



COMPANY REPORT **2017**





***1829**

THE FERONA
COMPANY IS SELLING
THE METALLURGICAL
MATERIAL ON THE CZECH
AND SLOVAK MARKETS
FOR ALMOST 200 YEARS

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01

INTRODUCTORY WORD OF THE SUPERVISORY BOARD CHAIRMAN



DEAR BUSINESS PARTNERS, LADIES AND GENTLEMEN, FRIENDS

I like to look at 2017 as a continuation of the positive growth trajectory partially instigated by actions taken towards the end of the previous financial year.

There remained plenty of encouraging trends throughout the year despite several distortions in the Worldwide as well as European steel markets, predominantly caused by antidumping measures aimed mainly at China but affecting almost the entire global market. Of course the knock-on effect was market volatility due to shortages as well as market excesses; both that have played their respective roles, by having an oscillatory effect on supplies and in return on prices, not to mention negative impact on profitability experienced by the European distributors.

In the short term, the sustainability of the European steel industry will depend upon meeting the formidable challenge of remaining economically viable against a background of excess global supply.

In 2018, we expect global growth to moderate, mainly due to slower growth in China, while in the rest of the world, steel demand will continue to maintain its current momentum.

These were just some of the trends and situations that Feroná's Board of Directors had to deal with and manage in order to protect our market position in the Central European territory.

I am very pleased to observe and report that not only did they manage to handle the various scenarios well but that the Company has come out at the end of 2017 not only unscathed but has strengthened its market as well as financial standing even further.



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These further strives has been noticed by our family of bankers as well as our suppliers who continue to recognise our market positioning and continue to support us with their full vigour. I would like to use this opportunity to express my appreciation, to both of those groups of important partners, for their continued support.

Equally I would like to mention my gratitude to all our steel business partners and customers for their long-term support and customer loyalty. We look forward to continuing our work with you all throughout 2018 and beyond.

While mentioning our business partners I also need emphasise the importance of workforce and its professional conduct and management of the above situations. Therefore, last, but certainly not least, a great thank you to Ferona a.s managers and all the Company's employees who are continuously and with great dedication contributing to the efforts to keep Ferona a.s. at the forefront of the steel business.

I would like to wish you all a happy, healthy and prosperous year ahead.

A handwritten signature in red ink, which appears to read 'Robert Kay'. The signature is stylized and written in a cursive-like font.

Robert Kay

CHAIRMAN OF THE BOARD

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FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



LADIES AND GENTLEMEN, DEAR BUSINESS PARTNERS,

the year 2017 brought to a large extent the consolidation of the trends that had taken place in the steel market already in the previous year. The first months of 2017 marked the continuation of the growth trend of autumn 2016. This was then replaced by a temporary weakening, after which the prices returned again to higher starting levels in the second half of the year. As a result, there was a relatively high volatility in spot prices on the market, which put considerable demands on price risk management across all players.

The definitive confirmation of EC anti-dumping measures has given confidence in particular to European manufacturers and distributors, as these tariff measures against imports of selected materials from selected countries are in force for at least 5 years. On the other hand, it turned out that by pushing up a certain percentage of imports a gap was created on the market that European manufacturers cover only with maximum efforts, mainly due to technical problems or technology shutdowns. The resulting slippage of the deliveries from the mills was a significant complication in the activities of distribution companies.

In the area of materials reprocessing, i.e. divisions, the distortions in the markets of Central and Eastern Europe continued to be caused by a generous EU subsidy policy leading to the creation of considerable reprocessing capacities, which are looking for the markets at any cost. If the consumption falls in the future, it is expected that these phenomena will be even stronger.

For the situations described above in the markets characterized by the uncertainty of price trends and doubts as to the outlook for the current conjunctural situation, Feronia focused on maintaining its market position in the Czech, Slovak and Polish markets. A key role in this has been our ability to offer a complete range of metallurgical products at competitive prices and to ensure a high-quality logistics service for our customers. The percentage of timely delivery contracts exceeded 98%. Our cutting centres have achieved record volumes of reprocessed material when they processed more than 260,000 tons in 2017. A new cross-cut line in Hradec Králové has been set up to enable us to respond even more quickly and flexibly to our customers' needs in the field of



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cutting services. The continued growth of automotive production in the Czech Republic and the bold investment plans of these manufacturers are a major inspiration and driving force for all suppliers, including metallurgical distributors.

The tangible evidence of the quality of our business, reprocessing and logistics offer was also a year-long favour of our customers in 2017. Thanks to this, we were able to sell 726,000 tons on the Czech market to keep the volume sold in the previous year. We appreciate the fact that the vast majority of our regular customers share our business philosophy based on mutually beneficial and balanced business relationships and timely fulfilment of all contractual obligations.

The past year has been very demanding for our employees in all areas, as it has brought new challenges in terms of customer requirements for the speed and quality of our deliveries. Let me therefore thank you on behalf of the company's management and wish all of you good health and a lot of success in working for Ferona.

I also thank our financial partners, bankers and insurance houses for their continued support, which we value very much.

Finally, I would like to thank all of you, ladies and gentlemen, for your favour in 2017, and wish you solid health and prosperity in 2018.

František Kopřiva

CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

726,806

THE COMPANY SOLD 728,806 TONS
OF GOODS TO ITS CUSTOMERS



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COMPANY IDENTIFICATION

COMPANY IDENTIFICATION

Business name	Ferona, a.s.
Identification number	26 44 01 81
Registered office	Havlíčková čp. 1043/11, 111 82 Praha 1
Date of establishment	21 March 2001
Website	www.ferona.cz
Registered capital	CZK 3,000,000,000

The Company is registered in the Commercial Register maintained by the Municipal Court in Prague, Part B, Entry 7143.

Originally, the Company was established as Reklus, a.s., by a group of majority shareholders of the then Ferona, a.s. (Company ID 25 79 20 75), acting in concert.

As of the relevant date, 1 April 2001, the Company, acting in the capacity of the main shareholder pursuant to Section 220p of the Commercial Code, took over Ferona, a.s. (Company ID 25 79 20 75), under a take-over agreement approved by the General Meetings of both companies on 27 June 2001. The registration of the take-over into the Commercial Register entered into legal force and effect on 29 August 2001. Under the Merger Agreement, the Company, being the successor company, assumed the capital of STEEL INVESTMENTS GROUP, a.s., the ceasing parent company, as of the relevant date, 1 January 2005.

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BASIC CHARACTERISTICS OF THE COMPANY

CURRENTLY, FERONA BUILDS UPON THE ACTIVITIES OF ITS LEGAL PREDECESSORS INVOLVED IN DISTRIBUTION OF METALLURGICAL PRODUCTS, WITHIN THE TEMPORAL CONTEXT OF THE HISTORY OF THE THEN CZECHOSLOVAKIA AFTER 1945 UNDER VARIOUS NAMES AND IN VARIOUS ORGANISATIONAL FORMS. IT IS, THEREFORE, BUILDING UPON ENTREPRENEURSHIP TRADITION STRETCHING BACK TO 1829 ON THE TERRITORY OF THE CZECH REPUBLIC.

As a joint-stock company, Feroná was formed in 1992 upon transformation of the state-owned enterprise of the same name. Within the privatisation process, from 1992 to 1994, its ownership passed from the hands of the state fully into private hands. In 2001, the majority shareholder took over the capital of Feroná a.s. and continued in its business activities. In 2004, STEEL INVESTMENTS GROUP, a.s., became the owner of the Company; it ceased to exist on the relevant date, 1 January 2005, upon merger with Feroná, a.s. and IRG Steel Limited, London, owner of STEEL INVESTMENTS GROUP, a.s., the ceasing company, became the entity controlling Feroná, a.s. Since 2017, the company IRG Steel Limited is owned by IRG Asset Management, Ltd., Nicosia.

