



ANNUAL REPORT 2010

MORAVIA STEEL a.s.



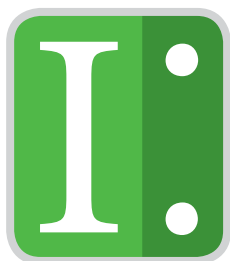
MORAVIA STEEL



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INTRODUCTORY STATEMENT OF THE SUPERVISORY BOARD CHAIRMAN

Dear Shareholders, Business Partners and Employees,

in the year ended 31 December 2010, the Company had to deal with the impacts of the global economic crisis. At the same time, the market saw the first signs of renewed demand, including a positive development in prices, which we managed to use to sell our products from the TŘINECKÉ ŽELEZÁRNY-MORAVIA STEEL group, predominantly in terms of volume. However, input prices, primarily of raw material, also increased. A typical example was last year's price increase of coke and coking coal.

The global production of coal increased by 15%. According to statistics of the World Steel Association, such production achieved a record CZK 1.414 billion of tonnes.

The production of pig iron in the Czech Republic increased by 13 % in 2010. The trading balance of the Czech Republic saw a year-on-year increase of imported steel products of more than 28 %, which was predominantly a result of the increase in the import of flat products. By contrast, exports predominantly included long products, followed by flat products and pipes of a certain length. With respect to export territories, the largest increase in exports was noted in North America, by 47.5 %, and in the EU, by more than 23 %. Imports predominantly include a year-on-year increase in imported steel products from former Soviet countries of more than 88 %.

In 2010, TŘINECKÉ ŽELEZÁRNY, a.s. produced almost 2.5 million tonnes of steel, which is a year-on-year increase of almost 13%. The production of pig iron saw a similar increase. In addition, there was increased demand for products with higher added value, predominantly rolled wire. The production of reinforcing steel, however, saw a decline.

The long-term strategy of the TŘINECKÉ ŽELEZÁRNY-MORAVIA STEEL group has not changed following the period impacted by the economic crisis. It remains focused on increasing the share of products with a higher grade of processing and creating product chains. The group intends to continue to focus on products intended for the engineering industry, power industry, and the petroleum and automotive industries. The Company will prefer the production of rolled wire for the production of screws, springs, bearings, cords and cables, special bar iron, finalised processed steel, wide and flat tool steel and pipes.

MORAVIA STEEL a.s., which has operated on the metallurgical market since 1996, has a strong and stabilised position on both the local and foreign markets. MORAVIA STEEL a.s. also provides for domestic and international transportation, and for the purchase and sale of raw material, including other inputs necessary for metallurgical production.

In 2010, MORAVIA STEEL a.s. reported a profit for the period of CZK 708 million. Sales increased year-on-year by almost CZK 16 billion owing to renewed demand on the market and exceeded CZK 57 billion.

MORAVIA STEEL a.s.'s assets increased year-on-year by CZK 2 billion to CZK 15,962 billion. The Company's fixed assets remained at a level exceeding CZK 6.7 billion.





The Company's equity in 2010 amounted to CZK 8,284 billion. In 2009, the equity amounted to CZK 7,493 billion.

The added value amounted to CZK 1,734 billion, whereas in 2009 it amounted to CZK 1,848 billion.

In terms of volume, the most significant commodity of the TŽ-MS group is rolled wire. In 2010, sales of rolled wire amounted to 900.2 kt, which is a year-on-year increase of almost 83 kt. The second most significant items are conti-casts and rolled billets. In 2010, their sales amounted to 284.5 kt, which is a year-on-year increase of more than 58 kt. An increase in sales was also noted in another significant commodity of the TŽ-MS group – rails. In 2010, sales of rails amounted to 258.8 kt. In terms of volume, significant items also include products from Sochorová válcovna TŽ in Kladno, where the year-on-year sales increased to 262.3 kt, which is an increase of almost 77 kt. The volume of sales of the Kladno products returned to the amounts from prior years.

In 2010, MORAVIA STEEL a.s. sold 2,285.2 kt of metallurgical products. 1,555.6 kt of products were intended for export, while a total of 729.6 kt were sold on the local market. Sales to the EU accounted for 78.4 % of foreign sales. Other significant target markets included Slovakia, where the share was 11.5 %, and America, where the share was 7.5 %.

Dear Shareholders, Business Partners and Employees,

I would like to thank you for your excellent cooperation and trust in the difficult year of 2010. This was a year, however, that also brought positive signs for future periods. Among these signs we include optimism for further successful work both for the TŘINECKÉ ŽELEZÁRNY–MORAVIA STEEL group and its employees, as well as for all partner firms and institutions.

Tomáš Chrenek

Chairman of the Supervisory Board
MORAVIA STEEL a.s.



COMPANY PROFILE

In its more than 15 years of activities, MORAVIA STEEL a.s. has attained a stable position among the sellers of metallurgical products in the Czech Republic and foreign markets, primarily in EU countries.

An integral part of the Company's activities is the provision of domestic and international transportation, and it is one of the largest transporters in the Czech Republic in terms of transportation services.

In addition, MORAVIA STEEL a.s. purchases and sells raw materials and other inputs necessary for metallurgical production.

The key economic indicators of MORAVIA STEEL a.s. between 2006 and 2010 reflect the development of the global economy, as well as the development of the metallurgical industry and related industries.

INDICATORS OF ECONOMIC ACTIVITIES BETWEEN 2006 AND 2010 (IN CZK MILLION)

INDICATOR	2006	2007	2008	2009	2010
Sales of goods	57,440	61,071	64,171	40,931	57,010
Sales of own products and services	550	885	1,068	730	644
Added value	2,608	3,165	2,875	1,848	1,734
Financial profit or loss	506	1,128	-432	-550	-401
Profit or loss of the reporting period	2,161	3,203	1,489	710	708
Total assets	13,530	14,266	15,090	13,953	15,962
Fixed assets	4,333	5,913	6,052	6,713	6,703
Equity	5,779	7,380	8,551	7,493	8,284
Proportion of liabilities, including accrued expenses and deferred income (%)	57.29 %	48.27 %	43.33 %	46.3 %	48.1 %
EBIT	2,761	3,917	2,045	968	972





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



Ing. Mária Blašková
Member



Rostislav Wozniak
Chairman



Krzysztof Roch Ruciński
Vice Chairman



Mojmír Kašpříš
Member



Uršula Novotná
Member

SUPERVISORY BOARD AS OF 31 DECEMBER 2010

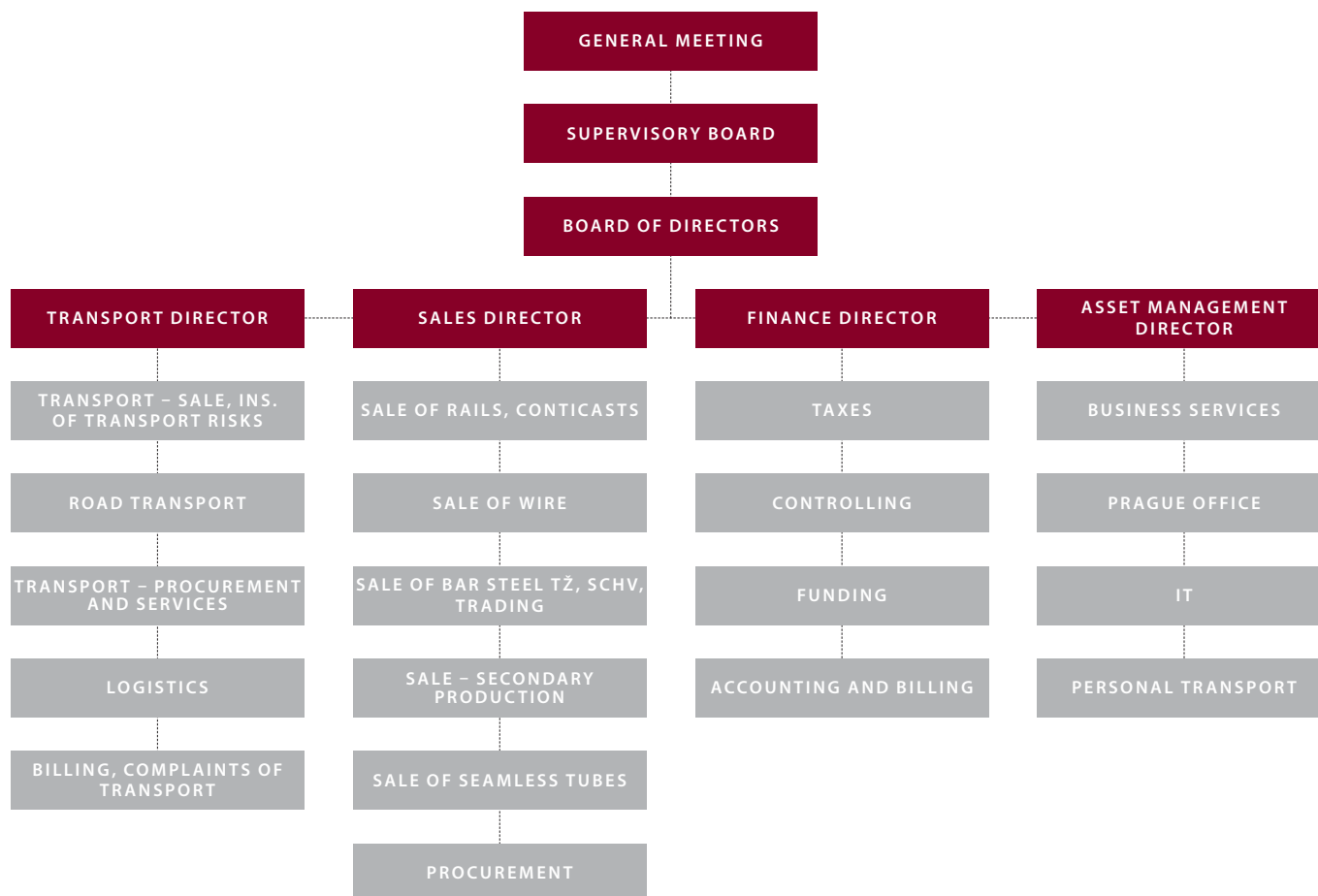
Tomáš Chrenek	Chairman
Ján Moder	Vice Chairman
Evžen Balko	Vice Chairman
Mária Blašková	Member
Hanns Kurt Zoellner	Member
Jaroslava Ciahotná	Member

BOARD OF DIRECTORS AS OF 31 DECEMBER

Rostislav Wozniak	Chairman
Krzysztof Roch Ruciński	Vice Chairman
Mojmír Kašpříš	Member
Uršula Novotná	Member



ORGANISATIONAL STRUCTURE







REPORT OF THE BOARD OF DIRECTORS

In 2010, demand on the market saw a significant revival and an increase in the volume of production and sales of metallurgical products. In addition, the market saw a significant rise in the prices of input raw materials, primarily iron ore, coke and coking coal. These circumstances forced production companies in the MS/TŽ group to increase their volume of products with higher added value. The volume of production and sales of reinforcing steel saw a year-on-year decrease of more than 75 %.

The total volume of sold goods in 2010 was 15.9 billion higher than in 2009, with the 2010 profit after tax amounting to CZK 708 million.

DEVELOPMENT OF THE INDUSTRY GLOBALLY AND IN THE CZECH REPUBLIC

2010 saw a significant improvement in the steel production industry and subsequently in the steel products and demand from processing sectors, such as the engineering industry, automotive industry, power industry, petrochemical industry. This revival resulted in more efficient production capacities of steel manufacturing companies in the Czech Republic and globally.

In 2010, global production of steel increased by 15 % to 1,414 million tonnes, with the most important increases being reported in China and India. The apparent consumption of steel in the world in 2010 increased year-on-year by 13 %.

The greater demand for steel products was accompanied by a rise in the prices of input materials, which influenced the prices of final products. Significant changes included the transfer of trading with iron ore from annual prices to quarterly prices.

Steel production in the Czech Republic saw a partial revival in 2010 following the decline in 2009, with the production of pig iron increasing by 13 %. GDP in the Czech Republic in 2010 increased by 1.6 % and the performance of the Czech industry increased by 14.6 % in 2010.

In 2010, TŘINECKÉ ŽELEZÁRNY, a.s. produced 2,498 million of tonnes of steel, which is a year-on-year increase of 12.9 %. The production of pig iron also saw an identical year-on-year increase. A total of 2,043 million of tonnes of pig iron was produced. Although demand for products, specifically for rolled wire, was higher, the production of reinforced steel fell.

The long-term strategy of the TŘINECKÉ ŽELEZÁRNY-MORAVIA STEEL group has not changed following the period impacted by the economic crisis. It remains focused on increasing the share of products with a higher grade of processing and creating product chains. The group intends to continue to focus on products intended for the engineering industry, power industry, and the petroleum and automotive industries. The Company will prefer the production of rolled wire for the production of screws, springs, bearings, cords and cables, special bar iron, finalised processed steel (drawn, peeled, ground), wide and flat tool steel and pipes.

In its short-term strategy, the principal aim remains to improve the TŽ-MS group's overall financial situation and performance.

DEVELOPMENT TREND IN THE STEEL INDUSTRY

The presumption of further development indicates that the global production of steel will increase from the current level achieved in 2010 of 1,414 million tonnes to 1,535 million tonnes in 2015. The share of China in the total global production of steel will increase from 627 million tonnes to 730 million tonnes by 2015, which, considering the limited resources of own raw materials, will have considerable effects on the prices of raw materials.

It is anticipated that the apparent consumption of steel in 2011 will increase by 5 % as compared to 2010.

The steel industry in the Czech Republic in 2010 followed the revival seen in the economy itself. Production capacities, however, have not yet achieved 100 %, and the decrease in investment activities in all market segments, predominantly in the construction industry, continued. A similar situation prevailed on the markets in Germany, Italy, Poland, Hungary and Slovakia, where a significant part of deliveries are directed.

In terms of volume, rolled wire has traditionally been the most significant item in the product range. The production and sales of rolled wire in 2010 was 83 kt higher than in 2009. The volume of sales of wire from the Fine Rolling Mill increased from 68.8 kt in 2009 to 124.7 kt in 2010, which is a year-on-year increase of 45 %. The Company recorded higher sales of fine wire of high-carbon, screw, spring and electrode qualities at the expense of low-grade low-carbon wire.



DEVELOPMENT OF SALES BETWEEN 2005–2009 (IN TONNES)

Deliveries in tonnes	2005	2006	2007	2008	2009	2010
Export	1 295 144	1 489 520	1 523 500	1 484 386	1 374 281	1 555 585
Domestic	852 334	836 110	816 368	768 302	646 604	729 599
Total	2 147 478	2 325 630	2 339 868	2 252 688	2 020 885	2 285 184

STRUCTURE OF EXPORTS AS A PERCENTAGE OF TOTAL SUPPLIES (IN %)

Structure of exports as a percentage of total supplies	2005	2006	2007	2008	2009	2010
European Union	73.7	72.6	77.5	76.7	76.1	78.4
Other Europe	5.8	6.2	3.9	3.9	2.9	1.8
Africa	0.2	0.2	0.2	0.1	0.3	0.1
Asia	0.3	0.2	0.1	0.1	0.2	0.6
America	10.6	10.7	8.4	8.6	8	7.5
Australia	0.1	0.1	0.1	0.1	0.1	0.1
Slovakia	9.3	10	9.8	10.5	12.4	11.5
	100	100	100	100	100	100

DEVELOPMENT IN THE PRODUCT RANGE STRUCTURE OF METALLURGICAL PRODUCT SALES OF MORAVIA STEEL A.S. (IN TONNES)

Sales in tonnes	2005	2006	2007	2008	2009	2010
Rolled wire	790 134	844 570	824 909	783 688	817 301	900 199
Billets and continual castings	265 827	268 699	258 379	280 871	226 066	284 455
Reinforcing steel	287 341	198 877	134 611	112 656	185 428	43 436
Rails	211 090	225 076	232 690	247 960	220 715	258 815
Products of SCHV Kladno	247 923	267 392	271 071	260 194	185 513	262 317
UT Bohumín	55 535	59 406	58 000	55 383	44 902	49 881
Products of Ferromoravia	65 150	72 667	78 750	75 235	41 505	65 238
Other (bars, sections, etc.)	224 478	284 777	377 209	357 118	208 727	312 006
Pipes – VTTŽ Ostrava		104 166	104 249	79 583	79 959	93 022
Products of Strojírny Třinec					10 769	15 816
	2 147 478	2 325 630	2 339 868	2 252 688	2 020 885	2 285 184



Low-grade, medium, and fine section steel from Sochorová válcovna TŽ in Kladno, the Medium Rolling Mill, the Universal Mill in Bohumín, and the Continuous Fine Rolling Mill was the second most significant item in terms of volume.

In 2010, the Medium and Continuous Fine Rolling Mill supplied 103.3 kt more than in 2009, which is a 33 % increase in deliveries.

After the decline in 2009, products from SCHV TŽ in Kladno returned to pre-crisis levels. These products were the most demanded products in 2010. The volume of sales increased by 29 % as compared to 2009.

In 2010, the sale of wide steel from the Universal Mill in Bohumín focused on supplies to end customers and special construction projects with higher grades of steel. 49.9 kt of wide steel was supplied to the market, ie 10 % more than in 2009. A lower volume was supplied to the domestic market than to foreign markets owing to the continuing crisis in the construction industry.

In 2010, the Ferromoravia Drawing Mill supplied 65.2 kt to the market. As compared to 41.5 kt in 2009, this is an increase in volume of 36 %. This is a more significant increase than the achievement of competitor drawing mills in Poland.

Válcovna trub TŽ saw a 13 kt increase in supplies as compared to 2008 and 2009 to 93 kt in 2010.

A total of 43.4 kt of ribbed rebar steel was supplied to the market in 2010, which is only 23 % of the volume supplied in 2009. Ribbed rebar steel became an additional product in the production of the Continuously Cast Fine Mill, the realisation of which depends on the actual price level on the market.

In 2010, the production of rails amounted to 258.8 kt, ie 38.1 kt more than in 2009. This was predominantly due to the increase in the volumes of supplied rails for German railways based on a won tender with a significant impact on the decline in the realisation price. Concurrently, supplies to the Czech Republic decreased, which was due to the discontinued projects of railway corridors construction. Other principal export markets included the USA, Canada and Poland.

The sales of conti-casts and rolled billets amounted to 284.5 kt in 2010, ie 58.4 kt more than in 2009. This increase was due predominantly to the revival of demand in the sector of railway sets, forging shops and components for wind power plants, and an increase in the share of supplies of this product range from the MORAVIA STEEL a.s. and TŘINECKÉ ŽELEZÁRNY a.s. group for customers in Germany and the Czech Republic.

The long-term strategy of MORAVIA STEEL is focused on increasing the share of products with a higher grade of processing and creating product chains. The group focuses more on products intended

for industries requiring a higher level of reprocessing for higher grade steel classes, such as the engineering industry, power industry, and the petroleum and automotive industries. As such, preference is placed on the production of rolled wire for the production of screws, springs, bearings, cords and cables, special bar iron, finalised processed steel (drawn and peeled), wide and flat tool steel.

The purchase of raw materials for Třinecké železářny, a.s. and other subsidiaries is a significant part of the Company's turnover. To secure the production in Třinecké železářny, a.s., strategic raw materials include ores, coal, coke, scrap, ferrous alloys, metals, basic additives, and conti-casts.

The purchase of raw materials was higher than in 2009, with the exception of purchases of coal, as a result of the closing of coke battery no. 12 for an overhaul.

With respect to the gradual decline of the global crisis and increase in the global production of steel, prices of raw materials significantly increased at the beginning of the second quarter of 2010.

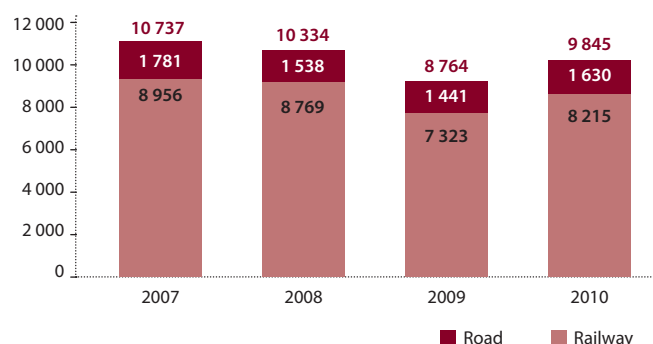
MORAVIA STEEL a.s. continuously procures these raw materials with respect to availability, required quality, and optimum acquisition costs.

