









annual
report

2010

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a word from the chairman of the supervisory board

Dear friends and colleagues,

I am encouraged to be able to say that the time of deep uncertainty is behind us and that the global economy is once again beginning to gather momentum. Whilst this recovery has been protracted, commodity prices have to some extent shown a return to the levels of stability we were all so accustomed to.

This stabilisation has been reflected in Feronia's performance over the past twelve months where we have managed to eliminate the losses incurred in the previous year, a year of great volatility and adversity, and return to profitability. This is proof not only to ourselves but also to our loyal customers, suppliers and our banking partners that our business model was resilient and that we are now positioned to focus on growth once again.

Whilst we have many reasons to be optimistic for 2011 one must also remain pragmatic. A full recovery cannot and will not be immediate, but what is most encouraging is the evidence of our direction of travel. This is certainly true of all three of our core markets of the Czech Republic, Slovakia and Poland. I would like to take this opportunity to thank our partner financial institutions for their faith in Feronia a.s. as well as for their astuteness and resulting support in the past year. Your continued commitment to the company ensures the long term future success of what we are trying to achieve.

Similarly, I would like to express my gratitude to the entire Feronia, a. s., workforce who are the backbone of the company. I look forward to us going from strength to strength together, whilst continuing to be able to reward loyalty and commitment.

I wish you and your families a healthy and prosperous 2011.

Robert Kay
chairman of the
supervisory board





a word from the chairman of the board of directors

Ladies and gentlemen, dear colleagues and business partners,

2010 saw the beginning of renewed confidence in capital markets and key sectors of the economy, particularly in industry. Feronia was prepared for this signal and moved quickly to again expand sales and increase profit. We have found that we can rely upon the long-term relationships with our customers. We were also able to rely upon the continuing support of our financing banks, for which they deserve our recognition.

The company's results for 2010 provide a starting point for further growth and utilization of the experience gained from the difficult year of 2009. Full restoration of business confidence and stable economic growth will certainly require a period of several years. During this time we must remain rational and alert. I am convinced that Feronia possesses all the necessary prerequisites to make this coming period successful.

In closing, let me wish you all the best of health and much success in 2011.

Ing. František Kopřiva
Chairman of the Board of Directors





company profile and history

COMPANY IDENTIFICATION

Company name: **Ferona, a. s.**

Identification number: **26 44 01 81**

Registered office: **Havlíčková čp. 1043/11, 111 82 Prague 1**

The company is entered into the Register of Companies kept at the Prague Municipal Court, section B, file 7143.

Date of incorporation: **21. 3. 2001**

The company was originally incorporated as Reklus, a. s., by a group of majority shareholders of the former Ferona, a. s. (identification no. 25 79 20 75) acting in concert.

As of 1. 4. 2001, the company was taken over by Ferona, a. s., (identification no. 25 79 20 75) as majority shareholder in accordance with Section 220p of the Commercial Code and based upon the takeover agreement approved by the General Meetings of both companies on 27. 6. 2001. The entry of the takeover into the Register of Companies became effective on 29. 8. 2001. Based upon the merger agreement, as of 1. 1. 2005 the company assumed the equity of the dissolved parent company STEEL INVESTMENTS GROUP, a. s.

Registered capital: **3 000 000 000 CZK**



BASIC DESCRIPTION OF THE COMPANY

Today's Feron continues to carry out the activities of its legal predecessors, which were primarily involved in the distribution of metallurgical products throughout post-1945 Czechoslovakia under various trade names and in various organizational forms. Thus, the company carries on an entrepreneurial tradition in the territory of the Czech Republic which reaches back to 1829.

Feron came into being as a joint-stock company in 1992, through the transformation of the state firm of the same name. During the privatization process from 1992 to 1994, ownership of the company was fully transferred from the state to private hands. In 2001, the assets of Feron, a. s., were taken over by its majority shareholder, which continued with its business activities. In 2004, the company was acquired by STEEL INVESTMENTS GROUP, a. s., which, on 1. 1. 2005, merged with Feron, a. s., and was subsequently dissolved. The new controlling subject of Feron, a. s., became IRG Steel Limited, London, which had owned STEEL INVESTMENTS GROUP, a. s.

The **primary business** of the company is wholesale warehousing, including the purchase, storage, treatment and sale of metallurgical products, secondary metallurgical products, non-ferrous metals and related hardware products. The commercial activity of Feron is primarily focused on the domestic market. The customer base consists of thousands of mostly small and medium industrial, construction, agricultural, or commercial business and trades which cannot effectively make purchases from manufacturers. Through its sales network of warehouses and retail stores, Feron is able to serve a wide range of customers, from large industrial firms to small clients.

The Feron, a. s., joint-stock company is **organized into** three sales divisions defined by region. A fourth division is the service center for the transversal and longitudinal slitting of cold-rolled steel coils. All four divisions are entered into the Register of Companies as subsidiaries:

- **Division I** headquartered in Prague has branches in Liberec and Hradec Králové.
- **Division II** headquartered in Chomutov has branches in Plzeň and České Budějovice (the facility in Ostrov nad Ohří is leased).
- **Division III** headquartered in Olomouc has branches in Brno and Ostrava, and additional facilities in Jihlava and Staré Město u Uherského Hradiště.
- **Division IV** – Steel Service Center headquartered in Hradec Králové.

Customers may contact any of the above location with questions or orders.





SUPERVISORY BOARD, BOARD OF DIRECTORS, AND COMPANY DIRECTORS

The Board of Directors, the Supervisory Board, and Company Directors are listed as of 31. 12. 2010

SUPERVISORY BOARD

Robert Kay, Chairman of the Supervisory Board, born in 1949, member of the Supervisory Board since 1. 1. 2005

Ing. Jiří Hypš, Vice-Chairman of the Supervisory Board, born in 1943, graduate of the Czech University of Life Sciences – Faculty of Economics and Management, member of the Supervisory Board since 1. 1. 2005

Roman Cypro, born in 1963, vocational college graduate, employed with the company since 1987, elected employee representative, member of the Supervisory Board since 22. 3. 2007.

