



# ANNUAL REPORT

2010



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## 1. Introduction of the Company

ŽIAROMAT a. s. Kalinovo is a traditional manufacturer of refractory materials.

It is historically predetermined to this kind of manufacturing thanks to existence of refractory clays in the Ipeľ River basin and also thanks to geographical proximity of companies processing iron ore and non-ferrous metal ores in the past (Podbrezová, Tisovec, Krompachy, etc).

In its history, the Company went through several stages, from independent existence in the form of a shareholding company, then as a part of state-run company Slovenské magnezitové závody, š.p.. Later it operated as a separate government owned company. Currently it is a shareholding company belonging to ŽP GROUP Podbrezová.

From the viewpoint of its production portfolio, the principal product of ŽIAROMAT a. s. is still fire clay (i.e. construction material on the basis of  $Al_2O_3$ ), which is pressed either in plastic or semi-dry manner, and also manufacturing of refractory concretes and other substances and refractory mixtures.

Even despite continuous decrease in consumption of refractory materials in production of steel and non-ferrous materials, the Company has found its place in the market after it had implemented necessary technological investments, and it will maintain their own existence also in the future.



## 2. General Manager's Speech

In the second half of 2009, after the crisis, the sale of our products started to increase. This trend continued even in 2010. Production and sale in that year reached the level of 2008 and we perceived this very positively.

According to our customers' requests even in the year 2010 we offered 90 new products on the market. Implementation of investment activity i.e. production of the MgOC building materials for the steel mills continued. We successfully tested our new steel ladle slag lines linings.

I would like to thank to members of the Board of Directors, the Supervisory Board and all employees of Žiaromat a.s, whose proactive approach and initiative helped to achieve the results.



**Ing. Ľubomír Kupec**

Vice-chair of the Board of Directors and Managing Director





### 3. ASSESSMENT OF THE BUSINESS PLAN FOR THE YEAR 2010

The business plan for 2010 was based on assumption of continuing existing business relations, as well as acquiring new business contacts thanks to expansion of sales activities in EU markets and eastern markets.

- *INTENTION*

Due to the fact that market demands for products assortment changed in the course of the year sales activities in 2010 focused on alignment to current demand and situation in individual market segments.

- *SALES PLAN*

Overall sales plan for 2010 was adopted at the amount of € 6,593,844, which is an increase by € 587,284 this is 9.8 % compared to actual figures for 2009.

The actual output was € 8,090,330, which equals to performance at 122.7 % level. Out of that, fire clay amounted to € 3,335,703 this is 9.9 % growth compared to the planned revenues, heat resistant concretes to € 3,983,388 growth compared to the planned revenues represents 52.2%, substances to € 752, 035 this is 0.7 % growth and MgOC € 19,204.

- *SHARES OF MARKETS*

Shares of markets in 2010:

|                                    |        |
|------------------------------------|--------|
| Domestic                           | 46.4 % |
| Own export                         | 41.2 % |
| Export through trade organisations | 12.3 % |



Five biggest segments in sales in 2010:

|                             |        |
|-----------------------------|--------|
| Steelworks                  | 64.4 % |
| Ovens and fire-places       | 21.3 % |
| Other                       | 4.4 %  |
| Construction materials      | 4.0 %  |
| Cement mills and lime works | 2.9 %  |

Territories with the biggest percentage share in sales:

|                |        |
|----------------|--------|
| Slovakia       | 46.4 % |
| Czech Republic | 24.4 % |
| Ukraine        | 10.2 % |
| Hungary        | 9.8 %  |
| Croatia        | 3.0 %  |

Portfolio of fire-clay construction materials amounted to 41.2 % of the total revenues for 2010 (out of which fire-clay inserts to ovens and fireplaces constituted 16.6 %; cast fire-clay 12.3 %; fittings 12.4 %), refractory concrete mixtures and monoliths accounted for 49.2 % and substances reached 9.3 %.

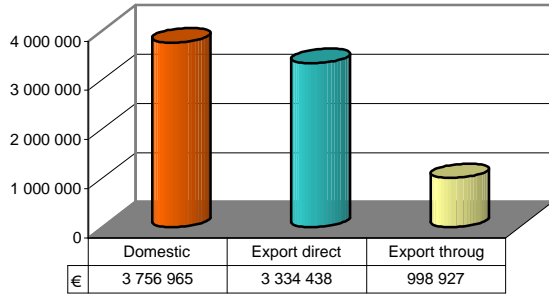
In 2009, the share of portfolio of fire-clay construction materials reached 45.7 % (out of which fire-clay inserts to ovens and fireplaces made 24.2 %; cast fire-clay 9.3 % and fittings 12.2 %), refractory concrete mixtures and monoliths accounted for 47.3 % and substances for 7.0 %.