LOGISTICS, FREIGHT TRANSPORT OF GOODS

In 2010, MORAVIA STEEL a.s. transported 9,845 million tonnes of goods.

The development trend of transport volume indicates a gradual revival of demand in transportation and logistics services for the steel industry, as well as a change and need to gradually optimise this performance corresponding to the market situation or limitation of the transport infrastructure.

DEVELOPMENT IN THE TRANSPORTED VOLUME BY MORAVIA STEEL a.s.
– by method of sending from dispatch places (thousand tonnes)



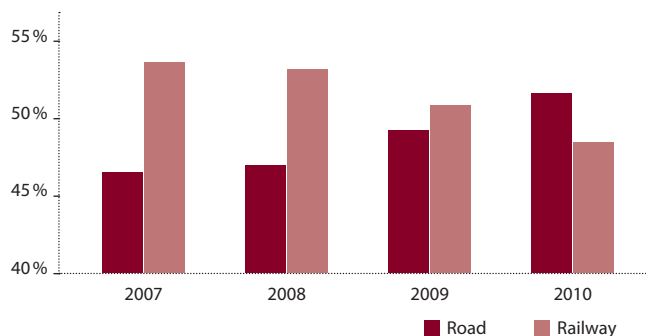
The significant year-on-year increase (48.1 %) was recorded in the volume of transportation requirements of customers outside the TŘINECKÉ ŽELEZÁRNY a.s.–MORAVIA STEEL a.s. group.

The indicator does not achieve the 2007 level (– 24.6 %).



2010 confirmed the trend of increasing the share of road freight transportation as part of the sales of MORAVIA STEEL a.s.'s goods.

SALES OF GOODS OF MORAVIA STEEL a.s.
– by method of dispatch (%)



In freight transport, the co-modality principle was applied, ie optimum use of all types of transportation individually or in combination.

Pilot projects and analyses dealt primarily with storage issues and with the handling of bulk cargo for the needs of metallurgical production, use of the network of multi-modal logistics centres (VLC), normative changes in securing cargo on means of transport, telematic applications, and electronic filing of shipments in the intrastate railway transportation.

In 2010, the portfolio of activities was expanded by the creation of a Logistics department (increase in the quality of the logistical information system). On a gradual basis, all processes were maintained and developed according to quality system standards.

Other significant indicators in the freight transport process include:

- The continuing traffic closings and construction limitations in the construction of transportation infrastructure with an impact on the quality of supplied goods, spotting of vehicles for the loading and shipment (primarily modernisation of the I/11 road; optimising of the third railway corridor in the Český Těšín–Mosty u Jablunkova st.hr. track).
- Further decrease in transportation capacity in the road transporta-

tion segment: insolvency and financial risks on the part of suppliers of road transportation services, modernisation of the fleet in relation to the minimisation of toll costs.

- Introduction of performance fees for using the road infrastructure in Slovakia and expansion in the Czech Republic to include sections of lower grade roads and increase in the prices of tolls in other European countries.
- Expansion of the turnover of vehicles owing to changes in transportation flows
- Increase in the quality requirements for the supply of goods with an emphasis on accuracy and flexibility of supplies-minimisation of warehouse inventory.
- Investment activities in the production plants of the Třinecké železářny, a.s.-MORAVIA STEEL a.s. group.

MANAGEMENT SYSTEM, HUMAN RESOURCES

In 2010, the work on expanding the functionality of the data warehouse above the SAP/BW system to include the sale of products of the MS/TŽ group continued. The objective is to increase the quality of the information base for the needs of all MORAVIA STEEL a.s. employees and to simplify the management of subsidiaries.

Management of the Company attempts to create a favourable and motivating work environment for all its employees on an ongoing basis.

MORAVIA STEEL a.s. promotes further education and increasing its employees' qualifications, primarily in the form of professional specialised courses and trainings.

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

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

MORAVIA STEEL a.s. has no organisational branch abroad.



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 2010 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 2010.

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 2010 including the proposal of the Board of Directors for the allocation of profit for the year ended 31 December 2010.



Tomáš Chrenek

Chairman of the Supervisory Board







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 16 March 2011, the Audit Committee monitored the proceedings of preparing the financial statements as well as consolidated financial statements for 2010.

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 2010 and the issuing an auditor's report on the verification of individual accounts and the auditor's report on the consolidated financial statements for

2010. 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 2010 prepared in accordance with the International Accounting Standards.



Dana Trezziová

Audit Committee Chairwoman



FINANCIAL PART



AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT To the Shareholders of MORAVIA STEEL a.s.

Having its registered office at: Průmyslová 1000, 739 70 Třinec – Staré Město
Identification number: 634 74 808

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 31 March 2011 on the financial statements which are included in this annual report in Section VIII.:

"We have audited the accompanying financial statements of MORAVIA STEEL a.s., which comprise the balance sheet as of 31 December 2010, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 2010, 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 6 May 2011 on the financial statements which are included in this annual report in Section IX.:

"We have audited the accompanying consolidated financial statements of MORAVIA STEEL a.s. consolidation group, which comprise the balance sheet as at 31 December 2010, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 about 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 consolidated financial statements give a true and fair view of the financial position of MORAVIA STEEL a.s. consolidation group as at 31 December 2010, 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 2010 which is included in this annual report in Section X. 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 Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires 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 2010 contains material factual misstatements.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2010 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 of the Company is consistent, in all material respects, with the financial statements referred to above.

In Prague on 27 May 2011

Audit firm:

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

Statutory auditor:

Václav Loubek
certificate no. 2037



FINANCIAL PART I. FINANCIAL STATEMENTS

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

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

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 31 MARCH 2011.

Statutory body of the reporting entity	Signature
Rostislav Wozniak Chairman of the Board of Directors	
Krzysztof Roch Ruciński Vice Chairman of the Board of Directors	



BALANCE SHEET FULL VERSION AS OF 31.12.2010

(CZK thousand)

		Dec. 31 2010			Dec. 31 2009
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	17,437,543	1,475,367	15,962,176	13,952,888
B.	Fixed assets	7,815,117	1,112,034	6,703,083	6,712,938
<i>B.I.</i>	Intangible fixed assets	95,368	48,532	46,836	54,944
B.I.1.	Start-up costs	72	72		
B.I.3.	Software	1,983	1,983		85
B.I.4.	Valuable rights	91,485	45,775	45,710	54,859
B.I.6.	Other intangible fixed assets	926	702	224	
B.I.7.	Intangible fixed assets under construction	902		902	
<i>B.II.</i>	Tangible fixed assets	111,075	82,499	28,576	30,349
B.II.1.	Land				
B.II.3.	Individual movable assets and sets of movable assets	107,726	82,499	25,227	29,911
B.II.7.	Tangible fixed assets under construction	3,349		3,349	
B.II.8.	Prepayments for tangible fixed assets				438
<i>B.III.</i>	Non-current financial assets	7,608,674	981,003	6,627,671	6,627,645
B.III.1.	Equity investments in subsidiaries	7,428,015	981,003	6,447,012	6,434,523
B.III.2.	Equity investments in associates	180,634		180,634	177,747
B.III.6.	Acquisition of non-current financial assets	25		25	15,375
C.	Current assets	9,610,517	363,333	9,247,184	7,233,473
<i>C.I.</i>	Inventories	278,811		278,811	259,439
C.I.1.	Material	1,841		1,841	1,811
C.I.5.	Goods	276,970		276,970	257,628
<i>C.II.</i>	Long-term receivables	65,499		65,499	33,959
C.II.5.	Long-term prepayments made	1,127		1,127	1,127
C.II.7.	Other receivables	64,372		64,372	13,357
C.II.8.	Deferred tax asset				19,475
<i>C.III.</i>	Short-term receivables	8,495,456	363,333	8,132,123	5,905,099
C.III.1.	Trade receivables	8,176,590	361,470	7,815,120	5,596,569
C.III.2.	Receivables – controlling entity	3,134		3,134	15,134
C.III.6.	State – tax receivables	260,623		260,623	162,943
C.III.7.	Short-term prepayments made	1,109		1,109	3,682
C.III.8.	Estimated receivables	26,884		26,884	25,273
C.III.9.	Other receivables	27,116	1,863	25,253	101,498
<i>C.IV.</i>	Current financial assets	770,751		770,751	1,034,976
C.IV.1.	Cash on hand	639		639	1,212
C.IV.2.	Cash at bank	175,740		175,740	647,953
C.IV.3.	Short-term securities and investments	594,372		594,372	385,811
D. I.	Other assets	11,909		11,909	6,477
D.I.1.	Deferred expenses	495		495	2,056
D.I.2.	Complex deferred expenses	177		177	353
D.I.3.	Accrued income	11,237		11,237	4,068

BALANCE SHEET FULL VERSION AS OF 31.12.2010

(CZK thousand)

		Dec. 31 2010	Dec. 31 2009
	TOTAL LIABILITIES & EQUITY	15,962,176	13,952,888
A.	Equity	8,283,727	7,492,814
A.I.	Share capital	3,157,000	3,157,000
A.I.1.	Share capital	3,157,000	3,157,000
A.II.	Capital funds		-83,025
A.II.3.	Gains or losses from the revaluation of assets and liabilities		-83,025
A.III.	Statutory funds	617,194	581,680
A.III.1.	Statutory reserve fund / Indivisible fund	617,194	581,680
A.IV.	Retained earnings	3,801,648	3,126,902
A.IV.1.	Accumulated profits brought forward	3,801,648	3,126,902
A.V.	Profit or loss for the current period (+ -)	707,885	710,257
B.	Liabilities	7,657,047	6,443,388
B.II.	Long-term liabilities	1,914	
B.II.10.	Deferred tax liability	1,914	
B.III.	Short-term liabilities	6,555,014	5,343,363
B.III.1.	Trade payables	6,282,758	4,488,299
B.III.4.	Payables to partners and association members		533,965
B.III.5.	Payables to employees	30,649	21,949
B.III.6.	Social security and health insurance payables	5,421	6,279
B.III.7.	State – tax payables and subsidies	92,469	78,645
B.III.8.	Short-term prepayments received	87,393	49,295
B.III.10.	Estimated payables	56,324	59,492
B.III.11.	Other payables		105,439
B.IV.	Bank loans and borrowings	1,100,119	1,100,025
B.IV.1.	Long-term bank loans		300,000
B.IV.2.	Short-term bank loans	1,100,119	800,025
C. I.	Other liabilities	21,402	16,686
C.I.1.	Accrued expenses	21,402	8,372
C.I.2.	Deferred income		8,314


PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD YEAR ENDED 31.12.2010

(CZK thousand)

		Year ended Dec. 31 2010	Year ended Dec. 31 2009
I.	Sales of goods	57,009,828	40,931,243
A.	Costs of goods sold	54,990,603	39,005,732
+	Gross margin	2,019,225	1,925,511
II.	Production	644,141	730,135
II.1.	Sales of own products and services	644,141	730,135
B.	Purchased consumables and services	928,923	807,456
B.1.	Consumed material and energy	7,845	6,734
B.2.	Services	921,078	800,722
+	Added value	1,734,443	1,848,190
C.	Staff costs	332,248	317,548
C.1.	Payroll costs	175,190	166,257
C.2.	Remuneration to members of statutory bodies	105,204	104,846
C.3.	Social security and health insurance costs	50,366	44,985
C.4.	Social costs	1,488	1,460
D.	Taxes and charges	9,734	991
E.	Depreciation of intangible and tangible fixed assets	21,326	23,174
III.	Sales of fixed assets and material	2,198	3,557
III.1.	Sales of fixed assets	702	2,710
III.2.	Sales of material	1,496	847
F.	Net book value of fixed assets and material sold	1,696	2,756
F.1.	Net book value of sold fixed assets	112	1,906
F.2.	Book value of sold material	1,584	850
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	11,399	-318,687
IV.	Other operating income	249,474	33,230
H.	Other operating expenses	262,609	374,426
*	Operating profit or loss	1,347,103	1,484,769
VII.	Income from non-current financial assets	5,070	5,229
VII.1.	Income from subsidiaries and associates	5,070	5,229
M.	Change in reserves and provisions relating to financial activities	200,000	145,569
X.	Interest income	5,925	14,138
N.	Interest expenses	25,670	33,337
XI.	Other financial income	550,539	780,373
O.	Other financial expenses	736,826	1,170,952
*	Financial profit or loss	-400,962	-550,118
Q.	Income tax on ordinary activities	238,256	224,394
Q 1.	– due	236,342	224,394
Q 2.	– deferred	1,914	
**	Profit or loss from ordinary activities	707,885	710,257
***	Profit or loss for the current period (+/-)	707,885	710,257
****	Profit or loss before tax	946,141	934,651



STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31.12.2010

(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 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	
Change in share capital				-585,444		-1,414,579	-2,000,023
Revaluation of derivatives		231,493					231,493
Profit or loss for the current period						710,257	710,257
Balance at 31 December 2009	3,157,000	-83,025	581,680	3,126,902		710,257	7,492,814
Distribution of profit or loss			35,513	674,744		-710,257	
Revaluation of derivatives		83,025					83,025
Profit or loss for the current period						707,885	707,885
Balance at 31 December 2010	3,157,000		617,194	3,801,648		707,885	8,283,727



CASH FLOW STATEMENT YEAR ENDED 31.12.2010

(CZK thousand)

		Year ended Dec. 31 2010	Year ended Dec. 31 2009
P.	Opening balance of cash and cash equivalents	1,031,462	957,374
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	946,141	934,651
A.1.	Adjustments for non-cash transactions	495,843	178,343
A.1.1.	Depreciation of fixed assets	21,326	23,174
A.1.2.	Change in provisions and reserves	211,399	-173,118
A.1.3.	Profit/(loss) on the sale of fixed assets	-590	-804
A.1.4.	Revenues from dividends and profit shares	-5,070	-5,229
A.1.5.	Interest expense and interest income	19,745	19,199
A.1.6.	Adjustments for other non-cash transactions	249,033	315,121
A.*	Net operating cash flow before changes in working capital	1,441,984	1,112,994
A.2.	Change in working capital	-737,885	1,447,668
A.2.1.	Change in operating receivables and other assets	-2,522,021	1,698,408
A.2.2.	Change in operating payables and other liabilities	1,803,069	-359,667
A.2.3.	Change in inventories	-19,372	107,682
A.2.4.	Change in current financial assets	439	1,245
A.**	Net cash flow from operations before tax and extraordinary items	704,099	2,560,662
A.3.	Interest paid	-25,700	-34,673
A.4.	Interest received	5,921	14,068
A.5.	Income tax paid from ordinary operations	-222,341	-204,340
A.7.	Received dividends and profit shares	5,070	5,229
A.***	Net operating cash flows	467,049	2,340,946
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-245,548	-797,494
B.2.	Proceeds from fixed assets sold	702	2,710
B.3.	Loans provided to related parties	12,000	28,000
B.***	Net investment cash flows	-232,846	-766,784
	Cash flow from financial activities		
C.1.	Change in payables from financing	2,011	-74
C.2.	Impact of changes in equity	-500,000	-1,500,000
C.2.6.	Dividends paid	-500,000	-1,500,000
C.***	Net financial cash flows	-497,989	-1,500,074
F.	Net increase or decrease in cash and cash equivalents	-263,786	74,088
R.	Closing balance of cash and cash equivalents	767,676	1,031,462

NOTES TO THE 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:	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 2010, the Company’s issued share capital is CZK 3,157,000 thousand.

The Company’s financial statements have been prepared as of and for the year ended 31 December 2010.

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

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

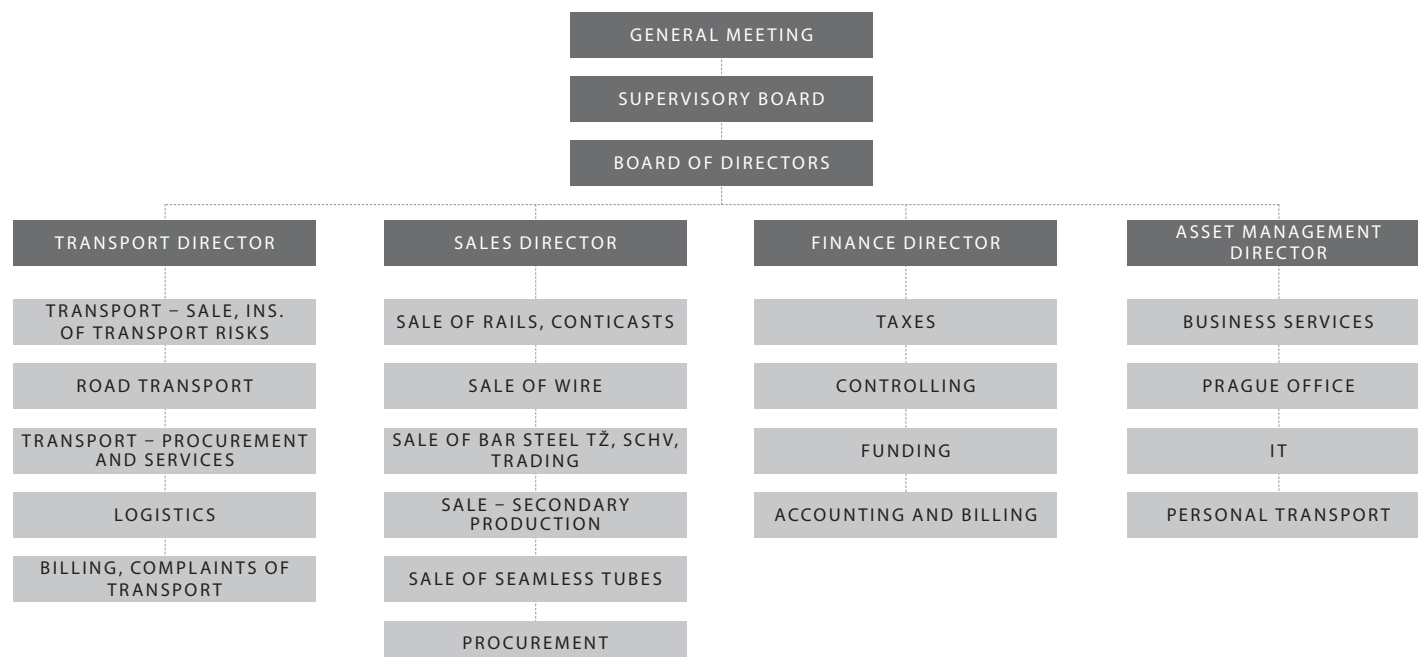
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

As of 1 July 2010, the Chairman of the Board of Directors changed – Lenka Blažková was replaced by Rostislav Wozniak, the change was recorded in the Register of Companies on 15 July 2010. Uršula Novotná became another member of the Board of Directors, the change was recorded in the Register of Companies on 15 July 2010.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2010

	Position	Name
Board of Directors	Chairman	Rostislav Wozniak
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříš
	Member	Uršula Novotná
Supervisory Board	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blažková
	Member	Hanns Kurt Zoellner
	Member	Jaroslava Čiahotná

1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AT 31 DECEMBER 2010





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 2010.

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 2010.

3.2. INTANGIBLE FIXED ASSETS

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

Purchased intangible fixed assets are stated at cost.

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

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

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

3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

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

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

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

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

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

Provisioning

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

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

3.4. INVENTORY

Valuation

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

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

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

Provisions

No provisions were recognised in respect of inventory in 2010.

3.5. CURRENT FINANCIAL ASSETS

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

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

3.6. FINANCIAL DERIVATIVE INSTRUMENTS

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

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

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

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

3.7. RECEIVABLES

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

Provisioning

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

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

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

3.8. TRADE PAYABLES

Trade payables are stated at their nominal value.

3.9. LOANS

Loans are stated at nominal value.

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

3.10. FOREIGN CURRENCY TRANSLATION

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

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

3.11. RESERVES

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



3.12. FINANCE LEASES

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

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

3.13. TAXATION

3.13.1. Tax Depreciation of Fixed Assets

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

3.13.2. Current Tax Payable

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

3.13.3. Deferred Tax

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

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.