BOARD OF DIRECTORS

Ing. František Kopřiva, Chairman of the Board of Directors, graduate of the University of Economics, born in 1951, member of the Board of Directors since 23. 11. 2010

Jiří Plajner, Chairman of the Board of Directors, high school graduate, born 1961, member of the Board of Directors since 1. 1. 2005

Ing. Miroslav Horák, Vice-Chairman of the Board of Directors, born in 1970, graduate of the University of Economics, member of the Board of Directors since 1. 1. 2005

Ing. Pavel Horák, born in 1962, graduate of Czech Technical University, member of the Board of Directors since 1. 1. 2005

Ing. Milan Rada, born in 1963, graduate of the University of Economics, member of the Board of Directors since 1. 1. 2005

Ing. Miroslav Vaníček, born in 1961, graduate of the University of Economics, member of the Board of Directors since 1. 1. 2005

COMPANY DIRECTORS

Jiří Plajner, General Director, born in 1961, high school graduate, company employee since 1992

Ing. Miroslav Horák, Business Director, born in 1970, graduate of the University of Economics, company employee since 1996

Ing. Pavel Horák, Logistics Director, born in 1962, graduate of the Czech Technical University, company employee since 1986

Ing. Milan Rada, Director of Human Resources and Informatics, born in 1963, graduate of the University of Economics, company employee since 1992

Ing. Miroslav Vaníček, Financial Director, born in 1961, graduate of the University of Economics, company employee since 1985

Ing. Petr Mikulecký, Director of Division I, subsidiary plant headquartered in Prague, born in 1966, graduate of Czech Technical University, Faculty of Construction, company employee since 2003

Miroslav Vrkota, Director of Division II., subsidiary plant headquartered in Chomutov, born in 1957, graduate of Secondary Technical School of Mechanical Engineering, company employee since 1992

Ing. Petr Vlach, Director of Division III, subsidiary plant headquartered in Olomouc, born in 1965, graduate of Brno University of Technology, Faculty of Mechanical Engineering, company employee since 1989

Doc. Ing. Ivo Juříčka, CSc., Director of Division IV – Steel Service Center, subsidiary plant headquartered in Hradec Králové, born in 1963, graduate of the Technical University of Ostrava, Faculty of Metallurgy and Materials Engineering, company employee since 2003



COMPANY SUBSIDIARIES

Ferona, a. s., is the parent company in a group which as of December 31st, 2010 included the following controlled entities and companies, and the entities controlled by them:



FERONA Slovakia, a. s.

a) Registered office and ID	Bytčická 12, Žilina, Slovakia	ID 36401137
b) Other facilities	Bratislava, Nitra, Martin, Košice	
c) Activity	wholesale of metallurgical products	
d) Equity		18,337,000 EUR
e) Profit/loss in 2010		77,000 EUR
f) Share of Feronia, a. s., in registered capital		100 %
g) Book value of the share of Feronia, a. s. (net)		469,658,000 CZK



Feronia – Servis Centrum Slovakia, a. s.

a) Registered office and ID	Prístavná 12, Bratislava, Slovakia	ID 44066716
b) Other facilities	none	
c) Activity	steel band slitting	
d) Equity		7,521,000 EUR
e) Profit/loss in 2010		184,000 EUR
f) Share of Feronia, a. s., in registered capital		100 %
g) Book value of the share of Feronia, a. s. (net)		196,023,000 CZK



FERONA POLSKA, S. A.

a) Registered office and ID	Mikolowska 31, Myslowice, Poland	ID 240569429
b) Other facilities	none	
c) Activity	wholesale of metallurgical products	
d) Registered capital		7,041,000 PLN
e) Profit/loss in 2010		3,481,000 PLN
f) Share of Feronia, a. s., in registered capital		100 %
g) Book value of the share of Feronia, a. s. (net)		66,788,000 CZK



Feronia – Dělicí centrum, a. s.

a) Registered office and ID	Plzeňská 18, Ostrava	ID 26168634
b) Other facilities	none	
c) Activity	steel band slitting	
d) Equity		132,799,000 CZK
e) Profit/loss in 2010		21,421,000 CZK
f) Share of Feronia, a. s., in registered capital		100 %
g) Book value of the share of Feronia, a. s.		57,257,000 CZK



FERONA THYSSEN PLASTICS, s. r. o.

a) Registered office and ID	ul. ČSA 730, Velká Bystřice	ID 25354418
b) Other facilities	Hořovice, Brno and FTP Slovakia, s. r. o., Bratislava, Slovakia *)	
c) Activity	wholesale of technical plastics	
d) Equity		110,848,000 CZK
e) Profit/loss in 2010		-7,643,000 CZK
f) Share of Ferona, a. s., in registered capital		50 %
g) Book value of the share of Ferona, a. s.		8,218,000 CZK

***) FTP Slovakia, s. r. o., Bratislava**

a) Registered office and ID	Púchovská 14, Bratislava, Slovensko	ID 35861134
b) Other facilities	none	
c) Activity	wholesale of technical plastics	
d) Equity		385,000 EUR
e) Profit/loss in 2010		13,000 EUR
f) Share of FERONA THYSSEN PLASTICS in registered capital		100 %
g) Book value of the share of FERONA THYSSEN PLASTICS, s. r. o.		3,327,000 CZK



PRAGMET, a. s.

a) Registered office and ID	Kostelecká 879, Prague 9	ID 25789449
b) Other facilities	Benátky nad Jizerou	
c) Activity	slitting of flat products for the automotive industry	
d) Equity		88,167,000 CZK
e) Profit/loss in 2010		18,173,000 CZK
f) Share of Ferona, a. s., in registered capital		70 %
g) Book value of the share of Ferona, a. s.		98,550,000 CZK





THE FERONA CONSOLIDATED GROUP





business section

THE 2010 BUSINESS ASSESSMENT

The market for metallurgical materials exhibited aftermath of the previous period, especially in the area of fluctuations in demand and thus the price level of the material.

