

A background of a 3D hexagonal pattern in shades of blue and grey, with a red horizontal bar at the bottom.

2018

COMPANY REPORT



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01

INTRODUCTORY
WORD BY THE
CHAIRMAN OF THE
SUPERVISORY BOARDDEAREST LADIES & GENTLEMEN
AND BUSINESS PARTNERS,

Welcome again to Ferona's annual review of its and steel market activities for 2018.

One year after market fluctuations and turmoil which finally showed some promise of relative stability, darker clouds are once more hanging over the European steelmaking industry.

Towards the end of Q1 came news that Indian-owned Tata Steel, the large EU steelmaker, was forced to abandon plans to pool its European steel operations with those of German giant; ThyssenKrupp, after the European Commission indicated it would block the deal.

Instead, there is now more uncertainty, particularly in view of Tata's admission that the operation is still consuming cash rather than generating it. Then came news that the UK's second-biggest operator, British Steel, was seeking a banking support to stave off collapse or even a possibility of going into administration.

Another issue has been a rise in iron ore prices globally, due to shortages following the collapse in January of a dam operated by Vale, the Brazilian miner. Iron ore prices are currently trading at close to \$100/tonne, the highest they have been for four years, with the shortfall from Vale's operations not expected to be made good by other miners in the short term. Higher energy costs, due mainly to environmental charges and the higher price of carbon permits are also adding to the burden. Overlaying all these factors is that there remains vast overcapacity in the global steel industry.



According to the World Steel Association, world steel production during the first three months of the year was 444,1 million tonnes, up 4.5% on the same period in 2018. Yet global steel demand is not growing at the same rate. Supply therefore continues to outstrip demand, which would be fully expected, in due course, to be reflected in prices.

Much of that excess production is coming from China which, in March alone, produced 80,3 million tonnes of steel; up 10% on the same month last year. For the three months to March, Chinese production was 231 million tonnes, an all-time record. This presents a problem for the rest of the world and is one reason why both the US and the EU have in recent years introduced measures aimed at preventing China from 'dumping' cheap steel in their markets. The EU and US have also imposed tariffs on steel imports from each other. All of this whilst overall production capacity continues to increase.

It also reflects producers in locations like the EU seeking to raise production levels by putting in new equipment or production processes and also investment by producers in China and Russia to raise the quality of their products. All of these activities add to global steel production without doing anything to lift steel consumption, whilst a final factor is that some emerging markets, notably in Africa, are also putting on capacity of their own that did not previously exist.

Things could yet get even worse for European companies. It is hard to see how, ultimately, steelmaking companies in the EU can survive such headwinds in the long run. These aforementioned trends are of course being mirrored within the steel distribution sector.

It is therefore important that Ferona a.s. rises to the challenges that lie ahead and I have every confidence that our board of Directors as well as our work force will do exactly that.

We have been in these choppy waters before, including in very recent times, and you have all dealt with the situations in the most professional, calm and effective manner for which I am proud as well as very grateful. However, our focus is on matters which we can control, namely ensuring our business is financially and operationally robust and can prosper in any market environment.

We have managed to maintain our leading position in the market as well as making further advances in technology in order to provide our customers with ever improving products in line with our professional service.

However, despite these difficult times, I am proud to say, we at Ferona Group have continued to support many cultural, social as well as charitable causes and time has proved over again that it has been a worthwhile course to take.

I most sincerely thank you for all for the efforts of the last twelve months, and wish for continued and strong leadership amongst a highly effective workforce,

which no doubt will serve us all well in getting through this challenging next twelve months ahead.

It is also the time and place to thank our business partners with special emphasis on our financial institutions who have been supportive whenever was required and I have no doubt that this will continue into the period ahead.

I would finally like to take the opportunity to wish you all professional and personal prosperity, health and happiness. We will all tackle these times ahead and prosper together, irrespective of how challenging it may prove to be in the immediate future.

Yours Sincerely,



ROBERT KAY
CHAIRMAN



02

FOREWORD
BY THE CHAIRMAN
OF THE BOARD
OF DIRECTORS**LADIES AND GENTLEMEN,
DEAR BUSINESS PARTNERS,**

The year 2018 will probably enter the history of the European business as the year “when the trend finally turned”, ending the “good times” that have lasted since 2016. Indeed, the weakening of demand has been evident in the last third of the year when the weakening industrial production in Germany drove the whole downward trend. Several global factors have coincided with the development of the world economy. Demand in China weakened against the backdrop of domestic financial pressures and in response to the upheavals coming

from the start of the US trade war. In Europe, companies on both sides of the English Channel could not respond to the apparent inability of political leaders to make a clear “when and how” to the unfortunate Brexit. Other factors were the consequences of the Dieselgate affair, followed by a tightening of regulation against European car makers, and, finally, the rhetoric and threat (yet verbal) of the US President Donald Trump to European exports to the US. Under these circumstances, the European business could only go in one direction, “south”, and there it also went from the end of the summer.

The aforementioned developments had a negative impact on the development of steel demand in the last third of the year and contributed to the overall decline in economic performance compared to 2017.

In the area of the protection of the EU steel market, the additional measures of quantitative quotas were added to the tariff measures adopted by the European Commission in 2017. These should keep the volume of steel imports into the EU roughly at the level of the previous year, with any overlap of imports over the quota being subject to a duty of 25%. Despite criticism of the final steel consumers, this now appears to be the

right and timely measure to limit the potential payment of the EU steel market, which will not find use in US imports. Good mitigation of possible impacts, but uncertainties persist.

In the market situation described above, Ferona, a.s. focused on maintaining our market position in the Czech Republic, Slovakia and Poland, especially by offering our complete range of steel at competitive prices and at the high quality of our logistics services, which played a key role. Our customers' continued commitment to our product offering as well as our material handling services and our logistical support has been the most tangible proof of the quality of our business proposition.

In 2018 Ferona, a.s. sold 700,000 tons of material on the Czech market, slightly less than in the previous year. Our service centre processed 246,000 tons of steel, very close to the record volume of 2017.

The past year was very demanding for the performance of our employees in all areas of our business, where our

customers' demands for the quality and timeliness of our services raised new challenges for our employees and managers. Therefore, I would like to thank our employees for their efforts and wish them good health and success at work for Ferona, a.s.

Also, let me thank our financial partners, banking and insurance houses for their continued support.