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 2010	31 Dec 2009
Cash on hand	639	1 212
Cash at bank and cash in transit	175 740	647 953
Current securities	594 372	385 811
Total current financial assets	770 751	1 034 976
Current account – blocked funds	-3 075	-3 514
Total cash and cash equivalents	767 676	1 031 462

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 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Start-up costs	72	-	-	72	-	-	72
Software	1 990	-	-	1 990	-	7	1 983
Valuable rights	91 487	-	2	91 485	-	-	91 485
Other intangible FA	700	-	-	700	226	-	926
Intangible FA under construction	-	-	-	-	1 127	225	902
Total	94 249	-	2	94 247	1 353	232	95 368

Accumulated Amortisation

(CZK thousand)

	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Start-up costs	72	-	-	72	-	-	72
Software	1 812	93	-	1 905	85	7	1 983
Valuable rights	27 479	9 149	2	36 626	9 149	-	45 775
Other intangible FA	700	-	-	700	2	-	702
Total	30 063	9 242	2	39 303	9 236	7	48 532

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2009	Balance at 31 Dec 2010
Start-up costs	-	-	-
Software	178	85	-
Valuable rights	64 008	54 859	45 710
Other intangible FA	-	-	224
Intangible FA under construction	-	-	902
Total	64 186	54 944	46 836



4.1.2. Tangible Fixed Assets

Cost

(CZK thousand)

	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Land	273 000	-	273 000	-	-	-	-
Individual movable assets	124 003	3 038	17 037	110 003	7 606	9 883	107 726
– <i>Machines and equipment</i>	19 049	117	1 202	17 964	139	230	17 873
– <i>Vehicles</i>	95 434	2 921	15 381	82 974	7 379	7 122	83 231
– <i>Furniture and fixtures</i>	9 520	-	455	9 065	88	2 531	6 622
Tangible FA under construction	-	2 970	2 970	-	10 772	7 423	3 349
Prepayments for tangible FA	438	-	-	438	-	438	-
Total	397 441	6 008	293 008	110 441	18 378	17 744	111 075

Accumulated Depreciation

(CZK thousand)

	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Individual movable assets	81 291	13 932	15 131	80 092	12 290	9 883	82 499
– <i>Machines and equipment</i>	15 966	1 044	1 148	15 862	939	230	16 571
– <i>Vehicles</i>	55 953	12 802	13 531	55 224	11 246	7 122	59 348
– <i>Furniture and fixtures</i>	9 372	86	452	9 006	105	2 531	6 580
Total	81 291	13 932	15 131	80 092	12 290	9 883	82 499

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2008	Balance at 31 Dec 2009	Balance at 31 Dec 2010
Land	273 000	-	-
Individual movable assets	42 712	29 911	25 227
– <i>Machines and equipment</i>	3 083	2 102	1 302
– <i>Vehicles</i>	39 481	27 750	23 883
– <i>Furniture and fixtures</i>	148	59	42
Tangible FA under construction	-	-	3 349
Prepayments for tangible FA	438	438	-
Total	316 150	30 349	28 576

The Company principally acquired cars from 2008 to 2010.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,591 thousand, CZK 663 thousand and CZK 4,519 thousand for the years ended 31 December 2010, 2009 and 2008, 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 2008	Additions	Disposals	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010
Equity investments in subsidiaries	6 302 226	913 300	-	7 215 526	212 489	-	7 428 015
Equity investments in associates	2 436	175 311	-	177 747	2 887	-	180 634
Acquisition of non-current financial assets	2 589	1 101 397	1 088 611	15 375	200 070	215 420	25
Prepayments for non-current financial assets	-	-	-	-	-	-	-
Total	6 307 251	2 202 794	1 088 611	7 408 648	415 446	215 420	7 608 674

On 23 September 2009, the Company formed a new entity M Steel Projects a.s., corporate ID: 28602331, with its registered office at Průmyslová 1000, Třinec-Staré Město, 739 70. The acquisition cost of the entity is CZK 10,000 thousand. This fact was recorded in the Register of Companies as of 5 October 2009. As of 31 December 2009, this amount was recorded on account 043 'Acquisition of non-current financial assets'. In 2010, the investment was capitalised from account 043 'Acquisition of non-current financial assets' to account 061 'Equity investments in subsidiaries'.

Pursuant to the contract concluded on 15 December 2009, the Company formed Moravia Steel Middle East FZCO with its registered office at Jebel Ali Free Zone, 133, 3Ws Jafza View, Dubai, United Arab Emirates. The financial investment in the 40 % equity investment in this entity amounts to CZK 2,887 thousand. As of 31 December 2009, this amount was maintained on account 043 'Acquisition of non-current financial assets'. In 2010, the investment was capitalised from account 043 'Acquisition of non-current financial assets' to account 061 'Equity investment in subsidiaries'.

During the year ended 31 December 2010, the share capital of Barrandov Televizní Studio a.s. was increased by CZK 200,000 thousand, ie from CZK 597,400 thousand to the current balance of CZK 797,400 thousand through a purchase of 25,000 ordinary registered shares with a nominal value of CZK 8,000 thousand. The increase in the share capital was recorded in the Register of Companies on 11 August 2010.

4.2.1. Equity Investments in Subsidiaries

2010

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/ loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a.s.	Třinec	3 360 473	5 600 097	69.05	18 110 848	-632 117	-	-
Barrandov Lands a.s.	Prague	275 000	280 000	100	280 239	158	-	-
Barrandov Studio a.s.	Prague	745 689	197 072	99.83	688 594	31 379	100 000	-
Barrandov Televizní Studio a.s.	Prague	833 140	797 072	99.96	-79 087	-333 626	778 589	-
MORAVIA STEEL SLOVENIJA d.o.o	Celje	1 573	867	51	1 802	-474	-	-
Moravia Steel AG Zug	Zug	1 947	1 947	100	*)	*)	1 947	-
MORAVIA STEEL ITALIA s.r.l.	Milan	2 580	2 075	66	81 622	34 114	-	5 070
MORAVIA STEEL IBÉRIA, S.A	Lisbon	10 850	2 533	99.33	11 960	582	-	-
MORAVIA GOEL TRADE d.o.o.	Samobor	59	59	60	**)	**)	59	-
MS – Slovensko s.r.o.	Bratislava	161	160	100	946	1	-	-
MORAVIA STEEL ISRAEL Ltd.	Petach Tikva	346	208	100	*)	*)	-	-
Beskydská golfová, a.s	Ropice	254 342	230 000	100	207 669	-5 097	100 000	-
Sochorová válcovna TŽ, a.s.	Třinec	1 407 085	328 820	82	1 739 980	228 581	-	-
MORAVIA STEEL POLAND sp. z o.o.	Cieszyn	408	361	100	161	-47	408	-
Hanácké železářny a pérovny, a.s.	Prostějov	418 262	130 000	100	347 855	30 904	-	-
Moravskoslezský kovošrot, a.s.	Prague	106 100	1 020	51	185 266	38 570	-	-
M Steel Projects a.s.***)	Třinec	10 000	10 000	100	3 931	-5 844	-	-
Total		7 428 015	7 582 291		21 581 786	-612 916	981 003	5 070

*) No data available

**) In liquidation

***) The entity was formed on 23 September 2009, capitalisation took place during 2010.

In the year ended 31 December 2010, the Company increased the provision against the investment in Barrandov Televizní Studio a.s. by CZK 200,000 thousand (to the aggregate amount of CZK 778,589 thousand).

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 železářny 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.



4.2.2. Equity Investments in Associates

2010

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna VIVA a.s.	Zlín	175 311	25 000	50	303 229	36 394	-	-
Moravia Steel Deutschland GmbH*)	Kürten	987	987	50	229 289	19 374	-	-
TRINEC - CMC LIMITED	Cheshire	1 449	1 449	50	58 310	8 712	-	-
Moravia Steel Middle East FZCO	Dubai	2 887	2 841	40	1 391	-6 425	-	-
Total		180 634	30 277		592 219	58 055	-	-

*) On 17 December 2010, CMC - Trinec Stahlhandel GmbH was renamed to Moravia Steel Deutschland GmbH

2009

(CZK thousand)

Name	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Kovárna VIVA a.s.	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 2009 and 2010, the Company reported its equity investments in CMC – Trinec Stahlhandel GmbH (Moravia Steel Deutschland 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 Company's non-current financial assets or current equity securities were pledged in 2010 and 2009.

4.3. INVENTORY

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2009
– Material	1 841	1 811
– Inventory – raw material	56 795	4 563
– Inventory – metallurgical products	220 175	253 065
Total	278 811	259 439

In the year ended 31 December 2010, the Company recognised no provision against inventory – metallurgical products.

No prepayments for inventory were provided in the reporting periods.

4.4. RECEIVABLES

4.4.1. Long-Term Receivables

As of 31 December 2010, the Company reports a long-term receivable of CZK 65,499 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 2010, the loan amounted to CZK 74,980 thousand and is repayable in 2011 – 2020. The repayment period of the loan was adjusted in 2010 pursuant to an amendment to the contract. The long-term portion of the loan of CZK 64,279 thousand is reported in the line 'Other long-term receivables', the short-term part of the receivable of CZK 10,701 thousand is reported in the line 'Other short-term receivables'.

4.4.2. Trade Receivables (CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Short-term		
– Customers	8 172 798	5 938 618
– Bills of exchange to be collected	3 792	8 260
– Provisions – customers	-357 678	-342 049
– Provisions – bills of exchange to be collected	-3 792	-8 260
Total	7 815 120	5 596 569

4.4.3. Aging of Receivables from Customers

(CZK thousand)

Year	Category	Before due date	Past due date					Total past due	Total
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and greater		
2010	Gross	7 120 208	692 005	8 349	20 183	25 448	306 605	1 052 590	8 172 798
	Provisions	3 822	16	1 604	20 183	25 448	306 605	353 856	357 678
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

Receivables typically mature within 30 days.

Past due receivables:

(CZK thousand)

Year ended	Local	Cross-border	Total
31 Dec 2010	348 911	703 679	1 052 590
31 Dec 2009	320 669	674 164	994 833

4.4.4. Intercompany Trade Receivables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Short-term trade receivables		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 056 112	1 438 628
Strojírny Třinec, a.s.	198	98
ENERGETIKA TŘINEC, a.s.	72 526	83 021
Slévárny Třinec, a.s.	2 340	2 146
Sochorová válcovna TŽ, a.s.	-	992
Moravia Steel Deutschland GmbH, Germany*)	7	5 183
Řetězárna a.s.	25 910	16 983
FERROMORAVIA, s.r.o.	2 534	73
Barrandov Studio a.s.	-	39
TRINEC - CMC LIMITED	-	8
MORAVIA STEEL ITALIA s.r.l.	-	161
DOPRAVA TŽ, a.s.	2 427	885
VÁLCOVNA TRUB TŽ, a.s.**)	-	11 676
Beskydská golfová, a.s.	120	76
Barrandov Televizní Studio a.s.	-	-
VÚHŽ, a.s.	30 407	9 545
Šroubárna Kyjov, spol. s r.o.	33 219	33 526
Kovárna VIVA a.s.	71 264	16 535
M Steel Projects a.s.***)	210 308	-
Total short-term intercompany receivables	2 507 372	1 619 575
Receivables outside the Group	5 669 218	4 327 303
Total short-term trade receivables, gross	8 176 590	5 946 878

*) On 17 December 2010, CMC - Trinec Stahlhandel GmbH was renamed to Moravia Steel Deutschland GmbH

**) VÁLCOVNA TRUB TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s. as of the merger effective date on 1 January 2010

***) M Steel Projects a.s. was formed in 2009, the financial investment was capitalised during 2010.

The Company carries no long-term intercompany trade receivables.

4.4.5. Receivables from Subsidiaries

As of 31 December 2008, the Company assumed the receivable from Hanácké železářny a pérovny, a.s. in the amount of CZK 46,134 thousand. As of 31 December 2010, the unpaid portion of the receivable amounted to CZK 3,134 thousand. The loan carried no interest in the year ended 31 December 2010.

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 2010, the value of pledged receivables was CZK 790,875 thousand (2009: CZK 796,086 thousand).

4.4.7. State - Tax Receivables

State – tax receivables comprise a receivable arising from VAT in the amount of CZK 260,623 thousand as of 31 December 2010 (2009: CZK 162,943 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 2010. The net value of open derivative financial instruments as of 31 December 2010 was CZK 0 (2009: CZK (102,500) 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 2010	Balance at 31 Dec 2009
Receivables from fixed term transactions – other receivables	-	2 924
Payables from fixed term transactions – other payables	-	-105 424
Total derivative financial instruments	-	-102 500

On the basis of an analysis of the hedge effectiveness of derivative financial instruments, the Company charged the effective portion of the revaluation of the hedging derivatives (ie those with highly effective hedging) against 'Gains and losses from the revaluation of assets and liabilities' in the amount of CZK 0 as of 31 December 2010 (2009: CZK 102,500 thousand).

4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Cash on hand	639	1 212
Total cash	639	1 212
Current accounts and cash in transit	97 485	78 372
Current accounts – blocked funds	3 075	3 514
Term deposits	75 180	566 067
Total bank accounts	175 740	647 953
Depository bills	594 372	385 811
Total current securities	594 372	385 811
Total current financial assets	770 751	1 034 976

The following tables detail the breakdown of depository bills held by the Company as of 31 December 2010:

31 December 2010

(CZK thousand)

Issuing bank	Currency	Amount in foreign currency	Amount in CZK '000
CSOB	USD	2 400	45 002
CSOB	CZK	20 000	20 000
CSOB	EUR	6 200	155 372
HSBC	CZK	21 000	21 000
HSBC	EUR	3 900	97 734
RZBC	CZK	145 000	145 000
RZBC	EUR	4 400	110 264
Total			594 372

Interest rates attached to individual depository bills are within a range of 0.2 percent to 0.37 percent p.a.

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
ČSOB	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.

4.6. SHAREHOLDERS' EQUITY

4.6.1. Share Capital

The Company's share capital in the aggregate amount of CZK 3,157,000 thousand as of 31 December 2010 is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

4.6.2. Changes in Equity

Based on the decision of the General Meeting of Shareholders held on 30 June 2010, the profit of CZK 710,257 thousand for the year ended 31 December 2009 was allocated as follows:

- CZK 35,513 thousand was used to increase the balance of the statutory reserve fund; and
- CZK 674,744 thousand was allocated to retained earnings.

4.7. PAYABLES

4.7.1. Long-Term Payables

The Company carries no long-term payables as of 31 December 2010. The Company reports a deferred tax liability of CZK 1,914 thousand – refer to Note 4.8.

4.7.2. Short-Term Trade Payables

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Short-term payables		
- Suppliers	6 282 596	4 488 130
- Other payables	162	169
Total	6 282 758	4 488 299

4.7.3. Aging of Payables to Suppliers

(CZK thousand)

	Category	Before maturity	Past due					Total past due	Total
			0 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and more		
2010	Short-term	6 278 454	3 408	30	356	133	215	4 142	6 282 596
2009	Short-term	4 463 419	24 130	188	179	-	214	24 711	4 488 130

Payables typically mature within 45 days.

4.7.4. Intercompany Payables

(CZK thousand)

Name of the entity	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Short-term trade payables		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 451 319	1 681 422
Strojírny Třinec, a.s.	13 448	20 235
ENERGETIKA TŘINEC, a.s.	-	-
Sochorová válcovna TŽ, a.s.	357 808	227 854
Řetězárna a.s.	-	-
REFRASIL, s.r.o.	-	-
Barrandov Televizní Studio a.s.	-	-
FERROMORAVIA, s.r.o.	66 201	46 844
FINITRADING, a.s.	179 841	239 932
MORAVIA STEEL ITALIA s.r.l.	13 870	11 057
MORAVIA STEEL IBÉRIA, S.A.	752	-
MORAVIA STEEL SLOVENIJA d.o.o	3 554	1 656
DOPRAVA TŽ, a.s.	34	9
VÁLCOVNA TRUB TŽ,a.s.*)	-	14 872
Třinecké gastroslužby, s.r.o.	295	351
Beskydská golfová, a.s.	-	45
TRISIA, a.s.	-	-
Moravia Steel Deutschland GmbH**)	-	-
TRINEC – CMC LIMITED	4 962	2 127
Kovárna VIVA a.s.	-	-
M Steel Projects a.s.**)	-	-
Total intercompany short-term payables	3 092 084	2 246 404
Payables to other than Group companies	3 190 674	2 241 895
Total short-term trade payables	6 282 758	4 488 299

*) VÁLCOVNA TRUB TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s. as of the merger effective date on 1 January 2010

**) On 17 December 2010, CMC - Trinec Stahlhandel GmbH was renamed to Moravia Steel Deutschland GmbH

***) The entity was formed on 23 September 2009. Capitalisation in financial investments took place in 2010



4.7.5. Collateralised Payables or Otherwise Covered

In 2010, payables arising from the Company's bank loans are collateralised by the conditional pledge or assignment of receivables (refer to Notes 4.4.6. and 4.7.10.).

4.7.6. Payables to Partners and Association Members

As of 31 December 2010, the Company reports no payables to partners and association members.

4.7.7. Estimated Payables

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 13,300 thousand (2009: CZK 15,462 thousand), unbilled work and services amounting to CZK 29,589 thousand (2009: CZK 38,595 thousand) and an estimated payable for staff costs in the amount of CZK 13,435 thousand (2009: CZK 5,435 thousand).

4.7.8. Payables from Social Security and Health Insurance

As of 31 December 2010, the aggregate amount of payables related to social security, state employment policy and health insurance contributions was CZK 5,421 thousand (2009: CZK 6,279 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 86,874 thousand as of 31 December 2010 (2009: CZK 74,432 thousand).

4.7.10. Bank Loans and Debt Securities

2010

Purpose	Currency	Balance at 31 Dec 2010 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		0	
Current bank accounts			
Overdraft	CZK	250 119	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.
Financing of operating needs	CZK	250 000	Pledged receivables, blank bills issued by MORAVIA STEEL a.s.
Total		800 119	
Short-term portion of long-term loans		300 000	
Total short-term loans		1 100 119	
Total		1 100 119	

In the year ended 31 December 2010, the interest rates on bank loans ranged between 1.052 percent and 3.37 percent p.a.

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.

4.7.11. Accrued Expenses and Deferred Income

Accrued expenses largely comprise costs related to the year ended 31 December 2010 for transportation and other services paid in 2011 in the amount of CZK 21,199 thousand (2009: CZK 8,140 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 203 thousand (2009: CZK 232 thousand).

Deferred income principally consists of income of CZK 0 (2009: CZK 8,314 thousand) resulting from the provision of marketing rights under the Agreement concluded with CMC Curych A.G., which expired on 31 December 2010.

4.8. DEFERRED TAXATION

The deferred tax asset is analysed as follows:

Deferred Tax Arising from

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Accumulated depreciation and amortisation of fixed assets	-6 636	-5 516
Estimated payable arising from outstanding vacation days	2 553	1 033
Provisions - receivables	9 501	14 071
Unpaid (un-received) penalty	-7 332	-7 254
Provisions - inventory	-	--
Receivables (payables) from fixed term transactions	-	19 475
Total	- 1 914	21 809
Total recognised tax asset (+) / liability (-)	-1 914	19 475

In the year ended 31 December 2009, the Company recognised a deferred tax asset arising from fixed term transactions in the amount of CZK 19,475 thousand, respectively. The deferred tax was recognised against the line 'Gains or losses from revaluation of assets and liabilities'. In 2010, the Company recognised a deferred tax liability of CZK 1,914 thousand.

