

2015 CORPORATE ANNUAL REPORT

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INTRODUCTORY WORD OF THE CHAIRMAN OF THE SUPERVISORY BOARD



Dear Ladies, Gentlemen, Customers, Industry and Friends,

As we are all aware, steel markets throughout Europe have suffered greatly over the past year. A prolonged period of stagnation, particularly within the steel distribution sector, has led to unprecedented declines. Despite optimistic beliefs and hopeful expectation over the last few years, steel markets (both production & distribution) remained depressed.

Whilst many of us feel that times have been tough, this coming year may well prove to be not to dissimilar .

Despite declines in raw material costs including coal, ore and gas it is clear that steel producers are finding it hard to survive. This also negatively impacts the steel distribution sector, through depressed margins, to the point that numerous companies are struggling perhaps to the point of extinction.

One just needs to look at recent events in the European steel industry to realise that numerous steel groups may come under similar pressure and, unless white knights are found, a similar fate may await them too.

Where as all the mills had the benefit of low material costs, distribution has had no such “privilege” and have all had to live with diminished margins.

I hope that we will not have another year or two of subdued prices, but I can see only a slither of hope in any sustainable market improvement in the immediate future.

Having said that, I feel that every one of us had to and will have to take all relevant steps in order to survive.

It is thanks to our brave & skillful Executive team who took the necessary and sometimes unpopular steps which some of you may only now begin to appreciate. As you can see, despite all the negative actions in the rest of the industry, Feron remains strong and able to weather whatever storms come our way in the future.

As we are in this situation together we need to continue to find common ground with joint efforts.

I wish to use this opportunity to thank you all for extending your support to the Management and showing a great level of maturity and understanding which is required for any company not only to remain strong but also to keep moving forward whenever an opportunity arises.

As Frank Leahy so famously once said; “When the going gets tough, the tough get going” and how relevant I believe that is for our industry at this moment in time.

With this in mind I wish you and your families a healthy and happy year ahead.

Sincerely Yours,

Robert Kay
Chairman – Supervisory Board

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



Ladies and gentleman, dear business partners,

The steel market in 2015 was a very sharp reminder to us all that all the risk factors characteristic for this market continue in existence. And this despite the fact that the positive development of the consumption driven above all by the continuing good situation of the manufacturing industries and by the increased performance of the construction sector, gave good support to the steel market.

Since the summer months, these positive factors have, however, been more and more neutralized by the continuing overcapacity of the European producers exacerbated in a hitherto un-seen way by the factors of external and global character: above all by the un-precedented volume of the cheap Chinese shipments to Europe and by the strong downward price pressure by the material from Russia and Ukraine, benefiting from the price advantage given by the depreciation of the domestic currencies of these countries.

This resulted into a steady and, in the end of the year, into a dramatically accelerating slump of the steel prices, inevitably impacting the performance of the producers as well as of the distributors in the second half of the year.

Under these circumstances, the importance of our conservative business policy and of our robust risk management system, managing the key risks of our business, i.e. price and credit risk, clearly manifested itself. Also, our policy of seeking internal savings by making all the processes simpler and leaner, brought additional savings into the financial results of the company. Overall, all the above mentioned factors enabled the company to withstand the dramatic developments of 2015 and to achieve a positive financial result, slightly better than in 2014.

The volume of sales of 743 thousand metric ton clearly proves that the company maintains a dominant share of the Czech market. Together with the subsidiaries Ferona Slovakia and Ferona Polska, we sold over 1 million metric tons of steel products in the Central European market in 2015.

In the coming years, the steel market is expected to continue being hard-to-read and turbulent, mainly due to the continuing over-capacity exacerbated by occasional price and monetary shocks.

The overall business strategy of the company, shall, therefore, be based in a determined focus on our core markets and on the relationships with our existing customers. I am convinced that the business and the financial power of Ferona will, coupled with the modern methods of managing all key processes, ensure our continuing competitiveness in the complex conditions of the turbulent markets of today and tomorrow.

The power of our company increased in the proportion in which we succeeded in modernizing our processes and managing our risks. This meant, for a large percentage of the employees, a necessity of embrace a number of modern approaches in the management of the business and its risks. Allow me, therefore, to thank the employees for their work for the company and for their continuing support.

In closing, allow me to wish you, our valued business and financial partners of Ferona, firm health and all personal and business success in the year 2016.

František Kopřiva
Chairman of the Board of Directors

1. COMPANY'S IDENTIFICATION

Business name: **Ferona, a.s.**
Identification number: **26 44 01 81**
Registered office: **Havlíčkova čp. 1043/11, 111 82 Prague 1**
The Company is registered in the Commercial Register maintained by the Municipal Court in Prague, Part B, Entry 71 43.
Date of establishment: **21 March 2001**
Website: **www.ferona.cz**

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

As at 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 no. 25 79 20 75), under a take-over agreement approved by the General Meetings of both companies on 27 June 2001. The registration of the take-over into the Commercial Register entered into legal force and effect on 29 August 2001. Under the Merger Agreement, the Company, being the successor company, assumed the capital of STEEL INVESTMENTS GROUP, a.s., the ceasing parent company, as at the relevant date, 1 January 2005.

Registered capital: **3 000 000 000 Kč**

2. THE COMPANY'S BASIC CHARACTERISTICS

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

The core **object** of the Company's business is warehouse wholesale, specialised in purchasing, storing, modification and sale of metallurgical products, metallurgical derived products, nonferrous metals and associated iron and steel product portfolio. Ferona'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 rolls 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.

3. COMPANY'S BOARD OF DIRECTORS, SUPERVISORY BOARD AND DIRECTORS

The Company's Board of Directors, Supervisory Board and directors are indicated as applicable as at 31 December 2015.

