

CONTENTS

I.	Company Profile	2
II.	Characteristics of the Production Plants	4
III.	Events of 2009	6
IV.	Selected Economic Indicators 2005 – 2009	9
V.	Statutory Bodies and Company Management	10
VI.	Organisational Structure	12
VII.	Introductory Word of the Chairman of the Supervisory Board	14
VIII.	Board of Directors' Report	16
	Development of the Macroeconomic Environment and Competition	16
	Shareholder Structure	17
	Production and Position on the Market	17
	Investments and Modernisation	19
	Technology and Research	20
	Environment	22
	Employees	23
	Management System	25
	Financial Situation	25
	Strategic Objectives	27
	Payment of Loss Proposal	27
IX.	Report of the Supervisory Board	28
Χ.	Report of the Audit Committee	30
XI.	Auditor's Opinion on the Annual Report	32
XII.	Financial Part I. – Financial Statements	35
	Balance Sheet Full Version	36
	Profit and Loss Account Structured by the Nature of Expense Method	38
	Statement of Changes in Equity	39
	Cash Flow Statement	39
	Notes to the Financial Statements	40
XIII.	Fianancial Part II. – Consolidated Financial Statements	65
	Consolidated Balance Sheet – Full Version	66
	Consolidated Profit and Loss Account Structured	
	by the Nature of Expense Method	68
	Consolidated Statement of Changes in Equity	69
	Consolidated Cash Flow Statement	70
	Notes to the Consolidated Financial Statements	71
XIV.	Selected Capital Interests of TŘINECKÉ ŽELEZÁRNY, a. s.	107
XV.	Report on Related Party Transaction	112

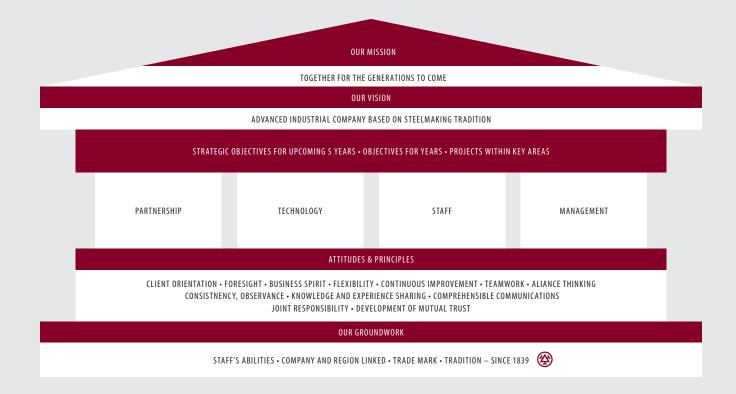


COMPANY PROFILE

TŘINECKÉ ŽELEZÁRNY, a.s. (The Třinec Iron and Steel Works), which was established 170 years ago, in 1839, is among the steel companies with the longest tradition in the Czech Republic. It produces 2.5 million tonnes of steel annually in an integrated metallurgical cycle, which represents more than one third of the total production of steel in the Czech Republic. The main product portfolio consists of long rolled products — wire rod, rebar and sections, special bar steel, rails, wide steel and semis. Additional products include coke, by-products resulting from production, artificial compact aggregates and granulated slag. Třinecké železárny is the biggest Czech steel company with local capital. Its majority owner is MORAVIA STEEL a.s. These two companies together create one of the most considerable industrial groups in the Czech Republic. The basic strategy of the Třinecké železárny — Moravia Steel Group (Tž

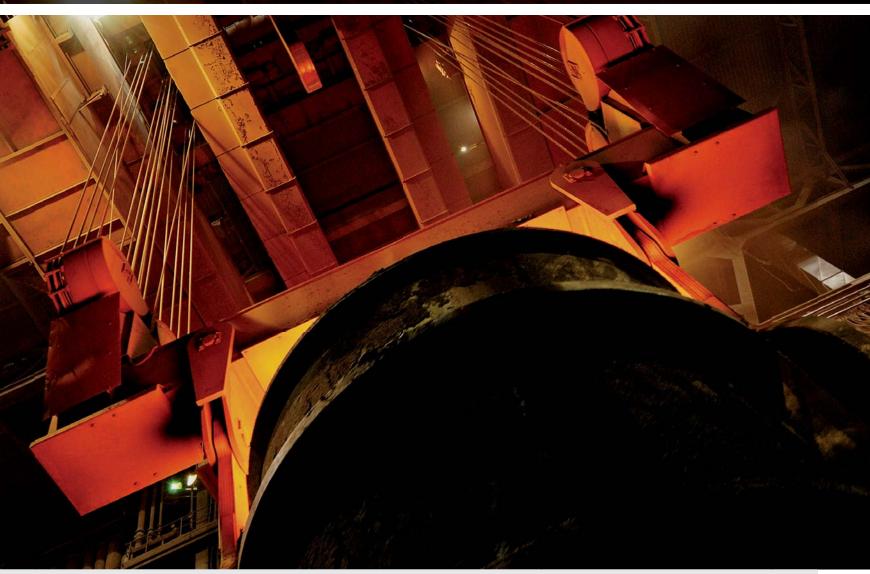
– MS) is a dynamic increase in the growth of the share of long products with higher added value and its control within the up- and down-stream product chains. A gradual diversification of the product portfolio increases our resistance to market swings.

The Třinecké železárny – Moravia Steel Group also includes companies that are part of the product chains of Třinecké železárny or which provide other services. Třinecké železárny holds a majority stake in 18 companies and significant capital share in a further 10 companies belonging to the Group. In 2009, the Třinecké železárny – Moravia Steel Group was enlarged to include the first foreign company, the wire drawing mill together with the zinc and pickling plants of METALURGIA S.A. in Radomsko. KOVÁRNA VIVA a.s. (forges) located in Zlín also became a part of the Group. The pro-









duction facilities included in the Třinecké železárny – Moravia Steel Group are located in Třinec, Kladno, Staré Měste u Uherského Hradiště, Bohumín, Česká Ves u Jeseníku, Ostrava, Dobrá u Frýdku-Místku, Kyjov, Prostějov, Zlín and Radomsko (Poland).

To date, Třinecké železárny has produced more than 160 million tonnes of steel, especially long rolled products, which have been placed on the domestic market as well as bought by customers all over the world. Moravia Steel sells the products of Třinecké železárny through its trade network. More than half of the annual production of high-quality steel products bearing the trademark

of three hammers in a circle has been directed to customers in more than 50 countries worldwide.

The corporate mission of Třinecké železárny "Together for the Next Generations" accents the role of the historically dominant industrial company which influences a region with approximately 100,000 citizens. The responsibility for the further development of the surrounding region is included in our corporate mission and vision. This annual report confirms the successful fulfilment of our mission and vision and achieved results.

CHARACTERISTICS OF THE PRODUCTION PLANTS

STEEL PRODUCTION IN TŘINECKÉ ŽELEZÁRNY INCLUDES THE FOL-LOWING FACILITIES:

In the Coke-Chemical Production plant, the production of coke for the needs of the company's blast furnaces takes place. Two coke-oven batteries of Koppers design heated by blended or coking gas work with ramming operation. They are equipped with a facility for wet quenching of coke. The coke gas is desulphurised and supplied to the gas networks of Třinecké železárny for subsequent utilisation. In August 2009, coke-oven battery No.12 was taken out of service and a general overhaul began. Its completion is scheduled for 2011.

Numerous coke chemical products, especially crude coking tar, benzyl, and ammonium sulphate are produced in the consecutive chemical section.

THE IRON AND STEEL PRODUCTION PLANT COMPRISES:

- Production of hot iron; and
- Steel production.

Sinter is the basic metal-bearing raw material for the production of hot iron. It is produced in two sintering plants; each equipped with two sintering belts. In 2007 and 2008, the renovation of electrostatic separators at sinter plant No.1 took place which further significantly reduced the amount of air pollution that is below the limits provided by law. The input material of the sintering plants consists of powdery iron ores, dolomite, lime, pulverised coke, and reverse charging material resulting from production processes.

The pig iron production itself takes place in two blast furnaces with bell-free throats equipped with automated control of furnace operation. Hot iron is transported to the converter plant in torpedo cars.

More than 98% of the Třinec steel is produced in the BOF converter plant based on the processing of hot iron with oxygen. The plant

is equipped with top ladle metallurgy facilities, which enable chemical and temperature homogenisation, alloying, preheating, and vacuum degassing of steel. Converter steel is mostly cast at two continuous casting machines; almost 5% of steel consists of ingots of special steel grades. Continuous casting machine No. 1 is a five-strand design with the possibility of casting rectangular blooms of 300 x 350 mm and circular blooms of diameters 320, 410, and 525 mm. The eight-strand continuous casting machine No. 2 enables the casting of square billets with sides of 150 mm. The automatic control system controls the whole converter process including the gas cleaning station. The small EAF steel plant producing special steel grades is also a part of the steel production section.

The metallurgical cycle is concluded by rolling mills, which are the most complex manufacturing units. They consist of the rolling mill of blooms and heavy sections and rolling mill of wire rod and light sections.

The semis are delivered for further processing that ensures an increase in added value to: Sochorová válcovna TŽ located in Kladno, Válcovna trub TŽ located in Ostrava-Vítkovice and VÚHŽ in Dobrá.

ACCORDING TO TECHNOLOGY, THE ROLLING MILL OF BLOOMS AND HEAVY PROFILES IS DIVIDED INTO THREE PRODUCTION LINES:

- · Blooming mill and reversing mill;
- Medium section mill; and
- Universal strip rolling mill in Bohumín.

The continuously cast semis and ingots are rolled at the blooming mill into slabs and blocks, and then at the reversing mill into billets, heavy profiles, special profiles for railway accessories and rails. The medium section mill produces round bars, flat bars, sections for railway accessories, parabolic springs, and mine rails. The universal strip rolling mill in Bohumín is a part of the plant and is equipped with the universal Laut 3-high stand and produces steel plates in widths from 150 to 520 mm and in thickness from 5 to 60 mm.



THE ROLLING MILL OF WIRE ROD AND LIGHT SECTION PLANT CONSISTS OF:

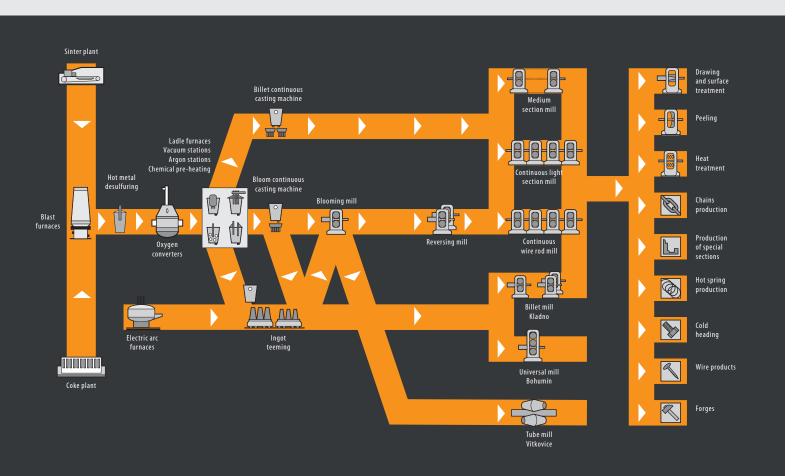
- · Continuous light section mill; and
- Continuous wire rod mill.

The product portfolio produced at the continuous light section mill includes round bars and coils, flat bars, hexagons, rebar, and angles. The mill was largely modernised; one of the results of the modernisation was the expansion of the product mix by special bar quality products with the possibility of coiling of two-tonne coils at newly reconstructed Garret line. A substantial part of the output of the light section as well as wire rod mill is processed at the finalising facilities enabling heat treatment, peeling, drawing, or the combination of those operations based on customer specifications including the inspection of surface and internal defects. The modern continuous wire rod rolling mill with controlled cooling produces wire rod with diameters of 5.5 to 20 mm in two-tonne coils. It has the highest production capacity within the whole TŘINECKÉ ŽELEZÁRNY - MORAVIA STEEL Group.

A part of the wire rod mill output is processed by the wire drawing mills in Staré Město u Uherského Hradiště, the screw mill in Kyjov, the spring mill in Prostějov, and the chain mill in Česká ves u Jeseníku, and the wire drawing mill in Radomsko (Poland) which is a part of the TŘINECKÉ ŽELEZÁRNY - MORAVIA STEEL Group.

The accompanying products resulting from metallurgical production, such as blast furnace and steel slag, sludge, scales, debris and other wastes including those obtained from heaps are processed at the Secondary Raw Material Plant. It is equipped with three lines for magnetic separation, crushing and sorting machines, and machines for manipulation of the material. The plant also has a multi-purpose environmental area together with a dumpsite for inert waste.

The obtained metal-bearing material is returned for processing in the metallurgical process, slag aggregate is intended for users in the construction industry. Debris is used for restoration. Sludge and granulated slag are processed in the cement plants. The remaining materials are disposed of as waste.





EVENTS

EVENTS OF 2009

I./ January

Třinecké železárny concluded an acquisition contract and gained control of the Polish company METALURGIA S.A. located in Radomsko. METALURGIA S.A. is a producer of drawn wire rod and specialised drawn wire rod products manufactured by wire rod hot treatment; the company is equipped with pickling and zinc plants. The acquisition of the Polish company fits in the product chain of the Třinecké železárny – Moravia Steel Group. METALURGIA S.A. is the first modern foreign acquisition of Třinecké železárny.

The SAP information system based on the standard of Třinecké železárny – Moravia Steel Group was put into operation in the subsidiary of Třinecké železárny, Šroubárna Kyjov, spol. s.r.o (screw mill).

II./ February

In the subsidiary Sochorová válcovna TŽ in Kladno, a new heating furnace was put into operation that has become the most significant investment recently. Its cost reached CZK 500 million.

III./ March

A replacement of a filling crane in the BOF steel plants was commenced. A new filling crane with a lifting capacity of 270 tonnes will replace the original one from the first half of 80s. Assembly work was ongoing so that production at BOF steel plants would not be affected.

A well-preserved rail from 1892 produced in TŽ in the period of the so-called "Těšín Chamber" was discovered during the reconstruction work of the railway corridor between Bohumín and the state border with Slovakia, in the section "Návsí – Bocanovice".

IV./ April

Jaroslava Ciahotná retired from the position of Financial Director of Třinecké železárny on 31 March. Rostislav Wozniak, who served as CEO and Vice-Chairman of Board of Directors of Sochorová válcovna TŽ, a.s. in Kladno before, has been appointed as a new Financial Director since 1 April.

Company management and the trade union of Třinecké železárny prolonged the validity of the Collective Agreement from 2008 through the end of June 2009 with the exception of wage growth. Subsequently, the validity of the Collective Agreement from 2008 was prolonged through the end of 2009 together with the provision of average wage decrease compared with the previous year.

CEO of Třinecké železárny, Jiří Cieńciała, was named "Manager of the Year 2008" in the 16th annual competition of the Czech Managerial Association.

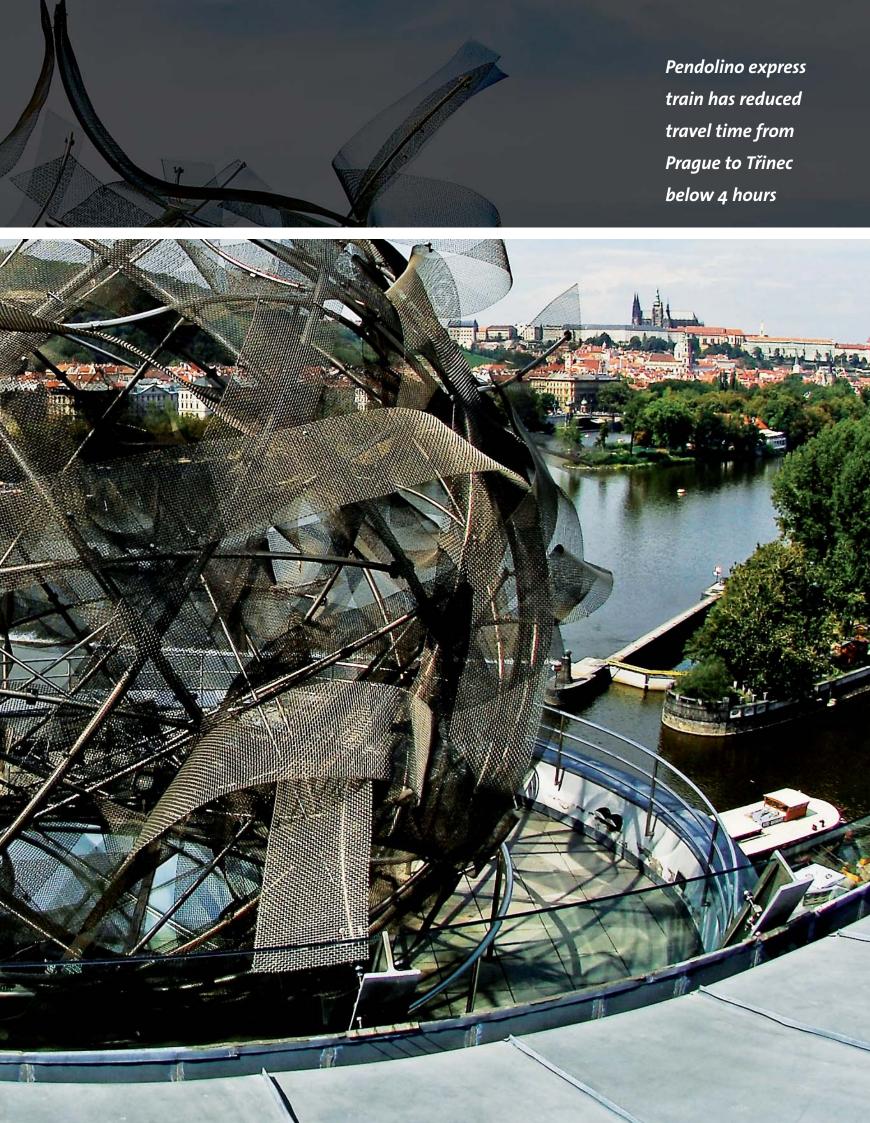
On 30 April, a new bridge in Baliny was officially inaugurated. The construction over the railway line Bohumín – Žilina near the industrial zone has improved logistics in the area of Třinecké železárny and in the industrial zone as well. Moreover, it helps to move routes, particularly long-haul trucks, out of Třinec.

The 170th anniversary of Třinecké železárny culminated in the gala performance "Queen of Steel" and following "Steelmakers' Day" on 30 April in Třinec.

V./ May

Assembly work on a new filling crane with a lifting capacity of 270 tonnes was completed in the BOF steel plants. The newly built crane was put into operation at the end of June.

Třinecké železárny took part in the most significant engineering fair in Slovakia which was held in Nitra in the second half of May.



VI./June

On Friday, 12 June, a Pendolino express train arrived for the first time in Třinec. The travel time from Prague to Třinec by railway has been reduced to four hours.

The Technical University in Ostrava acquired a share in the subsidiary of Třinecké železárny – MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o (Research and Development). This capital connection enables the group research and development capacity to grow and a unique project of interconnection of basic and applied research in the industrial field has been implemented as well.

The regular General Meeting of shareholders of Třinecké železárny concluded the fiscal year of 2008 on 25 June.

VII./ July

Třinecké železárny – Moravia Steel Group donated CZK 3 million to the Moravian-Silesian Region as a help for disaster areas affected by the July floods.

A repeated public auction of Třinecké železárny's certificate shares not yet assumed by the shareholders took place in Brno on 15 July. No bid was made during the public auction and the competent shareholders still have the opportunity to assume the certificate form of shares.

VIII./ August

Coke-oven battery No. 12 was shut down at the beginning of August and demolition work begun as a part of its major overhaul. The coke-oven battery will be relaunched in 2011.

IX./ September

Private High School in Třinec became a part of Třinecké železárny – Moravia Steel Group. A total of 725 students attend the school in the 2009/2010 academic year. The educational institute originated following the assumption of the existing high school in Třinec-Kanada from the Moravian-Silesian Region.

Třinecké železárny – Moravia Steel Group traditionally presented itself at the 51st International Engineering Fair in Brno.

X./ October

Mid overhaul of Blast Furnace No.6 (lining of circular wind pipe) preceded as a part of scheduled repairs. Further, mixing drums, sintering bands, agglomerate crushers, and electrostatic separators were renovated together with the replacement of filter pipes of the cloth filter in Sinter Plant No.1. renovation of the hood at converter vessel No.1 and repair of the rotary stand at continuous casting machine No.1 in the BOF steel plants also took place.

Třinecké železárny gained the certificate "Climate Action Member" during the world steel 43rd Annual Conference in Beijing as appreciation for cooperation and help with reducing environmental pollution related to steel production.

XI./ November

The fourth annual "Health Days" was an opportunity for employees to pass a preventive medical examination right at their workplaces. The Czech Industrial Health Insurance company and Podlesí Hospital shared the costs of the medical check-ups.

A record ten millionth tonne of pig iron was tapped from Blast Furnace No.6 when counting from the last major overhaul that took place in the second half of 1999.

A significant technological part of Garret reels at the continuous light section mill – the cooling tunnels that enable controlled cooling of coils – was put into continuous operation. It is the first run worldwide of such a facility.

XII./ December

A third public auction of Třinecké železárny's certificate shares not yet assumed by the shareholders took place in Brno on 17 December. 78,336 shares in the nominal value CZK 1,000 (0.97% of share capital) not assumed by 7,710 shareholders in the period from 26 February 2008 to 17 December 2009 were auctioned.

Moravia Steel who sells the products of Třinecké železárny and other companies in TŽ – MS Group ranked fourth in the national competition "Export Company of the Year". With regard to the volume of sales in 1993-2008, when the ranking of the export companies was completed, Moravia Steel is the fifth the most significant export company in the Czech Republic.

SELECTED ECONOMIC INDICATORS 2005 – 2009

INDICATOR	UNIT	2005	2006	2007	2008	2009
Pig iron production	kt	1 814	2 033	2 074	1 983	1 810
Crude steel production	kt	2 248	2 516	2 563	2 448	2 213
Of this continuous castings	kt	2 104	2 356	2 401	2 296	2 137
Sales of rolled products including steel	kt	2 205	2 366	2 392	2 301	2 088
Total revenues	CZK mil.	35 038	35 087	36 905	40 308	25 627
Income from sales of products, goods and services	CZK mil.	30 827	31 675	35 553	37 095	24 316
Export share*	%	48.1	51.1	50.8	52.1	56.1
Total costs excluding tax	CZK mil.	32 317	31 673	32 381	38 791	26 581
Profit	CZK mil.	2 068	2 684	3 633	1 204	-732
Consolidated profit	CZK mil.	2 027	2 795	4 151	1 408	-1006
Total assets	CZK mil.	21 495	22 899	24 343	24 724	23 037
Long-term tangible fixed assets (depreciated)	CZK mil.	22 435	23 302	23 847	24 409	24 690
Adjustments	CZK mil.	13 179	13 749	14 539	15 163	15 854
Amortisation	%	59.6	59.8	61.8	63.0	65.1
Equity	CZK mil.	14 538	16 404	18 010	19 214	18 483
Capital investments	CZK mil.	1 418	1 225	832	1 010	613
Other capital including other liabilities	CZK mil.	6 957	6 495	6 333	5 509	4 554
Employees (average adjusted total)	persons	5 519	5 417	5 428	5 539	5 319
Average monthly wage	CZK/person	23 662	24 858	26 799	27 402	24 213
Steel production per employee	t/person	407	465	472	442	416

 $^{^{\}ast}$ including exports through MORAVIA STEEL a.s.



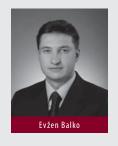
STATUTORY BODIES AND COMPANY MANAGEMENT















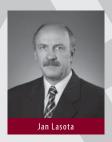


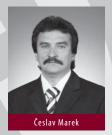
















SUPERVISORY BOARD

TITLE	NAME	RESIDENCE
Chairman	Tomáš Chrenek	Praha 1, Nové Město, Ve Smečkách 1326/11, Postcode 110 00,
1st Vice-Chairman	Ján Moder	Bystřice 1241, Postcode 739 95
2nd Vice-Chairman	Hanns Kurt Zöllner	6314 Unteraegeri, Zimmelstrasse 68, Switzerland
Member	Pablo Alarcón Espinoza	Madrid, Serrano Galvache 42, Kingdom of Spain
Member	Evžen Balko	Bystřice 1241, Postcode 739 95
Member	Jozef Blaško	Košice, Československého odboja 74, Slovak Republic, Postcode 04 001
Member	František Ligocki	Jablunkov 311, Postcode 739 91
Member	Vladislav Heczko	Návsí 316, Postcode 739 92
Member	Roman Mitręga	Bystřice 458, Postcode 739 95

BOARD OF DIRECTORS

TITLE	NAME	RESIDENCE	CHANGES
Chairman	Jiří Cieńciała	Vendryně 902, Postcode 739 94	
ıst Vice-Chairman	Jaroslava Ciahotná	Komorní Lhotka 350, Postcode 739 53	Till 22.6.2009
1st Vice-Chairman	Jan Czudek	Jablunkov 373, Postcode 739 91	Since 22.6.2009
2nd Vice-Chairman	Jan Czudek	Jablunkov 373, Postcode 739 91	Till 22.6.2009
2nd Vice-Chairman	Rostislav Wozniak	Jablunkov 175, Postcode 739 91	Since 22.6.2009
Member	Jan Lasota	Třinec III-Kanada, Nad Úvozem 264, Postcode 739 61	
Member	Česlav Marek	Třinec, Oldřichovice 202, Postcode 739 61	
Member	Petr Matuszek	Český Těšín, Pod Zvonek 889/44, Postcode 737 01	Till 22.6.2009
Member	Henryk Huczala	Komorní Lhotka 223, Postcode 739 53	Since 22.6.2009

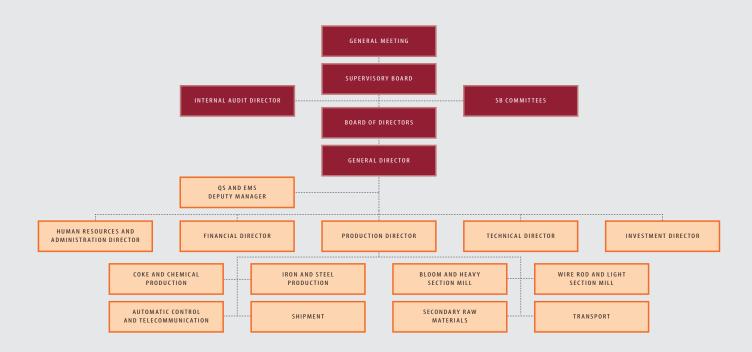
COMPANY MANAGEMENT

TITLE	NAME	CHANGES
General Director	Jiří Cieńciała	
Financial Director	Jaroslava Ciahotná	Till 31.3.2009
Financial Director	Rostislav Wozniak	Since 1.4.2009
Human Resources and Administration Director	Boguslaw Heczko	Till 31.1.2010
Human Resources and Administration Director	Ivo Žižka	Since 1.2.2010
Production Director	Česlav Marek	
Technical Director	Henryk Huczala	
Investment Director	Jan Czudek	



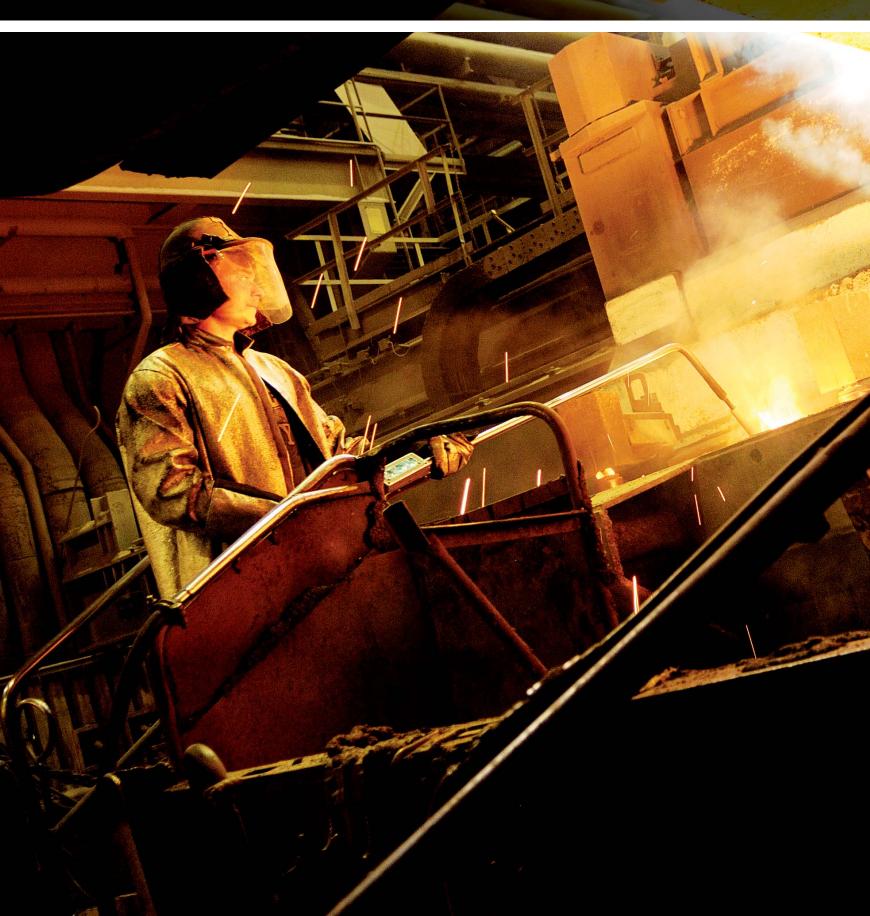
ORGANISATIONAL STRUCTURE

The Company has no organisational branch abroad.





Since the last major overhaul the Blast Furnace No.6 has produced 10 million tons of pig iron



INTRODUCTORY WORD OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Shareholders, Customers, Partners, and Employees,



In the last annual report I expressed my concerns for the future development influenced by global financial crisis. Entrepreneurial activity in the field of iron and steel making is considered a barometer of the global economy and is characterised by relatively often swings of steel products consumption, followed by alternating booms and crises. Nevertheless, the last crisis that hit the steelmaking industry at the end of the 90s in the last century was milder than the one that we are now facing. The considerable drop in demand for steel products in the second half of 2008 continued throughout 2009. The Czech steel industry recorded a decrease of -28% in crude steel production compared to 2008. North America, the European Union and many other countries witnessed a decline in production of crude steel as well. The only region where crude steel production increased, was Asia and in particular China, which currently produces half of global total crude steel.

The next factor that affected the situation in our field was the rapid decline of prices for steel products that was unfortunately more extensive than the decline in prices of basic raw material. When we further add problems in linked manufacturing fields such as machinery, construction and the automotive industry together with deep financial crisis, we can definitely say that 2009 has been the most complicated period for the Třinecké železárny – Moravia Steel Group so far.

The production of hot steel and rolled products in Třinecké železárny declined year-on-year by almost 10%. It is a minor decrease in comparison with the competition but nevertheless the drop in production volume significantly reduced the revenues. An even bigger influence on the revenues level was caused by the rapid drop in the sales price of our products in the market. The average price per one tonne of finished products recorded a year-on-year decrease of almost -29%. The total revenues for rolled goods and services with regard to lower production and sales price dropped by almost 35% compared to 2008.

Although we have implemented many economy measures, often unpopular, together with great contribution of management and staff, the total level of costs conversion decreased; however, the financial result after tax is loss of CZK 732 million.

Despite many negative facts, economic measures and gradual reduction of planned objectives, we continued investment development even in 2009. A total of CZK 610 million was expended with regard to investments when the most considerable project was the initiation of the major overhaul of coke-oven battery No.12 that will be continued in 2010 with scheduled completion in the first quarter of 2011. Total costs aimed at this extensive project will reach more than CZK 1.6 billion during the following three years. One of the positive actions taken in 2009 was the first foreign acquisition, wire rod drawing mill with the zinc works and the annealing line in Radomsko, acquired for CZK 101 million that fully fits into the strategy of extension of downstream product chains of Třinecké železárny.







Dear Shareholders, Customers, Partners, and Employees. The global economy is going through a crisis that does and will have serious consequences. Although first signs of a better future occurred, it will take a lot of time for the global economy to recover. The stimulus measures introduced in many developed countries invested vast amounts of financial means, but the desired revival has not appeared yet. Some state measures such as eg car scrap scheme at present conversely cause the automotive industry, which belongs to one of our key customers, much worse problems. When taking into consideration that even the construction industry, our next considerable client field, does not show any signs of recovery, we cannot expect significant improvement soon and 2010 seems to be very difficult for our Group in all respects.

Dear Shareholders, thanks to previous successful period and strategic decisions taken, foresighted management, good relations with our partners, and hard-working staff, we achieved not only the stabilisation of Třinecké železárny and other companies in the Group but further the consolidation of power in so far as at present we cope with the consequences of the crisis without major problems that would endanger the future development of the Company. This status has been achieved through the great devotion of us all, everyday loyal effort of our employees as well as a high-quality cooperation with our partners.

Dear Shareholders, Customers, Partners, and Employees. I would like to thank you for the work done and your expressed support in the complicated 2009 and I wish the coming years bring us both the expected revival, global economic growth and early return to entrepreneurial achievements of our Group.

Tomáš Chrenek

Chairman of the Supervisory Board

BOARD OF DIRECTORS' REPORT

DEVELOPMENT OF THE MACROECONOMIC ENVIRONMENT AND COMPETITION

In 2009, the Czech Republic witnessed a decline in domestic product growth which decreased year on year by more than 4%. This result presents the biggest drop in domestic product growth since the establishment of the Czech Republic. The global financial and economic crisis fully struck the Czech Republic in the first half of 2009 and despite a mild improvement in the second and third quarters, the Czech economy returned in absolute values to the level of 2006 and 2007, when its domestic product growth recorded approximately the same values. Conversely, the balance of foreign trade in the past year, in a year of global recession, amounted to record surplus that was more than double compared to the previous year and the highest since 2005. The results achieved were caused by price import decline, low domestic consumption and introduction of car scrap scheme in surrounding countries. However, export and import in the foreign trade statement recorded more than a 10% drop in comparison with 2008.

In 2009, steel production in the Czech Republic fell year on year by 28%, from 6.387 million tonnes to 4.593 million tonnes. Třinecké železárny's share in this volume is more than 48% which represents year-on-year growth of 10%. The foreign trade of steel products was still adversely influenced by the crisis in 2009. Exports recorded a steep drop as a direct result of lowered production. The Czech Republic's trade balance showed year-on-year rapid decline in imported steel products by more than 30% due to the decreased import of semis, steel tubes and flat products. Imports lowered absolutely by 1,824 kilotonnes which is a decrease of more than CZK 53 billion. The export of steel products responded to the drop in global demand in the same way and declined by 23%,ie by 1,130 kilotonnes. The portfolio of semis and flat rolled products witnessed the most considerable decrease in exports as well as long rolled products that recorded a decline of almost 10%.

In 2009, the metallurgical industry worldwide was fully hit by the global financial and economic crisis that particularly affected developed countries because construction and automobile companies have distinctively decreased production and staff. The biggest drop in demand on steel products since the second world war was milder in "young economies", eg India, Brazil and China. Due to the global financial and economic crisis, the metallurgical field worldwide recorded investment loss, staff reduction, economic measures focused on cost reduction and rationalisation of all activities in the metallurgical field.

The total global production of crude steel in 2009, in accordance with the statistics of the World Steel Association, recorded a decrease of -8% compared to 2008 and reached 1,220 million tonnes. The production of crude steel declined in North America (–33.9%), EU-27 (–29.7%), Japan (–26.3%), and Russia (–12.5%). Conversely, Asia, particularly China, India but also the Middle East recorded an increase in crude steel production in 2009. China confirmed its primacy in steel production as 2009 was the second consecutive year, when China produced more than 500 million tonnes in one year. China's crude steel production in 2009 reached 567.8 million tonnes, an increase of 13.5% compared to 2008. Since 2002, when China's production reached "only" 222 million tonnes, the production volume has more than doubled. China's share of world steel production represents 47% of total global crude steel, an increase of 9 percentage points compared to 2008.



SHAREHOLDER STRUCTURE



- 69.05 % MORAVIA STEEL
- 11.00 % CMC
- 16.34 % FINITRADING
- 3.61% THE REST

PRODUCTION AND POSITION ON THE MARKET

The first half of 2009 was not favourable for the producers of steel products. Many companies had to initiate forced regulation of steel production as a result of the global financial and economic crisis. The first signs of market revival were seen at the end of the year, when some steel companies started to bring their displaced technological facilities back into operation.

2009 was by far not as successful a year for Třinecké železárny as the previous years. Because of the decline in demand on bars and sections we did not achieve the desired results regarding production and financial parameters. The production of hot steel declined year-on-year by 9.6% and amounted to 2.21 million tonnes. Třinecké železárny produced 1.81 million tonnes of pig iron and recorded a decrease of –8.7% compared to 2008. Nevertheless, our situation was better compared to the competition on the European market because thanks to the suitable product portfolio we succeeded in minimising the production drop. Třinecké železár-

ny's share in total steel production in the Czech Republic increased year-on-year by 10% and reached more than 48%.

The total sales of rolled goods, including semis for subsidiaries, showed a decrease of approximately –9% compared to 2008 and thus amounted to 2,088 kilotonnes. Rolled products and castings were sold almost exclusively through the Moravia Steel trade network.

The most considerable part of exports of our products was directed at Germany and Slovakia. The third the most significant country of export was Italy where we managed to increase the volume of delivered goods. Conversely, our supplies to Poland recorded the biggest decline in comparison with the previous year. The total share of domestic deliveries was 45% and dropped by 3% compared to 2008.

As in previous years, wire rod was the best selling product of Třinecké železárny. The total sales of products from this assortment amounted to 856 kilotonnes and 62% of the produced wire rod was exported to foreign markets. Třinecké železárny is the only producer of flat bottom railway rails in the Czech Republic. In 2009, the sales of rails maintained the same high level and was 236 kilotonnes. This assortment is successfully sold not only in the Czech Republic but especially on the most advanced markets, particularly in Germany, the USA and Canada.

The negative trend in the automotive industry and construction industry has affected the demand for our sections and bar steel. In 2009, the total sales of this assortment fell year-on-year by 44%, particularly on the domestic market.