In 2009, the Company decided not to account for the deferred tax 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 2010	Balance at 31 Dec 2009
Profit before tax	946 141	934 651
Tax at the domestic income tax rate of 19 %, 20 % (21 % in 2008)	179 767	186 930
Tax effect of permanent differences	55 016	37 712
Deferred tax liability	1 914	-
Additional taxes of prior years	1 559	-248
Total income tax on ordinary and extraordinary activities	238 256	224 394

4.10. DETAILS OF INCOME

(CZK thousand)

	2010			2009		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	21 891 010	-	21 891 010	12 957 254	-	12 957 254
Goods – metallurgical products	11 495 051	23 623 767	35 118 818	9 012 960	18 961 029	27 973 989
Sales of goods	33 386 061	23 623 767	57 009 828	21 970 214	18 961 029	40 931 243
Sales of services	426 755	217 386	644 141	582 107	148 028	730 135
Total sales of products and services	426 755	217 386	644 141	582 107	148 028	730 135

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

Sales of services principally comprise the provision of forwarding services of CZK 510,063 thousand for the year ended 31 December 2010 (2009: CZK 414,284 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 2010	Year ended 31 Dec 2009
Purchase of goods – raw materials	21 438 716	12 484 862
Purchase of goods – metallurgical products	31 909 021	24 957 753
Costs for transport of goods – metallurgical products	1 642 866	1 563 117
Total costs of goods sold	54 990 603	39 005 732

4.12. SERVICES

(CZK thousand)

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Transportation costs – services	471 717	380 748
Lease of trademark	123 000	123 000
Commissions	107 150	92 824
Advertising	89 257	72 174
Rental fees	8 161	8 076
Telecommunications	20 815	19 142
Legal advisory and auditing activities	12 633	12 764
Other services	88 345	91 994
Total	921 078	800 722

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

(CZK thousand)

	Year ended 31 Dec 2010	Year ended 31 Dec 2009
Settlement of complex deferred expenses	177	177
Changes in provisions under special legislation	33 458	-254 953
- provisions against receivables	33 458	-254 953
Changes in tax non-deductible provisions:	-22 236	-63 911
- provisions against receivables	-22 236	-57 134
- provisions against goods	0	-6 777
Total	11 399	-318 687

4.14. OTHER OPERATING EXPENSES AND INCOME

In order to achieve faster collection of receivables, the Company sold receivables with the nominal value of CZK 207,795 thousand for CZK 207,795 thousand in the year ended 31 December 2010 which are included under other operating income and expenses in the financial statements. Other operating expenses include the costs of insurance of supplies and other insurance in the aggregate amount of CZK 36,490 thousand. Other operating income includes discounts and rebates of CZK 18,431 thousand.

4.15. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 550,539 thousand (2009: CZK 780,373 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 732,506 thousand (2009: CZK 1,166,538 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 4,320 thousand (2009: CZK 4,414 thousand).



4.16. RELATED PARTY TRANSACTIONS

4.16.1. Income Generated with Related Parties

2010

(CZK thousand)

Entity	Relation to the Company	Goods	Services	Other income	Fin. income	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	21 356 538	320 401	40 077	-	21 717 016
Barrandov Studio a.s.	Subsidiary	-	-	1 163	-	1 163
Sochorová válcovna TŽ, a.s.	Subsidiary	-	3 137	7 065	-	10 202
Beskydská golfová, a.s.	Subsidiary	-	254	171	-	425
Hanácké železářny a pérovny, a.s.	Subsidiary	151 550	7 959	1 172	-	160 681
MORAVIA STEEL ITALIA s.r.l.	Subsidiary	-	123	-	-	123
MORAVIA STEEL IBÉRIA, S.A.	Subsidiary	-	-	-	-	-
Kovárna VIVA a.s.	Subsidiary	228 034	1 604	34	-	229 672
M Steel Projects a.s.*)	Subsidiary	173 999	635	30	-	174 664
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	-	1 463	793	-	2 256
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	509 260	254	3 246	-	512 760
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	11 082	12 721	1 152	-	24 955
FERROMORAVIA,s.r.o.	Subsidiary of the subsidiary	13 361	66	448	-	13 875
REFRASIL, s.r.o.	Subsidiary of the subsidiary	621	160	167	-	948
VÁLCOVNA TRUB TŽ, a.s.**)	Subsidiary of the subsidiary	-	-	-	-	-
Řetězárna a.s.	Subsidiary of the subsidiary	206 303	-	11	-	206 314
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	-	13 093	21	-	13 114
Moravia Steel Deutschland GmbH***)	Associate	85 576	1 180	-	-	86 756
VÚHŽ, a.s.	Subsidiary of the subsidiary	120 596	-	334	-	120 930
Šroubárna Kyjov, spol. s r.o.	Subsidiary of the subsidiary	336 061	9 760	492	-	346 313
FINITRADING, a.s.	Controlling entity	-	-	577	-	577
Total		23 192 981	372 810	56 953	-	23 622 744

*) The entity was formed on 23 September 2009. Capitalisation in financial investments took place in 2010

**) VÁLCOVNA TRUB TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s. as of the merger effective date on 1 January 2010

***) On 17 December 2010, CMC - Trinec Stahlhandel GmbH was renamed to Moravia Steel Deutschland GmbH

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 a.s.	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-Třinec 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.	Controlling 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.



4.16.2. Purchases

2010

(CZK thousand)

Entity	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	25 976 564	292	165 233	1 097	-	26 143 186
MORAVIA STEEL ITALIA s.r.l.	Subsidiary	-	-	62 884	-	-	62 884
MORAVIA STEEL IBÉRIA, S.A.	Subsidiary	-	-	6 336	-	-	6 336
MORAVIA STEEL SLOVENIJA d.o.o	Subsidiary	-	-	8 058	-	-	8 058
Barrandov Studio a.s.	Subsidiary	-	-	-	-	-	-
Barrandov Televizní Studio a.s.	Subsidiary	-	-	-	-	-	-
Sochorová válcovna TŽ, a.s.	Subsidiary	4 362 560	-	52	-	-	4 362 612
Kovárna VIVA a.s.	Subsidiary	-	-	-	-	-	-
Moravia Steel Deutschland GmbH*)	Associate	-	-	1 077	-	-	1 077
Beskydská golfová, a.s.	Subsidiary	-	-	4 107	-	-	4 107
Hanacké železářny a pérovny, a.s.	Subsidiary	-	-	-	-	-	-
M Steel Projects a.s.**)	Subsidiary	-	-	-	-	-	-
Strojírny Třinec, a.s.	Subsidiary of the subsidiary	409 561	-	-	-	-	409 561
ENERGETIKA TŘINEC, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
REFRASIL, s.r.o.	Subsidiary of the subsidiary	-	-	-	-	-	-
FERROMORAVIA, s.r.o.	Subsidiary of the subsidiary	1 110 924	1	242	24	-	1 111 191
Řetězárna a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
VÁLCOVNA TRUB TŽ, a.s.***)	Subsidiary of the subsidiary	-	-	-	-	-	-
DOPRAVA TŽ, a.s.	Subsidiary of the subsidiary	313	4	-	-	-	317
TRISIA, a.s.	Subsidiary of the subsidiary	-	-	332	-	-	332
Třinecké gastroslužby, s.r.o.	Subsidiary of the subsidiary	-	-	1 560	2 639	-	4 199
FINITRADING, a.s.	Controlling entity	2 838 844	-	-	-	-	2 838 844
VESUVIUS ČESKÁ REPUBLIKA, a.s.	-	133 176	-	-	-	-	133 176
Slévárny Třinec, a.s.	Subsidiary of the subsidiary	-	-	-	-	-	-
Total		34 831 942	297	249 881	3 760		35 085 880

*) On 17 December 2010, CMC - Trinec Stahlhandel GmbH was renamed to Moravia Steel Deutschland GmbH

**) The entity was formed on 23 September 2009. Capitalisation in financial investments took place in 2010

***) VÁLCOVNA TRUB TŽ, a.s. merged with TŘINECKÉ ŽELEZÁRNY, a.s. as of the merger effective date on 1 January 2010

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 a.s.	Subsidiary	-	-	-	-	-	-
CMC-TRINEC Stahlhandel GmbH	Associate	-	-	314	-	-	314
Beskydská golfová, a.s.	Subsidiary	-	-	8 169	-	-	8 169
HŽP Holding, a.s.**)	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, HŽP Holding, a.s. became the subsidiary of MORAVIA STEEL a.s.

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees and managers and staff costs for the years ended 31 December 2010 and 2009 are as follows:

					(CZK thousand)
	Number	Wages and salaries	Social security and health insurance	Other costs	Total staff costs
Employees	287	123 286	42 070	1 454	166 810
Management	17	51 904	8 296	105 238	165 438
Total	304	175 190	50 366	106 692	332 248

					(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

The number of employees is based on the average recalculated headcount. As of 31 December 2010, 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):

	2010	2009
Board of Directors	615	616
Supervisory Board	1 226	1 324

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 the payment of premiums under the liability insurance for damage caused in performing professional duties of a statutory member. Insurance for 2010 for all members of the Board of Directors and the Supervisory Board totalled CZK 1,340 thousand (2009: CZK 1,230 thousand).

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

The Company issued a Guarantee Statement in favour of TRINECKÉ ŽELEZÁRNY, a.s. in respect of bank loans totalling CZK 450,000 thousand. The balance of the outstanding loan repayments collateralised in the form of the Guarantee Statement was CZK 115,000 thousand as of 31 December 2010.

The Company records two guarantees issued by the bank for the Company in favour of third parties in the aggregate amount of EUR 10,950 thousand as guarantees for the participation in tenders.

As of 31 December 2010, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

7. POST BALANCE EVENTS

On 2 March 2011, MORAVIA STEEL a.s. purchased 5 shares of Barrandov Studio a.s. and 5 shares of Barrandov Televizní Studio a.s. pursuant to the contract for the purchase of securities.

Negotiations regarding the sale of the subsidiary MORAVIA STEEL POLAND sp. z o.o. to "METALURGIA" SPÓŁKA AKCYJNA, Radomsko, which is wholly owned by TRINECKÉ ŽELEZÁRNY, a.s., have entered the final phase.

Negotiations regarding the purchase of the 50 % equity investment in Moravia Steel Deutschland GmbH have entered the final phase. In 2011, this will increase the equity investment of MORAVIA STEEL a.s. from 50 % to 100 %.

On 17 January 2011, Třinec CMC limited a.s. purchased the equity investment from the 50 % owner CMC Ag Zug. Based on this, MORAVIA STEEL a.s. became the sole owner of Třinec CMC limited.

On 8 February 2011, Třinec CMC Limited was renamed to Moravia Steel UK.



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

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

Components of the Consolidated Financial Statements:

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

THESE FINANCIAL STATEMENTS WERE PREPARED ON 6 MAY 2011.

Statutory body of the reporting entity	Signature
Rostislav Wozniak Chairman of the Board of Directors	
Krzysztof Roch Ruciński Vice Chairman of the Board of Directors	



CONSOLIDATED BALANCE SHEET FULL VERSION AS OF 31.12.2010

(CZK thousand)

		Dec. 31 2010			Dec. 31 2009
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	63,290,744	25,696,523	37,487,541	35,081,629
B.	Fixed assets	43,071,248	24,463,374	18,501,194	18,432,616
<i>I.</i>	<i>Intangible fixed assets</i>	865,609	711,415	154,194	206,659
1.	Start-up costs	95	95	0	2
2.	Research and development	6,206	3,702	2,504	3,415
3.	Software	282,080	264,397	17,683	32,630
4.	Valuable rights	512,079	432,458	79,621	94,472
5.	Goodwill	368	368	0	0
6.	Other intangible fixed assets	50,877	9,599	41,278	74,413
7.	Intangible fixed assets under construction	13,904	796	13,108	1,727
<i>II.</i>	<i>Tangible fixed assets</i>	41,283,028	23,704,736	17,578,292	17,481,859
1.	Land	1,263,969		1,263,969	1,268,304
2.	Structures	10,745,913	5,105,113	5,640,800	5,696,818
3.	Individual movable assets and sets of movable assets	27,924,164	18,481,043	9,443,121	9,515,648
6.	Other tangible fixed assets	102,035	98,050	3,985	4,001
7.	Tangible fixed assets under construction	1,204,438	8,833	1,195,605	833,755
8.	Prepayments for tangible fixed assets	32,487	1,675	30,812	163,333
9.	Valuation difference on acquired assets	10,022	10,022		0
<i>III.</i>	<i>Non-current financial assets</i>	255,988	47,223	208,765	206,789
1.	Equity investments in subsidiaries	199,429	29,742	169,687	171,460
2.	Equity investments in associates	31,606	16,469	15,137	12,349
3.	Other securities and investments	1,257	1,012	245	245
5.	Other non-current financial assets	18,795		18,795	19,849
6.	Acquisition of non-current financial assets	4,901		4,901	2,886
<i>IV.</i>	<i>Goodwill on consolidation</i>	222,687		116,007	131,242
1.	Positive goodwill on consolidation	222,687	106,680	116,007	131,242
<i>V.</i>	<i>Securities and equity investments under equity accounting</i>	443,936		443,936	406,067
C.	Current assets	19,944,531	1,233,149	18,711,382	16,343,443
<i>I.</i>	<i>Inventories</i>	9,887,190	681,994	9,205,196	7,262,081
1.	Material	4,158,568	248,821	3,909,747	3,431,527
2.	Work in progress and semifinished goods	3,103,535	298,775	2,804,760	2,118,832
3.	Products	2,507,896	133,636	2,374,260	1,672,172
5.	Goods	21,144	762	20,382	33,213
6.	Prepayments for inventory	96,047		96,047	6,337
<i>II.</i>	<i>Long-term receivables</i>	201,706		201,706	140,392
1.	Trade receivables	20,336		20,336	6,398
2.	Receivables from subsidiaries				5,000
5.	Long-term prepayments made	3,731		3,731	4,334
6.	Other receivables	68,817		68,817	18,722
7.	Deferred tax asset	108,822		108,822	105,938
<i>III.</i>	<i>Short-term receivables</i>	7,898,983	551,155	7,347,828	5,482,733
1.	Trade receivables	6,855,163	536,215	6,318,948	4,839,323
2.	Receivables from subsidiaries				62
3.	Receivables from associates				20
6.	State - tax receivables	473,736		473,736	326,513
7.	Short-term prepayments made	399,248	1,075	398,173	83,322
8.	Estimated receivables	61,185		61,185	100,706
9.	Other receivables	109,651	13,865	95,786	132,787
<i>IV.</i>	<i>Current financial assets</i>	1,956,652		1,956,652	3,458,237
1.	Cash on hand	7,627		7,627	7,129
2.	Cash at bank	1,133,924		1,133,924	2,760,288
3.	Short-term securities and investments	815,101		815,101	690,820
D.	Other assets	274,965		274,965	305,570
1.	Deferred expenses	171,707		171,707	225,334
2.	Complex deferred expenses	90,184		90,184	72,131
3.	Accrued income	13,074		13,074	8,105
	Control number	252,444,075	102,892,772	149,231,263	139,614,879



CONSOLIDATED BALANCE SHEET FULL VERSION AS OF 31.12.2010

(CZK thousand)

		Dec. 31 2010	Dec. 31 2009
	TOTAL LIABILITIES & EQUITY	37,487,541	35,081,629
A.	Equity	18,087,850	17,942,622
I.	Share capital	3,157,000	3,157,000
1.	Share capital	3,157,000	3,157,000
II.	Capital funds	68,710	-117,160
2.	Other capital funds	101,383	1,053
3.	Gains or losses from the revaluation of assets and liabilities	-32,673	-118,213
III.	Statutory funds	1,771,772	1,767,894
1.	Statutory reserve fund / Indivisible fund	1,189,188	1,151,439
2.	Statutory and other funds	582,584	616,455
IV.	Retained earnings or accumulated losses	12,679,620	13,489,335
	Retained earnings	13,845,245	13,617,488
	Accumulated losses brought forward	-1,165,625	-128,153
V.	Profit or loss for the current period net of minority interest	16,032	-669,927
1.	Profit or loss for the current period	-42,357	-729,034
2.	Share in the profit/(loss) of equity accounted investments	58,389	59,107
VI.	Consolidation reserve fund	394,716	315,480
B.	Liabilities	13,049,129	10,508,009
I.	Reserves	282,887	222,861
1.	Reserves under special legislation	20,692	21,048
2.	Reserve for pensions and similar liabilities	3,606	4,105
3.	Income tax reserve	6,305	539
4.	Other reserves	252,284	197,169
II.	Long-term liabilities	492,129	702,422
1.	Trade payables	50,490	9,514
5.	Long-term prepayments received	3,305	5,919
9.	Other payables	28,237	10,884
10.	Deferred tax liability	410,097	676,105
III.	Short-term liabilities	6,887,980	5,697,314
1.	Trade payables	5,511,536	3,996,748
2.	Payables to subsidiaries		3,502
4.	Payables to partners and association members	8,078	513,926
5.	Payables to employees	409,928	395,807
6.	Social security and health insurance payables	133,810	137,541
7.	State - tax payables and subsidies	165,049	184,580
8.	Short-term prepayments received	414,818	112,910
10.	Estimated payables	214,418	210,169
11.	Other payables	30,343	142,131
IV.	Bank loans and borrowings	5,386,133	3,885,412
1.	Long-term bank loans	1,755,363	1,642,139
2.	Short-term bank loans	3,454,989	2,243,273
3.	Short-term borrowings	175,781	
C.	Other liabilities	92,699	84,974
1.	Accrued expenses	76,841	59,771
2.	Deferred income	15,858	25,203
D.	Minority equity	6,257,863	6,546,024
	Minority share capital	2,605,368	2,605,493
	Minority capital funds	58,363	13,874
	Minority funds from profit, including retained earnings and losses	3,865,339	4,214,825
	Minority profit or loss for the current period	-271,207	-288,168
	Control number	143,204,886	133,380,038

CONSOLIDATED PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD YEAR ENDED 31.12.2010

(CZK thousand)

		Year ended Dec. 31 2010	Year ended Dec. 31 2009
I.	Sales of goods	336,087	216,556
A.	Costs of goods sold	260,967	158,255
+	Gross margin	75,120	58,301
II.	Production	41,411,719	32,121,369
1.	Sales of own products and services	40,174,199	32,310,121
2.	Change in internally produced inventory	448,382	-835,232
3.	Own work capitalised	789,138	646,480
B.	Purchased consumables and services	35,633,267	25,473,287
1.	Consumed material and energy	31,772,059	21,927,629
2.	Services	3,861,208	3,545,658
+	Added value	5,853,572	6,706,383
C.	Staff costs	5,044,211	4,875,457
1.	Payroll costs	3,447,281	3,395,687
2.	Remuneration to members of statutory bodies	135,601	140,129
3.	Social security and health insurance costs	1,181,656	1,114,693
4.	Social costs	279,673	224,948
D.	Taxes and charges	58,014	19,324
E.	Depreciation of intangible and tangible fixed assets	1,611,676	1,870,354
KR A.	Amortisation of goodwill on consolidation	15,235	313,270
KR 1.	Amortisation of negative goodwill on consolidation	288	171,743
III.	Sales of fixed assets and material	123,906	88,869
1.	Sales of fixed assets	45,803	32,617
2.	Sales of material	78,103	56,252
F.	Net book value of fixed assets and material sold	103,639	71,464
1.	Net book value of sold fixed assets	29,971	18,559
2.	Book value of sold material	73,668	52,905
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-959,484	-557,548
IV.	Other operating income	2,027,810	1,415,181
H.	Other operating expenses	2,168,007	2,190,446
V.	Transfer of operating income	15,614	18,562
I.	Transfer of operating expenses	13,017	18,562
*	Operating profit or loss	-33,125	-400,591
VII.	Income from non-current financial assets	37,074	2,374
1.	Income from subsidiaries and associates	37,000	
3.	Income from other non-current financial assets	74	2,374
VIII.	Income from current financial assets	41	36
IX.	Income from the revaluation of securities and derivatives	2,045	19,134
L.	Costs of the revaluation of securities and derivatives	1,768	1,760
M.	Change in reserves and provisions relating to financial activities	-3,368	3,001
X.	Interest income	16,779	42,634
N.	Interest expenses	130,751	149,264
XI.	Other financial income	664,200	979,457
O.	Other financial expenses	842,897	1,455,218
*	Financial profit or loss	-251,909	-565,608
Q.	Income tax on ordinary activities	38,016	61,241
1.	- due	310,465	314,348
2.	- deferred	-272,449	-253,107
**	Profit or loss from ordinary activities	-323,050	-1,027,440
XIII.	Extraordinary income	148	217
R.	Extraordinary expenses	2,613	20
S.	Income tax on extraordinary activities	0	
*	Extraordinary profit or loss	-2,465	197
**	Consolidated profit or loss, net of share of profit/(loss) of equity accounted investments	-325,515	-1,027,243
	Consolidated profit or loss net of minority interests	-42,357	-729,034
	Minority profit or loss	-283,158	-298,209
*	Share of profit or loss of equity accounted investments	58,389	59,107
	Profit or loss for the current period (+/-)	-267,126	-968,136
***	Profit or loss for the current period net of minority interest (+/-)	16,032	-669,927



