ANNUAL **REPORT** 2011
Tecnoa

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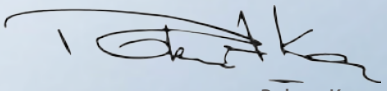
A WORD FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and gentlemen, esteemed business partners,

2011 was a year full of challenges and therefore, I am pleased that Ferona achieved such good business results during the year. In the coming year we continue to seek out new opportunities to strengthen our position on the market and expand our product assortment for our customers, because they are the key to attaining our goals. In spite of continued volatility in the world economy, I remain optimistic and expect a gradual calming of the situation, which will undoubtedly enable our company to fortify its position as a market leader. At the beginning of this year we changed our top management team, and I am convinced that this change provided the company with new drive to seek out avenues for further development and find opportunities for further growth. This will certainly benefit our customers and partners, as well as the company and its employees.

At this time, I would like to thank all Ferona employees for their tireless work and dedication to the company, and wish them all the best of health and success in their personal and professional lives.

And to our dear business partners, I would also like to wish you a healthy and successful 2012. We look forward to keeping up the good work.



Robert Kay
Chairman of the Supervisory Board

A WORD FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ladies and gentlemen, dear colleagues and business partners,

one thing we learned in 2011 is that the only thing we can be certain of is continual change. The trend of rising prices during the first few months of the year gave way to uncertainty and declining prices the rest of the year, against a backdrop of uncertain economic prospects in Europe and continuing long-term problems in certain sectors, particularly construction.

From a broader perspective however, it was a satisfactory year in which we were able to increase both tonnage of goods sold as well as sales revenue. We remain mildly optimistic, especially based upon continuing optimistic trends in Czech mechanical engineering, the automobile industry, and exports as a whole.

In the ongoing difficult market situation characterized by price volatility, excess supply and stiff competition, we will continue to perfect our business model with an emphasis on quality customer service, quick response times and efficiency. I would like to thank all of my co-workers for their fine work this past year and count on their continued support.

In closing, I would like to wish everyone a healthy and successful 2012.

Ing. František Kopřiva
Chairman of the Board of Directors

COMPANY PROFILE AND HISTORY

COMPANY IDENTIFICATION

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

Identification number: **26440181**

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

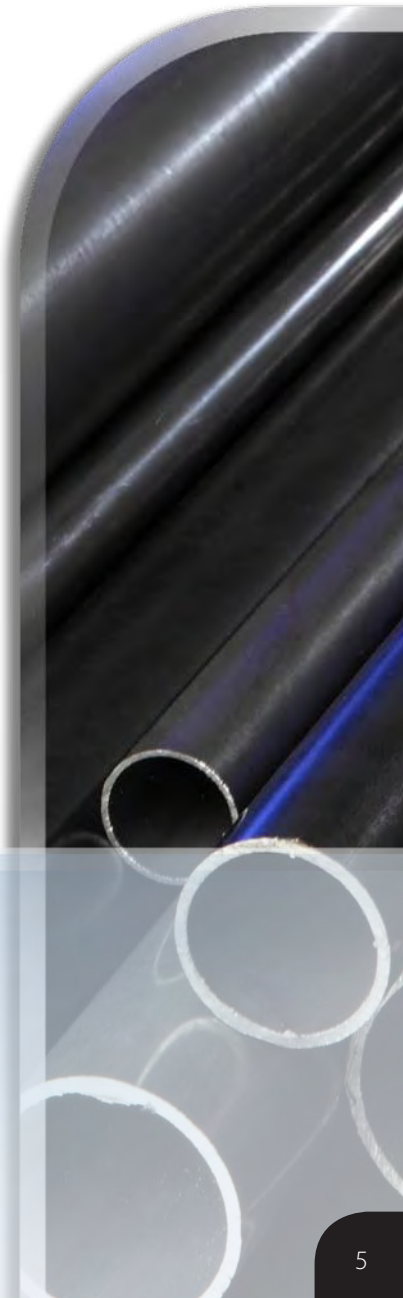
The company is entered into the Register of Companies kept at the Prague Municipal Court, section B, file 7143.

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

The company was originally incorporated as Rekulus, a. s., by a group of majority shareholders of the former Ferona, a. s. (identification no. 25792075) acting in concert.

As of 1. 4. 2001, the company was taken over by Ferona, a. s., (identification no. 25792075) as majority shareholder in accordance with Section 220p of the Commercial Code and based upon the takeover agreement approved by the General Meetings of both companies on 27. 6. 2001. The entry of the takeover into the Register of Companies became effective on 29. 8. 2001. Based upon the merger agreement, as of 1. 1. 2005 the company assumed the equity of the dissolved parent company STEEL INVESTMENTS GROUP, a. s.

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

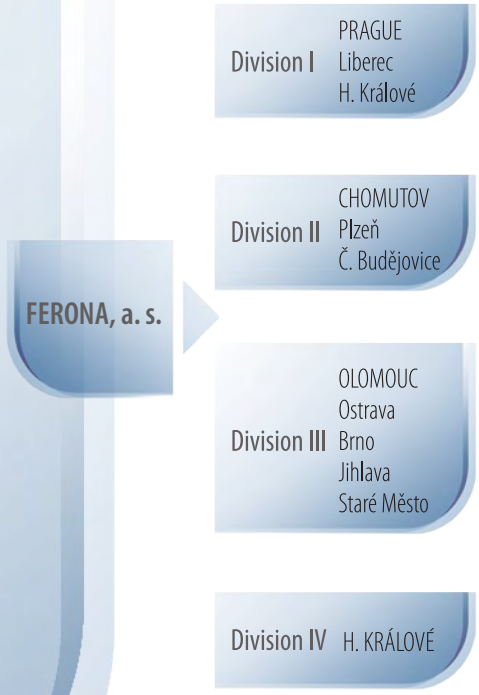


BASIC DESCRIPTION OF THE COMPANY

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

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

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



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

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

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

SUPERVISORY BOARD, BOARD OF DIRECTORS, AND COMPANY DIRECTORS

The Supervisory Board, Board of Directors and Company Directors are listed as of 31. 12. 2011