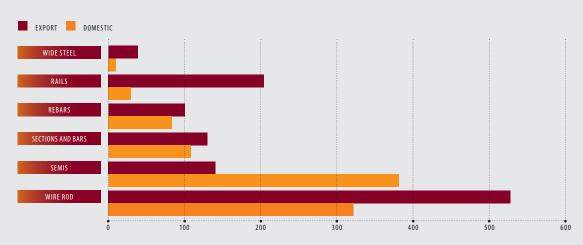
The total sales of rebar amounted to 185 kilotonnes which represents year-on-year growth of 65%. This was caused by compensation of lower consumption of sections and bars in the Czech Republic and in Europe as well. The recorded increase does not change anything in Třinecké železárny's strategy, .e to produce higher-added-value products and its utilisation in product chains.



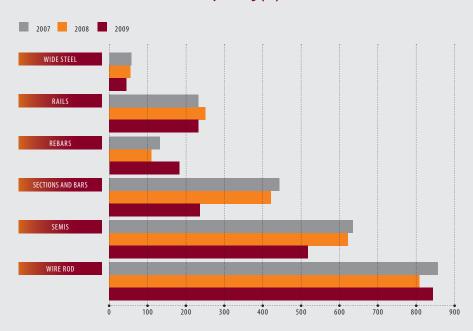
TOTAL SALES DIVIDED INTO PRODUCT GROUPS 2007 - 2009 (kt)

		WIRE ROD	SEMIS	SECTIONS AND BARS	REBAR	RAILS	WIDE STEEL
	2007	523	167	207	71	200	45
Export	2008	478	190	206	63	217	44
	2009	532	142	131	101	206	39
	2007	346	478	243	63	36	13
Domestic	2008	342	441	222	49	37	12
	2009	324	384	109	84	30	6
	2007	869	645	450	134	236	58
Total	2008	820	631	428	112	254	56
	2009	856	526	240	185	236	45

DOMESTIC AND EXPORT SALES IN 2009 (kt)



TOTAL SALES VOLUME BETWEEN 2007 - 2009 (kt)



INVESTMENTS AND MODERNISATION

The technical development projects plan in 2009 is a part of the five-year business plan and fully corresponds with the commercial – production strategy of the TŽ-MS Group defined as "Dynamic growth in the share of long products with a higher added value and its control within the up- and downstream product chains." We focused investments on modernisation activities, which will enable us to further increase the share of more sophisticated products and further environmental protection based on the conclusions of the integrated permissions, and the renewal of the existing production facilities.



In 2009, the technical development projects were implemented according to the draft plan. A total of CZK 613 million was expended with regard to investments and CZK 104 million on operating expenses in 2009.

We were highly focused on maximum efficiency of amount incurred and capacity utilisation in our subsidiaries, eg development of new stopper mechanics for the continuous casting machine in close cooperation with VÚHŽ in Dobrá.

In 2009, 15 of the most significant construction projects continued, eg:

- Replacement of filling crane at the BOF steel plant;
- Reconstruction of Garret coilers in the light section rolling mill;
- Increase in the continuity of finishing and detection lines in the light section rolling mill – third stage;
- Enlargement of storage capacity at the Baliny dump; and
- Reconstruction of the coke unloading from railway wagons second stage.

There were 21 significant investments started in 2009. The major construction projects include:

- Major overhaul and modernisation of coke-oven battery No.12;
- Purchase of new unloading crane at the ore-storage;
- Renewal of water and sludge cleaning facility at the BOF steel plant;
- Modernisation of continuous casting machine No.1 electromagnetic mixing for four strands of 525 mm diameter;
- Reconstruction of shipping hall C at the wire rod rolling mill;
- New road scale at the Baliny industrial area;
- Reconstruction of roof cladding of finishing line at the light section rolling mill;



- Stopper mechanics of interladles and measurement of steel level in crystallizer of the continuous casting machine; and
- Reconstruction of the locomotive T448.

The technical development projects for 2010 are planned in the total amount of CZK 1,395 million. The most significant investments include eg the continuation of modernisation, reconstruction and major overhaul of coke-oven battery No.12 or purchase of a new unloading crane for ore-storage. Furthermore, there are more 18 projects included in the plan. As far as the amount of investments is concerned, the major construction projects are:

- Installation of automatic taking and processing of sinter samples at both Sinter Plants;
- Intensification of the water facility at the continuous casting machine:
- Crane at the billet stock;
- Replacement of the second stand at the rolling mill of blooms and heavy profiles by the reconstructed ramming stand; and
- Replacement of the controlling computers for measurement of level at the continuous billet casting machine – first stage.



TECHNOLOGY AND RESEARCH

The objective of technological activities in TŽ is to achieve the strategic aims of the company in accordance with the continuous improvement of qualitative parameters of the manufactured semis, reducing the costs of production and elaboration of technological regulations and guidelines for management, including operational applications. One of the main technological activities is

Under the Entrepreneurship and Innovation Operational Program, with the RMTVC project (Regional material-technology research center) our subsidiary research firm deals in close cooperation with the Technical University of Ostrava and thus successfully ranks among Czech organisations which aim to build sites that provide excellent quality services for the region. These services





a constant quality control of production in conjunction with customer requirements through 13 key production programs, which are the following:

- free-cutting steel;
- reinforcing bars;
- screw and chain steel;
- corrosion-proof and tool steel;
- wire rod from continuous wire rod rolling mill;
- spring steel;
- steel for tubes, wheel sets, and pressure bottles;
- rails;
- steel grades for the Kladno billet mill;
- steel for the automotive industry;
- bearing steel;
- continuously cast semis for direct deliveries and axle steel; and
- tube production.

Research and development is carried out by the own R & D department, in close collaboration with subsidiary research companies (MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., VÚHŽ a.s.), universities as well as other specialised firms. The main objective is to introduce new products with higher added value, enhancing quality parameters and introducing new technologies while reducing environmental impacts.

are focused on the implementation of special tests and examinations using the latest technologies and cooperation in resolving R & D projects for regional industrial companies.

In 2009, a total of 24 technological and research projects on issues of the entire metallurgical cycle were dealt:

- Verification of the new composition of the coal charge;
- \bullet Development and technology of the cord steel with the carbon content of \pm 0.8 %;
- Research and development of special anti-seismic rebar;
- Optimising the technological procedures of steel production for wheel sets (for high-speed transport);
- Development of new steels for chains and bearings;
- Development of up-to-date tools simulation models for effective control of the production technology optimising the casting at the continuous casting machines No. 1 and 2 in connection with the surface and internal quality of the products; and
- Research and development of new tools to decrease the negative impact on the environment by processing secondary raw materials and wastes...



The long trend of emissions into the air is positive, especially in the case of solid particles



ENVIRONMENT

Air Protection

In the long-term horizon, the trends of air emissions are positive, especially for dust. The trends of sulphur dioxide, nitrogen oxides, and carbon monoxide emissions are at the level of average values of the recent period. The most significant sources of these emissions are the facilities in the plant of iron and steel production, especially the sintering belts at the sinter plant.

The year-on-year trend of emissions into the air in the case of solid and other types of emissions is positive. This was influenced by the environmental benefits of the investment projects and the shutting down of coke oven battery No. 12 for overhaul.

Emissions in tons for 2009 compared to 2007 and 2008

YEAR	SOLID POLLUTANTS (t/y)	SULPHUR DIOXIDE (t/y)	NITROGEN OXIDES (t/y)	CARBON MONOXIDE (t/y)	OTHER EMISSIONS (t/y)
2007	1 132	2 170	1 563	73 337	174
2008	832	1 440	934	47 166	99
2009	777	2 038	1 297	61 356	67

Water Protection

In 2009, compared to 2008, the quantity of wastewater discharged into the watercourse of the Olše river decreased and also the emission levels for the majority of regulated pollutants in effluents were reduced. This decrease was primarily due to reductions in steel production in 2009. The level of wastewater quality ensures compliance with the permitted pollution limits.

In 2009 no accidental leakage of harmful substances at any TŽ facility was recorded which would have resulted in a hazard or lowering of the quality of underground as well as surface water.

Pollution discharged to the waterways in 2009 compared to 2007and 2008

YEAR	VOLUME OF WASTEWATER [m³/year]	UNDISSOLVED SUBSTANCE [t/year]	NON-POLAR EXTRACTED SUBSTANCE [t/year]	DISSOLVED INORGANICAL SALTS [t/year]	CHEMICAL OXYGEN CONSUMPTION USING DICHROMATIC METHOD [t/year]	TOTAL IRON [T/YEAR]
2007	4 998 445	72	3.6	2 765	88	7.8
2008	5 004 735	67.7	4.8	2 623	106.4	7.3
2009	4 901 611	59.9	3.1	2 543	111.3	6.1

Waste Disposal

Waste production in TŽ as well as its composition in 2009 was at a comparable level of the previous year. Waste reduction is mainly dependent on the volume of steel production, which dropped by almost 10%.

In 2009, 178 kilotonnes of waste was produced which represents a decrease of 34 kilotonnes compared to the previous year.

Waste disposal in 2007 to 2009 - waste production (kt)

	, ,	<u> </u>	· /
YEAR	TOTAL	OTHER	HAZARDOUS
2007	195	76	119
2008	212	91	121
2009	178	84	94



Environmental Investments

In 2009 these major environmental investment projects were completed or launched:

- modernisation, reconstruction and overhaul of coke oven battery No. 12 (2009 2011);
- reconstruction of benzene absorption coke washing machine (2009 - 2010);
- proportional dosing at sinter plant No. 1 drop scales (2008 –2009);
- reconstruction of the crane bridge track at a billet treatment plant (2008–2009); and
- new road scales at the Baliny industrial zone (2009–2010) In 2009, a total of CZK 213.89 million was covered by the investment resources (besides the redevelopment and projects covered by operational resources).

Emissions of Greenhouse Gases

The year-on-year reduction of steel production corresponds to the amount of greenhouse gases in 2009, which was at the level of 2,459,080 tonnes, representing a year-on-year decrease of 9.33%.

EMPLOYEES

Regarding human resources, attention was focused both on the maximum possible savings of costs and the elimination of impacts of restricted operation at the facilities as a consequence of the economic crisis.

During the first half of the year, the employees nearing retirement age were allowed to retire early, thereby reducing the number of employees. At the discretion of the crisis management, the number of agency employees was gradually decreased as a consequence of the reduced volume of production.

The introduced crisis management helped to carefully monitor the development of personnel costs and the problems of labour utilisation in the TZ-MS Group in relation to the operational needs of production were continuously solved. We have also implemented the process of replacing external companies with own TZ-MS Group staff.

Despite this negative situation the process of generational replacement has not stopped and considerable attention is paid to the selection and preparation of graduates of vocational courses, high schools and universities. The Trainee Program for university graduates continued, as well as collaboration with schools of all levels, which had a positive effect mainly at the end of the year, when production began to gradually increase and the need to recruit arose. The high school graduates of technical disciplines, who applied for work, were preferred. Fulfilling of personnel strategies and policies in the new conditions continued and led the staff to ensure current and forthcoming projects and processes. In 2009 the transformation of the secondary school in Trinec was completed; from the school run by the Moravian-Silesian Regional Authority to a the Třinec private high school (SSŠT), a new subsidiary of TŽ. The school began teaching as a legal entity on 1 September 2009. A corporate training center for the TŽ-MS Group is also part of the school.

Regarding selected personnel and accounting activities, the amount of shared services continued to grow in 2009.

The education of employees was focused on maintaining recent qualifications as well as on widening them when possible. We have succeeded in fulfilling the qualification requirements up to almost 70%. We have stressed especially professional training and education of quality system. Language courses and managerial training went on as well.

In order to improve health care, wellness programs in the spa were organised and anti-flu measures, including vaccination and provision of vitamin preparations, were implemented. At selected plants, the traditional "Health Days" took place.

Consistent application of policies of occupational health and safety led to the positive development of work-related injuries. Long-term development of work-related injuries in TŽ show a downward trend. In 2009, a total of 13 accidents with sick leave exceeding three calendar days were recorded. The frequency of occupational accidents per 100 employees reached 0.24 and frequency of 1 million hours worked hit the value of 1.50. For 2009, a decrease in the number of missed days due to accidents at work by 8% was recorded. These results shift TŽ on the leading position among global steel producers.

Further measures leading to continuous improvement of the occupational health and safety in 2010 were also adopted.



Employee motivation was focused on the implementation of operational production plans, provided that the required quality was observed. Following the trends in financial performance, the drop of average salary was agreed in the Collective Agreement. Despite the adverse developments in the economic situation, other obligations of the Collective Agreement and the Social Code were met and high standards in providing employee benefits were maintained.

During 2009, the average recalculated headcount dropped by 220 to 5,319 employees.

CATEGORY OF ACTIVITIES		2007		2008		2009
	persons	%	persons	%	persons	%
Steel products total	2,104	38.76	2,152	38.85	2,066	38.84
In which:						
– coke and chemical production	276	5.08	276	4.98	252	4.74
– blast furnace production and charge preparation	419	7.72	421	7.60	415	7.80
– steel production	469	8.64	493	8.90	481	9.04
– rolled material production	940	17.32	962	17.37	918	17.26
Engineering production	49	0.90	49	0.88	46	0.87
Power engineering plant	58	1.07	58	1.05	57	1.07
Transport	601	11.07	592	10.69	562	10.57
Repairs and maintenance	934	17.21	942	17.01	893	16.79
Managerial activities	314	5.78	315	5.69	307	5.77
Administrative activities	603	11.11	650	11.73	641	12.05
Technical development and design	396	7.30	414	7.47	400	7.52
Services and other activities	369	6.80	367	6.63	347	6.52
TŽ total	5,428	100.00	5,539	100.00	5,319	100.00

Ensuring and achieving personnel strategy goals embedded in the Business Plan will require the following in the coming period:

- Increasing the qualification of employees in correspondence with the development of new technologies and introducing the new products and product chains;
- Maintaining the existing key professions;
- Ensuring the needs of technical specialists;
- Ensuring the growth of the corporate intellectual capital;
- Ensuring the corresponding level of required competencies of employees in order to fulfil the strategic objectives;
- Exerting the policy of salary differentiation and development of motivational systems in order to reach higher involvement of individual interests with corporate objectives and stabilising the key employees;
- Consistent assertion of cost principles regarding agency workers;
- Deepening the efficiency of established shared services in selected personnel and accounting activities;
- Decreasing the accident rate and work risks as well as increasing the work environment quality;
- Completing the incorporation and support of development of the secondary school in Třinec-Kanada (referred as SSŠT) into the MS-TŽ Group including the media promotion of the prospects of studying the technical branches at the school including the possibilities of inclusion of the graduates within the Group;
- Narrow co-operation with SSŠT in connection with the corporate training including the adaptation of educational programs to the needs of the Company;
- Co-operation with schools in bordering regions of Slovakia and Poland; and
- Fulfilling the Corporate Collective Agreement and Social Codex provisions in order to maintain the high standard of employees' benefits as well as their health care and maintaining the social peace.



MANAGEMENT SYSTEM

The strategic management model of TŽ consists of the performance control indicator system "Balanced Scorecard" (BSC) and the reporting system providing the feedback necessary for determination and checking the fulfilment of the strategic objectives.

In the context of the ongoing global economic crisis in 2009, the company management determined the principles of management for all strategic areas (Technology, Partnership, Management, People). Within the framework of crisis management a series of measures for effective management and for ensuring the company's financial stability in particular were adopted during 2009.

In order to efficiently fulfil the strategic objectives, three essential tools are used in $T\tilde{Z}$ – control of the organisational structure, process management and project management.

The information platform of TŽ is the SAP system in cooperation with Lotus Notes and other systems. Since 1 January 2009, Šroubárna Kyjov, spol. s r.o adopted the use of the standards of the Group. The extension of the electronic document processing by contracts of the services deliveries was also a significant change. We have implemented the unified system of data boxes within the TŽ-MS Group in accordance with the Act No. 300/2008 Coll. on electronic acts and documents authorised conversion.

TŽ has an equity share in 29 companies, either with the deciding vote or a substantial minority vote. The majority of TŽ subsidiary companies focus on activities related directly or indirectly to the business in the steel industry and this focus corresponds to the long-term business strategy of TŽ.

TŽ capital shares are managed by means of the representatives in the statutory bodies of those companies and are focused on the creation of strategic objectives, co-ordination of the business plans, creation of investment, financial, and commercial strategies, as well as unifying the main processes. The objective of all entities' management within the TŽ Group is increasing their value; their contribution to the group is regularly checked and evaluated in the form of analyses and reporting.

FINANCIAL SITUATION

In 2009, the economy of TŽ was significantly impacted by the global financial crisis and resulting dramatic drop in demand for rolled products, including a decline in their prices. Based on the decline in demand the production was regulated particularly in the first half of 2009.

The above-mentioned facts had a negative impact on the loss before tax, which amounted to CZK -954 million (decrease by CZK 2,471 million compared with 2008 and lower by CZK 5,477 million compared to 2007).

Regarding production, the year-on-year drop in pig iron production (173 kilotonnes) and crude steel production (235 kilotonnes), or the drop of about 263 kilotonnes (pig iron) and 350 kilotonnes (crude steel) compared to 2007. This decline was due to the above-mentioned situation on the market.

The production of the company reached the level of CZK 24,305 million (CZK 38,241 million in 2008 and CZK 36,147 million in 2007), which represents a decline of CZK 13,936 million compared to 2008 (or about CZK 11,842 million compared to 2007). The decrease compared with 2008 was mainly due to lower revenues from the sales of rolled products and steel (CZK –12,354 million), mainly by the price drop (CZK 4,351/t), as well as lower volume (–212 kilotonnes).

Trends of total revenues during the past three years

INDICATOR (in CZK thousands)	2007	2008	2009
Rolled goods incl. steel	33 997 ² 55	35 412 197	23 057 974
Other products	1 176 640	1 288 467	880 575
Sales of own products	35 173 895	36 700 664	23 938 549
Revenues from services	372 764	384 187	374 170
Sales of goods purchased for resale	5 969	10 217	3 446
Sale of own production, services and goods	35 552 628	37 095 068	24 316 165



The purchased year-on-year consumables were CZK 10,404 million lower (or CZK 6,281 million lower compared to 2007). The most significant causes of the year-on-year drop were the consumption of raw materials that is directly linked to production, as well as lower prices of key input commodities that only partly offset the decrease in sales prices.

For the whole of 2009, the limits were set on utilising the processing costs, their compliance, and regular reviews eliminated the profit slump.

The austerity measures were aimed particularly at the cost of repairs and maintenance, personnel costs, costs of production and overhead material, energy costs, and other services.

Due in particular to the faster decline in delivery prices compared with prices of raw materials and the declining amount of sold goods, the added value is lower by CZK 3,533 million year-on-year and amounted to CZK 2,406 million. Labour productivity from value added per employee amounted to CZK 452 thousand.

The operating loss amounted to CZK –1,316 million, which represents a decrease of CZK 2,693 million compared to last year (in respect of 2007, CZK 5,688 million).

Profit from financial operations amounted to CZK 362 million in 2009 and was positively influenced mainly by dividends received from subsidiaries.

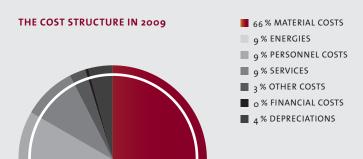
On 31 December 2009, our company reported assets in the amount of CZK 23,037 million, which is a decrease of CZK 1,687 million compared to 31 December 2008 (and CZK 1,306 million less than in 2007). This reduction was influenced by the decrease in current assets, including accruals of CZK 1,981 million (compared to 2008) and by CZK 2,645 million compared to 2007, on the other hand the fixed assets increased by CZK 294 million compared to 2008 and CZK 1,339 million compared to 2007.

In 2009, the increase in long-term assets was connected to the transfer of FERROMORAVIA, s.r.o. from Strojírny Třinec, a.s. to TŽ, the acquisition of METALURGIA S.A. and an increase in the capital of Zameczek Błogocice Sp.z o.o.

The decrease in inventories since the beginning of the year was primarily caused by both the lower commodity prices and lower stocks of raw materials, especially ores, as well as lower stocks of semi-finished products.

In the area of liabilities, the year-on-year increase in the share of own equity to total liabilities was 2.5% and reached 80.2% (6.2% growth compared with 2007).

External resources dropped by CZK 955 million (compared to 2007 by CZK 1,773 million), with a reduction in bank loans, reserves and liabilities.





STRATEGIC OBJECTIVES

The steel industry is one of the branches of industry most affected by the global crisis, due to the reduced volume of the annual production causing a significant drop in prices of the final products combined with the fact that prices of the input materials only decreased slightly. 2010 will be in a sign of moderate recovery of demand that will, however, include supplier pressure on an increase in input prices.

Under such circumstances, the most important goal for TŽ for the upcoming period involves ensuring a solvent company. Nevertheless, even in this situation, the outlook to the future is important and binds the investments to the renewal of the facilities, their modernisation and environmental investments in order to ensure the success in the competitive environment and meeting the legislative requirements.

The most significant strategic projects include:

- Completion of the modernisation of coking battery No. 12;
- Modernisation of the continuous wire rod mill;
- Modernisation of the rolling mills of blooms and heavy profiles;
- Modernisation of the bloom continuous casting machine;
- Renovation and major overhaul of the gas cleaning station at the converter plant;
- Renovation of secondary dust removal of the converter plant;
 and
- Modernisation of dust removal at the Sintering plant No. 2.



PAYMENT OF LOSS PROPOSAL

In 2009 TŘINECKÉ ŽELEZÁRNY, a.s. generated a loss in the amount of CZK 731,536 thousand. The Board of Directors proposes to transfer the loss for 2009 to the account of accumulated losses from previous years.



REPORT OF THE SUPERVISORY BOARD

The Supervisory Board regularly checked compliance of the business activities with legal regulations, the Articles of Association,

At its meeting on 26 April 2010, the Supervisory Board reviewed the regular financial statements and regular consolidated finan-





and resolutions of the General Meeting and the Supervisory Board. During the course of 2009, the Board of Directors informed it on the current economic situation of the Company, on the continuous results of the crisis management as well as on fulfilling the Business Plan.

cial statements of the Company for 2009, the proposal for distribution of the profit achieved in 2009, and the report of the Board of Directors on business activity and the assets of the Company.

At its meetings, the Supervisory Board dealt with the most significant strategic intentions and projects, the significance and character of which were within its decision-making competence placing emphasis on meeting the long-term strategy of the Company.

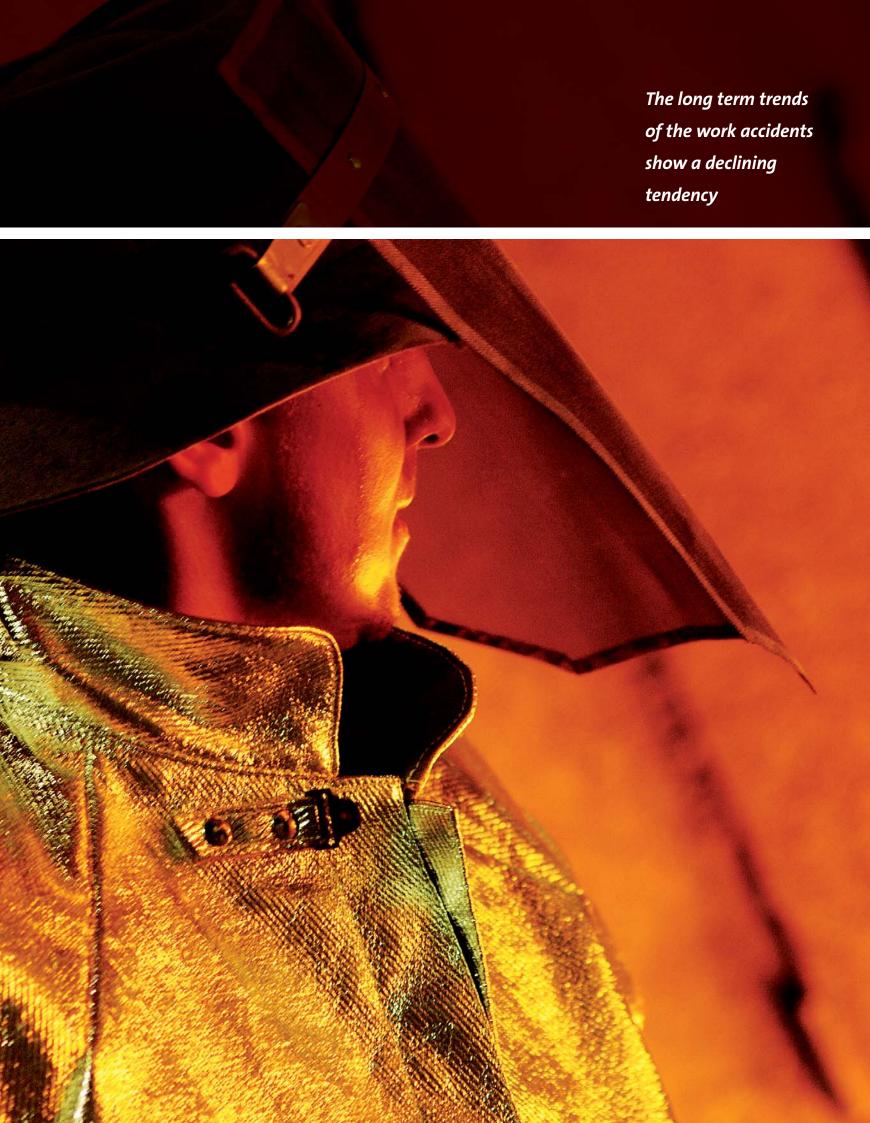
Based on the audit of the unconsolidated financial statements and consolidated financial statements on the date of 31 December 2009 by Deloitte Audit s.r.o. and their opinions, which were without qualification, the Supervisory Board recommends that the General Meeting of the shareholders of TŘINECKÉ ŽELEZÁRNY, a.s. approve all the above-mentioned documents.

The Supervisory Board also reviewed the Report on Relations for the 2009 accounting period considering Deloitte Audit s.r.o. Auditor's opinion and concluded that it was prepared in conformity with the Commercial Code and the actual state of relations between the affiliated entities.

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 9 November 2009, the Auditing Committee monitored the proceedings of preparing the financial statements as well as consolidated financial statements for 2009.

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



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 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 procedure of preparing the individual and consolidated financial statements for 2009 and the statutory audit process of the individual and consolidated financial statements for 2009 is also followed by the Audit Committee in accordance with International Accounting Standards.

Dana Trezziová

Audit Committee Chairwoman







AUDITOR'S OPINION ON THE ANNUAL REPORT

Deloitte.

INDEPENDENT AUDITOR'S REPORT To the Shareholders of TŘINECKÉ ŽELEZÁRNY, a.s.

Having its registered office at: Trinec – Staré Mésto, Průmyslová 1000, 739 70 Identification number: 18050646

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 5 March 2010 on the financial statements which are included in this annual report in Section XII.:

"We have audited the accompanying financial statements of TŘINECKÉ ŽELEZÁRNY, a.s., which comprise the balance sheet as of 31 December 2009, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of TŘINECKÉ ŽELEZÁRNY, a.s. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matter.

As discussed in Note 7 to the financial statements, Válcovna Trub TŽ, a.s. is anticipated to merge with TŘINECKÉ ŽELEZÁRNY, a.s. by amalgamation in 2010 and management of the Company has taken initial steps to implement the merger. Based on the draft merger project, VÁLCOVNA TRUB TŽ, a.s. is the dissolving entity while TŘINECKÉ ŽELEZÁRNY, a.s. is the successor entity."

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

Member of Deloitte Touche Tohmatsu

Deloitte Audit s.r.o. Karolinstá 654/2 186 00 Frague 8 Czech Republic

Tel: +42) 246 042 500 Fax: +42) 246 042 555 DeloitteCZ@deloitteCE.com www.deloitte.cz

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

Report on the Consolidated Financial Statements

Based upon our audit, we issued the following audit report dated 6 April 2010 on the financial statements which are included in this annual report in Section XII.:

"We have audited the accompanying consoldated financial statements of the TŘINECKÉ ŽELEZÁRNY, a.s. consolidation group, which comprise the balance sheet as of 31 December 2009, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the TŘINECKÉ ŽELEZÁRNY, a.s. consolidation group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of TŘINECKÉ ŽELEZÁRNY, a.s. for the year ended 31 December 2009 which is included in this annual report in Section XV. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

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

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of TŘINECKÉ ŽELEZÁRNY, a.s. for the year ended 31 December 2009 contains material factual misstatements.

34

Report on the Annual Report

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

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

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

In Prague on 26 April 2010

Audit firm:

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

Delate

Statutory auditor:

Václay Loubek certificate no. 2037

FIII .

FINANCIAL PART I. - FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Name of the Company:	TŘINECKÉ ŽELEZÁRNY, a. s.
Registered Office:	Průmyslová 1000, 739 70 Třinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID:	18050646

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 5 March 2010.

Statutory body of the reporting entity:	Signature
Jiří Cieńciała Chairman of the Board of Directors	Fine &
Rostislav Wozniak Second Vice Chairman of the Board of Directors	Muf

BALANCE SHEET FULL VERSION

			31/12/2009		31/12/2008	31/12/2007
		Gross	Adjustment	Net	Net	Net
	TOTAL ASSETS	40 651 064	-17 614 265	23 036 799	24 723 579	24 342 994
B.	Fixed assets	30 357 132	-16 075 504	14 281 628	13 987 821	12 942 741
I.	Intangible fixed assets	160 954	-143 250	17 704	25 403	26 690
2.	Research and development	4 552	-1 138	3 414	4 325	0
3.	Software	129 741	-115 451	14 290	18 781	24 586
4.	Valuable rights	26 661	-26 661	0	1 017	1 346
7.	Intangible fixed assets under construction	0	0	0	1 280	758
II.	Tangible fixed assets	24 689 648	-15 895 241	8 794 407	9 211 736	9 272 114
1.	Land	319 980	0	319 980	319 843	320 162
2.	Structures	6 090 364	-3 402 911	2 687 453	2 550 480	2 649 365
3.	Individual movable assets and sets of movable assets	17 854 435	-12 487 529	5 366 906	5 842 687	5 718 850
6.	Other tangible fixed assets	1 679	0	1 679	1 679	1 736
7.	Tangible fixed assets under construction	403 327	-4 801	398 526	459 096	468 787
8.	Prepayments for tangible fixed assets	19 863	0	19 863	37 951	113 214
III.	Non-current financial assets	5 506 530	-37 013	5 469 517	4 750 682	3 643 937
1.	Equity investments in subsidiaries	5 357 412	-17 305	5 340 107	4 620 465	3 511 328
2.	Equity investments in associates	125 693	-16 232	109 461	109 830	110 384
3.	Other securities and investments	100	0	100	100	100
5.	Other non-current financial assets	19 849	0	19 849	20 198	19 965
6.	Acquisition of non-current financial assets	3 476	-3 476	0	89	2 160
C.	Current assets	10 231 583	-1 538 761	8 692 822	10 648 336	11 278 133
I.	Inventories	5 935 391	-1 473 539	4 461 852	6 007 031	5 211 853
1.	Material	2 315 887	-187 606	2 128 281	2 878 380	2 126 063
2.	Work in progress and semifinished goods	2 313 256	-861 042	1 452 214	2 108 015	1 882 507
3.	Products	1 301 579	-424 891	876 688	1 012 664	1 196 165
5.	Goods	2 263	0	2 263	2 552	7 093
6.	Prepayments for inventory	2 406	0	2 406	5 420	25
II.	Long-term receivables	7 942	0	7 942	3 656	2 549
2.	Receivables – controlling entity	5 000	0	5 000	0	0
5.	Long-term prepayments made	636	0	636	635	635
7.	Other receivables	2 306	0	2 306	3 021	1 914
III.	Short-term receivables	2 637 154	-65 222	2 571 932	2 487 163	2 864 663
1.	Trade receivables	2 470 490	-42 385	2 428 105	2 150 800	2 789 726
2.	Receivables – controlling entity	60	0	60	0	0
6.	State – tax receivables	56 884	0	56 884	213 411	0
7.	Short-term prepayments made	38 791	0	38 791	59 146	60 405
8.	Estimated receivables	23 191	0	23 191	4 525	2 321
9.	Other receivables	47 738	-22 837	24 901	59 281	12 211
IV.	Current financial assets	1 651 096	o	1 651 096	2 150 486	3 199 068
1.	Cash on hand	1 649	0	1 649	1 016	1 483
2.	Cash at bank	1 633 389	0	1 633 389	36 998	956 866
3.	Short-term securities and investments	16 058	0	16 058	2 112 472	2 240 719
D. I.	Other assets	62 349	0	62 349	87 422	122 120
1.	Deferred expenses	55 588	0	55 588	72 381	91 516
2.		6 718	0	6 718	14 356	30 399
3.		43	0	43	685	205
	Control number	162 541 907	-70 457 060	92 084 847	98 806 894	97 249 856

BALANCE SHEET FULL VERSION

		31/12/2009	31/12/2008	31/12/2007
	TOTAL LIABILITIES & EQUITY	23 036 799	24 723 579	24 342 994
A.	Equity	18 482 880	19 214 416	18 009 959
I.	Share capital	8 109 863	8 109 863	8 109 863
1.	Share capital	8 109 863	8 109 863	8 109 863
II.	Capital funds	86 360	86 360	86 323
2.	Other capital funds	86 376	86 376	86 376
3.	Gains or losses from the revaluation of assets and liabilities	-16	-16	-53
III.	Statutory funds	2 749 675	2 689 454	2 507 799
1.	Statutory reserve fund / Indivisible fund	765 408	705 187	523 531
2.	Statutory and other funds	1 984 267	1 984 267	1 984 268
IV.	Retained earnings	8 268 518	7 124 319	3 672 860
1.	Accumulated profits brought forward	8 268 518	7 124 319	3 672 860
v.	Profit or loss for the current period (+ -)	-731 536	1 204 420	3 633 114
B.	Liabilities	4 546 026	5 501 184	6 318 625
I.	Reserves	153 027	402 364	536 057
1.	Reserves under special legislation	1 686	46 657	91 898
4.	Other reserves	151 341	355 707	444 159
II.	Long-term liabilities	297 045	525 520	619 590
1.	Trade payables	11 860	11 570	25 015
5.	Long-term prepayments received	0	1 361	369
9.	Other payables	10 000	1 000	0
10.	Deferred tax liability	275 185	511 589	594 206
III.	Short-term liabilities	3 513 247	3 553 115	3 697 964
1.	Trade payables	2 833 141	3 108 662	2 753 379
4.	Payables to partners and association members	10 903	13 451	16 346
5.	Payables to employees	238 228	271 852	234 473
6.	Social security and health insurance payables	65 278	77 206	94 761
7.	State – tax payables and subsidies	16 969	27 134	436 666
8.	Short-term prepayments received	1 372	0	0
10.	Estimated payables	91 554	43 592	145 855
11.	Other payables	255 802	11 218	16 484
IV.	Bank loans and borrowings	582 707	1 020 185	1 465 014
1.	Long-term bank loans	360 630	589 023	1 021 975
2.	Short-term bank loans	222 077	431 162	443 039
C. I.	Other liabilities	7 893	7 979	14 410
1.	Accrued expenses	7 664	7 979	14 379
2.	Deferred income	229	0	31
	Control number	92 870 839	97 681 917	93 724 452

Profit and Loss Account Structured by the Nature of Expense Method

		Year ended	Year ended	Year ended
		31/12/2009	31/12/2008	31/12/2007
I.	Sales of goods	3 446	10 217	5 969
A.	Costs of goods sold	3 352	9 944	5 651
+	Gross margin	94	273	318
II.	Production	24 305 454	38 241 802	36 146 844
1.	Sales of own products and services	24 312 719	37 084 851	35 546 658
2.	Change in internally produced inventory	-359 995	762 064	183 606
3.	Own work capitalised	352 730	394 887	416 580
B.	Purchased consumables and services	21 899 259	32 303 284	28 180 333
1.	Consumed material and energy	19 637 576	29 609 889	25 707 575
2.	Services	2 261 683	2 693 395	2 472 758
+	Added value	2 406 289	5 938 791	7 966 829
C.	Staff costs	2 327 324	2 685 883	2 638 118
1.	Payroll costs	1 614 584	1 828 737	1 771 934
2.	Remuneration to members of statutory bodies	15 008	18 528	18 864
3.	Social security and health insurance costs	542 825	633 507	649 159
4.	Social costs	154 907	205 111	198 161
D.	Taxes and charges	4 896	14 323	14 864
E.	Depreciation of intangible and tangible fixed assets	1 078 376	1 027 628	1 002 827
III.	Sales of fixed assets and material	58 400	131 469	142 096
1.	Sales of fixed assets	5 080	32 210	22 959
2.	Sales of material	53 320	99 259	119 137
F.	Net book value of fixed assets and material sold	53 771	106 252	117 391
1.	Net book value of sold fixed assets	1 036	18 622	11 395
2.	Book value of sold material	52 735	87 630	105 996
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-70 765	654 125	-142 965
IV.	Other operating income	785 148	1 582 719	196 120
H.	Other operating expenses	1 172 279	1 787 639	302 758
*	Operating profit or loss	-1 316 044	1 377 129	4 372 052
VI.	Proceeds from the sale of securities and investments	0	0	79 985
J.	Cost of securities and investments sold	0	0	93 048
VII.	Income from non-current financial assets	368 494	159 415	196 567
	Income from subsidiaries and associates	368 257	158 620	195 798
	Income from other non-current financial assets	237	795	769
IX.	Income from the revaluation of securities and derivates	962	983	309
M.	Change in reserves and provisions relating to financial activities	414	-51 099	-11 658
X.	Interest income	24 165	64 600	44 277
N.	Interest expenses	35 668	68 922	96 330
XI.	Other financial income	80 926	117 261	90 330
O.	Other financial expenses	76 099	184 395	84 571
*	Financial profit or loss	362 366	140 041	151 675
	Income tax on ordinary activities			890 613
Q.	- due	-222 142 14 262	312 750	980 461
	- deferred	-236 404	395 380 -82 630	-89 848
2.	Profit or loss from ordinary activities			
***	Profit or loss from ordinary activities Profit or loss for the current period (+/-)	-731 536	1 204 420	3 633 114
****	Profit or loss before tax	-731 536	1 204 420	3 633 114
	Control number	-953 678	1 517 170	4 523 727
	Control number	99 812 041	164 735 611	162 769 667

STATEMENT OF CHANGES IN EQUITY

(CZK THOUSAND)

	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Accumulated profits brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2006	8 109 863	86 323	389 324	1 984 383	3 150 386	2 684 148	16 404 427
Profit or loss for the current period	0	0	0	0	0	3 633 114	3 633 114
Distribution of profit brought forward	0	0	134 207	0	522 475	-656 682	0
Dividends	0	0	0	0	0	-2 027 466	-2 027 466
Payments from the social fund	0	0	0	-116	0	0	-116
Other	0	0	0	1	-1	0	0
Balance at 31 December 2007	8 109 863	86 323	523 531	1 984 268	3 672 860	3 633 114	18 009 959
Profit or loss for the current period	0	0	0	0	0	1 204 420	1 204 420
Distribution of profit brought forward	0	0	181 656	0	3 451 458	-3 633 114	0
Change in the valuation of securities	0	37	0	0	0	0	37
Other	0	0	0	-1	1	0	0
Balance at 31 December 2008	8 109 863	86 360	705 187	1 984 267	7 124 319	1 204 420	19 214 416
Profit or loss for the current period	0	О	О	0	0	-731 536	-731 536
Distribution of profit brought forward	0	0	60 221	0	1 144 199	-1 204 420	0
Dividends	0	0	0	0	0	0	0
Change in the valuation of securities	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Balance at 31 December 2009	8 109 863	86 360	765 408	1 984 267	8 268 518	-731 536	18 482 880

CASH FLOW STATEMENT (CZK THOUSAND)

		Year ended	Year ended	Year ended
		31/12/2009	31/12/2008	31/12/2007
P.	Opening balance of cash and cash equivalents	2 150 486	3 163 624	1 699 119
	Cash flows from ordinary activities	O	0	0
Z.	Profit or loss from ordinary activities before tax	-953 678	1 517 170	4 523 727
A.1.	Adjustments for non-cash transactions	946 806	1 511 866	756 617
A.1.1.	Depreciation of fixed assets	1 078 376	1 027 628	1 002 827
A.1.2.	Change in provisions and reserves	-70 351	603 026	-154 623
A.1.3.	Profit/(loss) on the sale of fixed assets	-4 045	-13 588	1 903
A.1.4.	Revenues from dividends and profit shares	-368 494	-159 415	-196 567
A.1.5.	Interest expense and interest income	11 503	4 322	52 053
A.1.6.	Adjustments for other non-cash transactions	299 817	49 893	51 024
A.*	Net operating cash flow before changes in working capital	-6 872	3 029 036	5 280 344
A.2.	Change in working capital	646 998	-763 139	837 429
A.2.1.	Change in operating receivables and other assets	-84 532	400 498	81 250
A.2.2.	Change in operating payables and other liabilities	-394 167	373 252	535 238
A.2.3.	Change in inventories	1 125 697	-1 572 333	-1 540
A.2.4.	Change in current financial assets	0	35 444	222 481
A.**	Net cash flow from operations before tax and extraordinary items	640 126	2 265 897	6 117 773
A.3.	Interest paid	-34 600	-70 638	-97 155
A.4.	Interest received	24 805	64 105	44 392
A.5.	Income tax paid from ordinary operations	83 815	-862 654	-830 119
A.6.	Receipts and expenditures relating to extraordinary activities	0	0	10 290
A.7.	Received dividends and profit shares	376 494	159 528	196 454
A.***	Net operating cash flows	1 090 640	1 556 238	5 441 635
	Cash flows from investing activities	O	0	0
B.1.	Fixed assets expenditures	-1 130 374	-2 087 466	-1 379 586
B.2.	Proceeds from fixed assets sold	6 666	33 679	112 951
B.***	Net investment cash flows	-1 123 708	-2 053 787	-1 266 635
	Cash flow from financial activities	0	0	О
C.1.	Change in payables from financing	-465 931	-514 112	-692 384
C.2.	Impact of changes in equity	-391	-1 477	-2 018 111
C.2.5.	Payments from capital funds	0	0	-116
C.2.6.	Dividends paid	-391	-1 477	-2 017 995
C.***	Net financial cash flows	-466 322	-515 589	-2 710 495
F.	Net increase or decrease in cash and cash equivalents	-499 390	-1 013 138	1 464 505
R.	Closing balance of cash and cash equivalents	1 651 096	2 150 486	3 163 624

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

TŘINECKÉ ŽELEZÁRNY, a.s. (hereinafter the "Company") was formed by the National Property Fund of the Czech Republic on the basis of a Deed of Foundation as a joint stock company registered in Třinec, Czech Republic, and was incorporated following its registration in the Register of Companies of the Regional Court in Ostrava on 21 March 1991. The Company is primarily engaged in metallurgy with a closed metallurgical cycle. In addition to the production of coke, pig iron and steel, the range of principal products provided by the Company involves the products of rolling mills, namely blooms, slabs, billets, rods, reinforcing bars and thin, medium and heavy sections. The Company benefits from its incumbent status of being the Czech monopoly in respect of the manufacture of rails.