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31.12.2010

(CZK thousand)

	Share capital	Capital funds	Res. 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 December 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 December 2009	3,157,000	-117,160	1,767,894	13,489,335	-729,034	315,480	59,107	17,942,622
Allocation of profit			19,580	-671,342	651,762	59,107	-59,107	0
Dividendy		99,556	-15,271	-143,374	77,272			18,183
Impact of changes in the consolidated group		88,304		3,428				91,732
Share in changes in the aggregate amount of other equity of associates						20,129		20,129
Profit for the current period					-42,357		58,389	16,032
Other		-1,990	-431	1,573				-848
Balance at 31 December 2010	3,157,000	68,710	1,771,772	12,679,620	-42,357	394,716	58,389	18,087,850

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31.12.2010

(CZK thousand)

		Year ended Dec. 31 2010	Year ended Dec. 31 2009
P.	Cash and cash equivalents at the beginning of the accounting period	3,454,716	3,608,350
	Cash flows from ordinary activities		
Z.	Profit/(loss) from ordinary activities before tax	-285,034	-966,199
A.1.	Adjustments for non-cash transactions	759,974	2,183,374
A.1.1.	Depreciation of fixed assets(+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1,626,623	2,011,881
A.1.2.	Change in provisions and reserves	-962,852	-554,547
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-15,818	-14,058
A.1.4.	Revenues from dividends and profit shares (-), except as paid by consolidated group entities	-37,115	-2,374
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	118,826	106,612
A.1.6.	Adjustments, if any, and other non-cash transactions	30,310	635,860
A.*	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	474,940	1,217,175
A.2.	Change in non-cash component of working capital	-1,155,490	2,810,154
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	-1,673,808	1,597,747
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	1,460,037	-741,856
A.2.3.	Change in inventory	-942,158	1,953,025
A.2.4.	Change in current financial assets not included in cash and cash equivalents	439	1,238
A.**	Net cash flow from operating activities before tax and extraordinary items	-680,550	4,027,329
A.3.	Interest paid (-), except interest capitalised	-134,805	-151,618
A.4.	Interest received (+)	19,822	43,580
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	-305,589	-207,438
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	-2,465	32
A.7.	Received dividends and profit shares (+)	85,116	42,374
A.***	Net cash flow from operating activities	-1,018,471	3,754,259
	Cash flows from investing activities		
B.1.	Fixed assets expenditures (-)	-1,706,272	-1,440,459
B.2.	Receipts from fixed assets sold (+)	48,893	35,299
B.4.	Peněžní toky z nákupu podniku nebo jeho části	13,559	-152,223
B.5.	Cash flows from the purchase of business or its part		-1,015
B.***	Cash flows from the deconsolidation of business or its part	-1,643,820	-1,558,398
	Net cash flow from investing activities		
C.1.	Cash flow from financial activities	1,678,819	-833,914
C.2.	Impact of change in long-term or short-term payables which fall into financing activities on cash and cash equivalents	-517,674	-1,515,581
C.2.5.	Payments made from funds (-)	23	
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	-517,697	-1,515,581
C.***	Net cash flow from financial activities	1,161,145	-2,349,495
F.	Net increase or decrease of cash and cash equivalents	-1,501,146	-153,634
R.	Cash and cash equivalents at the end of the accounting period	1,953,570	3,454,716



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Business Name:	MORAVIA STEEL a.s.
Registered Office:	Průmyslová 1000, 739 70 Třinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID	63474808
Entered in File No. 1297 of Section B of the Register of Companies maintained by the Regional Court in Ostrava.	

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

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

The consolidated financial statements were prepared as of and for the year ended 31 December 2010.

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 2010

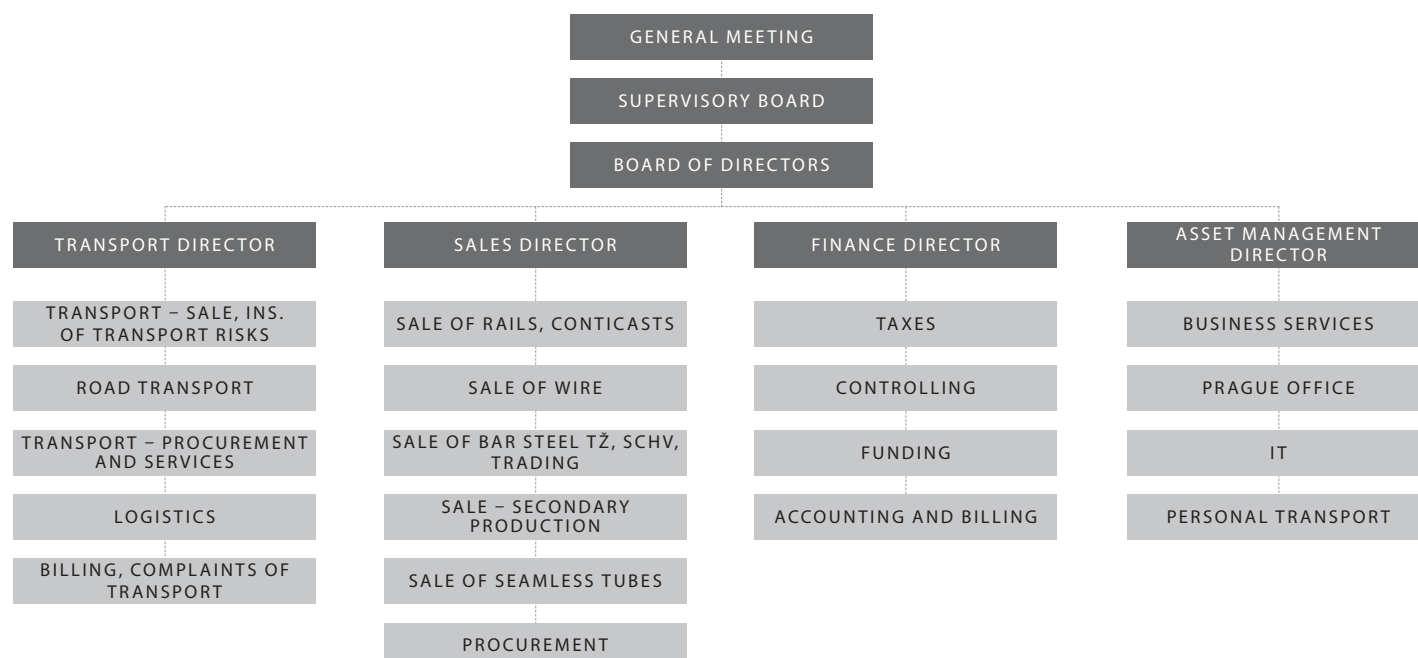
	Position	Name
Board of Directors	Chairwoman	Rostislav Wozniak
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříš
	Member	Uršula Novotná
Supervisory Board	Chairman	Tomáš Chreněk
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blažková
	Member	Hanns Kurt Zoellner
	Member	Jaroslava Ciahotná

As of 1 July 2010, the Chairman of the Board of Directors changed – Lenka Blažková was replaced by Rostislav Wozniak, the change was recorded in the Register of Companies on 15 July 2010.

Uršula Novotná became another member of the Board of Directors, the change was recorded in the Register of Companies on 15 July 2010.

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 2010:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
TŘINECKÉ ŽELEZÁRNY, a.s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	69.05 %
Barrandov Studio a.s.	Prague 5, Hlubočepy Křiženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.83 %
Barrandov Televizní Studio a.s.	Prague 5, 152 00 Křiženeckého nám. 322/5	Broad digital television broadcasting	99.96 %
Barrandov Lands a.s.	Prague 5, 152 00 Křiženeckého nám. 322/5	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 415, 739 56	Provision of sport services	100.00 %
Sochorová válcovna TŽ, a.s.	Třinec-Staré Město, Průmyslová 1000, 739 70	Production and metallurgic processing of iron and steel	94.43 %
Hanácké železářny a pérovny a.s.	Prostějov, 797 11, Dolní 100	Production of leaf and helical springs for the automotive and railway industries	100.00 %
Moravskoslezský kovošrot, a.s.	Prague 1, PSČ 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	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00 %

Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
Moravia Steel Deutschland GmbH*)	Kürten, Germany	Distribution of metallurgical products	50.00 %
TRINEC – CMC LIMITED	Sandbach, United Kingdom	Distribution of metallurgical products	50.00 %
Kovárna VIVA a.s.**)	Zlín, tř. T. Bati 5333, 76001	Production of die forgings	50.00 %

*) CMC – Třinec Stahlhandel GmbH changed its name to Moravia Steel Deutschland GmbH during the reporting period

**) The legal status of Kovárna VIVA, spol. s r.o. changed to a joint stock company during the reporting period

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 2010, the sub-group includes of the following companies:

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
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.	Staré Město, Tovární 1688, 686 02	Production and metallurgic processing of iron and steel	100.00 %
VÚHŽ a.s.	Dobrá 240 PŠČ 739 51	Production of automotive, metallurgical, engineering and foundry products	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	Třinec-Staré Město, Průmyslová 1026, 739 65,	Repairs of metallurgy technological units, and machine, electrical and construction works	100.00 %
METALURGIA S.A.	Radomsko, Ul. Świątej Rozalii nr 10/12, 97-500, Poland	Production of nails, wire and wire products	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 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 %

In the year ended 31 December 2010, H & S PROGRESS s.r.o. was removed from the consolidation group due to its dissolution without liquidation as part of the merger by amalgamation with VÚHŽ, a.s. In addition, VÁLCOVNA TRUB TŽ, a.s. was removed from the consolidation group due to its dissolution without liquidation as part of the merger by amalgamation with TŘINECKÉ ŽELEZÁRNY, a. s.

Associates

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Třinec, 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 %

Moravskoslezský kovošrot, a.s. Sub-Group

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
MSK Polska Sp. z o.o.	Batalionów Chłopskich 2 42-680 Tarnowskie Góry, Poland	Purchase, processing and sale of metal scrap and non-ferrous metals	84 %



Hanácké železářny a pérovny, a.s. Sub-Group

Subsidiaries

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2010
SV servisní, s.r.o.	Prostějov, 797 11, Dolní 100	Purchase and sale of energy and provision of energy services	100.00 %

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 ŽELEZÁŘNY, a.s.	Průmyslová 1000, Třinec	Manufacture of metallurgical products	69.05 %
Barrandov Studio a.s.	Prague 5, Křiženeckého nám. 5/322	Creation and production of films and other audio-visual material	99.83 %
Barrandov Televizní Studio a.s.	Prague 5, 152 00 Křiženeckého nám. 5/322	Broad digital television broadcasting	99.95 %
Barrandov Lands a.s.	Prague 5, 152 00 Křiženeckého 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 železářny 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 office 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 – Třinec Stahlhandel GmbH	Kürten-Herweg, 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 %

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 2010 and 2009. The companies included in the consolidated group are based in the Czech Republic, with the exception of Moravia Steel Deutschland 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 equity in all of the group's entities is less than 1.5 percent;
- The share in the net turnover (revenues of account class 6) in all of the group's entities is less than 1.5 percent;
- Long-term restrictions hinder the Parent Company's rights connected to the control of assets or management, or, in exceptional cases, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable and provable undue delay; and
- The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

The companies which meet the above conditions 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, while in associates the value of assets for these purposes is recalculated using the percentage of the ownership share of MORAVIA STEEL a.s., the equity share of this whole in all of the Group's entities must be less than 5 percent and the share in the net turnover (revenues of account class 6) in all of the group's entities 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 Group's accounting records are maintained and the consolidated financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records 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., Moravia Steel Deutschland GmbH, TRINEC - CMC LIMITED and MSK Polska Sp. z o.o. are translated using the exchange rates prevailing at 31 December 2010 and 2009 as promulgated by the Czech National Bank.

Financial Reporting Period

The consolidated financial statements of the Parent Company for the year ended 31 December 2010 were prepared as follows:

- The balance sheet contains comparative balances as of 31 December 2009.
- The profit and loss account comprises comparative amounts for the year ended 31 December 2009.
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2009.
- The cash flow statement comprises comparative amounts for the year ended 31 December 2009.

3.1. VALUATION, DEPRECIATION AND PROVISIONING POLICIES

3.1.1. Tangible and Intangible Fixed Assets

Valuation

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

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

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

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

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

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

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

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

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

3.1.3. Inventory

Valuation

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

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

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

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

Other reserves are created to provide for future risks known at the balance sheet date. In addition, a reserve is recorded for the restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation No. 294/2005 Coll.

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 Bank's 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 by TRINECKÉ ŽELEZÁRNY, a. s., in the Univerzální trať Bohumín plant and the Tube Rolling Mill (the VT operation) and the assets used in 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 Group's 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 Group's 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 6.3). 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 2010, the Company changed the policy for accounting for the revaluation of internally developed inventory such that the revaluation difference according to the actual ongoing aggregate 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".

With effect from the year ended 31 December 2010, the Company has reported prepayments for the fee paid for air pollution in the line 'State – tax receivables' instead of the line 'Short-term prepayments made'.

With effect from 2011, the Company has changed the policy of valuing internally produced inventory during the period. Internally produced inventory is valued at cost using a costing formula in which the pure charge is valued at the actual cost and processing costs are valued at planned rates of the particular year. The previous practice was to value the pure charge at planned costs during the reporting period.

At the balance sheet date, the Company assesses the actual costs of the charge and the difference between the actual costs of the charge and the valuation of the charge from the prior month is reflected only in the financial accounting records. In respect of processing costs, the difference between the value of processing costs of the planned operations valued at planned rates of the particular year and the value of the actually completed operations valued at planned rates of the particular year is reflected in the financial accounting accounts.

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', the balance of which 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 company's share in the current period's results, and the 'Consolidation reserve fund' comprising an associate's 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 Company's 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.

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 combination of proportionate (the TŘINECKÉ ŽELEZÁRNY, a.s. sub-group) and direct consolidation methods.

The financial statements for the years ended 31 December 2009 and 2010 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 2009 and 2010 (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 reporting 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)

	2010	2009
Total current financial assets	1 956 652	3 458 237
Total cash and cash equivalents not included in cash flow	-3 082	-3 521
Total cash and cash equivalents	1 953 570	3 454 716

Comments on the Cash Flow Statement as of 31 December 2010:

Cash equivalents not reported in the cash flow as of 31 December 2010 and 2009 include blocked cash representing the opening of a special-purpose account of CZK 3,075 thousand and CZK 3,514 thousand as of 31 December 2010 and 31 December 2009, respectively, in connection with a loan obtained from a bank, and other securities available for sale of CZK 7 thousand and CZK 7 thousand as of 31 December 2010 and 2009, respectively.

4. ANALYSIS OF IMPACTS ON PROFIT/LOSS

4.1. CONSOLIDATED PROFIT/LOSS FOR 2010

4.1.1. Structure of the Consolidated Profit/Loss for 2010

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	707 885
Current year's loss made by M Steel Projects a.s.	-5 844
Current year's profit made by Barrandov Lands a.s.	158
Current year's profit made by Hanácké železářny a pérovny, a.s.	24 007
Current year's profit made by SV Servisní a.s.	4 993
Current year's loss made by Beskydská golfová, a.s.	-5 097
Share of current year's profit made by Barrandov Studio a.s.	24 916
Share of current year's loss made by Barrandov Televizní Studio a.s.	-333 705
Share of current year's profit made by MORAVIA STEEL ITALIA s.r.l.	21 975
Share of current year's loss made by the TŽ, a.s. consolidation group	-1 127 131
Share of current year's profit made by Sochorová válcovna TŽ, a.s.	230 165
Share of current year's profit made by Moravskoslezský kovošrot, a.s.	31 690
Share of current year's profit made by MSK Polska Sp.z o.o.	3 347
Share in profit of equity accounted investments	55 471
Adjustments within full consolidation (see Note 4.1.2.)	380 284
Adjustments within the equity method (see Note 4.1.3.)	2 918
Consolidated profit	16 032

4.1.2. Profit/(Loss) Adjustments within Full Consolidation for 2010

(CZK thousand)

Elimination of profit from unrealised intercompany inventory, including the deferred tax impact and elimination of minority profit	176 033
Elimination of provision against inventory, including the deferred tax impact	24 556
Elimination of the provision against investment in Barrandov Televizní Studio a.s.	200 000
Amortisation of positive goodwill on consolidation of Barrandov Studio a.s.	-15 235
Elimination of dividends declared by MORAVIA STEEL ITALIA s.r.l.	-5 070
Total adjustments	380 284

4.1.3. Adjustments within Equity Consolidation for 2010

(CZK thousand)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	2 918
Total adjustments	2 918



4.2. CONSOLIDATED PROFIT/LOSS FOR 2009

4.2.1. Structure of the Consolidated Profit/Loss for 2009

(CZK thousand)

Current year's profit made by MORAVIA STEEL a.s.	710 257
Current year's loss made by M Steel Projects a.s.	-225
Current year's loss made by Barrandov Lands a.s.	-12
Current year's profit made by Hanácké železářny a pérovny, a.s.	11 206
Current year's loss made by Beskydská golfová, a.s.	-152
Share of current year's profit made by Barrandov Studio a.s.	16 962
Share of current year's loss made by Barrandov Televizní Studio a.s.	-422 370
Share of current year's profit made by MORAVIA STEEL ITALIA s.r.l.	12 535
Share of current year's loss made by the TŽ, a.s. consolidation group	-975 491
Share of current year's loss made by Sochorová válcovna TŽ, a.s.	-343 492
Share of current year's loss 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 loss	-669 927

4.2.2. Profit/(Loss) 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

4.2.3. Adjustments within Equity Consolidation for 2009

(CZK thousand)

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

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

5.1. INTANGIBLE FIXED ASSETS

Cost

(CZK thousand)

	Balance at 1 Jan 2009	New acquisi-tions	Additions	Disposals	Impact of FX differences
Research and development	4 553	1 560	0	1	131
Start-up costs	93	2	0	0	0
Goodwill	0	347	0	0	29
Software	275 971	1 753	8 043	881	147
Valuable rights	503 375	300	6 525	2	25
Other intangible FA	22 151	38 618	1 209 568	1 190 200	3 232
Intangible FA under construction	4 305	0	4 790	6 572	0
Prepayments for intangible FA	135	0	20 000	20 135	0
Total	810 583	42 580	1 248 926	1 217 791	3 564

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2010
Research and development	6 243	0	0	-37	6 206
Start-up costs	95	0	0	0	95
Goodwill	376	0	0	-8	368
Software	285 033	5 202	8 114	-41	282 080
Valuable rights	510 223	1 949	87	-6	512 079
Other intangible FA	83 369	1 567 283	1 599 775	0	50 877
Intangible FA under construction	2 523	79 615	68 234	0	13 904
Prepayments for intangible FA	0	0	0	0	0
Total	887 862	1 654 049	1 676 210	-92	865 609

Accumulated Amortisation and Provisions

(CZK thousand)

	Balance at 1 Jan 2009	New acquisi-tions	Additions	Disposals	Impact of FX differences
Research and development	228	1 560	909	0	131
Start-up costs	93	0	0	0	0
Goodwill	0	347	0	0	29
Software	226 746	1 753	24 638	881	147
Valuable rights	381 665	0	34 088	2	0
Other intangible FA	12 468	0	175	3 687	0
Intangible FA under construction	796	0	0	0	0
Total	621 996	3 660	59 810	4 570	307

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2010
Research and development	2 828	911	0	-37	3 702
Start-up costs	93	2	0	0	95
Goodwill	376	0	0	-8	368
Software	252 403	20 113	8 078	-41	264 397
Valuable rights	415 751	17 240	533	0	432 458
Other intangible FA	8 956	630	0	13	9 599
Intangible FA under construction	796	0	0	0	796
Total	681 203	38 896	8 611	-73	711 415

Net Book Value

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2010
Research and development	3 415	2 504
Start-up costs	2	0
Software	32 630	17 683
Valuable rights	94 472	79 621
Other intangible FA	74 413	41 278
Intangible FA under construction	1 727	13 108
Prepayments for intangible FA	0	0
Total	206 659	154 194



The tables of movements within intangible fixed assets include the column 'new acquisition' relating to the expansion of the consolidated group to include ME-TALURGIA S.A. and Moravskoslezský Kovošrot a.s. and Barrandov Lands, a.s. sub-groups in 2009.