- *CONCLUSIONS*

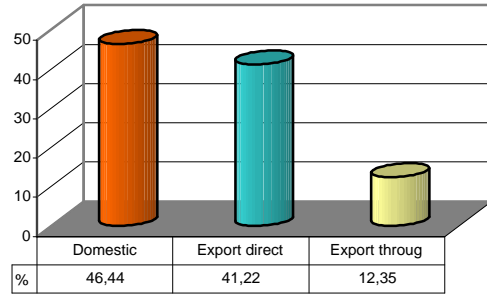
In 2011 it will be necessary to guarantee all conditions (technical, production, technological and sales) in order to safeguard implementation of new sales activities, especially in the field of MgOC building materials, heat resistant concrete monoliths for fireplace stoves, heat resistant concrete mixtures for steelworks and new qualities of synthetic slag.

# OVERVIEW OF SALES FOR THE YEAR 2010

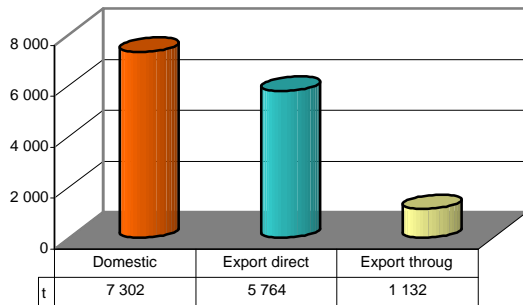
Sales broken down to destination 2010 in €



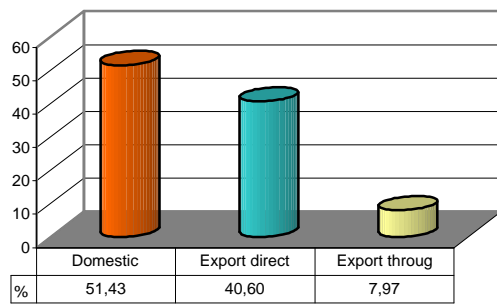
Share of sales broken down to destination 2010 in €(%)



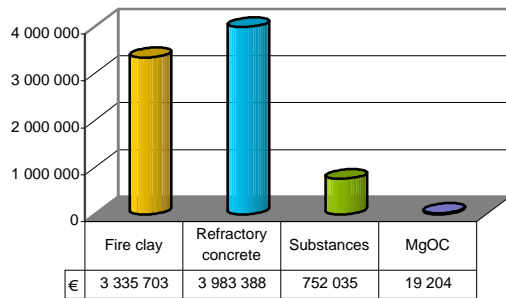
Sales broken down to destination 2010 (tons)



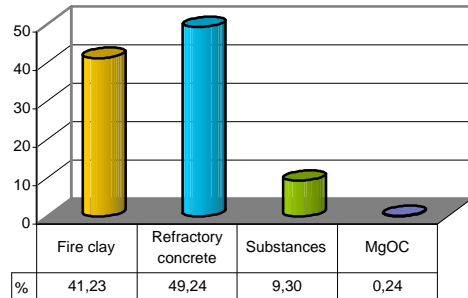
Share of sales broken down to destination 2010 in tons (%)



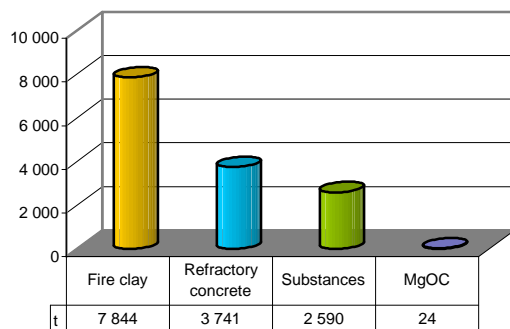
Sales broken down to assortment 2010 (€)



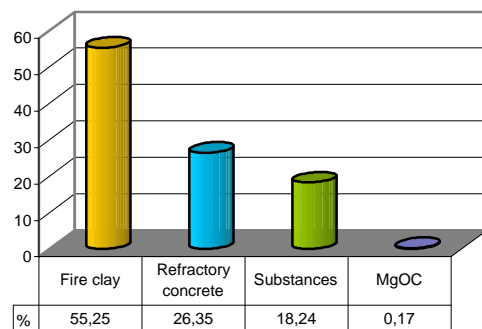
Share of sales broken down to assortment 2010 (%)