Economic activity and steel consumption have stabilized, albeit at a much lower level than in previous years. Sectors such as mechanical engineering, automotive industry or power engineering are recovering quite promisingly, while the building industry is still facing a downturn. Our portfolio of sales is very wide, and therefore, we are able to maintain our market share even in case of fluctuation of any segment.

The price level has evolved somewhat wildly. It was not only influenced by the situation on the commodity market but also by the fluctuations in demand during separate periods of the year. This fact will definitely cause problems for customers, who have to calculate their costs for a longer period several months in advance. Price movements in all the surrounding markets run alike, which, in regard to the competition, puts all consumers into the same or similar situation.

The structure of consumption in our country is edging towards the EU-15 countries where the share of flat products is higher than the share of long ones. Our investment policy of the past decade corresponds to this trend and the gradual development of three service centres for coil processing is proving to be the very prudent strategy.

Unfortunately, the volume of consumption per capita is also edging. However we believe that in the forthcoming years we will get back, as close as possible to booming values, due to growing economy. A positive impact is the effort to limit the risk of dependence of our processing contractors on a single customer or just a few ones, the outage of which would have fatal consequences for the viability of the company. Additionally, you can expect that the trend of transition to production with higher added value and finalization of products will be much stronger than in previous years.



Our expansion of sales activities to Poland has brought a more detailed view of another market and the progressive integration of centralized activities showed that there are still possibilities of synergies within the group. We are working hard in this field, and we believe that we can make use of such potential.

Our business policy will continue to be based on the complexity of customer services and on the most earnest approach to solutions of not only standard cases but also exceptional ones. Our effort to build a system that will reliably support the needs of customers will be certainly developed in the forthcoming years to create the mutually beneficial perspective partnership with our customers.

REVENUE STRUCTURE

The **revenue structure** broken down according to individual product groups in 2010 was as follows:

	Long products	26.1 %
	Flat products	45.6 %
	Pipes	11.0 %
	High-grade steel	4.0 %
	Stainless steel	0.8 %
	Secondary metallurgical products	4.0 %
	Non-ferrous metals	8.5 %

Ing. Miroslav Horák
business director





product assortment

PRODUCT PURCHASING

The company purchases products which are in steady demand from both domestic manufacturers such as ArcelorMittal Ostrava, Moravia Steel and Evraz Vítkovice Steel, as well as suppliers from abroad, primarily from Slovakia (U.S. Steel Košice, Železářny Podbrezová), Poland (Mittal Poland, CMC Zawiercie), Germany (Ekostahl, Salzgitter etc.) and other countries (Marcegaglia, etc.). The spectrum of suppliers is constantly being adapted to specific market conditions. These conditions change in large part due to modifications of trade policy to suit the interests of the Ferona group.

Standard steel sections



Non-ferrous metals



Secondary metallurgical products



Tubes and pipes



Stainless steel



High-grade steel



Flat products





major projects

Wind turbines



Railway bridge - Bystřice nad Olší



Highway I/11 - Mokré Lazce



Highway bridge - Lovosice



Steel storage silo for bulk materials



Iveco CZ products





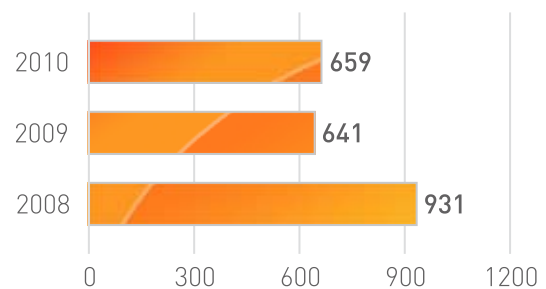
economic section

BASIC INDICATORS OVER THE PAST THREE YEARS

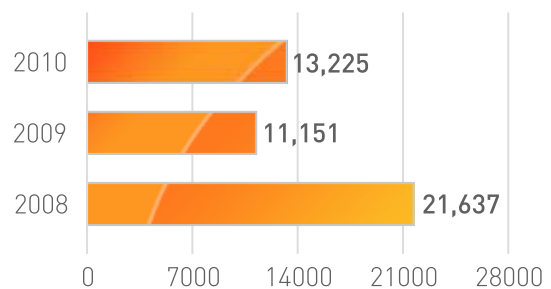
The company continues to fully carry out the activities of its legal predecessor, which was founded as a joint-stock company in 1992.

		2008	2009	2010
Profit/loss	(mil. CZK)	326	-1 493	201
Inventory	(mil. CZK)	4 063	1 891	2 914
Short-term receivables	(mil. CZK)	3 474	2 362	2 845
Short-term payables	(mil. CZK)	1 864	1 038	2 264
Bank loans	(mil. CZK)	4 486	3 259	3 361

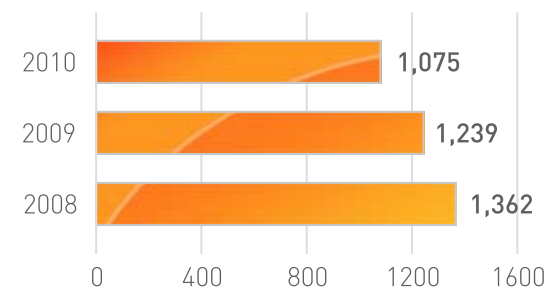
Sale of materials (thousands of tons)



Revenue from the sale of goods (mil. CZK)



Number of employees (persons)





COMMENTARY ON THE PROFIT/LOSS STATEMENT

Profit margin in 2010 was 1,289,710 thou. CZK, which is 1,275,473 thou. CZK more than in 2009 and 761,322 thou. CZK less than in 2008. Following the dramatic decline in profit margin in 2009 due to the economic crisis and related drop in the prices of commercial goods, profit margins in 2010 returned to a level corresponding to demand. Revenues for services consisting of the slitting and processing of material, such as custom-ordered flame cutting of thick sheets and services provided to subsidiary companies, reached 121,231 thou. CZK, which represented a decline of 3,625 thou. CZK or 2.9 % from 2009, and 32.3 % from 2008.