SUPERVISORY BOARD

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

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

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

BOARD OF DIRECTORS

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

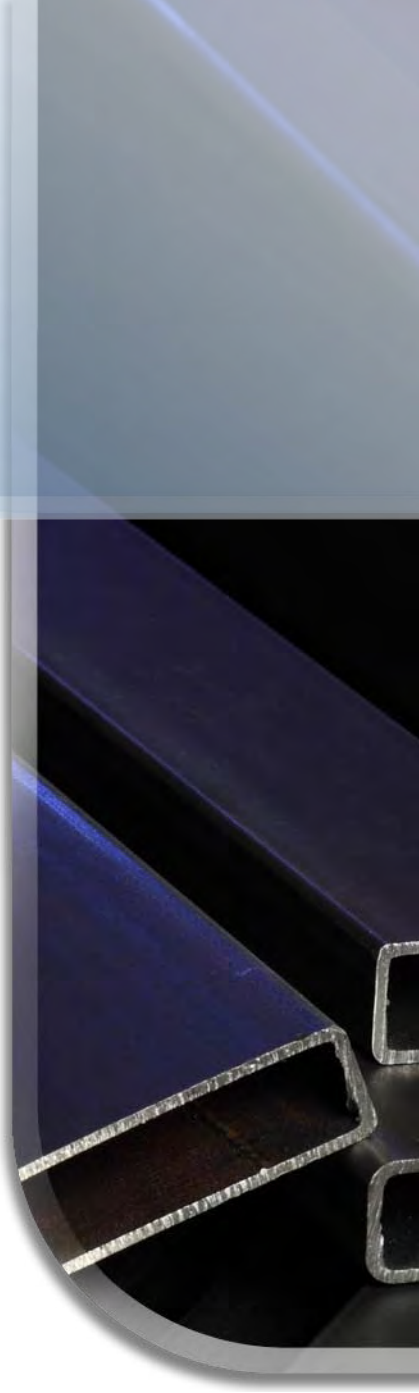
Jiří Plajner, Vice-Chairman of the Board of Directors, high school graduate, born 1961, member of the Board of Directors since 1. 1. 2005

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

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

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

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



COMPANY DIRECTORS

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

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

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

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

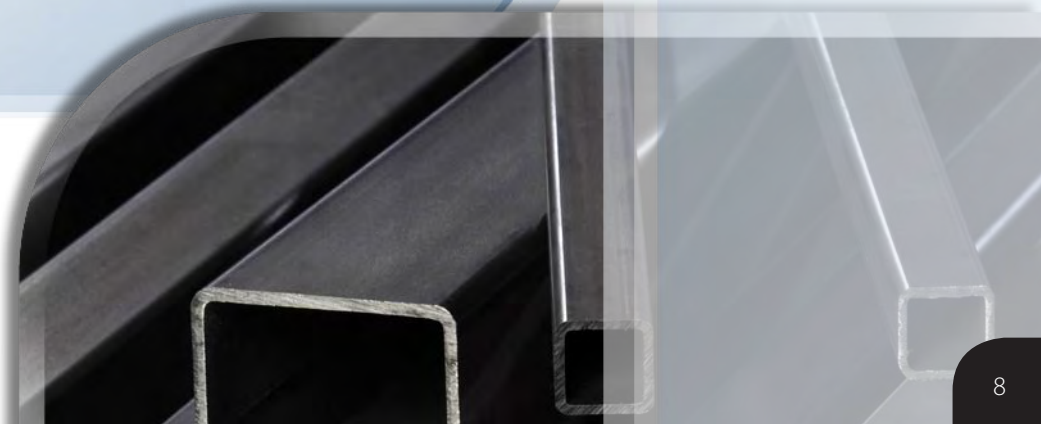
Ing. Miroslav Vaníček, Financial Director, born in 1961, graduate of the University of Economics, company employee since 1985

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

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

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

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



COMPANY SUBSIDIARIES

Ferona, a. s., is the parent company in a group which as of December 31st, 2011 included the following controlled entities and companies, and the entities controlled by them:

FERONA SLOVAKIA, a. s.

a)	Registered office and ID	Bytčická 12, Žilina, Slovakia ID 36401137
b)	Other facilities	Bratislava, Nitra, Martin, Košice
c)	Activity	wholesale of metallurgical products
d)	Equity	18,952,000 EUR
e)	Profit/loss in 2011	616,000 EUR
f)	Share of Ferona, a. s., in registered capital	100 %
g)	Book value of the share of Ferona, a. s. (net)	523,271,000 CZK

FERONA – SERVIS CENTRUM SLOVAKIA, a. s.

a)	Registered office and ID	Prístavná 12, Bratislava, Slovakia ID 44066716
b)	Other facilities	none
c)	Activity	steel band slitting
d)	Equity	7,765,000 EUR
e)	Profit/loss in 2011	245,000 EUR
f)	Share of Ferona, a. s., in registered capital	100 %
g)	Book value of the share of Ferona, a. s. (net)	201,811,000 CZK

FERONA POLSKA, S. A.

a)	Registered office and ID	Mikolowska 31, Myslowice, Poland ID 240569429
b)	Other facilities	none
c)	Activity	wholesale of metallurgical products
d)	Registered capital	9,368,000 PLN
e)	Profit/loss in 2011	2,371,000 PLN
f)	Share of Ferona, a. s., in registered capital	100 %
g)	Book value of the share of Ferona, a. s. (net)	62,236,000 CZK

FERONA – DĚLICÍ CENTRUM, a. s.

a)	Registered office and ID	Plzeňská 18, Ostrava ID 26168634
b)	Other facilities	none
c)	Activity	steel band slitting
d)	Equity	137,248,000 CZK
e)	Profit/loss in 2011	4,449,000 CZK
f)	Share of Ferona, a. s., in registered capital	100 %
g)	Book value of the share of Ferona, a. s.	57,257,000 CZK

FERONA THYSSEN PLASTICS, s. r. o.

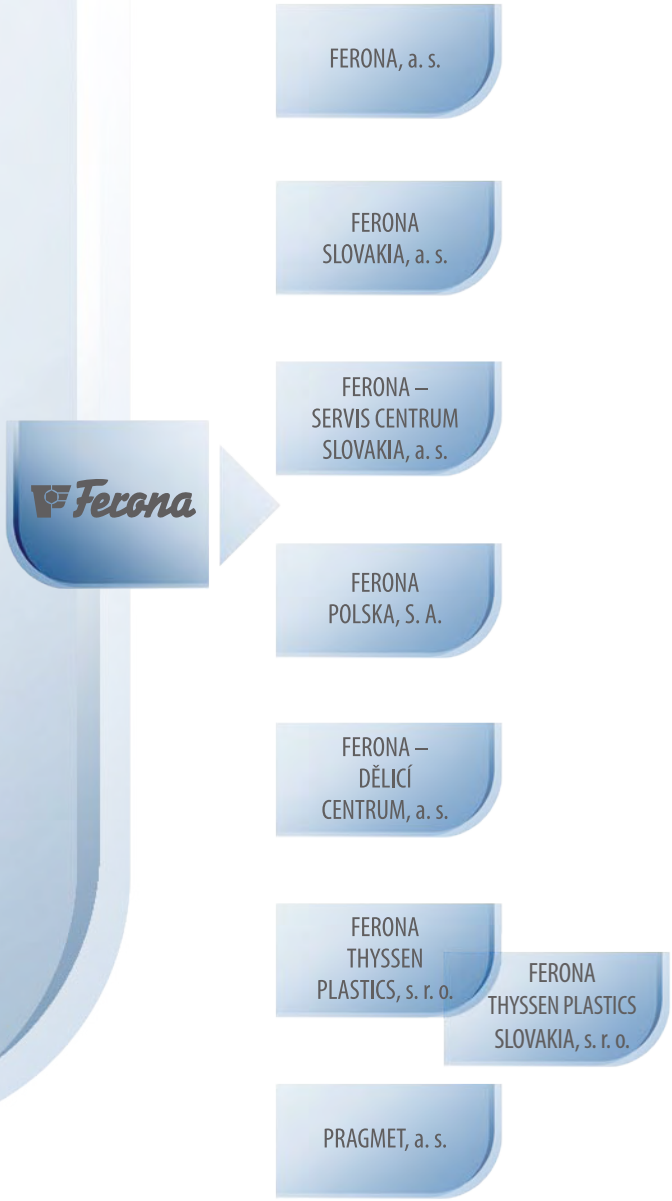
a) Registered office and ID	ul. ČSA 730, Velká Bystřice ID 25354418
b) Other facilities	Hořovice, Brno and FTP Slovakia, s. r. o., Bratislava, Slovensko *)
c) Activity	wholesale of technical plastics
d) Equity	95,188,000 CZK
e) Profit/loss in 2011	-15,758,000 CZK
f) Share of Ferona, a. s., in registered capital	50 %
g) Book value of the share of Ferona, a. s.	8,218,000 CZK