BOARD OF DIRECTORS

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

Ing. Miroslav Vaniček, 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

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

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

Mgr. Tomáš Balko, born in 1976, graduated from the Faculty of Arts at a university, member of the statutory body since 1 January 2013

SUPERVISORY BOARD

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

Ing. 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

Roman Cypro, born in 1963, graduated from a professional secondary school, employed with the Company since 1987, elected on behalf of the Company's employees, Member of the Supervisory Board since 22 March 2007

COMPANY'S DIRECTORS

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

Mgr. Tomáš Balko, Commercial Director, born in 1976, graduated from the Faculty of Arts at a university, member of the statutory body since 1 January 2013, in Ferona Slovakia since 2005

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

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

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

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

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

4. KEY INDICATORS FOR THE PAST THREE YEARS

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

Year	2013	2014	2015
Tangible products sold (in thousands of tonnes)	715	750	743
Revenues from products sold (in CZK million)	13,424	13,823	13,069
Profit and/or loss (in CZK million)	87	153	132
Inventories (in CZK million)	2,838	2,963	2,634
Short-term receivables (in CZK million)	2,853	2,581	1,933
Short-term payables (in CZK million)	1,712	1,725	951
Bank loans (in CZK million)	3,498	3,094	2,766
Number of employees (individuals)	953	992	998

5. BUSINESS ACTIVITIES

Ferona is among the leading companies in inventory sale of metallurgical products, derived products, nonferrous 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 2015 can be assessed as preserving its market position.

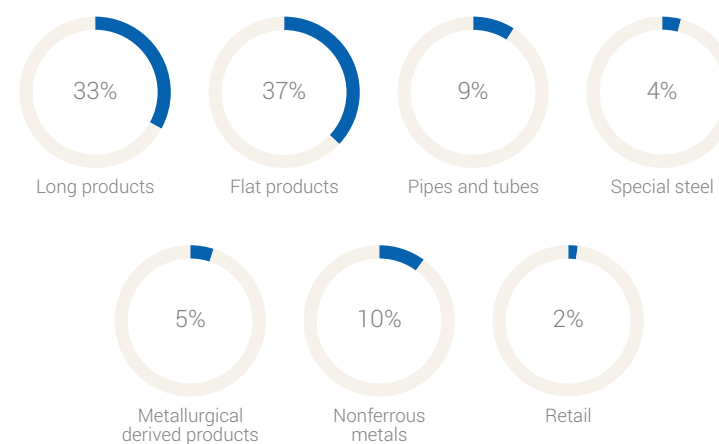
The Company sold 743,400 **tonnes of merchandise** to its customers, a drop of 6,332 tonnes compared to 2014, i.e. 0.9%, and compared to 2013, this represents 28,518 tonnes more, i.e. a 3.8% increase.

The revenues from the goods sold reached CZK 13,069,374,000, representing a drop of CZK 753,227,000 compared to 2014. Compared to 2013, the revenues are CZK 354,445,000 lower, i.e. 2.7%. Changes in the values have been caused by certain instability of price levels of the goods sold, see below and changes in the structure of commodities sold.

2015 was relatively stable in terms of commerce in the first six months. Unfortunately, the second six months saw a steep decline in prices of the goods sold. This resulted in economic results close to zero in this period of time. Thanks to relatively stable demand and inventory balanced in terms of product portfolio the company managed to keep the tangible sales and it could afford to buy stable quantities of goods sold; thereby, the Company managed to remedy the above steep decline in prices. Stringent credit policy also allowed for further reduction of overdue receivables and has created the possibility of reducing borrowed money for the upcoming period.

Structure of sales by product groups was the following in 2015:

Long products	33%
Flat products	37%
Pipes and tubes	9%
Special steel	4%
Metallurgical derived products	5%
Nonferrous metals	10%
Retail	2%



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

6. COMMENTS TO THE PROFIT AND LOSS STATEMENT

The business margin in 2015 amounted to CZK 1,134,552,000, CZK 82,320,000 less than in 2014 and CZK 544,000 less than in 2013. In the first six months of 2015, the positive trend of increasing business margin, commenced in the preceding year, continued. In the second half of the year, this trend was replaced with a steep drop in price of the goods sold, followed by reduction of creation of business margin under competitive pressure. Revenues from services, comprising division and modification of materials such as, for example, burning of thick sheets to the customer's requirements and services provided to subsidiaries, amounted to CZK 173,041,000 and increased, compared to 2014, by CZK 17,758,000 mainly as a result of extending salary work in service centres. They lagged behind 2013, however, by CZK 7,059,000 due to drop in rent for properties that were sold in 2014.

The costs of purchased consumables and energies accounted for CZK 2,537,253,000, of which consumption of material for production in the Steel Service Centres reached CZK 2,408,444,000, corresponding to 95%. In purchased services, the largest amount comprised the costs of contractual transport fees (46% from the purchased services), repairs and maintenance (16% from the purchased services), security guard (6% from the purchased services), professional services (5.9% from the purchased services), waste liquidation (3.5% from the purchased services), advertisement and promotion (3.5% from the purchased services) and advisory services (3.3% from the purchased services). The Company continued in adjusting the drawing of costs of production consumption to the revenues reached; yet, on a year-on-year comparison, production consumption increased in real terms by CZK 3,537,000 as a result of competitive pressure in the transport fares; another factor was the increase in requirements of repairs of assets. The price drop was visible in particular in consumption of material for production by CZK 396,985,000.

Added value in 2015 amounted to CZK 983,229,000 and experienced year-on-year decrease as compared to 2014 of CZK 75,910,000 and, as compared to 2013, the growth reached CZK 57,542,000. Total personnel costs reached CZK 558,921,000, 1.2% less than in 2014. Depreciation of long-term intangible and tangible assets of CZK 184,823,000 remained almost the same on a year-on-year comparison.