Costs for consumed material and energy were 1,169,478 thou. CZK, of which material consumed for production in Division IV – Steel Service Center constituted 1,050,258 thou. CZK, which represents 89.8 %. The largest items for purchased services were contracted transport (38% of purchased services), consulting (14% of purchased services) and repairs and maintenance (12% of purchased services). This year the company also reduced its consumption of material and purchased services.

Value added in 2010 was 1,087,808 thou. CZK, which was 1,324,604 thou. CZK more than 2009, but represented a drop of 36.7% from 2008. Total personnel costs were 535,190 thou. CZK, which is 3.6% less than in 2009. Depreciation and amortization of fixed tangible and intangible assets amounted to 217,639 thou. CZK, which represents an increase of 2.4 % from the previous year.

Operations ended with a profit of 338,638 thou. CZK, which represents an increase of 1,274,885 thou. CZK from 2009 and a decline of 211,681 thou. CZK from 2008.

Interest paid on operating loans, which amounted to 162,504 thou. CZK and represented a year-over-year increase of 3.4% because of increased bank margins and moderately increased sales, still remained the largest cost item for financial operations. Additional financial costs such as bank fees and exchange rate losses totaled 107,730 thou. CZK. Other financial revenue represented primarily by exchange rate profit was 88,657 thou. CZK. The most significant item in **financial operations** was the creation of adjustments for long-term financial assets totaling 55,000 thou. CZK (20,000 thou. CZK for Ferona Slovakia, a. s., and 35,000 thou. CZK for Ferona Polska, S. A.) along with the creation of adjustments for securities (unpaid discount bills of exchange) amounting to 12,412 thou. CZK.

In 2010 the company did not carry out any accounting operations affecting **exceptional profit/loss**. **Before tax profit** in 2010 was 196,471 thou. CZK.

Company performance for the fiscal year was a profit of 201,064 thou. CZK, due primarily to profit margin and revenue for products and services.



COMMENTARY ON THE BALANCE SHEET

Total assets of the company as of December 31st, 2010 increased from the previous year by 1,464,809 thou. CZK to a total net book value of 9,443,837 thou. CZK. This development was caused primarily by an increase in the inventory of commercial goods due to an anticipated increase in the price of metallurgical products, an increase in the value of receivables due to an increase in prices during 2010, and little investment in fixed assets.

Fixed assets, accounting for 37.5 % of total assets (a relative decline of 8.5%), with a year-over-year decline of 3.5%, totaled 3,542,650 thou. CZK. Fixed assets were structured as follows (given in thousands of CZK and as % of total fixed assets):

	thou. CZK	%
intangible fixed assets	14,661	0.4
tangible fixed assets	2,607,785	73.6
financial assets	920,204	26.0

The most significant **tangible fixed assets** are buildings and structures valued at 1,534,709 thou. CZK (58.8 % of total tangible fixed assets), followed by movables valued at 528,596 thou. CZK (20.3 % of total) and land worth 530,632 thou. CZK (20.3 % of total).

The net value of **financial assets** was 920,204 thou. CZK, which includes the calculated value of financial investments abroad according to the exchange rate of the Czech National Bank for the crown on the last day of 2010 totaling 14,855 thou. CZK.

During the course of the fiscal period, adjustments were created for the financial investments of Ferona Slovakia, a. s. (20,000 thou. CZK) and Ferona Polska, S. A. (35,000 thou. CZK) due to an increase in the value of equity and exchange rate calculations.

Current assets accounted for 62.3 % of total assets and during the course of the year increased by 1,583,958 thou. CZK to 5,885,443 thou. CZK.

The major inventory item was **inventory of commercial goods**, which compared to last year increased by 884,310 thou. CZK to 2,602,208 thou. CZK. The immediate turnover period for inventory, calculated from the value of goods sold at cost, was 80 days at the end of the year, representing an increase of 24 days from the previous year due to the purchase of goods at the end of the year because of an anticipated rise in prices.

The company has **long-term receivables** from security deposits for leases and the activation of mobile telephones.

Trade receivables accounted for the largest portion of the company's short-term receivables, increasing during the course of the year by 311,275 thou. CZK to reach a net value of 2,457,073 thou. CZK. Adjustments have been created for all receivables more than 1 year overdue. Adjustments for other receivables are created based upon a risk assessment at the close of the fiscal period. The immediate turnover period for trade receivables at the end of the year was 67 days, meaning it took 3 days less than the previous year to receive payments.

Short-term financial assets at the end of the year amounted to 122,812 thou. CZK, which represents an increase of more than 77 mil. CZK compared to the beginning of the year due to increased customer payments in the final days of 2010 and company-wide decision not to pay down overdraft loans.

Accruals and deferrals of 15,744 thou. CZK represent an insignificant portion of total assets.

Registered capital totals 3,000,000 thou. CZK and is divided among 300 shares, each having a nominal value of 10,000 thou. CZK. The shares are certificated but not registered for public trading. Changes are described in the Appendix to the Annual Financial Statements.

The company's **equity** as of December 31st, 2010 was 3,669,377 thou. CZK, which covers 38.9 % of the total book value of the company's liabilities.

Liabilities at the end of 2010 totaled 5,759,311 thou. CZK and were structured as follows:

	thou. CZK	in %
long-term liabilities	134,570	2.3
short-term liabilities	2,263,766	39.3
bank loans and assistance	3,360,975	58.4

The most significant **long-term liability** is the deferred tax obligation totaling 134,432 thou. CZK, the year-over-year decline of which is due to the utilization of deferred tax assets from tax losses and the suspension of tax depreciation on some tangible fixed assets.