The Company's registered office is located in Třinec-Staré Město, Průmyslová 1000, 739 70.

The Company's issued share capital is CZK 8,109,863 thousand.

The following table shows individuals and legal entities exercising controlling or substantial influence over the Company and the amount of their equity interest:

Shareholder	Ownership percentage
MORAVIA STEEL a. s.	69.05 %
Others	30.95 %
Total	100.00%

1.2. CHANGES IN AND AMENDMENTS TO THE REGISTER OF COMPANIES

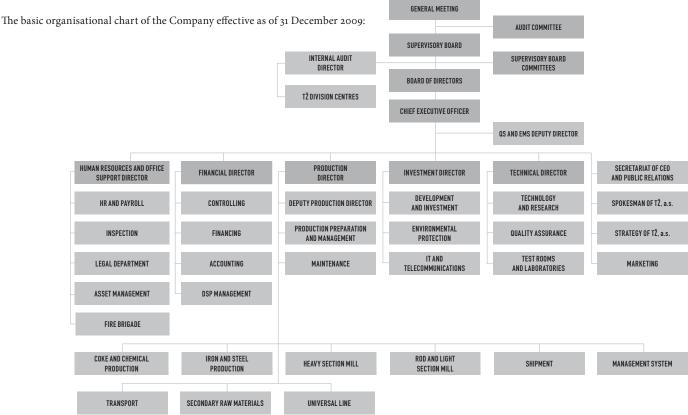
In the year ended 31 December 2009, the Company's corporate details held at the Register of Companies were updated to reflect the change in the composition of the Board of Directors and the principal business activities (refer to Note 1.5).

1.3. Organisational Structure of the Company

- Chief Executive Officer and Management.

The key governing bodies of the Company are as follows:

- General Meeting;
- Audit Committee;
- Supervisory Board;
- Board of Directors; and



During the year ended 31 December 2009 the following changes were made in the organisational structure of the Company:

- Establishment of the Audit Committee;
- The DSp Management division was transferred from the division of the Investment Director to the division of the Financial Director;
- The TZ Division Centres division was established within the division of the Internal Audit Director.

1.4. GROUP IDENTIFICATION

The Company is included in the MORAVIA STEEL a.s. Group. MORAVIA STEEL a.s. is controlled by FINITRADING a.s. and R.F.G., a.s., acting in concert.

1.5. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2009

	Position	Name
Board of Directors	Chairman	Jiří Cieńciała
	1st Vice Chairman	Jan Czudek
	2nd Vice Chairman	Rostislav Wozniak
	Member	Jan Lasota
	Member	Česlav Marek
	Member	Henryk Huczala
Supervisory Board	Chairman	Tomáš Chrenek
	1st Vice Chairman	Ján Moder
	2nd Vice Chairman	Hanns Kurt Zöllner
	Member	František Ligocki
	Member	Evžen Balko
	Member	Roman Mitręga
	Member	Vladislav Heczko
	Member	Jozef Blaško
	Member	Pablo Alarcón Espinosa

There were the following changes in the Board of Directors in the year ended 31 December 2009:

Board of Directors:

Position	Original member	New member	Date of the change
1st Vice Chairman	Jaroslava Ciahotná	Jan Czudek	31 May 2009
2nd Vice Chairman	Jan Czudek	Rostislav Wozniak	22 June 2009
Member	Petr Matuszek	Henryk Huczala	22 June 2009

2. Basis of Accounting and General Accounting Principles

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

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

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

2.1. REPORTING PERIOD

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

- The balance sheet contains comparative balances as of 31 December 2008 and 31 December 2007;
- The profit and loss account comprises comparative amounts for the years ended 31 December 2008 and 31 December 2007;
- The statement of changes in equity contains comparative amounts for the years ended 31 December 2008, 31 December 2007 and 31 December 2006; and
- The cash flow statement comprises comparative amounts for the years ended 31 December 2008 and 31 December 2007.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

Tangible fixed assets include assets with a 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, and research and development) with a 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 cost. 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 books as fully depreciated. Replacement cost is determined by an expert appraiser or through an estimate performed under the Company's internal regulations.

Tangible and intangible assets with an estimated useful life greater than one year and a 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' upon acquisition.

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

The results of the Company's research and development activities, if designed for trading or resale, are recognised through the balance sheet line 'Research and development'. Research and development results designed for internal purposes are not classified as intangible fixed assets for financial reporting purposes and are held in off balance sheet records at internal costs of production.

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

As of the balance sheet date, emission allowances are valued according to the EUROPEAN ENERGY EXCHANGE rate. The decrease in the valuation of emission allowances acquired on a free-of-charge basis as of the balance sheet date is recognised in 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 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

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 Company 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 machinery and equipment is 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/expected proceeds from the intended sale.

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).

3.2. 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 Company records:

Equity investments at cost less any provisions.

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

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

Upon sale or any other disposal, securities of the same type are valued on the basis of the weighted average of acquisition costs.

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'.

Provisioning against Equity Investments

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 entity's anticipated cash flows and the results of the entity's operations and reflects its interest in the entity's equity.

3.3. 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.

3.4. 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 formula reflecting annual planned costings. The prices are determined on the basis of an annual financial plan.

The revaluation of internally developed inventory is performed as of 1 January of the current year by reference to the calculations made based on the approved financial plan.

During the reporting period, the Company analyses the internally produced inventory by comparing the valuation of own costs according to planned (planned costing) and actual costs. If the difference in valuation according to actual costs is greater than the valuation according to the planned own costs, the difference from the revaluation of internally produced inventory is reflected in 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 own costs is greater than the valuation according to actual own costs) the inventory is not revalued and the difference is accounted for as 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 valuation, movement, selling prices and realisability.

3.5. RECEIVABLES

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

Provisioning

The Company 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 (other than intercompany) 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 %.

In addition, provisions are recognised against receivables based on an individual assessment of their collectability.

The Company creates provisions against 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.

3.6. PAYABLES

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

3.7. LOANS AND BORROWINGS

Valuation

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

3.8. RESERVES

The Company creates other reserves to provide for future risks known at the balance sheet date. In addition, the Company records tax allowable reserves for repairs of tangible fixed assets in accordance with the Provisioning Act, and a reserve for restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation of the Ministry of Environment No. 294/2005 Coll. If the reserves are not drawn within the statutory period, they are released.

3.9. FOREIGN CURRENCY TRANSLATIONS

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

During the period, 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 the assets were recorded.

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

3.10. 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.

3.11. TAXATION

3.11.1. Depreciation of Fixed Assets for Tax Purposes

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

3.11.2. 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.

3.11.3. Deferred Tax

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

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

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

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

3.12. Borrowing Costs

Borrowing costs arising from loans are directly expensed regardless of the purpose for which the loans were drawn.

3.13. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

The Company 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 instance. 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'.

3.14. REVENUE RECOGNITION

Revenues are recognised when goods are delivered and accepted by the customer 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.

3.15. USE OF ESTIMATES

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of 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. RESEARCH AND DEVELOPMENT EXPENDITURE

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

3.17. YEAR-ON-YEAR CHANGES IN THE ACCOUNTING POLICIES

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

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

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 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".

3.18. SUBSIDIES

The Company receives operating subsidies. The funds drawn are charged to expenses and operating subsidies received are credited to income on an accruals basis (refer to Note 4.14.). In addition, the Company receives subsidies to fund the acquisition of fixed assets and these subsidies reduce the cost of the related assets.

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

Cash and cash equivalents can be analysed as follows:

(CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Cash on hand	1 649	1 016	1 483
Current accounts	1 633 389	36 998	921 422
Short-term securities and equity investments	16 058	2 112 472	2 240 719
Total cash and cash equivalents	1 651 096	2 150 486	3 163 624
Total cash and cash equivalents not included in cash flow	0	0	35 444
Total current financial assets	1 651 096	2 150 486	3 199 068

Comments on the Cash Flow Statement:

Cash and cash equivalents not included in the cash flow statement as of 31 December 2007 represented the opening of a special-purpose deposit in respect of the received state aid which amounted to CZK 35,444 thousand as of 31 December 2007.

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	Additions	Disposals	Balance at	Additions	Disposals	Balance at	Additions	Disposals	Balance at
	1 Jan 2007			31 Dec			31 Dec			31 Dec
				2007			2008			2009
Research and development	0	0	0	0	4 553	0	4 553	0	1	4 552
Software	114 537	3 848	255	118 130	8 339	458	126 011	3 959	229	129 741
Valuable rights	25 063	1 598	0	26 661	0	0	26 661	0	0	26 661
Other intangible FA	39 993	56 963	96 956	0	1 608 153	1 608 153	0	703 521	703 521	0
Intangible FA under construction	187	6 017	5 446	758	110 517	109 995	1 280	2 450	3 730	0
Total	179 780	68 426	102 657	145 549	1 731 562	1 718 606	158 505	709 930	707 481	160 954

Accumulated Amortisation and Provisions

(CZK thousand)

(,
	Balance at 1 Jan 2007	Additions	Disposals	Balance at 31 Dec		Disposals	Balance at 31 Dec		Disposals	Balance at 31 Dec
				2007			2008			2009
Research and development	0	0	0	0	228	0	228	910	0	1 138
Software	75 441	18 359	256	93 544	14 144	458	107 230	8 450	229	115 451
Valuable rights	24 621	694	0	25 315	329	0	25 644	1 017	0	26 661
Total	100 062	19 053	256	118 859	14 701	458	133 102	10 377	229	143 250

Net Book Value (CZK thousand)

	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Research and development	0	4 325	3 414
Software	24 586	18 781	14 290
Valuable rights	1 346	1 017	0
Other intangible FA	0	0	0
Intangible FA under construction	758	1 280	0
Total	26 690	25 403	17 704

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 9,457 thousand, CZK 14,701 thousand, CZK 19,053 thousand as of 31 December 2009, 2008 and 2007, respectively.

Other intangible fixed assets include greenhouse emission allowances. The Company had anticipated that by the end of 2009 the number of allocated emission allowances needed to cover the greenhouse emission consumption would be insufficient. Hence, the Company recorded a reserve for the missing allowances as of 31 December 2009 in the amount of CZK 15,536 thousand.

Aggregate Balance of Low Value Intangible Assets not Reported on the Balance Sheet

The aggregate cost of low value intangible assets not reported on the face of the balance sheet was CZK 24,077 thousand, CZK 23,559 thousand and CZK 22,098 thousand as of 31 December 2009, 2008 and 2007, respectively.

4.1.2. Tangible Fixed Assets

Cost (CZK thousand)

(CENT III OUT)							ozir mododina)			
	Balance at 1 Jan 2007	Additions	Disposals	Balance at 31 Dec 2007	Additions	Disposals	Balance at 31 Dec 2008	Additions	Disposals	Balance at 31 Dec 2009
Land	320 744	0	582	320 162	8	327	319 843	474	337	319 980
Structures	5 775 770	162 713	30 225	5 908 258	80 366	165 929	5 822 695	276 903	9 234	6 090 364
Individual movable assets	16 347 940	889 702	205 767	17 031 875	1 015 096	282 941	17 764 030	487 720	397 315	17 854 435
- Machinery and equipment	15 163 293	794 171	196 603	15 760 861	949 011	268 863	16 441 009	292 199	387 424	16 345 784
- Vehicles	1 161 030	95 055	9 164	1 246 921	66 085	13 763	1 299 243	195 446	9 877	1 484 812
- Furniture and fixtures	23 617	476	0	24 093	0	315	23 778	75	14	23 839
Other tangible FA	1 736	0	0	1 736	0	57	1 679	0	0	1 679
Tangible FA under construction	758 780	735 458	1 022 533	471 705	1 084 870	1 094 087	462 488	681 618	740 779	403 327
Prepayments for tangible FA	97 520	77 799	62 105	113 214	88 288	163 551	37 951	24 922	43 010	19 863
Total	23 302 490	1 865 672	1 321 212	23 846 950	2 268 628	1 706 892	24 408 686	1 471 637	1 190 675	24 689 648

Accumulated Depreciation and Provisions

(CZK thousand)

	Balance at	Additions	Disposals	Balance at	Additions	Disposals	Balance at	Additions	Disposals	Balance at
	1 Jan 2007			31 Dec			31 Dec			31 Dec
				2007			2008			2009
Structures	3 159 911	146 637	47 655	3 258 893	181 052	167 730	3 272 215	140 557	9 861	3 402 911
Individual movable assets	10 642 123	891 136	220 234	11 313 025	893 300	284 982	11 921 343	963 502	397 316	12 487 529
- Machinery and equipment	9 647 579	861 785	211 070	10 298 294	857 880	270 904	10 885 270	920 405	387 425	11 418 250
- Vehicles	974 046	28 790	9 164	993 672	34 854	13 763	1 014 763	42 529	9 877	1 047 415
- Furniture and fixtures	20 498	561	0	21 059	566	315	21 310	568	14	21 864
Tangible FA under construction	641	2 277	0	2 918	738	264	3 392	3 783	2 374	4 801
Total	13 802 675	1 040 050	267 889	14 574 836	1 075 090	452 976	15 196 950	1 107 842	409 551	15 895 241

Net Book Value (CZK thousand)

	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Land	320 162	319 843	319 980
Structures	2 649 365	2 550 480	2 687 453
Individual movable assets	5 718 850	5 842 687	5 366 906
- Machinery and equipment	5 462 567	5 555 739	4 927 534
- Vehicles	253 249	284 480	437 397
- Furniture and fixtures	3 034	2 468	1 975
Other tangible FA	1 736	1 679	1 679
Tangible FA under construction	468 787	459 096	398 526
Prepayments for tangible FA	113 214	37 951	19 863
Total	9 272 114	9 211 736	8 794 407

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

(CZK thousand)

Replacement of the pouring crane in the convertors operation	133 902
Technical improvement on the equipment for unloading coke	61 503
Technical improvements on locomotives	49 435
Technical improvement of rolling platforms of the continuous light section mill	32 419

During the year ended 31 December 2009, assets with an aggregate net book value of CZK 11,578 thousand were removed from tangible fixed assets and land in the amount of CZK 337 thousand was sold. Major disposals principally comprised the liquidation of the equipment of coke battery no. 12, the liquidation of used machinery and equipment and the sale of vehicles and other equipment.

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,068,919 thousand, CZK 1,012,927 thousand and CZK 983,774 thousand as of 31 December 2009, 2008 and 2007, respectively.

Aggregate Balance of Low Value Tangible Assets not Reported on the Balance Sheet

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 354,503 thousand, CZK 383,636 thousand and 361,594 CZK thousand as of 31 December 2009, 2008 and 2007, respectively.

4.1.3. Assets Held under Finance and Operating Lease Agreements

Finance Leases

31 December 2009 (CZK thousand)

3			(
	Cars	Machinery and equipment	Balance at 31 Dec 2009
Total anticipated lease payments	2 460	76 801	79 261
Actual lease payments made through 31 Dec 2009	2 460	76 147	78 607
Future payments due by 31 Dec 2010	0	654	654
Future payments due in the following periods	0	0	0

31 December 2008 (CZK thousand)

			,
	Cars	Machinery and equipment	Balance at 31 Dec 2008
Total anticipated lease payments	8 448	90 967	99 415
Actual lease payments made through 31 Dec 2008	8221	86 635	94 856
Future payments due by 31 Dec 2009	227	3 678	3 905
Future payments due in the following periods	0	654	654

31 December 2007 (CZK thousand)

	Cars	Machinery and equipment	Balance at 31 Dec 2007
Total anticipated lease payments	17 971	179 329	197 300
Actual lease payments made through 31 Dec 2007	15 858	152 294	168 152
Future payments due by 31 Dec 2008	1 862	14 245	16 107
Future payments due in the following periods	251	12 790	13 041

Operating Leases

In the years ended 31 December 2009, 2008 and 2007, the Company made lease payments of CZK 22,519 thousand, CZK 21,804 thousand and CZK 22,866 thousand, respectively.

4.1.4. Pledged Fixed Assets

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	
Tangible FA	237 167	Loan from Československá obchodní banka, a.s.
Tangible FA	349 026	Loan from Citibank, a.s.
Total	953 618	

31 December 2008 (CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	419 290	Loan from Komerční banka, a.s.
Land	15 410	
Tangible FA	436 336	Loan from Česká spořitelna, a.s.
Land	2 811	
Tangible FA	263 135	Loan from Československá obchodní banka, a.s.
Tangible FA	387 108	Loan from Citibank, a.s.
Total	1 524 090	

31 December 2007 (CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible FA	367 101	Loan from Komerční banka, a.s.
Land	12 341	
Tangible FA	503 752	Loan from Česká spořitelna, a.s.
Land	2 811	
Tangible FA	289 102	Loan from Československá obchodní banka, a.s.
Tangible FA	429 180	Loan from Citibank, a.s.
Total	1 604 287	

4.2. Non-Current Financial Assets

Cost (CZK thousand)

	Balance at 1 Jan 2007	Additions	Disposals	Revalua- tion	Balance at 31 Dec	Additions	Disposals
					2007		
Equity investments in subsidiaries	3 139 638	388 819	0	0	3 528 457	1 109 222	0
Equity investments in associates	175 434	2 047	0	0	177 481	360	52 000
Other non-current securities and equity investments	100	0	0	0	100	0	50
Other non-current financial assets	20 621	0	0	-656	19 965	0	0
Acquired non-current financial assets	3 754	393 129	391 250	0	5 633	1 117 996	1 120 165
Total	3 339 547	783 995	391 250	-656	3 731 636	2 227 578	1 172 215

	Revalua- tion	Balance at 31 Dec 2008	Additions	Disposals	Revalua- tion	Balance at 31 Dec 2009
Equity investments in subsidiaries	0	4 637 679	719 733	0	0	5 357 412
Equity investments in associates	0	125 841	0	148	0	125 693
Other non-current securities and equity investments	50	100	0	0	0	100
Other non-current financial assets	233	20 198	0	0	-349	19 849
Acquired non-current financial assets	0	3 464	721 315	721 303	0	3 476
Total	283	4 787 282	1 441 048	721 451	-349	5 506 530

4.2.1. Shares and Equity Investments in Subsidiaries

31 December 2009 (CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner- ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
ENERGETIKA TŘINEC, a.s., Třinec-Staré Město	1 625 717	1 680 000	276	100.00	2 309 176	103 191	0	1 625 717	90 000
Strojírny Třinec, a.s., Třinec-Staré Město	540 972	565 000	600	100.00	1 060 275	469 915	0	540 972	190 447
Slévárny Třinec, a.s., Třinec-Staré Město	550 000	550 000	514	100.00	534 979	-31 915	0	550 000	0
VÁLCOVNA TRUB TŽ, a.s., Ostrava-Vítkovice	301 823	418 166	44	100.00	574 854	-101 336	0	301 823	0
FERROMORAVIA, s.r.o., Staré Město	569 008	150 000	0	100.00	382 056	-64 963	0	569 008	0
Šroubárna Kyjov, spol. s r.o., Kyjov	*	140 000	0	100.00	458 439	68 474	0	*	40 000
D 5, akciová společnost, Třinec, Třinec-Staré Město	*	60 000	4 661	100.00	115 052	9 551	0	*	0
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100.00	34 622	3 253	0	25 643	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100.00	1 695	-91	-17 305	1 695	0
"METALURGIA" Spółka Akcyjna, Radomsko (PL) **	*	2 990	884 617	100.00	21 588	-6 930	0	*	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	80 255	15 105	0	15 755	0
Moravia Security, a.s. Třinec-Konská	12 000	12 000	12	100.00	8 926	1 708	0	12 000	0
H & S PROGRESS s.r.o., Dobrá	*	3 784	0	100.00	48 845	2 402	0	*	0
Soukromá střední škola Třinec, š.p.o., Třinec, Staré Město***	2 000	2 000	0	100.00	2 930	453	О	2 000	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	0	100.00	21 962	1 734	0	100	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice	*	45 738	0	89.11	45 465	4 621	0	*	0
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (PL)**	7 920	7 920	0	88.00	7 528	-497		7 920	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	63 765	-1 711	0	19 364	0
Řetězárna a.s., Česká Ves	64 000	61 200	515	51.00	420 066	1 611	0	64 000	5 100
REFRASIL, s.r.o., Třinec-Konská	18 236	25 500	0	51.00	212 901	43 348	0	18 236	10 710
Total	5 357 412						-17 305	5 340 107	336 257

Note: *Confidential information

italics – preliminary results of operations as of 31 December 2009

31 December 2008 (CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner- ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
ENERGETIKA TŘINEC, a.s., Třinec-Staré Město	1 625 717	1 680 000	276	100.00	2 295 985	70 677	0	1 625 717	0
Strojírny Třinec, a.s., Třinec-Staré Město	540 972	565 000	600	100.00	780 807	95 870	0	540 972	70 000
Slévárny Třinec, a.s., Třinec-Staré Město	550 000	550 000	514	100.00	566 898	4 312	0	550 000	0
VÁLCOVNA TRUB TŽ, a.s., Ostrava-Vítkovice **	301 823	418 166	44	100.00	676 183	-207 511	0	301 823	0
Šroubárna Kyjov, spol. s r.o., Kyjov	*	140 000	0	100.00	430 265	106 036	0	*	0
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100.00	31 369	1 444	0	25 643	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100.00	1 786	-85	-17 214	1 786	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	65 165	13 704	0	15 755	3 000
D 5, akciová společnost, Třinec, Třinec-Staré Město	*	13 600	21	100.00	105 685	44 834	0	*	0
Moravia Security, a.s. Třinec, Konská	12 000	12 000	12	100.00	7 128	-4 782	0	12 000	0
H & S PROGRESS s.r.o., Dobrá ***	*	3 784	0	100.00	46 443	832	0	*	15 000
Soukromá střední škola Třinec, s.r.o., Třinec-Staré Město	2 000	2 000	0	100.00	1 971	-29	0	2 000	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	0	100.00	17 428	3 325	0	100	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Ostrava-Vítkovice ****	*	45 738	0	99.00	35 009	4 282	0	*	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	65 449	-1 675	0	19 364	0
Řetězárna a.s., Česká Ves	64 000	10 200	464	51.00	430 799	62 797	0	64 000	9 690
REFRASIL, s.r.o., Třinec-Konská	18 236	510	0	51.00	156 950	52 922	0	18 236	15 300
Total	4 637 679						-17 214	4 620 465	112 990

Note: * Confidential information

^{**}Figures presented in PLN thousand

^{***}Change in the legal status from a limited liability company into a corporate entity – educational institution; the entity was entered in the Register of Educational Corporate Entities as of 2 September 2009

^{**} Change in the name from VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s. to VÁLCOVNA TRUB TŽ, a.s.

^{***}Merger with a subsidiary, ROLLSERVIS a.s. – results of operations for the period from 1 July 2008 to 31 December 2008

^{****} Change in the name from VÍTKOVICE – Výzkum a vývoj, spol. s r.o. to MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.

O FINANCIAL PART

31 December 2007 (CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner- ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
ENERGETIKA TŘINEC, a.s., Třinec-Staré Město	1 625 717	1 680 000	276	100.00	2 225 308	203 618	0	1 625 717	70 000
Strojírny Třinec, a.s., Třinec-Staré Město	500 000	500 000	599	100.00	689 837	81 800	0	500 000	50 000
Slévárny Třinec, a.s., Třinec-Staré Město	550 000	550 000	514	100.00	562 586	13 681	0	550 000	0
VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s., Ostrava-Vítkovice	301 823	418 166	44	100.00	884 550	189 144	0	301 823	0
Třinecké gastroslužby, s.r.o., Třinec-Staré Město	25 643	25 800	0	100.00	29 926	294	0	25 643	0
Steel Consortium Partners, a.s., Třinec-Staré Město	19 000	19 000	117	100.00	1 871	-94	-17 129	1 871	0
Doprava TŽ, a.s., Třinec-Staré Město	15 755	16 000	115	100.00	54 476	18 274	0	15 755	0
H & S PROGRESS s.r.o., Dobrá	*	3 784	0	100.00	32 179	17 170	0	*	0
TRIALFA, s.r.o., Třinec-Kanada	100	100	0	100.00	17 428	2 294	0	100	0
VÍTKOVICE – Výzkum a vývoj, spol. s r.o., Ostrava-Vítkovice	*	45 738	0	99.00	30 732	599	0	*	0
TRISIA, a.s., Třinec	19 364	9 900	990	66.00	67 196	-1 644	0	19 364	0
Řetězárna a.s., Česká Ves	64 000	10 200	464	51.00	377 897	62 678	0	64 000	7 650
REFRASIL, s.r.o., Třinec-Konská	18 236	510	0	51.00	178 004	47 054	0	18 236	13 260
Total	3 528 457						-17 129	3 511 328	140 910

Note: * Confidential information

4.2.2. Shares and Equity Investments in Associates

31 December 2009 (CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner- ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
SILESIASLAG, a.s., Třinec-Staré Město	1 760	1 760	74	44.00	3 826	-16	-76	1 684	0
VESUVIUS ČR, a.s., Třinec	25 137	25 137	25 137	40.00	215 062	79 088	0	25 137	32 000
Hutnictví železa, a.s., Praha	25 620	16 191	26 985	38.71	46 559	-601	-16 122	9 498	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34.09	10 645	-28	0	750	0
Kvalifikační a pers. agentura, o.p.s., Třinec-Staré Město	34	34	0	33.33	262	-28	-34	0	0
HRAT, s.r.o., Třinec*	212	100	0	23.26	3 003	968	0	212	0
Sochorová válcovna TŽ, a.s., Třinec-Staré Město	72 180	72 180	180	18.00	1 511 205	-343 687	0	72 180	0
Total	125 693						-16 232	109 461	32 000

Note: *results of operations for the period from 1 April 2009 to 31 December 2009 italics – preliminary results of operation as of 31 December 2009

31 December 2008 (CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner- ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (PL)*	23	23	O	45.00	-925	-975	0	23	0
SILESIASLAG, a.s., Třinec-Staré Město	1 760	1 760	74	44.00	3 842	-9	-70	1 691	0
VESUVIUS ČR, a.s., Třinec	25 137	25 137	25 137	40.00	215 975	108 579	0	25 137	45 255
Hutnictví železa, a.s., Praha	25 620	16 191	26 985	38.71	45 935	-308	-15 907	9 713	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34.09	10 674	563	0	750	375
Kvalifikační a pers. agentura, o.p.s., Třinec-Staré Město	34	34	0	33-33	802	-63	-34	0	0
HRAT, s.r.o., Třinec**	212	100	О	23.26	1 985	692	0	212	0
Sochorová válcovna TŽ, a.s., Třinec-Staré Město	72 180	72 180	180	18.00	1 854 891	252 424	0	72 180	0
Total	125 841						-16 011	109 830	45 630

Note: $\,\,^*$ Figures presented in PLN thousand

 $^{^{**}}$ Change of the reporting period – result of operation for the period from 1 January 2008 to 31 March 2009

31 December 2007 (CZK thousand)

Company name and registered office	Cost	Nominal value	Number of shares	Owner- ship %	Equity	Accounting profit/loss	Provision	Net cost	Financial revenues
SILESIASLAG, a.s., Třinec-Staré Město	1 760	1 760	74	44.00	3 851	-27	-66	1 694	0
VESUVIUS ČR, a.s., Třinec	25 137	25 137	25 137	40.00	220 532	113 136	0	25 137	54 513
Hutnictví železa, a.s., Praha	25 620	16 191	26 985	38.71	48 326	73	-14 997	10 623	0
TŘINECKÁ PROJEKCE, a.s., Třinec-Kanada	750	1 125	75	34.09	11 230	1 867	0	750	375
Kvalifikační a pers. agentura, o.p.s., Třinec	34	34	0	33.33	865	364	-34	0	0
MS-UNIKOV OSTRAVA s.r.o., Ostrava-Svinov	52 000	52 000	0	24.97	*	*	-52 000	0	0
Sochorová válcovna TŽ, a.s., Třinec-Staré Město	72 180	72 180	180	18.00	1 602 467	402 819	0	72 180	0
Total	177 481						-67 097	110 384	54 888

Note: *The bankruptcy trustee did not provide information on the results

4.2.3. Other Non-Current Securities and Equity Investments

31 December 2009 (CZK thousand)

Company name and registered office	Cost		Number of	Ownership	Equity	Accounting		Fair value	
		value	shares	%		profit/loss	difference		revenues
KPM CONSULT, a.s., Brno	100	100	10	10.00	17 943	3 795	0	100	0
ACRI, Praha	20	20	-	2.08	1 184	29	-20	0	0
Total	120						-20	100	0

Note: * italics – preliminary results of operations as of 31 December 2009

31 December 2008 (CZK thousand)

Company name and registered office	Cost	Nominal	Number of	Ownership	Equity	Accounting	Valuation	Fair value	Financial
		value	shares	%		profit/loss	difference		revenues
KPM CONSULT, a.s., Brno	100	100	10	10,00	14 147	2 590	0	100	0
ACRI, Praha	20	20	-	2,08	1 095	1	-20	0	0
Total	120						-20	100	О

31 December 2007 (CZK thousand)

Company name and registered office	Cost	Nominal	Number of	Ownership	Equity	Accounting	Valuation	Fair value	Financial
		value	shares	%		profit/loss	difference		revenues
HRAT, s.r.o., Třinec	50	50	-	11,63	1 182	330	-50	0	0
KPM CONSULT, a.s., Brno	100	100	10	10,00	11 361	1 451	0	100	0
ACRI, Praha	20	20	-	2,17	1 108	-223	-20	0	0
Total	170						-70	100	0

4.2.4. Other Non-Current Financial Assets

31 December 2009 (CZK thousand)

Investment	Description of investment/collateral	Provision	Financial revenue for the period to 31 Dec 2009
Term deposit	Bank guarantee collateral	0	237

31 December 2008 (CZK thousand)

Investment	Description of investment/collateral	Provision	Financial revenue for the period to 31 Dec 2008
Term deposit	Bank guarantee collateral	0	795

31 December 2007 (CZK thousand)

,			
Investment	Description of investment/collateral	Provision	Financial revenue for the period to
			31 Dec 2007
Term deposit	Bank guarantee collateral	0	769

Major additions to non-current financial assets as of 31 December 2009 were as follows:

- Acquisition of the 100 % equity investment in FERROMORAVIA, s.r.o.;
- Acquisition of the 100 % equity investment in METALURGIA S.A.;
- Acquisition of the 43% equity investment in "ZAMECZEK BŁOGOCICE", Spółka z ograniczoną odpowiedzialnością, as of 31 December 2009 the Company owned a 88% equity investment in this entity;
 - Increase in the share capital in ``ZAMECZEK BŁOGOCICE", Spółka z ograniczoną odpowiedzialnością; and the share capital in ``ZAMECZEK BŁOGOCICE", Spółka z ograniczoną odpowiedzialnością; and the share capital in ``ZAMECZEK BŁOGOCICE", Spółka z ograniczoną odpowiedzialnością; and ``ZAMECZEK BŁOGOCICE", spółka z ograniczoną odpowiedzialnością odpowiedzialnością odpowiedzialnością odpowiedzialnością odpowiedzialnością odpowiedzialnością odpowiedzialnością odpowiedzialnością odp
 - Increase in the share capital from own funding in the following entities: D 5, akciová společnost, Třinec; Řetězárna a.s.; and REFRASIL, s.r.o.

4.2.5. Non-Current Financial Assets Pledged as Collateral

The Company has no non-current financial assets pledged as collateral.

4.3. INVENTORY

As of 31 December 2009, the Company created provisions against inventory in the aggregate amount of CZK 1,473,539 thousand, of which the provision against material amounted to CZK 187,606 thousand, the provision against work in progress and semi-finished products amounted to CZK 861,042 thousand and the provision against finished products amounted to CZK 424,891 thousand.

4.4. RECEIVABLES

4.4.1. Long-Term Receivables

Long-term receivables predominantly include loans granted to employees and made long-term prepayments.

Long-term receivables are settled within their due dates.

4.4.2. Short-Term Receivables

Aging of Short-Term Trade Receivables

(CZK thousand)

Year	Category	Before due date			Total			
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and greater	
2009	Short-term	2 320 256	105 652	1 214	2 247	769	40 352	2 470 490
	Provisions	0	0	-97	-1 167	-769	-40 352	-42 385
	Total	2 320 256	105 652	1 117	1 080	0	0	2 428 105
2008	Short-term	1 908 568	242 893	221	168	288	43 289	2 195 427
	Provisions	0	-956	-10	-84	-288	-43 289	-44 627
	Total	1 908 568	241 937	211	84	0	0	2 150 800
2007	Short-term	2 797 193	3 483	506	272	1 734	49 364	2 852 552
	Provisions	-11 486	-35	-72	-135	-1 734	-49 364	-62 826
	Total	2 785 707	3 448	434	137	0	0	2 789 726

Breakdown of Short-Term Trade Receivables

(CZK thousand)

			()
	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at31 Dec 2007
- customers	2 470 490	2 194 028	2 852 469
- other receivables	0	1 399	83
- provisions	-42 385	-44 627	-62 826
Total	2 428 105	2 150 800	2 789 726

Other Short-Term Receivables

Short-term prepayments made principally involve prepayments for supplied services and prepayments of charges relating to air pollution.

State – tax receivables predominantly include a receivable arising from the corporate income tax and a receivable arising from the excessive deduction from the value added tax.

Other receivables principally include receivables arising from bank guarantees and an escrow account for the settlement of the Company's payable arising from the acquisition of an equity investment in METALURGIA S.A.

Estimated receivables principally include amounts due from insurance proceeds.

Receivables typically mature within 30 days.