Operating profit and/or loss ended with profit of CZK 213,850,000; this is a decrease compared to previous year of CZK 42,269,000 (profit from the sale of properties of CZK 42,170,000 in 2014) and, as opposed to 2013, it is an increase by CZK 58,265,000. The Company created provisions the impact of which into the profit and/or loss from receivables totalled CZK 21,820,000 and from inventories it totalled CZK 13,212,000.

Interest paid on operating loans reached CZK 67,528,000; although they dropped by CZK 24,555,000 on a year-on-year comparison, they still remain the highest cost item in ordinary profit and/or loss from financial activities. Interest received consists, mainly, in interest received within the group. Other financial costs, such as bank fees and exchange rate loss, accounted for CZK 101,183,000. Other financial income, consisting mainly in exchange rate profit, amounted to CZK 59,256,000. The balance of exchange rate differences is a cost in the amount of CZK 16,997,000, mainly due to conversion of balance sheet items in the financial statements.

In 2015, the Company has not posted any transaction affecting the **extraordinary profit and/or loss**. Profit for 2015 **before tax** amounted to CZK 150,310,000.

Profit and/or loss for the accounting period is profit of CZK 132,125,000 – in addition to business margin, increase in revenues for services, it was contributed to by significant reduction of interest paid and posting of provisions to receivables.

7. COMMENTS TO THE BALANCE SHEET

The Company's **total assets** as at 31 December 2015, as opposed to the preceding period, dropped and accounted for the book value of CZK 7,988,991,000. This development was caused predominantly by continuing low investment activity in long-term assets, introduction of reverse charge since 1 April 2015 (the "reverse charge") and a further dramatic drop in overdue trade receivables.

Long-term assets, accounting for 38.6% from the value of the assets, reached CZK 3,084,293,000. Its structure was as follows (value in thousands of CZK and % share from long-term assets):

	thousands of CZK	%
Long-term intangible assets	4,462	0.2
Long-term tangible assets	2,113,143	68.5
Long-term financial assets	966,688	31.3



A - long-term intangible assets B - long-term tangible assets C - long-term financial assets

From long-term tangible assets, the largest portion consists of buildings in the value of CZK 1,157,693,000 (54.5% from total value of long-term tangible assets), movable items of CZK 445,382,000 in value (21.7% from the total) and land of CZK 501,772,000 in value (23.7% from the total).

The value of **long-term financial assets** of CZK 966,688,000 incorporates the owned shares of Ferona, a.s., in equity of subsidiaries. For foreign financial investment, equities were converted according to the CNB exchange rate of CZK to each currency in force as at 31 December 2015 as at the balance sheet date. The decrease of the value of long-term financial assets has been caused mainly by creating of a provision for receivables in Ferona Slovakia, distribution of dividends from Pragmet, a.s., and year-on-year strengthening of the EUR / CZK exchange rate.

The **current assets** account for 61.2% from total assets and, in the course of the year, they dropped by CZK 885,651,000 to CZK 4,888,304,000, due to a significant price drop, the reverse charge and drop in trade overdue receivables.

The largest item of the total inventory comprises **inventories of commercial merchandise** which, as opposed to the opening balance of the year, have dropped by CZK 240,294,000 and reached CZK 2,080,697,000. Immediate turnaround of inventories of merchandise, counted from the value of merchandise sold at the acquisition price, reached 78 days at the end of the year, which corresponds to an 11-day drop, compared to the previous year, due to boosting up inventories for project deals at the end of the year. Decrease of inventories in material by CZK 111,793,000, compared to the beginning of the period, has been caused chiefly by the drop in their prices.

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

From short-term receivables, the largest portion consists of **trade receivables** that dropped significantly by CZK 525,538,000 in the course of the year as a result of reverse charge and tough interventions into credit risk management. Its net value reached CZK 1,393,201,000 net. All receivables overdue for more than 1 year have been treated by creating provisions. Provisions for other receivables are created pursuant to the assessment of their risk upon the balance sheet date. Immediate turnaround of short-term trade receivables reached 38 days at the end of the year; this means a 12-day year-on-year reduction. Estimated assets comprise mainly bonuses for purchase of merchandise paid that had not been invoiced upon the balance sheet date.

At the end of the year, **short-term financial assets** amounted to CZK 317,832,000, corresponding to an increase by more than CZK 91.7 million compared to the beginning of the year, as a result of payments of receivables being credited to bank accounts in the course of the collective holiday at the end of the year.

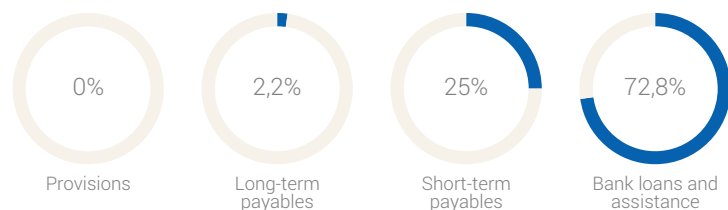
Accruals are valued at CZK 16,394,000, representing 0.2% from total assets.

Registered capital is valued at CZK 3,000,000,000 and is divided into 300 shares, having the nominal value of CZK 10,000,000 each. Shares are share certificates and are not registered for public trading. Changes are described in the footnotes to the financial statements.

The Company's **equity** reached CZK 4,177,480,000 as at 31 December 2015, covering 52.3% of the total book value of liabilities.

At the end of 2015, **borrowings** represented CZK 3,799,559,000 and had the following structure:

	thousands of CZK	%
Provisions	0	0.0
Long-term payables	82,356	2.2
Short-term payables	951,125	25.0
Bank loans and assistance	2,766,078	72.8



From **long-term payables**, the largest value is represented by a deferred tax liability of CZK 81,253,000 whose year-on-year change has been caused by recovery of full tax depreciation for long-term tangible assets.