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 49,816 thousand and CZK 56,334 thousand for the years ended 31 December 2010 and 2009, respectively.

Other intangible assets include greenhouse gas emission allowances. It is anticipated that the number of allowances allocated necessary to cover the consumption of greenhouse gas emissions will be insufficient by the end of 2010. For this reason, a reserve was recognised for these missing allowances in the amount of CZK 62,026 thousand as of 31 December 2010. The amount of the reserve for emission allowances as of 31 December 2009 was CZK 15,536 thousand.

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

The aggregate balance of low value intangible assets not reported on the face of the balance sheet was CZK 33,242 thousand and CZK 31,090 thousand as of 31 December 2010 and 2009, respectively.

5.2. TANGIBLE FIXED ASSETS

Cost

(CZK thousand)

	Balance at 1 Jan 2009	New acquisitions	Additions	Disposals	Impact of FX differences
Land	1 248 539	292 792	3 187	276 214	0
Structures	9 808 078	248 896	474 077	12 865	17 594
Individual movable assets	25 809 543	599 976	1 333 031	567 829	47 126
Other tangible FA	103 008	1 508	11	732	106
Tangible FA under construction	1 493 194	8 049	1 029 171	1 681 549	224
Prepayments	128 487	0	303 854	267 258	0
Valuation difference on acquired assets	5 834	0	0	2 093	0
Total	38 596 683	1 151 221	3 143 331	2 808 540	65 050

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2010
Land	1 268 304	126	4 327	-134	1 263 969
Structures	10 535 780	230 070	14 479	-5 459	10 745 913
Individual movable assets	27 221 847	1 250 086	536 310	-11 459	27 924 164
Other tangible FA	103 901	580	2 414	-32	102 035
Tangible FA under construction	849 089	1 851 632	1 496 218	-65	1 204 438
Prepayments	165 083	168 868	294 464	0	32 487
Valuation difference on acquired assets	3 741	6 281	0	0	10 022
Total	40 147 745	3 500 643	2 348 212	-17 148	41 283 028

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at 1 Jan 2009	New acquisitions	Additions	Disposals	Impact of FX differences
Structures	4 467 152	116 878	264 751	19 331	9 512
Individual movable assets	16 179 777	464 530	1 594 310	569 829	37 411
Other tangible FA	99 262	1 182	217	844	83
Tangible FA under construction	41 231	597	11 944	38 490	52
Prepayments	619	0	1 162	31	0
Valuation difference on acquired assets	5 834	0	531	2 624	0
Total	20 793 875	583 187	1 872 915	631 149	47 058

(CZK thousand)

	Balance at 31 Dec 2009	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2010
Structures	4 838 962	287 526	18 621	-2 754	5 105 113
Individual movable assets	17 706 199	1 282 374	498 093	-9 437	18 481 043
Other tangible FA	99 900	211	2 036	-25	98 050
Tangible FA under construction	15 334	1 065	7 548	-18	8 833
Prepayments	1 750	12	87	0	1 675
Valuation difference on acquired assets	3 741	6 281	0	0	10 022
Total	22 665 886	1 577 470	526 385	-12 234	23 704 736

Net Book Value

(CZK thousand)

Net	Balance at 31 Dec 2009	Balance at 31 Dec 2010
Land	1 268 304	1 263 969
Structures	5 696 818	5 640 799
Individual movable assets	9 515 648	9 443 121
Other tangible FA	4 001	3 985
Tangible FA under construction	833 755	1 195 605
Prepayments for tangible FA	163 333	30 812
Valuation difference on acquired assets	0	0
Total	17 481 859	17 578 292

The tables of movements within tangible fixed assets include the column 'new acquisition' in 2009 relating to the expansion of the consolidated group to include METALURGIA S. A., Moravskoslezský Kovošrot a.s. and Barrandov Lands, a.s.

Principal additions to tangible fixed assets for the year ended 31 December 2010 are as follows:

(CZK thousand)

K1 boiler at the E2 heat plant	300 501
Modernisation of the related coke batteries equipment	199 207
New yard crane for the sintering plant	101 146
Technical improvements of TG2 by high pressure component	95 573
Electromagnetic mixing of molten steel	43 302
Modernisation of the Žiar children holiday centre	37 268
Phosphating line	24 358
Modernisation of the railway transport equipment	24 340
FVC 160/3,2 CNC KYKLOP machining centre	15 577
Oil and grease treatment of SCHV	20 262
Exchange of convertors of SCHV	15 859
Compressor plant of SCHV	13 675

Principal additions to tangible fixed assets under construction for the year ended 31 December 2010 are as follows:

(CZK thousand)

Modernisation of the coke battery 12	853 495
Renovation of the roof on the continuous fine rolling mill	19 441
Construction of apartment houses inv. no. 03000151 in BG	4 708

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,561,860 thousand and CZK 1,814,020 thousand as of 31 December 2010 and 2009, 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 554,635 thousand and CZK 471,341 thousand as of 31 December 2010 and 2009, respectively.

Fair Value

As of the acquisition date in 2009, the Group revalued the assets of METALURGIA S.A. and the Moravskoslezský kovošrot a.s. sub-consolidation group 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.



5.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

(CZK thousand)

31 December 2010	Passenger cars	Machinery and equipment	Balance at 31 Dec 2010
Total estimated sum of lease instalments	40 327	311 001	351 328
Payments made as of 31 Dec 2010	31 660	178 830	210 490
Future payments to be made by 31 Dec 2011	5 861	33 140	39 001
Due in the following years	2 806	99 031	101 837

(CZK thousand)

31 December 2009	Passengercars	Machinery and equipment	Balance at 31 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

Lease payments of CZK 79,839 thousand and CZK 41,237 thousand were made in the years ended 31 December 2010 and 2009, respectively.

5.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2010

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	104 964	Loan from ČSOB, a.s.
Tangible FA	312 790	Loan from Citibank, a.s.
Tangible FA	346 419	Syndicated loan from Česká spořitelna, a.s., HSBC Bank plc -
Land	40 732	Prague branch and CITIBANK Europe plc
Tangible FA	638 794	"Big Mannesmann" rolling mill. Loan from Česká spořitelna, a.s.
Tangible FA *	126 160	Loan from Fortis Bank Polska S.A.
Tangible FA	15 004	Long-term loan from KB, a.s.
Tangible FA	20 888	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible FA	14 529	Long-term loan from ČSOB, a.s.
Tangible FA	32 939	Long-term loan from KB, a.s.
Tangible FA, land	2 371	Loan from Citibank a.s.
Tangible FA, land	1 133	Loan from Citibank, a.s.
Tangible FA, land	906	Loan from Citibank, a.s.
Tangible FA, land	401	Loan from Citibank, a.s.
Tangible FA, land	87 147	Loan from ČSOB, a.s.
Land	10 506	Loan from ČSOB, a.s.
Technologies	86 508	Loan from ČSOB, a.s.
Tangible FA	120 468	Loan from KB, a.s.
Technologies	37 401	Loan from KB, a.s.
Technologies	272 854	Loan from Raiffeisen Bank, a.s.
Tangible FA, technologies	24 575	Česká spořitelna, a.s. – pledge in support of the loan of Třinecké železářny, a. s. for KB 12 coke battery
Tangible FA, land	52 000	Loan from Raiffeisen Bank, a.s.
Land	69 690	Loan from HSBC Bank plc. – Prague branch
Tangible FA	68 856	Loan from HSBC Bank plc. – Prague branch
Tangible FA	27 887	Loan from HSBC Bank plc. – Prague branch
Production machinery	486 074	Loan from HSBC Bank plc. – Prague branch
Tangible FA, intangible FA	178 351	Collateral of all bank loans
Tangible FA, land	261 287	Raiffeisen Bank, a.s.
Tangible FA, land	36 567	Loan from České spořitelny, a.s.
Tangible FA, land	47 400	Loan from Oberbank AG
Tangible FA, land	1 363	Loan from Citibank Europe plc.
Tangible FA, land	23 158	Loan from HC CAPITAL, a.s.
Total	3 550 122	

Note: * in CZK thousand, collateral of the loan up to the amount of PLN 20,000 thousand.



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	

5.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

5.5.1. Summary of Unconsolidated Investments in 2010

Balance at 31 December 2010

(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	1 802	-474	0	1 573
Moravia Steel AG Zug	1 947	1 947	100	*)	*)	-1 947	0
MORAVIA STEEL IBÉRIA, S.A.	10 850	2 533	99.33	11 960	582	0	10 850
MORAVIA GOEL TRADE d.o.o.	59	59	60	**)	**)	-59	0
MS – Slovensko s.r.o. *****)	161	160	100	946	1	0	161
MORAVIA STEEL ISRAEL Ltd.	346	208	100	*)	*)	0	346
MORAVIA STEEL POLAND, sp. z o.o.***)	408	361	100	208	-44	-408	0
Barrandov FM a.s.	8 850	8 850	98	*)	*)	-8 850	0
Barrandov Productions s.r.o. ****)	100	100	100	4 438	19	0	100
Filmová nadace RWE & Barrandov Studio *****)	500	500	100	1 613	-883	0	500
Česká parforní společnost s.r.o.	20	20	20	*)	*)	0	20
Total	24 814	15 605		20 967	-799	-11 264	13 550

*) 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 2010, this entity reported no business activities.

****) Unaudited results

*****) Balance as of 31 December 2010, the reporting period ended 28 February 2011

*****) 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 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 cost	Financial income for the year
Moravia Steel Middle East FZO	2 887	2 841	0	40	1 391	-6 425	0	2 887	0
Total	2 887	2 841	0	40	1 391	-6 425	0	2 887	0

(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	0	901	0
Total	901	0	901	0

*) Securities of this entity were included in the Group as a result of the acquisition of HŽP 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	0	100.00	37 366	2 522	0	25 643	0
Doprava TŽ, a.s.	15 755	16 000	115	100.00	59 293	11 637	0	15 755	30 000
TRIALFA, s.r.o.	100	100	0	100.00	18 515	3 682	0	100	7 000
Steel Consortium Partners, a.s.	19 000	19 000	117	100.00	1 695	-77	-17 381	1 619	0
Reťaze Slovakia s.r.o.	11 870	4 936	0	80.00	14 838	991	0	11 870	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	*)	45 738	0	89.11	44 921	1 831	0	*)	0
TRISIA, a.s.	19 364	9 900	990	66.00	62 168	-1 602	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością Cieszyn (PL)**)	7 920	7 920	0	88.00	6 708	43	0	7 920	0
Moravia Security, a.s.	12 000	12 000	12	100.00	9 238	312	0	12 000	0
Neomet Sp. z o.o. (PL)**)	174	3 400	0	100.00	0	0	174	0	0
Soukromá střední škola Třinec ***)	2 000	2 000	0	100.00	77 612	122	0	2 000	0
Total	174 615						-18 478	156 137	37 000

*) Confidential information

**) Data in PLN thousand

***) TRINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act

italics – preliminary results as of 31 December 2010

(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 cost	Financial income for the year
SILESIALAG, a.s.	1 760	1 760	74	44.00	3 733	-93	-118	1 642	0
TRINECKÁ PROJEKCE, a.s.	750	1 125	75	34.09	10 707	98	0	750	0
Kvalif. a personální agentura, o.p.s.	34	34	0	33.33	7 384	-46	-34	0	0
Hutnictví železa, a.s.	25 963	16 397	27 328	39.21	46 383	-236	-16 317	9 646	0
HRAT, s.r.o.*)	212	100	0	23.26	2 390	-62	0	212	0
Total	28 719						-16 469	12 250	0

*) results for the period from 1 April 2010 – 31 December 2010.

italics – preliminary results as of 31 December 2010.



(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	17 210	457	0	100	0
SAVER Česká Ves, s.r.o.	121	121	0	10.00	19 791	6 181	0	121	0
Informetal zájmové sdružení	20	20	0	5.00	0	0	0	20	0
Družstvo Envicrack	4	4	0	0	0	0	0	4	0
ACRI – Asociace podniků českého železničního průmyslu, Prague 1-Nové Město	20	20	0	2.08	1 023	5	-20	0	0
Huta Stalowa Wola**	14	0	0	0.0087	0	0	-13 900	0	0
RZPS Radomskór Radom**	1	0	0	0.01	0	0	-530	0	0
Total	356						111	245	0

Note: **) Data in PLN thousand

italics – preliminary results as of 31 December 2010.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2010.

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

5.5.2. 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	0	1 573
Moravia Steel AG Zug	1 947	1 947	100	1 009	-277	-1 947	0
MORAVIA STEEL IBÉRIA, S.A.	10 850	2 533	99.33	12 021	1 174	0	10 850
MORAVIA GOEL TRADE d.o.o.	59	59	60	**)	**)	-59	0
MS – Slovensko s.r.o. *****)	161	160	100	999	0	0	161
MORAVIA STEEL ISRAEL Ltd.	346	208	100	*)	*)	0	346
MORAVIA STEEL POLAND sp. z o.o. ***)	408	361	100	208	-44	-408	0
Barrandov FM,a.s.	8 850	8 850	98	*)	*)	-8 850	0
Barrandov Productions s.r.o. *****)	100	100	100	4 419	-709	0	100
Filmová nadace RWE & Barrandov Studio *****)	500	500	100	1 325	-474	0	500
Česká parforní společnost s.r.o.	20	20	20	*)	*)	0	20
SV servisní s.r.o.	1 800	1 800	100	20 006	2 741	0	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	0	901	0
Total	901	0	901	0

*) Securities of this entity were included in the Group as a result of the acquisition of HŽP 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	0	100.00	34 622	3 253	0	25 643	0
Doprava TŽ, a.s.	15 755	16 000	115	100.00	80 255	15 105	0	15 755	0
TRIALFA, s.r.o.	100	100	0	100.00	21 962	1 734	0	100	0
Steel Consortium Partners, a.s.	19 000	19 000	117	100.00	1 695	-91	-17 305	1 695	0
Reťaze Slovakia s.r.o.	11 698	4 936	0	80.00	14 623	11	0	11 698	179
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	*)	45 738	0	89.11	45 465	4 621	0	*)	0
TRISIA, a.s.	19 364	9 900	990	66.00	63 765	-1 711	0	19 364	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością Cieszyn (PL)**)	7 920	7 920	0	88.00	7 528	-497	0	7 920	0
Moravia Security, a.s.	12 000	12 000	12	100.00	8 926	1 708	0	12 000	0
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	0	100.00	2 930	453	0	2 000	0
Sroubarna Kyjov TK Vida ve Metal Sanay ve Ticarel Limited Sirketi	146	146	0	100.00	0	0	-77	69	0
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
SILESIALAG, a.s.	1 760	1 760	74	44.00	3 826	-16	-76	1 684	0
TŘINECKÁ PROJEKCE, a.s.	750	1 125	75	34.09	10 645	-28	0	750	0
Kvalif. a personální agentura, o.p.s.	34	34	0	33.33	262	-28	-34	0	0
Hutnictví železa, a.s.	25 963	16 397	27 328	39.21	46 559	-601	-16 260	9 703	0
HRAT, s.r.o.	212	100	0	23.26	3 003	968	0	212	0
Total	28 719						-16 370	12 349	0

(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	0	100	0
SAVER Česká Ves, s.r.o.	121	121	0	10.00	13 609	3 548	0	121	42
Informetal zájmové sdružení	20	20	0	5.00	0	0	0	20	0
Družstvo Envicrack	4	4	0	0	0	0	0	4	0
ACRI, Prague	20	20	0	2.08	1 184	29	-20	0	0
Total	265							245	42

Italics – preliminary results

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.

5.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2010

(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	92 179	0	0	15 235	0
Hanácké železářny a pérovny a.s.	130 508	14 501	116 007	0	0	0
Total	222 687	106 680	116 007	0	15 235	0
Negative goodwill arising on consolidation						
METALURGIA S.A.	0	0	0	0	0	288
Total	0	0	0	0	0	288

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

In 2009, the Group recognised 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.

5.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK thousand)

Securities and equity investments under equity accounting	2010	2009
VESUVIUS ČESKÁ REPUBLIKA, a.s.	76 561	83 475
TRINEC – CMC LIMITED	29 155	25 444
Moravia Steel Deutschland GmbH *)	111 632	110 939
Kovárna VIVA a.s. **)	226 588	186 209
Total	443 936	406 067

*) CMC – Třinec Stahlhandel GmbH changed its name to Moravia Steel Deutschland GmbH during the reporting period

**) 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. The legal status of the entity changed to a joint stock company during the year ended 31 December 2010.

5.8. INVENTORY

As of 31 December 2010 and 2009, provisions were created against inventory in the aggregate amounts of CZK 681,994 thousand and CZK 1,646,455 thousand, respectively. The provision against material amounted to CZK 248,821 thousand (2009: CZK 271,765 thousand), the provision against work in progress and semi-finished products amounted to CZK 298,775 thousand (2009: CZK 882,630 thousand) and the provision against finished products amounted to CZK 133,636 thousand (2009: CZK 489,415 thousand), the provision against goods amounted to CZK 762 thousand (2009: CZK 1,354 thousand) and the provision against pre-payments made for inventory amounted to CZK 0 thousand in 2010 (2009: CZK 1,291 thousand).



5.9. RECEIVABLES

5.9.1. 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	
2010	Short-term	5 433 554	896 007	14 300	31 214	88 518	391 570	1 421 609	6 855 163
	Provisions	-14 336	-14 125	-2 162	-25 657	-88 506	-391 429	-521 879	-536 215
	Total	5 419 218	881 882	12 138	5 557	12	141	899 730	6 318 948
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

Other Short-Term Receivables

Short-term prepayments made principally involve prepayments for supplied services.

State – tax receivables principally include the receivable arising from other taxes and fees and an excessive deduction of the value added tax.

Other receivables mainly relate to the receivable arising from bank guarantees.

Estimated receivables principally include an estimated receivable arising from anticipated insurance benefits.

Receivables typically mature within 30 days.

5.9.2. Intercompany Receivables

Short-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2010	Balance at 31 Dec 2009
• Trade receivables		
Moravia Steel Deutschland GmbH ***)	7	5 183
TRINEC-CMC LIMITED	0	8
Doprava TŽ, a.s.	4 679	6 134
Řeťaze Slovakia, s.r.o..	291	0
TRIALFA, s.r.o.	2 728	2 121
TŘINECKÁ PROJEKCE, a.s.	8 568	193
Třinecké gastroslužby, s.r.o.	1 691	1 087
Soukromá střední škola Třinec, š. p. o. *)	127	19
NEOMET, S.A.	4	3
Kvalifikační a personální agentura, o.p.s.	3	3
TRISIA, a.s.	6	5
VESUVIUS ČR, a.s. Třinec	3 831	3 729
Kovárna VIVA, a.s.**)	71 264	16 535
SILESIALAG, a.s.	3	3
Steel Consortium Partners, a.s.	1	3
ZAMECZEK BLOGOCICE	2 354	0
Regionální informační centrum Frýdek-Místek, s.r.o.	0	0
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM, s.r.o.	13	364
Moravia Security, a.s.	164	177
Barrandov Productions, s.r.o.	789	632
Filmová nadace RWE & Barrandov Studio	13	43
TV Barrandov s.r.o.	0	0
Total	96 536	36 242
• Receivables – controlling entity		
TRISIA, a.s.	0	60
Total short-term intercompany receivables	96 536	36 302
Other than intercompany receivables	7 251 292	5 446 431
Total short-term receivables, net	7 347 828	5 482 733

*) 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. In 2010, the legal status of the entity changed to the joint stock company.

***) CMC – Třinec Stahlhandel GmbH changed its name to Moravia Steel Deutschland GmbH in the reporting company.

Long-Term Receivables

(CZK thousand)

Entity	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Long-term receivables		
• Receivables – controlling entity		
TRISIA, a.s.	0	5 000
Total	0	5 000
Total long-term intercompany receivables	0	5 000
Other than intercompany receivables	201 706	135 392
Total long-term receivables	201 706	140 392

5.9.3. 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 2010, the amount of pledged receivables was CZK 882,836 thousand.