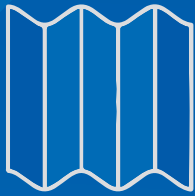
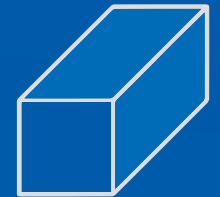
Finally, Ladies and Gentlemen, I would like to thank you for your business in 2018 and wish you good health and prosperity in the no less challenging year of 2019.



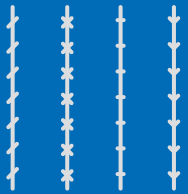
FRANTIŠEK KOPŘIVA

CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO





THE COMPANY
DELIVERED 700,000 TONS
OF GOODS TO
ITS CUSTOMERS



700,000

03

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 compa-

nies 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.

04

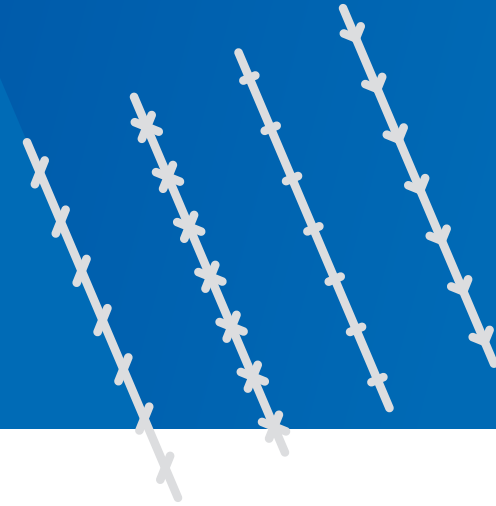
BASIC
CHARACTERISTICS
OF THE COMPANY

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, Feronia 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 Feronia 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 Feronia, a.s. and IRG Steel Limited, London, owner of STEEL INVESTMENTS GROUP, a.s., the ceasing company, became the entity controlling

Feronia, 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. Feronia'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 – Ferona is able to attend to the widest spectrum of customers, ranging from large industrial companies to small clients.

Organisational structure of Ferona, 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.

05

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 2018.

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

JAN MORAVEC

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

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

TOMÁŠ BALKO

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

MILAN RADA

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

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

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

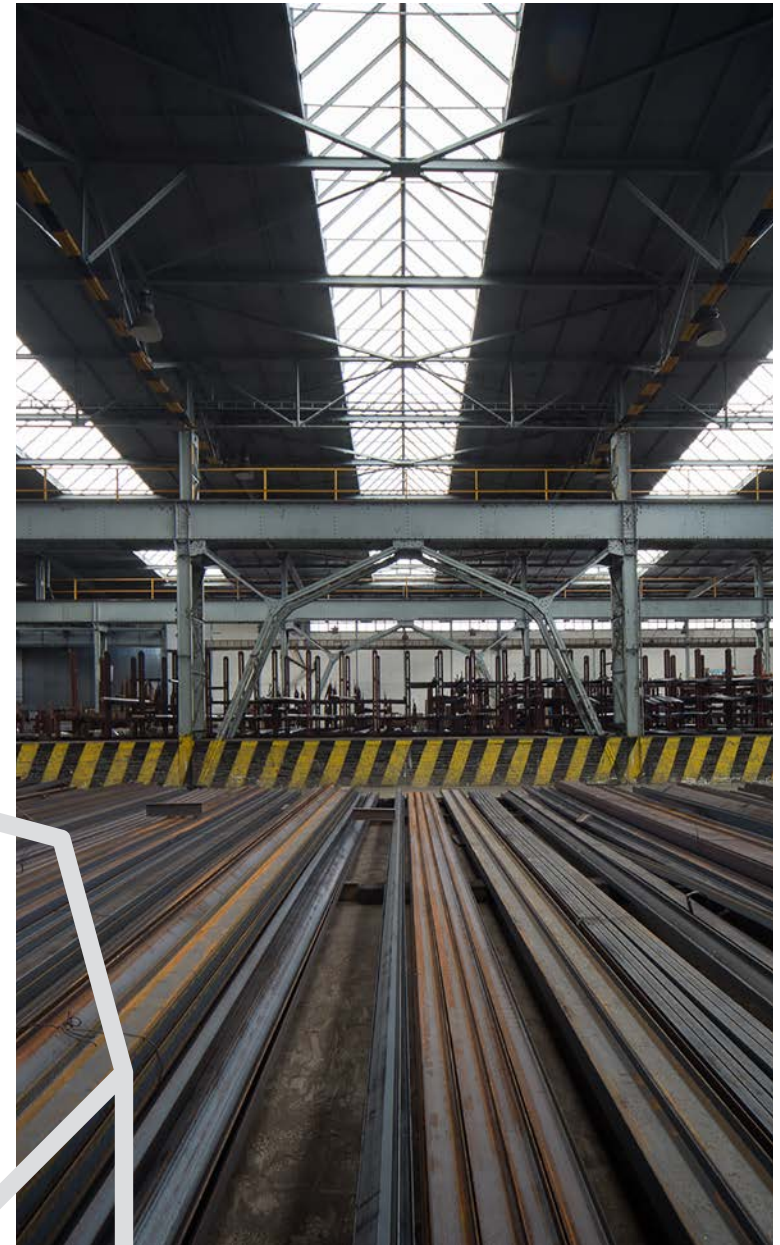
IT and HR Director, born in 1963, graduated from the University of Economics, employed with the Company since 1992