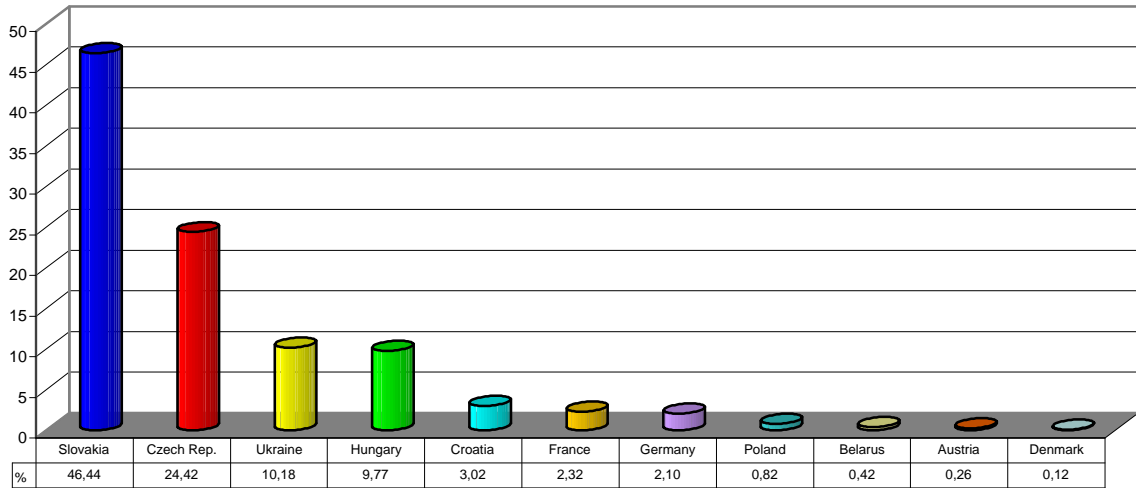
Sales broken down to assortment 2010 (tons)



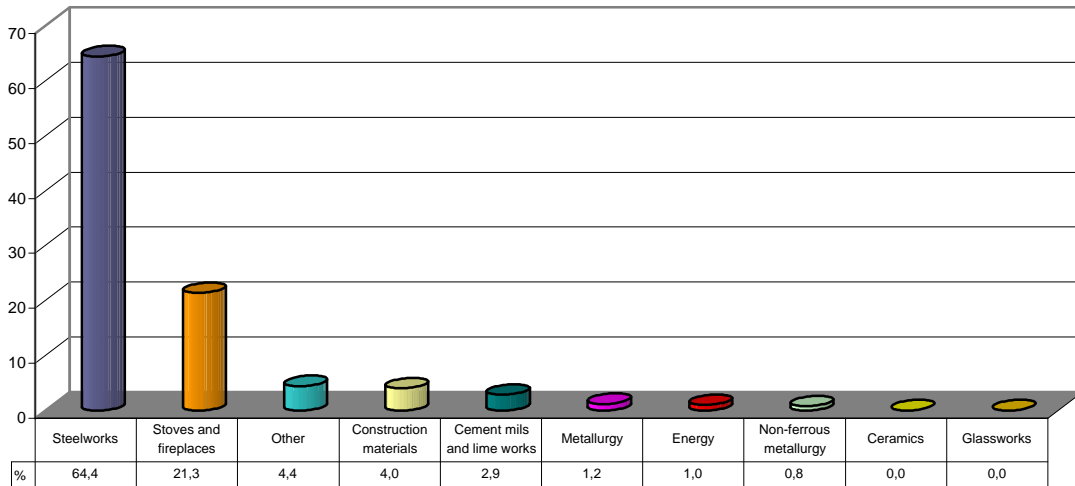
Share of sales broken down to assortment 2010 (%)