4.4.3. Intercompany and Other than Intercompany Receivables

Short-Term Receivables (CZK thousand)

Short-terni Receivables	n.i	D.1	(CZR thousand
Company name	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
• Trade balances			
Doprava TŽ, a.s.	5 021	6 502	11 190
ENERGETIKA TŘINEC, a.s.	55 154	31 072	35 689
Šroubárna Kyjov, spol. s r.o.	289	3	-
D ₅ , akciová společnost	2 951	3 592	-
MORAVIA STEEL a.s.	1 681 422	1 391 773	2 137 286
REFRASIL, s.r.o.	758	781	629
Řetězárna, a.s.	280	6	62
Slévárny Třinec, a.s.	28 590	79 807	73 330
TRIALFA, s.r.o.	1 888	9 854	6 081
TŘINECKÁ PROJEKCE, a.s.	55	77	144
Třinecké gastroslužby, s.r.o.	568	530	2 106
Strojírny Třinec, a.s.	О	60 220	15 787
Sochorová válcovna TŽ, a.s.	288 863	263 489	332 686
SILESIASLAG, a.s.	3	1	4
Steel Consortium Partners, a.s.	3	16	1
Kvalifikační a personální agentura, o.p.s.	3	4	4
TRISIA, a.s.	5	6	4
VESUVIUS ČR, a.s.	633	702	1 089
FERROMORAVIA, s.r.o.	24 103	10 796	70 133
Beskydská golfová, a.s.	33	164	399
VALCOVNA TRUB TŽ, a.s.	160 101	235 178	62 354
VÚHŽ, a.s.	343	536	407
Moravia Security, a.s.	107	64	-
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	262	33	0
Soukromá střední škola Třinec, š.p.o.*	17	0	-
Moravskoslezský kovošrot, a.s., *	31	-	-
H & S PROGRESS, s.r.o.	4	0	0
METALURGIA S.A.*	1	-	-
Hanácké železárny a pérovny, a.s.	2	0	-
Total	2 251 490	2 095 206	2 749 385
Receivables – controlling entity			
TRISIA, a.s.	60	0	0
Total	60	0	0
Other intercompany receivables			
Strojírny Třinec, a.s.	0	0	3 278
VESUVIUS ČR, a.s.	0	8 000	8 113
ZAMECZEK BŁOGOCICE Sp. z o.o.	0	40 757	<u> </u>
Total	0	48 757	11 391
Total short-term intercompany receivables	2 251 550	2 143 963	2 760 776
Other than intercompany receivables	320 382	343 200	103 887
· /	5 5	0.0	5 ,

^{*} 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. The following companies became part of the group: Moravskoslezský kovošrot, a.s. Praha on 12 February 2009 and METALUR-GIA S.A. on 16 September 2009.

Long-Term Receivables (CZK thousand)

CER (Housain			
Company name	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Long-term receivables			
Receivables – controlling entity			
TRISIA, a.s.	5 000	0	0
Total long-term intercompany receivables	5 000	0	0
Other than intercompany receivables	2 942	3 656	2 549
Total long-term receivables	7 942	3 656	2 549

4.4.4. Pledged Receivables

None of the Company's receivables were pledged.

4.5. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Cash	1 649	1 016	1 483
Current accounts	1 633 389	36 998	921 422
Current accounts – special-purpose funds of the received state aid	0	0	35 444
Short-term securities and equity investments	16 058	2 112 472	2 240 719
Total current financial assets	1 651 096	2 150 486	3 199 068

Short-term securities and equity investments as of 31 December 2009 include tradable securities in the aggregate amount of CZK 16,058 thousand.

Short-term securities and equity investments as of 31 December 2008 included depository notes of Komerční banka, a.s. of CZK 774,051 thousand, of ČSOB, a.s. of CZK 25,001 thousand, of Raiffeisenbank, a.s. of CZK 610,033 thousand, of Česká spořitelna of CZK 688,038 thousand, and tradable securities of CZK 15,349 thousand

Short-term securities and equity investments as of 31 December 2007 included depository notes of Komerční banka, a.s. of CZK 1,195,145 thousand, of Raiffeisenbank, a.s. of CZK 300,090 thousand, of HSBC Bank plc. of CZK 101,010 thousand, of Citibank, a.s. of CZK 69,007 thousand, of ČSOB, a.s. of CZK 558,259 thousand and tradable securities in the aggregate amount of CZK 17,208 thousand.

4.6. DEFERRED EXPENSES AND ACCRUED INCOME

(CZK thousand)

(C7K thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Deferred expenses	55 588	72 381	91 516
Deferred expenses – lease contracts	64	4 079	9 983
Studies, projects, interest, subscription prepayments, right to use, lease of forklifts	55 524	68 302	81 533
Complex deferred expenses	6 718	14 356	30 399
Accrued income	43	685	205
Total deferred expenses and accrued income	62 349	87 422	122 120

As of 31 December 2009 deferred expenses principally consisted of deferred right to use new technologies and deferred lease instalments of forklifts. Complex deferred expenses primarily consist of deferred implementation of information systems.

4.7. SHAREHOLDERS' EQUITY

Allocations to the statutory reserve fund are made at 5% of net profits until the fund reaches 20% of the Company's share capital, that is, the level required by law. Gains and losses from revaluation comprise the gain or loss from the revaluation of available-for-sale securities, net of the deferred tax liability.

At the General Meeting held on 22 June 2009, a decision was made on the allocation of profit for 2008 in the amount of CZK 1,204,420 thousand as follows:

	(OZIC thousand)
Allocation to the statutory reserve fund	60 221
Retained earnings	1 144 199

The General Meeting decided not to declare dividends for 2008 and 2007. Gross dividends for 2006 amounted to CZK 250 per share.

On 27 September 2009, the payment of dividends for 2004 declared by the General Meeting of the Company held on 27 June 2005 which were due on 27 September 2005 became statute barred. The amount of these dividends of CZK 2,216 thousand was written off to other financial income.

4.7.1. Share Capital

The Company's share capital is composed of 8,109,863 ordinary registered shares, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share. The Extraordinary General Meeting held on 19 November 2007 approved a change of the book-entry to the certificate form of shares. The change of the form of the Company's shares was registered in the Register of Companies on 13 December 2007.

On 17 December 2009, the Company's shares in the certificate form which were not collected by their owners after the change of the book-entry to the certificate form of shares were auctioned. As of 31 December 2009, the number of uncollected shares was 245. These shares could not be auctioned, as they had been pledged as collateral by their owners in favour of third parties.

4.8. RESERVES (CZK thousand)

	Reserves under s	pecial legislation		
	Reserve for repairs of tangible FA	Reserve for restoration	Other reserves	Total reserves
Balance at 31 Dec 2006	234 750	1 971	242 363	479 084
Creation	11 250	257	235 368	246 875
Use	156 000	330	33 572	189 902
Balance at 31 Dec 2007	90 000	1 898	444 159	536 057
Creation	0	135	443 614	443 749
Use	45 000	376	532 066	577 442
Balance at 31 Dec 2008	45 000	1 657	355 707	402 364
Creation	0	29	132 967	132 996
Use	45 000	0	337 333	382 333
Balance at 31 Dec 2009	0	1 686	151 341	153 027

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, real estate transfer tax, additionally assessed taxes, employee bonuses, and losses incurred in connection with concluded long-term contracts.

4.9. PAYABLES

4.9.1. Long-Term Payables

Long-term trade payables include the aggregate amount of CZK 11,860 thousand relating to retentions from suppliers under concluded contracts.

4.9.2. Deferred Income Tax

The deferred tax liability is analysed as follows:

(CZK thousand)

Deferred tax arising from	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Difference between tax and accounting carrying value of fixed assets	-4 208 620	-4 217 310	-4 019 885
Revaluation of available-for-sale securities	20	20	0
Accounting reserves	151 101	355 616	444 139
Provisions	1 517 343	1 093 116	329 790
Expenses that are tax deductible in the following periods	93 707	9 123	64 583
Tax losses carried forward	998 107	0	0
Total	-1 448 342	-2 759 435	-3 181 373
Tax rate (in %)	19	20, 19	21, 19
Deferred tax liability	-275 185	-511 589	-594 206

(CZK thousand)

Analysis of movements	
1 January 2009	-511 589
Current changes charged against the profit and loss account	236 404
Current changes charged against equity	0
31 December 2009	-275 185

4.9.3. Income Tax on Ordinary and Extraordinary Activities

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Profit before tax	-953 678	1 517 170	4 523 727
Tax at the domestic income tax rate of 20 % (21 %, 24 %)	0	318 606	1 085 694
Tax effect of expenses that are not deductible in determining taxable profit	0	78 911	-116 220
Deferred tax liability	-236 404	-82 630	-89 848
Additional taxes assessed for prior years	14 262	-2 137	10 987
Total income tax on ordinary and extraordinary activities	-222 142	312 750	890 613

4.9.4. Short-Term Payables

(CZK thousand)

			,
	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Short-term payables			
- suppliers	2 833 141	3 108 662	2 726 759
- bills of exchange to be settled	0	0	26 620
Totals	2 833 141	3 108 662	2 753 379

Aging of short-term trade payables

(CZK thousand)

Period	Category	Before due date		Past due date				
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and greater	
2009	Short-term	2 772 858	60 241	42	0	0	0	2 833 141
2008	Short-term	3 063 898	44 722	40	2	0	0	3 108 662
2007	Short-term	2 724 083	26 952	2 051	293	0	0	2 753 379

Payables typically fall due for settlement within 30 days. Significant payables past due more than 90 days predominantly arise from offset agreements in progress.

Other Payables

As of 31 December 2009, payables arising from social security and the state employment policy contribution amounted to CZK 43,917 thousand, health insurance payables totalled CZK 19,146 thousand, and pension insurance payables totalled CZK 2,215 thousand. The Company has no past due social security or health insurance payables.

The category "State – tax payables and subsidies" principally comprises payables arising from the personal income tax and received research and development subsidies under which the Company received CZK 7,446 thousand for operating activities in 2009. The subsidies received from the Employment Office amounted to CZK 214 thousand.

Estimated payables mainly consist of unbilled supplies of inventory, unbilled supplies of work and services and an estimated amount for outstanding vacation days and annual bonuses including insurance.

Other payables primarily comprise payables arising from the acquisition of equity investments, principal amounts and deductions from employee salaries.

4.9.5. Intercompany and Other than Intercompany Payables

Short-Term Payables (CZK thousand)

Company name	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
• Trade payables			
Doprava TŽ, a.s.	7 492	4 665	5 571
ENERGETIKA TŘINEC, a.s.	256 246	209 846	196 831
Hutnictví železa, a.s.	571	620	594
Šroubárna Kyjov, spol. s r.o.	450	140	-
MORAVIA STEEL a.s.	1 438 628	1 903 926	1 173 314
REFRASIL, s.r.o.	42 783	27 282	33 670
Řetězárna Česká Ves, a.s.	319	87	23
Slévárny Třinec, a.s.	0	1 119	5 033
TRIALFA, s.r.o.	14 178	15 771	17 038
TRISIA, a.s.	1 308	3 659	3 890
TŘINECKÁ PROJEKCE, a.s.	1 679	1 750	12 693
Třinecké gastroslužby, s.r.o.	4 927	6 048	8 270
Strojírny Třinec, a.s.	125 257	850	63 598
Sochorová válcovna TŽ, a.s.	9 647	7 120	12 556
VESUVIUS ČR, a.s.	5 828	3 118	17 168
Beskydská golfová, a.s.	0	16	18
D5, akciová společnost	109 913	85 779	-
VALCOVNA TRUB TŽ, a.s.	20 534	476	5 719
VÚHŽ, a.s.	4 270	1 673	649
Moravia Security, a.s.	4 339	4 929	-
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	41	1 633	0
Moravskoslezský kovošrot , a.s. *	83 353	-	-
Soukromá střední škola Třinec, š.p.o.*	1 128	0	-
METALURGIA S.A.*	20	-	-
ZAMECZEK BŁOGOCICE Sp. z o.o.	1 289	0	-
KAPA, o.p.s.	20	20	0
Total	2 134 220	2 280 527	1 556 635
Other intercompany payables			
Strojírny Třinec, a.s.	235 584	0	0
ZAMECZEK BŁOGOCICE Sp. z o.o.	5 559	-	-
Total	241 143	0	0
Total short-term intercompany payables	2 375 363	2 280 527	1 556 635
Other than intercompany payables	1 137 884	1 272 588	2 141 329
Total short-term payables	3 513 247	3 553 115	3 697 964

^{*} 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. The following companies became part of the group: Moravskoslezský kovošrot, a.s. Praha on 12 February 2009 and METALUR-GIA S.A. on 16 September 2009.

Long-Term Pavables (CZK thousand)

2018 141111 147 40140					
Company name	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007		
Long-term payables					
Trade payables					
Strojírny Třinec, a.s.	163	0	850		
D5, akciová společnost	4 125	5 400	-		
Refrasil, s.r.o.	1 843	0	0		
Total long-term intercompany payables	6 131	5 400	850		
Other than intercompany payables	290 914	520 120	618 740		
Total long-term payables	297 045	525 520	619 590		

4.9.6. Bank Loans

Long-Term Bank Loans (CZK thousand)

Type of loan	Currency	Balance	Balance	Balance	Interest rate %	Form of collateral at 31 Dec 2009
		at 31 Dec	at 31 Dec	at 31 Dec		
		2009	2008	2007		
Investment	EUR	0	О	3 113	6M EURIBOR + 0.6	ÖKB guarantee insurer
Investment	EUR	232 264	339 143	490 143	6M EURIBOR + o.6	Hermes guarantee insurer
Investment	EUR	0	0	17 633	6M EURIBOR + 0.75	Hermes guarantee insurer
Investment	EUR	0	3 995	32 960	6M EURIBOR + 0.625	SACE guarantee insurer
Investment	EUR	13 366	22 668	31 370	6M EURIBOR + o.6	SACE guarantee insurer
Investment	CZK	0	0	50 000	6M PRIBOR + 1.25	Real estate, collateral bill of exchange, LoC MS
Investment	CZK	0	15 773	78 867	FIX 3.76	Immovable and movable assets, blank bill of exchange
Investment	CZK	0	18 000	54 000	3M PRIBOR + 1.65	Movable assets, guarantee statement of MS
Investment	CZK	15 000	45 000	75 000	FIX 4.3	Movable assets, guarantee statement of MS
Investment	CZK	100 000	144 444	188 889	FIX 4.65	Immovable and movable assets, guarantee statement of MS, blank
						bill of exchange
Total		360 630	589 023	1 021 975		

Short-Term Bank Loans (CZK thousand)

Type of loan	Currency	Balance	Balance	Balance	Interest rate %	Form of collateral at 31 Dec 2009
		at 31 Dec	at 31 Dec	at 31 Dec		
		2009	2008	2007		
Investment	EUR	0	3 150	7 326	6M EURIBOR + o.6	ÖKB guarantee insurer
Investment	EUR	101 023	148 220	153 565	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	EUR	0	17 838	17 633	6M EURIBOR + 0.75	Hermes guarantee insurer
Investment	EUR	0	0	6 897	6M EURIBOR + 0.7	CESCE guarantee insurer
Investment	EUR	0	0	6 105	6M EURIBOR + 0.5	SACE guarantee insurer
Investment	EUR	3 926	29 349	29 012	6M EURIBOR + 0.625	SACE guarantee insurer
Investment	EUR	8 911	9 067	8 963	6M EURIBOR + 0.6	SACE guarantee insurer
Investment	CZK	0	50 000	40 000	6M PRIBOR + 1.25	Real estate, collateral bill of exchange, LoC MS
Investment	CZK	15 773	63 094	63 094	FIX 3.76	Immovable and movable assets, blank bill of exchange
Investment	CZK	18 000	36 000	36 000	3M PRIBOR + 1.65	Movable assets, guarantee statement of MS
Investment	CZK	30 000	30 000	30 000	FIX 4.3	Movable assets, guarantee statement of MS
Investment	CZK	44 444	44 444	44 444	FIX 4.65	Immovable and movable assets, guarantee statement of MS, blank bill of exchange
Total		222 077	431 162	443 039		

Repayment Schedule (CZK thousand)

Years	2010	2011	2012	2013	2014	Following periods	Total
Loan instalments	222 077	152 941	129 872	66 982	10 835	0	582 707

4.10. DETAILS OF INCOME (CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Proceeds of the sale of goods	3 446	10 217	5 969
Proceeds of the sale of products and services, of which:	24 312 719	37 084 851	35 546 658
- Products	23 647 995	36 382 871	34 858 579
Other*	-7 265	1 858 931	1 288 265
Total sales of goods and products	24 308 900	38 252 019	36 152 813

 $^{{}^*}Under\ the\ item\ of\ ``Other"\ the\ Company\ reports\ sales\ of\ energy,\ services,\ change\ in\ internally\ developed\ inventory\ and\ own\ work\ capitalised.$

4.11. Consumed Purchases and Products Sold

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Consumed material	17 349 135	27 253 428	23 508 024
Consumed energy	2 288 441	2 356 461	2 199 551
Goods sold	3 352	9 944	5 651
Total consumed purchases	19 640 928	29 619 833	25 713 226

4.12. SERVICES (CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Repairs and maintenance	1 070 190	1 271 277	1 103 160
Transportation expenses	271 865	325 546	315 735
Cooperation	44 497	110 498	150 340
Leasing	7 589	20 141	35 168
Right of use	28 821	33 028	33 030
Promotion	86 269	119 598	99 202
Rental, leases	34 202	91 922	98 153
Cleaning services	52 376	60 296	57 798
Gas and oil distribution	55 605	61 176	56 879
Audit services	24 423	32 347	27 539
Other services	585 846	567 566	495 754
Total	2 261 683	2 693 395	2 472 758

Other services primarily include security guard services, expert and consulting services, services related to the disposal and demolition of assets, lease of facilities, training and telecommunication services.

4.13. OTHER OPERATING INCOME

As of 31 December 2009, other operating income of the Company mainly involved the subsidy related to the use of greenhouse emission allowances of CZK 703,521 thousand.

4.14. SUBSIDIES

Other subsidies for operating purposes of CZK 7,660 thousand utilised for the year ended 31 December 2009 (CZK 4,832 thousand and CZK 591 thousand in 2008 and 2007, respectively) included subsidies for research purposes and subsidies from the Employment Office.

4.15. OTHER OPERATING EXPENSES

As of 31 December 2009, other operating expenses primarily reflect the use of greenhouse emission allowances of CZK 703,521 thousand and a write-off of a receivable from VT DIOSS due to the completion of bankruptcy proceedings of CZK 245,430 thousand.

4.16. Other Financial Income

(CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Foreign exchange rate gains	77 305	113 387	90 000
Sundry financial income	3 621	3 874	2 828
Total	80 926	117 261	92 828

4.17. OTHER FINANCIAL EXPENSES

(CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Foreign exchange rate losses	67 060	118 192	77 083
Banking fees	1 773	2 403	2 817
Sundry financial expenses	7 266	63 800	4 671
Total	76 099	184 395	84 571

As of 31 December 2008, the financial expenses reflected the write-off of an equity interest in MS-UNIKOV OSTRAVA s.r.o. in the amount of CZK 52,000 thousand due to the completion of the bankruptcy proceedings.

4.18. RESEARCH AND DEVELOPMENT COSTS

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Research and development costs (net of subsidies)	44 304	53 345	89 183

4.19. RELATED PARTY TRANSACTIONS

4.19.1. Income Generated with Related Parties

2009 (CZK thousand)

2009							(CZK tilousaliu)
Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	122	54 712	4 211	79	0	59 124
ENERGETIKA TŘINEC, a.s.	Controlled entity	492	290 579	44 876	1 650	0	337 597
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	206	0	0	206
MORAVIA STEEL a.s.	Controlling entity	197	19 364 538	170 139	1 930	0	19 536 804
REFRASIL, s.r.o.	Controlled entity	26	360	5 289	839	0	6 514
Řetězárna Česká Ves, a.s.	Controlled entity	0	0	1 219	19	0	1 238
Slévárny Třinec, a.s.	Controlled entity	134	177 764	20 388	14 117	0	212 403
TRIALFA, a.s.	Controlled entity	0	28 164	4 834	1 002	0	34 000
TRISIA, a.s.	Controlled entity	0	0	82	0	60	142
SILESIASLAG, a.s.	Controlled entity	0	0	24	0	0	24
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	0	613	1	0	614
Třinecké gastroslužby, s.r.o.	Controlled entity	11	0	3 257	913	0	4 181
Strojírny Třinec, a.s.	Controlled entity	787	285 823	22 701	7 920	0	317 231
VESUVIUS ČR, a.s.	Controlled entity	0	0	7 418	0	0	7 418
Sochorová válcovna TŽ, a.s.	Controlled entity	614	2 212 286	9 294	115	0	2 222 309
FERROMORAVIA, s.r.o.	Controlled entity	0	417 712	2 019	1	0	419 732
Beskydská golfová, a.s.	Fellow subsidiary	0	176	97	0	0	273
Steel Consortium Partners, a.s.	Controlled entity	0	0	60	0	0	60
VÁLCOVNA TRUB TŽ, a.s.	Controlled entity	602	696 502	6 672	144	0	703 920
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	0	2 637	88	0	2 725
Moravia Security, a.s.	Controlled entity	33	0	1 014	19	0	1 066
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	0	859	2	0	861
D5, akciová společnost	Controlled entity	199	546	13 436	7 044	326	21 551
VÚHŽ, a.s.	Controlled entity	99	0	280	956	0	1 335
H & S PROGRESS, s.r.o.	Controlled entity	0	0	3	0	0	3
Soukromá střední škola, š.p.o.	Controlled entity	2	6	282	32	0	322
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	0	0	528	528
Hanácké železárny a pérovny, a.s.	Fellow subsidiary	0	0	14	0	0	14
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	0	750	104	0	854
METALURGIA S.A.	Controlled entity	0	0	0	1	0	1
Total		3 318	23 529 168	322 674	36 976	914	23 893 050

Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	63	91 804	4 417	54	3 000	99 338
ENERGETIKA TŘINEC, a.s.	Controlled entity	1 405	317 834	39 362	2 542	0	361 143
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	213	О	0	213
MORAVIA STEEL a.s.	Controlling entity	208	28 657 470	168 566	1 922	0	28 828 166
REFRASIL, s.r.o.	Controlled entity	15	665	5 719	1 278	15 300	22 977
Řetězárna a.s.	Controlled entity	0	0	2 089	32	9 690	11 811
Slévárny Třinec, a.s.	Controlled entity	447	481 752	28 082	31 909	0	542 190
TRIALFA, s.r.o.	Controlled entity	33	61 982	4 984	1 358	0	68 357
TRISIA, a.s.	Controlled entity	0	0	68	70	0	138
SILESIASLAG, a.s.	Controlled entity	0	0	21	0	0	21
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	0	651	8	375	1 034
Třinecké gastroslužby, s.r.o.	Controlled entity	13	0	3 010	1 002	0	4 025
Strojírny Třinec, a.s.	Controlled entity	4 274	517 867	25 790	10 055	70 050	628 036
VESUVIUS ČR, a.s.	Controlled entity	0	0	7 708	54	45 255	53 017
Sochorová válcovna TŽ, a.s.	Controlled entity	688	4 393 405	10 320	124	0	4 404 537
FERROMORAVIA, s.r.o.	Controlled entity	0	1 133 884	2 223	О	0	1 136 107
Beskydská golfová, a.s.	Controlled entity	0	0	169	2	0	171
Steel Consortium Partners, a.s.	Controlled entity	0	0	57	О	0	57
VÁLCOVNA TRUB TŽ, a.s.	Controlled entity	601	653 483	6 562	117	0	660 763
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	0	139	714	0	853
Moravia Security, a.s.	Controlled entity	490	0	589	47	0	1 126
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	154	238	409	0	801
D5, akciová společnost, Třinec	Controlled entity	412	453	8 575	7 007	0	16 447
VÚHŽ a.s.	Controlled entity	1 103	46	86	3 788	0	5 023
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	0	0	614	614
H & S PROGRESS, s.r.o.	Controlled entity	0	0	0	О	15 000	15 000
Total		9 752	36 310 799	319 638	62 492	159 284	36 861 965

2007 (CZK thousand)

Entity	Relation to the Company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	12	104 189	4 012	84	0	108 297
ENERGETIKA TŘINEC, a.s.	Controlled entity	333	315 337	35 365	4 631	0	355 666
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	199	0	0	199
MORAVIA STEEL a.s.	Controlling entity	222	27 053 927	167 507	2 562	79 985	27 304 203
REFRASIL, s.r.o.	Controlled entity	12	686	5 142	1 425	0	7 265
Řetězárna Česká Ves, a.s.	Controlled entity	0	0	2 672	42	0	2 714
Slévárny Třinec, a.s.	Controlled entity	195	453 082	27 035	38 966	0	519 278
TRIALFA, a.s.	Controlled entity	7	58 434	4 022	2 210	0	64 673
TRISIA, a.s.	Controlled entity	9	0	3 776	1 160	0	4 945
SILESIASLAG, a.s.	Controlled entity	0	0	46	0	0	46
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	0	724	1	0	725
Třinecké gastroslužby, s.r.o.	Controlled entity	8	0	3 776	1 160	0	4 944
Strojírny Třinec, a.s.	Controlled entity	206	464 546	31 471	15 779	251	512 253
VESUVIUS ČR, a.s.	Controlled entity	0	0	7 202	40	0	7 242
Sochorová válcovna TŽ, a.s.	Controlled entity	437	4 279 506	11 041	14 262	14	4 305 260
FERROMORAVIA, s.r.o.	Controlled entity	0	1 047 354	1 367	45	0	1 048 766
VÚHŽ, a.s.	Controlled entity	39	12	68	1 940	0	2 059
Steel Consortium Partners, a.s.	Controlled entity	0	0	51	0	0	51
Beskydská golfová, a.s.	Fellow subsidiary	0	0	153	0	0	153
VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s.	Controlled entity	358	1 001 518	6 172	1 290	0	1 009 338
Total		1 838	34 778 591	311 801	85 597	80 250	35 258 077

4.19.2. Purchases

Entity	Type of entity	Fixed assets	Inventory including energy	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	13	542	57 088	0	57 643
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	1 732 163	94 240	0	1 826 403
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	200	0	200
MORAVIA STEEL a.s.	Controlling entity	3	12 526 431	264 145	37 895	12 828 474
REFRASIL, s.r.o.	Controlled entity	18 429	103 108	141 732	0	263 269
Řetězárna Česká Ves, a.s.	Controlled entity	0	3 880	0	0	3 880
Slévárny Třinec, a.s.	Controlled entity	1 556	55 383	648	0	57 587
TRIALFA, a.s.	Controlled entity	0	9 670	15 725	49 113	74 508
TRISIA, a.s.	Controlled entity	0	0	11 996	0	11 996
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	9 906	0	6 070	0	15 976
Třinecké gastroslužby, s.r.o.	Controlled entity	0	10 176	1 427	48 535	60 138
Strojírny Třinec, a.s.	Controlled entity	599 532	287 331	157 783	6 129	1 050 775
VESUVIUS ČR, a.s.	Controlled entity	0	0	54 707	0	54 707
Sochorová válcovna TŽ, a.s.	Controlled entity	1 281	43 161	13 093	8 681	66 216
Beskydská golfová, a.s.	Fellow subsidiary	0	0	7 047	0	7 047
VÁLCOVNA TRUB TŽ, a.s.	Controlled entity	5	124 577	0	0	124 582
Hutnictví železa, a.s.	Controlled entity	0	0	6 040	0	6 040
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	1 673	0	0	1 673
Moravia Security, a.s.	Controlled entity	188	41 469	0	0	41 657
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	38	0	9 002	0	9 040
D5, akciová společnost	Controlled entity	128 472	14 479	352 048	36	495 035
VÚHŽ, a.s.	Controlled entity	2 646	1 476	5 613	0	9 735
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	0	642 388	0	0	642 388
Soukromá střední škola, š.p.o.	Controlled entity	0	20	2 840	0	2 860
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 279	0	1 279
METALURGIA S.A.	Controlled entity	0	0	20	0	20
FERROMORAVIA, s.r.o.	Controlled entity	0	17	0	0	17
Total		762 069	15 597 944	1 202 743	150 389	17 713 145

2008 (CZK thousand)

Entity	Type of entity	Fixed assets	Inventory including energy	Services	Other expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	705	65 166	0	65 871
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	1 768 316	100 218	0	1 868 534
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	200	0	200
MORAVIA STEEL a.s.	Controlling entity	7	21 945 468	307 961	39 330	22 292 766
REFRASIL, s.r.o.	Controlled entity	0	100 769	151 418	0	252 187
Řetězárna a.s.	Controlled entity	0	1 558	4	0	1 562
Slévárny Třinec, a.s.	Controlled entity	479	129 135	690	0	130 304
TRIALFA, s.r.o.	Controlled entity	0	12 611	20 870	69 236	102 717
TRISIA, a.s.	Controlled entity	0	0	20 670	150	20 820
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	9 275	11	6 173	0	15 459
Třinecké gastroslužby, s.r.o.	Controlled entity	0	12 414	2 252	45 344	60 010
Strojírny Třinec, a.s.	Controlled entity	93 784	341 744	177 084	54	612 666
VESUVIUS ČR, a.s.	Controlled entity	0	0	57 955	0	57 955
Sochorová válcovna TŽ, a.s.	Controlled entity	0	69 288	42 526	4 023	115 837
Beskydská golfová, a.s.	Controlled entity	0	0	1 630	0	1 630
VÁLCOVNA TRUB TŽ, a.s.	Controlled entity	0	83 380	0	0	83 380
Hutnictví železa, a.s.	Controlled entity	0	0	6 021	0	6 021
Šroubárna Kyjov, spol. s. r.o.	Controlled entity	0	830	0	0	830
Moravia Security, a.s.	Controlled entity	0	0	25 406	39	25 445
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	1	8 552	О	8 553
D5, akciová společnost, Třinec	Controlled entity	63 760	17 251	208 143	0	289 154
VÚHŽ a.s.	Controlled entity	205	224	9 951	0	10 380
Total		167 510	24 483 705	1 212 890	158 176	26 022 281

2007 (CZK thousand)

Entity	Type of entity	Fixed assets	Inventory including	Services	Other expenses	Total
			energy			
Doprava TŽ, a.s.	Controlled entity	0	608	69 669	0	70 277
ENERGETIKA TŘINEC, a.s.	Controlled entity	154	1 719 392	29 534	0	1 749 080
Hutnictví železa, a. s.	Controlled entity	0	О	5 988	0	5 988
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	0	О	204	0	204
MORAVIA STEEL a.s.	Controlling entity	37	19 536 392	239 754	40 836	19 817 019
REFRASIL, s.r.o.	Controlled entity	0	238 219	0	0	238 219
Řětězárna Česká Ves, a.s.	Controlled entity	0	1 380	0	0	1 380
Slévárny Třinec, a.s.	Controlled entity	1 238	115 404	497	0	117 139
TRIALFA, s.r.o.	Controlled entity	0	12 723	17 062	68 019	97 804
TRISIA, a.s.	Controlled entity	0	0	28 763	148	28 911
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	22 911	17	4 869	0	27 797
Třinecké gastroslužby, s.r.o.	Controlled entity	0	11 886	2 246	43 062	57 194
Strojírny Třinec, a.s.	Controlled entity	46 561	288 108	189 484	47	524 200
VESUVIUS ČR, a.s.	Controlled entity	80	0	63 477	0	63 557
Sochorová válcovna TŽ, a.s.	Controlled entity	0	32 603	42 142	3 859	78 604
VÚHŽ, a.s.	Controlled entity	127	698	2 206	0	3 031
VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s.	Controlled entity	0	35 529	125	0	35 654
FERROMORAVIA, s.r.o.	Controlled entity	0	67	0	0	67
Beskydská golfová, a.s.	Fellow subsidiary	0	0	1 983	4	1 987
Total		71 108	21 993 026	698 003	155 975	22 918 112

4.19.3. Sale of Fixed Assets and Non-Current Financial Assets

Entity	Relation	Tangible fixed assets		
	to the Company	Net Book Value	Selling price	
D ₅ , akciová společnost	Controlled entity	0	7	
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	1	
Doprava TŽ, a.s.	Controlled entity	129	43	
Total		129	51	

2008 (CZK thousand)

Entity	Relation	Tangible fi	xed assets
	to the Company	Net Book Value	Selling price
Šroubárna Kyjov, spol. s r.o.	Controlled entity	624	610
Total		624	610

2007 (CZK thousand)

Entity	Relation	Non-current fi	nancial assets	Tangible fi	xed assets
	to the Company	Net Book Value	Selling price	Net Book Value	Selling price
MORAVIA STEEL a.s.	Controlling entity	93 048	79 985	0	0
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	0	0	44
Strojírny Třinec, a.s.	Controlled entity	0	0	371	385
Sochorová válcovna TŽ, a.s	Controlled entity	0	0	10 164	10 700
Total		93 048	79 985	10 535	11 129

5. Employees, Management and Statutory Bodies

5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees, managers and staff costs included in the results of operations for the years ended 31 December 2009, 2008 and 2007 are as follows:

31 December 2009 (CZK thousand)

3						(,
	Number	Wages and salaries	Social security and health insurance, incl. pension insur- ance contributions	Bonuses to the members of stat. bodies	Social costs	Total staff costs
Employees	5 313	1 565 809	530 080	1 272	74 974	2 172 135
Foreign employees	0	35	1 343	11 107	79 850	92 335
Management	6	38 245	7 900	2 629	83	48 857
– Management remuneration for 2009	0	38 245	7 900	2 629	83	48 857
- bonuses for 2008	0	0	0	0	0	0
Estimated amounts for outstanding vacation days and bonuses	0	10 495	3 502	0	0	13 997
Total	5 319	1 614 584	542 825	15 008	154 907	2 327 324

31 December 2008 (CZK thousand)

	Number	Wages and salaries	Social security and health insurance, incl. pension insur- ance contributions	Bonuses to the members of stat. bodies	Social costs	Total staff costs
Employees	5 533	1 809 348	640 012	663	79 230	2 529 253
Foreign employees	0	243	1 635	15 537	125 782	143 197
Management	6	60 227	6 239	2 328	99	68 893
– Management remuneration for 2008	0	59 227	6 135	2 328	99	67 789
- bonuses for 2007	0	1 000	104	0	0	1 104
Estimated amounts for outstanding vacation days and bonuses	0	-41 081	-14 379	0	0	-55 460
Total	5 539	1 828 737	633 507	18 528	205 111	2 685 883

31 December 2007 (CZK thousand)

51 December 2007						
	Number	Wages and salaries	Social security and health insurance, incl. pension insur- ance contributions	Bonuses to the members of stat. bodies	Social costs	Total staff costs
Employees	5 422	1 728 251	632 242	1 272	74 478	2 436 243
Foreign employees	0	279	1 695	15 216	123 618	140 808
Management	6	33 062	11 602	2 376	65	47 105
- Management remuneration for 2007	0	26 881	9 439	2 376	65	38 761
- bonuses for 2006	0	6 181	2 163	0	0	8 344
Estimated amounts for outstanding vacation days and bonuses	0	10 342	3 620	0	0	13 962
Total	5 428	1 771 934	649 159	18 864	198 161	2 638 118

The number of employees is based on the average recalculated headcount. The category of management includes the Chief Executive Officer and divisional directors.

Summary of Total Remuneration

(CZK thousand)

	Board of Directors	Supervisory Board
Remuneration for 2009	3 480	11 528
Remuneration for 2008	3 480	15 048
Remuneration for 2007	3 576	15 288

5.2. Loans, Borrowings, and Other Benefits Provided

31 December 2009 (CZK thousand)

	Board of Directors	Supervisory Board	Management	Audit Committee
Company cars used for both business and private purposes	979	72	117	0
(the figure increases the tax base of employees)				
Liability insurance	301	456	77	24

31 December 2008 (CZK thousand)

	Board of Directors	Supervisory Board	Management
Company cars used for both business and private purposes	804	12	232
(the figure increases the tax base of employees)			
Liability insurance	438	658	146

31 December 2007 (CZK thousand)

	Board of Directors	Supervisory Board	Management
Company cars used for both business and private purposes	726	44	192
w(the figure increases the tax base of employees)			
Liability insurance	445	667	148

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS

The Company retains the following commitments off balance sheet:

31 December 2009

31 December 2009		
Type of commitment	Total amoun	nt Balance at 31 Dec 2009
Guarantee statements		
- to Group companies	EUR 48 thousan	d CZK 1,270 thousand
Guarantees		
- to other entities	USD 705 thousan	d CZK 12,951 thousand
	EUR 1,127 thousan	d CZK 29,821 thousand
	CZK 5,000 thousan	d CZK 5,000 thousand

31 December 2008

J1 2 000 movi 2000		
Type of commitment	Total amount	Balance at 31 Dec 2008
Guarantee statements		
- to Group companies	EUR 77 thousand	CZK 2,074 thousand
Guarantees		
- to other entities	USD 705 thousand	CZK 13,641 thousand
	EUR 750 thousand	CZK 20,198 thousand
	CZK 5,000 thousand	CZK 5,000 thousand

31 December 2007

31 December 2007		
Type of commitment	Total amount	Balance at 31 Dec 2007
Parent company debt acceptance	EUR 60,000 thousand	CZK 99,825 thousand
Guarantee statements		
- to Group companies	EUR 77 thousand	CZK 2,050 thousand
Guarantees		
- to other entities	USD 1,279 thousand	CZK 23,119 thousand
	EUR 750 thousand	CZK 19,965 thousand
	CZK 5,000 thousand	CZK 5,000 thousand

Environmental Liabilities

The Company was subject to an environmental audit which highlighted the Company's environmental obligations. Based upon the audit, the Company entered into an agreement with the National Property Fund of the Czech Republic for the settlement of expenses involved in removing environmental liabilities up to CZK 514 million that had arisen prior to privatisation. As of 31 December 2009, 2008 and 2007, the Company drew CZK 375,465 thousand, CZK 335,735 thousand and CZK 299,316 thousand, respectively.

Given the amendment to this contract concluded on 3 November 2008 with the Czech Republic – the Ministry of Finance, the guarantee of the Ministry is capped at CZK 843.6 million. This guarantee covers environmental liabilities of the Company. For this reason, the Company does not create the reserve for environmental burdens.

7. Post Balance Sheet Events

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



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Name of the Company:	TŘINECKÉ ŽELEZÁRNY, a. s.
Registered Office:	Průmyslová 1000, 739 70 Třinec-Staré Město
Legal Status:	Joint Stock Company
Corporate ID:	18050646

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 consolidated financial statements were prepared on 6 April 2010.