*) FERONA THYSSEN PLASTICS SLOVAKIA, s. r. o.

a) Registered office and ID	Púchovská 14, Bratislava, Slovakia ID 35861134
b) Other facilities	none
c) Activity	wholesale of technical plastics
d) Equity	397,000 EUR
e) Profit/loss in 2011	13,000 EUR
f) Share of FERONA THYSSEN PLASTICS in registered capital	100 %
g) Book value of the share of FERONA THYSSEN PLASTICS, s. r. o.	3,426,000 CZK

PRAGMET, a. s.

a) Registered office and ID	Havlíčkova 1043/11, Prague 1 ID 25789449
b) Other facilities	Benátky nad Jizerou
c) Activity	slitting of flat products for the automotive industry
d) Equity	83,427,000 CZK
e) Profit/loss in 2011	- 4,740,000 CZK
f) Share of Ferona, a. s., in registered capital	70 %
g) Book value of the share of Ferona, a. s.	88,550,000 CZK



THE FERONA CONSOLIDATED GROUP

BUSINESS SECTION

REVENUE STRUCTURE

Long products	28 %
Flat products	43 %
Pipes	10 %
High-grade steel	5 %
Stainless steel	1 %
Secondary metallurgical products	4 %
Non-ferrous metals	7 %
Retail	2 %

PRODUCT PURCHASING

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

MAJOR PROJECTS

In 2013 a new section of the R7 highway will open running from Droužkovice to Nové Spořice. The overpass is designed as a steel-concrete composite structure consisting of steel welded beams coupled with reinforced concrete slabs.

Ferona, a. s.: supplier of sheet metal for construction

IVECO Czech Republic, a. s. produces a full line of buses ranging from municipal transit to tour buses. The company also sells minibuses. IVECO Czech Republic, a. s., Vysoké Mýto is entrusted with the sale of products to the majority of countries in Central and Eastern Europe.

Ferona, a. s. - Steel Servis Centrum: supplier of precision blanks and strips

ECONOMIC SECTION

BASIC INDICATORS OVER THE PAST TWO YEARS

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

		2010	2011
Tonnage sold	(thou. tons)	659	676
Revenue from sale of goods	(mil. CZK)	13 225	14 443
Profit/loss	(mil. CZK)	201	158
Inventory	(mil. CZK)	2 914	2 627
Short-term receivables	(mil. CZK)	2 845	2 657
Short-term payables	(mil. CZK)	2 264	1 809
Bank loans	(mil. CZK)	3 361	3 391
Number of employees	(persons)	1 075	1 079

COMMENTARY ON THE PROFIT/LOSS STATEMENT

The gross profit margin in 2011 was 1,234,158 thou. CZK, which is 55,552 thou. CZK less than in 2010. In 2011, the profit margin was nearly the same as the preceding year but with increased sales. Sales for services involving the slitting and modification of materials such as custom flame cutting of heavy steel sheets and services provided to subsidiaries totaled 126,627 thou. CZK, representing an increase of 5,396 thou. CZK, or 4.5%, from 2010.

Costs for material and energy consumed totaled 1,096,868 thou. CZK, with material for production at Division IV (Steel Service Center) amounting to 965 695 thou. CZK, or 88%. In the area of purchased services, the largest item was contracted transport (39% of purchased services), consulting (13% of purchased services) and repairs and maintenance (11% of purchased services). This year, the company continued to carefully monitor the consumption of materials and purchase of services.

Value added in 2011 was 976,906 thou. CZK, representing a drop of 110,902 thou. CZK from 2010. Total personnel costs were 553,867 thou. CZK, which was 3.5% higher than in 2010. Depreciation of tangible and intangible assets fell 7.6% from the previous year to 201,160 thou. CZK.

Company **operations** generated a profit of 276,892 thou. CZK, which was 52, 903 thou. CZK less than the previous year.

Interest paid on operating loans amounted to 132,868 thou. CZK, representing a year-over-year drop of 18.2% due to small bank margins and fewer loans drawn in spite of increased sales. However, loan interest remains the largest cost item for financial operations. Additional financial costs such as bank fees and exchange rate losses totaled 138,327 thou. CZK. Other financial revenue represented primarily by exchange rate profit was 115,537 thou. CZK.

In 2011, the company did not carry out any accounting operations affecting **exceptional profit/loss. Before tax profit** in 2011 was 132,494 thou. CZK.

Company performance for the fiscal year was a profit of 158,006 thou. CZK, due primarily to profit margin and revenue for products and services.

COMMENTARY ON THE BALANCE SHEET

Total assets of the company as of December 31st, 2011 remained nearly the same as from the previous year, with a total net book value of 9,443,837 thou. CZK. While sales increased slightly, this development was caused primarily by an accelerated turnover of inventory and receivables, and little investment in fixed assets.

Fixed assets, accounting for 38.5 % of total assets, remained comparable to the previous year totaling 3,536,465 thou. CZK. Fixed assets were structured as follows (given in thousands of CZK and as % of total fixed assets):

	thou. CZK	%
intangible fixed assets	9,081	0.3
tangible fixed assets	2,561,943	72.4
financial assets	965,441	27.3

The most significant **tangible fixed assets** are buildings valued at 1,491,506 thou. CZK (58.2 % of total tangible fixed assets), followed by movables valued at 512,567 thou. CZK (20 % of total) and land worth 534,303 thou. CZK (20.9 % of total).

The net value of **financial assets** was 965,441 thou. CZK, which includes the calculated value of financial investments abroad according to the exchange rate of the Czech National Bank for the crown on the last day of 2011 totaling 36,705 thou. CZK. During the course of the fiscal period, adjustments were created for the financial investments of Ferona Slovakia, a. s. (30,000 thou. CZK) and Ferona Polska, S. A. (3,000 thou. CZK) due to an increase in equity of the companies and changes in the year-end exchange rate of ČNB, while adjustments were also created for the financial investment into Pragmet, a.s. (30,000 thou. CZK) due to a drop in the value of the company's equity.

Current assets accounted for 60.5 % of total assets and during the course of the year decreased by 324,625 thou. CZK to 5,560,818 thou. CZK.