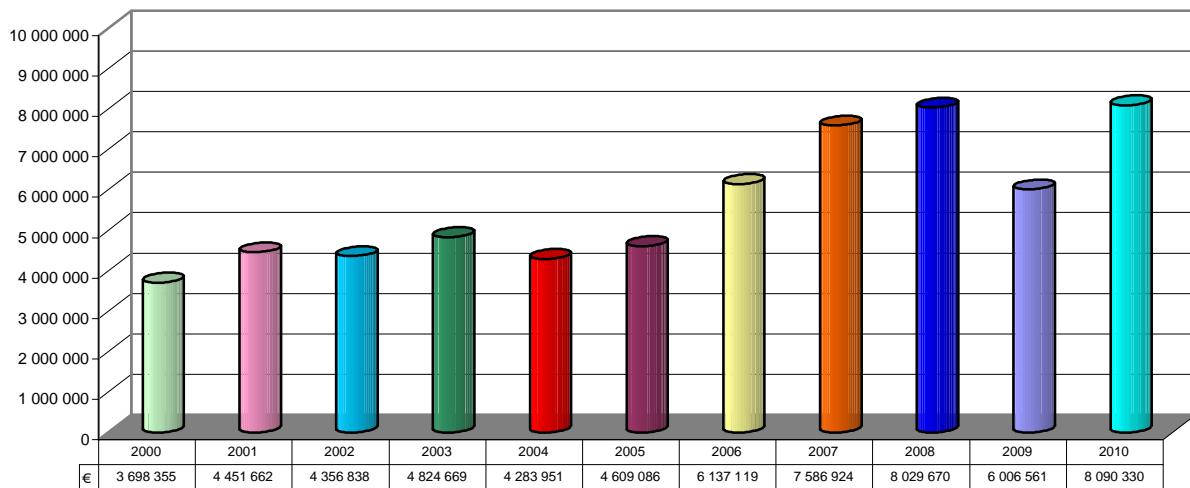
Share of sales broken down to countries in %



Share of sales broken down to segments for 2010 in %



Comparison of total sales - 2000 to 2010 (€)







## **4. Balance of Assets and Economic Performance**



# **INDEPENDENT AUDITOR'S REPORT**

**for the year 2010**

**on annual financial statements  
of the joint stock company**

**Žiaromat a.s., Kalinovo**

## INDEPENDENT AUDITOR'S REPORT

for the shareholders of the company Žiaromat a.s., Kalinovo

We have audited enclosed Financial Statements of the company Žiaromat a.s., with the registered office in Kalinovo, IČO (company registration number): 31 633 803 that consists of the Balance Sheet as of December 31, 2010 Profit and Loss Statement and Notes on the year ending as of the above mentioned date as well as the survey of significant accounting principles and accounting methods and other explanatory comments.

### *The responsibility of company management for the Financial Statements*

The company management is responsible for the preparation and the fair presentation of Financial Statements in accordance with Act on accounting No. 431/2002 Coll., as amended. This responsibility includes the designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or misstatement; furthermore, it also includes the selecting and applying appropriate accounting principles and accounting methods as well as the execution of the accounting estimates that are reasonable in the given circumstances.

### *The responsibility of auditor*

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements, we plan and perform our audit in such a way to obtain reasonable assurance whether the Financial Statements are free from any material misstatement.

Performing of procedures to obtain audit evidence about the amounts and data shown in the Financial Statements is a component part of the audit. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements, in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Furthermore, the audit includes evaluating the appropriateness of the accounting estimates used by the management as well as the overall presentation of the Financial Statements.

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

### *Opinion*

In our opinion, the Financial Statements presents true and fair view of the Žiaromat a.s. company's financial position as of December 31, 2010, business results and cash flow for the year ending as of the above mentioned date and in accordance with Act on accounting and with accounting principles generally accepted in Slovakia.

Banská Bystrica, March 1, 2011

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M.M.Hodžu 3, 974 01 Banská Bystrica  
Licence SKAu No. 6  
Commercial Register of District Court, Banská Bystrica  
Section: Sro, File No.: 98/S, IČO (company registration number): 00614556

Ing. Dagmar Mihálová  
Responsible auditor  
Licence SKAu No.53



## Balance of assets and resources

During the year 2010 the value of assets decreased by € 11,816. A breakdown of the decrease into particular classes of assets follows:

- Non-current assets grew by €16,377. In the structure of items of non-current assets, the individual items of personal property recorded as the only ones a growth by €81,118.00. Portfolio expansion of products necessitated a significant expansion of used forms and they are creating the majority of given growth.
- Current assets decreased by €23,707.
- To a substantial extent, this decrease is the result of decline in inventory, which was reduced by €8,713. In the area of a stockpile, it is a growth by €8,660.00, decrease in the stockpile of ready-made products by €4,052.00, a decrease of unfinished products by €13,202.00, and decrease in the stock of goods by €119. On the other hand, current receivables increased by € 4,462, with a considerable increase of receivables from business relations by €71,730. Tax receivables recorded a decrease by €69,500. We also recorded a decline on financial accounts, when their total value decreased by € 19,455.
- Accruals – accrued costs decreased by € 4,486.

Within the structure of passives during the period of monitoring, the value of equity increased by € 253,899 and amounted to positive value of € 1,288,556.