Statutory body of the reporting entity:	Signature
Jiří Cieńciała Chairman of the Board of Directors	Frincis E
Rostislav Wozniak Second Vice Chairman of the Board of Directors	Muf

CONSOLIDATED BALANCE SHEET - FULL VERSION

	31/12/2009 31/12				31/12/2008	/2008 31/12/2007		
		Gross	Adjustment	Net	31/12/2008 Net	Net		
	TOTAL ASSETS	49 913 814	-23 385 145	26 528 669	29 196 641	27 524 726		
)	Fixed assets							
B. I.	Intangible fixed assets	36 743 498	-21 664 809	15 078 689	15 639 253 82 389	13 686 129		
2.	_ , , , ,	387 693 6 243	-255 489 -2 828	132 204		79 432		
	Software	228 069	-206 497	3 415 21 572	4 325 30 527	38 616		
3.	Valuable rights	-						
4.	Goodwill	78 443	-45 629	32 814	36 462 0	39 951		
5.	Other intangible fixed assets	376	-376			0		
6.		74 562	-159	74 403	9 660	0		
7· 8.		0	0	0	1 280	865		
		0	0	0	135	0		
II.	Tangible fixed assets	35 766 208	-21 370 876	14 395 332	14 803 222	13 326 420		
1.		462 330	0	462 330	462 337	389 046		
2.		9 096 449	-4 540 955	4 555 494	4 362 014	3 980 729		
3.	Individual movable assets and sets of movable assets	25 351 413	-16 813 290	8 538 123	8 922 582	7 726 207		
6.	0	4 741	-1 297	3 444	3 101	3 032		
7.	Tangible fixed assets under construction	723 697	-15 334	708 363	958 218	1 010 297		
8.	Prepayments for tangible fixed assets	127 578	0	127 578	94 970	217 289		
9.	Valuation difference on acquired assets	0	0	0	0	-180		
III.	Non-current financial assets	226 997	-38 444	188 553	142 282	121 522		
1.	1 /	174 707	-18 597	156 110	109 034	85 884		
2.	1 /	28 719	-16 370	12 349	12 720	13 273		
3.		245	0	245	241	241		
5.	Other non-current financial assets	19 850	-1	19 849	20 198	19 965		
6.	1	3 476	-3 476	0	89	2 159		
IV.	Consolidation differences (goodwill)	0	0	0	190 041	-217 905		
1.	Positive consolidation difference (goodwill)	0	0	0	190 041	44 540		
2.	Negative consolidation difference (goodwill)	0	0	О	0	-262 445		
V.	Securities and equity interests under equity accounting	362 600	0	362 600	421 319	376 660		
C.	Current assets	13 082 360	-1 720 336	11 362 024	13 441 701	13 703 092		
I.	Inventories	7 542 431	-1 554 293	5 988 138	7 682 503	6 656 791		
1.	Material	3 118 382	-227 686	2 890 696	3 703 253	2 874 382		
2.	Work in progress and semifinished goods	2 757 361	-879 255	1 878 106	2 533 116	2 310 258		
3.	Products	1 634 575	-444 707	1 189 868	1 427 900	1 458 582		
5.	Goods	24 630	-1 354	23 276	12 502	13 044		
6.	Prepayments for inventory	7 483	-1 291	6 192	5 732	525		
II.	Long-term receivables	100 191	0	100 191	74 154	11 021		
1.	Trade receivables	9 776	0	9 776	17 578	4 838		
2.	Receivables from subsidiaries	5 000	0	5 000	0	0		
5.	Long-term prepayments made	1 069	0	1 069	1 056	765		
7.		5 189	0	5 189	7 030	5 418		
8.	Deferred tax asset	79 157	0	79 157	48 490	0		
III.	Short-term receivables	3 180 036	-166 043	3 013 993	3 177 438	3 550 589		
1.		2 848 725	-137 979	2 710 746	2 635 747	3 356 711		
2.	Receivables from subsidiaries	4 073	-4 011	62	0	0		
	Receivables from associates	20	0	20	0	0		
3.		0	0	0	0	20		
5.	State – tax receivables					70 165		
6.		120 440	0	120 440	311 194			
7.	Short-term prepayments made Estimated receivables	76 461	-835	75 626	111 397	101 224		
8.		72 421	0	72 421	57 690	4 989		
9.	Other receivables	57 896	-23 218	34 678	61 410	17 480		
IV.	Current financial assets	2 259 702	0	2 259 702	2 507 606	3 484 691		
1.		3 694	0	3 694	3 966	3 428		
2.		1 973 450	0	1 973 450	358 168	1 226 157		
3.		282 558	0	282 558	2 145 472	2 255 106		
D.	Other assets	87 956	0	87 956	115 687	135 505		
1.	1	71 346	0	71 346	93 967	104 251		
2.	1	16 465	0	16 465	18 820	30 550		
3.	Accrued income	145	0	145	2 900	704		
	Control number	199 204 700	-93 540 580	105 664 120	116 249 558	109 586 739		

CONSOLIDATED BALANCE SHEET - FULL VERSION

		31/12/2009	31/12/2008	31/12/2007
	TOTAL LIABILITIES & EQUITY	26 528 669	29 196 641	27 524 726
A.	Equity	19 818 735	20 880 911	19 473 596
I.	Share capital	8 109 863	8 109 863	8 109 863
1.	*	8 109 863	8 109 863	8 109 863
II.	Capital funds	37 091	85 994	86 285
2.	Other capital funds	87 539	86 338	86 338
3.	Gains or losses from the revaluation of assets and liabilities	-50 448	-344	-53
III.	Statutory funds	3 294 266	3 245 427	2 841 868
1.	Statutory reserve fund / Indivisible fund	919 862	847 625	636 265
2.	Statutory and other funds	2 374 404	2 397 802	2 205 603
IV.	Profit or loss of prior periods	8 734 077	7 470 813	3 842 050
	Retained earnings	8 741 737	7 470 813	3 846 913
	Accumulated losses brought forward	-7 660	0	-4 863
V.	Profit or loss for the current period, net of minority interests	-1 005 762	1 408 483	4 151 080
1.	Profit or loss for the current period	-975 491	1 319 615	4 033 317
2.	Share of income from associates	-30 271	88 868	117 763
VI.	Consolidation reserve fund	649 200	560 331	442 450
B.	Liabilities	6 394 686	7 957 687	7 721 939
I.	Reserves	207 349	506 854	649 851
1.	Reserves under special legislation	19 548	105 447	154 866
2.	Reserve for pensions and similar liabilities	4 105	0	0
3.	Income tax reserve	539	0	0
4.	Other reserves	183 157	401 407	494 985
II.	Long-term liabilities	648 313	831 303	840 169
1.	Trade payables	6 234	6 888	24 189
5.	Long-term prepayments received	0	1 360	369
9.	Other payables	10 884	1 000	0
10.	Deferred tax liability	631 195	822 055	815 611
III.	Short-term liabilities	3 762 542	4 244 367	4 343 800
1.	Trade payables	2 946 713	3 471 165	3 146 215
2.	Payables to subsidiaries	3 502	0	0
4.	Payables to partners and association members	10 961	13 511	16 346
5.	Payables to employees	340 221	390 150	322 910
6.	Social security and health insurance payables	114 887	132 553	144 618
7.	State – tax payables and subsidies	93 803	97 813	501 278
8.	Short-term prepayments received	56 545	16 711	4 162
10.	Estimated payables	161 319	86 939	186 046
11.	Other payables	34 591	35 525	22 225
IV.	Bank loans and borrowings	1 776 482	2 375 163	1 888 119
1.	Long-term bank loans	806 956	1 166 034	1 314 456
	Short-term bank loans	969 526	1 209 129	573 663
C.	Other liabilities	5 341	53 581	56 267
1.	Accrued expenses	4 637	52 936	55 222
	Deferred income	704	645	1 045
D.	Minority equity	309 907	304 462	272 924
I.	Minority share capital	83 300	10 290	10 290
II.	Minority capital funds	3 315	4 463	2
	Minority profit funds including retained earnings and accumulated losses	201 509	238 089	208 823
	Minority profit or loss for the current period	21 783	51 620	53 809
	Control number	105 150 228	115 868 190	109 327 263

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

		Year ended	Year ended	Year ended
		31/12/2009	31/12/2008	31/12/2007
I.	Sales of goods	20 365	4 028	8 530
A.	Costs of goods sold	16 161	1 631	5 488
+	Gross margin	4 204	2 397	3 042
II.	Production	28 263 051	43 430 787	40 259 987
1.	Sales of own products and services	28 140 770	41 748 530	39 389 101
2.	Change in internally produced inventory	-516 931	864 422	324 460
3.	Own work capitalised	639 212	817 835	546 426
В.	Purchased consumables and services	23 508 756	34 887 925	29 560 609
1.	Consumed material and energy	21 045 435	31 518 350	26 656 942
2.	Services	2 463 321	3 369 575	2 903 667
+	Added value	4 758 499	8 545 259	10 702 420
C.	Staff costs	3 958 448	4 588 572	4 204 916
1.	Payroll costs	2 787 420	3 153 847	2 833 313
2.	Remuneration to members of statutory bodies	26 794	29 848	30 917
3.	Social security and health insurance costs	933 480	1 098 322	1 032 430
4.	Social costs	210 754	306 555	308 256
D. 4.	Taxes and charges			
	9	11 154	20 069	20 045
E.	Depreciation of intangible and tangible fixed assets	1 647 986	1 481 143	1 371 771
KR A.	Amortisation of consolidation difference (goodwill)	121 713	79 698	1 031
KR 1.	Release of negative consolidation difference (negative goodwill)	166 684	262 445	15 822
III.	Sales of fixed assets and material	70 903	204 656	289 804
	Sales of fixed assets	6 472	38 548	43 268
2.	Sales of material	64 431	166 108	246 536
F.	Net book value of fixed assets and material sold	59 689	106 159	215 971
1.	Net book value of sold fixed assets	1 321	21 980	22 004
2.	Book value of sold material	58 368	84 179	193 967
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-196 798	727 749	-140 164
IV.	Other operating income	1 338 761	2 779 793	333 910
H.	Other operating expenses	1 777 166	2 969 990	469 289
*	Operating profit or loss	-1 044 511	1 818 773	5 199 097
VI.	Proceeds from the sale of securities and investments	0	1 438	79 985
J.	Cost of securities and investments sold	0	1 371	93 048
VII.	Income from non-current financial assets	2 374	5 417	1 145
1.	Income from subsidiaries and associates	0	4 622	375
3.	Income from other non-current financial assets	2 374	795	770
IX.	Income from the revaluation of securities and derivates	18 593	2 126	8 131
L.	Costs of the revaluation of securities and derivates	0	25 811	0
M.	Change in reserves and provisions relating to financial activities	412	-51 020	-10 562
X.	Interest income	27 631	71 514	46 977
N.	Interest expenses	78 010	119 128	115 640
XI.	Other financial income	156 865		
O.			236 124	125 198
· *	Other financial expenses	194 698	286 228	137 472
	Financial profit or loss	-67 657	-64 899	-74 162
Q.	Income tax on ordinary activities	-158 429	382 536	1 037 892
1.		63 446	494 844	1 118 677
	- deferred	-221 875	-112 308	-80 785
**	Profit or loss from ordinary activities	-953 739	1 371 338	4 087 043
XIII.	Extraordinary income	51	11	111
R.	Extraordinary expenses	20	114	0
S.	Income tax on extraordinary activities	0	0	28
	- due	0	0	28
*	Extraordinary profit or loss	31	-103	83
**	Consolidated profit or loss net of share of income of associates	-953 708	1 371 235	4 087 126
	Consolidated profit or loss net of minority interests	-975 491	1 319 615	4 033 317
	Minority profit or loss	21 783	51 620	53 809
	Profit or loss before acquisition	0	0	0
	Share of income from associates	-30 271	88 868	117 763
*	Share of filcome from associates	30 -/-		
*	Profit or loss for the current period (+/-)	-983 979	1 460 103	4 204 889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CZK THOUSAND)

CONSOLIDATED STATEM	ATED STATEMENT OF CHANGES IN EQUITY					(CZK THOUSAND)			
	Share capital	Capital funds	Statutory reserve fund	Statutory and other funds	Accumu- lated profits brought forward	Profit or loss for the cur- rent period	Consolida- tion reserve fund	Share of income of associates	TOTAL EQUITY
Balance at 31 December 2006	8 109 863	89 004	479 927	2 206 520	3 342 501	2 674 164	330 779	120 860	17 353 618
Profit for the current period	0	0	0	0	0	4 033 317	0	117 763	4 151 080
Distribution of retained earnings	0	0	154 241	0	492 457	-646 698	120 860	-120 860	0
Dividends	0	0	0	0	0	-2 027 466	0	0	-2 027 466
Revaluation of assets	0	-2 741	0	0	0	0	0	0	-2 741
Payments from the social fund	0	0	0	-920	0	0	0	0	-920
Impact of changes in the consolidation group	0	O	2 097	0	7 092	0	-9 189	0	O
Other	0	22	0	3	0	0	0	0	25
Balance at 31 December 2007	8 109 863	86 285	636 265	2 205 603	3 842 050	4 033 317	442 450	117 763	19 473 596
Profir for the current period	0	0	0	0	0	1 319 615	0	88 868	1 408 483
Distribution of retained earnings	0	0	211 360	194 281	3 627 676	-4 033 317	117 763	-117 763	0
Revaluation of assets	0	-291	0	0	0	0	0	0	-291
Payments from the social fund	0	0	0	-2 082	0	0	0	0	-2 082
Impact of changes in the consolidation group	0	0	0	0	1 087	0	118	0	1 205
Balance at 31 December 2008	8 109 863	85 994	847 625	2 397 802	7 470 813	1 319 615	560 331	88 868	20 880 911
Profir for the current period	0	0	0	0	0	-975 491	0	-30 271	-1 005 762
Distribution of retained earnings	0	0	72 237	-22 857	1 270 233	-1 319 615	88 869	-88 868	-1
Revaluation of assets	0	-55 164	0	0	691	0	0	0	-54 473
Payments from the social fund	0	0	0	-541	0	0	0	0	-541
Impact of changes in the consolidation group	0	6 261	0	0	-7 660	0	0	0	-1 399
Balance at 31 December 2009	8 109 863	37 091	919 862	2 374 404	8 734 077	-975 491	649 200	-30 271	19 818 735

CONSOLIDATED CASH FLOW STATEMENT

(CZK THOUSAND)

		Year ended	Year ended	Year ended
		31/12/2009	31/12/2008	31/12/2007
P.	Cash and cash equivalents at the beginning of the accounting period	2 507 606	3 449 247	2 044 296
	Cash flows from ordinary activities	0	0	0
Z.	Profit/(loss) from ordinary activities before tax	-1 112 168	1 753 874	5 124 935
A.1.	Adjustments for non-cash transactions	1 775 251	2 032 007	1 327 042
A.1.1.	Depreciation of fixed assets (+) excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	1 603 015	1 298 092	1 356 884
A.1.2.	Change in provisions and reserves	-196 386	674 253	-151 038
A.1.3.	Profit/(loss) on the sale of fixed assets (-/+)	-5 151	-29 239	-7 758
A.1.4.	Revenues from dividends and profit shares (-), with the exception of dividends paid by Group entities	-2 374	-5 417	12 118
A.1.5.	Interest expense (+) excluding capitalised interest and interest income (-)	50 379	45 116	66 427
A.1.6.	FX differences and other non-cash transactions	325 768	49 202	50 409
A.*	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	663 083	3 785 881	6 451 977
A.2.	Change in the non-cash component of working capital	885 498	-699 954	725 017
A.2.1.	Change in receivables from operating activities(+/-), deferred expenses, accrued income and estimated assets	-233 153	658 211	189 860
A.2.2.	Change in short-term payables from operating activities (+/-), accrued expenses, deferred income and estimated liabilities	-299 624	293 772	542 585
A.2.3.	Change in inventory (+/-)	1 418 275	-1 688 769	-259 909
A.2.4.	Change in current financial assets not included in cash and cash equivalents	0	36 832	252 481
A.**	Net cash flow from operating activities before tax and extraordinary items	1 548 581	3 085 927	7 176 994
A.3.	Interest paid (-), except interest capitalised	-75 763	-118 300	-114 135
A.4.	Interest received (+)	28 272	70 973	46 998
A.5.	Income tax paid from operating activities, additional tax paid for previous periods (-)	32 067	-988 388	-954 943
A.6.	Receipts and expenditures relating to extraordinary activities, which form extraordinary profit or loss, including income tax paid from extraordinary activities (+/-)	32	-104	84
A.7.	Received dividends and profit shares (+)	42 374	50 785	42 281
A.***	Net cash flow from operating activities	1 575 563	2 100 893	6 197 279
	Cash flows from investing activities	0	0	0
B.1.	Fixed assets expenditures	-1 075 735	-2 339 629	-1 784 181
B.2.	Receipts from fixed assets sold	8 022	41 904	132 755
B.4.	Cash flows from the purchase of business or its part	-91 468	-1 039 408	-344 634
B.***	Net cash flow from investing activities	-1 159 181	-3 337 133	-1 996 060
	Cash flow from financial activities	0	0	0
C.1.	Change in long-term or short-term payables which fall into cash and cash equivalent in financing activities (eg, certain operaing loans)	-648 116	314 549	-771 162
C.2.	Impact on cash and cash equivalents due to change in equity	-16 170	-19 950	-2 025 106
C.2.5.	Payments made from funds (-)	-589	627	-280
C.2.6.	Dividends and profit shares paid, including withholding tax related to these claims and including financial settlement with partners (-), except for dividends and profit shares paid between Group entities	-15 581	-20 577	-2 024 826
C.***	Net cash flow from financial activities	-664 286	294 599	-2 796 268
F.	Net increase or decrease of cash and cash equivalents	-247 904	-941 641	1 404 951
R.	Cash and cash equivalents at the end of the accounting period	2 259 702	2 507 606	3 449 247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

TŘINECKÉ ŽLEZÁRNY, a. s. (henceforth the "Company") was formed by the National Property Fund of the Czech Republic on the basis of a Deed of Foundation as a joint stock company registered in Třinec, Czech Republic, and was incorporated following its registration in the Register of Companies of the Regional Court in Ostrava on 21 March 1991. The Company is primarily engaged in metallurgy with a closed metallurgical cycle. In addition to the production of coke, pig iron and steel, the range of principal products provided by the Company involves the products of rolling mills, namely blooms, slabs, billets, rods, reinforcing bars and thin, medium and heavy sections. The Company benefits from its incumbent status of being the Czech monopoly in respect of the manufacture of rails.

The Company's registered office is located in Třinec-Staré Město, Průmyslová 1000, 739 70.

The Company's issued share capital is CZK 8,109,863 thousand.

The following table shows individuals and corporate entities with ownership interest greater than 20% and the amount of their interest:

Shareholder	Ownership percentage
MORAVIA STEEL a. s.	69.05 %
Other legal entities and individuals	30.95 %
Total	100,00%

1.2. GROUP IDENTIFICATION

The Company is included in the MORAVIA STEEL a.s. Group. MORAVIA STEEL a.s. is controlled by FINITRADING a.s. and R.F.G., a.s., acting in concert.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2009

	Position	Name
Board of Directors	Chairman	Jiří Cieńciała
	1st Vice Chairwoman	Jan Czudek
	2nd Vice Chairman	Rostislav Wozniak
	Member	Jan Lasota
	Member	Česlav Marek
	Member	Henryk Huczala
		'
Supervisory Board	Chairman	Tomáš Chrenek
	1st Vice Chairman	Ján Moder
	2nd Vice Chairman	Hanns K. Zöllner
	Member	František Ligocki
	Member	Evžen Balko
	Member	Roman Mitręga
	Member	Vladislav Heczko
	Member	Jozef Blaško
	Member	Pablo Alarcón Espinosa

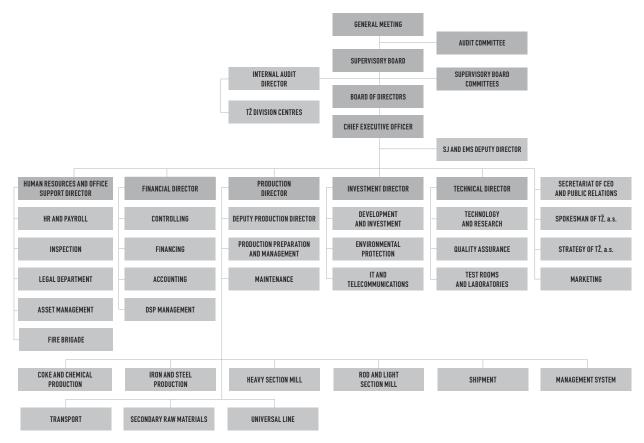
During the year ended 31 December 2009, the following changes were made to the composition of the Company's Board of Directors:

Board of Directors:

Position	Original member	New member	Date of the change
1st Vice Chairwoman	Jaroslava Ciahotná	Jan Czudek	31 May 2009
2nd Vice Chairman	Jan Czudek	Rostislav Wozniak	22 June 2009
Member	Petr Matuszek	Henryk Huczala	22 June 2009

2. Definition of the Consolidated Group, Consolidation System and Methods

2.1. BASIC ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



Principal managing bodies of the Parent Company are as follows:

- General Meeting,
- Audit Committee,
- Supervisory Board,
- Board of Directors,
- Chief Executive Officer and Management.

During the year ended 31 December 2009 the following changes were made in the organisational structure of the Company:

- Establishment of the Audit Committee;
- The DSp Management division was transferred from the division of the Investment Director to the division of the Financial Director;
- The TZ Division Centres division was established within the division of the Internal Audit Director.

2.2. NAMES AND REGISTERED OFFICES OF SUBSIDIARIES AND ASSOCIATES INCLUDED IN THE CONSOLIDATED GROUP

The following companies were included into the consolidated group (the "Group") for the year ended 31 December 2009:

Subsidiaries:

		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 TŹ, a.s.	Ostrava-Vítkovice, Výstavní 1132, 706 02	Production of steel tubes	100.00 %
VÚHŽ a.s.	Dobrá 240, 739 51	Production of car, metallurgical, manufacturing and foundry products	100.00 %
H&S PROGRESS s.r.o.	Dobrá 240, 739 51	Wholesale mediation	100.00 %
Šroubárna Kyjov spol. s r.o.	Jiráskova 987, 697 32, Kyjov	Metalworking, locksmithing, production of machinery and equipment	100.00 %
D 5, akciová společnost Třinec Průmyslová 1026, 739 65 Třinec-Staré Město,		Repairs of metallurgy technological units, and machine, electrical and construction works	100.00%
METALURGIA S.A.	Radomsko, Ul.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 of the company	Registered office	Business activities	Equity share at
			31 Dec 2009
	Třinec-Staré Město, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products	40.00%
a.s.			
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 % equity investment in Metalurgia S.A., the consolidation group was expanded to include this company in 2009. Metalurgia S.A. was included as of 30 September 2009.

The following companies were included into the consolidated group (the "Group") for the year ended 31 December 2008:

Subsidiaries:

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

^{*} VVT-VÍTKOVICE VÁLCOVNA TRUB, a.s. changed its name to VÁLCOVNA TRUB TŽ, a.s. in the year ended 31 December 2008

Associates:

Name of the company	Registered office	Business activities	Equity share at 31 Dec 2008
VESUVIUS ČESKÁ REPUBLIKA,	Třinec-Staré Město, Průmyslová 715, 739 65	Production of isostatically pressed heat-resisting products	40.00%
a.s.			
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% equity investments in Šroubárna Kyjov, spol. s r.o. and D 5, akciová společnost Třinec, the consolidation group was expanded to include these two companies for the year ended 31 December 2008. Šroubárna Kyjov, spol. s r.o. was included on 1 April 2008 and D 5, akciová společnost Třinec was included on 1 July 2008. $V U \tilde{H} \tilde{Z} - NEMO$, a.s. and ROLLSERVIS, a.s. were removed from the consolidation group due to their dissolution without liquidation upon merger with the parent company H & S PROGRESS s.r.o.

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

Subsidiaries:

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

Associates:

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

The consolidation methods were used in compliance with the consolidation rules of the consolidated group – full consolidation was applied in the case of subsidiaries, consolidation under the equity method was used for the associates. The Company participates in the financial and operating policies of Sochorová válcovna TŽ, a.s., which was therefore consolidated using the equity method of accounting.

Financial statements of all entities, both included and excluded from the consolidation, are maintained in the registered office of the parent company for presentation purposes.

2.3. THE BALANCE SHEET DATES AND REGISTERED OFFICES OF THE COMPANIES INCLUDED IN THE CONSOLIDATED GROUP

The financial statements of the companies included in the consolidated group were prepared as of and for the years ended 31 December 2009, 2008 and 2007. The companies included in the consolidated group in the period 2007 – 2008 are based in the Czech Republic. In 2009, the newly included company METALURGIA S.A. is based in Poland, other companies in the consolidation group are based in the Czech Republic.

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 the group is less than 1.5 %;
- The share in the net turnover (revenues of account class 6) in the group is less than 1.5 %;
- Severe and long-term restrictions of the parent company hinder the company's rights connected to the control of assets or management, or, in exceptional cases, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable and provable undue delay;
 - The shares or equity interests in these companies are held exclusively with a view to their subsequent disposal.

The companies which meet the condition set out in the first paragraph for non-inclusion in the consolidated group, thereby not entering into consolidation based on individual assessment, must also meet the group materiality criterion. Under the group materiality criterion, these companies are taken as one whole. The total assets of this whole must be less than CZK 500 million, the equity share of this whole in the Group must be less than 5% and the share in the net turnover (revenues of account class 6) in the group must be less than 5%. If the assets are less than CZK 500 million and the equity share is less than 5% while the share in the net turnover exceeds 5%, the decisive fact for inclusion in the consolidated group is whether the revenues largely generated by the company with related parties would have an immaterial impact on the profit and loss account after eliminating intercompany deliveries. 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 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, the accruals principle, the prudence concept and the going concern assumption.

For the purpose of preparing the consolidated financial statements of the TŘINECKÉ železárny, a.s. Group, accounting principles and policies used within the Group were brought into line. Significant accounting principles and policies as they are used by individual companies are set out below.

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

3.1. FINANCIAL REPORTING PERIOD

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

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

3.2. VALUATION, DEPRECIATION AND PROVISIONING POLICIES

3.2.1. 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 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 also expensed through the account 'Services' in the year of acquisition.

The cost of fixed asset improvements exceeding CZK 40 thousand 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 Group does not recognise an upward revaluation of the emission allowances. If there is a lack of allowances at the consolidated balance sheet date, the Group 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

bridges, conveying tunnels, and production and administrative buildings.

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
Machines and equipment	2 - 42
Vehicles	3 - 40
Furniture and fixtures	6 – 15
Software	3 - 7

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

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 for the intended sale.

76

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).

3.2.2. 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 consolidated balance sheet date, the Group records:

Equity investments at cost less 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 through balance sheet accounts 'Other non-current securities and equity investments' and 'Gains and losses from the revaluation of assets and liabilities'. A deferred tax is determined in respect of the revaluation difference where the value of available-for-sale securities increases, and is recorded through accounts 'Gains and losses from the revaluation of assets and liabilities' and 'Deferred tax liability'.

Upon sale or any other disposal, they are valued on the basis of the weighted average of the costs.

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

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

Provisioning against Equity Investments

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

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

3.2.3. Derivative Financial Instruments

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

- At the inception of the hedge, 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 80 125%); 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 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.

3.2.4.Inventory

Valuation

Purchased inventory is valued at acquisition costs. Acquisition costs include the purchase cost and indirect acquisition costs such as custom 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.

The revaluation of internally developed inventory is performed as of 1 January of the current year with reference to the calculations made based on the approved financial plan.

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

Provisioning

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

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

3.2.5. 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 %.

 $In addition, provisions \ are \ recognised \ against \ specific \ receivables \ following \ an \ assessment \ of \ their \ collectability.$

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

3.2.6. 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.

3.2.7. Payables

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

3.2.8. 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.

3.2.9. Reserves

The Group creates other reserves to provide for future risks known at the balance sheet date. In addition, the Group records tax allowable reserves for repairs of tangible fixed assets in accordance with the Provisioning Act, and a reserve for restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation of the Environmental Ministry No. 294/2005 Coll. If the reserves are not drawn within the statutory period, they are released.

3.3. 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 balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date.

3.4. 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.

3.5. 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 the assets used in the 'Univerzální trať Bohumín' plant and the assets of Slévárny Třinec, a.s., which are depreciated using the straight line method.

Current Tax Payable

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

Deferred Tax

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

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

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

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

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.

3.6. Borrowing Costs

Borrowing costs arising from loans are included directly in expenses regardless of the purpose for which they were drawn.

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 instance. 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 goods are delivered and accepted by the customer 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 consolidated financial statements requires management of the Group companies 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 Group companies have made these estimates and assumptions on the basis of all the relevant information available to them. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

3.10. EXTRAORDINARY EXPENSES AND INCOME

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

3.11. GRANTS

The Group receives operating grants. The funds drawn are charged to expenses and operating grants received are credited to income on an accruals basis (refer to Note 6.6.). In addition, the Group receives grants to fund the acquisition of fixed assets and these grants reduce the cost of the related assets.

3.12. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is capitalised as part of cost and posted to the acquisition of tangible or intangible fixed assets if the research and development projects result in fixed assets (tangible and 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. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

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

Cash and cash equivalents can be analysed as follows:

(CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Cash	3 694	3 966	3 428
Current accounts	1 955 470	352 382	1 069 518
Term deposit	17 980	5 786	121 195
Debt securities and investments	282 558	2 145 472	2 255 106
Provision	0	0	0
Total cash and cash equivalents	2 259 702	2 507 606	3 449 247
Total cash and cash equivalents not included in cash flow	0	0	35 444
Total current financial assets	2 259 702	2 507 606	3 484 691

Comments on the Cash Flow Statement for the Years Ended 31 December 2007 - 2009:

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

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 investments under equity accounting', whose balance is calculated as the share in the equity of associates. This item was adjusted by a portion of the profit margin, reflecting the share in the equity of an associate, on intercompany supplies of inventories not yet consumed. Liabilities of the consolidated balance sheet included the item 'Share in the profit/loss of equity accounted investments' which represents the parent 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 investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company.

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

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

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

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

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

The financial statements for the years ended 31 December 2007 – 2009 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statement preparation date are available in the registered office of the Company.

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

3.15. YEAR-ON-YEAR CHANGES IN VALUATION, DEPRECIATION OR ACCOUNTING POLICIES

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

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

With effect from 2010, the Group changed the policy for accounting for the revaluation of internally developed inventory such that the revaluation difference according to the actual 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".

4. Analysis of Impacts on Profit/Loss

4.1. CONSOLIDATED PROFIT/LOSS FOR 2009

4.1.1. Structure of the Consolidated Profit/Loss for 2009	(CZK thousand)
Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a.s.	-731 536
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	103 191
Profit/(loss) of the current period – Strojírny Třinec, a.s.	469 914
Profit/(loss) of the current period – Slévárny Třinec, a.s.	-31 915
Profit/(loss) of the current period – FERROMORAVIA, s.r.o.	-44 121
Profit/(loss) of the current period – VÁLCOVNA TRUB TŽ, a.s.	-114 308
Profit/(loss) of the current period – H&S PROGRESS s.r.o	2 402
Profit/(loss) of the current period – Šroubárna Kyjov, spol. s r.o.	68 730
Profit/(loss) of the current period – D 5, akciová společnost	9 551
Profit/(loss) of the current period – VÚHŽ a.s.	8 689
Profit/(loss) of the current period – METALURGIA S.A.	-24 328
Share in profit of the current period – REFRASIL, s.r.o.	22 107
Share in profit of the current period – Řetězárna a.s.	564
Share in profit/(loss) of equity accounted investments	-30 271
Adjustments within full consolidation (see below)	-685 319
Adjustments within full consolidation (see below) Adjustments within the equity method of consolidation (see below)	-685 319 -29 112
Adjustments within the equity method of consolidation (see below)	-29 112
Adjustments within the equity method of consolidation (see below)	-29 112
Adjustments within the equity method of consolidation (see below) Consolidated profit	-29 112 -1 005 762
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009	-29 112 -1 005 762 (CZK thousand)
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact	-29 112 -1 005 762 (CZK thousand) 74 257
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261 166 684
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation Settlement of positive goodwill	-29 112 -1 005 762 (CZK thousand, 74 257 -81 075 20 261 166 684 -121 713 -336 257
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation Settlement of positive goodwill Elimination of declared dividends of the consolidated group entities	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261 166 684 -121 713
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation Settlement of positive goodwill Elimination of declared dividends of the consolidated group entities Elimination of gains from the sale of the equity investment of FERROMORAVIA, s.r.o.	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261 166 684 -121 713 -336 257 -407 476
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation Settlement of positive goodwill Elimination of declared dividends of the consolidated group entities Elimination of gains from the sale of the equity investment of FERROMORAVIA, s.r.o.	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261 166 684 -121 713 -336 257 -407 476
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation Settlement of positive goodwill Elimination of declared dividends of the consolidated group entities Elimination of gains from the sale of the equity investment of FERROMORAVIA, s.r.o.	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261 166 684 -121 713 -336 257 -407 476
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation Settlement of positive goodwill Elimination of declared dividends of the consolidated group entities Elimination of gains from the sale of the equity investment of FERROMORAVIA, s.r.o. Total adjustments	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261 166 684 -121 713 -336 257 -407 476 -685 319
Adjustments within the equity method of consolidation (see below) Consolidated profit 4.1.2. Adjustments within Full Consolidation for 2009 Elimination of profits and losses from unrealised inventory from intercompany sales of inventory, including the deferred tax impact Revaluation of assets to fair value Write-offs of the margin form the sale of assets Amortisation of negative goodwill on consolidation Settlement of positive goodwill Elimination of declared dividends of the consolidated group entities Elimination of gains from the sale of the equity investment of FERROMORAVIA, s.r.o. Total adjustments 4.1.3. Adjustments within the Equity Method of Accounting for 2009	-29 112 -1 005 762 (CZK thousand) 74 257 -81 075 20 261 166 684 -121 713 -336 257 -407 476 -685 319

4.2. Consolidated Profit/Loss for 2008

4.2.1. Structure of the Consolidated Profit/Loss for 2008	(CZK thousand)
Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a.s.	1 204 420
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	70 677
Profit/(loss) of the current period - Strojírny Třinec, a.s.	95 870
Profit/(loss) of the current period - Slévárny Třinec, a.s.	4 312
Profit/(loss) of the current period – FERROMORAVIA, s.r.o.	44 781
Profit/(loss) of the current period – VÁLCOVNA TRUB TŽ, a.s.	-207 511
Profit/(loss) of the current period – H&S PROGRESS s.r.o	832
Profit/(loss) of the current period – Šroubárna Kyjov, spol. s r.o.	23 060
Profit/(loss) of the current period – D 5, akciová společnost	11 401
Profit/(loss) of the current period – VÚHŽ a.s.	34 803
Share in profit of the current period – REFRASIL, s.r.o.	21 700
Share in profit of the current period – Řetězárna a.s.	32 026
Share in profit/(loss) of equity accounted investments	88 868
Adjustments within full consolidation (see below)	27 660
Adjustments within the equity method of consolidation (see below)	-44 416
Consolidated profit	1 408 483

.2.2. Adjustments within Full Consolidation for 2008	(CZK thousand
Elimination of profit from intercompany sales of fixed assets, including the deferred tax impact	5 476
Elimination of unrealised profit from intercompany sales of inventory, including the deferred tax impact	30 37
Revaluation of assets to fair value	-45 95
Amortisation of negative goodwill on consolidation	262 44
Decrease in the value of the positive goodwill on consolidation	-79 69
Elimination of declared dividends of the consolidated group entities	-144 99
Total adjustments	27 660
2.3. Adjustments within the Equity Method of Accounting for 2008	(CZK thousan
Elimination of dividends paid by VESUVIUS ČESKÁ REPUBLIKA, a.s.	-45 25
Elimination of profit and loss from unrealised inventory	83
Total adjustments	-44 410
.3. Consolidated Profit/Loss for 2007	
3.1. Structure of the Consolidated Profit/Loss for 2007	(CZK thousand
Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a.s.	3 633 11
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	203 61
Profit/(loss) of the current period – Strojírny Třinec, a.s.	81 80
Profit/(loss) of the current period - Slévárny Třinec, a.s.	13 68
Profit/(loss) of the current period – FERROMORAVIA, s.r.o.	84 95
Profit/(loss) of the current period – VVT – VÍTKOVICE VÁLCOVNA TRUB, a.s.	189 14
Profit/(loss) of the current period – H&S PROGRESS s.r.o	14 49
Profit/(loss) of the current period – ROLLSERVIS a.s.	2 78
Profit/(loss) of the current period – VÚHŽ NEMO a.s.	1 54
Profit/(loss) of the current period – VÚHŽ a.s.	17 63
Share in profit of the current period – REFRASIL, s.r.o.	23 99
Share in profit of the current period – Řetězárna a.s.	31 96
Share in profit/(loss) of equity accounted investments	117 76
Adjustments within full consolidation (see below)	-210 89
Adjustments within the equity method of consolidation (see below)	-54 51
Consolidated profit	4 151 080
3.2. Adjustments within Full Consolidation for 2007	(CZK thousand
Elimination of profit from intercompany sales of fixed assets, including the deferred tax impact	68
Elimination of unrealised profit from intercompany sales of inventory, including the deferred tax impact	-29 03
Revaluation of assets to fair value	-17 06
Amortisation of positive goodwill on consolidation of H&S PROGRESS s.r.o.	-1 03
Amortisation of negative goodwill on consolidation of FERROMORAVIA, s.r.o.	1 08
Amortisation of negative goodwill on consolidation of Řetězárna a.s.	1 64
mortisation of negative goodwill on consolidation of VVT – VÍTKOVICE VÁLCOVNA TRUB, a.s	13 09
limination of the release of the provision recorded against Slévárny Třinec, a.s.	-1 09
Elimination of declared dividends of the consolidated group entities	-179 17
Total adjustments	-210 89
2.2. Adjustments within the Equity Method for 2007	(CTV -1
3.3. Adjustments within the Equity Method for 2007	(CZK thousand
Elimination of dividends paid by VESUVIUS ČESKÁ REPUBLIKA, a.s.	-54 51;
Total adjustments	-54 51

5. Additional Consolidated Balance Sheet Information

5.1. Intangible Fixed Assets

Cost (CZK thousand)

	Balance at 1 Jan 2007	New acquisition	Additions	Disposals	Balance at 31 Dec 2007	New acquisition	Additions
Research and development	0	0	0	0	0	0	4 553
Start-up costs	0		0	0	0	0	0
Software	185 032	8 375	5 387	1 779	197 015	14 751	11 953
Valuable rights	37 219	42 677	1 597	6 095	75 398	2 763	0
Other intangible FA	112 946	0	102 159	215 105	0	0	2 748 610
Intangible FA under construction	187	0	6 124	5 446	865	0	126 259
Prepayments made for intangible FA	0	0	0	0	0	0	135
Total	335 384	51 052	115 267	228 425	273 278	17 514	2 891 510

(CZK thousand)

	Disposals	Balance at 31 Dec 2008	New acquisition	Additions	Disposals	Impact of for- eign exchange differences	Balance at 31 Dec 2009
Research and development	0	4 553	1 560	0	1	131	6 243
Start-up costs	0	0	0	0	0	0	0
Goodwill	0	0	347	0	0	29	376
Software	2 717	221 002	1 753	5 775	608	147	228 069
Valuable rights	2 718	75 443	300	2 675	0	25	78 443
Other intangible FA	2 735 263	13 347	38 615	1 209 568	1 190 200	3 232	74 562
Intangible FA under construction	125 844	1 280	0	3 887	5 167	0	0
Prepayments made for intangible FA	0	135	0	0	135	0	0
Total	2 866 542	315 760	42 575	1 221 905	1 196 111	3 564	387 693

Accumulated Amortisation and Provisions

(CZK thousand)

(OE							
	Balance at 1 Jan 2007	New acquisition	Additions	Disposals	Balance at	New acquisition	Additions
Research and development	0	0	0	0	0	0	228
Software	130 142	5 006	25 076	1 825	158 399	13 199	21 593
Valuable rights	36 064	2 823	2 655	6 095	35 447	2 303	1 395
Other intangible FA	0	0	0	0	0	0	3 687
Intangible FA under construction	0	0	0	0	0	0	0
Prepayments made for intangible FA	0	0	0	0	0	0	0
Total	166 206	7 829	27 731	7 920	193 846	15 502	26 903

(CZK thousand)

	Disposals	Balance at 31 Dec 2008	New acquisition	Additions	Disposals	Impact of for- eign exchange differences	Balance at 31 Dec 2009
Research and development	0	228	1 560	909	0	131	2 828
Goodwill	0	0	347	0	0	29	376
Software	2 716	190 475	1 753	14 730	608	147	206 497
Valuable rights	164	38 981	0	6 648	0	0	45 629
Other intangible FA	0	3 687	0	159	3 687	0	159
Intangible FA under construction	0	0	0	0	0	0	0
Prepayments made for intangible FA	0	0	0	0	0	0	0
Total	2 880	233 371	3 660	22 446	4 295	307	255 489

Net Book Value (CZK thousand)

	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Research and development	0	4 325	3 415
Goodwill	0	0	0
Software	38 616	30 527	21 572
Valuable rights	39 951	36 462	32 814
Other intangible FA	0	9 660	74 403
Intangible FA under construction	865	1 280	0
Prepayments made for intangible FA	0	135	0
Total	79 432	82 389	132 204

The tables of movements within intangible fixed assets include the column 'new acquisition' relating to the expansion of the consolidated group to include METALURGIA S.A. in 2009, Šroubárna Kyjov, spol. s r.o. and D 5, akciová společnost, in 2008 and H & S PROGRESS s.r.o., VÚHŽ a.s., VÚHŽ NEMO a.s. and ROLLSERVIS a.s. in 2007. Additions to and disposals of 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 amounted to CZK 18,970 thousand, CZK 20,542 thousand and CZK 26,203 thousand as of 31 December 2009, 2008 and 2007, respectively.