The major inventory item was **inventory of commercial goods**, which compared to last year fell by 189,084 thou. CZK to 2,413,124 thou. CZK. The immediate turnover period for inventory, calculated from the value of goods sold at cost, was 67 days at the end of the year, representing a decline of 13 days from the previous year due to a deliberate reduction in the purchase of goods at the end of the year because of continued falling prices.

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

Trade receivables accounted for the largest portion of the company's short-term receivables, decreasing during the course of the year by 170,701 thou. CZK to reach a net value of 2,286,372 thou. CZK. Adjustments have been created for all receivables more than 1 year overdue. Adjustments for other receivables are created based upon a risk assessment at the close of the fiscal period. The immediate turnover period for trade receivables at the end of the year was 57 days, representing a year-over-year decline of 10 days.

Short-term financial assets at the end of the year amounted to 272,608 thou. CZK, which represents an increase of more than 149 mil. CZK compared to the beginning of the year due to increased customer payments in the final days of 2011, a company-wide vacation and inability to transfer funds to cover an overdraft, as well as increased payments by customers in foreign currencies.

Accruals and deferrals of 87,352 thou. CZK represent less than 1% of total assets.

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

The company's **equity** as of December 31st, 2011 was 3,849,233 thou. CZK, which covers 41.9 % of the total book value of the company's liabilities.

Liabilities at the end of 2011 totaled 5,310,871 thou. CZK and were structured as follows:

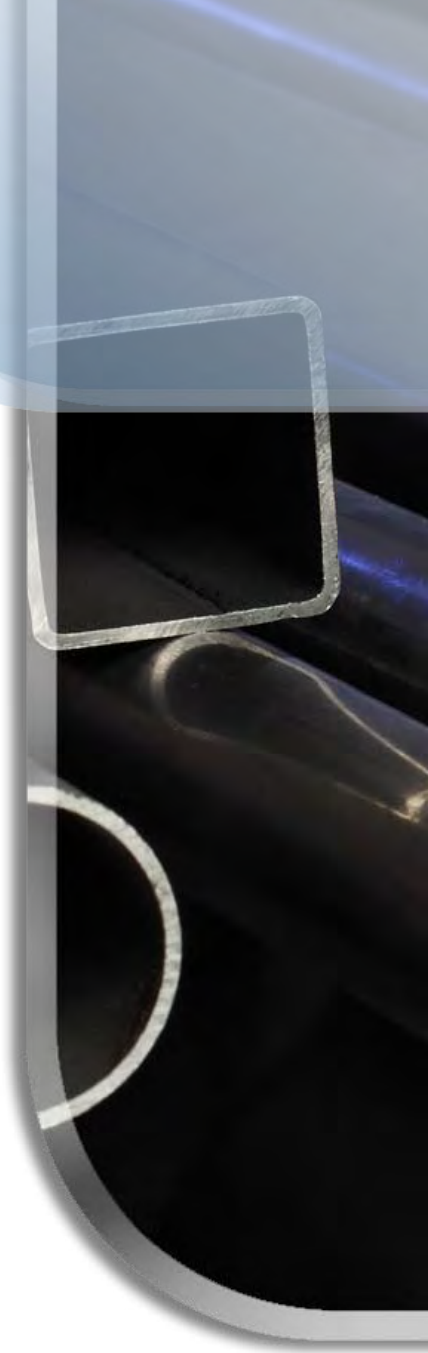
	in thou. CZK	in %
long-term liabilities	110,702	2.1
short-term liabilities	1,809,102	34.1
bank loans and assistance	3,391,067	63.8

The most significant **long-term liability** is the deferred tax obligation totaling 108,920 thou. CZK, the year-over-year decline of which is due to the utilization of deferred tax assets from tax losses and the suspension of tax depreciation on some tangible fixed assets.

Short-term liabilities primarily consist of **trade liabilities**, which amounted to 1,316,861 thou. CZK at the end of the year. Except for invoices for which payment had been stopped because of pending claims and liabilities to be set off, all liabilities were paid on time. Once again, for the year entire year of 2011 the company was not late with a single payment.

Bank loans amounted to 3,331,144 thou. CZK at the end of the year, not including factoring. At the close of the fiscal period, the company had drawn a short-term operating loan to finance current assets and discount loans. Liabilities from regressive factoring amounted to an additional 59,923 thou. CZK.

Accruals and deferrals at the end of the year amounted to 24,531 thou. CZK. As in past years, the largest single item was accrued interest on loans from shareholders, interest from bank loans, wage costs, and benefit payments to the disabled.



FINANCIAL SITUATION OF THE COMPANY

From the Annual Financial Statements it is clear that the financial situation of the company is stable. The total volume of short-term receivables at the end of 2011 exceeded the volume of short-term liabilities by 848,225 thou. CZK and the company was not insolvent.

The total debt of the company has been maintained at a viable level and the company is not late with the payment of any of its liabilities. In 2011, the company continued to maintain the confidence of its banking houses, and together with its subsidiary Ferona Slovakia, a. s. renewed its financing going forward. As of 31.12.2011 the share of company liabilities amounted to 58.1 % of total assets.

The ratio of bank loans and assistance to total revenue at the end of 2011 ranged around 23.3%, representing a drop of 1.7% from last year.

RESULTS OF THE CONSOLIDATED GROUP

In 2011, group companies took in revenue from the sale of goods totaling 17,209,416 thou. CZK, which is 15.4 % more than last year. Value added was 1,400,574 thou. CZK. The consolidated result of operations as of 31.12.2011 was a profit of 357,314 thou. CZK.

The **consolidated profit/loss** (without minority shares in profit/loss but including shares in profit/loss in equivalence) was a profit of 158,780 thou. CZK.

The value of consolidated **assets** at the end of 2011 was 11,052,126 thou. CZK and the value of **equity** increased to 3,906,011 thou. CZK.

EVENTS OCCURRING AFTER THE CLOSE OF THE FISCAL PERIOD

After the close of the financial statements, at the beginning of the year the company implemented the organizational changes which had been prepared, although in conjunction with the resignation of the General Director and Business Director and the termination of their employment as of 31. 1. 2012 additional organizational changes were carried out as of 1. 2. 2012:

MEMBERS OF THE BOARD OF DIRECTORS from 1. 1. 2012 to 31. 1. 2012

Ing. František Kopřiva, Chairman of the Board of Directors
Jiří Plajner, Vice-Chairman of the Board of Directors
Ing. Miroslav Horák, member of the Board of Directors
Ing. Miroslav Vaníček, member of the Board of Directors

COMPANY MANAGEMENT from 1. 1. 2012 to 31. 1. 2012

Jiří Plajner, General Director
Ing. Miroslav Horák, Business Director
Ing. Pavel Horák, Logistics Director
Ing. Miroslav Vaníček, Financial Director
Ing. Petr Mikulecký, Director of Division I
Miroslav Vrkota, Director of Division II
Ing. Petr Vlach, Director of Division III
Doc. Ing. Ivo Juřička, CSc., Director of Division IV