Short-term liabilities primarily consist of **trade liabilities**, which amounted to 1,399,928 thou. CZK at the end of the year. Except for invoices for which payment had been stopped because of pending claims and liabilities to be set off, there were no late payments of any liabilities throughout the entire year.

Bank loans amounted to 3,309,732 thou. CZK at the end of the year, not including factoring. At the close of the fiscal period, the company had drawn a short-term operating loan to finance current assets and discount loans. Liabilities from regressive factoring amounted to an additional 51,243 thou. CZK.

Accruals and deferrals at the end of the year amounted to 15,149 thou. CZK. As in past years, the largest single item was accrued interest on bank loans drawn in tranches with various interest periods.



FINANCIAL SITUATION OF THE COMPANY

From the Annual Financial Statements it is clear that the financial situation of the company is stable. The total volume of short-term receivables at the end of 2010 exceeded the volume of short-term liabilities by 581,203 thou. CZK and the company was not insolvent.

The total debt of the company has been maintained at a viable level and the company is not late with the payment of any of its liabilities. In 2010, the company continued to maintain the confidence of its banking houses. At the beginning of the year the company completed its process of refinancing, along with its subsidiary Feronia Slovakia, a. s. As of 31.12.2010 the share of company liabilities amounted to 61.1 % of total assets.

The ratio of bank loans and assistance to total revenue at the end of 2010 ranged around 25%, representing a drop of 3% from last year.

RESULTS OF THE CONSOLIDATED GROUP

In 2010 group companies took in revenue from the sale of goods totaling 14,911,678 thou. CZK, which is 17.5 % more than last year. This growth from last year reflects the stabilization of demand following its sharp decline in late 2008 and 2009. Contrary to 2009, value added was a positive 1,510,560 thou. CZK. The consolidated result of operations as of 31.12.2010 was a profit of 476,461 thou. CZK.

The consolidated profit/loss (without minority shares in profit/loss but including shares in profit/loss in equivalence) was a profit of 185,524 thou. CZK.

The value of consolidated assets at the end of 2010 was 11,381,060 thou. CZK and the value of equity increased to 3,733,175 thou. CZK.

EVENTS OCCURRING AFTER THE CLOSE OF THE FISCAL PERIOD, AND OUTLOOK FOR 2010

After the close of the financial statements the company concluded an Amendment to a credit agreement to increase the financing of current assets by 500 mil. CZK, reduce the bank margin and extend loan repayment to 15.5.2011. It also began negotiations for renewing this agreement to the extension date based upon the company's audited performance in 2010. The acquisition costs of financial investment in Pragmet, a. s., was increased by 20 mil. CZK based upon an agreement for the transfer of shares upon meeting criteria for the payment of variable components of the price.



documents

- Annual financial statements as of 31. 12. 2010
- Independent auditor's report on the verification of the company's annual report and consolidated financial statements
- Consolidated financial statements as of 31. 12. 2010



annual financial statements as of 31.12. 2010

COMPLETE BALANCE SHEET (in thousands of CZK)

Designation a	ASSET b	Line c	Gross 1	Current Year Adjustment 2	Net 3	Previous year Net 4
	TOTAL ASSETS	01	12,454,073	-3,010,236	9,443,837	7,979,028
B.	Fixed assets	03	5,996,218	-2,453,568	3,542,650	3,671,906
B. I.	Intangible fixed assets	04	82,385	-67,724	14,661	17,380
3.	Software	07	80,715	-67,510	13,205	14,183
4.	Royalties	08	214	-214	0	36
7.	Intangible fixed assets not in use	11	1,456	0	1,456	3,161
B. II.	Tangible fixed assets	13	4,638,629	-2,030,844	2,607,785	2,742,622
B. II. 1.	Land	14	530,632	0	530,632	530,442
2.	Buildings, halls and structures	15	2,490,100	-955,391	1,534,709	1,622,344
3.	Machinery, tools and equipment, vehicles and furniture	16	1,604,049	-1,075,453	528,596	575,014
6.	Other tangible fixed assets	19	371	0	371	371
7.	Tangible fixed assets not in use	20	1,093	0	1,093	3,863
8.	Prepayments for tangible fixed assets	21	12,384	0	12,384	10,588
B. III.	Long-term investments	23	1,275,204	-355,000	920,204	911,904
B. III. 1.	Shares in subsidiaries	24	1,243,276	-355,000	888,276	891,137
2.	Shares in associates	25	8,218	0	8,218	8,218
3.	Other securities and ownership interests	26	25	0	25	25
6.	Long-term financial assets acquired	29	23,685	0	23,685	12,524

Designation a	ASSET b	Line c	Gross 1	Current Year Adjustment 2	Net 3	Previous year Net 4
C.	Current assets	31	6,442,111	-556 668	5,885,443	4,301,485
C. I.	Inventory	32	2,966,708	-52 903	2,913,805	1,890,799
C. I. 1.	Material	33	308,537	0	308,537	170,152
2.	Work in progress and semi-finished products	34	2,722	0	2,722	2,749
5.	Goods	37	2,655,111	-52 903	2,602,208	1,717,898
6.	Prepayments towards inventory	38	338	0	338	0
C. II.	Long-term receivables	39	3,857	0	3,857	3,775
5.	Long-term prepayments	44	3,857	0	3,857	3,775
C. III.	Short-term receivables	48	3,348,734	-503 765	2,844,969	2,361,672
C. III. 1.	Trade receivables	49	2,960,753	-503 680	2,457,073	2,145,798
2.	Receivables from controlling entities	50	213,096	0	213,096	113,367
6.	Taxes receivable	54	9,841	0	9,841	5,000
7.	Short-term prepayments	55	4,324	0	4,324	3,993
8.	Estimated active accounts	56	158,475	0	158,475	91,336
9.	Other receivables	57	2,245	-85	2,160	2,178
C. IV.	Short-term investments	58	122,812	0	122,812	45,239
C. IV. 1.	Cash in hand	59	2,218	0	2,218	2,697
2.	Cash in banks	60	120,594	0	120,594	36,610
3.	Short-term investments	61	0	0	0	5,932
D. I.	Temporary assets	63	15,744	0	15,744	5,637
D. I. 1.	Deferred expenses	64	6,714	0	6,714	4,744
3.	Accrued income	66	9,030	0	9,030	893