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

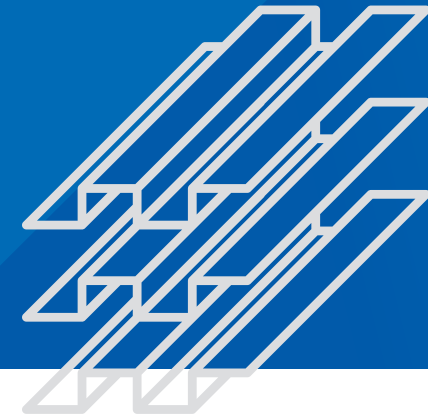




IN 2018, FERONA PROCESSED
406 THOUSAND TONS
OF PROFILES

406,000

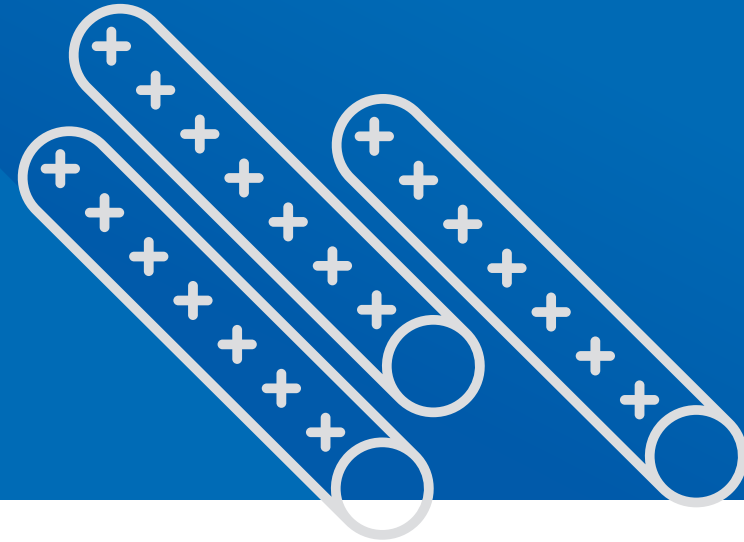
06

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.

Indicator		2016	2017	2018
Tangible products sold	(thousand tons)	729	727	700
Revenues from products sold	(CZK million)	11,328	12,770	13,146
Profit and/or loss	(CZK million)	119	291	210
Inventories	(CZK million)	2,603	2,627	3,180
Short-term receivables	(CZK million)	1,807	1,787	1,740
Short-term payables	(CZK million)	1,697	1,463	1,763
Bank loans	(CZK million)	1,627	1,667	1,793
Number of employees	(individuals)	968	947	928

07 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 2018 CAN BE ASSESSED AS PRESERVING ITS MARKET POSITION.

The Company sold 699,611 tons of goods to its customers, a drop of 27,195 tons compared to 2017; it is less by 29,159 tons than in 2016.

The revenues from the goods sold reached CZK 13,145,545,000, representing a growth of CZK 375,943,000 compared to 2017. Compared to 2016, the revenues are by CZK 1,817,785,000 higher. Changes in the values were caused by high level pf prices of sold goods and partially by changes in the structure of commodities sold.

In the first half of 2018, the positive mood on the market persisted and the relatively high price level of the goods sold allowed

us to generate above-average returns from the trading margin. In the second half of the year, customers' purchasing decisions were gradually postponed and restraint was mentioned at the end of the year, although there was still room for good value for money thanks to optimistic market tuning, especially wage growth, leading to higher retail consumption. Balanced inventory, the development of cutting centres, service support, tight credit policy helped the company meet its planned goals and stabilize its reserves to cover the risk of inventory prices and receivables difficult to recover, with acceptable credit exposure.

STRUCTURE OF SALES BY PRODUCT GROUPS

Indicator	%
Long products	37
Flat products	37
Tubes	10
Special steel	4
Manufactured steel products	6
Non-ferrous metals	5
Retail	1



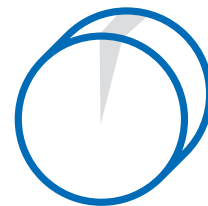
37%
LONG
PRODUCTS



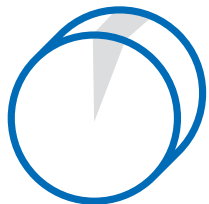
37%
FLAT
PRODUCTS



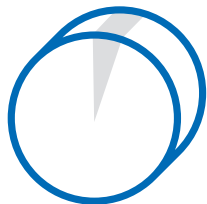
10%
TUBES



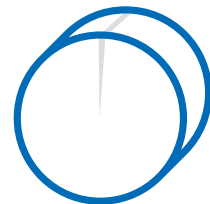
4%
SPECIAL
STEEL



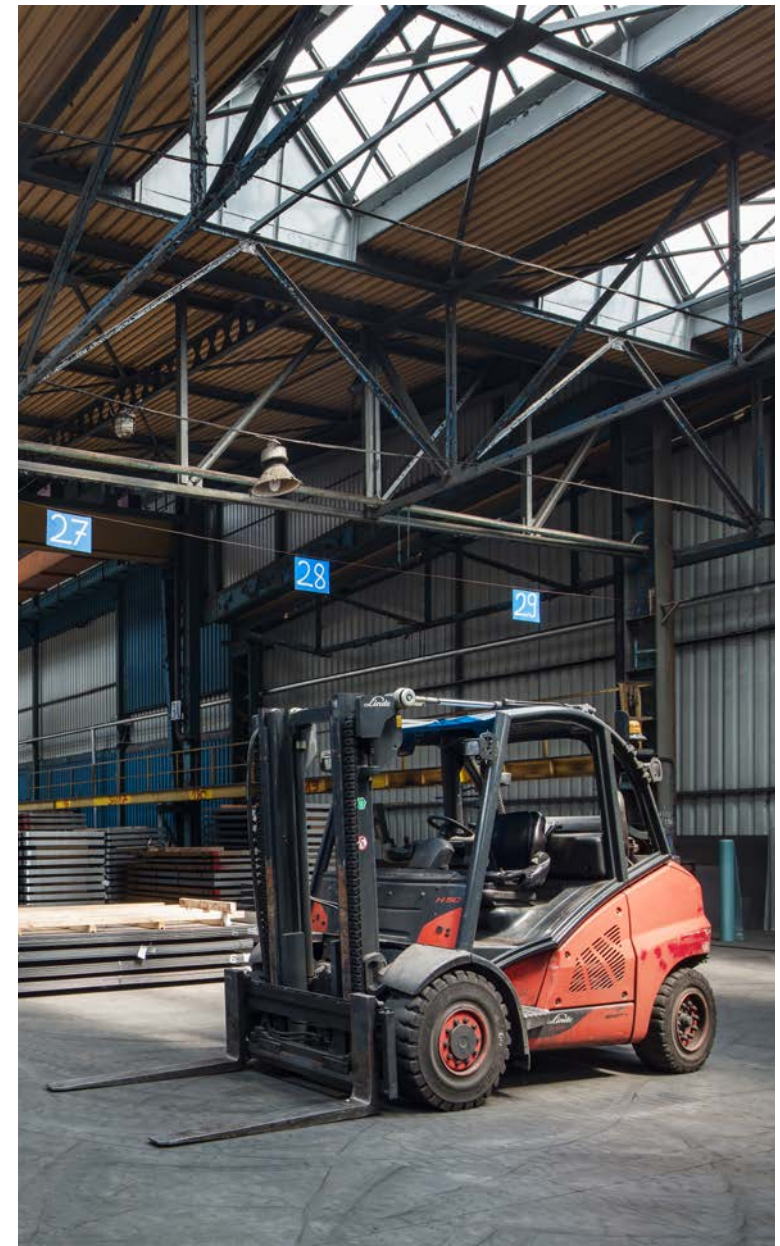
6%
MANUFACTURED
STEEL PRODUCTS



5%
NON-FERROUS
METALS



1%
RETAIL





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, Železárny Podbrezová), 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.