Balance of liabilities in the period of monitoring:

|  |             |
|--|-------------|
| Liabilities total                                  | - 235,753   |
| Out of which:                                      |             |
| Provisions   | + €36,407   |
| Non-current liabilities                            | - €15,907   |
| Current liabilities                                | - € 447,250 |
| - out of which liabilities from business relations | - € 482,276 |
| Bank loans and subsidies                           | + € 220,997 |

The result from the above mentioned is, that despite an increase of bank loans, the obligation overall went down significantly.

Accruals and deferrals, the third part of debit, achieved decreased by € 29,962.

BALANCE SHEET Úč POD 1-01 as of 31 December 2010 (in €)

| ASSETS  | Line No.   | As of 31 Dec 2010                     |                  | As of 31 Dec 2009 |
|---|------------|---------------------------------------|------------------|-------------------|
|   |            | Gross<br>Correction                   | Net              | Net               |
| <b>Assets total I.002+031+061</b>                         | <b>001</b> | <b>10,656,946</b><br><b>5,470,343</b> | <b>5,186,603</b> | <b>5,198,419</b>  |
| <b>Non-current assets I.003+012+022</b>                   | <b>002</b> | <b>7,002,241</b><br><b>5,174,644</b>  | <b>1,827,597</b> | <b>1,811,220</b>  |
| <b>Non-current intangible assets total (I.004 to 011)</b> | <b>003</b> | <b>60,062</b><br><b>45,524</b>        | <b>14,538</b>    | <b>17,265</b>     |
| Software  | 006        | 38,254<br>38,254                      |                  |                   |
| Appreciable rights  | 007        | 21,808<br>7,270                       | 14,538           | 17,265            |
| <b>Non-current tangible assets total (I.013 to 021)</b>   | <b>012</b> | <b>6,942,179</b><br><b>5,129,120</b>  | <b>1,813,059</b> | <b>1,793,955</b>  |
| Land  | 013        | 149,472                               | 149,472          | 148,311           |
| Structures  | 014        | 2,468,354<br>1,995,709                | 472,645          | 558,335           |
| Separate movable assets and sets of movable assets        | 015        | 3,816,065<br>3,120,681                | 695,384          | 614,266           |
| Other non-current tangible assets                         | 018        | 5,635                                 | 5,635            | 6,307             |
| Acquired non-current tangible assets                      | 019        | 436,031<br>12,730                     | 423,301          | 466,736           |
| Advances offered for a long-term tangible property        | 020        | 66,622                                | 66,622           |                   |
| <b>Current assets I.032+040+047+055</b>                   | <b>031</b> | <b>3,652,421</b><br><b>295,699</b>    | <b>3,356,722</b> | <b>3,380,428</b>  |
| <b>Reserves total (I.033 to 039)</b>                      | <b>032</b> | <b>2,571,914</b><br><b>37,292</b>     | <b>2,534,622</b> | <b>2,543,335</b>  |
| Material  | 033        | 1,191,885<br>25,615                   | 1,166,270        | 1,157,610         |
| Unfinished produce and semi-products                      | 034        | 134,109                               | 134,109          | 147,311           |
| Products  | 036        | 1,242,526<br>11,677                   | 1,230,849        | 1,234,901         |
| Goods   | 038        | 3,394                                 | 3,394            | 3,513             |
| <b>Current receivables total (I.048 to 054)</b>           | <b>047</b> | <b>1,005,337</b><br><b>258,407</b>    | <b>746,930</b>   | <b>742,468</b>    |
| Receivables from business relations                       | 048        | 966,324<br>258,407                    | 707,917          | 636,187           |
| Tax receivables   | 053        | 35,815                                | 35,815           | 105,315           |
| Other receivables   | 054        | 3,198                                 | 3,198            | 966               |
| <b>Financial accounts total (I.057 to 061)</b>            | <b>055</b> | <b>75,170</b>                         | <b>75,170</b>    | <b>94,625</b>     |
| Cash  | 056        | 3,362                                 | 3,362            | 9,319             |
| Bank accounts   | 057        | 19,750                                | 19,750           | 9,742             |
| Current liquid assets                                     | 059        | 52,058                                | 52,058           | 75,564            |
| <b>Accruals and deferrals I.062 to 065</b>                | <b>061</b> | <b>2,284</b>                          | <b>2,284</b>     | <b>6,771</b>      |
| Accrued expenses, non-current                             | 062        |                                       |                  | 4,362             |
| Accrued expenses, current                                 | 063        | 2,284                                 | 2,284            | 2,409             |