The core **object of the Company's business** is warehouse wholesale, specialised in purchasing, storing, modification and sale of metallurgical products, metallurgical secondary products, non-ferrous metals and associated iron and steel product portfolio. Feroná's business activities focus mainly on the domestic market. The group of customers includes, predominantly, thousands of chiefly medium and small industrial, construction, agricultural and commercial companies and traders, for which it is not efficient to purchase directly from producers. In its sales units – wholesale warehouses as well as retail outlets – Feroná is able to attend to the widest spectrum of customers, ranging from large industrial companies to small clients.

Organisational structure of Feroná, a.s., the joint-stock company, includes nine territorial branches, Steel service centres for longitudinal and cross cutting of cold and hot rolled steel coils and production of welded pipes and sections and the Company's headquarters.

Customers are invited to contact any of the above locations with their queries or purchase orders.

A black and white photograph of an industrial metalworking process. A cutting tool is positioned on the right side of the frame, actively cutting through a thick metal plate. A dense spray of bright sparks is being ejected from the point of contact, fanning out towards the left. The background is filled with various metal components and machinery, creating a sense of a busy manufacturing environment. The lighting is dramatic, highlighting the texture of the metal and the intensity of the sparks.

12,769,602,000

SALES REVENUE AMOUNTED
TO CZK 12,769,602 THOUSAND

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BOARD OF DIRECTORS, SUPERVISORY BOARD AND DIRECTORS

The Company's Board of Directors, Supervisory Board and directors are indicated as applicable as of 31 December 2017.

BOARD OF DIRECTORS

FRANTIŠEK KOPŘIVA

Chairman of the Board of Directors, born in 1951, graduated from the University of Economics, member of the statutory body since 23 November 2010

MIROSLAV VANÍČEK

Vice-Chairman of the Board of Directors, born in 1961, graduated from the University of Economics, member of the statutory body since 1 January 2005

MILAN RADA

born in 1963, graduated from the University of Economics, member of the statutory body since 1 January 2005

JAN MORAVEC

born in 1974, graduated from the Czech Technical University, member of the statutory body since 1 February 2012

TOMÁŠ BALKO

born in 1976, graduated from the Constantine the Philosopher University in Nitra, member of the statutory body since 1 January 2013

SUPERVISORY BOARD

ROBERT BOHUSLAV KAY

Chairman of the Supervisory Board, born in 1949, Member of the Supervisory Board since 1 January 2005

JIŘÍ HYPŠ

Vice-Chairman of the Supervisory Board, born in 1943, graduated from the University of Agriculture – Operations and Management Faculty, Member of the Supervisory Board since 1 January 2005



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TOP MANAGEMENT OF THE COMPANY

FRANTIŠEK KOPŘIVA

CEO, born in 1951, graduated from the University of Economics, employed with the Company since 2012

TOMÁŠ BALKO

Commercial Director, born in 1976, graduated from the Constantine the Philosopher University in Nitra, employed with the Company since 1 January 2013, with Ferona Slovakia since 2005

JAN MORAVEC

Corporate Audit Manager, born in 1974, graduated from the Czech Technical University, employed with the Company since 2011

PAVEL HORÁK

Logistics Director, born in 1962, graduated from the Czech Technical University, employed with the Company since 1986

TOMÁŠ KREJČÍ

Purchasing Director, born in 1968, graduated from the University of Economics, employed with the Company since 2007

MILAN RADA

IT and HR Director, born in 1963, graduated from the University of Economics, employed with the Company since 1992

MIROSLAV VANÍČEK

Financial Director, born in 1961, graduated from the University of Economics, employed with the Company since 1985

IVO JUŘIČKA

SSC Director, born in 1963, graduated from the Faculty of Metallurgy and Material Engineering of the Mining University, employed with the Company since 2003.

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KEY INDICATORS FOR THE PAST THREE YEARS

The Company follows fully upon the activities of its legal predecessor that was established as a joint-stock company in 1992.

Year		2015	2016	2017
Tangible products sold	(thousand tons)	743	729	727
Revenues from products sold	(CZK million)	13,069	11,328	12,770
Profit and/or loss	(CZK million)	139	119	291
Inventories	(CZK million)	2,634	2,603	2,627
Short-term receivables	(CZK million)	1,940	1,807	1,787
Short-term payables	(CZK million)	951	1,697	1,463
Bank loans	(CZK million)	2,766	1,627	1,667
Number of employees	(individuals)	998	968	947

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BUSINESS ACTIVITIES

FERONA RANKS AMONG THE LEADING COMPANIES IN INVENTORY SALE OF METALLURGICAL PRODUCTS, MANUFACTURED PRODUCTS, NON-FERROUS METALS AND ASSOCIATED IRONMONGERS' PRODUCT PORTFOLIO IN THE CZECH REPUBLIC. ITS MARKET SHARES VARY BY INDIVIDUAL PRODUCTS BUT, ON AVERAGE, THEY RANGE, IN THE LONG RUN, AROUND 15 TO 20% OF DELIVERIES FOR DOMESTIC CONSUMPTION. THE RESULTS OF THE COMPANY'S TRADE IN 2017 CAN BE ASSESSED AS PRESERVING ITS MARKET POSITION.

The Company sold 726,806 tons of goods to its customers, a drop of 1,994 tons compared to 2016, i.e. 0.3%; it is by 16,594 tons less than in 2015, i.e. a 2.3% decrease on 2015.

The revenues from the goods sold reached CZK 12,769,602,000, representing a growth of CZK 1,441,842,000 compared to 2016. Compared to 2015, the revenues are by CZK 299,772,000 lower, i.e. by 2.3%. Changes in the values were caused by certain instability of price levels of the goods sold (see below) and changes in the structure of commodities sold.

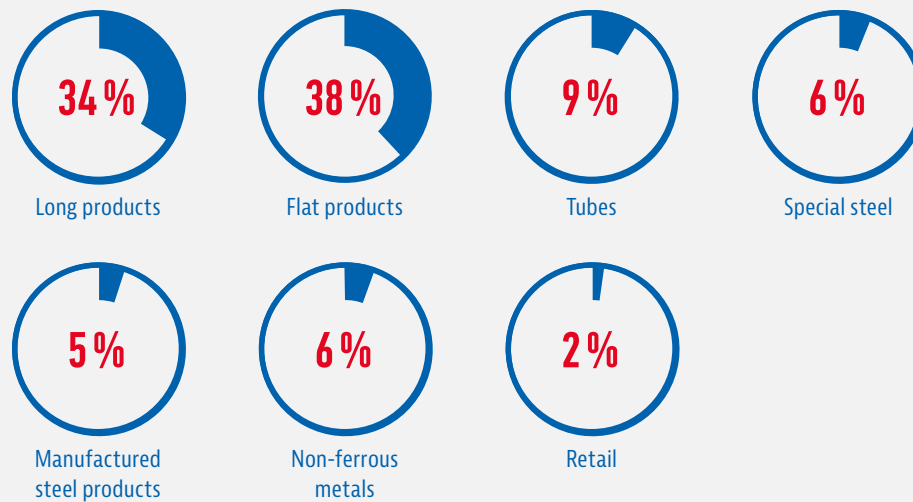
In the first quarter of 2017, the growth trend continued as observed since the end of previous year. In the second quarter, the price trend changed, especially for flat steel. Increasing GDP in Central Europe has helped to stabilize the prices and increase demand, predominantly in the construction sector. At the beginning of the fourth quarter, prices began to grow again, which resulted in fulfilling over the corporate plan through balanced stockpiles, cutting service centres and new emerging services. Strict credit policy has helped us to stabilize the value of the overdue receivables at levels that were reported in the past year. The acceptable credit exposure is a result of this stabilization and further treatment of price risk.