Among short-term payables, **trade payables** have the most prominent position; at the year-end, they amounted to CZK 656,397,000 and, except for invoices retained due to complaints and payables ready for set-off, they were within their maturity period. The significant year-on-year decrease of CZK 523,993,000 has been caused, in particular, by the reverse charge and by strict management of purchases at the end of the year due to price drops. As a result of collective holiday, it was impossible to post all incoming invoices into the balance accounts and, as a result, like in the past year, these transactions had been posted to estimated liabilities. The Company has not delayed in the payment of its liabilities in 2015 either.

At the year-end, **bank accounts** without factoring amounted to CZK 2,762,466,000. The Company drew a short-term operating loan to finance its current assets as at financial statements date. The significant year-on-year drop has been caused by a dramatic decrease of the need for operating assets, see the reverse charge, by restrictive credit policy and purchases management at the year-end. Liabilities from regression factoring amounted to CZK 3,612,000.

Accruals amounted to CZK 11,952,000 at year-end; accruals in respect of transport fares, interest and fees from bank loans accounted for the largest value.

8. COMPANY'S FINANCIAL STANDING

The results shown in the financial statements imply that the Company's financial standing is stabilised. At the end of 2015, the overall amount of short-term receivables was larger than the amount of short-term liabilities/payables by CZK 982,274,000 and the Company was not insolvent. The overall indebtedness of the Company is maintained at acceptable level and the Company is not in delay with the payment of any of its liabilities. In 2015, the Company did not lose its credit with the banking institutions and, along with its subsidiary, Ferona Slovakia, a.s., renewed its financing without any problems for the next period. The share of borrowings and other liabilities in covering the overall assets of the Company as at 31 December 2015 was at 47.7%. At the end of 2015, the proportion of bank loans and assistance and overall revenues dropped to 20.9% compared to previous year.

9. INCORPORATION OF THE COMPANY INTO THE CONSOLIDATION GROUP

Ferona a.s. is the parent company within a group comprising, as at 31 December 2014, the following controlled parties and accounting units under significant influence and parties controlled by them:

FERONA Slovakia, a.s.

Registered office and company ID	Bytčická 12, Žilina, Slovakia	Company ID 36401137
Other establishments	Nitra, Košice	
Activity	Metallurgical product wholesale	
Equity		EUR 12,404,000
2015 profit and/or loss – loss		EUR 759,000
Share of Ferona, a.s., in registered capital		100%
Book value of the share of Ferona, a.s. (net)		EUR 335,222,000

Ferona – Servis Centrum Slovakia, a.s.

Registered office and company ID	Prístavná 12, Bratislava, Slovakia	Company ID 44066716
Other establishments	None	
Activity	Cutting steel strips	
Equity		EUR 8,036,000
2015 profit and/or loss – profit		EUR 54,000
Share of Ferona, a.s., in registered capital		100%
Book value of the share of Ferona, a.s. (net)		EUR 217,184,000

FERONA POLSKA, S.A..

Registered office and company ID	Mikolowska 31, Myslowice, Poland	Company ID 240569429
Other establishments	Wroclaw, Kielce	
Activity	Metallurgical product wholesale	
Equity		PLN 3,906,000
2015 profit and/or loss – profit		PLNG 291,000
Share of Ferona, a.s., in registered capital		100%
Book value of the share of Ferona, a.s. (net)		CZK 24,763,000

FERONA THYSSEN PLASTICS, s.r.o.

Registered office and company ID	ul. ČSA 730, Velká Bystřice	Company ID 25354418
Other establishments	FTP Slovakia, s.r.o., Bratislava, Slovakia *)	
Activity	Technical plastics wholesale	
Equity		CZK 84,056,000
2015 profit and/or loss – profit		CZK 5,196,000
Share of Ferona, a.s., in registered capital		50%
Book value of the share of Ferona, a.s. (net)		CZK 42,028,000

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

a) Registered office and company ID	Púchovská 14, Bratislava, Slovakia	Company ID 35861134
b) Other establishments	None	
c) Activity	Technical plastics wholesale	
d) Equity		EUR 385,000
e) 2015 profit and/or loss – profit		EUR 467
f) Share of FERONA THYSSEN PLASTICS, in registered capital		100%
g) Book value of the share of FERONA THYSSEN PLASTICS		CZK 3,588,000

PRAGMET, a.s.

Registered office and company ID	Havlíčkova 1043/11, Prague 1	Company ID 25789449
Other establishments	Benátky nad Jizerou	
Activity	Cutting of flat products for automotive	
Equity		CZK 176,444,000
2015 profit and/or loss – profit		CZK 32,614,000
Share of Ferona, a.s., in registered capital		70%
Book value of the share of Ferona, a.s. (net)		CZK 123,511,000

Ferona Holešovice, a. s.

Registered office and company ID	Havlíčkova 1043/11, Prague 1	Company ID 29134722
Other establishments	U Pergamenky 11, Prague 7	
Activity	Facility management	
Equity		CZK 223,918,000
2015 profit and/or loss – profit		CZK 667,000
Share of Ferona, a.s., in registered capital		100%
Book value of the share of Ferona, a.s. (net)		CZK 223,980,000

10. RESULTS OF THE CONSOLIDATION GROUP

For 2015, group companies reached revenues from the goods sold of CZK 16,110,737,000, 6.9% less than in the previous year. Added value, however, amounted to CZK 1,292,758,000 and, compared to the preceding year, it dropped by 7.2%. Consolidated operating profit as at 31 December 2014 represented profit of CZK 268,910,000.