08

INVESTMENTS



INVESTMENT ACTIVITIES IN THE AREA OF TANGIBLE AND INTANGIBLE ASSETS HAS BEEN FOCUSED TO RENEWAL AND DEVELOPMENT INVESTMENT PROJECTS IN 2018.

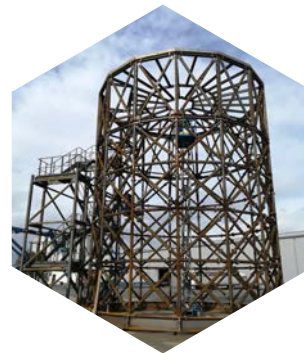
Tangible and intangible fixed assets worth CZK 156,375 thousand were acquired. Of which CZK 25,697 thousand was invested into cutting equipment, CZK 47,888 thousand to machinery and equipment (especially crane and handling equipment). CZK 54,629 thousand was spent on renewal of vehicles. Investments in constructions amounted to CZK 19,509 thousand. CZK 8,606 thousand was used for the purchase of intangible assets. CZK. Advances paid for the acquisition of assets amounted to CZK 13,823 thousand.



09

SIGNIFICANT
PROJECTS**O1**
CYCLING BRIDGE
IN KADAŇ

The cycling bridge is constructed of steel gratings made by Lichtgitter, made from coil strip from the service centre in Ostrava.

**O2**
RADAR TOWER DELIVERED
TO THE SOUTH POLE

Delivery of components made of metallurgical material for the construction produced by SIGNUM.

**O3**
CONSTRUCTION
AND FARMING MACHINES

Deliveries of hot rolled sheets to Doosan Bobcat Manufacturing.



O4 CITY, SCHOOL AND LUXURY BUSES, COACHES

Delivery of aluminium sheets, steel and iron materials to IVECO.



O5 EXTENSION OF THE CENTRAL OIL RANGE

Delivery of sheets for the Metrostav company.



O6 ENERGY INDUSTRY

Deliveries of components from metallurgical material and shapes at wind power plants for the SIAG CZ Company.

10

STAFF



BY THE END OF 2018, THE AVERAGE ADJUSTED TOTAL OF THE COMPANY WAS 928 EMPLOYEES, WHICH IS 19 PERSONS LESS THAN IN 2017 AND 40 PERSONS LESS THAN IN 2016. IN 2018, THE COMPANY STREAMLINED MANAGEMENT AND SERVICE ACTIVITIES.

The average gross monthly wage in 2018 reached CZK 31,791 (excluding managers), which is CZK 2,504 more than in 2017 and CZK 4,771 more than in 2016.

Wage costs amounted to CZK 457,873 thousand in 2018. CZK, which means an increase of CZK 14,236 thousand compared to 2017 and CZK 29,102 thousand compared to 2016. The costs of statutory social security and health insurance totalled CZK 138,933 thousand and social costs within the budget of social expenditures amounted to CZK 10,302 thousand; compared to 2017 they remained at a comparable level.



11

COMMENTS
ON THE PROFIT AND
LOSS STATEMENT

THE TRADE MARGIN IN 2018 WAS CZK 1,216,457 THOUSAND, WHICH IS CZK 120,812 THOUSAND LESS THAN IN 2017 AND CZK 105,649 THOUSAND LESS THAN IN 2016.

Revenues from services, which are represented by transport, cutting and modification of material such as thick sheet burning according to customer requirements and services provided to subsidiaries, amounted to CZK 226,827 thousand; they increased by CZK 20,282 thousand compared to 2017, and by CZK 38,289 thousand compared to 2016.

The costs of consumed materials and energy accounted for CZK 2,949,827 thousand, of which material consumption for production in Steel Service Centres reached CZK 2,826,995 thousand, which represents 96%. Purchased services account for the largest part of contract costs (41%), repair and maintenance (17%), security (5.5%), professional services (8.1%), waste disposal (3.6%), advertising and promotion (3.9%) and counselling (3.2%). The Company adjusted the utilization of output consumption costs without the consumption of material for production to yields, and thus it decreased by

CZK 22,979 thousand compared to the previous year. The largest share in the reduction is in transport, rent and decisions on property repairs.

Added value in 2018 amounted to CZK 1,137,788 thousand and recorded a decrease of CZK 75,195 thousand compared to 2017 and CZK 56,883 thousand in comparison with 2016. Total personnel costs amounted to CZK 607,108 thousand, which is 3.1% more than in 2017. Depreciation of intangible and tangible fixed assets in the amount of CZK 181,621 thousand decreased year-on-year by 1.8%.

The operating profit was CZK 320,966 thousand, which is an increase of CZK 7,677 thousand compared to the previous year and increased by CZK 85,918 thousand compared to 2016. The Company created provisions, the total impact of which on the operating result from receivables was CZK 5,522 thousand, and provisioning for price risk from inventories of CZK 15,044 thousand.

Interest expense from operating loans amounted to CZK 43,090 thousand. CZK, they grew year-on-year by CZK 14,008 thousand and remain the highest cost item in the area of current financial result. Interest income is generated primarily from interest income within the Group. During 2018, a dividend of CZK 7,000 thousand was paid by the subsidiary Pragmet. Financial costs, such as bank charges and exchange rate losses, amounted to CZK 77,928 thousand, other financial income, mainly foreign exchange gains amounted to CZK 46,877 thousand. The exchange rate difference is cost-effective and amounts to CZK 9,338 thousand

mainly due to recalculation of balance-sheet items.

In 2018, the Company did not recognize any operations that affect the extraordinary profit or loss. Profit for 2018 before tax amounted to CZK 262,401 thousand.