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07 STRUCTURE OF SALES BY PRODUCT GROUPS

Indicator	%
Long products	34
Flat products	38
Tubes	9
Special steel	6
Manufactured steel products	5
Non-ferrous metals	6
Retail	2

The Company buys products it sells on a stable basis both from domestic producers – the leading suppliers being ArcelorMittal Ostrava, Moravia Steel, Valsabbia, ESAB – and from foreign companies, predominantly in Slovakia (U.S. Steel Košice, Železářny Podbrezová) and in Poland (Mittal Poland, Celsa), Germany (Ekostahl, Stahlwerk, Salzgitter, etc.) as well as in other countries (Duferco, Buntmetall, Marcegaglia, Beltrame, Pittini etc.). There is constant adjustment of the portfolio of suppliers to the specific market conditions. Adjustment of commercial policy to Ferona group’s interests plays a major role in changing these conditions.





146,000,000

THE TOTAL INVESTMENTS
AMOUNTED TO CZK 146 MILLION

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INVESTMENTS

IN 2017, INVESTMENT ACTIVITIES IN TANGIBLE AND INTANGIBLE ASSETS FOCUSED ON NECESSARY RENOVATION INVESTMENTS AND DEVELOPMENT OF SERVICES, MAINLY THE MATERIAL CUTTING. THE TOTAL OF CZK 146 MILLION WAS INVESTED, OF THIS CZK 130 MILLION WERE INVESTMENTS IN MACHINERY AND EQUIPMENT, CZK 10 MILLION IN BUILDINGS, AND CZK 6 MILLION IN PURCHASE OF LAND.

The most significant investment project was the cross-cutting line in SSC Hradec Králové amounting to CZK 37 million. Other significant investment projects concerned the crane technology – CZK 30 million – and renewal of means of transport in amount of CZK 21 million.

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SIGNIFICANT PROJECTS



01

**BRNO
THE CZECH TECHNOLOGICAL PARK**

Material delivered rebars of diameter 8–25mm ca. 600t



02

**ČESKÉ BUDĚJOVICE
STEEL CONSTRUCTION S.R.O.**

Delivery of steel sections to EGE Steel Construction s.r.o. for a production of steel constructions in the energy sector.



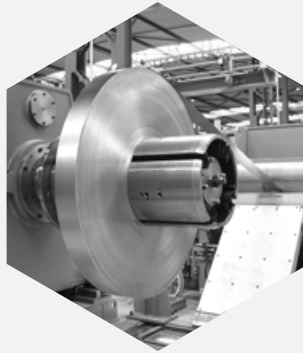
03

**HRADEC KRÁLOVÉ
AMMANN AND IVECO**

IVECO – delivery of steel material, delivery from SSC for production of buses

AMMANN – producer of building machines and compactors, delivery of ZSV and sheet metal, manufactured goods

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SSC HRADEC KRÁLOVÉ

Investment of Feron to the new cross-cutting line in Hradec Králové



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**OLOMOUC
CAR FACTORY LANDROVER
JAGUAR NITRA**

Building the halls – delivery of steel construction



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**PRAGUE
DRAŽICE CO-OPERATIVE**

Delivery of flat products for production of heaters and water tanks to Dražice Co-operative – machinery plant

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STAFF

BY THE END OF 2017, THE AVERAGE ADJUSTED TOTAL OF THE COMPANY WAS 946 EMPLOYEES, WHICH REPRESENTS 97% OF THE PLAN. EFFORTS TO MAKE MANAGEMENT AND SERVICE ACTIVITIES MORE EFFECTIVE CONTINUED IN 2017.

Average gross monthly salary in 2017 (excluding managerial positions) amounted to CZK 29,287, which is by CZK 2,267 more than in 2016.

Labour costs in 2017 amounted to CZK 432,177,000, increasing by CZK 14,866,000 on 2016. Statutory social security and health insurance costs totalled CZK 134,023,000 and social security cost corresponded to CZK 10,360 of the social security budget, remaining at a comparable level with 2016.

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COMMENTS ON THE PROFIT AND LOSS STATEMENT

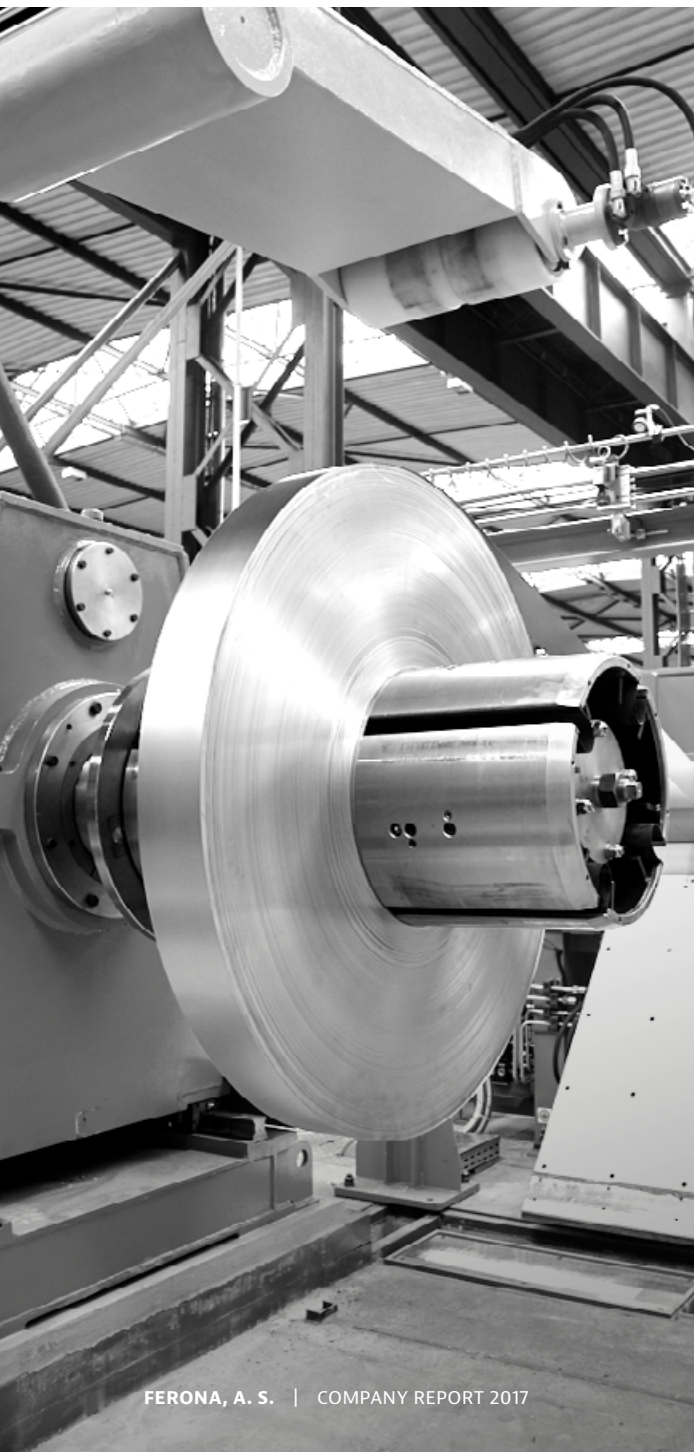
THE BUSINESS MARGIN IN 2017 AMOUNTED TO CZK 1,337,269,000, WHICH IS BY CZK 15,163,000 MORE THAN IN 2016 AND BY CZK 196,305,000 MORE THAN IN 2015.