Consolidated profit and/or loss (excl. minority profit shares and/or loss and including share in profit of equivalent companies) was profit of CZK 106,149,000.

The value of **assets** of the consolidation group at the end of 2015 amounted to CZK 9,507,287,000 and the value of **equity** reached CZK 4,065,244,000.

11. EVENTS OCCURRING FOLLOWING THE BALANCE SHEET DATE AND OUTLOOK FOR 2016

Following the balance sheet date, the Company's Articles of Association were amended and the number of Members of the Supervisory Board in the Company dropped to two. The Company will not have employee's representative on the Supervisory Board. No other significant events that would affect the published results occurred.

The Company's core objective is to maintain and, if possible, to strengthen its position on domestic market of metallurgical products, derived products and nonferrous metal where it wishes to remain the leading inventory trader with these products in the Czech Republic, focusing on provision of high-quality follow-up services. The following objectives have been defined in quality policy according to the ISO 9001 standard:

- To maintain the share in the metallurgical material market and to take advantage of new opportunities for its boosting.
- To focus on optimising the product portfolio on sale, in particular, in the area of the small commodities of merchandise, supplemented with development of follow-up services increasing added value.
- To develop efficient provision of services in service centres, to increase the task-based work share
- To increase efficiency of business activities (for example, to improve advantages from purchasing commercial merchandise, to manage credit risks efficiently, etc.).
- To develop the Company's financial strength.
- To develop the Company's internal potential.

Similarly to the previous period, the above objectives have been shaped into specific groups of measures:

- Ongoing strengthening of economic and financial stability of the Company on the basis of measures adopted in previous periods;
- Stabilising new introduced procedures and improving them with the aim of increasing their efficiency;
- Applying experience with these new procedures in the parent company across Ferona group companies;
- Efforts at further growth of share of tangible products sale on domestic market and neighbouring markets through subsidiaries in the environment of prevalence of production over consumption of products sold.

The plan for 2016 in Ferona, a.s., anticipates reaching revenues from the goods sold of CZK 13.860 million and the target profit before taxes is at CZK 157.6 million.

The target investment expenditures in Ferona, a.s., in 2016 are at CZK 132 million and the investments will be predominantly of preservation character applied to mere renovation of cranes, transport machinery and modernising of cutting centres.

12. MAJOR PROJECTS



SSI Schäfer s.r.o., manufacturing plant for SEDA, Italy, packaging producer

Delivery of steel sheets and sections for construction of a new Old Bridge in Bratislava, Slovakia, for EUROVIA CS, a.s.

13. INVESTMENTS

into tangible and intangible assets

Investment activities in the area of tangible and intangible assets focused on necessary renovation investments in 2015.

Long-term tangible and intangible assets of CZK 112,504,000 were acquired.

From that, CZK 57,714,000 accounted for investments into machinery and equipment, predominantly into cranes and other handling machinery.

CZK 41,007,000 was spent on renovation of transport machinery.

Investments into buildings amounted to CZK 11,004,000.

CZK 2,642,000 was spent to purchase intangible assets.

14. QUALITY MANAGEMENT SYSTEM

QMS according to the requirements of EN ISO 9001:2008

In order to ensure that the delivered commercial goods and the provided services are of premium quality, Feron, a.s. has implemented and certified a quality management system according to the EN ISO 9001:2008 standard. This system is defined across the company for the following activities: purchases, storage, modification, sale and transport of metallurgical material, derived products, nonferrous metals and associated iron and steel wholesale product portfolio..



In the Steel Service Centre, the quality management system is defined as follows:

- Longitudinal and cross cutting of steel rolls – Hradec Králové and Ostrava
- Testing of properties of metal materials – Hradec Králové
- Production of welded hollow round, square and rectangular cross sections from structural, non-alloy steels - Ostrava



QUALITY MANAGEMENT SYSTEM

QMS according to the requirements of EN ISO 9001:2008
and ISO/TS 16949:2009 in SSC Hradec Králové.

Since 2007, Feron, a.s., Steel Service Centre Hradec Králové, has also implemented and certified a quality management system for automotive industry according to ISO/TS 16949:2009 for longitudinal and cross cutting of steel rolls.

CERTIFIKÁT			
pro systém managementu jakosti dle ISO/TS 16949:2009 (3. Vydání, 2009-06-15)			
V souladu s postupy je tímto potvrzeno, že			
Feron, a.s. Steel Servis Centrum Vážní 847 501 12 Hradec Králové Česká republika s podřízenými funkcemi dle přílohy			
má zaveden systém jakosti v souladu s výše uvedenou normou pro následující obor platnosti			
Podélné a příčné dělení ocelových svitků bez zodpovědnosti za vývoj výrobku (dle oddílu 7.3)			
IATF-registrační číslo 0163074 Registrační číslo certifikátu 44 111 071281 Auditi, zpráva číslo 3013 7333	Datum vystavení: 2013-05-19 Datum platnosti: 2016-05-18 Cyklus auditu: 12 měsíců od 2013-04-26	Essen, 2014-06-05	
Tato certifikace byla provedena v souladu s IATF certifikačními postupy a je podnětem k provádění pravidelných kontrolních auditů.			
TUV NORD CERT GmbH	Langemarkstrasse 20	45141 Essen	www.tuev-nord-cert.com
			
A13F200	Strana 1/2	rev. 01/02.14	

15. HUMAN RESOURCES AND STAFF DEVELOPMENT

In 2015, 998 employees worked in the company,

of that:

- technical economic staff 528 employees
- workers 422 employees
- POP 2 employees
- OPP 46 employees

In 2015, personnel expenses reached CZK 410.850 million and, thus, were by CZK 920,000 lower than in 2014.

As for social costs, a total of CZK 10,721,000 was drawn in 2015; this corresponds to reported figures in 2014.