5.10. DERIVATIVE FINANCIAL INSTRUMENTS

The Group hedged against the exchange rate risk using derivative financial instruments during the year ended 31 December 2010. The net value of open derivative financial instruments as of 31 December 2010 was CZK 0 thousand (2009: CZK (102,500) 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 2010	Balance at 31 Dec 2009
Receivables from fixed term transactions – other receivables	0	2 924
Payables from fixed term transactions – other payables	0	-105 424
Total derivative financial instruments	0	-102 500

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 (ie, those with highly effective hedging) as of 31 December 2010 against 'Gains and losses from the revaluation of assets and liabilities' in the amount of CZK 0 thousand (2009: CZK 102,500 thousand).

5.11. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Cash	7 627	7 129
Current accounts	1 046 021	2 162 727
Current accounts with transaction limits	3 075	3 514
Term deposits	84 821	594 047
Current securities	815 101	690 813
Other securities available for sale not included in the cash flow	7	7
Total current financial assets	1 956 652	3 458 237

As of 31 December 2010, the Group reports depository bills of exchange in the amount of CZK 766,740 thousand (2009: CZK 652,311 thousand) and tradable securities in the amount of CZK 48,361 thousand (2009: CZK 38,509 thousand).

5.12. EQUITY

5.12.1. Shareholders' Equity

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

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

No dividends were declared in the year ended 31 December 2010. In 2010, the Company paid part of dividends declared in 2009 in the amount of CZK 500,023 thousand reported as a component of short-term payables in line B.III.4. 'Payables to partners and association members' as of 31 December 2009.

5.12.2. Share Capital

As of 31 December 2010, the share capital amounted to CZK 3,157,000 thousand. The Company's share capital is composed of 1,514 registered shares with a nominal value of CZK 500 thousand each, 100 registered shares with a nominal value of CZK 10,000 thousand each and 2 registered shares with a nominal value of CZK 700,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.



5.13. RESERVES

(CZK thousand)

	Reserves under statutory regulations				Other reserves	Total reserves
	Reserve for repairs of tangible FA	Reserve for restoration costs	Reserve for pensions and similar liabilities	Income tax reserve		
Balance at 1 Jan 2009	108 478	2 039	0	0	416 186	526 703
New acquisition	22 000	0	4 674	0	1 317	5 991
Creation	7 284	29	223	539	154 347	162 422
Use	118 782	0	792	0	374 681	472 255
Balance at 31 Dec 2009	18 980	2 068	4 105	539	197 169	222 861
Creation	7 185	107	0	5 800	197 210	205 302
Use	7 266	382	438	22	142 046	145 154
Balance at 31 Dec 2010	18 899	1 793	3 606	6 305	252 284	282 887

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.

5.14. PAYABLES

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	
2010	Short-term	5 299 358	108 130	29 563	67 985	864	5 636	5 511 536
2009	Short-term	3 905 234	83 567	1 036	351	3 698	2 862	3 996 748

5.14.1. Other Payables

As of 31 December 2010 and 2009, the aggregate amount of payables in respect of social security and state employment policy contributions was CZK 133,810 thousand and CZK 137,541 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.

5.14.2. Intercompany Payables

Short-Term Payables

(CZK thousand)

Company's name	Balance at 31 Dec 2010	Balance at 31 Dec 2009
• Trade payables		
Doprava TŽ, a.s.	11 735	8 663
Hutnictví železa, a.s.	602	638
Moravia Security, a.s.	11 295	9 342
TRIALFA, s.r.o.	16 196	14 879
TRISIA, a.s.	835	1 319
TŘINECKÁ PROJEKCE, a.s.	1 990	2 919
Třinecké gastroslužby, s.r.o.	10 021	8 736
VESUVIUS ČR, a.s. Třinec	7 380	5 833
Security Morava s.r.o.	315	324
D 5, akciová společnost	59	1 159
TRINEC – CMC LIMITED	4 962	2 127
ZAMECZEK BŁOGOCICE Sp. z o.o.	105	1 289
FINITRADING, a.s.	179 841	239 932
MORAVIA STEEL SLOVENIJA d.o.o.	3 554	1 656
Kvalifikační a personální agentura, v.o.s.	15	85
Barrandov Productions, s.r.o.	0	3 185
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	930	758
Soukromá střední škola Třinec, š. p. o. *)	1 847	1 499
SV servisní, s.r.o.	0	55
Total intercompany short-term payables	251 682	302 899
Other intercompany payables		
ZAMECZEK BŁOGOCICE Sp. z o.o.	5 437	5 559
Total	5 437	5 559
Total short-term intercompany payables	257 119	308 458
Other than intercompany payables	6 630 861	5 388 856
Total short-term payables	6 887 980	5 697 314

*) 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.

5.15. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

5.15.1. 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 2010	Balance at 31 Dec 2009
Difference between the tax and accounting carrying values of fixed assets	19	2 722 157	6 733 745
Revaluation of available for sale securities	19	0	-20
Revaluation of assets to fair value charged against equity	19	339 384	423 585
Accounting reserves	19	-78 041	-168 285
Provisions	19	-151 502	-1 663 342
Expenses deductible in the following years	19	-32 397	-108 369
Utilisable tax loss	19	-333 574	-1 358 365
Unsettled default interest	19	65 089	0
Unrealised profit on the sale of tangible FA within the Group	19	-355 663	-358 379
Unrealised profit on the sale of inventory within the Group	19	-17 047	57 877
Total temporary differences		2 158 406	3 558 447
Deferred tax liability		410 097	676 105

(CZK thousand)

Analysis of movements	
31 Dec 2009	676 105
Changes in the consolidation group – new acquisitions	0
Current changes charged to the profit and loss account	-250 009
Current changes charged against equity	-15 999
31 Dec 2010	410 097



5.15.2. Deferred Tax Asset

(CZK thousand)

	Tax rate (%)	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Difference between the tax and accounting carrying values of tangible fixed assets	19	-4 381 666	-167 684
Revaluation of available for sale securities	19	20	0
Accounting reserves	19	156 870	13 121
Provisions	19	641 742	49 063
Expenses deductible for tax purposes in the following years	19	97 723	4 905
Receivables (payables) from fixed term transactions	19		102 500
Unrealised profit on the sale of inventory within the Group	19	120 147	0
Utilisable tax loss	19	3 937 909	555 663
Total temporary differences		572 745	557 568
Deferred tax asset		108 822	105 938

(CZK thousand)

Analysis of movements		
31 Dec 2009		105 938
New acquisition		0
Current changes charged to the profit and loss account		22 440
Current changes charged to the equity		-19 556
31 December 2010		108 822

5.16. BANK LOANS AND BORROWINGS

In 2010, the interest rate on bank loans varied between 1.052 % and 4.65 % p.a., in 2009 between 1.386 % and 4.88 %.

5.16.1. Bank Loans and Grants for 2010

Long-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2010	Balance at 31 Dec 2009	Form of collateral at 31 Dec 2010
Investment	EUR	4 219	13 366	SACE guarantee insurer
Investment	CZK	0	15 000	Movable assets, guarantee statement
Investment	EUR	139 838	232 264	Hermes guarantee insurer
Investment	CZK	0	19 400	Immovable and movable assets, blank bill of exchange
Investment	CZK	55 556	100 000	Immovable and movable assets, blank bill of exchange, guarantee statement
Investment	CZK	830 923	0	Movable and immovable assets, receivables from insurance, bill of exchange
Investment	CZK	15 000	25 000	Guarantee statements by Třinecké železářny, a. s.
Investment	CZK	0	2 647	Komerční banka a.s. for investment
Investment	CZK	237 571	321 791	Unprotested blank bill of exchange
Investment	CZK	36 000	60 000	Pledge of real estate
Investment	CZK	0	12 500	Pledge of real estate
Investment	CZK	170 000	170 000	Pledge of real estate
Investment	CZK	5 949	9 985	Pledge of real estate
Investment	EUR	3 007	9 527	16 – 34 mm induction hardening line
Investment	EUR	10 024	21 172	KSH 602D welding machine
Investment	CZK	17 278	28 834	Receivables, Sakamura press
Investment	CZK	0	12 000	Pledge of receivables, real estate
Investment	EUR	3 133	5 955	KBA 601 bending machine
Investment	CZK / EUR	47 795	0	MS guarantee statement, pledged assets blank bills of exchange
Investment	CZK	77 703	98 194	Pledged real estate, pledged movable assets, pledged receivables from insurance of immovable and movable assets
Investment	EUR	36 052	114 220	Pledge contracts for tangible fixed assets
Investment	CZK	33 938	29 803	Pledge contracts for tangible fixed assets
Investment	CZK	22 486	28 108	Pledge of real estate
Investment	CZK	8 891	12 373	Blank bill of exchange, pledge of real estate, assignment of receivables
Operating	CZK	0	300 000	Conditional assignment and pledge of receivables, blank bill of exchange
Total		1 755 363	1 642 139	

Short-Term Bank Loans

(CZK thousand)

Type of loan	Currency	Balance at 31 Dec 2010	Balance at 31 Dec 2009	Form of collateral at 31 Dec 2010
Investment	CZK	15 000	30 000	Movables, guarantee statements of MS, a.s
Investment	CZK	44 444	44 444	Movable and immovable assets, blank bill of exchange
Investment	EUR	80 095	101 023	Hermes guarantee insurer
Investment	EUR	0	3 926	SACE guarantee insurer
Investment	CZK	0	1 222	Blank bill of exchange, pledged movable assets
Investment	EUR	2 506	1 985	Immovable and movable assets
Investment	EUR	2 506	5 293	Movable assets
Investment	EUR	10 024	5 293	-
Investment	EUR	0	5 293	Immovable and movable assets
Investment	EUR	6 014	5 558	Immovable and movable assets
Investment	CZK	0	15 773	Immovable and movable assets, blank bill of exchange
Investment	CZK	0	18 000	Movable assets
Investment	CZK	19 400	34 400	Pledged movables and immovable assets and collateralising blank bill of exchange
Operating	CZK	0	10 602	Pledged receivables
Operating	CZK	43 306	5 061	Blank bill of exchange, trade receivables
Investment	EUR	8 438	8 911	SACE guarantee insurer
Investment	PLN	76 581	90 290	Immovable and movable assets
Operating	CZK	250 000	250 000	Pledged receivables, blank bill of exchange
Operating	CZK	250 119	250 025	Conditional cession of receivables
Operating	CZK	300 000	300 000	Conditional cession of receivables
Operating	CZK	300 000	0	Conditional assignment and future pledge of receivables, blank bills of exchange
Investment	CZK	24 000	24 000	Pledged real estate
Operating	CZK	32 306	51 264	-
Investment *)	EUR/ CZK	27 311	105 887	Statement of the parent company, pledged assets, blank bill of exchange
Investment	CZK	0	10 586	Movable assets
Investment	CZK	10 000	10 000	Guarantee statements by Třinecké železářny, a. s.
Investment	EUR	10 025	10 586	Receivables, Sakamura press
Investment	CZK	12 000	24 000	Real estate, receivables
Investment	CZK	73 099	75 715	Guarantee statements by Třinecké železářny, a. s.
Operating	CZK	305 000	305 000	Blank bill of exchange, receivables
Operating	CZK	295 906	0	Blank bill of exchange
Operating	CZK	479 291	0	Blank bill of exchange
Operating	CZK	2 380	0	Real estate, receivables
Investment	CZK	100 000	0	Movable and immovable assets, receivables arising from insurance, bill of exchange
Operating	CZK	28 653	0	Blank bill of exchange
Investment	CZK	33 939	72 012	Pledge contracts for tangible fixed assets
Operating	CZK	0	45 000	Pledge of real estate, pledge of movable assets, pledge of receivables arising from insurance of immovable and movable assets
Operating	CZK	319 000	230 000	Pledge contracts for tangible fixed assets
Operating	EUR	36 052	0	Pledge contracts for tangible fixed assets
Investment	CZK	5 622	0	Pledged real estate
Investment	CZK	0	5 622	Pledged real estate
Investment	CZK	0	3 472	Blank bill of exchange, pledged real estate
Investment	CZK	4 440	4 440	Pledged real estate
Investment	CZK	4 330	4 330	Blank bill of exchange, pledged real estate, assigned receivables
Investment	CZK	22 832	11 818	Blank bill of exchange, pledge of real estate, assignment of receivables
Investment	CZK	40 000	40 000	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Operating	CZK	19 519	0	Pledge of real estate, pledge of receivables
Investment	CZK	19 061	20 528	Pledge of real estate, pledge of movable assets, pledge of receivables from insurance of immovable and movable assets
Operating	EUR	100 240	0	Pledge of real estate
Operating	PLN	29 050	0	Pledge of real estate, pledge of movable assets
Investment	CZK	12 500	12 500	Pledge of real estate
Total		3 454 989	2 243 273	

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



Repayment Schedule

(CZK thousand)

Years	2011	2012	2013	2014	2015	In subsequent periods	Total
Loan instalments	3 454 989	757 187	409 020	302 626	237 540	48 990	5 210 352

Short-Term Financial Borrowings

(CZK thousand)

Purpose	Currency	Balance at 31 Dec 2010	Balance at 31 Dec 2009	Provider
Short-term	EUR	100 240	o	Minerfin, a.s.
Short-term	EUR	75 180	o	Ferroservis Bratislava s.r.o.
Short-term	PLN	361	o	Fortis Bank Polska S.A.
Total		175 781	o	

5.17. OTHER OFF-BALANCE SHEET LIABILITIES

MORAVIA STEEL a.s.

The Company issued a Guarantee Statement in favour of TŘINECKÉ ŽELEZÁRNY, a.s. in respect of bank loans totalling CZK 450,000 thousand. The balance of the outstanding loan repayments collateralised in the form of the Guarantee Statement was CZK 115,000 thousand as of 31 December 2010.

The Company records two guarantees issued by the bank for the Company in favour of third parties in the aggregate amount of EUR 10,950 as guarantees for the participation in a tender.

As of 31 December 2010, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

HANÁCKÉ ŽELEZÁRNY A PÉROVNY, a.s.

At the balance sheet date, the company recorded future liabilities as a result of the contracted capital expenditure of CZK 13,983 thousand (EUR 558 thousand).

SOCHOROVÁ VÁLCOVNA TŽ, a.s.

The company recorded no environmental liabilities in the year ended 31 December 2010. 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 fixed assets.

TŘINECKÉ ŽELEZÁRNY, a. s.

The company records the following payables not reported in the balance sheet:

Type of liability	Aggregate amount	Balance at 31 Dec 2010
Guarantee statements		
– to other entities	USD 576 thousand	CZK 10,806 thousand
	EUR 1,165 thousand	CZK 29,194 thousand
	CZK 5,000 thousand	CZK 5,000 thousand

Environmental Liabilities

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 2010 and 2009, the company drew the funds in the amounts of CZK 397,216 thousand and CZK 375,465 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.

Collateral for own liabilities

(CZK thousand)

Type of liability	Balance at 31 Dec 2010	Balance at 31 Dec 2009
Blank bills of exchange – collateral for long-term bank loans	200 000	200 000
Blank bills of exchange – collateral for overdraft loans	150 000	o
Total	350 000	200 000

Collateral for third-party liabilities

In 2010, ENERGETIKA TŘINEC, a.s. (hereinafter “ET”) established a pledge relating to the building of the TK1, TK2 and TK3 distribution stations (including technology) which were used as collateral for the loan of TŘINECKÉ ŽELEZÁRNY, a.s. from Česká spořitelna, a.s. (funding of the construction of the KB12 coke battery).

Strojírny Třinec, a.s.

At the balance sheet date, the company recorded future liabilities as a result of the contracted capital expenditure of CZK 21,331 thousand.

FERROMORAVIA, s.r.o.*Legal Disputes*

In December 2009, the legal dispute in which FERROMORAVIA, s.r.o. was named as a defendant and which involved the payment of CZK 1,386 thousand in respect of the impaired ability of an employee to seek proper employment following the work injury of a leg was finalised. On 4 December 2009, the District Court in Uherské Hradiště decided to dismiss the legal action in full. The written verdict was delivered to FERROMORAVIA, s.r.o. on 9 March 2010. On 23 March 2010, the plaintiff appealed. On 3 May 2010, the plaintiff withdrew its appeal in full. The written verdict took legal effect on 16 February 2011.

D 5, akciová společnost, Třinec

D 5, akciová společnost, Třinec (hereinafter “D 5”) records the following off balance sheet liabilities:

Loan collateralised by the pledge on receivables in the aggregate amount of CZK 50 million of which no less than CZK 20 million is from debtors outside the TŘINECKÉ ŽELEZÁRNY, a. s. and MORAVIA STEEL a.s. groups.

VÚHŽ, a.s.

VÚHŽ a.s. records the following off balance sheet liabilities:

Easements

Land and buildings of VÚHŽ a.s. carry established easements in favour of Jindřich Rašner and Jaroslav Vaníček – an easement of walking and driving.

Another easement relating to the ground sewerage pipe system, access and entry to the system, maintenance, repairs and other necessary activities was established in favour of the Dobrá municipality, Dobrá 230, 739 51, corporate ID: 00296589.

Bank Guarantees

VÚHŽ a.s. records a bank guarantee with the maximum facility of CZK 20,000 thousand with Komerční banka, a.s. with the actual drawing as of 31 December 2010 amounting to CZK 1,601 thousand and with Citibank Europe plc with the maximum facility of CZK 12,000 thousand and the actual drawing as of 31 December 2010 amounting to CZK 9,195 thousand. These are bank guarantees in favour of the customers of VÚHŽ a.s. collateralising its supplies for guarantees in the warranty period of supplies of level gauges. As of 31 December 2009, these guarantees amounted to CZK 14,731 thousand and the maximum facility was CZK 32,000 thousand.

Řetězárna a.s.

As of 31 December 2010, term contracts (forwards) were concluded to hedge the exchange rate in 2011 in the aggregate amount of EUR 700 thousand. The fair value measurement of these transactions was made through the profit and loss account.

Other companies in the group are unaware of any off balance sheet liabilities.



6. ADDITIONAL INFORMATION OF THE PROFIT AND LOSS ACCOUNT

6.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

2010

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	9 671 126	25 447 692	35 118 818
Other production	2 673 537	1 157 510	3 831 047
Sale of goods	128 231	207 856	336 087
Services	943 678	280 656	1 224 334
Change in inventory	409 648	38 734	448 382
Own work capitalised	788 937	201	789 138
Total	14 615 157	27 132 649	41 747 806

2009

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	8 523 485	19 804 356	28 327 841
Other production	1 250 413	877 414	2 127 827
Sale of goods	45 344	171 212	216 556
Services	1 669 010	185 443	1 854 453
Change in inventory	-835 232	0	-835 232
Own work capitalised	646 480	0	646 480
Total	11 299 500	21 038 425	32 337 925

6.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amount to CZK 70,489 thousand and CZK 65,194 thousand as of 31 December 2010 and 2009, respectively.

Other operating income as of 31 December 2010 and 2009 predominantly includes the drawing of the grant for greenhouse gas emission allowances of CZK 1,599,771 thousand and CZK 1,176,852 thousand, respectively, and income from assigned receivables of CZK 207,795 thousand and CZK 0, respectively.

Other operating expenses as of 31 December 2010 and 2009 predominantly include the use of greenhouse gas emission allowances of CZK 1,599,771 thousand and CZK 1,190,279 thousand, respectively, and the nominal value of assigned receivables of CZK 207,795 thousand and CZK 0, respectively.

Other financial income and expenses in 2010 and 2009 predominantly include foreign exchange rate gains and losses.

6.3. GRANTS

Grants for operating purposes of CZK 28,671 thousand received in 2010 (2009: CZK 24,178 thousand) include grants for research purposes, and grants received from the Labour Office in prior years.