Designation a	LIABILITIES b	Line c	Current year 5	Previous year 6
	TOTAL LIABILITIES	67	7,979,028	7,979,028
A.	Equity	68	3,526,158	3,526,158
A. I.	Registered capital	69	3,000,000	3,000,000
A. I. 1.	Registered capital	70	3,000,000	3,000,000
A. II.	Capital funds	73	303,250	303,250
2.	Other capital funds	75	230,534	230,534
3.	Gains or losses from revaluation of assets	76	72,716	72,716
A. III.	Reserve funds, non-distributable fund	78	208,246	208,246
A. III. 1.	and other funds created from profit	79	208,246	208,246
A. IV.	Statutory reserve fund / non-distributable fund	81	1,508,099	1,508,099
A. IV. 1.	Retained earnings or loss from previous years	82	1,508,099	1,508,099
A. V.	Retained earnings from previous years	84	-1,493,437	-1,493,437
B.	Profit or loss of current year [+/-]	85	4,436,688	4,436,688
B. II.	Liabilities	91	139,164	139,164
5.	Long-term payables	96	138	138
10.	Long-term prepayments received	101	139,026	139,026
B. III.	Deferred tax liability	102	1,038,029	1,038,029
B. III. 1.	Short-term payables	103	919,553	919,553
4.	Trade payables	104	0	0
5.	Payables to partners and members	107	144	144
6.	Payables to employees	108	15,561	15,561
7.	Payables to employees	109	42,220	42,220
8.	Tax payable and subsidies	110	675	675
10.	Short-term prepayments received	112	28,279	28,279
11.	Estimated liabilities	113	31,597	31,597

Designation a	LIABILITIES b	Line c	Current year 5	Previous year 6
B. IV.	Bank loans and borrowings	114	3,360 975	3,259,495
2.	Short-term bank loans	116	3,309 732	3,221,702
3.	Short-term borrowings	117	51,243	37,793
C. I.	Temporary liabilities	118	15,149	16,182
C. I. 1.	Accrued expenses	119	14,810	15,472
2.	Deferred income	120	339	710



COMPLETE PROFIT AND LOSS STATEMENT (in thousands of CZK)

Designation a	TEXT b	Line number c	Accounting period	
			current 1	previous 2
I.	Sales of goods purchased for resale	01	13,225,028	11,151,131
A.	Cost of goods sold	02	11,935,318	11,136,894
+	Gross margin	03	1,289,710	14,237
II.	Production	04	1,266,647	925,276
II. 1.	Sale of own products and services	05	121,231	124,856
3.	Own work capitalized	07	1,145,416	800,420
B.	Purchased consumables and services	08	1,468,549	1,176,309
B.1.	Consumables	09	1,169,478	891,074
2.	Services	10	299,071	285,235
+	Value added	11	1,087,808	-236,796
C.	Personnel costs	12	535,190	555,297
C.1.	Wages and salaries	13	386,087	396,037
2.	Remuneration of board members	14	10,330	10,080
3.	Social security and health insurance	15	127,916	127,292
4.	Social benefits	16	10,857	21,888
D.	Taxes and charges	17	6,616	16,509
E.	Depreciation/amortization of tangible and intangible fixed assets	18	217,639	212,522

Designation a	TEXT b	Line number c	Accounting period	
			current 1	previous 2
III.	Sale of fixed assets and materials	19	17,277	13,219
III.1.	Sale of fixed assets	20	2,501	6,416
2.	Sale of material	21	14,776	6,803
F.	Net book value of fixed assets and material sold	22	14,269	8,987
F.1.	Net book value of fixed assets sold	23	125	2,479
2.	Material sold	24	14,144	6,508
G.	Change in reserves and adjusting entries in operation	25	68,671	-37,453
IV.	Other operating income	26	1,651,613	1,068,612
H.	Other operating expenses	27	1,575,675	1,025,420
*	Operating profit or loss	30	338,638	-936,247
VII.	Income from investments	33	0	3,094
VII. 1.	Income from intercompany securities and ownership interests	34	0	3,094
M.	Change in reserves and adjustments relating to investments	41	-42,588	418,781
X.	Interest income	42	15,429	7,433
N.	Interest expense	43	162,504	157,177
XI.	Other financial income	44	88,657	70,035
O.	Other financial expenses	45	126,337	107,730
*	Financial profit or loss	48	-142,167	-603,126
Q.	Income tax on ordinary activities	49	-4,593	-45,936
Q. 1.	- due	50	0	564
2.	- deferred	51	-4,593	-46,500
**	Profit or loss from ordinary activities	52	201,064	-1,493,437
***	Profit or loss of current year [+/-]	60	201,064	-1,493,437
****	Pre-tax profit or loss of current year	61	196,471	-1,539,373



independent auditor's report

on the verification of the company's annual report
and consolidated financial statements

TO THE SHAREHOLDERS OF FERONA, A. S.

We have audited the accompanying consolidated financial statements of Feron, a. s., headquartered at Havlíčkova 1043/11, Prague 1, 111 82, ID on. 26 44 01 81, comprised of the balance sheet as of 31.12.2010, the profit and loss statement for the period from 1. 1. 2010 to 31. 12. 2010, as well as the appendices to these statements and summary of significant accounting methods used.