MEMBERS OF THE BOARD OF DIRECTORS as of 1. 2. 2012

Ing. František Kopřiva, Chairman of the Board of Directors
Ing. Miroslav Vaníček, Vice-Chairman of the Board of Directors
Ing. Milan Rada, member of the Board of Directors
Dr. Jan Moravec, member of the Board of Directors

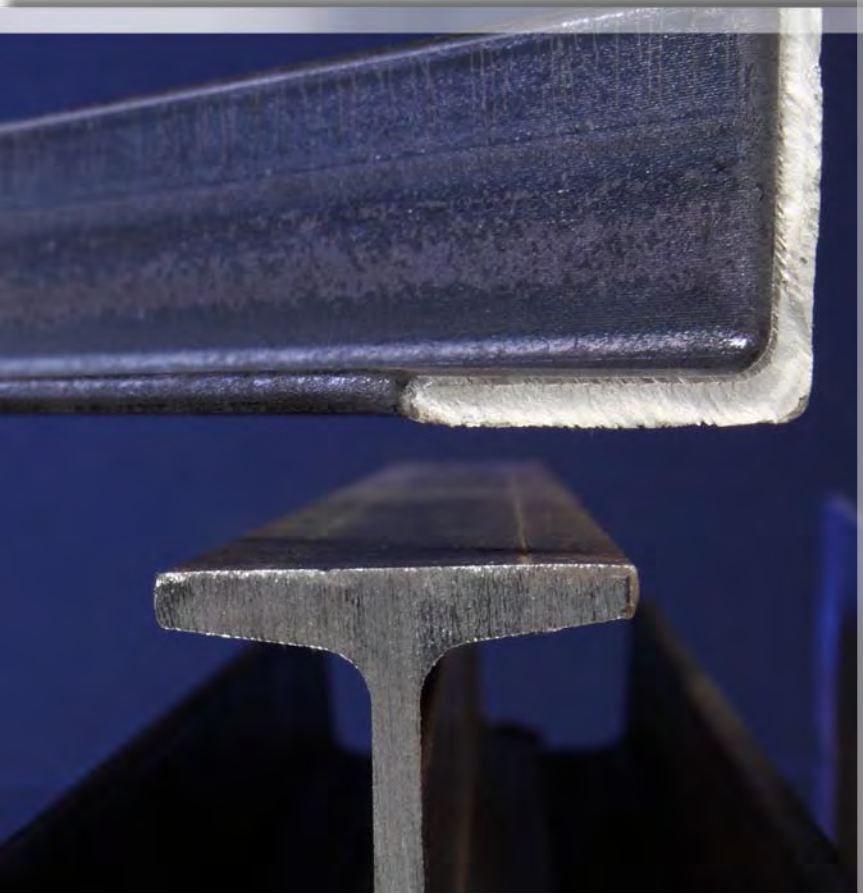
COMPANY MANAGEMENT as of 1. 2. 2012

Ing. František Kopřiva, General Director
Ing. Miroslav Vaníček, Financial Director
Ing. Milan Rada, Director of Human Resources and Informatics
Ing. Tomáš Krejčí, Director of Purchasing
Ing. Pavel Horák, Logistics Director
Ing. Petr Mikulecký, Director of Division I
Miroslav Vrkota, Director of Division II
Ing. Petr Vlach, Director of Division III
Doc. Ing. Ivo Juřička, CSc., Director of Division IV

As the management and board openings were filled from within the company, these organizational changes did not have any negative impact on company operations or the achievement of basic company aims.

DOCUMENTS

- Annual financial statements as of 31. 12. 2011
- Independent auditor's report on the verification of the company's annual report and consolidated financial statements
- Consolidated financial statements as of 31. 12. 2011



ANNUAL FINANCIAL STATEMENTS as of 31. 12. 2011

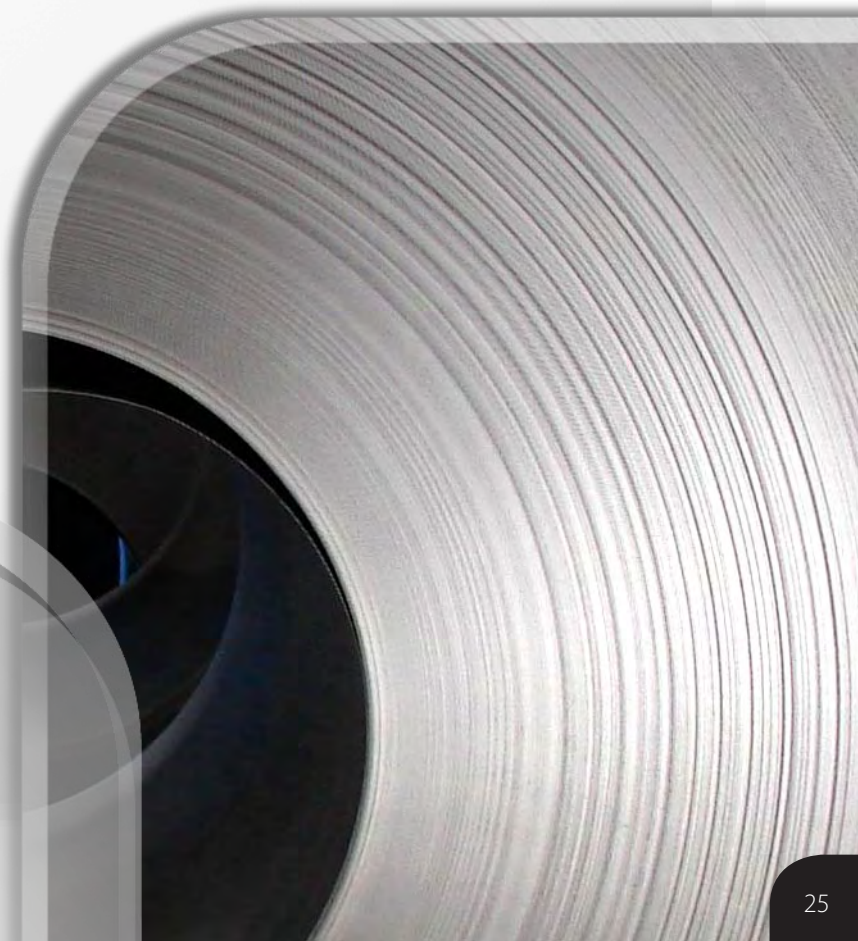
COMPLETE BALANCE SHEET (in thousands of CZK)