A similar change in amount of CZK 9,199,000 that occurred in 2016 is reported as a different result and described in the notes to the financial statements. Revenues from services comprising of cutting and modification of materials such as burning of thick sheets according to the requirements of customers and services provided to subsidiaries amounted to CZK 206,545,000 and increased, compared to 2016, by CZK 18,007,000 and by CZK 33,504,000 compared to 2015.

The costs of purchased consumables and energies accounted for CZK 3,016,902,000 of which consumption of material for production in the Steel Service Centres reached CZK 2,896,422,000, corresponding to 96%. In purchased services, the largest amount comprised the costs of contractual transport fees (43%), repairs and maintenance (17%), security guard (5.3%), professional services (7%), waste disposal (3.4%), advertisement and promotion (3.9%) and advisory services (3.5%). The Company continued adjusting actual costs of production consumption without material consumption for production to the revenues generated, yet it lead to an increase by CZK 4,551,000 on the previous year, the biggest share on the cost growth are the decisions on the repairs of property. Also, because of the prices, the consumption of material for production increased by CZK 602,652,000 compared to previous year.

Added value in 2016 amounted to CZK 1,212,983,000 and experienced year-on-year increase of CZK 18,312,000 as compared to previous year and, an increase of CZK 223,342,000 as compared to 2015. Total personnel costs reached CZK 588,020,000, which is by 3.2% more than in 2016. Depreciation of long-term intangible and tangible assets of CZK 184,858,000 experienced a year-on-year drop by 2.6%.

Operating profit and/or loss: The Company made a profit of CZK 313,289,000; this is an increase of CZK 78,241,000 on previous year and a real increase by CZK 93,027,000 on 2015. The Company created provisions



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the impact of which on the profit and/or loss totalled CZK 43,439,000 from receivables and created an allowance to reduce inventory in the amount of CZK 131,202,000.

Interest paid on operating loans reached CZK 29,082,000; although they dropped by CZK 6,043,000 on a year-on-year comparison, they still remain the highest cost item in ordinary profit and/or loss from financial activities. Interest received consists, in particular, of interest received within the Group. Revenues from long-term financial assets amounting to CZK 112,964,000 are the significant revenue part of the financial profit, this comprises the difference of decrease of Ferona Holešovice equity to acquisition cost of the asset invested as a part of the company at its establishment. The other financial costs, as bank fees and exchange rate loss amounted to CZK 97,911,000, the other financial revenues, mainly the exchange rate profit amounted to CZK 60,605,000. The balance of exchange rate difference is a cost in the amount of CZK 8,888,000, mainly due to conversion of balance sheet items in the financial statements. Other financial costs such as bank fees and exchange rate loss, accounted for CZK 56,217,000. Other financial income, consisting mainly of ex-change rate profit, amounted to CZK 18,457,000. The balance of exchange rate differences is a cost in the amount of CZK 6,164,000.

In 2017, the Company did not post any transaction affecting **the extraordinary profit and/or loss**. Profit for 2017 **before tax** amounted to CZK 367,724,000.

Profit and/or loss for the accounting period: The Company made a profit of CZK 291,489,000 – in addition to business margin and an increase in revenues for services, it was significantly created by settlement of adjustments to receivables and revenue from long-term financial assets. Creation of an allowance to reduce inventory to cover future risks (volatility of commodity prices and expected strengthening exchange rate of CZK to EUR) had a negative impact on the profit and/or loss.

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COMMENTS ON BALANCE SHEET

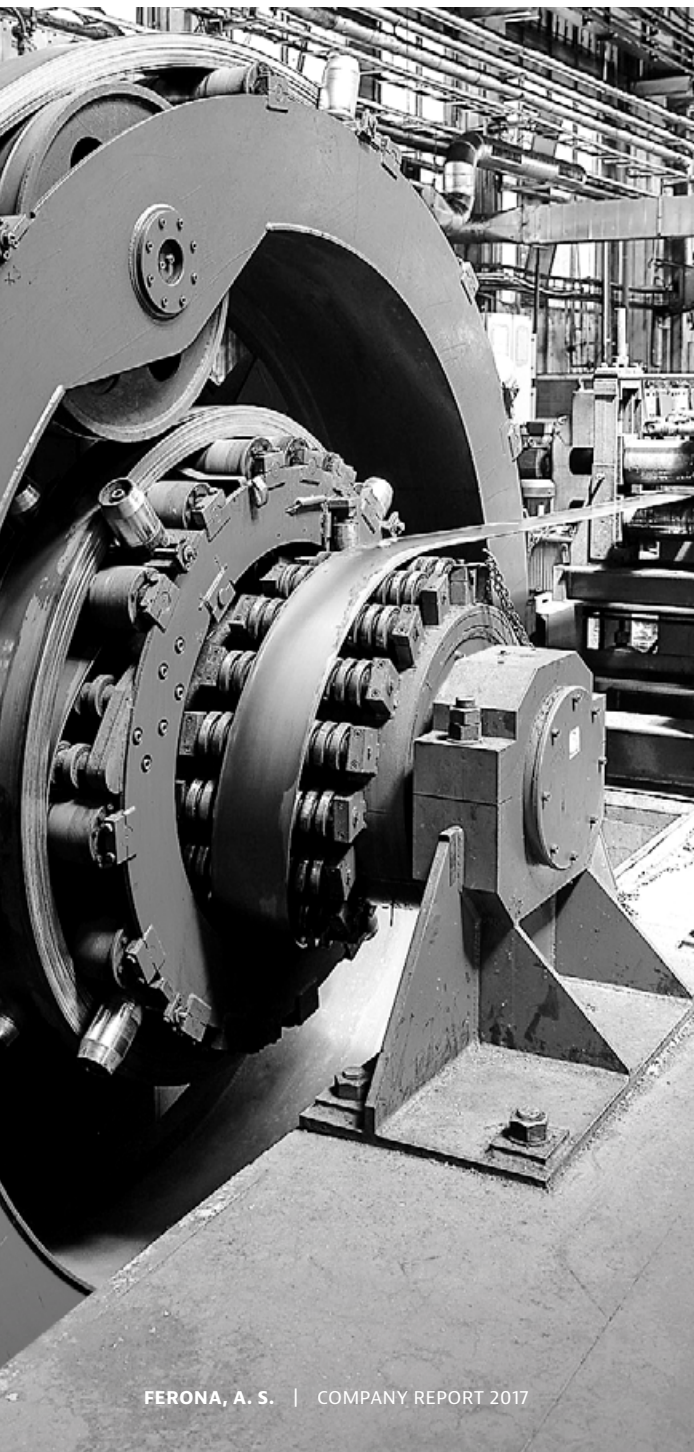
THE COMPANY'S TOTAL ASSETS AS OF 31 DECEMBER 2017, AS COMPARED TO THE PREVIOUS PERIOD, CONTINUED TO DECREASE AND CORRESPONDED TO THE BOOK VALUE OF CZK 7,577,684,000. THIS DEVELOPMENT WAS CAUSED PREDOMINANTLY BY DECREASE OF EQUITY IN FERONA HOLEŠOVICE AND ITS REIMBURSEMENT TO THE FERONA SHAREHOLDERS.