STATUTORY BODY'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The statutory body of Feron, a. s., is responsible for compiling consolidated financial statements which give a true and accurate picture of the company in accordance with Czech financial reporting standards, and for implementing and maintaining internal controls to ensure that the consolidated financial statements are free from material misstatement due to fraud or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with the Auditors Act and International Audit Standards and the related application clauses issued by the Czech Chamber of Auditors. In accordance with these regulations we are required to comply with ethical requirements and plan and perform the audit so as to obtain

reasonable assurance that the consolidated financial statements are free from material misstatement.

The audit involves performing procedures to obtain evidence regarding the amounts and disclosures in the balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risk of misstatements in the consolidated financial statements due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements. The purpose of this assessment is to design audit procedures that are appropriate under the circumstances, not to express an opinion on the effectiveness of the entity's internal control. The 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 consolidated 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 assets, liabilities and financial position of Feron, a. s., as of 31. 12. 2010, and of its expenses, revenue and income from operations for the fiscal year then ended in accordance with the applicable Czech accounting regulations.



AUDITOR'S VERIFICATION OF THE REPORT ON RELATIONS BETWEEN RELATED PARTIES

We have verified the accuracy of the information contained in the report on the relations between related parties of Feron, a. s., for the period from 1. 1. 2010 to 31. 12. 2010. The statutory body of Feron, a. s., is responsible for compiling this report on relations. Our task is to issue a statement based upon our verification of this report on relations. We have carried out this verification in accordance with AS no. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and conduct verification with the goal of obtaining reasonable certainty that the report on relations does not contain any material misstatements. Verification is restricted primarily to making inquiries of personnel and applying analytical procedures to verify in select manners the material accuracy of the information. Therefore, verification offers a lesser degree of certainty than an audit. We did not conduct an audit of the report on relations, and are therefore not issuing an auditors' opinion. Based upon our verification we did not determine any circumstances which might lead us to believe that the report on relations between related parties of Feron, a. s., for the period from 1. 1. 2010 to 31. 12. 2010 contains any significant material misstatements.

REPORT ON THE VERIFICATION OF THE ANNUAL REPORT

We have also verified the consistency of the annual report of Feron, a. s., with the consolidated financial statements contained within this annual report, as well as with the unconsolidated financial statements of the company as of 31. 12. 2010, for which we issued an opinion on 11. 3. 2011 which may be found in item 14 of the annual report. The statutory body of Feron, a. s., is responsible for the accuracy of the annual report. Our task is to issue an opinion on the consistency of the annual report with the consolidated

financial statements based upon our verification. We have carried out this verification in accordance with international auditing standards and related applicable clauses of the Chamber of Auditors of the Czech Republic. These standards require that the auditor plan and conduct verification so that he obtains reasonable certainty that the information contained within the annual report describing matters also reflected in the financial statements is, in all major aspects, consistent with said financial statements. We are certain that the verification provides an adequate basis for the auditor's opinion we have issued. In our opinion, the information contained within the annual report of Feron, a. s., as of 31. 12. 2010 is, in all major aspects, consistent with the aforementioned consolidated financial statements.

In Prague, April 27th, 2011

BDO Audit s. r. o., auditing authorization no. 18
Represented by partners:


Ing. Eva Knyplová
auditor, certificate no. 1521


Ing. Ladislav Novák
auditor, certificate no. 0165



balance sheet as of 31.12.2010

MINIMUM REQUIRED SCOPE OF A CONSOLIDATED REPORT (in thousands of CZK)

Designation	TEXT	Current period as of 31. 12. 2010 1	Last period as of 31. 12. 2009 1	Two years prior as of 31. 12. 2008 1
	TOTAL ASSETS	11,381,060	9,591,020	13,567,522
A.	Receivables for subscribed capital			
B.	Fixed assets	3,843,781	4,072,773	3,929,416
B.I.	Intangible fixed assets	17,584	20,126	22,480
B.II.	Tangible fixed assets	3,723,482	3,936,732	3,837,106
B.III.	Long-term investments	23,709	12,549	7,725
B.IV.	Consolidation difference positive "+", negative "-"	20,436	40,873	0
B.V.	Securities in equivalence	58,570	62,493	62,105
C.	Current assets	7,525,063	5,508,468	9,629,010
C.I.	Inventories	3,954,836	2,566,320	5,530,856
C.II.	Long-term receivables	6,614	5,621	8,773
C.III.	Short-term receivables	3,287,398	2,651,830	3,843,764
C.IV.	Financial assets	276,215	284,697	245,617
D.	Other assets – temporary asset accounts	12,216	9,779	9,096

Designation	TEXT	Current periodas of 31. 12. 2010 1	Last periodas of 31. 12. 2009 1	Two years prioras of 31. 12. 2008 1
	TOTAL LIABILITIES	11,381,060	9,591,020	13,567,522
A.	Equity	3,733,175	3,585,591	5,186,200
A.I.	Registered capital	3,000,000	3,000,000	3,000,000
A.II.	Capital funds	295,056	221,748	229,365
A.III.	Funds created from profit	218,347	218,898	191,968
A.IV.	Retained earnings or loss from previous years	-12,610	1,681,795	1,466,056
A.V.	Profit (loss) of current year excluding minority shares	185,524	-1,583,453	255,885
1.	Profit (loss) of operations of current year (+/-)	189,194	-1,583,961	252,088
2.	Contribution to the profit in equivalence (+/-)	-3,670	508	3,797
A.VI.	Consolidation reserve fund	46,858	46,603	42,926
B.	Liabilities	7,604,925	5,966,693	8,339,536
B.I.	Reserves	14,800	18,327	0
B.II.	Long-term payables	165,316	166,856	227,347
B.III.	Short-term payables	2,953,000	1,435,302	2,143,661
B.IV.	Bank loans and borrowings	4,471,809	4,346,208	5,968,528
C.	Other liabilities – temporary liability accounts	16,510	17,738	41,786
D.	Minority equity	26,450	20,998	0
D.I.	Minority registered capital	900	900	0
D.II.	Minority capital funds	0	0	0
D.III.	Minority profit funds including undivided profits from previous years	20 098	15 060	0
D.IV.	Minority profit/loss from current period	5 452	5 038	0