Profit for the accounting period is a profit of CZK 209,934 thousand, the source of which is, in addition to the trade margin, an increase in service revenues, and savings in output consumption.



12

COMMENTS
ON BALANCE SHEET

THE COMPANY'S TOTAL ASSETS AS OF 31 DECEMBER 2018, AS COMPARED TO THE PREVIOUS PERIOD, INCREASED AND CORRESPONDED TO THE BOOK VALUE OF CZK 8,103,524 THOUSAND. THIS WAS MAINLY DUE TO AN INCREASE IN INVENTORIES, SHORT-TERM RECEIVABLES AND CASH ON ACCOUNTS.

Fixed assets, representing 34.7% of the value of assets, amounted to CZK 2,809,494 thousand. Their structure was as follows (value in CZK thousands and % share of fixed assets):

Indicator	CZK 000	%
Long-term intangible assets	8,806	0,3
Long-term tangible assets	1,957,920	69,7
Long-term financial assets	842,768	30,0

For the largest part of the tangible fixed assets account the buildings in the amount of CZK 924,356 thousand. CZK (47.2% of the total value of tangible fixed assets), movable assets worth CZK 527,656 thousand (26.9% of the total) and land in the value of CZK 491,771 thousand (25.1% of the total).

The value of long-term financial assets of CZK 842,768 thousand reflects the owner-

ship interests of Ferona, a.s. subsidiaries. As regards the foreign financial investments, the own capital at the balance sheet date was converted according to the current CNB exchange rate to the individual currencies as of 31 December 2018. The decrease in the value of long-term financial assets is due to the decision to merge Ferona – Servis Centrum Slovakia, a.s. to Ferona Slovakia, a.s. and its new merger valuation.



Current assets account for 65.2% of total assets and increased by CZK 564,690 thousand during the year to the amount of CZK 5,282,440 thousand, mainly due to growth in inventories, short-term trade receivables and cash on accounts.

Of the total inventories, inventories of commercial goods are the decisive item, which increased by CZK 274,427 thousand and amounted to CZK 2,332,224 thousand. The instant turnover time of the stock of goods, calculated from the value of the goods sold for the purchase price, reached 71 days at the end of the year, an increase of 5 days compared to the previous year. Increase in inventory in the area of material by CZK 183,920 thousand compared to the beginning of the period is caused by higher volume of frontloading for realization of project trades in the following period.

The Company has long-term receivables from advances primarily for principal on rental and for activation of mobile phones.

Trade receivables account for the largest part of short-term receivables, which

increased slightly compared to the previous year and their net value was CZK 1,386,448 thousand. All overdue receivables over 60 days are treated by provisioning. Provisions against other receivables are created based on the assessment of their risk at the balance sheet date. The immediate turnover of short-term trade receivables reached 38 days at the end of the year, a year-on-year decline of 1 day. The estimated receivables item mainly represents bonuses for the purchase of goods that were not invoiced at the balance sheet date.

Short-term financial assets amounted to CZK 361,946 thousand, which represents an increase of CZK 63,515 thousand from the beginning of the year.

Accruals amounted to CZK 11,590 thousand, which is 0.14% of total assets.

The registered capital is worth CZK 3,000,000 thousand and is divided into 300 registered shares in book-entry form, each with a nominal value of CZK 10,000 thousand. The Company did not acquire its own shares in 2018.



As of 31 December 2018, the Company's equity amounted to CZK 4,429,684 thousand and covers 54.7% of the total book value of liabilities. An overview of the changes is described in the notes to the financial statements.

Liabilities amounted to CZK 3,660,996 thousand at the end of 2018 and had the following structure:

Indicator	CZK 000	%
Long-term payables	105,077	2,9
Short-term payables	1,749,537	47,8
Bank loans and assistance	1,806,382	49,3

Deferred tax liability of CZK 104,969 thousand represents the largest value of long-term liabilities, whose year-on-year change is due to different structure of items included in the calculation.

Trade payables, which amounted to CZK 1,339,995 thousand at the end of the year, are decisive among the short-term payables and they were due except the retained invoices due to claims and commitments prepared for set-off. In year-

on-year comparison they increased by CZK 289,561 thousand due to the purchase of goods at the end of the year to projected stocks, which have guaranteed withdrawals in the first quarter of 2019. Due to corporate holidays it was not possible to capture all incoming invoices to the balance sheet and therefore, as in the previous year, these transactions were charged to estimated accounts passive. Even in 2018, the company did not delay paying its liabilities.

Bank loans without factoring amounted to CZK 1,793,262 thousand at the end of the year. The Company used a short-term operating loan to finance current assets as of the balance sheet date. The slight year-on-year increase is due to changes in the structure of current assets and liabilities. Regression factoring payables amounted to CZK 13,120 thousand.

Accruals and deferrals had a value of CZK 12,844 thousand at the year-end, when the most significant was the deferral of freight, interest and fees on bank loans.

13

FINANCIAL STANDING OF THE COMPANY



THE RESULTS OF THE ANNUAL ACCOUNTS SHOW THAT THE FINANCIAL SITUATION OF THE COMPANY IS STABILIZED. THE VOLUME OF SHORT-TERM RECEIVABLES AT THE END OF 2018 IS ROUGHLY AT THE LEVEL OF SHORT-TERM LIABILITIES (EXCLUDING FINANCIAL LIABILITIES) AND THE COMPANY WAS NOT INSOLVENT.

The Company's total indebtedness is maintained at an acceptable level and the Company is not in default in paying any of its liabilities. Even in 2018, the company maintained its trust in banking houses and, together with its subsidiary Ferona Slovakia, a.s., renewed its financing without any problems. The share of external funds and other liabilities to cover the Company's total assets as of 31 December 2018 was 45.3%.

At the end of 2018, the ratio of bank loans to borrowings to goods and services decreased to 13.5%.



14

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 2018:

FERONA SLOVAKIA, A.S.

Registered office	Bytčická 12, Žilina, Slovensko
Company ID	36401137
Other establishments	Nitra, Košice
Activity	Metallurgical products wholesale
Equity	EUR 13,795 thousand
2018 profit and/or loss – profit	EUR 907 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 354,879 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 5,714 thousand
2018 profit and/or loss – profit	EUR 151 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 146,996 thousand

***) The financial statements for the year ended 31 December 2018 include a new asset valuation with respect to the merger of the company with Ferona Slovakia as of 1 January 2019.