Long-term assets, accounting for 37.6% of the value of the assets, reached CZK 2,850,334,000. Its structure was as follows (value in CZK thousands and % share of long-term assets):

Item	CZK 000	%
Long-term intangible assets	6,767	0.2
Long-term tangible assets	1,987,000	69.8
Long-term financial assets	855,723	30.0

The largest part of long-term tangible assets consists of buildings in the value of CZK 1,003,437,000 (50.5% of the total value of long-term tangible assets), movable items of CZK 477,008,000 in value (24% of the total) and land of CZK 491,725,000 in value (24.7% of the total).

The value of **long-term financial assets** of CZK 855,723,000 incorporates the owned shares of Ferona, a.s., in equity of its subsidiaries. For foreign financial investment, equities were converted according to the CNB exchange rate of CZK to each currency in force as of 31 December 2017. Depreciation of long-term financial assets was caused mainly by decrease of equity of Ferona Holešovice, a.s. and its reimbursement to Ferona as a sole 100% shareholder.



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Current assets account for 62% of total assets and, in the course of the year, they went down by CZK 8,274,000 to CZK 4,717,710,000, particularly due to a decrease of short-term receivables (drop of bonuses from the suppliers).

The largest part of the total inventory comprises inventories of commercial merchandise, which dropped by CZK 39,591,000 on the opening balance of the year and reached CZK 2,057,797,000. Immediate turnaround of inventories of merchandise counted from the value of merchandise sold at the acquisition price was 66 days at the end of the year, which corresponds to an 8-day drop on the previous year. Decrease of material inventories by CZK 30,824,000 compared to the beginning of the period could be mainly attributed to less frontloading of project transactions in the forthcoming period.

The Company has **long-term receivables** on account of advance payments, in particular for security deposits for leases and mobile telephone activation.

The largest part of short-term **receivables consists of trade receivables**, which slightly dropped comparing to the previous year, its net amount reached CZK 1,368,570,000. Provisions were created for all receivables overdue for more than 60 days. Provisions for other receivables are created on the basis of risk assessment as at the balance sheet date. Immediate turnaround of short-term trade receivables was 39 days at the end of the year, which is a 56-day year-on-year decrease. Estimated assets comprise mainly bonuses for purchase of merchandise paid that had not been invoiced upon the balance sheet date.

By the end of the year, **short-term financial assets** amounted to CZK 298,431,000, which constitutes an amount similar to that at the beginning of the year.

Accruals are valued at CZK 9,640,000, representing 0.13% of total assets.

Registered capital is valued at CZK 3,000,000,000 and is divided into 300 registered shares, having the nominal value of CZK 10,000,000 each. In 2017, the Company did not acquire its own shares.



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The Company's equity totalled CZK 4,332,704,000 as of 31 December 2017, covering 57.2% of the total book value of liabilities. The summary of changes is described in the appendix of the Financial Statements.

At the end of 2017, **the borrowings** represented CZK 3,234,725,000 and had a following structure:

Item	CZK 000	%
Long-term payables	104,946	3.2
Short-term payables	1,457,728	45.1
Bank loans and assistance	1,672,051	51.7

The highest part of **long-term payables** is constituted by a deferred tax liability of CZK 104,838,000, whose year-on-year change is due to a different structure of items included in accounts.

Among short-term payables, **trade payables** have the most prominent position; by the end of the year, they amounted to CZK 1,050,434,000 and, except for invoices retained due to complaints and payables ready for set-off, they were within their maturity period. The year-on-year drop of CZK 148,148,000 was caused by regulation of purchases of goods made at the end of the year with regard to possible changes in prices. As a result of collective holiday, it was impossible to enter all incoming invoices into the balance accounts and, due to that, these transactions were entered as estimated liabilities like in the preceding year. The Company made no delayed payments of its liabilities in 2017.

At the year-end, **bank accounts** without factoring amounted to CZK 1,667,056,000. The Company drew a short-term operating loan to finance its current assets as of financial statements date. The slight year-on-year increase was caused by changes in the structure of current assets and liabilities. Liabilities from regression factoring amounted to CZK 4,995,000 only.

Accruals amounted to CZK 10,225,000 at year-end; accruals in respect of transport fares, interest and fees from bank loans accounted for the largest value.

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FINANCIAL STANDING OF THE COMPANY

THE RESULTS SHOWN IN THE FINANCIAL STATEMENTS IMPLY THAT THE COMPANY'S FINANCIAL STANDING IS STABILISED. BY THE END OF 2017, THE VALUE OF SHORT-TERM RECEIVABLES WAS LARGER THAN THE VALUE OF SHORT-TERM LIABILITIES/PAYABLES (EXCEPT FINANCIAL LIABILITIES) BY CZK 329,204,000 AND THE COMPANY WAS NOT INSOLVENT.

The overall indebtedness of the Company is maintained at acceptable level and the Company is not in delay with the payment of any of its liabilities. In 2017, the Company increased its credit with banking institutions and, along with its subsidiary, Ferona Slovakia, a.s., renewed its financing without any problems for the next period. The share of borrowings and other liabilities in covering the overall assets of the Company as of 31 December 2017 was at 42.7%.

At the end of 2017, the proportion of bank loans and assistance and overall revenues dropped again to 12.9% on the previous year.

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INCORPORATION OF THE COMPANY INTO THE CONSOLIDATION GROUP

Ferona, a.s. is the controlling company in the Group, which held following controlled entities and accounting units with significant influence including the entities controlled by them as of 31 December 2017:

FERONA SLOVAKIA, A.S.

Registered office	Bytčická 12, Žilina, Slovakia
Company ID	36401137
Other establishments	Nitra, Košice
Activity	Metallurgical products wholesale
Equity	EUR 12,888 thousand
2017 profit and/or loss – profit	EUR 938 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 329,156 thousand

FERONA – SERVIS CENTRUM SLOVAKIA, A.S.

Registered office	Prístavná 12, Bratislava, Slovakia
Company ID	44066716
Other establishments	None
Activity	Cutting steel strips
Equity	EUR 8,194 thousand
2017 profit and/or loss – profit	EUR 101 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 209,276 thousand



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FERONA POLSKA, S.A.

Registered office	Mikolowska 31, Myslowice, Poland
Company ID	240569429
Other establishments	Wroclaw, Kielce
Activity	Metallurgical goods wholesale
Equity	PLN 14,325 thousand
2017 profit and/or loss – profit	PLN 5,882 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 87,581 thousand

FTP PLASTICS, S.R.O.

Sídlo	ul. ČSA 730, Velká Bystřice
Company ID	25354418
Other establishments	FTP Slovakia, s.r.o., Bratislava, Slovakia*) L.A.V. – polycarbon, s.r.o., České Budějovice**)
Activity	Technical plastics wholesale including assembly and installation
Equity	CZK 102,658 thousand
2017 profit and/or loss – profit	CZK 11,382 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 102,658 thousand

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***) FTP SLOVAKIA, S.R.O., BRATISLAVA**

Registered office	Púchovská 14, Bratislava, Slovakia
Company ID	35861134
Other establishments	None
Activity	Technical plastics wholesale
Equity	EUR 182 thousand
2017 profit and/or loss – profit	EUR 1 thousand
FTP PLASTICS, s.r.o. share in registered capital	100 %
Book value of FTP PLASTICS, s.r.o. share (net)	CZK 3,390 thousand

*****) L.A.V. – POLYCARBON, S.R.O., ČESKÉ BUDĚJOVICE**

Registered office	Okružní 2615, České Budějovice
Company ID	25183851
Other establishments	None
Activity	Technical plastics wholesale including assembly
Equity	CZK 2,314 thousand
2017 profit and/or loss – profit	CZK 276 thousand
FTP PLASTICS, s.r.o. share in registered capital	100 %
Book value of FTP PLASTICS, s.r.o. share (net)	CZK 5,598 thousand



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PRAGMET, A.S.