PROFIT AND LOSS STATEMENT minimum required scope of a consolidated report (in thousands of CZK)

Designation	TEXT	Accounting period		
		Current as of 31. 12. 2010 1	Last as of 31. 12. 2009 1	Two years prior as of 31. 12. 2008 2
I.	Revenue from the goods sold	14,911,678	12,687,589	25,573,510
A.	Cost of goods sold	13,397,466	12,765,119	23,120,508
+	Gross margin	1,514,212	-77,530	2,453,002
II.	Production	2,318,626	1,862,436	1,968,525
B.	Purchased consumables and services	2,322,278	2,131,343	2,387,391
+	Value added	1,510,560	-346,437	2,034,136
C.	Personnel expenses	693,905	711,132	926,299
E.	Depreciation/amortization of tangible and intangible fixed assets	278,059	271,083	269,034
	Depreciation (accounting) of goodwill difference (+/-)	20,437	20,437	0
	Accounting of goodwill difference	0	0	0
G. + H.	Change in reserves, adjust. and deferrals and accruals relating to operating expenses	88,703	-33,585	231,048
III.+ VI.- VII.	Other operating income	1,838,838	1,211,575	2,031,664
D.+ F.+I.-J.	Other operating expenses	1,791,833	1,252,340	2,014,200
*	Consolidated operating profit (loss)	476,461	-1,356,269	625,219

Designation	TEXT	Accounting period		
		Current as of 31. 12. 2010 1	Last as of 31. 12. 2009 1	Two years prior as of 31. 12. 2008 2
VIII+IX+X+XI+XII+ +XIII+XIV-XV	Financial income	114,181	106,364	202,962
K+L+M+N+ +O+R-P	Financial expenses	382,271	367,682	494,540
*	Consolidated financial profit (loss)	-268,090	-261,318	-291,578
R.1.	Income tax due from ordinary activities	10,403	11,120	139,009
R.2.	Deferred income tax on ordinary activities	3,322	-49,485	-57,456
**	Consolidated profit (loss) from ordinary activities	194,646	-1,579,222	252,088
XVI.	Extraordinary income	0	299	0
S.+T.1.	Extraordinary expenses	0	0	0
T.2.	Deferred tax on extraordinary activities	0	0	0
*	Consolidated extraordinary profit/loss	0	299	0
***	Consolidated profit (loss) of current year exclusive of equivalence	194,646	-1,578,923	252,088
particularly	- Profit (loss) of operations of current year exclusive of minority shares	189,194	-1,583,961	252,088
	- Minority profit (loss) of operations of current year	5,452	5,038	0
	Contribution to the result in equivalence	-3,670	508	3,797
****	Consolidated profit (loss) of operations of current year	190,976	-1,583,453	255,885



investment activity, services

Investment activities in 2010 once again focused primarily on updating capabilities to improve the quality of services offered to our customers. A total of 81,072 thou. CZK were invested. The most capital intensive investments were made in crane technology, with a total of 26,920 thou. CZK being spent on individual projects.

Slitting of cold-rolled coils



Manufacture of longitudinal welded pipes and hollow sections



Cutting of rods and bars



Slitting of hot-rolled coils



Transport



Cutting of blocks



Testing of materials and calibration of measuring instruments



Flame cutting of sheets and plates





quality management system

QMS according to EN ISO 9001:2008 standards

To ensure the high quality of the goods and services that it provides, Feronia, a. s., has implemented a certified quality management system which meets EN ISO 9001:2008 standards.

This system is applied to the following activities throughout the company:

- purchasing, warehousing, treatments, sale and transport of metallurgical material, secondary products, non-ferrous metals, and related wholesale hardware goods.
- At the Steel Service Center, the QMS system is applied to the longitudinal and transversal slitting of steel coils and the testing of mechanical properties and chemical composition of metal materials.



QMS according to ISO/TS 16949:2002 standards

Since 2007 the Feronia Steel Service Center has also implemented a certified quality management system according to ISO/TS 16949:2002 standards for the production of bands and sheets for the automotive industry using longitudinal and transversal slitting of steel coils.



human resources and staff development

Improvements in economic performance and the general economic situation compared to 2009 had a positive influence on overall wage development in 2010, although the company continued to cut costs, particularly in the areas of wage incentives and social benefits. Total employment in 2010 continued to be affected by previously adopted austerity measures to increase economic efficiency, so there were further significant cuts in the number of employees compared to the previous year.

EMPLOYMENT BY THE NUMBERS

During 2010, Feronia employed an average of 1,070 employees, 583 of which were technical and administrative staff, 432 manual workers, 52 sales staff, and 3 auxiliary service personnel. The total number of company employees was reduced by 169 people (a reduction to 86.4% of 2009 levels).

With respect to education, at the end of 2010 there were 91 employees with a university degree, 80 with a full secondary education, diploma and vocational certificate, 366 with a full secondary education and diploma (without a vocational certificate), 425 (primarily

laborers) with secondary vocational education and vocational certificate, and 65 employees with a primary education. The average monthly wage in 2010 was 30,213 CZK, which in absolute terms was 3,832 CZK higher than in 2009.

EMPLOYEE BENEFITS

A total of 11 mil. CZK was spent in 2009 on social benefits for employees ensuing from the collective bargaining agreement. These funds were used in particular to contribute to employee dining benefits and the payment of loyalty bonuses to reward the quality work of long-time employees.

EDUCATION

Cost saving measures adopted in 2010 were reflected in the amount of training made available to employees for their personal development. Priority was therefore given over the past year to specialized courses required by regulations for specific positions, along with training focusing on legislative changes in various areas of company activity.