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

Aggregate Balance of Low Value Intangible Assets not Reported on the Balance Sheet

The aggregate balance of low value intangible assets not reported on the face of the balance sheet was CZK 31,090 thousand, CZK 32,577 thousand and CZK 28,542 thousand as of 31 December 2009, 2008 and 2007, respectively.

5.2. TANGIBLE FIXED ASSETS

Cost (CZK thousand)

	Balance at	New	Additions	Disposals	Balance at	New	Additions
	1 Jan 2007	acquisition			31 Dec 2007	acquisition	
Land	359 499	30 106	23	582	389 046	75 810	2 647
Structures	7 563 465	147 132	244 670	40 096	7 915 171	373 805	455 968
Individual movable assets	20 794 683	162 760	1 222 596	303 736	21 876 303	635 501	2 126 119
Other tangible FA	2 104	1 155	16	0	3 275	307	66
Tangible FA under construction	919 017	5 687	1 525 694	1 435 575	1 014 823	9 267	2 722 402
Prepayments for tangible FA	191 490	8 652	412 205	395 058	217 289	3 649	561 538
Valuation difference on acquired assets	-2 693	0	0	0	-2 693	-11	2693
Total	29 827 565	355 492	2 992 999	2 175 047	31 413 214	1 098 328	5 871 433

(CZK thousand)

	Disposals	Balance at 31 Dec 2007	New acquisition	Additions	Disposals	Impact of for- eign exchange rate differences	Balance at 31 Dec 2009
Land	5 166	462 337	0	502	509	0	462 330
Structures	170 997	8 573 947	210 156	304 470	9 718	17 594	9 096 449
Individual movable assets	311 188	24 326 737	577 369	933 070	532 889	47 126	25 351 413
Other tangible FA	275	3 373	1 329	0	67	106	4 741
Tangible FA under construction	2 748 159	998 333	3 570	917 664	1 196 094	224	723 697
Prepayments for tangible FA	687 505	94 970	0	255 421	222 813	0	127 578
Valuation difference on acquired assets	-11	0	0	0	0	0	0
Total	3 923 279	34 459 697	792 424	2 411 127	1 962 090	65 050	35 766 208

Accumulated Depreciation and Provisions

(CZK thousand)

			(
	Balance at 1 Jan 2007	New acquisition	Additions	Disposals	Balance at 31 Dec 2007	New acquisition	Additions
Land	0	0	0	0	0	0	0
Structures	3 740 811	40 568	214 704	61 641	3 934 442	195 968	267 066
Individual movable assets	13 153 902	105 364	1 201 538	310 708	14 150 096	295 600	1 297 874
Other tangible FA	186	3	54	0	243	184	33
Tangible FA under construction	1 809	485	2 277	45	4 526	0	36 213
Valuation difference on acquired assets	-2 334	0	-179	0	-2 513	0	3 641
Total	16 894 374	146 420	1 418 394	372 394	18 086 794	491 752	1 604 827

	Disposals	Balance at 31 Dec 2008	New acquisition	Additions	Disposals	Impact of for- eign exchange rate differences	Balance at 31 Dec 2009
Land	0	0	0	0	0	0	0
Structures	185 543	4 211 933	113 143	225 289	18 922	9 512	4 540 955
Individual movable assets	339 415	15 404 155	458 946	1 452 011	539 233	37 411	16 813 290
Other tangible FA	188	272	1 023	33	114	83	1 297
Tangible FA under construction	624	40 115	597	11 944	37 374	52	15 334
Valuation difference on acquired assets	1 128	0	0	531	531	0	0
Total	526 898	19 656 475	573 709	1 689 808	596 174	47 058	21 370 876

Net Book Value (CZK thousand)

Net book value	Balance at 31 Dec 2007	Balance at 31 Dec 2008	Balance at 31 Dec 2009
Land	389 046	462 337	462 330
Structures	3 980 729	4 362 014	4 555 494
Individual movable assets	7 726 207	8 922 582	8 538 123
Other tangible FA	3 032	3 101	3 444
Tangible FA under construction	1 010 297	958 218	708 363
Prepayments for tangible FA	217 289	94 970	127 578
Valuation difference on acquired assets	-180	0	0
Total	13 326 420	14 803 222	14 395 332

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., in 2008 relating to the expansion of the consolidated group to include Šroubárny Kyjov, spol. s r. o., D 5, akciová společnost, in 2007 relating to the expansion of the consolidated group to include H & S PROGRESS s.r.o., $V \dot{U} H \dot{Z}$ a.s., $V \dot{U} H \dot{Z}$ NEMO a.s. and ROLLSERVIS a.s.

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

	(CZK thousand)
Gauge plant and Rotomat (transomat)	215 106
Replacement of the pouring crane in the convertors operation	133 902
Technical improvement on the equipment for unloading coke	61 503
Technical improvements on locomotives	49 435
Technical improvement of rolling platforms of the continuous light section mill	32 419
KSH 602D welding machine	38 098
SKIQ 16 CNC vertical lathe	21 332
KBA 601 bending machine	17 219
Waste heat boiler at C rolling mill	14 082
WED 601 resistance heating	11 176
Dust removal from technological lines	9 213

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,629,016 thousand, CZK 1,460,601 thousand and CZK 1,345,568 thousand as of 31 December 2009, 2008 and 2007, respectively.

Aggregate Balance of Low Value Tangible Assets not Reported on the Balance Sheet

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 453,914 thousand, CZK 498,297 thousand and CZK 422,394 thousand as of 31 December 2009, 2008 and 2007, respectively.

Fair Value

As of the acquisition date in 2009, the Group revalued the assets of METALURGIA S.A. 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 % tax rate.

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

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

As of the acquisition date in 2007, the Company revalued the assets of VÚHŽ NEMO a.s., ROLLSERVIS a.s., VÚHŽ a.s. and H&S PROGRESS s.r.o. at fair value. In the year ended 31 December 2007, the revaluation of assets to fair value increased the balance of tangible fixed assets by CZK 92,224 thousand and the balance of intangible fixed assets by CZK 36,822 thousand and resulted in the recognition of a deferred tax liability of CZK 19,071 thousand using the 19 % tax rate.

5.3. Assets Held under Finance and Operating Lease Agreements

Finance Leases

31 December 2009 (CZK thousand)

	Cars	Machinery and equipment	Balance at 31 Dec 2009
Total anticipated lease payments	26 053	207 353	233 406
Actual lease payments made through 31 Dec 2009	21 234	177 019	198 253
Future payments due by 31 Dec 2010	2 667	16 713	19 380
Future payments due in the following periods	2 152	13 621	15 773

31 December 2008 (CZK thousand)

	Cars	Machinery and equipment	Balance at 31 Dec 2008
Total anticipated lease payments	39 591	224 465	264 056
Actual lease payments made through 31 Dec 2008	32 237	176 976	209 213
Future payments due by 31 Dec 2009	4 742	21 821	26 563
Future payments due in the following periods	2 611	25 668	28 279

31 December 2007 (CZK thousand)

	Cars	Machinery	Balance at 31 Dec 2007
		and equipment	
Total anticipated lease payments	49 136	277 673	326 809
Actual lease payments made through 31 Dec 2007	38 467	206 421	244 888
Future payments due by 31 Dec 2008	6 348	30 476	36 824
Future payments due in the following periods	4 321	40 776	45 097

The Group made lease payments of CZK 39,770 thousand, CZK 29,230 thousand and CZK 26,981 thousand in the years ended 31 December 2009, 2008 and 2007, respectively.

5.4. PLEDGED FIXED ASSETS

31 December 2009 (CZK thousand)

31 December 2009		(CZK thousand)
Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	364 614	Loan from Česká spořitelna, a.s.
Land	2 811	Loan from Česká spořitelna, a.s.
Tangible fixed assets	237 167	Loan from ČSOB, a.s.
Tangible fixed assets	349 026	Loan from Citibank a.s.
Technology	194 847	Loan from Reiffeisen Bank, a.s.
Tangible fixed assets	721 996	Loan from Česká spořitelna, a.s.
Tangible fixed assets	30 576	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible fixed assets	18 055	Long-term loan from KB, a.s.
Tangible fixed assets	23 498	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible fixed assets	16 681	Long-term loan from ČSOB, a.s.
Land	6	Loan and bank guarantees from KB, a.s.
Tangible fixed assets	15 764	Loan and bank guarantees from KB, a.s.
Tangible fixed assets	2 494	Loan from Citibank a.s.
Tangible fixed assets	1 198	Loan from Citibank a.s.
Tangible fixed assets	965	Loan from Citibank a.s.
Tangible fixed assets	422	Loan from Citibank a.s.
Tangible fixed assets	2 908	Loan from Citibank a.s.
Tangible fixed assets	7 672	Loan from Citibank a.s.
Land	10 506	Loan from ČSOB, a.s.
Technology	268 920	Loan from ČSOB, a.s.
Tangible fixed assets	126 674	Loan from KB, a.s.
Technology	44 675	Loan from KB, a.s.
Tangible fixed assets	83 377	Loan from Fortis Bank Polska S.A.
Total	2 524 852	

31 December 2008 (CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	419 290	Loan from Komerční banka, a.s.
Land	15 410	Loan from Komerční banka, a.s.
Tangible fixed assets	436 336	Loan from Česká spořitelna, a.s.
Land	2 811	Loan from Česká spořitelna, a.s.
Tangible fixed assets	263 135	Loan from Československá obchodní banka, a.s.
Tangible fixed assets	387 108	Loan from Citibank, a.s.
Technology	207 983	Loan from Raifeisen Bank, a.s.
Tangible fixed assets	2 618	Loan from CITIBANK
Tangible fixed assets	1 065	Loan from CITIBANK
Tangible fixed assets	1 025	Loan from CITIBANK
Tangible fixed assets	444	Loan from CITIBANK
Tangible fixed assets	2 894	Loan from CITIBANK
Tangible fixed assets	8 673	Loan from CITIBANK
Tangible fixed assets	1 665	Investment loan from ČSOB
Tangible fixed assets	21 107	Long-term loan from Komerční banka, a.s.
Tangible fixed assets	36 691	Long-term loan from UniCredit Bank Czech Republic, a.s.
Tangible fixed assets	125 877	Collateral for loan – renovation and modernisation of the foundry plant
Tangible fixed assets	99 331	Collateral for loan – renovation and modernisation of the foundry plant
Total	2 033 463	

31 December 2007

(CZK thousand)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	15 274	Loan from Komerční banka, a.s.
Tangible fixed assets	19 231	Loan from Komerční banka, a.s.
Tangible fixed assets	42 806	Long-term loan from UniCredit Bank Czech Republic, a.s.
Technology	221 035	Loan from Raiffeisen Bank, a.s.
Tangible fixed assets	367 101	Loan from Komerční banka, a.s.
Land	12 341	Loan from Komerční banka, a.s.
Tangible fixed assets	503 752	Loan from Česká spořitelna, a.s.
Land	2 811	Loan from Česká spořitelna, a.s.
Tangible fixed assets	289 102	Loan from Československá obchodní banka, a.s.
Tangible fixed assets	429 180	Loan from Citibank, a.s.
Tangible fixed assets	2 255	Loan from Citibank, a.s.
Tangible fixed assets	1 125	Loan from Citibank, a.s.
Tangible fixed assets	1 085	Loan from Citibank, a.s.
Tangible fixed assets	466	Loan from Citibank, a.s.
Tangible fixed assets	2 119	Loan from Citibank, a.s.
Tangible fixed assets	9 673	Loan from Citibank, a.s.
Tangible fixed assets	2 120	Investment loan from Československá obchodní banka, a.s.
Total	1 921 476	

5.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

5.5.1. Summary of Unconsolidated Investments for 31 December 2009

(CZK thousand)

Equity securities and investments in subsidiaries									,
Company	Cost	Nominal value	Number of securi- ties	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year
Třinecké gastroslužby, s.r.o.	25 643	25 800	-	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	-	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	-	80.00	14 623	11	0	11 698	179
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	*	45 738	-	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" Społka z ograniczoną odpowiedzialnością Cieszyn (PL)***	7 920	7 920	-	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	0	123
Soukromá střední škola Třinec, š.p.o.**	2 000	2 000	-	100.00	2 930	453	0	2 000	0
Sroubarna Kyjov TK Vida ve Metal Sanay ve Ticarel Limited Sirketi	146	146	-	100.00	-	-	-77	69	0
Total	174 707						-18 597	156 110	302

Note: * confidential

** Change in the legal status from a limited liability company into a corporate entity – educational institution; the entity was entered in the Register of Educational Corporate Entities as of 2 September 2009

italics – preliminary results as of 31 December 2009

*** data in thousands PLN

Equity securities and investments in associates									
Company	Cost	Nominal value	Number of securi- ties	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year
SILESIASLAG, 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	-	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	-	23.26	3 003	968	0	212	0
Total	28 719						-16 370	12 349	0

Equity securities and investments in companies wi	Equity securities and investments in companies with a minority interest									
Company	Cost	Nominal value	Number of securi- ties	Share in %	Equity	Net profit or loss	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	-	10.00	13 609	3 548	0	121	42	
Informetal zájmové sdružení	20	20	-	5.00	-	-	0	20	0	
Družstvo Envicrack	4	4	-	-	-	-	0	4	0	
ACRI, Praha	20	20	-	2.08	1 184	29	-20	0	0	
Total	265							245	42	

Italics – preliminary results

Other Non-Current Financial Assets

Investment	Acquisition cost	Description of investment/collateral		Financial income for 2009
Term deposit	19 850	Bank guarantee	-1	237
		collateral		

(CZK thousand)

	Value of investment	Financial income
Total financial assets	188 553	581

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.

5.5.2. Summary of Unconsolidated Investments for 2008

(CZK thousand)

Equity securities and investments in subsidia	Equity securities and investments in subsidiaries								
Company	Cost	Nominal value	Number of securi- ties	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year
Třinecké gastroslužby, s.r.o.	25 643	25 800	-	100	31 369	1 444	0	25 643	0
Doprava TŽ, a.s.	15 755	16 000	115	100	65 165	13 704	О	15 755	3 000
TRIALFA, s.r.o.	100	100	-	100	17 428	3 325	О	100	0
Steel Consortium Partners, a.s.	19 000	19 000	117	100	1 786	-85	-17 213	1 787	0
Reťaze Slovakia s.r.o.	14 041	4 936	-	80	17 551	2 443	0	14 041	1 247
MATERIÁLOVÝ A METALURGICKÝ VÝZK s.r.o. ***	UM, *	45 738	-	99	35 009	4 282	0	*	0
TRISIA, a.s.	19 364	9 900	990	66	65 449	-1 675	0	19 364	0
Regionální inovační centrum F-M, s.r.o.	240	240	-	100	2 357	36	0	240	0
Moravia Security, a.s.	12 000	12 000	12	100	7 128	-4 782	0	12 000	0
Soukromá střední škola Třinec, s.r.o.	2 000	2 000	-	100	1 971	-29	0	2 000	0
Sroubarna Kyjov TK Vida ve Metal Sanay ve T Limited Sirketi	icarel 148	-	-	-	-	-	-79	69	0
Total	126 326						-17 292	109 034	4 247

Note.: * confidential information

(CZK thousand)

									(OBIT IIIOUOUIIU)
Equity securities and investments in associates									
Company	Cost	Nominal	Number	Share in %	Equity	Net profit	Provision	Net cost	Financial
		value	of securi-			or loss			income for
			ties						the year
ZAMECZEK BŁOGOCICE Sp. z o.o.*	23	23	-	45	-925	-975	0	23	0
SILESIASLAG, a.s.	1 761	1 760	74	44	3 842	-9	-70	1 691	О
TŘINECKÁ PROJEKCE, a.s.	750	1 125	75	34,09	10 674	563	0	750	375
Hutnictví železa, a.s.	25 961	16 191	26 985	39,21	45 935	-308	-16 044	9 917	0
Kvalif. a personální agentura, o.p.s.	34	34	-	33,33	802	-63	-34	0	0
HRAT, s.r.o.**	212	100	-	23,26	1 985	692	0	212	0
Total	28 868						-16 148	12 720	375

Note: * data in thousands PLN

 $^{^{**} \} change \ in \ the \ name \ from \ V\'ITKOVICE - V\'yzkum \ a \ v\'yvoj, spol. \ s \ r.o. \ to \ MATERI\'ALOV\'Y \ A \ METALURGICK\'Y \ V\'YZKUM \ s.r.o.$

 $^{^{**}}$ change in the reporting period – profit or loss for the period from 1 January 2008 to 31 March 2009

Equity securities and investments in companies with a minority interest									
Company	Cost	Nominal	Number	Share in %	Equity	Net profit	Valuation	Fair value	Financial
		value	of securi-			or loss	difference		income for
VIDA CONTOUTE			ties						the year
KPM CONSULT, a.s.	100	100	10	10	14 147	2 590	0	100	0
SAVER Česká Ves, s.r.o.	121	121	0	10	10 063	2 477	0	121	О
Informatel zájmové sdružení	20	20	0	5	0	0	0	20	0
ACRI, Praha	20	20	0	2.08	1 095	1	-20	0	0
Total	261						-20	241	0

Other Non-Current Financial Assets

(CZK thousand)

Investment	Acquisition cost	Description of investment/collateral	Provision	Financial income for 2008
Term deposit	20 199	Bank guarantee collateral	-1	795

(CZK thousand)

	Value of investment	Financial income
Total non-current financial assets	142 282	5 417

${\it 5.5.3.}\ Summary\ of\ Unconsolidated\ Investments\ for\ 2007$

(CZK thousand)

Equity securities and investments in subsidiarie	Equity securities and investments in subsidiaries									
Company	Cost	Nominal value	Number of securities	Share in %	Equity	Net profit or loss	Provision	Net cost	Financial income for the year	
Třinecké gastroslužby, s.r.o.	25 643	25 800	0	100	29 806	294	0	25 643	0	
Doprava TŽ, a.s.	15 755	16 000	115	100	58 380	18 274	0	15 755	0	
TRIALFA, s.r.o.	100	100	0	100	17 785	2 294	0	100	0	
Steel Consortium Partners, a.s.	19 000	19 000	117	100	1 870	-94	-17 129	1 871	0	
Reťaze Slovakia s.r.o.	4 936	4 936	0	80	14 975	1 585	0	4 936	0	
VÍTKOVICE – VaV, spol, s.r.o.	*	45 738	0	99	32 223	599	0	*	0	
TRISIA, a.s.	19 364	9 900	990	66	67 171	-1 644	0	19 364	0	
Regionální inovační centrum F-M, s.r.o.	180	180	0	75	2 320	18	0	180	0	
Total	103 013						-17 129	85 884	0	

Note: * confidential

(CZK thousand)

								(CZR mousand)	
Equity securities and investments in associates										
Company	Cost	Nominal	Number of	Share in %	Equity	Net profit	Provision	Net cost	Financial	
		value	securities			or loss			income for	
									the year	
SILESIASLAG, a.s.	1 760	1 760	74	44	3 851	-27	-66	1 694	0	
TŘINECKÁ PROJEKCE, a.s.	750	1 125	75	34.09	11 230	1 867	0	750	375	
Hutnictví železa, a.s.	25 963	16 397	27 328	39.21	48 326	73	-15 134	10 829	0	
Kvalif. a personální agentura, o.p.s.	34	34	0	33.33	865	364	-34	0	0	
MS-UNIKOV OSTRAVA, s.r.o.	52 000	52000	0	24.97	*	*	-52 000	0	0	
Total	80 507						-67 234	13 273	375	

Note: * – bankruptcy trustee provided no results

(CZK thousand)

								'	CZR (mousand)
Equity securities and investments in companies with a minority interest									
Company	Cost	Nominal	Number of	Share in %	Equity	Net profit	Valuation	Fair value	Financial
		value	securities			or loss	difference		income for
									the year
HRAT, s.r.o.	50	50	0	11.63	1 182	330	-50	0	0
KPM CONSULT, a.s.	100	100	10	10	11 361	1 451	0	100	0
SAVAREN Česká Ves, s.r.o.	121	121	0	10	7 586	2 822	0	121	О
Informatel zájmové sdružení	20	20	0	5	0	0	0	20	0
ACRI, Praha	20	20	0	2.17	1 108	-223	-20	0	0
Total	311						-70	241	0

Other Non-Current Financial Assets

Investment	Acquisition cost	Description of investment/collateral	Provision	Financial income for 2007
Term deposit	19 965	Bank guarantee collateral	0	770

	Value of investment	Financial income
Total non-current financial assets	121 522	1 145

5.6. Accounting for Goodwill Arising on Consolidation

2009 (CZK thousand)

	Gross	Correction	Net	Recogni- tion in equity	Recogni- tion in expenses	Recogni- tion in income
Positive goodwill arising on consolidation						
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	0	0	0	68 328	121 713	0
Negative goodwill arising on consolidation						
METALURGIA S.A.	0	0	0	0	0	166 684
Total	0	o	0	0	О	166 684

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

In 2009, pursuant to the impairment analysis, the Company wrote off the positive goodwill arising on consolidation reported as of 31 December 2008. Part of the goodwill that relates to the deferred tax arising from revaluation of assets and liabilities was recognised in equity – Gains or losses from revaluation of assets and liabilities. In prior years, the deferred tax arising from revaluation of assets and liabilities was reported against positive goodwill arising on consolidation. In 2009, the Group reports the deferred tax against equity – Gains or losses from revaluation of assets and liabilities.

2008 (CZK thousand)

	Gross	Correction	Net	Recognition in expenses	Recognition in income
Positive goodwill arising on consolida	tion				
H&S PROGRESS s.r.o	45 172	-25 634	19 538	24 603	-
D 5, akciová společnost	-	-	-	55 095	-
Šroubárna Kyjov, spol. s r.o.	170 503	-	170 503	-	-
Total	215 675	-25 634	190 041	79 698	-
Negative goodwill arising on consolida	ation				
FERROMORAVIA, s.r.o.	-	-	-	-	16 435
VÁLCOVNA TRUB TŽ, a.s.	-	-	-	-	232 394
Řetězárna a.s.	-	-	-	-	13 616
Total	-	-	-	-	262 445

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

2007 (CZK thousand)

,					
	Gross	Correction	Net	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation					
H&S PROGRESS s.r.o.	45 571	-1 031	44 540	1 031	0
Total	45 571	-1 031	44 540	1 031	0
Negative goodwill arising on consolida	tion				
FERROMORAVIA, s.r.o.	-21 581	5 146	-16 435	0	1 080
VVT – VÍTKOVICE VÁLCOVNA	-261 852	29 486	-232 366	0	13 095
TRUB, a.s.					
Řetězárna a.s.	-25 243	11 599	-13 644	0	1 647
Total	-308 676	46 231	-262 445	0	15 822

5.7. Securities and Equity Investments under Equity Accounting

(CZK thousand)

Securities and equity investments under equity accounting	2009	2008	2007
VESUVIUS ČESKÁ REPUBLIKA, a.s.	85 948	86 390	88 213
Sochorová válcovna TŽ, a.s.	276 652	334 929	288 447
Total	362 600	421 319	376 660

5.7.1. Pledged Securities and Equity Investments under Equity Accounting

The Group carries no pledged non-current financial assets.

5.8. Inventory (CZK thousand)

Structure of inventory	Balance at 31 Dec 2009	Provisions at 31 Dec 2009	Net balance at 31 Dec 2009	Balance at 31 Dec 2008	Provisions at 31 Dec 2008	Net balance at 31 Dec 2008
Material	3 118 382	227 686	2 890 696	3 984 395	-281 142	3 703 253
Internally produced inventory:	4 391 936	1 323 962	3 067 974	4 852 978	-891 962	3 961 016
Work in progress and semi-finished products	2 757 361	879 255	1 878 106	3 266 024	-732 908	2 533 116
Finished products	1 634 575	444 707	1 189 868	1 586 954	-159 054	1 427 900
Goods	24 630	1 354	23 276	12 736	-234	12 502
Prepayments	7 483	1 291	6 192	5 732	0	5 732
Total	7 542 431	1 554 293	5 988 138	8 855 841	-1 173 338	7 682 503

(CZK thousand)

Structure of inventory	Balance at 31 Dec 2007	Provisions at 31 Dec 2007	Net balance at 31 Dec 2007
Material	3 038 925	-164 543	2 874 382
Internally produced inventory:	3 917 510	-148 670	3 768 840
Work in progress and semi-finished products	2 400 450	-90 192	2 310 258
Finished products	1 517 060	-58 478	1 458 582
Goods	15 876	-2 832	13 044
Prepayments	525	0	525
Total	6 972 836	-316 045	6 656 791

5.8.1. Long-Term Receivables (CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
- Trade receivables	9 776	17 578	4 838
- Prepayments made	1 069	1 056	765
- Receivables - controlling entity	5 000	О	0
- Other receivables	5 189	7 030	5 418
- Deferred tax asset	79 157	48 490	0
Total	100 191	74 154	11 021

Other receivables predominantly include loans provided to employees. \\

Aggregate Maturities of Long-Term Trade Receivables as of 31 December 2009

(CZK thousand)

00 0		•			
Year	Trade receivables and prepayments made		Other receivables	Deferred tax asset	Total
2011	1 974	5 000	3 370	76 738	87 082
2012	1 896	0	793	1 000	3 689
2013	5 758	0	584	1 419	7 761
2014	919	0	239	0	1 158
2015	19	0	200	0	219
after 2015	279	0	3	0	282
Total	10 845	5 000	5 189	79 157	100 191

Long-term receivables are settled within their due terms.

5.8.2. Short-Term Receivables

Aging of Short-Term Trade Receivables

Year	Category	Before due date			Past due date			Total
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and	
							greater	
2009	Short-term	2 576 499	106 559	14 274	48 262	22 875	80 256	2 848 725
	Provisions	0	-60	-1 052	-33 961	-22 875	-80 031	-137 979
	Total	2 576 499	106 499	13 222	14 301	0	225	2 710 746
2008	Short-term	2 422 765	223 055	16 247	10 842	2 667	59 778	2 735 354
	Provisions	-10 220	-14 186	-4 885	-8 516	-2 356	-59 444	-99 607
	Total	2 412 545	208 869	11 362	2 326	311	334	2 635 747
2007	Short-term	3 213 989	145 104	8 318	2 560	6 502	68 098	3 444 571
	Provisions	-11 486	-41	-821	-1 241	-6 489	-67 782	-87 860
	Total	3 202 503	145 063	7 497	1 319	13	316	3 356 711

Breakdown of Short-Term Trade Receivables

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
- Customers	2 846 497	2 732 576	3 443 968
- Bills of exchange for collection	1 043	0	0
- Other receivables	1 185	2 778	603
- Provision	-137 979	-99 607	-87 860
Total	2 710 746	2 635 747	3 356 711

Other Short-Term Receivables

Other short-term prepayments made principally involve prepayments for supplied services and prepayments for fees according to the Air Protection Act.

State – tax receivables principally include receivables arising from the corporate income tax and receivables arising from an excessive deduction of the value added tax.

Other receivables mainly relate to the receivable arising from unpaid dividends, loan contract and bank guarantees.

Estimated receivables principally include insurance benefits.

Receivables typically mature within 30 days.

5.8.3. Pledged Receivables

Existing and future receivables pledged as collateral for own payables:

Receivables pledged on behalf of	Receivables from	Receivable balance 31 Dec 2009	Receivable balance 31 Dec 2008	Receivable balance 31 Dec 2007
Komerční banka, a.s.	Siemens VAI MetalsTechnologies.	0	0	10 445
	Vesuvius Group S.A.	0	0	4 555
	VÚHŹ, a.s.	0	10 435	0
CSOB, a.s.	Edscha Bohemia	0	0	5 000
	Šroubárna Kyjov, spol. s r.o. *	84 168	110 885	0
	D 5*	50 000	0	0
	VÚHŽ	0	4 360	0
Citibank, a.s	Cebes a.s.	0	0	2 992
	Edscha Bohemia s.r.o.	O	0	3 898
	ED Scharvachter	0	0	677
	Hayes Lemmers Alukola s.r.o.	0	0	345
	Hoesch Schwerter Profile	O	0	1 387
	Ocrim Societa Per 1 Industria	0	0	878
	Romil s.r.o.	O	0	361
	V.I.P. Trading Company s.r.o.	O	0	362
	Železiarne Podbrezová, a.s.	0	0	353
	Prokop Invest, a.s.	O	0	170
	VÚHŽ, a.s.	0	5 576	0
Total		134 168	131 256	31 423

^{*} Aggregate amount of receivables pledged as collateral of the consolidated company.

FINANCIAL PART

5.8.4. Intercompany Receivables

Short-term receivables (CZK thousand)

Name of the entity	Balance et al Danasa	Dalamar et av Danasao	Release to a Decease
•	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
• Trade receivables			
Doprava TŽ, a.s.	5 249	6 714	11 424
Moravia Security, a.s.	159	97	0
MORAVIA STEEL a.s.	1 763 385	1 542 723	2 232 359
Řeťaze Slovakia, s.r.o.	0	0	1 631
TRIALFA, s.r.o.	2 121	10 069	6 349
TŘINECKÁ PROJEKCE, a.s.	193	118	144
Třinecké gastroslužby, s.r.o.	887	1 632	2 219
Sochorová válcovna TŽ, a.s.	288 863	279 372	346 225
Kvalifikační a personální agentura, o.p.s.	3	78	4
TRISIA, a.s.	5	6	4
VESUVIUS ČESKÁ REPUBLIKA, a.s.	3 729	11 524	4 056
CMC Třinec Stahlhandel GmbH	0	17 968	8 963
Beskydská golfová, a.s.	931	12 105	399
ZAMECZEK BŁOGOCICE Sp. z o.o.	0	40 757	0
NEOMET, S.A.	3	0	0
Regionální informační centrum Frýdek-Místek, s.r.o.	0	157	0
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM, s.r.o.	364	33	0
HŽP, a.s.	263	181	0
Soukromá střední škola Třinec, š. p. o.*	19	0	0
SILESIASLAG, a.s.	3	1	4
Steel Consortium Partners, a.s.	3	16	1
Moravskoslezský kovošrot, a.s.*	1 911	0	0
Total	2 068 091	1 923 551	2 613 782
Receivables – controlling entity			
TRISIA, a.s.	60	0	0
Total	2 068 151	1 923 551	2 613 782
Other intercompany receivables			
VESUVIUS ČESKÁ REPUBLIKA, a.s.	0	8 000	8 113
Total	o	8 000	8 113
Total short-term intercompany receivables	2 068 151	1 931 551	2 621 895
Other than intercompany receivables	945 842	1 245 887	928 694
Total short-term receivables	3 013 993	3 177 438	3 550 589

Educational Corporate Entities as of 2 September 2009. Moravskoslezský kovošrot, a.s. Praha became part of the group on 12 February 2009.

* 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

Long-Term Receivables (CZK thousand)

(ODA mone)				
Name of the entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007	
Receivables – controlling entity				
TRISIA, a.s.	5 000	0	0	
Total	5 000	0	0	
• Other				
Sochorová válcovna TŽ, a.s.	3 378	3 378	0	
Total	3 378	3 378	0	
Total long-term intercompany receivables	8 378	3 378	0	
Other than intercompany receivables	91 813	70 776	11 021	
Total long-term receivables	100 191	74 154	11 021	

5.9. CURRENT FINANCIAL ASSETS

(CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Cash	3 694	3 966	3 428
Current accounts	1 955 470	352 382	1 069 518
Current deposit - special-purpose funds of the received state aid	0	0	35 444
Term deposit	17 980	5 786	121 195
Current securities and investments	282 558	2 145 472	2 255 106
Provision against securities	0	0	0
Total current financial assets	2 259 702	2 507 606	3 484 691

Short-term securities and equity investments as of 31 December 2009 include a short-term depository note of ČSOB, a.s. of CZK 221,500 thousand, a depository note of Raiffeisenbank, a.s. of CZK 45,000 thousand and tradable securities of CZK 16,058 thousand.

Short-term securities and equity investments as of 31 December 2008 included depository notes of Komerční banka, a.s. of CZK 807,051 thousand, ČSOB, a.s. of CZK 25,001 thousand, Raiffeisenbank, a.s. of CZK 610,033 thousand, Česká spořitelna, a.s. of CZK 688,038 thousand and tradable securities of CZK 15,349 thousand. Short-term securities and equity investments as of 31 December 2007 included depository notes of Komerční banka, a.s. of CZK 1,208,145 thousand, Raiffeisenbank, a.s. of CZK 300,090 thousand, HSBC Bank plc. of CZK 101,010 thousand, Citibank, a.s. of CZK 69,007 thousand, ČSOB, a.s. of CZK 558,259 thousand and tradable securities of CZK 18,596 thousand.

5.10. TEMPORARY ASSETS (CZK thousand)

	31 Dec 2009	31 Dec 2008	31 Dec 2007
Deferred expenses	71 346	93 967	104 251
Deferred expenses – lease contracts	4 337	80 602	14 914
Other deferred expenses – studies, projects, interest, subscription payments	67 009	13 365	89 337
Complex deferred expenses	16 465	18 820	30 550
Accrued income	145	2 900	704
Total deferred expenses and accrued income	87 956	115 687	135 505

Deferred expenses principally consist of deferred finance lease instalments, projects, and analyses relating to repairs scheduled for the coming period.

A significant portion of deferred expenses relates to the right to use new technologies and deferred payments for the lease of forklifts.

 $Complex \ deferred \ expenses \ primarily \ consist \ of \ deferred \ implementation \ of \ information \ systems.$

5.11. EQUITY

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

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

Gains and losses from revaluation comprise the gain or loss from the revaluation of available-for-sale securities net of the deferred tax liability. In addition, they comprise the impact of the deferred tax arising from the gains or losses from the revaluation of assets and liabilities at fair value (refer to Note 5.6.).

The General Meeting of Shareholders decided not to declare dividends for 2008 and 2007, gross dividends for 2006 were CZK 250 per share.

On 27 September 2009, the payment of dividends for 2004 declared by the General Meeting of the Company held on 27 June 2005 which were due on 27 September 2005 became statute barred. The amount of these dividends of CZK 2,216 thousand was written off to other financial income.

5.11.1. Share Capital

The Company's share capital is composed of 8,109,863 ordinary registered shares, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share. The Extraordinary General Meeting held on 19 November 2007 approved a change of the book-entry to the certificate form of shares. The change of the form of the Company's shares was registered in the Register of Companies on 13 December 2007.

On 17 December 2009, the Company's shares in the certificate form which were not collected by their owners after the change of the book-entry to the certificate form of shares were auctioned. There were 245 uncollected shares as of 31 December 2009. These shares could not have been auctioned as their owners pledged them in favour of a third party.

5.12. RESERVES (CZK thousand)

		Reserves under special legislation						
	Reserve for repairs of tangible FA	Reserve for restoration	Reserve for pensions and contingent liabilities	Income tax reserves	Other reserves	Total reserves		
Balance at 31 Dec 2006	301 653	2 353	0	0	272 249	576 255		
New acquisition	644	0	0	0	0	644		
Creation	20 571	257	0	0	270 290	291 118		
Use	170 281	331	0	0	47 554	218 166		
Balance at 31 Dec 2007	152 587	2 279	0	0	494 985	649 851		
New acquisition	29 908	0	0	0	100	30 008		
Creation	21 908	136	0	0	478 071	500 115		
Use	100 995	376	0	0	571 749	673 120		
Balance at 31 Dec 2008	103 408	2 039	0	0	401 407	506 854		
New acquisition	0	0	4 674	0	1 317	5 991		
Creation	6 784	29	223	539	142 733	150 308		
Use	92 712	0	792	0	362 300	455 804		
Balance at 31 Dec 2009	17 480	2 068	4 105	539	183 157	207 349		

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, real estate transfer tax, additionally assessed tax, employee bonuses and losses incurred in connection with a concluded long-term contract.