Registered office	Havlíčková 1043/11, Praha 1
Company ID	25789449
Other establishments	Benátky nad Jizerou
Activity	Cutting flat products for automotive
Equity	CZK 173,080 thousand
2017 profit and/or loss – profit	CZK 37,455 thousand
Ferona, a.s. share in registered capital	70 %
Book value of Ferona, a.s. share (net)	CZK 121,156 thousand

FERONA HOLEŠOVICE, A. S.

Registered office	Havlíčková 1043/11, Praha 1
Company ID	29134722
Other establishments	None
Activity	None
Equity	CZK 5,897 thousand
2017 profit and/or loss – profit	CZK 43 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 5,896 thousand

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RESULTS OF THE CONSOLIDATION GROUP

THE REVENUES FROM THE GOODS SOLD THAT THE COMPANIES IN THE CONSOLIDATION GROUP IN 2017 AMOUNTED TO CZK 15,767,560,000, WHICH IS BY 14.4% MORE THAN IN THE PREVIOUS YEAR.

Added value, however, amounted to CZK 1,609,221,000 and, compared to the previous year, it increased by 5.2%. Consolidated operating profit as of 31 December 2017 was a profit of CZK 453,027,000.

Consolidated profit and/or loss (excl. minority profit shares and/or loss and including share in profit of equivalent companies) was a profit of CZK 267,609,000.

The value of **assets** of the consolidation group at the end of 2017 amounted to CZK 9,543,636,000 and the value of **equity** reached CZK 4,328,594,000.

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EVENTS AFTER THE BALANCE SHEET DATE, KEY OBJECTIVES, OTHER DATA AND OUTLOOK FOR 2018

EVENTS AFTER THE BALANCE SHEET DATE: AFTER THE DATE OF CLOSING THE BOOKS, L.A.V – POLYCARBON, S. R.O. MERGED WITH FTP PLASTICS. S.R.O. BY INCORPORATING INTO FTP PLASTICS. S.R.O.

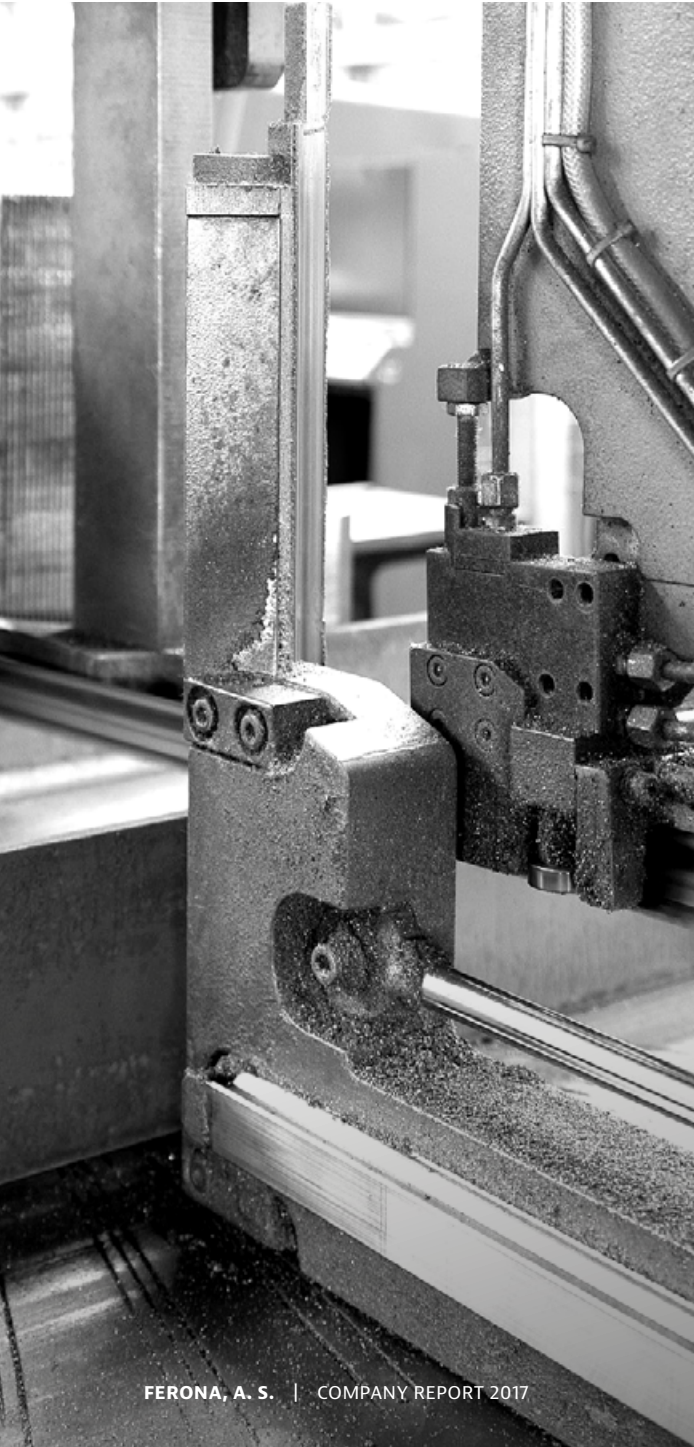
The key **objectives of the Company** are set out in the Quality Policy employed by the Company on a long-term basis. Compliance with the Quality Policy is checked annually by an authorized company.

THE QUALITY POLICY WHICH MEETS THE EN ISO 9001:2008 STANDARD defines the following objectives:

- Increase the share of the Company in target markets with metallurgical material
- Focus on optimizing the product portfolio and improvement of services
- Focus on meeting specific customers' requirements in the automotive industry
- Increase efficiency of business activities
- Adapt the portfolio of suppliers to the conditions of particular markets
- Develop the Company's internal potential

The above objectives have been shaped into specific groups of measures:

- Better employment of cutting capacity in service centres
- Increased efficiency of inventory management to minimize the price risk
- New model of the project management
- Further streamlining of transport of goods to customers
- Pressure of efficiency of newly implemented processes and their improvement
- Application of gained experience in all companies within the Ferona Group
- Further increase the share of physical volume of sales particularly in Poland



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Further information: In 2017, the Company did not allocate any funds to research and development; it does not carry out any significant activities in environmental protection. It does not have any organizational units abroad.

The Feron Financial Plan for 2018 assumes the sales revenues of goods in amount of CZK 12,813 million and the profit before taxation is planned in the amount of CZK 172 million.

The plan of investment for 2018 is specified at the amount of CZK 270 million. The investments will have a character of restoration of cranes and means of transport. The development investments are focused on cutting services in other regions and new services which have never been provided so far. Reconstruction and modernization will be implemented also on existing equipment in the cutting centres with the objective of broadening the services provided.



3,900



THE COMPANY OFFERS MORE THAN
3,900 VARIOUS PRODUCTS

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY



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BDO Audit s.r.o.
Člen společnosti PwC
Právní z.s.
IČO 21

Independent Auditor's Report

To the Shareholders of Ferona, a.s.