FERONA POLSKA, S.A.

Registered office	Mikolowska 31, Myslowice, Poland
Company ID	240569429
Other establishments	Wroclaw, Kielce
Activity	Metallurgical goods wholesale
Equity	PLN 16,009 thousand
2018 profit and/or loss – profit	PLN 1,685 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 95,735 thousand



FTP PLASTICS, S.R.O.

Registered office	ul. ČSA 730, Velká Bystřice
Company ID	25354418
Other establishments	FTP Slovakia, s.r.o., Bratislava, Slovakia*)
Activity	Technical plastics wholesale including assembly and installation
Equity	CZK 106,406 thousand
2018 profit and/or loss – profit	CZK 7,077 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 106,476 thousand

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

Registered office	Púchovská 14, Bratislava, Slovakia
Company ID	35861134
Other establishments	None
Activity	Technical plastics wholesale
Equity	EUR 180 thousand
2018 profit and/or loss – profit	EUR 2 thousand
FTP PLASTICS, s.r.o. share in registered capital	100 %
Book value of FTP PLASTICS, s.r.o.	CZK 3,416 thousand



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 189,970 thousand
2018 profit and/or loss – profit	CZK 26,890 thousand
Ferona, a.s. share in registered capital	70 %
Book value of Ferona, a.s. share (net)	CZK 132,979 thousand

FERONA HOLEŠOVICE, A.S.

Registered office	Havlíčková 1043/11, Praha 1
Company ID	29134722
Other establishments	None
Activity	None
Equity	CZK 5,703 thousand
2018 profit and/or loss – profit	CZK 194 thousand
Ferona, a.s. share in registered capital	100 %
Book value of Ferona, a.s. share (net)	CZK 5,703 thousand

15

RESULTS OF THE CONSOLIDATION GROUP



IN 2018, COMPANIES IN THE GROUP GENERATED SALES OF GOODS AMOUNTING TO CZK 16,526,857 THOUSAND, WHICH IS 4.8% MORE THAN IN PREVIOUS YEAR.

However, the added value amounted to CZK 1,491,183 thousand and decreased by 7.3% compared to the previous year. The consolidated operating result for the year ended 31 December 2018 represents a profit of CZK 423,093 thousand.

The consolidated profit (net of minority interests, including profit / loss and equity in profit or loss) amounted to CZK 257,884 thousand.

The assets of the consolidated group amounted to CZK 10,187,196 thousand at the end of 2018 and the value of equity reached CZK 4,428,738 thousand.



16

EVENTS AFTER THE BALANCE SHEET DATE, KEY OBJECTIVES, OTHER DATA AND OUTLOOK FOR 2019



EVENTS AFTER THE BALANCE SHEET DATE: AFTER THE BALANCE SHEET DATE, FERONA HOLEŠOVICE, A.S. MERGED TO FERONA, A.S., AND FERONA – SERVIS CENTRUM SLOVAKIA, A.S. WAS MERGED WITH FERONA SLOVAKIA, A.S. THE SUPERVISORY BOARD OF THE COMPANY WAS EXTENDED BY ANOTHER MEMBER OF THE STAFF, ZDENĚK BAUMRUK. THE COMPANY HAS DECIDED TO CLOSE THE WAREHOUSE IN JIHLAVA AND SUBSEQUENTLY SELL THESE PREMISES.

Basic objectives of the company are defined in the quality policy that the company has set for a long time and verifies its compliance every year through an authorized company.

The quality policy which meets the en ISO 9001:2016 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
- Corporate 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.

Further information: As of 31 December 2018, the Company decided to close the warehouse in Staré Město and sell it.

In 2018, the Company did not issue any research and development funds, does not have any significant environmental activities and does not have an organizational unit abroad.

The Financial Plan for 2019 in Ferona, a.s., foresees revenues of CZK 13,541 million and pre-tax profit of CZK 220 million.

The Investment Plan for 2019 is set at CZK 104 million. More than a half of the investments will have the maintenance character of simple renewal of crane and transport technology. Reconstruction and modernization will also be carried out on existing facilities in the cutting centres with the aim of expanding the services provided.





THE SALES REVENUES
AMOUNTED TO

13,145,545,000



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materially inconsistent with the consolidated or individual financial statements or our knowledge of the group obtained from the audit of the consolidated or individual financial statements or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated or individual financial statements is, in all material respects, consistent with the consolidated or individual financial statements; and

- The other information is prepared in compliance with the applicable laws and regulations.

In addition, our responsibility is to report, based on our knowledge and understanding of the Group obtained from the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing in the notes to the consolidated financial statements, as applicable, matters related to the going concern and using the going concern basis of accounting in preparing the consolidated financial statements unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

BDO Audit s. r. o., česká společnost s ručením omezením (IČ: 45 31 43 81), registrovaná u Říšského soudu Praha, oddíl a vložka C. 7279, evidenční číslo Kancelář auditů ČK 018) je členem BDO International Limited (společnosti s ručením omezeným ve Velké Británii) a je součástí mezinárodní sítě nezávislých členů společnosti BDO.



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement of the consolidated financial statements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors in the notes to the consolidated financial statements.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions concerning the Group's ability to continue as a going concern are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

BDO Audit s. r. o., česká společnost s ručením omezením (IČ: 45 31 43 81), registrovaná u Říšského soudu Praha, oddíl a vložka C. 7279, evidenční číslo Kancelář auditů ČK 018) je členem BDO International Limited (společnosti s ručením omezeným ve Velké Británii) a je součástí mezinárodní sítě nezávislých členů společnosti BDO.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague, on 26th April 2019

Auditing company:

BDO Audit s. r. o.
BDO Audit s. r. o.
Certificate No. 018

Statutory auditor:

Miloš Krejčí
Miloš Krejčí
Certificate No. 2266

BDO Audit s. r. o., česká společnost s ručením omezením (IČ: 45 31 43 81), registrovaná u Říšského soudu Praha, oddíl a vložka C. 7279, evidenční číslo Kancelář auditů ČK 018) je členem BDO International Limited (společnosti s ručením omezeným ve Velké Británii) a je součástí mezinárodní sítě nezávislých členů společnosti BDO.