6.4. RELATED PARTY TRANSACTIONS

6.4.1. Income Generated with Related Parties

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

2010

(CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	41	58 970	17 038	31	0	76 080
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	190	0	0	190
Reťaze Slovakia s.r.o.	Controlled entity	833	18 988	23	0	0	19 844
TRIALFA, a.s.	Controlled entity	4	31 257	5 182	1 249	0	37 692
TRISIA, a.s.	Controlled entity	0	0	96	14	0	110
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	126	984	657	8 419	0	10 186
Třinecké gastroslužby, s.r.o.	Controlled entity	3	2 364	5 544	1 072	0	8 983
VESUVIUS ČR, a.s.	Controlled entity	0	6 375	20 359	73	0	26 807
Moravia Steel Deutschland GmbH**)	Associate	0	86 872	1 887	0	0	88 759
SILESIAFLAG, a.s.	Controlled entity	0	0	22	0	0	22
Steel Consortium Partners, a.s.	Controlled entity	0	0	58	0	0	58
FINITRADING, a.s.	Controlling entity	0	0	0	577	0	577
Moravia Security, a.s.	Controlled entity	14	187	1 437	13	0	1 651
Security Morava, s.r.o.	Controlled entity	0	0	7	0	0	7
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	1 528	235	0	1 763
Soukromá střední škola Třinec, š.p.o.*)	Controlled entity	2	49	1 346	138	0	1 535
ZAMECZEK BŁOGOCICE	Controlled entity	0	0	1 930	0	0	1 930
Kovárna VIVA a.s.	Associate	0	228 084	1 606	34	0	229 724
Barrandov Productions, s.r.o.	Controlled entity	2	0	1 400	45	0	1 447
Filmová nadace RWE & Barrandov Studio	Controlled entity	2	0	155	4	0	161
HRAT, s.r.o.	Controlled entity	0	0	34	0	0	34
Total		1 027	434 130	60 499	11 904	0	507 560

Note: * TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act

** Change in the name from CMC-Třinec Stahlhandel GmbH to Moravia Steel Deutschland GmbH.

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	0	65 224
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	206	0	0	206
Reťaze Slovakia s.r.o.	Controlled entity	0	14 943	10	0	2 137	17 090
TRIALFA, a.s.	Controlled entity	0	29 007	4 981	1 008	0	34 996
TRISIA, a.s.	Controlled entity	0	0	100	0	60	160
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	178	1 605	1 182	1	0	2 966
Třinecké gastroslužby, s.r.o.	Controlled entity	11	2 240	9 293	913	0	12 457
VESUVIUS ČR, a.s.	Controlled entity	0	5 545	16 883	1	0	22 429
CMC Třinec Stahlhandel GmbH	Associate	0	227 892	109	0	0	228 001
SILESIAFLAG, a.s.	Controlled entity	0	0	24	0	0	24
Steel Consortium Partners, a.s.	Controlled entity	0	0	60	0	0	60
FINITRADING, a.s.	Controlling entity	0	0	0	1 224	0	1 224
Moravia Security, a.s.	Controlled entity	33	202	1 364	26	0	1 625
Security Morava, s.r.o.	Controlled entity	0	0	4	0	0	4
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	9	3	2 300	292	0	2 604
Soukromá střední škola Třinec, š.p.o.		2	6	295	32	0	335
ZAMECZEK BŁOGOCICE	Controlled entity	0	0	599	0	528	1 127
Kovárna "VIVA", spol. s r.o.	Associate	0	52 645	941	0	0	53 586
Barrandov Productions, s.r.o.	Controlled entity	6	1	4 575	87	0	4 669
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	0	145	8	0	153
SV servisní, s.r.o.	Controlled entity	0	0	799	0	0	799
Total		361	389 526	53 441	3 686	2 725	449 739



6.4.2. Costs Incurred with Related Parties

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

2010

(CZK thousand)

Entity	Relation to the company	Fixed assets	Inventory	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	27 798	65 253	0	93 051
Hutnictví železa, a.s.	Controlled entity	0	0	5 807	118	5 925
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	0	0	239	0	239
Reťaze Slovakia, s.r.o.	Controlled entity	0	327	254	0	581
TRIALFA, s.r.o.	Controlled entity	29	9 956	18 796	62 094	90 875
TRISIA, a.s.	Controlled entity	0	0	9 576	0	9 576
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	11 301	190	9 793	9	21 293
Třinecké gastroslužby, s.r.o.	Controlled entity	0	14 937	9 908	79 760	104 605
VESUVIUS ČR, a.s.	Controlled entity	0	133 190	60 556	0	193 746
Moravia Steel Deutschland GmbH**)	Associate	0	0	1 214	0	1 214
FINITRADING, a.s.	Controlling entity	0	2 838 844	0	0	2 838 844
Security Morava, s.r.o.	Controlled entity	0	0	1 205	0	1 205
Moravia Security, a.s.	Controlled entity	0	33	79 279	357	79 669
Soukromá střední škola Třinec, š.p.o.*)	Controlled entity	0	492	9 257	1 766	11 515
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 263	0	1 263
Kovárna VIVA a.s.	Associate	0	386	6	0	392
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	0	2 187	8 043	0	10 230
Barrandov Productions s.r.o.	Controlled entity	546	2	267	0	815
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	2	0	796	798
HRAT, s.r.o.	Controlled entity	140	0	260	0	400
MORAVIA STEEL IBÉRIA, S.A.	Controlled entity	0	0	6 336	0	6 336
MORAVIA STEEL SLOVENIJA d.o.o.	Controlled entity	0	0	8 058	0	8 058
Total		12 016	3 028 344	295 370	144 900	3 480 630

Note: * TŘINECKÉ ŽELEZÁRNY, a. s. is the founder in accordance with Act No. 561/2004 Coll., Education Act

** Change in the name from CMC-Třinec Stahlhandel GmbH to Moravia Steel Deutschland GmbH.

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	0	71 199
Hutnictví železa, a.s.	Controlled entity	0	0	6 680	0	6 680
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	0	0	344	331	675
Reťaze Slovakia, s.r.o.	Controlled entity	0	888	537	0	1 425
TRIALFA, s.r.o.	Controlled entity	0	10 085	16 085	51 929	78 099
TRISIA, a.s.	Controlled entity	0	26	12 483	18	12 527
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	13 131	0	12 821	0	25 952
Třinecké gastroslužby, s.r.o.	Controlled entity	0	15 907	12 294	75 145	103 346
VESUVIUS ČR, a.s.	Controlled entity	0	115 758	54 707	0	170 465
CMC Třinec Stahlhandel GmbH	Associate	0	0	532	0	532
FINITRADING, a.s.	Controlling entity	0	2 365 665	0	0	2 365 665
Security Morava, s.r.o.	Controlled entity	0	0	1 457	0	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	0	39	3 537	0	3 576
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 279	0	1 279
Kovárna „VIVA“ Zlín, spol. s r.o.	Associate	0	587	0	0	587
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	38	0	11 724	0	11 762
Barrandov Productions s.r.o.	Controlled entity	0	0	434	0	434
Filmová nadace RWE & Barrandov Studio	Controlled entity	0	0	0	796	796
SV servisní, s.r.o.	Controlled entity	0	40 563	1 881	0	42 444
Total		13 553	2 595 166	237 785	128 432	2 974 936



7. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

7.1. STAFF COSTS AND NUMBER OF EMPLOYEES

2010

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
MORAVIA STEEL a.s.	304	17	332 248	165 438
Barrandov Studio a.s.	219	10	123 016	15 112
Barrandov Televizní Studio a.s.	65	4	48 163	7 567
MORAVIA STEEL ITALIA s.r.l.	8	2	9 092	7 255
Moravskoslezský kovošrot, a.s.	34	3	12 823	2 952
MSK Polska Sp.zo.o.	33	3	15 161	1 981
Sochorová válcovna TŽ, a.s.	677	9	278 930	19 385
Beskydská golfová, a.s.	29	1	12 153	1 756
Hanácké železářny a pérovny, a.s.	235	7	106 216	9 587
TŘINECKÉ ŽELEZÁRNY, a.s.	5 905	7,9	2 561 186	34 406
ENERGETIKA TŘINEC, a.s.	370	5	155 579	10 321
Strojírny Třinec, a.s..	932	8	321 946	13 336
Slévárny Třinec, a.s.	685	5	233 823	6 142
REFRASIL, s.r.o.	176	2	81 455	10 778
Řetězárna a.s.	246	6	99 566	13 982
FERROMORAVIA, s.r.o.	182	4	65 491	5 444
Šroubárna Kyjov, spol. s r.o.	298	6	112 279	7 179
D 5, a.s.	710	8	237 135	11 895
VUHŽ, a.s.	298	11	150 303	18 910
METALURGIA S.A.	306	4	78 447	6 759
SV servisní, s.r.o.	14	3	8 156	3 087
M Steel Projects, a.s. *)	3	3	1 043	1 043
Total under full consolidation	11 729	129	5 044 211	374 351

*) The data include bonuses of members of supervisory and statutory bodies who are not employed by the Company

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 železářny 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.	0	0	26	0
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

*) 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	2010	2009
MORAVIA STEEL a.s.	108 385	108 049
Use of management cars	1 841	1 940
Damage liability insurance	1 340	1 230
Bonuses	105 204	104 879
TŘINECKÉ ŽELEZÁRNY, a.s.	13 274	17 034
Use of management cars	1 320	1 168
Damage liability insurance	797	858
Bonuses	11 157	15 008
ENERGETIKA TŘINEC, a.s.	1 439	1 336
Use of management cars	552	462
Life insurance contribution	191	185
Damage liability insurance	48	41
Bonuses	648	648
Strojírny Třinec, a.s.	1 162	982
Use of management cars	399	252
Life insurance contribution	81	53
Damage liability insurance	34	29
Bonuses	648	648
Slévárny Třinec, a.s.	714	714
Use of management cars	4	4
Life insurance contribution	29	29
Damage liability insurance	33	33
Bonuses	648	648
REFRASIL, s.r.o.	629	630
Use of management cars	237	237
Life insurance contribution	0	0
Damage liability insurance	8	9
Bonuses	384	384
FERROMORAVIA, s.r.o.	708	786
Use of management cars	367	462
Damage liability insurance	17	-
Bonuses	324	324
Řetězárna a.s.	6 319	6 081
Use of management cars	704	809
Life insurance contribution	11	0
Damage liability insurance	0	12
Bonuses	5 604	5 260
VÁLCOVNA TRUB TŽ, a.s.	0	946
Use of management cars	0	296
Damage liability insurance	0	18
Bonuses	0	632
Barrandov Studio a.s.	4 651	4 707
Use of management cars	667	721
Damage liability insurance	3 960	3 960
Bonuses	24	26
Barrandov Televizní Studio a.s.	4 279	4 279
Use of management cars	4 279	4 279
Sochorová válcovna TŽ, a.s.	3 345	2 297
Life insurance contribution	47	47
Damage liability insurance	435	0
Use of management cars	613	0
Bonuses	2 250	2 250
VÚHŽ a.s.	1 501	2 250
Use of management cars	973	1 001
Life insurance contribution	49	52
Damage liability insurance	11	729
Bonuses	468	468
Hanácké železářny a pérovny, a.s.	1 145	1 463
Life insurance contribution	-	383
Bonuses	1 145	1 080

D5, a.s.	1 291	1 392
Use of management cars	586	586
Life insurance contribution	33	29
Damage liability insurance	24	56
Bonuses	648	721
Šroubárna Kyjov, s.r.o.	848	829
Use of management cars	464	464
Life insurance contribution	38	19
Damage liability insurance	22	22
Bonuses	324	324
METALURGIA S.A.	503	1 932
Use of management cars	0	203
Bonuses	503	1 729
Moravskoslezský kovošrot, a.s.	3 644	5 515
Use of management cars	1 903	1 927
Life insurance contribution	228	206
Damage liability insurance	1	1
Bonuses	1 512	3 381
MSK Polska sp.z o.o.	1 658	0
Use of management cars	76	0
Life insurance contribution	366	0
Bonuses	1 216	0
SV Servisní s.r.o.	266	0
Use of management cars	68	0
Damage liability insurance	18	0
Bonuses	180	0
M Steel Projects a.s.	1 043	0
Bonuses	1 043	0
Total	156 804	161 222

8. POST BALANCE SHEET EVENTS

On 2 March 2011, MORAVIA STEEL a.s. purchased 5 shares of Barrandov Studio a.s. and 5 shares of Barrandov Televizní Studio a.s. pursuant to the contract for the purchase of securities.

On 14 March 2011, MORAVIA STEEL a.s. signed the contract for the sale of the subsidiary MORAVIA STEEL POLAND sp. z o.o. with METALURGIA SPÓŁKA AKCYJNA, Radomsko.

Negotiations regarding the purchase of the 50 % equity investment in Moravia Steel Deutschland GmbH have entered the final phase. In 2011, this will increase the equity investment of MORAVIA STEEL a.s. from 50 % to 100 %.

On 17 January 2011, Třinec CMC limited a.s. purchased the equity investment from the 50 % owner CMC Ag Zug. As a result, MORAVIA STEEL a.s. became the sole owner of Třinec - CMC limited.

On 8 February 2011, Třinec CMC Limited was renamed to MORAVIA STEEL UK LIMITED.

On 10 February 2011, a member of the Supervisory Board - Hanns Kurt Zoellner was replaced by Pablo Alarcón Espinosa, the change was recorded in the Register of Companies on 11 April 2011.

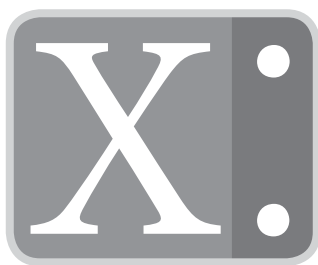
On 21 February 2011, TŘINECKÉ ŽELEZÁRNY, a. s. acquired 100 % of the issued share capital of “D&D” Dróttáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság with its registered office at 3527 Miskolc, Besenyői út 18., Hungary, registration number: Cg. 05-10-000311, and became the sole shareholder of this entity.

On 30 September 2010, the company’s shareholder, Mr Marek Veselý, filed a petition with the Regional Court in Ostrava regarding the invalidity of the resolution passed

at the annual general meeting of shareholders of TŘINECKÉ ŽELEZÁRNY, a. s., held on 30 June 2010, which “approved the company’s statutory and consolidated financial statements for the year ended 31 December 2009 and the proposal for the settlement

of the company’s loss for 2009”. At the call of the Regional Court in Ostrava, the company responded, in writing, to the petition through its legal counsel by stating on 31 January 2011 that it considers the petition lacks merit and should be rejected. The court proceedings have not yet been finalised and no court hearing has yet been scheduled regarding this matter.

In 2011, TŘINECKÉ ŽELEZÁRNY, a. s. is anticipated to merge with FERROMORAVIA, s.r.o. by amalgamation with the effective merger date on 1 January 2011. Based on the approved draft merger project, FERROMORAVIA, s.r.o. is the dissolving entity and TŘINECKÉ ŽELEZÁRNY, a. s. is the successor entity.



REPORT ON RELATED PARTY TRANSACTIONS 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
The Company is recorded in the Register of Companies kept by the Regional Court in Ostrava, Section B, File 1297	

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

This report on related party transactions has been prepared in accordance with Section 66a (9) of the Commercial Code for the reporting period ended 31 December 2010 (henceforth the “reporting period”).

I. DEFINITION OF THE HOLDING

A. CONTROLLING ENTITIES

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

Relation: Throughout the reporting period, FINITRADING, a.s. exercised controlling influence over the Company (owned 50 % of the shares), as it acted in concert with another shareholder, R.F.G., a.s., which owned the remaining 50 % of the shares, under Section 66b (1) and 66b (2) (b) of the Commercial Code. Throughout all of 2010, FINITRADING, a.s. was the sole shareholder and the controlling entity of R.F.G., a.s. FINITRADING, a.s. exercised controlling influence over TŘINECKÉ ŽELEZÁRNY, a. s., where its position as the controlling entity is upheld by the legal assumption set out in Section 66a (4) of the cited act, since FINITRADING, a.s. and MORAVIA STEEL a.s. as entities acting in concert have the majority of the voting rights in this company.

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

Relation: throughout the reporting period, R.F.G., a.s. exercised controlling influence over the Company, as it acted in concert with FINITRADING, a.s. under Sections 66b (1) and 66b (2) (b) of the Commercial Code.

B. ENTITIES CONTROLLED BY THE COMPANY

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

Relation: entity controlled by the Company as the majority shareholder under Section 66a (3) (a) of the Commercial Code (as of 31 December 2010 the Company owned 69.05 % of shares) and by the Company acting in concert with FINITRADING a.s. under Section 66a (4) of the Commercial Code

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

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

Moravia Steel AG Zug “in liquidation”, based at Industriestraße 47, 6302 Zug, Switzerland

Relation: Company’s subsidiary

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

Relation: Company’s subsidiary

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

Relation: Company’s subsidiary

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

Relation: Company’s subsidiary



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

Relation: Company's subsidiary

Moravia Steel Deutschland GmbH (originally CMC – TRINEC Stahlhandel, GmbH) based at Cliev 19, 515 15 Kürten - Herveg, Germany

Relation: Company's subsidiary

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

Relation: Company's subsidiary

Barrandov Televizní Studio a.s. based at Křiženeckého nám. 322, Prague 5, 152 00, corporate ID 41693311

Relation: Company's subsidiary

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

Relation: Company's subsidiary

Barrandov Lands a.s. based at Křiženeckého nám. 322/5, Prague 5, 152 00, corporate ID 27225674

Relation: Company's subsidiary

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

Relation: Company's subsidiary

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

Relation: Company's subsidiary

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

Relation: Company's subsidiary

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

Relation: Company's subsidiary

MORAVIA STEEL POLAND sp. Z o.o. based at Bobrecka 27, Cieszyn 43-400, Poland

Relation: Company's subsidiary

M Steel Projects a.s. based at Průmyslová 1000, Třinec-Staré Město, 739 70, corporate ID: 28602331

Relation: Company's subsidiary

Moravskoslezský kovošrot, a.s. based at V Jámě 1371/8, Prague 1-Nové Město, 110 00, corporate ID: 26855097

Relation: entity controlled by the Company as a majority shareholder under Section 66a (3) (a) of the Commercial Code (as of 31 December 2010, the Company owned 51 % of shares)

Moravia Steel Middle East FZCO, based at Jebel Ali Free Zone, Building 18-19 # 133, Dubai, U.A.E.

Relation: Company's subsidiary

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

II. DESCRIPTION OF RELATIONS

A.DEFINITION OF RELATIONS BETWEEN RELATED PARTIES

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

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



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

B. 1. Sales

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

B. 2. Purchases

B. 2.1. Purchase of Zaporizhia aglo-ore

From 1 January 2010 to 31 December 2010, supplies of Zaporizhia aglo-ore were realised under Amendment 2 to Purchase Contract No. S-090001 of 22 January 2009. Furthermore, as of 1 February 2010, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-100004, which is valid for the period from 1 February 2010 to 31 January 2011 and the subject matter of which is the controlling entity's obligation to provide supplies of Zaporizhia aglo-ore for the Company. In 2010, the purchase prices were regulated by Amendment 1 of 1 April 2010 and Amendment 2 of 26 October 2010.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Zaporizhia aglo-ore based on these contracts amounted to CZK 2,344,773 thousand excluding VAT.

B. 2.2. Purchase of Lump Zaporizhia Aglo-Ore

From 1 January 2010 to 31 January 2010, supplies of lump Zaporizhia aglo-ore were realised on the basis of Amendment 3 to Purchase Contract No. S-090002 of 22 January 2009. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-100005 on 1 February 2010, which is valid from 1 February 2010 to 31 January 2011 and the subject matter of which is the obligation of the controlling entity to provide supplies of lump Zaporizhia aglo-ore for the Company. In 2010, the purchase prices were regulated by Amendment 1 of 7 July 2010.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of lump Zaporizhia aglo-ore based on these contracts amounted to CZK 72,232 thousand excluding VAT.

B. 2.3. Purchase of Krivbas Aglo-Ore

From 1 January 2010 to 31 January 2010, supplies of Krivbas aglo-ore were realised on the basis of Purchase Contract No. S-090011 of 1 October 2009. Furthermore, the Company and FINITRADING, a.s. concluded Purchase Contract No. S-100006 on 1 February 2010, which is valid from 1 February 2010 to 31 January 2011 and the subject matter of which is the obligation of the controlling entity to provide supplies of Krivbas aglo-ore for the Company. In 2010, the purchase prices were regulated by Amendment 1 of 1 April 2010.

In the reporting period, the total purchase price paid by the Company to the controlling entity for the supply of Krivbas aglo-ore based on these contracts amounted to CZK 421,357 thousand excluding VAT.

B. 3. Other Contractual Arrangements

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

B. 4. Other Legal Acts

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

B. 5. Other Measures

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

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

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

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

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

In Třinec on 1 March 2011

.....
Rostislav Wozniak
Chairman of the Board of Directors
MORAVIA STEEL a.s.

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