Opinion

We have audited the accompanying consolidated financial statements of Ferona, a.s., with its headquarters at Havlíčkova 1043/11, Praha 1, Czech Republic, (IC Registration number) 16440181 (hereinafter the "Company") and its subsidiaries (hereafter also the "Group") prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31 December 2017, the income statement, statement of changes in equity and statement of cash flows for the period of 01/01/2017 to 31/12/2017 and notes to these consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Ferona a.s. Group as at 31 December 2017, of its expenses and revenues, its financial performance and its cash flows for the period of 01/01/2017 to 31/12/2017 in accordance with Czech accounting regulations.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application claims. Our responsibilities under these regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Consolidated Annual Report

In compliance with Section 2 (b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the consolidated and individual financial statements and auditor's report thereon. The Board of Directors is responsible for this other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, if it is so, consider whether the other information is

Právní z.s. | IČO 21 | 1000, Havlíčkova 1043/11, Praha 1, registrace u Ministerstva spravedlnosti ČR | Právní z.s. | IČO 21 | 1000, Havlíčkova 1043/11, Praha 1, registrace u Ministerstva spravedlnosti ČR | Právní z.s. | IČO 21 | 1000, Havlíčkova 1043/11, Praha 1, registrace u Ministerstva spravedlnosti ČR

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STATEMENTS

BALANCE SHEET – ASSETS

(IN CZK THOUSAND)

	Current as of 31. 12. 2017	Past as of 31. 12. 2016	Previous as of 31. 12. 2015
TOTAL ASSETS	9,543,636	9,576,008	9,513,699
B. Fixed assets	2,959,654	3,062,780	3,239,042
B.I. Intangible assets	8,333	8,201	8,274
B.II. Tangible assets	2,951,321	3,005,332	3,185,413
B.III. Financial investments	0	0	0
B.IV. Consolidation balance – active(+), negative (-)	0	0	0
B.V. Equity securities	0	49,247	45,355
C. Current assets	6,557,009	6,484,369	6,249,122
C.I. Inventory	3,775,942	3,544,331	3,461,082
C.II. Receivables	2,385,114	2,267,532	2,362,585
C.IV. Financial assets	395,953	672,506	425,455
D. Prepaid expenses and accrued revenue	26,973	28,859	25,535

BALANCE SHEET – LIABILITIES AND EQUITY

(IN CZK THOUSAND)

	Current as of 31. 12. 2017	Past as of 31. 12. 2016	Previous as of 31. 12. 2015
TOTAL LIABILITIES AND EQUITY	9,543,636	9,576,008	9,513,699
A. Equity	4,328,594	4,307,556	4,071,656
A.I. Registered capital	3,000,000	3,000,000	3,000,000
A.II. Share premium and capital funds	312,265	374,189	377,107
A.III. Funds from profit	278,858	269,612	262,803
A.IV. Retained earnings	469,862	389,954	291,801
A.V. Current profit minus minority shares	267,609	243,807	112,561
1. Current profit / (loss)	267,609	239,936	109,972
2. Profit share in equity (+/-)	0	3,871	2,589
A.VI. Consolidation reserve fund	0	29,994	27,384
B.+C. Liabilities	5,151,376	5,215,633	5,374,808
B. Reserves	19,315	24,778	16,537
C.I. Long-term liabilities	115,072	114,578	101,947
C.II. Short-term liabilities	5,016,989	5,076,277	5,256,324
D. Deferred expenses and accrued revenue	11,741	12,132	14,302
E. Minority equity	51,925	40,687	52,933
E.I. Minority capital	900	900	900
E.II. Minority capital funds	0	0	0
E.III. Minority funds from profit including retained earnings	39,788	37,033	42,249
E.IV. Minority profit for the period	11,237	2,754	9,784

PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

	Actual in accounting period		
	Current as of 31. 12. 2017	Past as of 31. 12. 2016	Previous as of 31. 12. 2015
I. Revenue from sale of products and services	2,237,024	1,866,867	1,942,328
II. Revenue from sale of goods	15,767,560	13,782,785	16,110,737
A. Production consumption	19,440,514	16,508,593	19,280,536
B. Change in internally developed inventory balance	-51,225	5,182	15,570
C. Capitalisation	-2,993,926	-2,402,342	-2,511,071
D. Personnel expenses	763,108	723,797	700,172
E. Adjustments of operation	319,889	463,606	283,798
Deduction of the consolidation balance	-3,321	0	0
III. Other operating income	2,516,626	2,497,540	2,780,548
F. Other operating expenses	2,586,502	2,409,259	2,789,286
* Consolidated operating profit	453,027	439,097	275,322
IV. Income from financial investments – shares	0	0	0
VI. Interest received and similar income	1,142	1,029	1,727
J. Interest expense and similar expenses	43,148	50,201	87,487
VII. Other financial gains	74,891	21,346	64,748
K. Other financial losses	115,845	66,034	117,321
* Consolidated financial profit/(loss)	-82,960	-93,860	-138,333
** Consolidated profit before taxes	370,066	345,237	136,989
L. Income tax	91,220	102,547	17,232
** Consolidated profit after taxes	278,846	242,690	119,757
*** Consolidated profit for the period minus equity shares	278,846	242,690	119,757
of which – Profit for the period minus equity shares	267,609	239,936	109,972
– Minority profit for the period	11,237	2,754	9,784
Profit share in equity	0	3,871	2,589
**** Consolidated profit for the period	267,609	243,807	112,561

BALANCE SHEET AS OF 31 DECEMBER 2017 (UNABRIDGED) – ASSETS

(IN CZK THOUSAND)

ASSETS	Current period			Balance as of 31. 12. 2016
	Gross	Correction	Net	Net
TOTAL ASSETS	11,400,259	-3,822,575	7,577,684	7,737,650
A. Stock subscriptions receivable	0	0	0	0
B. Fixed assets	5,777,284	-2,926,950	2,850,334	2,998,888
B.I. Intangible assets	92,644	-85,877	6,767	5,794
B.I.1. Research and development	0	0	0	0
B.I.2. Valuable rights	91,313	-85,877	5,436	3,665
B.I.2.1. Software	91,313	-85,877	5,436	3,665
B.I.2.2. Other valuable rights	0	0	0	0
B.I.3. Goodwill	0	0	0	0
B.I.4. Other intangible assets	0	0	0	0
B.I.5. Advances to intangible assets + intangible assets in progress	1,331	0	1,331	2,129
B.I.5.1. Advances to intangible assets	0	0	0	0
B.I.5.2. Intangible assets in progress	1,331	0	1,331	2,129
B.II. Tangible assets	4,828,917	-2,841,073	1,987,844	2,032,333
B.II.1. Lands and buildings	3,019,626	-1,524,464	1,495,162	1,568,899
B.II.1.1. Lands	491,725	0	491,725	487,462
B.II.1.2. Buildings	2,527,901	-1,524,464	1,003,437	1,081,437
B.II.2. Tangible movable things and sets of movable things	1,793,617	-1,316,609	477,008	441,121
B.II.3. Adjustments to acquired assets	0	0	0	0
B.II.4. Other tangible assets	314	0	314	314
B.II.4.1. Perennial crops	0	0	0	0
B.II.4.2. Draught and herd animals	0	0	0	0
B.II.4.3. Other tangible assets	314	0	314	314
B.II.5. Advances to tangible assets + tangible assets in progress	15,360	0	15,360	21,999
B.II.5.1. Advances to tangible assets	2,916	0	2,916	19,165
B.II.5.2. Tangible assets in progress	12,444	0	12,444	2,834
B.III. Financial investments	855,723	0	855,723	960,761