18

REPORTS



CONSOLIDATED BALANCE SHEET – ASSETS

(IN CZK THOUSAND)

	Current as of 31/12/2018	Past as of 31/12/2017	Previous as of 31/12/2016
TOTAL ASSETS	10 187 196	9 543 636	9 576 008
B. Fixed assets	2 863 511	2 959 654	3 062 780
B.I. Intangible assets	10 272	8 333	8 201
B.II. Tangible assets	2 853 239	2 951 321	3 005 332
B.V. Equity securities	0	0	49 247
C. Current assets	7 302 018	6 557 009	6 484 369
C.I. Inventory	4 381 848	3 775 942	3 544 331
C.II. Receivables	2 453 728	2 385 114	2 267 532
C.IV. Financial assets	466 442	395 953	672 506
D. Prepaid expenses and accrued revenue	21 667	26 973	28 859

CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

(IN CZK THOUSAND)

	Current as of 31/12/2018	Past as of 31/12/2017	Previous as of 31/12/2016
TOTAL LIABILITIES AND EQUITY	10 187 196	9 543 636	9 576 008
A. Equity	4 428 738	4 328 594	4 307 556
A.I. Registered capital	3 000 000	3 000 000	3 000 000
A.II. Share premium and capital funds	258 294	312 265	374 189
A.III. Funds from profit	298 893	278 858	269 612
A.IV. Retained earnings	613 667	469 862	389 954
A.V. Current profit minus minority shares	257 884	267 609	243 807
1. Current profit/(loss)	257 884	267 609	239 936
2. Profit share in equity (+/-)	0	0	3 871
A.VI. Consolidation reserve fund	0	0	29 994
B.+C. Liabilities	5 688 315	5 151 376	5 215 633
B. Reserves	27 206	19 315	24 778
C.I. Long-term liabilities	1 015 059	115 072	114 578
C.II. Short-term liabilities	4 646 050	5 016 989	5 076 277
D. Deferred expenses and accrued revenue	13 152	11 741	12 132
E. Minority equity	56 991	51 925	40 687
E.I. Minority capital	900	900	900
E.III. Minority funds from profit including retained earnings	48 024	39 788	37 033
E.IV. Minority profit for the period	8 067	11 237	2 754

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

	Actual in the accounting period		
	Current as of 31/12/2018	Past as of 31/12/2017	Previous as of 31/12/2016
I. Revenue from sale of products and services	2 755 464	2 237 024	1 866 867
II. Revenue from sale of goods	16 526 857	15 767 560	13 782 785
A. Production consumption	20 719 526	19 440 514	16 508 593
B. Change in internally developed inventory balance	-1 526	-51 225	5 182
C. Capitalisation	-2 926 862	-2 993 926	-2 402 342
D. Personnel expenses	790 660	763 108	723 797
E. Adjustments of operation	207 295	319 889	463 606
Deduction of the consolidation balance	0	-3 321	0
III. Other operating income	2 561 505	2 516 626	2 497 540
F. Other operating expenses	2 631 640	2 586 502	2 409 259
* Consolidated operating profit	423 093	453 027	439 097
VI. Interest received and similar income	341	1 142	1 029
J. Interest expense and similar expenses	60 577	43 148	50 201
VII. Other financial gains	57 470	74 891	21 346
K. Other financial losses	91 016	115 845	66 034
* Consolidated financial profit/(loss)	-93 782	-82 960	-93 860
** Consolidated profit before taxes	329 311	370 067	345 237
L. Income tax	63 360	91 220	102 547
** Consolidated profit after taxes	265 951	278 847	242 690
*** Consolidated profit for the period minus equity shares	265 951	278 847	242 690
of which – Profit for the period minus equity shares	257 884	267 609	239 936
– Minority profit for the period	8 067	11 237	2 754
Profit share in equity	0	0	3 871
**** Consolidated profit for the period	257 884	267 609	243 807

BALANCE SHEET UNABRIDGED AS OF 31. 12. 2018 – ASSETS

(IN CZK THOUSAND)

ASSETS	Current period			Balance as of
	Gross	Correction	Net	31/12/2017
TOTAL ASSETS	12 042 259	-3 938 735	8 103 524	7 577 684
B. Fixed assets	5 843 077	-3 033 583	2 809 494	2 850 334
B.I. Intangible assets	97 943	-89 137	8 806	6 767
B.I.2. Valuable rights	91 714	-89 137	2 577	5 436
B.I.2.1. Software	91 714	-89 137	2 577	5 436
B.I.5. Advances to intangible assets+intangible assets in progress	6 229	0	6 229	1 331
B.I.5.2. Intangible assets in progress	6 229	0	6 229	1 331
B.II. Tangible assets	4 902 366	-2 944 446	1 957 920	1 987 844
B.II.1. Lands and buildings	3 028 110	-1 611 983	1 416 127	1 495 162
B.II.1.1. Lands	491 771	0	491 771	491 725
B.II.1.2. Buildings	2 536 339	-1 611 983	924 356	1 003 437
B.II.2. Tangible movable things and sets of movable things	1 860 119	-1 332 463	527 656	477 008
B.II.4. Other tangible assets	314	0	314	314
B.II.4.3. Other tangible assets	314	0	314	314
B.II.5. Advances to tangible assets+tangible assets in progress	13 823	0	13 823	15 360
B.II.5.1. Advances to tangible assets	8 906	0	8 906	2 916
B.II.5.2. Tangible assets in progress	4 917	0	4 917	12 444
B.III. Financial investments	842 768	0	842 768	855 723
B.III.1. Shares – controlled or controlling person	842 768	0	842 768	855 724
C. Current assets	6 187 592	-905 152	5 282 440	4 717 710
C.I. Inventory	3 516 361	-335 937	3 180 424	2 626 962
C.I.1. Material	723 509	0	723 509	539 589
C.I.2. Work in progress and semi-finished products	4 341	0	4 341	3 127

THE TABLE CONTINUES ON THE FOLLOWING PAGE

BALANCE SHEET UNABRIDGED AS OF 31. 12. 2018 - ASSETS

(IN CZK THOUSAND)