The priorities included contributions to catering, contributions for commuters and financial remuneration for work and life anniversaries.

16. DOCUMENTS

- Full scope of BALANCE SHEET as at 31 December 2015 (in whole thousands of CZK)
- Full scope of PROFIT AND LOSS STATEMENT as at 31 December 2015 (in whole thousands of CZK)
- CONSOLIDATED BALANCE SHEET
Minimum required scope of a consolidated report
- CONSOLIDATED PROFIT AND LOSS STATEMENT as at 31 December 2015 (in whole thousands of CZK)
Minimum required scope of a consolidated report
- INDEPENDENT AUDITOR'S REPORT about audit of the Company's consolidated financial statements

Full scope of BALANCE SHEET as at 31 December 2015 (in whole thousands of CZK)

Identific. a	ASSETS b	Line no. c	Current accounting period			Past account. p. Net 4
			Gross 1	Adjustment 2	Net 3	
	ASSETS TOTAL (line 02+03+31+63) = line 67	01	11,352,309	-3,363,318	7,988,991	9,002,719
B.	Fixed assets (line 04+13+23)	03	5,788,742	-2,704,449	3,084,293	3,214,171
B.I.	Intangible fixed assets (lines 05 to 12)	04	85,918	-81,456	4,462	2,558
3.	Software	07	83,574	-81,456	2,118	1,069
7.	Intangible fixed assets – work-in-progress	11	823		823	400
8.	Advances for intangible fixed assets paid	12	1,521		1,521	1,089
B.II.	Tangible fixed assets (lines 14 to 22)	13	4,736,136	-2,622,993	2,113,143	2,203,322
B.II. 1.	Land	14	501,772		501,772	504,054
2.	Structures	15	2,512,693	-1,355,000	1,157,693	1,214,071
3.	Separate movable items and sets of movable items	16	1,713,375	-1,267,993	445,382	445,526
6.	Other tangible fixed assets	19	314		314	314
7.	Tangible fixed assets – work-in-progress	20	7,349		7,349	30,320
8.	Advances for tangible fixed assets paid	21	633		633	9,037
B.III.	Long-term financial assets (lines 24 to 30)	23	966,688	0	966,688	1,008,291
B.III. 1.	Ownership interests in controlled and managed parties	24	924,660		924,660	968,801
2.	Ownership interests in accounting units under significant influence	25	42,028		42,028	39,490

Identific. a	ASSETS b	Line no. c	Current accounting period			Past account. p. Net 4
			Gross 1	Adjustment 2	Net 3	
C.	Current assets (line 32+39+48+58)	31	5,547,173	-658,869	4,888,304	5,773,955
C.I.	Inventory (lines 33 to 38)	32	2,663,008	-29,422	2,633,586	2,963,283
C.I. 1.	Material	33	437,551		437,551	555,344
2.	Production-in-progress and semi-finished products	34	2,940		2,940	4,285
5.	Merchandise	37	2,110,119	-29,422	2,080,697	2,320,991
6.	Advances for inventory paid	38	112,398		112,398	82,663
C.II.	Long-term receivables (lines 40 to 47)	39	3,487	0	3,487	3,767
5.	Advances for inventories paid	44	3,487		3,487	3,767
C.III.	Short-term receivables (lines 49 to 57)	48	2,562,846	-629,447	1,933,399	2,580,783
C.III. 1.	Receivables from trade	49	2,022,564	-629,363	1,393,201	1,918,739
2.	Receivables from controlled and managed parties	50	353,183		353,183	459,026
7.	Short-term advances paid	55	6,270		6,270	7,232
8.	Estimated receivables	56	179,128		179,128	193,580
9.	Other receivables	57	1,701	-84	1,617	2,206
C.IV.	Short-term financial assets (lines 59 to 62)	58	317,832	0	317,832	226,122
C.IV. 1.	Cash	59	2,615		2,615	2,497
2.	Bank accounts	60	315,217		315,217	223,625
D.I.	Accruals (lines 64 to 66)	63	16,394	0	16,394	14,593
1.	Complex accrued expenses	64	10,771		10,771	11,508
3.	Accrued revenues	66	5,623		5,623	3,085

Full scope of BALANCE SHEET as at 31 December 2015 (in whole thousands of CZK)

Identific. a	LIABILITIES b	Line no. c	Bal. in current account, period 1	Balance in past account, period 2
	LIABILITIES TOTAL (line 68+89+122) = line 01	67	7,988,991	9,002,719
A.	Equity (line 69+73+80+83+87+88+89)	68	4,177,480	4,086,958
A. I.	Registered capital (line 70 to 72)	69	3,000,000	3,000,000
A. I. 1.	Registered capital	70	3,000,000	3,000,000
A. II.	Capital funds (line 74 to 79)	73	288,745	330,348
2.	Other capital funds	75	230,550	230,550
3.	Gains or losses from revaluation of assets and liabilities	76	58,195	99,798
A. III.	Funds created from profit (line 81 to 82)	80	244,877	237,177
A. III. 1.	Reserve fund	81	244,877	237,177
A. IV.	Profit and/or loss from previous years (line 84 to 86)	83	511,733	366,096
A. IV. 1.	Retained earnings from previous years	84	511,733	296,905
3.	Other profit and/or loss from previous years	86		69,191
A. V. 1.	Profit and/or loss of current period line 01-(69+73+80+83+89+122) = line 60 of the profit and loss statement	87	132,125	153,337
B.	Borrowings (line 90+95+106+118)	89	3,799,559	4,896,686
B. I.	Provisions (lines 91 to 94)	90	0	1,740
B. I. 4.	Other provisions	94		1,740
B. II.	Long-term payables (lines 96 to 105)	95	82,356	76,271
5.	Long-term advances received	100	108	161
9.	Other payables	104	995	2,364
10.	Deferred tax liability	105	81,253	73,746