Designation		ASSET	line	Current year			Previous year
				Gross	Adjustment	Net	Net
a		b	c	1	2	3	4
		TOTAL ASSETS	**01**	**12 265 886**	**-3 081 251**	**9 184 635**	**9 443 837**
B.		**Fixed assets**	**03**	**6 105 437**	**-2 568 972**	**3 536 465**	**3 542 650**
B. I.		**Intangible fixed assets**	**04**	**84 724**	**-75 643**	**9 081**	**14 661**
	3.	Software	07	84 510	-75 429	9 081	13 205
	4.	Royalties	08	214	-214	0	0
	7.	Intangible fixed assets not in use	11	0	0	0	1 456
B. II.		**Tangible fixed assets**	**13**	**4 703 272**	**-2 141 329**	**2 561 943**	**2 607 785**
B. II.	1.	Land	14	534 303	0	534 303	530 632
	2.	Buildings, halls and structures	15	2 537 371	-1 045 865	1 491 506	1 534 709
	3.	Machinery, tools and equipment, vehicles and furniture	16	1 608 031	-1 095 464	512 567	528 596
	6.	Other tangible fixed assets	19	370	0	370	371
	7.	Tangible fixed assets not in use	20	22 780	0	22 780	1 093
	8.	Prepayments for tangible fixed assets	21	417	0	417	12 384
B. III.		**Long-term investments**	**23**	**1 317 441**	**-352 000**	**965 441**	**920 204**
B. III.	1.	Shares in subsidiaries	24	1 285 126	-352 000	933 126	888 276
	2.	Shares in associates	25	8 218	0	8 218	8 218
	3.	Other securities and ownership interests	26	25	0	25	25
	6.	Long-term financial assets acquired	29	24 072	0	24 072	23 685

Designation		ASSET	line	Current year			Previous year
				Gross	Adjustment	Net	Net
a		b	c	1	2	3	4
C.		**Current assets**	**31**	**6 073 097**	**-512 279**	**5 560 818**	**5 885 443**
C. I.		**Inventory**	**32**	**2 626 949**	**0**	**2 626 949**	**2 913 805**
C. I.	1.	Material	33	208 590	0	208 590	308 537
	2.	Work in progress and semi-finished products	34	4 563	0	4 563	2 722
	5.	Goods	37	2 413 124	0	2 413 124	2 602 208
	6.	Prepayments towards inventory	38	672	0	672	338
C. II.		**Long-term receivables**	**39**	**3 934**	**0**	**3 934**	**3 857**
	5.	Long-term prepayments	44	3 934	0	3 934	3 857
C. III.		**Short-term receivables**	**48**	**3 169 606**	**-512 279**	**2 657 327**	**2 844 969**
C. III.	1.	Trade receivables	49	2 798 567	-512 195	2 286 372	2 457 073
	2.	Receivables from controlling entities	50	229 556	0	229 556	213 096
	6.	Taxes receivable	54	0	0	0	9 841
	7.	Short-term prepayments	55	7 610	0	7 610	4 324
	8.	Estimated active accounts	56	126 794	0	126 794	158 475
	9.	Other receivables	57	7 079	-84	6 995	2 160
C. IV.		**Short-term investments**	**58**	**272 608**	**0**	**272 608**	**122 812**
C. IV.	1.	Cash in hand	59	1 996	0	1 996	2 218
	2.	Cash in banks	60	270 612	0	270 612	120 594
D. I.		**Temporary assets**	**63**	**87 352**	**0**	**87 352**	**15 744**
D. I.	1.	Deferred expenses	64	4 635	0	4 635	6 714
	3.	Accrued income	66	82 717	0	82 717	9 030

Designation		LIABILITIES	Line	Current year	Previous year
a		b	c	5	6
		TOTAL LIABILITIES	**67**	**9 184 635**	**9 443 837**
A.		**Equity**	**68**	**3 849 233**	**3 669 377**
A. I.		**Registered capital**	**69**	**3 000 000**	**3 000 000**
A. I.	1.	Registered capital	70	3 000 000	3 000 000
A. II.		**Capital funds**	**73**	**267 255**	**245 405**
	2.	Other capital funds	75	230 550	230 550
	3.	Gains or losses from revaluation of assets	76	36 705	14 855
A. III.		**Reserve funds, non-distributable fund and other funds created from profit**	**78**	**218 299**	**208 246**
A. III.	1.	Statutory reserve fund / non-distributable fund	79	218 299	208 246
A. IV.		**Retained earnings or loss from previous years**	**81**	**205 673**	**14 662**
A. IV.	1.	Retained earnings from previous years	82	205 673	14 662
A. V.		**Profit or loss of current year [+/-]**	**84**	**158 006**	**201 064**
B.		**Liabilities**	**85**	**5 310 871**	**5 759 311**
B. II.		**Long-term payables**	**91**	**110 702**	**134 570**
	5.	Long-term prepayments received	96	138	138
	9.	Other payables	100	1 644	0
	10.	Deferred tax liability	101	108 920	134 432
B. III.		**Short-term payables**	**102**	**1 809 102**	**2 263 766**
B. III.	1.	Trade payables	103	1 316 861	1 399 928
	2.	Payables to partners and members	104	206 400	200 480
	5.	Payables to employees	107	68	119
	6.	Payables to health and social insurance	108	12 183	12 426
	7.	Tax payable and subsidies	109	52 898	56 336
	8.	Short-term prepayments received	110	657	487
	10.	Estimated liabilities	112	191 076	566 910
	11.	Other payables	113	28 959	27 080

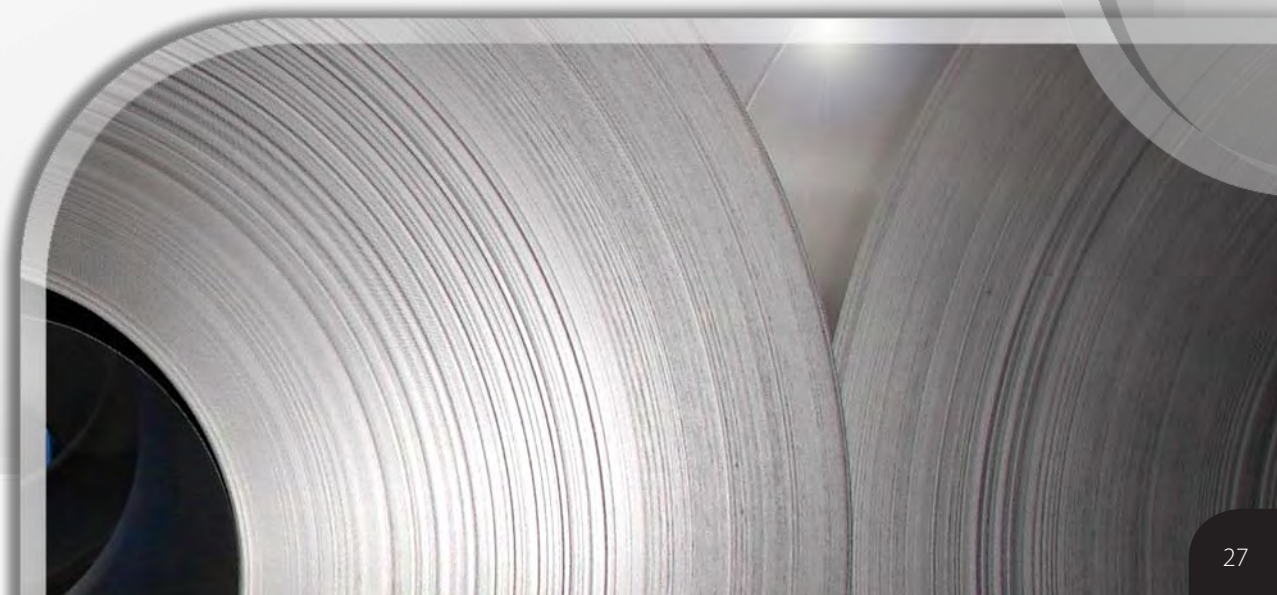
Designation	LIABILITIES	Line	Current year	Previous year
a	b	c	5	6
B. IV.	**Bank loans and borrowings**	**114**	**3 391 067**	**3 360 975**
2.	Short-term bank loans	116	3 331 144	3 309 732
3.	Short-term borrowings	117	59 923	51 243
C. I.	**Temporary liabilities**	**118**	**24 531**	**15 149**
C. I. 1.	Accrued expenses	119	24 292	14 810
2.	Deferred income	120	239	339