C.I.3.	Finished products and goods	2 667 567	-335 343	2 332 224	2 057 797
C.I.3.2.	Goods	2 667 567	-335 343	2 332 224	2 057 797
C.I.5.	Advances for inventory	120 944	-594	120 350	26 449
C.II.	Receivables	2 309 285	-569 215	1 740 070	1 792 317
C.II.1.	Long-term receivables	3 280	0	3 280	5 385
C.II.1.5.	Other receivables	3 280	0	3 280	5 385
C.II.1.5.2.	Long-term advances – paid	3 280	0	3 280	5 385
C.II.2.	Short-term receivables	2 306 005	-569 215	1 736 790	1 786 932
C.II.2.1.	Accounts receivable	1 955 645	-569 197	1 386 448	1 368 570
C.II.2.2.	Receivables – controlled and controlling person	167 440	0	167 440	247 812
C.II.2.4.	Other receivables	182 920	-18	182 902	170 550
C.II.2.4.3.	State-tax assets	10 894	0	10 894	190
C.II.2.4.4.	Short-term advances – paid	5 455	-18	5 437	5 210
C.II.2.4.5.	Estimated assets	165 192	0	165 192	162 312
C.II.2.4.6.	Other receivables	1 379	0	1 379	2 838
C.IV.	Cash	361 946	0	361 946	298 431
C.IV.1.	Petty cash	1 830	0	1 830	1 705
C.IV.2.	Bank accounts	360 116	0	360 116	296 726
D.	Accruals and deferrals	11 590	0	11 590	9 640
D.1.	Prepaid expenses	11 398	0	11 398	9 263
D.3.	Accrued income	192	0	192	377

BALANCE SHEET UNABRIDGED AS OF 31. 12. 2018 – LIABILITIES AND EQUITY

(IN CZK THOUSAND)

Number	LIABILITIES AND EQUITY	Current accounting period	Balance as of 31/12/2017
	TOTAL LIABILITIES AND EQUITY	8 103 524	7 577 684
A.	Equity	4 429 684	4 332 704
A.I.	Registered capital	3 000 000	3 000 000
A.I.1.	Registered capital	3 000 000	3 000 000
A.II.	Share premium and capital funds	225 381	238 335
A.II.2.	Capital funds	225 381	238 335
A.II.2.1.	Other capital funds	230 542	230 542
A.II.2.2.	Adjustments to assets and liabilities	-5 161	7 793
A.III.	Funds from profit	271 992	257 417
A.III.1.	Other reserve funds	271 992	257 417
A.IV.	Retained earnings/(accumulated loss)	722 377	545 463
A.IV.1.	Retained earnings	722 377	536 264
A.V.	Net profit for the period	209 934	291 489
B.+ C.	Liabilities	3 660 996	3 234 725
C.	Payables	3 660 996	3 234 725
C.I.	Long-term payables	105 077	104 946
C.I.3.	Long-term advances received	108	108
C.I.8.	Deferred tax liability	104 969	104 838
C.II.	Short-term payables	3 555 919	3 129 779
C.II.2.	Payables to credit institutions	1 793 262	1 667 056
C.II.3.	Short-term advances receives	1 761	1 930
C.II.4.	Accounts payable	1 339 995	1 050 434

THE TABLE CONTINUES ON THE FOLLOWING PAGE

BALANCE SHEET UNABRIDGED AS OF 31. 12. 2018 - LIABILITIES AND EQUITY

(IN CZK THOUSAND)

C.II.8.	Other payables	420 901	410 359
C.II.8.2.	Short-term borrowings	13 120	4 995
C.II.8.3.	Payables to employees	44	90
C.II.8.4.	Social security and health insurance payable	13 364	12 796
C.II.8.5.	State-tax liabilities and subsidies	41 101	72 479
C.II.8.6.	Estimate liabilities	324 944	293 258
C.II.8.7.	Other payables	28 328	26 741
D.	Accruals and deferrals	12 844	10 255
D.1.	Accrued expenses	11 770	10 145
D.2.	Deferred income	1 074	110

PROFIT AND LOSS ACCOUNT UNABRIDGED AS OF 31. 12. 2018

(IN CZK THOUSAND)

No.	Narrative	Actual in accounting period	
		Current	Past
I.	Income from sale of goods and services	226 827	206 545
II.	Income from sale of goods	13 145 545	12 769 602
A.	Production consumption	15 161 395	14 757 043
A.1.	Cost of goods sold	11 929 088	11 432 333
A.2.	Material and energy consumption	2 949 827	3 016 902
A.3.	Services	282 480	307 808
B.	Change of balance of internally developed inventory	0	-43
C.	Capitalisation	-2 926 811	-2 993 836
D.	Personnel expenses	607 108	588 020
D.1.	Payroll	457 873	443 637
D.2.	Social security, health insurance and other expenses	149 235	144 383
D.2.1.	Social security and health insurance expenses	138 933	134 023
D.2.2.	Other expenses	10 302	10 360
E.	Adjustments to operations	191 143	272 621
E.1.	Adjustments to tangible and intangible assets	181 621	184 858
E.1.1.	Adjustments to tangible and intangible assets-permanent	181 621	184 858
E.2.	Adjustments to inventory	15 044	131 202
E.3.	Adjustments to receivables	-5 522	-43 439
III.	Other operating income	2 060 273	2 070 479
III.1.	Income from sold fixed assets	9 427	10 845
III.2.	Income from sold materials	21 308	59 103
III.3.	Other operating income	2 029 538	2 000 531

THE TABLE CONTINUES ON THE FOLLOWING PAGE

PROFIT AND LOSS ACCOUNT UNABRIDGED AS OF 31. 12. 2018

(IN CZK THOUSAND)

F.	Other operating expenses	2 078 844	2 109 532
F.1.	Residual price of sold assets	2 123	3 725
F.2.	Residual price of sold material	22 040	59 125
F.3.	Taxes and charges	15 941	15 358
F.5.	Other expenses	2 038 740	2 031 324
*	Profit/(loss) from operations	320 966	313 289
IV.	Gains on financial investments – shares	7 000	112 964
IV.1.	Gains on shares – controlling or controlled person	7 000	112 964
VI.1.	Interest income-controlled or controlling person	4 858	3 955
J.	Interest and other similar expense	43 090	29 082
J.2.	Other interest and other similar expense	43 090	29 082
VII.	Other financial gains	50 595	64 509
K.	Other financial losses	77 928	97 911
*	Financial profit (loss)	-58 565	54 435
**	Profit before taxes	262 401	367 724
L.	Income tax	52 467	76 235
L.1.	– due	52 336	68 148
L.2.	– deferred	131	8 087
**	Profit/(loss) after taxes	209 934	291 489
***	Profit for the period	209 934	291 489
XII.	Net turnover for the period (group 6)	15 495 098	15 228 055