Identific. a	LIABILITIES b	Line no. c	Bal. in current account, period 1	Balance in past account, period 2
B. III.	Short-term payables (lines 107 to 117)	106	951,125	1,724,554
B. III. 1.	Payables from trade	107	656,397	1,189,390
2.	Payables to controlled or managed parties	108		221,801
5.	Payables to employees	111	169	145
6.	Payables to social security and health insurance	112	12,363	12,309
7.	Due to state – taxes and subsidies	113	63,714	33,004
8.	Short-term advances received	114	776	6,042
10.	Estimated payables	116	192,461	237,294
11.	Other payables	117	25,245	24,569
B. IV.	Bank loans and assistance (lines 119 to 121)	118	2,766,078	3,094,121
2.	Short-term bank loans	120	2,762,466	3,079,958
3.	Short-term financial assistance	121	3,612	14,163
C. I.	Accruals (lines 123 + 124)	122	11,952	19,075
C. I. 1.	Accrued expenses	123	11,893	19,025
2.	Deferred revenues	124	59	50

Full scope of PROFIT AND LOSS STATEMENT as at 31 December 2015 (in whole thousands of CZK)

Identific. a	TEXT b	Line no. c	Reality in accounting period	
			Current 1	Past 2
I.	Revenues from the goods sold	1	13,069,374	13,822,601
A.	Cost of goods sold 02	2	11,934,822	12,605,729
+	Business margin (line 01 – 02)	3	1,134,552	1,216,872
II.	Production (line 05 + 06 + 07)	4	2,686,282	3,073,320
II. 1.	Revenues from sale of own products and services	5	173,041	155,283
2.	Increase/decrease of inventories from company's activities	6	2,254	
3.	Capitalization	7	2,510,987	2,918,037
B.	Production consumption (line 09 + 10)	8	2,837,605	3,231,053
B.1.	Purchased consumables and materials	9	2,537,253	2,942,023
2.	Services	10	300,352	289,030
+	Added value (line 03 + 04 – 08)	11	983,229	1,059,139
C.	Personnel expenses (lines 13 to 16)	12	558,921	565,874
C.1.	Wages and salaries	13	410,850	411,770
2.	Remuneration to the members of the bodies of the company and co-operative	14	11,820	11,010
3.	Social security and health insurance expenses	15	125,530	132,452
4.	Social expenses	16	10,721	10,642
D.	Taxes and fees	17	17,497	20,388
E.	Depreciation of tangible and intangible fixed assets	18	184,823	185,494

označ. a	TEXT b	řád c	Skutečnost v účetním období sledovaném	
			1	minulém 2
III.	Revenues from sale of fixed assets and materials	19	64,264	92,765
III.1.	Revenues from sale of fixed assets	20	15,752	66,450
2.	Revenues from sale of materials	21	48,512	26,315
F.	Net book value of fixed assets and materials sold	22	59,782	53,860
F.1.	Net book value of fixed assets sold	23	7,983	24,280
2.	Materials sold	24	51,799	29,580
G.	Additions to operating provisions and adjustments and accrued complex expenses	25	-10,348	39,242
IV.	Other operating revenues	26	2,234,400	2,199,591
H.	Other operating expenses	27	2,257,368	2,230,518
*	Operating profit and/or loss [line 11 – 12 – 17 – 18 + 19 – 22 +/- 25 + 26 – 27 + (-28) – (-29)]	30	213,850	256,119
VII.	Revenues from long-term financial assets (line 34 + 35 + 36)	33	35,000	0
VII. 1.	Revenues from shares in controlled entities and in accounting units under significant influence	34	35,000	
X.	Interest received	42	10,915	15,175
N.	Interest paid	43	67,528	92,083
XI.	Other financial revenues	44	59,256	45,465
O.	Other financial expenses	45	101,183	82,271
*	Financial profit and/or loss (line 32 + 33 + 37 – 38 + 39 – 40 (+/- 41) + 42 – 43 + 44 – 45 + (-46) – (-47))	48	-63,540	-113,714
Q.	Income tax on ordinary income (line 50 + 51)	49	18,185	-10,932
Q.1.	- due	50	10,678	2,045
2.	- deferred	51	7,507	-12,977
**	Profit and/or loss from ordinary activities (line 30 + 48 – 49)	52	132,125	153,337
***	Profit and/or loss of accounting period (+/-) (line 52 + 58 – 59)	60	132,125	153,337
****	Profit and/or loss before tax	61	150,310	142,405

CONSOLIDATED BALANCE SHEET

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

Identific.	TEXT	Current account. period as at 31. 12. 2015 1	Past account. period as at 31. 12. 2015 2	Last but one account. p. as at k 31. 12. 2015 3
	ASSETS TOTAL	9,507,287	10,804,710	11,315,547
A.	Receivables for subscribed equity			
B.	Fixed assets	3,239,042	3,377,057	3,528,828
B.I.	Intangible fixed assets	8,274	7,166	6,927
B.II.	Tangible fixed assets	3,185,413	3,326,994	3,475,622
B.III.	Financial fixed assets	0	0	3,435
B.IV.	Consolidation difference – positive negative	0	0	0
B.V.	Securities in equivalence	45,355	42,897	42,844
C.	Current assets	6,242,710	7,398,529	7,755,407
C.I.	Inventories	3,461,082	3,921,616	3,949,976
C.II.	Long-term receivables	13,472	4,553	6,612
C.III.	Short-term receivables	2,342,701	3,119,442	3,573,983
C.IV.	Financial assets	425,455	352,918	224,836
D.	Other assets – temporary asset accounts	25,535	29,124	31,312