COMPLETE PROFIT AND LOSS STATEMENT (in thousands of CZK)

Designation	TEXT	Line number	Accounting period	
			Current	Previous
a	b	c	1	2
I.	Sales of goods purchased for resale	01	14 443 125	13 225 028
A.	Cost of goods sold	02	13 208 967	11 935 318
+	**Gross margin**	**03**	**1 234 158**	**1 289 710**
II.	Production	04	1 141 588	1 266 647
II.1.	Sale of own products and services	05	126 627	121 231
3.	Own work capitalized	07	1 014 961	1 145 416
B.	Purchased consumables and services	08	1 398 840	1 468 549
B.1.	Consumables	09	1 096 868	1 169 478
2.	Services	10	301 972	299 071
+	**Value added**	**11**	**976 906**	**1 087 808**
C.	Personnel costs	12	553 867	535 190
C.1.	Wages and salaries	13	401 638	386 087
2.	Remuneration of board members	14	13 080	10 330
3.	Social security and health insurance	15	127 732	127 916
4.	Social benefits	16	11 417	10 857
D.	Taxes and charges	17	17 314	6 616
E.	Depreciation/amortization of tangible and intangible fixed assets	18	201 160	217 639
III.	Sale of fixed assets and materials	19	52 084	17 277
III.1.	Sale of fixed assets	20	6 760	2 501
2.	Sale of material	21	45 324	14 776
F.	Net book value of fixed assets and material sold	22	48 252	14 269
F.1.	Net book value of fixed assets sold	23	3 334	125
2.	Material sold	24	44 918	14 144
G.	Change in reserves and adjusting entries in operation	25	-45 713	68 671

Designation	TEXT	Line number	Accounting period	
			Current	Previous
a	b	c	1	2
IV.	Other operating income	26	1 940 264	1 651 613
H.	Other operating expenses	27	1 917 482	1 575 675
*	**Operating profit or loss**	**30**	**276 892**	**338 638**
M.	Change in reserves and adjustments relating to investments	41	-1 675	-42 588
X.	Interest income	42	9 585	15 429
N.	Interest expense	43	132 868	162 504
XI.	Other financial income	44	115 537	88 657
O.	Other financial expenses	45	138 327	126 337
*	**Financial profit or loss**	**48**	**-144 398**	**-142 167**
Q.	Income tax on ordinary activities	49	-25 512	-4 593
2.	- deferred	51	-25 512	-4 593
**	Profit or loss from ordinary activities	52	158 006	201 064
***	**Profit or loss of current year [+/-]**	**60**	**158 006**	**201 064**
****	**Pre-tax profit or loss of current year**	**61**	**132 494**	**196 471**



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FERONA, A. S.

We have audited the accompanying consolidated financial statements of Ferona, a. s., headquartered at Havlíčkova 1043/11, Prague 1, 111 82, ID no. 26 44 01 81, comprised of the balance sheet as of 31.12.2011, the profit and loss statement for the period from 1. 1. 2011 to 31. 12. 2011, as well as the appendices to these statements and summary of significant accounting methods used.

STATUTORY BODY'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITIES

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

The audit involves performing procedures to obtain evidence regarding the amounts and disclosures in the balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risk of misstatements in the consolidated financial statements due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements. The purpose of this assessment is to design audit procedures that are appropriate under the circumstances, not to express an opinion on the effectiveness of the entity's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of Ferona, a. s., as of 31. 12. 2011, and of its expenses, revenue and income from operations for the period from 1. 1. 2011 to 31. 12. 2011 in accordance with the applicable Czech accounting regulations.

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

We have verified the accuracy of the information contained in the report on the relations between related parties of Ferona, a. s., for the period from 1. 1. 2011 to 31. 12. 2011. The statutory body of Ferona, a. s., is responsible for compiling this report on relations. Our task is to issue a statement based upon our verification of this report on relations.

We have carried out this verification in accordance with AS no. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and conduct verification with the goal of obtaining reasonable certainty that the report on relations does not contain any material misstatements. Verification is restricted primarily to making inquiries of personnel and applying analytical procedures to verify in select manners the material accuracy of the information. Therefore, verification offers a lesser degree of certainty than an audit. We did not conduct an audit of the report on relations, and are therefore not issuing an auditor's opinion.

Based upon our verification, we did not determine any circumstances which might lead us to believe that the report on relations between related parties of Ferona, a. s., for the period from 1. 1. 2011 to 31. 12. 2011 contains any significant material misstatements.

REPORT ON THE VERIFICATION OF THE ANNUAL REPORT

We have also verified the consistency of the annual report of Ferona, a. s., with the consolidated financial statements contained within this annual report, as well as with the unconsolidated financial statements of the company as of 31. 12. 2011, for which we issued an opinion on 15. 3. 2012 which may be found in item 14 of the annual report. The statutory body of Ferona, a. s., is responsible for the accuracy of the annual report. Our task is to issue an opinion on the consistency of the annual report with the consolidated financial statements based upon our verification.

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

In our opinion, the information contained within the annual report of Ferona, a. s., as of 31. 12. 2011 is, in all major aspects, consistent with the aforementioned consolidated financial statements.

In Prague, April 23rd, 2012

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

Ing. Eva Knyplová
auditor, certificate no. 1521

Ing. Ladislav Novák
auditor, certificate no. 0165

CONSOLIDATED FINANCIAL STATEMENTS as of 31. 12. 2011

BALANCE SHEET - Minimum required scope of a consolidated report (in thousands of CZK)

Designation	TEXT	Current period as of 31. 12. 2011 1	Last period as of 31. 12. 2010 1	Two years prior as of 31. 12. 2009 1
	TOTAL ASSETS	**11 052 126**	**11 381 060**	**9 591 020**
A.	Receivables for subscribed capital			
B.	**Fixed assets**	**3 785 012**	**3 843 781**	**4 072 773**
B.I.	Intangible fixed assets	10 667	17 584	20 126
B.II.	Tangible fixed assets	3 685 929	3 723 482	3 936 732
B.III.	Long-term investments	24 097	23 709	12 549
B.IV.	Consolidation difference positive "+", negative "-"	13 334	20 436	40 873
B.V.	Securities in equivalence	50 985	58 570	62 493
C.	**Current assets**	**7 180 782**	**7 525 063**	**5 508 468**
C.I.	Inventories	3 615 433	3 954 836	2 566 320
C.II.	Long-term receivables	6 650	6 614	5 621
C.III.	Short-term receivables	3 188 881	3 287 398	2 651 830
C.IV.	Financial assets	369 818	276 215	284 697
D.	Other assets – temporary asset accounts	86 332	12 216	9 779