| LIABILITIES   | Line No.   | As of 31 Dec 2010 | As of 31 Dec 2009 |
|---|------------|-------------------|-------------------|
| <b>EQUITY AND LIABILITIES TOTAL I.067+088+119</b>   | <b>066</b> | <b>5,186,603</b>  | <b>5,198,419</b>  |
| <b>Equity I.068+073+080+084+087</b>   | <b>067</b> | <b>1,288,556</b>  | <b>1,034,657</b>  |
| <b>Shareholders' equity total (I. 069 to 072)</b>   | <b>068</b> | <b>4,812,550</b>  | <b>4,812,550</b>  |
| Shareholders' equity  | 069        | 4,812,550         | 4,812,550         |
| <b>Capital funds total (I. 074 to 079)</b>  | <b>073</b> | <b>568</b>        | <b>568</b>        |
| Mandatory reserve fund  | 076        | 568               | 568               |
| <b>Profit funds total (I. 081 to 083)</b>   | <b>080</b> | <b>999,901</b>    | <b>994,113</b>    |
| Mandatory reserve fund  | 081        | 999,901           | 994,113           |
| <b>Economic performance of previous years I. 085+086</b>                                    | <b>084</b> | <b>-4,778,362</b> | <b>-4,830,451</b> |
| Unsettled loss of previous years  | 086        | -4,778,362        | -4,830,451        |
| <b>Economic performance for the accounting period +/- I. 001- (068+073+080+084+088+119)</b> | <b>087</b> | <b>253,899</b>    | <b>57,877</b>     |
| <b>Liabilities I. 89+94+105+116</b>   | <b>088</b> | <b>3,884,155</b>  | <b>4,119,908</b>  |
| <b>Provisions total (I. 090 to 093)</b>   | <b>089</b> | <b>126,036</b>    | <b>89,629</b>     |
| Provisions, mandatory, current  | 091        | 114,199           | 69,690            |
| Other current reserves  | 093        | 11,837            | 19,939            |
| <b>Non-current liabilities total (I. 095 to 104)</b>  | <b>094</b> | <b>32,784</b>     | <b>48,691</b>     |
| Liabilities from the social funds   | 102        | 4,296             | 1,688             |
| Other non-current liabilities   | 103        | 13,266            | 23,490            |
| Deferred tax liability  | 104        | 15,222            | 23,513            |
| <b>Current liabilities total (I. 106 to 114)</b>  | <b>105</b> | <b>1,119,089</b>  | <b>1,596,339</b>  |
| Liabilities from business relations   | 106        | 913,514           | 1,395,790         |
| Non-invoiced supplies   | 107        |                   | 540               |
| Liabilities to employees  | 111        | 111,438           | 93,710            |
| Liabilities of the social insurance scheme  | 112        | 71,013            | 56,267            |
| Tax liabilities and subsidies   | 113        | 9,743             | 18,312            |
| Other liabilities   | 114        | 13,381            | 31,720            |
| <b>Bank loans total (I. 117 + 118)</b>  | <b>116</b> | <b>2,606,246</b>  | <b>2,385,249</b>  |
| Long-term bank loans  | 117        |                   |                   |
| <b>Current bank loans</b>   | <b>118</b> | <b>2,606,246</b>  | <b>2,385,249</b>  |
| <b>Accruals total (I. 120 to 123)</b>   | <b>119</b> | <b>13,892</b>     | <b>43,854</b>     |
| Accrued expenses, current   | 121        | 1,664             | 5,737             |
| Accrued revenues, current   | 123        | 12,228            | 38,117            |

## Economic performance

Economic performance – profit in the amount of € 253,899 is the result of the equation of revenues in the total amount of € 8, 590,130 and total costs in the amount of € 8,336,231.

Share of revenues from sales of own products and services in total revenues of the company is 96,07 %. It is an increase compared to 2009 by € 2,095,359, which is 34,03 %.

The total amount of costs was substantially influenced by the following cost groups:

|                        |             |
|------------------------|-------------|
| - Material consumption | € 4,211,561 |
| Share in total costs   | 50.52 %     |
| - Energy consumption   | € 759,622   |
| Share in total costs   | 9.11 %      |
| - Personnel costs      | € 2,412,550 |
| Share in total costs   | 28,94 %     |

The above three groups of costs are dominant in the total structure and account for 88.57 % total costs of company.