5.13. PAYABLES

5.13.1. Long-Term Payables (CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Long-term payables			
– Trade payables	6 234	6 888	24 189
- Long-term prepayments received	0	1 360	369
- Other payables	10 884	1 000	0
– Deferred tax liability	631 195	822 055	815 611
Total	648 313	831 303	840 169

5.13.2. Short-Term Trade Payables (CZK thousand)

	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Short-term trade payables			
- Customers	2 946 477	3 470 877	3 119 305
– Bills of exchange to be settled	0	0	26 620
- Other payables	236	288	290
Total	2 946 713	3 471 165	3 146 215

Aging of Short-Term Trade Payables

(CZK thousand)

Year	Category	Before due date		Past due date					
			1 – 90 days	91 – 180 days	181 – 360 days	1 – 2 years	2 years and		
							greater		
2009	Short-term	2 918 766	23 434	667	172	3 655	19	2 946 713	
2008	Short-term	3 346 560	102 126	9 867	12 716	-88	-16	3 471 165	
2007	Short-term	3 081 127	61 843	2 850	327	14	54	3 146 215	

Payables typically fall due for settlement within 30 days. Significant payables past due more than 90 days predominantly arise from offset agreements in progress.

Other Payables

As of 31 December 2009, payables associated with social security and the state employment policy contribution amounted to CZK 74,939 thousand, health insurance payables totalled CZK 32,931 thousand. The Company has no outstanding social security or health insurance payables. Payables arising from additional pension scheme amounted to CZK 7,017 thousand as of 31 December 2009.

The category 'State – tax payables and subsidies' principally comprises valued added tax payables, income tax payable and received subsidies.

Estimated payables mainly consist of unbilled supplies of work and services and an estimated amount for outstanding vacation days and annual bonuses including insurance.

Other payables primarily relate to deductions from employee salaries.

5.13.3. Intercompany Payables

Short-term Payables (CZK thousand)

Short-term Payables			(CZK thousand)
Name of the entity	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Trade payables			
Doprava TŽ, a.s.	8 654	6 750	6 984
Kvalifikační a personální agentura, v.o.s.	85	57	37
Hutnictví železa, a.s.	638	694	678
MORAVIA STEEL, a.s.	1 599 190	2 073 703	1 408 890
Moravia Security, a.s.	5 234	5 691	0
Security Morava, s.r.o.	122	0	0
TRIALFA, s.r.o.	14 753	15 951	17 074
TRISIA, a.s.	1 319	3 665	3 906
TŘINECKÁ PROJEKCE, a.s.	2 919	2 197	14 053
Třinecké gastroslužby, s.r.o.	7 293	8 651	10 541
Sochorová válcovna TŽ, a.s.	44 466	10 833	12 556
VESUVIUS ČESKA REPUBLIKA, a.s.	5 833	3 118	17 170
Beskydská golfová, a.s.	0	16	18
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	758	1 868	0
Regionální inovační centrum Frýdek-Místek, s.r.o.	0	43	0
CMC-Třinec Stahlhandel GmbH	0	170	0
ZAMECZEK BŁOGOCICE Sp. z o.o.	1 289	0	0
Soukromá střední škola Třinec, š. p. o. *	1 499	0	0
Moravskoslezský kovošrot, a.s.*	83 353	0	0
Total short-term intercompany payables	1 777 405	2 133 407	1 491 907
Other intercompany payables			
ZAMECZEK BŁOGOCICE Sp. z o.o.	5 559	0	0
Total	5 559	0	0
Total short-term intercompany payables	1 782 964	2 133 407	1 491 907
Other than intercompany payables	1 979 578	2 110 960	2 851 893
Total short-term payables	3 762 542	4 244 367	4 343 800

^{*} 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.

5.14. Deferred Tax Liability and Deferred Tax Asset

5.14.1. Deferred Tax Liability

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

(CZK thousand)

Deferred tax basis	Tax rate in %	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Difference between tax and accounting net book value of fixed assets	19	-6 160 602	-6 048 205	-5 534 325
Difference between tax and accounting net book value of fixed assets	21	0	0	-146 817
Difference between tax and accounting net book value of fixed assets	20	0	-129 433	0
Re-measurement of securities available for sale	19	20	20	0
Re-measurement of fixed assets to fair value	19	0	0	-100 372
Re-measurement of assets to fair value charged against equity	19	-423 585	-377 131	0
Accounting reserves	21	0	0	272 940
Accounting reserves	20	0	372 304	0
Accounting reserves	19	154 275	11 563	186 400
Provisions	21	0	0	232 421
Provisions	20	0	1 051 599	0
Provisions	19	1 559 031	191 364	150 550
Expenses to be allowable in subsequent periods	21	0	0	84 433
Expenses to be allowable in subsequent periods	20	0	26 489	0
Expenses to be allowable in subsequent periods	19	108 243	7 310	0
Utilisable tax losses	19	1 108 360	39 336	0
Unrealised gains on the intragroup sale of inventory	21	0	0	110 303
Unrealised gains on the intragroup sale of inventory	20	0	69 905	0
Unrealised gains on the intragroup sale of inventory	19	-26 198	0	0
Unrealised gains on intragroup sales of tangible fixed assets	21	0	0	25 978
Unrealised gains on intragroup sales of tangible fixed assets	20	0	25 806	0
Unrealised gains on intragroup sales of tangible fixed assets	19	358 379	357 908	364 816
Total tax base		-3 322 077	-4 401 165	-4 353 673
Deferred tax liability		-631 195	-822 055	-815 611

(CZK thousand)

Analysis of movements	
1 Jan 2008	-815 611
New acquisition	-17 664
Current changes charged to the profit and loss account	63 818
Current changes recognised in the balance sheet	-52 598
31 Dec 2008	-822 055
Current changes charged to the profit and loss account	199 728
Current changes recognised in the balance sheet	-8 868
31 Dec 2008	-631 195

5.14.2. Deferred Tax Asset (CZK thousand)

(CER House							
	Tax rate in %	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007			
Difference between tax and accounting net book value of fixed	24	0	0	0			
assets							
Difference between tax and accounting net book value of fixed	20	0	-12 492	0			
assets							
Difference between tax and accounting net book value of fixed	19	-206 137	-40 481	0			
assets							
Accounting reserves	19	13 121	0	0			
Expenses to be allowable in subsequent periods	20	0	490	0			
Expenses to be allowable in subsequent periods	19	4 905	0	0			
Provisions	20	0	27 660	0			
Provisions	19	49 063	0	0			
Utilisable tax losses	19	0	177 685	0			
Utilisable tax losses	20	0	96 450	0			
Utilisable tax losses	19	555 663	0	0			
Total tax base		416 615	249 312	0			
Deferred tax asset		79 157	48 490	0			

Analysis of movements	
1 January 2008	0
Current changes charged to the profit and loss account	48 490
31 December 2008	48 490
New acquisition	8 520
Current changes charged to the profit and loss account	22 147
31 December 2009	79 157

5.15. BANK LOANS AND BORROWINGS

5.15.1. Long-Term Bank Loans (CZK thousand)

Type of loan	Currency	Balance at	Balance at	Balance at	Interest rate in %	Form of collateral at 31 Dec 2009
, <u>, , , , , , , , , , , , , , , , , , </u>		31 Dec	31 Dec	31 Dec		
		2009	2008	2007		
Investment	EUR	13 366	22 668	31 370	6M EURIBOR + 0.6	SACE guarantee insurer
Investment	CZK	15 000	45 000	75 000	FIXED 4.3	Movable assets, MS guarantee statement
Investment	EUR	0	0	3 113	6M EURIBOR + 0.6	ÖKB guarantee insurer
Investment	EUR	232 264	339 143	490 143	6M EURIBOR + o.6	Hermes guarantee insurer
Investment	EUR	0	0	17 633	6M EURIBOR + 0.75	Hermes guarantee insurer
Investment	EUR	0	3 995	32 960	6M EURIBOR + 0.625	SACE guarantee insurer
Investment	CZK	0	0	50 000	6M PRIBOR + 1.25	Real estate, collateral bill of exchange, LoC MS
Investment	EUR	0	0	11 508	EURIBOR + o.6	Hermes guarantee insurer
Investment	CZK	25 000	35 000	9 801	3M PRIBOR + 0.79	Letter of comfort – Třinecké železárny, a.s
Investment	CZK	0	15 773	78 867	FIXED 3.76%	Immovable and movable assets, blank bill of exchange
Investment	CZK	0	18 000	54 000	3M PRIBOR + 1.65	Movable assets, guarantee statement of MS
Investment	CZK	19 400	53 800	88 200	3M PRIBOR + 1.59	Immovable and movable assets, blank bill of exchange
Investment	CZK	100 000	144 444	188 889	FIXED 4.65	Immovable and movable assets, guarantee statement of MS,
						blank bill of exchange
Investment	EUR	0	5 386	15 972	3M EURIBOR + 0.5	Movable assets, blank bill of exchange
Investment	CZK	2 647	8 079	11 979	1M EURIBOR + 0.65	Immovable and movable assets
Investment	EUR	О	0	126 421	3M EURIBOR + 0.9	Immovable assets, blank bill of exchange
Investment	CZK/	321 791	363 214	7 198		Unprotested blank bill of exchange, pledge on technology and
	EUR				EURIBOR + 0.75	receivables from the insurance of acquired technology
Investment	EUR	0	7 830	11 180	1M EURIBOR + 0.9	Blank bill of exchange, pledged real estate
Investment	CZK	0	4 887	8 552	6M PRIBOR + 1.4	Blank bill of exchange, pledged movable assets
Investment	CZK	0	350	1 670	1M PRIBOR + 2	Blank bill of exchange, pledged movable assets
Investment	EUR	9 527	14 542	0	3M EURIBOR + 0.7	Immovable assets and movable assets
Investment	EUR	21 172	7 810	0	1M EURIBOR + 0.75	Immovable assets and movable assets
Investment	EUR	5 955	0	0	3M EURIBOR + 1.6	Immovable assets and movable assets
Investment	EUR	28 834	40 113	0	6M EURIBOR + 1.3	Receivables, Sakamura press
Investment	CZK	12 000	36 000	0	6M PRIBOR + 1.3	Receivables, real estate
Total		806 956	1 166 034	1 314 456		

FINANCIAL PART

5.15.2. Short-Term Bank Loans (CZK thousand)

Type of loan	Currency	Balance at	Balance at	Balance at	Interest rate in %	Form of collateral at 31 Dec 2009
71		31 Dec 2009	31 Dec 2008	31 Dec 2007		
Investment	CZK	30 000	30 000	30 000	FIXED 4.3	Movable assets, guarantee statement of MS, a.s.
Investment	CZK	44 444	44 444	44 444	FIXED 4.65	Immovable and movable assets., guarantee statement of MS, blank bill of exchange
Investment	EUR	0	3 150	7 326	6M EURIBOR + o.6	ÖKB guarantee insurer
Investment	EUR	101 023	148 220	153 565	6M EURIBOR + 0.6	Hermes guarantee insurer
Investment	EUR	0	17 838	17 633	6M EURIBOR + 0.75	Hermes guarantee insurer
Investment	EUR	0	0	6 897	6M EURIBOR + 0.7	CESCE guarantee insurer
Investment	EUR	0	0	6 105	6M EURIBOR + 0.5	SACE guarantee insurer
Investment	EUR	3 926	29 349	29 012	6M EURIBOR + 0.625	SACE guarantee insurer
Operating	CZK	51 264	92 417	7 500	1M PRIBOR + 3.4	Letter of komfort of Třinecké železárny, a. s.
Operating	CZK	0	0	7 986	1M EURIBOR + 1.1	Guarantee statements of TŽ
Investment	CZK	0	2 639	1 413	6M PRIBOR + 1.4	
Investment	CZK	0	1 000	4 000	1M EURIBOR + 1.4	
Investment	CZK	0	4 422	4 712		
Investment	CZK	0	10 772	7 986	3 M EURIBOR+ 0.5	Movable assets
Investment	CZK	0	4 039	1 331	1 M EURIBOR+ 0.65	
Investment	EUR	0	11 642	11 509	EURIBOR + o.6	
Investment	EUR	0	0	10 000	3 M EURIBOR + 0.9	Immovable assets, blank bill of exchange
Investment	CZK	0	50 000	40 000	6M PRIBOR + 1.25	Real estate, blank bill of exchange, LoC MS
Investment *	EUR/CZK	105 887	0	0	6.74 3M PRIBOR + 2.5	Statement of the parent company, pledged assets, blank bill of exchange
Investment	CZK	15 773	63 094	63 094	FIXED 3.76%	Immovable and movable assets, blank bill of exchange.
Investment	CZK	18 000	36 000	36 000	3 M PRIBOR + 1.65	Movable assets, guarantee statement of MS
Investment	CZK	34 400	34 400	34 400	PRIBOR + 1.59	Pledged movable and immovable assets and collateral bill of exchange
Investment	EUR	8 911	9 067	8 963	6M EURIBOR + o.6	SACE guarantee insurer
Operating	CZK	5 061	29	64	7D PRIBOR + 1.2	Pledge on acquired technology and receivables from insurance of the acquired technology
Investment	CZK	1 222	0	0	6M PRIBOR + 1.4	Blank bill of exchange, pledged movable asset
Operating	CZK	0	4 000	4 000	1M PRIBOR + 1.5	Blank bill of exchange, receivables, inventory
Operating	CZK	0	960	11 423	1M PRIBOR + 0.75	Blank bill of exchange, receivables
Investment	EUR	1 985	О	0	3M EURIBOR + 1.6	Movable assets
Investment	EUR	5 293	0	0	1M EURIBOR + 0.65	Immovable and movable assets
Investment	EUR	5 293	О	0	1M EURIBOR + 0.75	
Investment	EUR	5 293	0	0	1M EURIBOR + 0.5	Immovable and movable assets
Investment	EUR	5 558	0	0	3M EURIBOR + 0.7	Immovable and movable assets
Operating	CZK	0	2 000	15 000	1M PRIBOR + 0.9	Blank bill of exchange, receivables
Operating	CZK	0	8 000	9 300	1M PRIBOR + 0.75	Blank bill of exchange, pledged real estate
Investment	CZK	10 000	10 000	0	3M PRIBOR + 0.79	Letter of comfort of Třinecké železárny, a. s.
Investment	CZK	0	1 616	0	3M EURIBOR + 0.7	
Investment	EUR	0	135 578	0	3M EURIBOR + 0.9	Pledged assets, blank bills of exchange
Investment	EUR	0	14 930	0	O/N PRIBOR + 0.7	Pledged assets, blank bills of exchange
Operating	CZK	10 602	0	0	O/N PRIBOR + 1.4	Pledge of receivables
Investment	EUR	10 586	10 772	0	6M EURIBOR + 1.3	Receivables, Sakamura press
Investment	CZK	24 000	24 000	0	6M PRIBOR + 1.3	Receivables, real estate
Operating	CZK	0	35 000	0	-	
Investment	CZK/EUR	75 715	64 751	0	3M PRIBOR/ EURIBOR + 0.75	Letter of komfort of Třinecké železárny, a. s.
Operating	CZK	305 000	305 000	0	7D PRIBOR + 1	Blank bill of exchange, receivables
Investment	PLN	90 290	0	0	WIBOR 1M + 2.5	Immovable and movable assets
Total	CZK	969 526	1 209 129	573 663		

 $^{{}^*\,}Sl\'{e}v\'{a}rny\,T\'{r}inec\,reclassified\,long-term\,loans\,to\,short-term\,loans\,following\,the\,assessment\,of\,conditions\,of\,loan\,contracts.$

Anticipated Repayment Schedule in Years

						(,
Years	2010	2011	20 12	2 013	2014	In sub-	Total
						sequent	
						periods	
Loan instalments	969 526	302 687	242 395	156 394	105 480	0	1 776 482

5.16. OTHER OFF BALANCE SHEET LIABILITIES

TŘINECKÉ ŽELEZÁRNY, a. s.

Type of liability	Aggregate amount at 31 Dec 2009	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Parent company debt acceptance	0	0	0	CZK 99,825 thousand
Guarantee statements				
- to Group companies	EUR 48 thousand	CZK 1,270 thousand	CZK 2,074 thousand	CZK 2,050 thousand
Guarantees				
- to other entities	USD 705 thousand	CZK 12,951 thousand	CZK 13,641 thousand	CZK 23,119 thousand
	EUR 1,127 thousand	CZK 29,821 thousand	CZK 20,198 thousand	CZK 19,965 thousand
	CZK 5,000 thousand	CZK 5,000 thousand	CZK 5,000 thousand	CZK 5,000 thousand

The Company was subject to an environmental audit which indicates the Company's liabilities relating to the environment. Pursuant to the audit, the Company entered into a contract with the Czech Property Fund for the settlement of expenses incurred for the settlement of the environmental liabilities before the privatisation up to CZK 514 million. As of 31 December 2009, 2008 and 2007, the Company drew the funds in the amounts of CZK 375,465 thousand, CZK 335,735 thousand and CZK 299,316 thousand, respectively.

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

ENERGETIKA TŘINEC, a.s.

(CZK thousand)

Type of liability	Aggregate amount	Balance at 31 Dec 2009	Balance at 31 Dec 2008	Balance at 31 Dec 2007
Blank bills of exchange – collateral for long-term bank loans	200 000	200 000	200 000	200 000
Blank bills of exchange – collateral for overdraft loans	0	0	100 000	100 000
Total	200 000	200 000	300 000	300 000

The company provides no guarantees for liabilities to third parties.

The company holds the ČSN EN ISO 14001 certificate and does not anticipate any extraordinary environmental expenses in the following years.

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

The company is not aware of any material contingent losses.

VÁLCOVNA TRUB TŽ, a.s.

The company's off-balance sheet records show payables of CZK 1,190 thousand arising from outstanding default interest charged until 2000. As of 31 December 2009, the company was involved in no significant legal dispute, the outcome of which would significantly impact the company.

Management of the company believes that there are no significant unrecognised payables arising from environmental damage.

Strojírny Třinec, a.s.

In the year ended 31 December 2009, ČSOB, a.s. issued a non-payment bank guarantee to the company for the refund of the retention fee.

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

At the balance sheet date, the company recorded future liabilities as a result of the contracted capital expenditure of CZK 734 thousand.

As of 31 December 2009, there was no environmental audit of the company. As a result, the company's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage. However, management of the company believes that these liabilities are not material.

FERROMORAVIA, s.r.o.

In December 2009, the legal dispute in which the company 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 7 November 2007, the first hearing was held and the plaintiff was heard. The hearing on 20 February 2008 was adjourned to 26 March 2008. During the hearing held on that date, the court decided that a new expert opinion should be prepared. On 4 December 2009, the Regional Court in Uherské Hradiště decided to dismiss the legal action in full. The written verdict will be prepared on 26 February 2010.

As of 31 December 2009, there was no environmental audit of the company. As a result, the company's management cannot estimate contingent liabilities pertaining to damage caused by prior activities or liabilities related to the prevention of potential future damage.

D 5, akciová společnost, Třinec

The company records the following off balance sheet liabilities:

31 December 2009

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

31 December 2008 and 31 December 2007

Loan collateralised by the blank bill of exchange and aggregate future receivables up to CZK 100 million.

As of 31 December 2009, the company was involved in no legal dispute except for recovery of receivables through courts.

The company records no environmental liabilities.

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

VUHŽ, a.s.

The company records the following off balance sheet liabilities:

31 December 2009

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

31 December 2008

Type of liability	Aggregate amount	Balance at 31 Dec 2009
Guarantees		
- to other entities	22 000	6 840

31 December 2007

Type of liability	Aggregate amount	Balance at 31 Dec 2009
Guarantees		
- to other entities	22 000	10 140

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

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

H & S PROGRESS s.r.o.

The company records the following off balance sheet liabilities:

31 December 2009

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

31 December 2008

Type of liability	Aggregate amount	Balance at 31 Dec 2009
Guarantees		
– group companies	95 049	34 867

31 December 2007

Type of liability	Aggregate amount	Balance at 31 Dec 2009
Guarantees		
- group companies	95 049	71 457

Land of the company plot nos. 1434/2 and 1434/3 carry established easements in favour of:

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

Slévárny Třinec, a.s.

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

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

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

The company provided no guarantee to third parties.

REFRASIL, s.r.o. and Šroubárna Kyjov, spol. s r.o.

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

6. Additional Consolidated Profit and Loss Account Information

6.1. Income from Ordinary Activities and Sold Goods

6.1.1. The Group's Income from Ordinary Activities and Sale of Goods for 2009

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	24 491 549	993 354	25 484 903
Power generation	510 884	0	510 884
Production of refractory material	34 859	57 168	92 027
Foundry production	282 646	328 004	610 650
Engineering production	422 024	492 242	914 266
Sale of goods	3 863	16 502	20 365
Services	493 036	35 004	528 040
Change in inventory	-465 214	-51 717	-516 931
Capitalisation	638 319	893	639 212
Total	26 411 966	1 871 450	28 283 416

6.1.2. The Group's Income from Ordinary Activities and Sale of Goods for 2008

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	37 060 455	337 569	37 398 024
Power generation	320 073	0	320 073
Production of refractory material	65 466	89 600	155 066
Foundry production	1 127 460	21 460	1 148 920
Engineering production	647 503	1 516 819	2 164 322
Sale of goods	4 028	0	4 028
Services	524 306	37 819	562 125
Change in inventory	864 422	0	864 422
Capitalisation	817 835	0	817 835
Total	41 431 548	2 003 267	43 434 815

6.1.3. The Group's Income from Ordinary Activities and Sale of Goods for 2007

(CZK thousand)

Activities	Domestic	Export	Total
Metallurgic production	36 640 959	210 843	36 851 802
Power generation	308 701	0	308 701
Production of refractory material	55 352	110 998	166 350
Foundry production	322 046	752 371	1 074 417
Engineering production	165 143	428 290	593 433
Sale of goods	8 108	422	8 530
Services	381 223	13 175	394 398
Change in inventory	324 460	0	324 460
Capitalisation	546 426	0	546 426
Total	38 752 418	1 516 099	40 268 517

6.2. Consumed Purchases and Good Sold

(CZK thousand)

	2009	2008	2007
Consumed material	19 350 990	29 984 870	25 333 201
Consumed energy	1 694 445	1 533 480	1 323 741
Goods sold	16 161	1 631	5 488
Total consumed purchases	21 061 596	31 519 981	26 662 430

6.3. SERVICES

(CZK thousand)

-9			()
	2009	2008	2007
Repairs and maintenance	718 585	1 140 583	1 161 953
Transportation expenses	341 315	425 531	397 382
Cooperation	391 028	568 706	295 514
Leasing	22 045	30 782	44 045
Right of use	28 821	33 284	35 860
Promotion costs	120 458	147 947	117 670
Rental, lease	55 191	111 489	108 843
Cleaning services	58 785	72 166	72 373
Statutory audit	11 003	10 575	10 348
Other services	716 090	828 512	659 679
Total	2 463 321	3 369 575	2 903 667

Other services largely include services which were outsourced in prior years (health security and protection, security guard services, training, cleaning and other auxiliary work).

6.4. Other Operating Income

(CZK thousand)

	2009	2008	2007
Contractual penalties and default interest	547	3707	2 231
Recoveries of receivables written off and transferred	6 509	1 746	3 676
Received subsidies	30 040	20 181	72 439
Settlement of CO2 emission allowances in income under the National Allocation Plan	1 176 852	2 687 241	187 920
Sundry operating income	124 813	66 917	67 644
Total other operating income	1 338 761	2 779 793	333 910

6.5. Other Operating Expenses

(CZK thousand)

	2009	2008	2007
Gifts	75 588	45 838	29 001
Contractual penalties and default interest	83	1 608	1 003
Other penalties and fines	3 483	2 667	2 091
Write-offs of receivables and transferred receivables	271 229	16 199	28 178
Sundry operating expenses	192 583	135 242	179 498
Settlement of CO2 emission allowances in expenses under the National Allocation Plan	1 190 279	2 740 908	187 920
Deficits and damage relating to operating activities	43 921	27 528	41 598
Total other operating expenses	1 777 166	2 969 990	469 289

6.6. GRANTS

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

6.7. Other Financial Income and Expenses

Other financial income and expenses in 2009, 2008 and 2007 predominantly include foreign exchange rate gains and losses.

In addition, the Group recorded a write-off of the equity investment in MS-UNIKOV OSTRAVA s.r.o. of CZK 52,000 thousand in other financial expenses due to the completion of the bankruptcy proceedings.

6.8. Related Party Transactions

6.8.1. Income Generated with Related Parties

 $The \ column \ `Relation \ to \ the \ company' \ is \ disclosed \ from \ the \ perspective \ of \ the \ parent \ company, \ T\r{R}INECK\'E\ \ \ \ \r{E}ELEZ\'ARNY, a.s.$

						CZK thousand)	
Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	122	55 437	4 268	79	0	59 906
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	206	0	0	206
MORAVIA STEEL a.s.	Controlling entity	197	22 058 546	171 271	-1 882	0	22 228 132
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	О	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	8 177	913	0	11 341
VESUVIUS ČR, a.s.	Controlled entity	0	5 545	16 883	1	0	22 429
Sochorová válcovna TŽ, a.s.	Controlled entity	614	2 223 331	14 504	127	0	2 238 576
CMC Třinec Stahlhandel GmbH	Controlled entity	0	22 624	0	0	0	22 624
Beskydská golfová, a.s.	Controlled entity	0	198	4 326	12	0	4 536
SILESIASLAG, a.s.	Controlled entity	0	0	24	0	0	24
Steel Consortium Partners, a.s.	Controlled entity	0	О	60	0	0	60
Moravia Security, a.s.	Controlled entity	33	202	1 065	19	0	1 319
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
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	О	599	0	528	1 127
Hanácké železárny a pérovny, a.s.	Controlled entity	0	79	311	0	0	390
Moravskoslezský kovošrot, a.s.	Controlled entity	0	516	750	8 566	0	9 832
Soukromá střední škola Třinec, š.p.o.	Controlled entity	2	6	295	32	0	335
Total		1 166	24 414 282	231 316	9 168	2 725	24 658 657

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	63	92 418	4421	54	3 000	99 956
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	213	0	0	213
MORAVIA STEEL a.s.	Controlling entity	339	32 047 534	169 696	955	0	32 218 524
Reťaze Slovakia s.r.o.	Controlled entity	0	26 034	130	0	0	26 164
TRIALFA, a.s.	Controlled entity	33	62 885	5 228	1 358	0	69 504
TRISIA, a.s.	Controlled entity	0	1	74	70	0	145
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	529	727	8	375	1 639
Třinecké gastroslužby, s.r.o.	Controlled entity	13	2194	4224	1 002	0	7 433
VESUVIUS ČR, a.s.	Controlled entity	0	5 652	20 066	56	45 255	71 029
Sochorová válcovna TŽ, a.s.	Controlled entity	688	4 433 709	59 437	395	0	4 494 229
CMC Třinec Stahlhandel GmbH	Controlled entity	0	160 541	0	0	0	160 541
Beskydská golfová, a.s.	Controlled entity	0	0	14 963	21	0	14 984
SILESIASLAG, a.s.	Controlled entity	0	0	21	0	0	21
Steel Consortium Partners, a.s.	Controlled entity	0	0	57	0	0	57
Moravia Security, a.s.	Controlled entity	490	78	621	47	0	1236
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	0	154	256	628	0	1 038
ZAMECZEK BŁOGOCICE	Controlled entity	0	О	0	0	614	614
Regionální informační centrum Frýdek-Místek s.r.o.	Controlled entity	0	О	107	0	0	107
Total		1 626	36 831 729	280 241	4 594	49 244	37 167 434

2007 (CZK thousand)

Entity	Relation to the company	Goods	Products	Services	Other income	Financial income	Total
Doprava TŽ, a.s.	Controlled entity	12	104 787	4 012	84	0	108 895
Kvalif. a pers. agentura, o.p.s.	Controlled entity	0	0	199	0	0	199
MORAVIA STEEL a.s.	Controlling entity	222	31 091 752	168 678	56 496	79 895	31 397 043
Reťaze Slovakia s.r.o.	Controlled entity	0	24 144	0	О	0	24 144
TRIALFA, a.s.	Controlled entity	7	60 083	4 223	2 210	0	66 523
TRISIA, a.s.	Controlled entity	9	2	3 776	1 160	0	4 947
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	0	2 715	729	1	0	3 445
Třinecké gastroslužby, s.r.o.	Controlled entity	8	2 122	4 179	1 160	0	7 469
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Controlled entity	0	5 154	17 554	57	0	22 765
Sochorová válcovna TŽ, a.s.	Controlled entity	437	4 294 145	12 267	14 406	14	4 321 269
CMC Třinec Stahlhandel GmbH	Controlled entity	0	97 377	0	0	0	97 377
Beskydská golfová, a.s.	Controlled entity	0	24	153	26	0	203
SILESIASLAG, a.s.	Controlled entity	0	0	46	0	0	46
Steel Consortium Partners, a.s.	Controlled entity	0	0	51	0	0	51
Total		695	35 682 305	215 867	75 600	79 909	36 054 376

6.8.2. Purchases from Related Parties

Relation to the company is disclosed from the perspective of the parent company, TŘINECKÉ ŽELEZÁRNY, a.s.

Entity	Type of entity	Fixed assets	Inventory	Services	Other expenses	Extraordi- nary expenses	Total
Doprava TŽ, a.s.	Controlled entity	196	3 383	66 724	0	0	70 303
Hutnictví železa, a.s.	Controlled entity	0	0	6 680	0	0	6 680
Kval. a pers. agentura, o.p.s.	Controlled entity	0	0	344	331	0	675
MORAVIA STEEL a.s.	Controlling entity	3	13 332 526	275 599	46 136	0	13 654 264
Reťaze Slovakia, s.r.o.	Controlled entity	0	888	537	0	0	1 425
TRIALFA, s.r.o.	Controlled entity	0	10 085	16 085	51 929	0	78 099
TRISIA, a.s.	Controlled entity	0	12	12 106	18	0	12 136
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	13 131	0	12 821	0	0	25 952
Třinecké gastroslužby, s.r.o.	Controlled entity	0	15 511	10 211	68 490	0	94 212
VESUVIUS ČR, a.s.	Controlled entity	0	8	54 707	0	0	54 715
Sochorová válcovna TŽ, a.s.	Controlled entity	1 281	409 542	13 652	7 470	0	431 945
Beskydská golfová, a.s.	Controlled entity	0	0	7 517	0	0	7 517
Moravia Security, a.s.	Controlled entity	188	41 470	8 261	0	0	49 919
Security Morava, s.r.o.	Controlled entity	0	0	607	0	0	607
Soukromá střední škola Třinec, š.p.o.	Controlled entity	0	39	3 537	0	0	3 576
ZAMECZEK BŁOGOCICE Sp. z o.o.	Controlled entity	0	0	1 279	0	0	1 279
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	38	0	11 724	0	0	11 762
CMC-Třinec Stahlhandel GmbH	Controlled entity Con-	0	0	218	0	0	218
Moravskoslezský kovošrot, a.s.	trolled entity Controlled	0	642 388	0	0	0	642 388
Kovárna "VIVA" Zlín, spol. s r.o.	entity	0	587	0	0	0	587
Total		14 837	14 456 439	502 609	174 374	o	15 148 259

Entity	Type of entity	Fixed assets	Inventory	Services	Other expenses	Extraor- dinary expenses	Total
Doprava TŽ, a.s.	Controlled entity	0	3 420	80 104	0	0	83 524
Hutnictví železa, a.s.	Controlled entity	0	0	6 364	0	0	6 364
Kval. a pers. agentura, o.p.s.	Controlled entity	0	3	310	210	0	523
MORAVIA STEEL a.s.	Controlling entity	65	23 939 931	340 813	47 244	38	24 328 091
Reťaze Slovakia, s.r.o.	Controlled entity	0	413	1 484	0	0	1 897
TRIALFA, s.r.o.	Controlled entity	0	14 057	20 936	69 569	0	104 562
TRISIA, a.s.	Controlled entity	0	0	20 902	150	0	21 052
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	10 163	11	8 875	0	0	19 049
Třinecké gastroslužby, s.r.o.	Controlled entity	0	15 533	10 966	64 398	0	90 897
VESUVIUS ČR, a.s.	Controlled entity	0	38	57 955	0	0	57 993
Sochorová válcovna TŽ, a.s.	Controlled entity	0	74 535	43 190	4 023	0	121 748
Beskydská golfová, a.s.	Controlled entity	0	0	1 631	416	0	2 047
Moravia Security, a.s.	Controlled entity	0	0	31 445	39	0	31 484
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM, s.r.o.	Controlled entity	0	29	11 222	0	0	11 251
CMC-Třinec Stahlhandel GmbH	Controlled entity	0	0	216	0	0	216
Total		10 228	24 047 970	636 413	186 049	38	24 880 698

2007 (CZK thousand)

Entity	Type of entity	Fixed	Inventory	Services	Other	Total
D	Conta II I and	assets	. 0	0	expenses	0 . 6
Doprava TŽ, a.s.	Controlled entity	0	978	84 662	0	85 640
Hutnictví železa, a.s.	Controlled entity	0	30	6 247	О	6 277
Kvalifikační a pers. agentura, o.p.s.	Controlled entity	0	0	316	0	316
MORAVIA STEEL a.s.	Controlling entity	136	21 018 171	280 375	45 871	21 344 553
Reťaze Slovakia, s.r.o.	Controlled entity	0	534	1 708	0	2 242
TRIALFA, s.r.o.	Controlled entity	0	14 022	17 161	68 019	99 202
TRISIA, a.s.	Controlled entity	0	0	28 982	148	29 130
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	25 374	40	10 324	0	35 738
Třinecké gastroslužby, s.r.o.	Controlled entity	0	14 320	18 036	49 995	82 351
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Controlled entity	80	22	63 477	0	63 579
Sochorová válcovna TŽ, a.s.	Controlled entity	0	33 461	42 552	3 859	79 872
Beskydská golfová, a.s.	Controlled entity	0	0	2 484	0	2 484
Total		25 590	21 081 578	556 324	167 892	21 831 384

7. Employees, Management and Statutory Bodies

7.1. STAFF COSTS AND NUMBER OF EMPLOYEES

7.1.1. Staff Costs and Number of Employees for 2009

Company	Average number of	Of which managers	Total staff costs	Of which managers
Company	employees	Of which managers	Total stall costs	Of which managers
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	10 306	70	3 958 448	157 120

7.1.2. Staff Costs and Number of Employees for 2008

(CZK thousand)

Company	Average number of employees	Of which managers	Total staff costs	Of which managers
TŘINECKÉ ŽELEZÁRNY, a.s.	5 539	6	2 685 883	68 893
ENERGETIKA TŘINEC, a.s.	381	5	178 413	10 921
Strojírny Třinec, a.s	1029	8	390 043	17 309
Slévárny Třinec, a.s.	722	5	283 169	8 852
REFRASIL, s.r.o.	205	2	90 125	14 792
Řetězárna a.s.	311	6	115 659	12 544
VÁLCOVNA TRUB TŽ, a.s.	801	4	329 649	7 172
FERROMORAVIA, s.r.o.	247	5	91 870	8 174
H&S PROGRESS, s.r.o.	0	0	102	0
Šroubárna Kyjov, spol. s r.o.	301	9	87 050	6 883
D5, a.s.	759	8	154 795	7 778
VUHŽ, a.s.	348	14	181 814	31 856
Total under full consolidation	10 643	72	4 588 572	195 174

7.1.3. Staff Costs and Number of Employees for 2007

(CZK thousand)

Company	Average number of	Of which managers	Total staff costs	Of which managers
	employees			
TŘINECKÉ ŽELEZÁRNY, a.s.	5 428	6	2 638 118	47 105
ENERGETIKA TŘINEC, a.s.	386	5	181 285	12 515
Strojírny Třinec, a.s	1 025	8	372 244	17 309
Slévárny Třinec, a.s.	673	5	294 970	8 631
REFRASIL, s.r.o.	217	2	90 610	14 464
Řetězárna a.s.	325	7	118 057	20 293
VVT VÍTKOVICE VÁLCOVNA TRUB, a.s.	801	4	317 446	10 789
FERROMORAVIA, s.r.o.	245	5	90 560	9 068
H&S PROGRESS, s.r.o.	6	1	1 604	162
ROLLSERVIS a.s.	29	1	5 109	332
VÚHŽ a.s.	306	13	94 867	8 213
VUHŽ NEMO a.s.	0	0	46	0
Total under full consolidation	9 441	57	4 204 916	148 881

7.2. Benefits Provided to Members of Statutory, Supervisory and Management Bodies

Set out below are the amounts of bonuses, advances, borrowings, other receivables, payables and other benefits in respect of members of the statutory, management and supervisory bodies:

Company/benefit	2009	2008	2007
TŘINECKÉ ŽELEZÁRNY, a.s.	17 034	19 770	21 086
Use of management cars	1 168	804	962
Liability insurance	858	438	1 260
Bonuses	15 008	18 528	18 864
ENERGETIKA TŘINEC, a.s.	1 336	1 468	1 558
Use of management cars	462	462	488
Life insurance contribution	185	185	207
Liability insurance	41	173	197
Bonuses	648	648	666
Strojírny Třinec, a.s.	982	1 175	1 076
Use of management cars	252	439	443
Life insurance contribution	53	38	0
Liability insurance	29	50	0
Bonuses	648	648	633
Slévárny Třinec, a.s.	714	714	705
Use of management cars	4	4	5
Life insurance contribution	29	29	29
Liability insurance	33	33	23
Bonuses	648	648	648
REFRASIL, s.r.o.	630	625	1 480
Use of management cars	237	237	237
Life insurance contribution	0	4	856
Liability insurance	9	0	3
Bonuses	384	384	384

FERROMORAVIA, s.r.o.	786	847	125
Use of management cars	462	523	0
Liability insurance	0	0	125
Bonuses	324	324	0
Řetězárna a.s.	6 081	7 667	8 366
Use of management cars	809	872	872
Liability insurance	12	21	24
Bonuses	5 260	6 774	7 470
VÁLCOVNA TRUB TŽ, a.s.	946	1 507	972
Use of management cars	296	481	305
Life insurance contribution	18	378	19
Bonuses	632	648	648
H&S PROGRESS s.r.o.	0	78	190
Liability insurance	0	0	1
Bonuses	0	78	189
ROLLSERVIS, a.s.	0	0	439
Use of management cars	0	0	14
Liability insurance	0	0	2
Bonuses	0	0	423
VÚHŽ NEMO, a.s.	0	0	46
Bonuses	0	0	46
D5, a.s.	1 392	862	0
Use of management cars	586	291	0
Life insurance contribution	29	37	0
Liability insurance	56	0	0
Bonuses	721	534	0
VÚHŽ a.s.	2 250	1 512	9 904
Use of management cars	1 001	931	510
Life insurance contribution	52	38	13
Liability insurance	729	75	25
Bonuses	468	468	9 356
Šroubárna Kyjov, s.r.o.	829	536	0
Use of management cars	464	367	0
Life insurance contribution	19	3	0
Liability insurance	22	0	0
Bonuses	324	166	0
METALURGIA S.A	1932	0	0
Use of management cars	203	0	0
Bonuses	1 729	0	0
Total	34 912	36 761	45 947

8. Post Balance Sheet Events

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

The Company decided that 1 January 2010 would be the effective date of the in-country merger by amalgamation of H & S PROGRESS s. r. o. (the dissolving company) and $V\acute{U}H\D Z$ a. s. (the successor company). As of the date when the in-country merger by amalgamation will be recorded in the Register of Companies, H & S PROGRESS s. r. o. will be dissolved without liquidation and all net assets, rights and obligations of the Company will pass to $V\'{U}H\D Z$ a. s.