POKRAČOVÁNÍ TABULKY NA NÁSLEDUJÍCÍ STRANĚ

B.III.1.	Shares – controlled or controlling person	855,723	0	855,723	915,025
B.III.2.	Loans and borrowings – controlled or controlling person	0	0	0	0
B.III.3.	Shares – controlling influence	0	0	0	45,736
B.III.4.	Loans and borrowings – controlling influence	0	0	0	0
B.III.5.	Other long-term securities and investments	0	0	0	0
B.III.6.	Other loans and borrowings	0	0	0	0
B.III.7.	Other financial investments	0	0	0	0
B.III.7.1.	Sundry financial investments	0	0	0	0
B.III.7.2.	Advances for financial investments	0	0	0	0
C.	Current assets	5,613,335	-895,625	4,717,710	4,725,984
C.I.	Inventory	2,947,261	-320,299	2,626,962	2,602,943
C.I.1.	Material	539,589	0	539,589	570,413
C.I.2.	Work in progress and semi-finished products	3,127	0	3,127	4,452
C.I.3.	Finished products and goods	2,378,096	-320,299	2,057,797	2,018,206
C.I.3.1.	Products	0	0	0	0
C.I.3.2.	Goods	2,378,096	-320,299	2,057,797	2,018,206
C.I.4.	Young draught and herd animals	0	0	0	0
C.I.5.	Advances for inventory	26,449	0	26,449	9,872
C.II.	Receivables	2,367,643	-575,326	1,792,317	1,821,578
C.II.1.	Long-term receivables	5,385	0	5,385	5,503
C.II.1.1.	Accounts receivable	0	0	0	0
C.II.1.2.	Receivables – controlled and controlling person	0	0	0	0
C.II.1.3.	Receivables – controlling influence	0	0	0	0
C.II.1.4.	Deferred tax receivable	0	0	0	0
C.II.1.5.	Other receivables	5,385	0	5,385	5,503
C.II.1.5.1.	Receivables from partners	0	0	0	0
C.II.1.5.2.	Long-term advances – paid	5,385	0	5,385	5,503
C.II.1.5.3.	Estimated receivables	0	0	0	0
C.II.1.5.4.	Other receivables	0	0	0	0
C.II.2.	Short-term receivables	2,362,258	-575,326	1,786,932	1,816,075

POKRAČOVÁNÍ TABULKY NA NÁSLEDUJÍCÍ STRANĚ

C.II.2.1.	Accounts receivable	1,943,812	-575,242	1,368,570	1,383,997
C.II.2.2.	Receivables – controlled and controlling person	247,812	0	247,812	225,568
C.II.2.3.	Receivables – controlling influence	0	0	0	0
C.II.2.4.	Other receivables	170,634	-84	170,550	206,510
C.II.2.4.1.	Receivables from partners	0	0	0	0
C.II.2.4.2.	Social security and health insurance	0	0	0	0
C.II.2.4.3.	State– tax assets	190	0	190	0
C.II.2.4.4.	Short-term advances – paid	5,210	0	5,210	6,220
C.II.2.4.5.	Estimated assets	162,312	0	162,312	199,170
C.II.2.4.6.	Other receivables	2,922	-84	2,838	1,120
C.III.	Financial assets	0	0	0	0
C.III.1.	shares – controlled or controlling person	0	0	0	0
C.III.2.	Other financial assets	0	0	0	0
C.IV.	Cash	298,431	0	298,431	301,463
C.IV.1.	Petty cash	1,705	0	1,705	2,147
C.IV.2.	Bank accounts	296,726	0	296,726	299,316
D.	Accruals and deferrals	9,640	0	9,640	12,778
D.1.	Prepaid expenses	9,263	0	9,263	11,909
D.2.	Complex prepaid expenses	0	0	0	0
D.3.	Accrued income	377	0	377	869

BALANCE SHEET AS OF 31 DECEMBER 2017 (UNABRIDGED) – LIABILITIES AND EQUITY

(IN CZK THOUSAND)

LIABILITIES AND EQUITY		Current accounting period	Balance as of 31. 12. 2016
TOTAL LIABILITIES AND EQUITY		7,577,684	7,737,650
A.	Equity	4,332,704	4,305,690
A.I.	Registered capital	3,000,000	3,000,000
A.I.1.	Registered capital	3,000,000	3,000,000
A.I.2.	Shareholders equity	0	0
A.I.3.	Changes in equity	0	0
A.II.	Share premium and capital funds	238,335	282,810
A.II.1.	Share premium	0	0
A.II.2.	Capital funds	238,335	282,810
A.II.2.1.	Other capital funds	230,542	230,542
A.II.2.2.	Adjustments to assets and liabilities	7,793	52,268
A.II.2.3.	Adjustments to transformations of corporations	0	0
A.II.2.4.	Difference from transformation of corporations	0	0
A.II.2.5.	Difference from adjustments to transformation of corporations	0	0
A.III.	Funds from profit	257,417	251,487
A.III.1.	Other reserve funds	257,417	251,487
A.III.2.	Statutory and other funds	0	0
A.IV.	Retained earnings/(accumulated loss)	545,463	643,660
A.IV.1.	Retained earnings	536,264	637,248
A.IV.2.	Accumulated loss		
A.IV.3.	Other retained earnings/(accumulated loss)	9,199	6,412
A.V.	Net profit for the period	291,489	127,733
A.VI.	Advances for payments of shares in profit	0	0
B.+ C.	Liabilities	3,234,725	3,421,276
B.	Reserves	0	0
B.1.	Reserves for pensions and other commitments	0	0
B.2.	Income tax reserve	0	0
B.3.	Reserves under special laws	0	0
B.4.	Other reserves	0	0

POKRAČOVÁNÍ TABULKY NA NÁSLEDUJÍCÍ STRANĚ

C.	Payables	3,234,725	3,421,276
C.I.	Long-term payables	104,946	96,858
C.I.1.	Bonds in issue	0	0
C.I.1.1.	Convertible bonds	0	0
C.I.1.2.	Other bonds	0	0
C.I.2.	Payables to credit institutions	0	0
C.I.3.	Long-term advances received	108	108
C.I.4.	Accounts payable	0	0
C.I.5.	Long-term notes payable	0	0
C.I.6.	Payables – controlled and controlling person	0	0
C.I.7.	Payables – controlling influence	0	0
C.I.8.	Deferred tax liability	104,838	96,750
C.I.9.	Other payables	0	0
C.I.9.1.	Payables to partners	0	0
C.I.9.2.	Estimated liabilities	0	0
C.I.9.3.	Other payables	0	0
C.II.	Short-term payables	3,129,779	3,324,418
C.II.1.	Bonds in issue	0	0
C.II.1.1.	Convertible bonds	0	0
C.II.1.2.	Other bonds	0	0
C.II.2.	Payables to credit institutions	1,667,056	1,624,280
C.II.3.	Short-term advances receives	1,930	1,865
C.II.4.	Accounts payable	1,050,434	1,198,582
C.II.5.	Short-term notes	0	0
C.II.6.	Payables – controlled and controlling person	0	0
C.II.7.	Payables – controlling influence	0	0
C.II.8.	Other payables	410,359	499,691
C.II.8.1.	Payables to partners	0	0
C.II.8.2.	Short-term borrowings	4,995	2,542
C.II.8.3.	Payables to employees	90	238
C.II.8.4.	Social security and health insurance payable	12,796	12,060
C.II.8.5.	State – tax liabilities and subsidies	72,479	90,460
C.II.8.6.	Estimate liabilities	293,258	369,378
C.II.8.7.	Other payables	26,741	25,013
D.	Accruals and deferrals	10,255	10,684
D.1.	Accrued expenses	10,145	10,428
D.2.	Deferred income	110	256