definition of the Relation between Related Parties

a) Relations in terms of Section 66a (9) of the Commercial Code that arose during the reporting period between the Author and FINITRADING a.s., the controlling party, are disclosed in Part B of this Section.

b) Relations laid down in Section 66a (9) of the Commercial Code between the Author and R.F.G., a.s., the controlling party, are presented in Part C of this Section.

B. Description of Relations between the Author and the Controlling Party, FINITRADING, a.s.

B. 1. Sales

The Author (the seller) effected no sales of goods to the controlling party (the buyer) during the reporting period.

B. 2. Purchases

B. 2.1. Purchase of Zaporizka aggl. ore

General Agreement No. S-040047, which was in effect during the period from 1 January 2005 until 31 December 2009 and whose subject matter consists in a long-term commitment of the controlling person to ensure deliveries of Zaporizka aggl. ore to the Author, was concluded by the Author and the controlling person on 22 November 2004. The individual deliveries of aggl. ore were completed in 2009 under Amendment No. 2 of 2 January 2009 to Purchase Contract No. S-080005 of 31 March 2008 and also under Purchase Contract No. S-090001 of 22 January 2009 and Amendment No. 1 thereto of 30 March 2009 and Amendment No. 2 thereto of 30 September 2009. During 2009, the purchase prices were adjusted by means of amendments to the aforesaid purchase contracts.

During the reporting period, a total purchase price in the amount of CZK 2,115,959 thousand excl. VAT was paid by the Author to the controlling person for delivery of Zaporizka aggl. ore under these contracts.

B. 2.2. Purchase of Zaporizka lump aggl.ore

General Contract No. S-040048 effective for the period from 1 January 2005 until 31 December 2009 was concluded by the Author and the controlling person on 22 November 2004. Under the contract, the controlling party makes a long-term undertaking to supply Zaporizka aggl. ore to the Author. The General Contract was implemented in 2009 subject to Purchase Contract No. S-090002 and Amendments No.1 to No.3 of 24 April 2009, 7 July 2009 and 30 September 2009 and subject to Amendment No. 2 to Purchase Contract S-080006 of 31 March 2008. During 2009, purchase prices were adjusted by amendments to the aforesaid purchase contracts.

During the reporting period, a total purchase price in the amount of CZK 149,904 thousand excl. VAT was paid by the Author to the controlling person for delivery of Zaporizka lump aggl. ore under these contracts.

B. 2.3. Purchase of Krivbas aggl. ore

Under Purchase Contract No. S-090011 of 1 October 2009, deliveries of Krivbas aggl. ore from the controlling person to the Author were made. Purchase Contract No. S-090011 was concluded for a definite period of time until 31 January 2010.

During the reporting period, a total purchase price in the amount of CZK 76,963 thousand excl. VAT was paid by the Author to the controlling person for delivery of Krivbas aggl. ore under this purchase contract.

B. 2.4. Purchase of Jakelov aggl. ore

Under Amendment No. 1 of 2 January 2009 and Amendment No.2 of 10 March 2009 to Purchase Contract No. S-080010 of 31 October 2008, deliveries of Jakelov agg. ore were made by the controlling person to the Author.

During the reporting period, a total purchase price in the amount of CZK 13,079 thousand excl. VAT was paid by the Author to the controlling person for delivery of Jakelov aggl. ore under these purchase contracts.

B. 2.5. Purchase of unsorted aggl. ore

Under Purchase Contract No. S-090009 of 18 September 2009, deliveries of unsorted aggl. ore from the controlling person to the Author were made. Purchase Contract No. S-090009 was concluded for a definite period of time until 30 November 2009.

During the reporting period, a total purchase price in the amount of CZK 11,614 thousand excl. VAT was paid by the Author to the controlling person for delivery of unsorted aggl. ore under this purchase contract.

B.3 Other Contractual Arrangements

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

B.4. Other Legal Acts

No other significant acts in law in terms of Section 66a (9) of the Commercial Code were made in the interest of the controlling person, FINITRADING, a.s., by the Author during the reporting period.

B.5. Other Measures

No other measures in terms of Section 66a (9) of the Commercial Code were adopted or made by the Author at the instigation or in the interest of the controlling party, FINITRADING a.s. during the reporting period.

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

The Report shows all major contracts entered into during the reporting period as well as the total volume of received and provided supplies between the Author and controlling party. The analyses of provided and received performances as shown in Section B indicate that all performances were provided under arm´s lenght. The goods were supplied at arms length prices established by reference to market prices. The Author incurred no detriment in connection with its relations with the controlling party.

C. Description of Relations between the Author and the Controlling Party, R.F.G., a.s.

No purchase or sale of goods and services was effected by/between the Author and R.F.G., a.s. in the relevant reporting period. No other legal acts or measures under the provisions of Section 66a(9) of the Commercial Code were made in the interest of the controlling person, R.F.G., a.s., in the respective reporting period.

Třinec, 4 March 2010

Ing. Lenka Blažková
Board of Directors Chairwoman
MORAVIA STEEL a.s.

Mgr. Krzysztof Ruciński
Board of Directors Vice Chairman
MORAVIA STEEL a.s.