SELECTED CAPITAL INTERESTS OF TŘINECKÉ ŽELEZÁRNY, A. S.

ENERGETIKA TŘINEC, a.s.

Registered office: Třinec-Staré Město, Průmyslová 1024

ID: 47 67 58 96

Subscribed capital: CZK 1,680,000 thousand

Share in registered capital: 100 %

The company is an energy facility supplying a full range of energy and energy services to its customers. It supplies electricity, process steam, heat, fuel gas, compressed and blast air, and process, service and drinking water to Třinecké železárny and other companies as well as the community in the region of Třinec. It operates wastewater treatment plants and a sewerage system. In the environmental area, the company introduced a control system according to the ČSN EN ISO 14001 standard.

CZK '000	2009*	2008	2007
Equity	2 309 176	2 295 985	2 225 308
Balance sum	3 022 546	2 910 006	2 859 795
Revenues	2 461 669	2 358 805	2 194 677
Profit/Loss after tax	103 191	70 677	203 618
Employees	370	381	386

^{*}audited results

Strojírny Třinec, a.s.

Registered office: Třinec-Staré Město, Průmyslová 1038

ID: 25 36 36 54

Subscribed capital: CZK 565,000 thousand

Share in registered capital: 100 %

The company deals in the production of railway superstructures, manufacture and renovation of metallurgical rolls, as well as a wide range of general machinery production. The goal of the company is to maintain and strengthen its position on the market as the supplier of top quality products and services, especially parts for railways (bearing plates, fishplates, and clips), rolls, forges, and machinery. The company has a quality control system in place according to the ČSN EN ISO 9001:2000 standard and an environmental system according to ČSN EN ISO 14001.

, , , , , , , , , , , , , , , , , , , ,			
CZK '000	2009*	2008	2007
Equity	1 060 275	780 807	689 837
Balance sum	1 209 505	1 032 313	955 477
Revenues	1 140 108	1 647 257	1 375 518
Profit/Loss after tax	469 915	95 870	81 800
Employees	929	1 029	1 025

^{*}audited results

Slévárny Třinec, a.s.

Registered office: Třinec-Staré Město, Průmyslová 1001

ID: 25 83 07 16

Subscribed capital: CZK 550,000 thousand

Share in registered capital: 100 %

The company draws on a nearly 160-year tradition in the foundry industry in Třinecké železárny. Its key business activity is production and sales of castings of steel, gray iron, and to a lesser extent of non-ferrous metals. In recent years, the product portfolio has evolved into a range of products dedicated to the steel industry, construction machines, mining, machinery, and the automotive industry. The strategy of the company focuses on the valuation of the material inputs outside the $T\tilde{Z}$ – MS Group. The foundry has introduced a quality control system according to ČSN EN ISO 9001 and an environmental control system according to ČSN EN ISO 14001.

CZK '000	2009*	2008	2007
Equity	534 979	566 898	562 586
Balance sum	751 830	975 394	934 042
Revenues	744 845	1 294 507	1 221 898
Profit/Loss after tax	-31 915	4 312	13 681
Employees	619	722	673

^{*}audited results

VÁLCOVNA TRUB TŽ, a.s.

Registered office: Ostrava-Vítkovice, Výstavní 1132

ID: 25 82 52 91

Subscribed capital: CZK 418,166 thousand

Share in registered capital: 100 %

The company hot rolls seamless steel tubes using the Mannesmann technology. The production is characterised by the sophisticated technology of a wide portfolio of steel grades as well as the dimensions not only pursuant to the ČSN standard, but pursuant to the international DIN, ASTM, GOST, NFA, API standards as well. The company is certified according to ISO 9001.

CZK '000	2009*	2008	2007
Equity	561 882	676 183	884 550
Balance sum	1 562 474	1 784 918	1 242 764
Revenues	1 844 884	1 976 359	2 648 529
Profit/Loss after tax	-114 308	-207 511	189 144
Employees	738	801	801

^{*}audited results

FERROMORAVIA, s.r.o.

Registered office: Staré Město, Tovární 1688

ID: 63 48 00 85

Subscribed capital: CZK 150,000 thousand

Share in registered capital: 100 %

The company draws wire rod and bars. Drawn steel of round, rectangular and hexagonal cross section is produced from bar to bar, from coil to bar, and from coil to coil. Drawn steel is delivered according to ČSN EN 10277 1-5 and ČSN EN 10278.

CZK '000	2009*	
Equity	402 898	
Balance sum	542 292	
Revenues	595 111	
Profit/Loss after tax	-44 121	
Employees	180	

^{*}audited results

Šroubárna Kyjov, spol. s r.o.

Registered office: Kyjov, Jiráskova 987

ID: 42 29 35 88

Subscribed capital: CZK 140,000 thousand

Share in registered capital: 100 %

The company is a traditional producer of fastening material using the technology of hot forging processes. The product range includes products for railways, mines, construction, and engineering as well as the automotive industry. The main production portfolio consists of screw spikes, construction screws, hook screws, railway fasteners, nuts, mine stirrups, and screws for special use such as rivets, tensors, anchor screws, insulator hooks etc. The company has been certified pursuant to ISO 9001 and ISO 14 001.

CZK '000	2009*	2008	
Equity	458 695	430 265	
Balance sum	649 894	713 574	
Revenues	711 867	853 247	
Profit/Loss after tax	68 730	106 036	
Employees	294	301	

^{*}audited results

METALURGIA S.A.

Registered office: Radomsko, ul. Świętej Rozalii 10/12

REGON: 59 00 27 217

Subscribed capital: PLN 2 990 005,46

Share in registered capital: 100 %

The company has a more than 130-year tradition of producing nails, wire rod and products made from wire. It belongs among the most significant producers in its field in Europe. The main product portfolio consists of zinc-coated wire rod, annealed, blank and welded wire rod, and nails aimed particularly at Polish and European market. The company has introduced a quality control system according to ISO 9001:2000.

PLN '000	2009*	
Equity	21 276	
Balance sum	45 959	
Revenues	87 827	
Profit/Loss after tax	-6 477	
Employees	329	

^{*}audited results

D 5, akciová společnost, Třinec

Registered office: Třinec-Staré Město, Průmyslová 1026

ID: 47 67 45 39

Subscribed capital: CZK 60,000 thousand

Share in registered capital: 100 %

The essential mission of the company is the complex delivery of repairs of steel making facilities regarding the engineering electrical and construction activities. Thanks to its highly skilled workers and technical equipment, the company is able to respond flexibly to the needs of its customers not directly relating to maintenance and repair in Třinecké železárny. The company has implemented a quality control system pursuant to ČSN EN ISO 9001:2001, an environmental system pursuant to ČSN EN ISO 14001 as well as safety and occupational health system according to ČSN OHSAS 18001: 2008.

CZK '000	2009*	2008	
Equity	115 052	105 685	
Balance sum	260 489	284 061	
Revenues	744 644	1 176 647	
Profit/Loss after tax	9 551	44 834	
Employees	732	759	

^{*}audited results

H & S PROGRESS s.r.o.

Registered office: Dobrá 240

ID: 61 94 64 60

Subscribed capital: CZK 3,784 thousand

Share in registered capital: 100 %

The company is the only shareholder of the joint stock company VÚHŽ, which is an established supplier for the automotive, steel, and machinery industries, and produces automation technology, as well as facilities for secondary metallurgy.

CZK '000	2009*	2008	2007
Equity	48 845	46 443	32 178
Balance sum	52 193	49 390	33 126
Revenues	12 454	12 772	15 366
Profit/Loss after tax	2 402	12 521	17 170
Employees	0	0	8

^{*} final results (company not audited)

Řetězárna a.s.

Registered office: Česká Ves, Polská 48

ID: 47 67 20 81

Subscribed capital: CZK 61,200 thousand

Share in registered capital: 51 %

The company is based in Česká Ves u Jeseníku and is the manufacturer of a wide assortment of chains from wire rod and bars produced predominantly by Třinecké železárny. Its product range consists of an extensive assortment of chain lengths for various applications, snow chains for trucks and cars, as well as protective and logging equipment tire chains. The company responds to changes in market requirements with new products, such as fishing chains, cage-draw bars and lugs, and substitute items. The company is certified according to ISO 9001:2001 and ISO 14001:2004.

1 /	 		
CZK '000	2009*	2008	2007
Equity	419 561	430 799	377 897
Balance sum	558 085	575 165	576 523
Revenues	360 031	554 790	550 783
Profit/Loss after tax	1 106	62 797	62 678
Employees	255	311	325

^{*}audited results

REFRASIL, s.r.o.

Registered office: Třinec-Konská, Průmyslová 720

ID: 48 39 58 62

Subscribed capital: CZK 25,500 thousand

Share in registered capital: 51 %

The company ranks among the most significant producers of heat-resistant materials in the Czech Republic. Besides the production of heat-resistant materials, it provides technical services concerning the application of heat-resistant materials and renders complex technical services during installation of its materials at customers' premises. The production range involves fireclay and bricks with high percentage of clay, mixes, mortars, mastics, refractory castables and monolithic refractory castables. The company is a member of the European Association of Refractory Material Manufacturers and has implemented a quality control system according to ISO 9001.

CZK '000	2009*	2008	2007
Equity	212 901	190 553	178 004
Balance sum	274 515	242 229	236 513
Revenues	361 045	416 498	415 351
Profit/Loss after tax	43 348	42 549	47 054
Employees	198	205	217

^{*}audited results

VESUVIUS ČESKÁ REPUBLIKA, a.s.

Registered office: Třinec, Průmyslová 715

ID: 45 19 28 47

Subscribed capital: CZK 25,137 thousand

Share in registered capital: 40 %

The company's activity focuses on the production and sale of special isostatically pressed ceramics for continuous steel casting such as plug sticks, screening tubes and teeming nozzles. The company was founded in compliance with the strategy of the international company Vesuvius, ie as close to the customer as possible, with ensured flexibility in supplies of heat-resistant material.

CZK '000	2009*	2008	2007
Equity	214 869	215 975	220 532
Balance sum	342 152	323 425	352 184
Revenues	564 231	706 094	800 562
Profit/Loss after tax	78 894	108 579	113 136
Employees	140	157	160

^{*}audited results

Sochorová válcovna TŽ, a.s.

Registered office: Třinec-Staré Město, Průmyslová 1000

ID: 25 87 29 40

Subscribed capital: CZK 72,180 thousand

Share in registered capital: 18 %

The goal of the company is to fulfil the long-term goal of the $T\check{Z}$ – MS Group through the building of product chains and achieving a higher grade of finalising the $T\check{Z}$ products. The product portfolio of the company consists of long rolled products and semis for a wide range of domestic as well as foreign customers. The company focuses on the production of high carbon and alloyed construction grade steels; stainless and tool steel grades are produced to a lesser extent.

CZK '000	2009*	2008	2007
Equity	1 511 399	1 854 891	1 602 467
Balance sum	2 366 163	3 019 173	2 601 200
Revenues	3 211 718	5 503 926	5 630 944
Profit/Loss after tax	-343 492	252 424	402 819
Employees	655	722	717

^{*}audited results



REPORT ON RELATED PARTY TRANSACTION

TŘINECKÉ ŽELEZÁRNY, a.s., registered at Průmyslová 1000, 739 70 Třinec-Staré Město, corporate ID: 18050646, entered in the Register of Companies, Section B, File No. 146, maintained by the Regional Court in Ostrava (hereinafter the "Company") together with the entities below (the "related parties") forms a group in terms of the second sentence of Section 66a (7) of the Commercial Code.

The report on relations between the related parties was prepared in compliance with the provisions of Section 66a (9) of the Commercial Code for the year ended 31 December 2009 (the "accounting period").

I. DEFINITION OF RELATED PARTIES

A. CONTROLLING ENTITIES

MORAVIA STEEL a.s.

Registered office: Průmyslová 1000, 739 70 Třinec-Staré Město

Corporate ID: 63474808

Relation: The company is the Company's controlling entity acting in concert with FINITRADING a.s., which is another shareholder of the Company. MORA-VIA STEEL a.s. is controlled by the entities below acting in concert under Section 66b (1) and Section 66b (2) (b) of the Commercial Code:

- FINITRADING, a.s. with its registered office at nám. Svobody 526, Třinec 73961, Corporate ID: 61974692
- R.F.G., a.s. with its registered office at nám. Svobody 526, Třinec 73961, Corporate ID: 63079658

FINITRADING, a.s.,

registered at nám. Svobody 526, 739 61 Třinec

Corporate ID: 61974692

Relation: The company is the Company's controlling entity acting in concert with MORAVIA STEEL a.s., which is another shareholder of the Company.

B. OTHER RELATED PARTIES

B.1. COMPANIES CONTROLLED BY THE CONTROLLING ENTITIES

Moravia Steel AG Zug registered at Oberallmendstrasse 16, 6302 Zug, Switzerland Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL IBÉRIA, S.A. registered at Campo Grande, 35 – 9. A,

P-1700 Lisbon, Portugal

Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA GOEL TRADE d.o.o., "in liquidation", registered at Perkovčeva 48, 10430 Samobor, Croatia Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL ITALIA s.r.l. registered at via Niccolini 26, 20154 Milan, Italy Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL SLOVENIJA d.o.o. registered at Valvazorjeva 14, 3000 Celje, Slovenia Relation: company controlled by MORAVIA STEEL a.s.

CMC – TRINEC Stahlhandel, GmbH registered at Cliev 19, 51515 Kürten, Germany Relation: company controlled by MORAVIA STEEL a.s.

TRINEC – CMC LIMITED registered at Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, U.K. Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Televizní Studio a.s. registered at Kříženeckého nám. 322, Prague 5

Corporate ID 41693311

Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Studio a.s. registered at Kříženeckého nám. 322/5, 15200 Prague 5 – Hlubočepy

Corporate ID: 28172469

Relation: company controlled by MORAVIA STEEL a.s.

Barrandov Lands a.s. registered at Kříženeckého nám. 322/5, 15200 Prague 5

Corporate ID: 27225674

Relation: company controlled by MORAVIA STEEL a.s.

MS – Slovensko s.r.o. registered at Palisády 56, 81106 Bratislava

Relation: company controlled by MORAVIA STEEL a.s.

MORAVIA STEEL ISRAEL Ltd. registered at Petach Tikva 49511, 23 Efal St.,

P.O.B. 3286 Israel

Relation: company controlled by MORAVIA STEEL a.s.

Beskydská golfová, a.s., registered at Ropice 415, 73956, Corporate ID 25352920

Relation: company controlled by MORAVIA STEEL a.s.

Hanácké železárny a pérovny, a.s., registered at Dolní 100, 797 11 Prostějov;

Corporate ID 26955342

Relation: company controlled by MORAVIA STEEL a.s.

Moravia Steel Poland sp. z o.o., registered at Bobrecka 27, Cieszyn 43-400, Poland

Relation: company controlled by MORAVIA STEEL a.s.

M Steel Projects a.s. registered at Průmyslová 1000, 73970 Třinec-Staré Město;

Corporate ID 28602331

Relation: company controlled by MORAVIA STEEL a.s.

Moravskoslezský kovošrot, a.s., registered at V Jámě 1371/8, 11000 Prague 1, Nové Město;

Corporate ID 26855097

Relation: company controlled by MORAVIA STEEL a.s.

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

Relation: company controlled by MORAVIA STEEL a.s.

Sochorová válcovna TŽ, a.s. registered at Průmyslová 1000, 73970 Třinec-Staré Město;

Corporate ID 25872940

Relation: company controlled by MORAVIA STEEL a.s. and the Company acting in concert.

B.2. Companies Controlled by the Company

ENERGETIKA TŘINEC, a.s. registered at Průmyslová 1024, 73965 Třinec-Staré Město

Corporate ID: 47675896

Relation: company controlled by the Company

Strojírny Třinec, a.s. registered at Průmyslová 1038, 73965 Třinec-Staré Město

Corporate ID: 25363654

Relation: company controlled by the Company

Slévárny Třinec, a.s. registered at Průmyslová 1001, 73965 Třinec-Staré Město

Corporate ID: 25830716

Relation: company controlled by the Company

Třinecké gastroslužby, s.r.o. registered at Průmyslová 1035, 73965 Třinec-Staré Město

Corporate ID: 25838148

Relation: company controlled by the Company

SILESIASLAG, a.s. registered at Průmyslová 1032, 73965 Třinec-Staré Město

Corporate ID: 25893882

Relation: company controlled by the Company

Doprava TŽ, a.s. registered at Průmyslová 1008, 73965 Třinec-Staré Město

Corporate ID: 25398083

Relation: company controlled by the Company

TRIALFA, s.r.o. registered at ul. Míru 272, 73965 Třinec-Kanada

Corporate ID: 25839888

Relation: company controlled by the Company

Řetězárna a.s. registered at Polská 48, 79081 Česká Ves

Corporate ID: 47672081

Relation: company controlled by the Company

TRISIA, a.s. registered at nám. Svobody 526, Třinec, District of Frýdek-Místek, 73965

Corporate ID: 64610152

Relation: company controlled by the Company

REFRASIL, s.r.o. registered at Průmyslová 720, Třinec-Konská 73965

Corporate ID 48395862

Relation: company controlled by the Company

Steel Consortium Partners, a.s. registered at Průmyslová 1000, 73970 Třinec-Staré Město; Corporate ID: 27242382

Relation: company controlled by the Company

VÁLCOVNA TRUB TŽ, a.s. registered at Výstavní 1132, Ostrava-Vítkovice

Corporate ID: 25825291

Relation: company controlled by the Company

H & S PROGRESS s.r.o. registered at Dobrá 240, 73951

Corporate ID: 61946460

Relation: company controlled by the Company

MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. registered at Pohraniční 693/31, 70602 Ostrava-Vítkovice, Corporate ID: 25870807

Relation: company controlled by the Company

Šroubárna Kyjov, spol. s r.o., registered at Jiráskova 987, 697 32 Kyjov

Corporate ID: 42293588

Relation: company controlled by the Company

Moravia Security, a.s., registered at Průmyslová 725, 739 65 Třinec-Konská

Corporate ID: 27835481

Relation: company controlled by the Company

D5, akciová společnost, Třinec, registered at Průmyslová 1026, 739 65 Třinec-Staré Město,

Corporate ID: 47674539

Relation: company controlled by the Company

Soukromá střední škola Třinec, s.r.o., registered at Průmyslová 1000, 739 70 Třinec-Staré Město

Corporate ID: 27856216

Relation: company controlled by the Company until 2 September 2009 (as of 2 September 2009 there was a change in the legal form from a limited liability company to a school legal entity; this school legal entity was established by the Company)

FERROMORAVIA, s.r.o., registered at Tovární 1688, 68602 Staré Město;

Corporate ID 63480085

Relation: company directly controlled by the Company since 4 February 2009

"METALURGIA" Spółka Akcyjna registered at ulica Świętej Rozalii nr 10/12, 97-500 Radomsko, Poland

Relation: company controlled by the Company since 16 September 2009

"ZAMECZEK BŁOGOCICE" SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered at ul. Zeromskiego 1, 43-400 Cieszyn, Poland

Relation: company controlled by the Company since 21 January 2009

Sochorová válcovna TŽ, a.s. registered at Průmyslová 1000, 73970 Třinec-Staré Město

Corporate ID: 25872940

Relation: company controlled by MORAVIA STEEL a.s. and the Company acting in concert.

II. DESCRIPTION OF THE RELATIONS

A. Definition of the Relation between Related Parties

- a) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and MORAVIA STEEL a.s. as the controlling company are presented below in section B hereof.
- b) The relations in terms of the provisions of Section 66a (9) of the Commercial Code between the Company and R.F.G., a.s. and FINITRADING, a.s. were not established in the accounting period, i.e. no contracts were concluded, no other legal acts were performed, and no measures were taken in terms of the abovementioned provisions in the accounting period.
- c) The relations in terms of the provisions of Section 66a (9) of the Commercial Code between the Company and the Related Parties which are controlled by the controlling entities pursuant to section B.1, chapter I, except for Sochorová válcovna TŽ, a.s., Beskydská golfová, a.s., Hanácké železárny a pérovny, a.s. and Moravskoslezský Kovošrot, a.s. were not established in the accounting period, i.e. no contracts were concluded among the related parties, no other legal acts were performed and no measures were taken at the initiative or on behalf of the related parties.
- d) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Sochorová válcovna TŽ, a.s. are presented below in section C hereof.
- e) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Beskydská golfová, a.s., are presented below in section C hereof.
- f) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Hanácké železárny a pérovny, a.s. are presented below in section E hereof.
- g) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and Moravskoslezský kovošrot, a.s. are presented below in section F hereof.
- h) The relations in terms of the provisions of Section 66a (9) of the Commercial Code that were established in the accounting period between the Company and the Related Parties which are controlled by the Company pursuant to section B.2, chapter I are stated in the reports on relations of each of these Related Parties that prepare their reports separately, providing a detailed description of individual relations with the Company for the relevant accounting period. The Company incurred no damage as a result of the relationships.

B. Description of the Company's Relations with the Controlling Entity, MORAVIA STEEL a.s.

Introduction

- a) The principal contract applicable to the day-to-day business relations between the Company and MORAVIA STEEL a.s. is the General Commercial Contract of 30 December 2002 whereby both parties declared their common interest in the further development of their mutual business relations. This contract is also updated for the relevant accounting period:
 - aa) by the Master Contract mentioned below of 30 December 2002 for the sale area; and
 - ab) by the Contract for the Supply of Materials and Raw Materials mentioned below of 12 January 1999 for the purchase area.
- The individual performances are presented in the partial purchase contracts executed pursuant to the above contracts for a particular product, amount, shape and type, the agreed upon price and performance deadline. The agreed upon prices respect the specific features of purchases and sales in the metallurgic industry and take into account the elimination of foreign exchange risks, the adjustment of payment conditions, and business risks.
 - b) Due to the high number of contracts entered into during the accounting period, this report includes:
- ba) separate references to the individual contracts important for the relations between the Company and MORAVIA STEEL a.s., primarily the contracts whereby the performance fee exclusive of VAT was agreed within the day-to-day course of business relations in the amount of no less than 1% of the Company's share capital, and 0.5% of the Company's share capital outside of day-to-day business relations; and
 - bb) a collective reference to other contracts, mainly contracts whereby the performance fee is below the amount set out under section ba).

B.1. SALES AND OTHER PERFORMANCES PROVIDED BY THE COMPANY IN FAVOUR OF THE CONTROLLING ENTITY, MORAVIA STEEL a.s.

B.1.1. Master Contract

The contract between the Company and the controlling entity was entered into on 30 December 2002. In the accounting period, the contract was effective in the wording of Amendment No. 1 of 31 December 2004 and Amendment No. 2 of 30 June 2005. Under the contract, the Company agrees to sell its metallurgical products to the controlling entity. Partial sale contracts are prepared for individual performances. The prices for goods are arm's length prices derived from market prices.

During the accounting period, the performance under the above contract and the underlying partial sale contracts with settlement in the form of invoices and credit notes in the respect of prices for the sale of products, or expenses associated with complaints was provided for consideration of CZK 19,365,429 thousand.

B.1.2. Licence Contract for the Use of the "Three Hammers in a Circle" Trademark

The contract between the Company and the controlling entity was entered into on 30 June 2002. In the accounting period, the contract was effective in the wording of subsequent amendments. Under the contract, the Company provided a non-exclusive right to the controlling entity to use the Company's trademark as part of the logo of MORAVIA STEEL a.s. The right was provided for consideration.

During the accounting period, the consideration for the right provided under the above contract amounted to CZK 123,000 thousand.

B.1.3. Contract on the Provision of Services

The contract between the Company and the controlling entity was entered into on 1 January 2003. Under the contract, the Company provided the controlling entity with services involving security and asset guards, fire protection, postal services, archiving and documentation services, dispatch services, transport and customs clearance, information technology, selected technical services, pricing services, selected accounting services and complaint resolution services.

During the accounting period, the performance under the above contract was provided for consideration of CZK 30,164 thousand.

B.1.4. Lease Contract

The contract between the Company and the controlling entity was entered into on 9 March 2000. Under the contract, which was effective in the accounting period in the wording of Amendment No. 1 of 10 November 2005, Amendment No. 2 of 19 January 2006, Amendment No. 3 of 7 September 2006 and Amendment No. 4 of 24 October 2007, the lease right to real estate and non-residential premises and movable assets owned by the Company was agreed upon for the location of the controlling entity's registered office and business activities.

The rent and other payments arising from the above contract during the accounting period amounted to CZK 7,020 thousand.

B.1.5. Contract for the Provision of Telecommunications Services

The contract between the Company and the controlling entity was entered into on 31 December 1998 and was effective in the accounting period in the wording of Amendment No. 1 of 1 July 2002. Under the contract, the Company rendered telecommunications services to the controlling entity.

During the accounting period, the performance under the above contract was provided for consideration of CZK 2,974 thousand.

B.1.6. Other Performances Provided

During the accounting period, the Company provided the controlling entity with other performances under special contracts involving, for example, the sale of goods and other assets, provision of internet services or other services for a total consideration of CZK 7,683 thousand.

B.2. Purchases and Other Performances Provided by the Controlling Entity, MORAVIA STEEL a.s., in Favour of the Company

B.2.1. Purchase Contract for the Supply of Materials and Raw Materials

The contract between the Company and the controlling entity was entered into on 12 January 1999 and was effective in the accounting period in the wording of Amendment No. 1 of 30 December 2002. Under the contract, the Company agrees to purchase basic metallurgical raw materials, mainly ores, coal, fuels and metallurgical semi-finished products, from the controlling entity. The volume of the supplies and fees are specified on a quarterly basis in the form of partial sale contracts. The contract was entered into for an indefinite period of time.

During the accounting period, the performance under the above contract was provided for consideration of CZK 12,326,249 thousand.

B.2.2. Master Forwarding Contract

The contract between the Company and the controlling entity was entered into on 30 December 2002. Under the contract, which was effective in the accounting period in the wording of subsequent amendments and appendices, the controlling entity agrees to provide transport for goods and to perform activities associated with such transport and to arrange for any other action necessary for the operation of national railway freight transport for the Company. The performance was provided on the basis of contractual prices agreed for one year with respect to a specific shipment and volume.

During the accounting period, the performance under the above contract was provided for consideration of CZK 168,620 thousand.

B.2.3. Mandate Contract

The contract between the Company and the controlling entity was entered into on 1 July 2005 and was effective in the accounting period in the wording of Amendment No. 1 of 1 December 2005 and Amendment No. 2 of 27 September 2007. Under the contract, the controlling entity, on behalf and on the account of the Company, agrees to deal with all business matters relating to the purchase of work and services necessary for performing the activity of the Company, primarily providing for the maintenance and repairing of the production facility, technology, structures, land and other assets owned or used by the Company.

During the accounting period, the performance under the above contract was provided for consideration of CZK 182,822 thousand.

B.2.4. Mandate Contract

The contract between the Company and the controlling entity was entered into on 29 June 2007. Under the contract, the controlling entity, on behalf and on the account of the Company agrees to deal with business matters relating to the purchase of metal scrap category No. 170405 (Iron and Steel) complying with the requirements of ČSN 420030 (Steel and Alloy scrap) – i.e. scrap for the production needs of the Company, as well as to deal with the relating activities, in the scope and under the conditions defined in the mandate contract.

During the accounting period, the performance under the above contract was provided for consideration of CZK 111,428 thousand.

B.2.5. Other Performances Received

The Company received other performances from the controlling entity under special contracts during the accounting period involving, for example, the provision of liability insurance, property insurance, insurance for the corporate body members, purchase of goods, provision of lease rights and provision of other services totalling CZK 38,820 thousand.

- 1. The controlling entity provided the Company with guarantees for its obligations under:
- a) The guarantees for investment loan settlement of CZK 630,000 thousand:

Creditor

ČSOB, a.s. CZK 180,000 thousand. The contract was concluded on 31 March 2004.

ČSOB, a.s. CZK 150,000 thousand. The contract was concluded on 31 March 2004.

Citibank, a.s. CZK 300,000 thousand. The contract was concluded on 9 September 2004.

The controlling entity provided no performance under the guarantees.

B.3. OTHER CONTRACTUAL RELATIONS

No other contractual relationships were established between the Company and the controlling entity under Section 66a (9) of the Commercial Code during the accounting period.

B.4. OTHER LEGAL ACTS

No other legal acts were performed within the relationship between the Company and the controlling entity under Section 66a (9) of the Commercial Code during the accounting period.

B.5. OTHER MEASURES

No other measures were adopted within the relationship between the Company and the controlling entity under Section 66a (9) of the Commercial Code during the accounting period.

C. DESCRIPTION OF THE COMPANY'S RELATIONS WITH SOCHOROVÁ VÁLCOVNA TŽ, a.s.

C.1. SALES AND OTHER PERFORMANCES PROVIDED BY THE COMPANY IN FAVOUR OF SOCHOROVÁ VÁLCOVNA TŽ, a.s.

C.1.1. Master Contract

The Company concluded this contract with the company on 30 June 2002 and it was effective in the accounting period in the wording of Amendment No. 1 of 30 January 2004, Amendment No. 2 of 29 October 2004 and Amendment No. 3 of 30 December 2005. Under the contract, as amended, the Company agrees to provide ingots, continuous ingots and billets as well as charges for the company's manufacturing programme. Partial sale contracts are executed for individual performances. The prices for goods are arm's length prices derived from the prices for the relevant product mix under common commercial relationships.

During the accounting period, the performance under the above contract and the underlying partial sale contracts with settlement in the form of invoices and credit notes in respect of prices for the sale of products, or expenses associated with complaints was provided for consideration of CZK 2,201,868 thousand.

C.1.2. Licence Contract for the Use of the "Three Hammers in a Circle" Trademark

The Company concluded this contract with the company on 30 June 2002. In the accounting period, the contract was effective in the wording of Amendment No. 1 of 19 March 2004. Under the contract, as amended, the Company provide the company with a non-exclusive right to use the trademark for products as well as a non-exclusive right to use the Company's trademark as part of the logo of Sochorová válcovna TŽ, a.s. The right was provided for consideration.

During the accounting period, the consideration for the right ensuing from the above contract amounted to CZK 83 thousand.

C.1.3. Contract for the Provision of Services

The contract between the Company and the company was concluded on 2 January 2004. Under this contract, the Company provided the company with services involving building guards, fire protection, filing room, archiving and documentation services, information technology, selected technical services, selected accounting services, protection of the environment, payroll and personnel services, audit, marketing, and procurement services.

During the accounting period, the performance under the above contract was provided for consideration of CZK 7,142 thousand.

C.1.4. Lease Contract

The Company concluded the contract with the company on 30 June 2002 and the contract was effective in the accounting period in the wording of the amendment. Under the contract, as amended, the Company leases the tangible and intangible assets assigned for the operation of Sochorová válcovna TŽ, a.s. to this company.

During the accounting period, the consideration for the rental and other payments under the above contract amounted to CZK 1,467 thousand.

C.1.5. Contract for the Lease of Non-Residential Premises

The Company concluded this contract with the company on 13 May 2002, in the wording of the subsequent amendments by Amendment No. 1 of 5 December 2003, Amendment No. 2 of 1 May 2004 and Amendment No. 3 of 13 April 2007. Under this contract, the company acquires the right to lease non-residential premises. During the accounting period, the consideration for the lease and other services under the above contract amounted to CZK 34 thousand.

C.1.6. Other Performances Provided

During the accounting period, the Company provided other performances under special contracts involving, for example, the sale of goods and other assets or the provision of other services for an aggregate consideration of CZK 2,541 thousand.

C.2. Purchases and Other Performances Provided by Sochorová válcovna Tž, a.s. to the Company

C.2.1. Master Agreement No. 4600000076

The Company concluded the contract with the company on 9 January 2003, which was effective in the accounting period in the wording of Amendment No. 1 of 30 August 2004, Amendment No. 2 of 31 January 2005, Amendment No. 3 of 30 March 2006, Amendment No. 4 of 28 February 2007, Amendment 5 of 31 January 2008, Amendment 6 of 28 August 2008 and Amendment 7 of 25 March 2009. Under the contract, Sochorová válcovna TŽ, a.s. agrees to deliver work to the Company involving heat treatment or other adjustments of rolled material necessary for technological reasons.

During the accounting period, the performance under the above contract was provided for consideration of CZK 12,557 thousand.

C.2.2. Mandate Contract

The Company and the company concluded this contract on 25 April 2005. Under the contract, Sochorová válcovna TŽ, a.s. agrees to act on behalf of the Company in connection with the sale of the Company's land in Kladno and to perform other work and activities relating to the appreciation of this land due to its preparation for a planned sale.

During the accounting period, the performance under the above contract was provided for consideration of CZK 42 thousand.

C.2.3. Other Performances Received

The Company received other performances under special contracts during the accounting period involving, for example, the purchase of slag, scrap, other assets, material and services for consideration of CZK 44,444 thousand.

C.3. OTHER CONTRACTUAL RELATIONS

During the accounting period, the Company and Sochorová válcovna TŽ, a.s. established no other contractual relationships under Section 66a (9) of the Commercial Code.

C.4. OTHER LEGAL ACTS

No other legal acts were performed within the relationship between the Company and Sochorová válcovna TŽ, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

C.5. OTHER MEASURES

No other measures were taken within the relationship between the Company and Sochorová válcovna TŽ, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

D. Description of the Company's Relations with Beskydská golfová, a.s.

D.1. SALES AND OTHER PERFORMANCES PROVIDED BY THE COMPANY IN FAVOUR OF BESKYDSKÁ GOLFOVÁ, a.s.

D.1.1. Other Performances Provided

During the accounting period, the Company provided other performances under contracts involving eg the provision of telecommunications and other services and the sale of other products for an aggregate consideration of CZK 273 thousand.

D.2. Purchases and Other Performances of Beskydská golfová, a.s. for the Benefit of the Company

D.2.1. Other Performances Received

The Company received performances under special contracts during the accounting period involving the purchase of other services for an aggregate consideration of CZK 7,047 thousand.

D.3. OTHER CONTRACTUAL RELATIONS

During the accounting period, the Company and Beskydská golfová, a.s. established no other contractual relationships under Section 66a (9) of the Commercial Code.

D.4. OTHER LEGAL ACTS

No other legal acts were performed within the relationship between the Company and Beskydská golfová, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

D.5. OTHER MEASURES

No other measures were taken within the relationship between the Company and Beskydská golfová, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

E. Description of the Company's Relations with Hanácké železárny a pérovny, a.s.

E.1. SALES AND OTHER PERFORMANCES PROVIDED BY THE COMPANY IN FAVOUR OF HANÁCKÉ ŽELEZÁRNY A PÉROVNY, a.s.

E.1.1. Other Performances Provided

During the relevant accounting period, the Company provided performance in favour of Hanácké železárny a pérovny, a.s., which involved the provision of services for an aggregate consideration of CZK 14 thousand.

E.2. OTHER CONTRACTUAL RELATIONS

No other contractual relationships were established between the Company and Hanácké železárny a pérovny, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

E.3. OTHER LEGAL ACTS

No other legal acts were performed within the relationship between the Company and Hanácké železárny a pérovny, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

E.4. OTHER MEASURES

No other measures were taken within the relationship between the Company and Hanácké železárny a pérovny, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

F. Description of the Company's Relations with Moravskoslezský kovošrot, a.s.

F.1. SALES AND OTHER PERFORMANCES PROVIDED BY THE COMPANY IN FAVOUR OF MORAVSKOSLEZSKÝ KOVOŠROT, a.s.

F.1.1. Other Performances Provided

During the relevant accounting period, the Company provided performance in favour of Moravskoslezský kovošrot, a.s., which involved the provision of other services for an aggregate consideration of CZK 854 thousand.

F.2. Purchases and Other Performances of Beskydská golfová, a.s. for the Benefit of the Company

F.2.1. Other Performances Received

The Company received performances under special contracts during the accounting period involving the purchase of scrap material for an aggregate consideration of CZK 642,387 thousand.

F.3. OTHER CONTRACTUAL RELATIONS

During the accounting period, the Company and Moravskoslezský kovošrot, a.s. established no other contractual relationships under Section 66a (9) of the Commercial Code.

F.4. Other Legal Acts

No other legal acts were performed within the relationship between the Company and Moravskoslezský kovošrot, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

F.5. OTHER MEASURES

No other measures were taken within the relationship between the Company and Moravskoslezský kovošrot, a.s. under Section 66a (9) of the Commercial Code during the accounting period.

III. Overall Assessment of Relations under Section 66A (9) of the Commercial Code

The Report presents all major legal acts taken, measures taken or contracts entered into during the accounting period as well as the total volume of received and provided performances within the relations between the Company and the controlling entities, and the Company and the entities controlled by the same controlling entities. The analyses of provided and received performances as shown in sections B, C, D, E and F of chapter II. indicate that all performances were provided under standard business conditions. The Company did not incur any damage as a result of these relations during the accounting period.

In Třinec on 31 March 2010

Jiří Cieńciała

Chairman of the Board of Directors

Rostislav Wozniak

Second Vice-Chairman of the Board of Directors