Identific.	TEXT	Current account. period as at 31. 12. 2015 1	Past account. period as at 31. 12. 2015 2	Last but one account. p. as at k 31. 12. 2015 3
	LIABILITIES TOTAL	9,507,287	10,804,710	11,315,547
A.	Equity	4,065,244	3,974,633	3,860,421
A.I.	Registered capital	3,000,000	3,000,000	3,000,000
A.II.	Capital funds	377,107	408,519	397,611
A.III.	Funds created from profits	262,803	255,298	246,316
A.IV.	Profit and/or loss from previous years	291,801	181,639	129,466
A.V.	Profit and/or loss of current period, excl. minority interests	106,149	101,640	57,425
1.	Profit and/or loss of current period	103,560	101,662	59,566
2.	Share in profit in equivalent companies	2,589	-22	-2,141
A.VI.	Consolidation reserve fund	27,384	27,537	29,603
B.	Borrowings	5,374,808	6,750,653	7,365,683
B.I.	Provisions	16,537	20,451	11,926
B.II.	Long-term payables	87,623	80,827	101,548
B.III.	Short-term payables	1,372,201	2,442,452	2,683,375
B.IV.	Bank loans and assistance	3,898,447	4,206,923	4,568,834
C.	Other liabilities – temporary liabilities accounts	14,302	21,276	42,457
D.	Minority equity	52,933	58,149	46,986
D.I.	Minority registered capital	900	900	900
D.II.	Minority capital funds	0	0	0
D.III.	Minority profit funds, incl. retained earnings from previous years	42,249	46,085	32,350
D.IV.	Minority profit and/or loss of current period	9,784	11,164	13,736

CONSOLIDATED PROFIT AND LOSS STATEMENT

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

Identification	TEXT	Reality in accounting period		
		Current 1	Past 2	Last but one 3
I.	Revenues from the goods sold	16,110,737	17,305,434	17,824,757
A.	Cost of goods sold 02	14,702,547	15,780,895	16,388,734
+	Business margin	1,408,190	1,524,539	1,436,023
II.	Production	4,468,969	4,874,898	2,533,253
B.	Production consumption	4,584,401	5,005,652	2,694,680
+	Added value	1,292,758	1,393,785	1,274,596
C.	Personnel expenses	700,172	701,556	669,001
E.	Depreciation of tangible and intangible fixed assets	235,302	237,031	253,081
	Depreciation (clearing) of consolidation difference	0	0	6,667
	Clearing of consolidation difference	0	0	0
G. + H.	Additions to operating provisions and adjustments and accrued operating expenses	44,582	154,221	90,011
III.+ VI.-VII.	Other operating revenues	2,844,566	2,943,975	2,638,735
D.+ F.+I.-J.	Other operating expenses	2,888,358	2,971,581	2,710,157
*	Consolidated operating profit and/or loss	268,910	273,371	184,414
VIII+IX+X+XI+XII+ +XIII+XIV-XV	Financial revenues	66,475	61,743	164,031
K+L+M+N+O+R+P	Financial expenses	204,809	220,485	299,603
*	Consolidated profit and/or loss from financial operations	-138,334	-158,742	-135,572

Identification	TEXT	Reality in accounting period		
		Current 1	Past 2	Last but one 3
R.1.	Income tax on ordinary activities - due	19,154	13,705	11,053
R.2.	Income tax on ordinary activities - deferred	-1,922	-11,902	-35,513
**	Consolidated profit and/or loss from ordinary activities	113,344	112,826	73,302
***	Consolidated profit and/or loss for accounting period, excl. share in equivalent companies	113,344	112,826	73,302
from that	- Profit and/or loss for current period, excl. minority interests	103,560	101,662	59,566
	- Minority profit and/or loss for current period	9,784	11,164	13,736
	Share in profit in equivalent companies	2,589	-22	-2,141
****	Consolidated profit and/or loss for accounting period	106,149	101,640	57,425

INDEPENDENT AUDITOR'S REPORT

about audit of the Company's consolidated financial statements



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140 00

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Feron, a.s.

We have audited the accompanying consolidated financial statements of Feron, a.s., based at Havlíčkova čp. 1043/11, Praha 1, PSC 111 82, identification number 26 44 01 81, in accordance with Czech accounting regulations, which comprise the balance sheet as of 31. 12. 2015, and the income statement for the period from 1.1. 2015 to 31.12. 2015 and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body of Feron, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

BDO Audit s. r. o. - česká společnost s ručním společenstvím (IČ 49 21 81 81) - registrace u Ředitelství úřadu Prahy, úřad v sídla C, 7274, vložka číslo 218, je členem BDO International Limited (společnosti s ručním společenstvím v sídla Brno) a je součástí mezinárodní sítě nezávislých členů společnosti BDO.



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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Feron, a.s. as of 31. 12. 2015 and of its financial performance for the period from 1.1. 2015 to 31. 12. 2015 in accordance with Czech accounting regulations.

Other information

The other information comprises the consolidated annual report but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate or consolidated financial statements or our knowledge obtained from the audit of the separate and consolidated financial statements and whether the consolidated annual report was prepared in accordance with the legal requirements, or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Based on the work we have performed, we have nothing to report with regard to the other information that we have obtained.

Prague, April 25, 2016

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

Represented by partners:


Eva Knyplová
Certificate No. 1521


Vlastimil Hokr
Certificate No. 0071

BDO Audit s. r. o. - česká společnost s ručním společenstvím (IČ 49 21 81 81) - registrace u Ředitelství úřadu Prahy, úřad v sídla C, 7274, vložka číslo 218, je členem BDO International Limited (společnosti s ručním společenstvím v sídla Brno) a je součástí mezinárodní sítě nezávislých členů společnosti BDO.