Designation	TEXT	Current period as of 31. 12. 2011 1	Last period as of 31. 12. 2010 1	Two years prior as of 31. 12. 2009 1
	TOTAL LIABILITIES	**11 052 126**	**11 381 060**	**9 591 020**
A.	**Equity**	**3 906 011**	**3 733 175**	**3 585 591**
A.I.	Registered capital	3 000 000	3 000 000	3 000 000
A.II.	Capital funds	318 408	295 056	221 748
A.III.	Funds created from profit	230 932	218 347	218 898
A.IV.	Retained earnings or loss from previous years	154 557	-12 610	1 681 795
A.V.	Profit (loss) of current year excluding minority shares	158 780	185 524	-1 583 453
1.	Profit (loss) of operations of current year (+/-)	166 511	189 194	-1 583 961
2.	Contribution to the profit in equivalence (+/-)	-7 731	-3 670	508
A.VI.	Consolidation reserve fund	43 334	46 858	46 603
B.	**Liabilities**	**7 076 374**	**7 604 925**	**5 966 693**
B.I.	Reserves	10 084	14 800	18 327
B.II.	Long-term payables	187 159	165 316	166 856
B.III.	Short-term payables	2 356 368	2 953 000	1 435 302
B.IV.	Bank loans and borrowings	4 522 763	4 471 809	4 346 208
C.	Other liabilities – temporary liability accounts	44 713	16 510	17 738
D.	**Minority equity**	**25 028**	**26 450**	**20 998**
D.I.	Minority registered capital	900	900	900
D.II.	Minority capital funds	0	0	0
D.III.	Minority profit funds including undivided profits from previous years	25 550	20 098	15 060
D.IV.	Minority profit/loss from current period	-1 422	5 452	5 038

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

Designation	TEXT	Current period as of 31. 12. 2011 1	Last period as of 31. 12. 2010 1	Two years prior as of 31. 12. 2009 1
I.	Revenue from the goods sold	17 209 416	14 911 678	12 687 589
A.	Cost of goods sold	15 629 573	13 397 466	12 765 119
+	**Gross margin**	**1 579 843**	**1 514 212**	**-77 530**
II.	Production	2 523 035	2 318 626	1 862 436
B.	Purchased consumables and services	2 702 304	2 322 278	2 131 343
+	Value added	1 400 574	1 510 560	-346 437
C.	Personnel expenses	723 245	693 905	711 132
E.	Depreciation/amortization of tangible and intangible fixed assets	262 692	278 059	271 083
	Depreciation (accounting) of goodwill difference (+/-)	27 102	20 437	20 437
	Accounting of goodwill difference	0	0	0
G. + H.	Change in reserves, adjust. and deferrals and accruals relating to operating expenses	-35 163	88 703	-33 585
III.+ VI.- VII.	Other operating income	2 468 376	1 838 838	1 211 575
D.+ F.+I.-J.	Other operating expenses	2 533 760	1 791 833	1 252 340
*	**Consolidated operating profit (loss)**	**357 314**	**476 461**	**-1 356 269**
VIII.+IX.+X.+XI.+XII. +XIII.+XIV.-XV.	Financial income	138 096	114 181	106 364
K.+L.+M.+N.+ +O.+R.-P.	Financial expenses	361 195	382 271	367 682
*	**Consolidated financial profit (loss)**	**-223 099**	**-268 090**	**-261 318**
R.1.	Income tax due from ordinary activities	681	10 403	11 120
R.2.	Deferred income tax on ordinary activities	-31 555	3 322	-49 485

Designation	TEXT	Current period as of 31. 12. 2011 1	Last period as of 31. 12. 2010 1	Two years prior as of 31. 12. 2009 1
**	**Consolidated profit (loss) from ordinary activities**	**165 089**	**194 646**	**-1 579 222**
XVI.	Extraordinary income	0	0	299
S.+T.1.	Extraordinary expenses	0	0	0
T.2.	Deferred tax on extraordinary activities	0	0	0
*	Consolidated extraordinary profit/loss	0	0	299
***	**Consolidated profit (loss) of current year exclusive of equivalence**	**165 089**	**194 646**	**-1 578 923**
particularly	- Profit (loss) of operations of current year exclusive of minority shares	166 511	189 194	-1 583 961
	- Minority profit (loss) of operations of current year	-1 422 -7 731	5 452 -3 670	5 038 508
	Contribution to the result in equivalence			
****	**Consolidated profit (loss) of operations of current year**	**158 780**	**185 524**	**-1 583 453**

INVESTMENT ACTIVITY

Investment activity in 2011 was focused on warehouse operations and improving the quality of services offered to our customers. A total of 153,474 thou. CZK was invested. At the Ostrava facility, a new warehouse valued at 36,577 thou. CZK was constructed for the storage of 12,000 tons of coils. In Olomouc, technically and organizationally demanding stage I work to rebuild the roof was carried out throughout the year valued at 14,165 thou. CZK. Another 17,598 thou. CZK was invested in our fleet of trucks.

QUALITY MANAGEMENT SYSTEM

QMS according to EN ISO 9001:2008 standards

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

This system is applied to the following activities:

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

CERTIFICATE TÜV NORD

Management system as per
EN ISO 9001 : 2008

Ferona

FERONA, a.s.
Havlíčkova 1043/11
111 82 Praha 1
Czech Republic

Purchase, storage, treatment, sale and transport of metallurgical materials, secondary products, non-ferrous metals and related range of hardware goods in the wholesale.

CERTIFICATE TÜV NORD

Management system as per
EN ISO 9001 : 2008

Ferona

Ferona, a.s.
Steel Servis Centrum, Divize IV., O.Z.
Slezské předměstí 41
CZ - 501 12 Hradec Králové

Slitting and cutting to length of steel coils.
Testing of metallic material properties.

CERTIFICATE TÜV NORD

Management system as per
ISO/TS 16949:2009

Ferona, a.s.
Steel Servis Centrum, Division IV., O.Z.
Slezské předměstí 41
501 12 Hradec Králové
Czech Republic

Production of steel strips and plates for automotive industry – slitting and cutting to length of steel coils.

QMS according to ISO/TS 16949:2002 standards

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

HUMAN RESOURCES AND STAFF DEVELOPMENT

In 2011, a total of 1,076 employees worked at the company, broken down as follows:

- 584 technical and administrative staff
- 437 manual workers
- 3 auxiliary service personnel
- 52 sales staff

MOON payments in 2011 totaled 399 mil. CZK, representing a 2.4% increase from 2010.

In the area of social expenditures, a total of 11,417 thou. CZK of benefits were drawn in 2011. As in previous years, priority was given to dining benefits, funding for summer sporting activities, and the payment of loyalty bonuses to reward the quality work of long-time employees. On average, a total of 10,610 CZK per worker was spent on social benefits.

Ferona