### PROPOSAL FOR DISTRIBUTION OF THE PROFIT

The Board of Directors proposes to distribute the profit in the amount of € 253,898.67 as follows:

|                                    |              |
|------------------------------------|--------------|
| - Mandatory reserve fund           | € 25,389.87  |
| - Unsettled loss of previous years | € 228,508.80 |

## Profit and Loss Statement Úč POD 2-01 as of 31 December 2010 (in €)

| Text  | Line No.  | As of 31 Dec 2010 | As of 31 Dec 2009 |
|---|-----------|-------------------|-------------------|
| Revenues from sale of goods   | 01        | 16,822            | 17,420            |
| Costs incurred on acquisition of goods sold   | 02        | 15,157            | 15,958            |
| <b>Sales margin I. 01 - 02</b>  | <b>03</b> | <b>1,665</b>      | <b>1,462</b>      |
| <b>Production I. 05+06+07</b>   | <b>04</b> | <b>8,371,387</b>  | <b>6,386,887</b>  |
| Revenues from sale of own products and services   | 05        | 8,252,489         | 6,157,130         |
| Change of the balance of internal company stock   | 06        | -17,254           | 5,518             |
| Activation  | 07        | 136,152           | 224,239           |
| Production consumption I. 09+10   | 08        | 5,359,315         | 3,919,211         |
| Consumption of energy and other non-storable supplies   | 09        | 4,962,390         | 3,551,570         |
| Services  | 10        | 396,925           | 367,641           |
| Added value I. 03+04-08   | 11        | 3,013,737         | 2,469,138         |
| Human resources costs total (I. 13 to 16)   | 12        | 2,412,550         | 2,034,518         |
| Salary costs  | 13        | 1,705,299         | 1,369,020         |
| Rewards to members of the company and cooperation bodies  | 14        | 25,493            | 25,387            |
| Costs of social insurance scheme  | 15        | 599,670           | 483,582           |
| Social costs  | 16        | 82,088            | 156,529           |
| Taxes and fees  | 17        | 25,845            | 28,842            |
| Depreciation and adjusting entries to non-current intangible assets and non-current tangible assets           | 18        | 315,370           | 313,085           |
| Revenues from sale of non-current assets and material   | 19        | 12,872            | 30,237            |
| Residual price of sold non-current assets and sold material   | 20        | 8,768             | 15,378            |
| Posting and accounting of adjusting entries to receivables  | 21        | -12,199           | -1,913            |
| Other revenues from economic activity   | 22        | 136,871           | 82,272            |
| Other costs on economic activity  | 23        | 82,214            | 63,355            |
| <b>Economic performance of economic activity I. 11-12-17-18+19-20-21+22-23+(-1.24)-(-1.25)</b>                | <b>26</b> | <b>330,932</b>    | <b>128,382</b>    |
| Revenues from the sale of stocks and dividends  | 27        | 52,000            |                   |
| Stocks and dividends sold   | 28        | 46,800            |                   |
| Revenue interests   | 38        | 168               | 26                |
| Cost interests  | 39        | 60,383            | 64,568            |
| Exchange rate profits   | 40        | 10                | 1,354             |
| Exchange rate losses  | 41        | 1,077             | 4,640             |
| Other revenues from financial activity  | 42        |                   | 21                |
| Other costs of financial activity   | 43        | 7,568             | 4,434             |
| <b>Economic performance of financial activity I.27-28+29+33-34+35-36-37+38-39+40-41+42-43+(-1.44)-(-1.45)</b> | <b>46</b> | <b>-63,650</b>    | <b>-72,241</b>    |
| Economic performance from ordinary activities before taxation I.26 + I.46                                     | 47        | 267,282           | 56,141            |
| Income tax on current activity I.47+48  | 48        | 13,383            | -1,656            |
| - due   | 49        | 21,674            |                   |
| - deferred  | 50        | 8,291             | -1,656            |
| Economic performance from ordinary activities after taxation I. 47 – I.48                                     | <b>51</b> | <b>253,899</b>    | <b>57,797</b>     |
| Extraordinary revenues  | 52        |                   | 80                |
| <b>Economic performance from extraordinary activities before taxation I. 52 – I.53</b>                        | <b>54</b> |                   | <b>80</b>         |
| <b>Economic performance from extraordinary activities after taxation I. 54 – I. 55</b>                        | <b>58</b> |                   | <b>80</b>         |
| <b>Economic performance for the accounting period before taxation (+/-) [I. 47 + I. 54]</b>                   | <b>59</b> | <b>267,282</b>    | <b>56,221</b>     |
| <b>Economic performance for the accounting period after taxation (+/-) [I. 51+ I. 58 – I.60]</b>              | <b>61</b> | <b>253,899</b>    | <b>57,877</b>     |





ŽIAROMAT a. s.

Továrenská 1,  
985 01 Kalinovo  
Slovak Republic

# Comments to Financial Statements as of 31 December 2010

28-02-2011

.....  
date

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signature of the statutory body

# Notes to the Financial Statements as of 31 December 2010

## A. INFORMATION ABOUT ACCOUNTING UNIT

### 1. Business name and registered office of the company:

ŽIAROMAT a.s.  
Továrenská 1  
985 01 Kalinovo

Shareholding company established by the Deed of Foundation of 18 July 1995 and by decision of the founder in accordance with § 154 et seq. of Act No. 513/91 Coll. by a single application of §§ 172, 175. Old case file: Sa 894

### 2. Principal activities of the Company are:

- Manufacturing of refractory ceramic products
- Research and development of refractory materials
- Trading activity within the scope of free trading licence
- Mining activity in accordance with legal regulations
- Performance of engineering constructions
- Performance of industrial constructions
- Constructing
- Carpentry
- Metal- working
- Metal grinding and polishing
- Locksmithery, tools manufacturing
- Smithery
- motorized transportation – domestic long-haul trucking

### 3. Average number of employees

Average number of employees of the Company as of 31 December 2010 was 216, out of which 12 executive employees; as of 31 December 2009 there were 210 employees, out of which 12 executive employees.

### 4. Legal title for preparation of the Financial statements

The Financial statements of the Company for the fiscal year from 1 January 2010 until 31 December 2010 have been prepared as ordinary financial statements.

### 5. Data of approval of the Financial statements for the previous accounting period

The Financial Statements of the Company as of 31 December 2009 were approved by the General Meeting of the Company on 18 March 2010

## B. INFORMATION ABOUT BODIES OF THE ACCOUNTING UNIT

Board of Directors: Ing. Marián Kurčík  
Ing. Eubomír Kupec  
Ing. Dušan Brečka  
Ing. Ivan Zemko  
Ing. Roman Gál

Supervisory Board: Ing. Ľudovít Ihring  
Ing. Ján Banas  
Ing. Jozef Marčok  
Ing. Vladimír Zvarík  
Miroslav Milec  
Pavol Dojčiar since 18. August 2009

## C. INFORMATION ABOUT SHAREHOLDERS OF THE ACCOUNTING UNIT

At the General Meeting held on 1 October 2007, Železiarne Podbrezová a.s., Kolkáreň 35, Podbrezová became owner of 100 % shares of the Company, namely 145,000 shares.

Share type – unregistered. The nominal value of one share is EUR 33.190000. Shareholders' equity is EUR 4,812,550.00.

## INFORMATION ABOUT CONSOLIDATION

Železiarne Podbrezová a.s., Kolkáreň 35, Podbrezová is the 100 % owner of shares and the accounting unit Žiaromat a.s. entered the group of accounting units of the consolidated unit.

Since 1 January 2008, ŽIAROMAT a.s. is processing their books by using accounting software from company DATALOCK a.s. Banská Bystrica. Company DATALOCK a.s. Banská Bystrica has contract through ŽP Informatika. Until 31 August 2008 we processed data parallel way i.e. also in the old program from company AURUS Bratislava. New program takes care of processing of the following subsystems: bank, taxes, billing, stock, cash register, wages, bookkeeping, fixed assets. Processed subsystem passes monthly directly into the accounting system. Accounting is processed by computers connected to the network. Required documentation is processed in the form of reports.

## D. INFORMATIONS ABOUT ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS

### INFORMATION ABOUT THE CURRENCY CHANGE

The Slovak Republic introduced Euro as the exclusive legal tender as of 1 January 2009 by Act No. 659/2007 Coll. on Introduction of Euro Currency in the SR. The exchange rate between Euro and Slovak currency was fixed at 30.126 SKK/1 EUR. As of the date of introduction of Euro, individual items of assets and liabilities in the Slovak currency were converted to Euros, using the conversion exchange rate, in accordance with Decree of the Ministry of Finance of the Slovak Republic No. 75/2008 Coll., Laying Down Rules for Reporting, Conversion and Rounding of Financial Amounts in Relation to Conversion to Euro for the Purposes of Accounting, Taxes and Customs Purposes.

#### (a) Basis for preparation of the Financial Statements

The Financial Statements were prepared with the assumption that the Company is a going concern.

The accounting units applied accounting methods and general accounting principles in a consistent manner.

#### (b) Non-current intangible and non-current tangible assets

Non-current assets are valued at the acquisition price, which includes the price of acquisition and costs related to the acquisition (customs duty, transport costs, installation costs, insurance, etc.). as of 1 January 2003 the acquisition price does not include interests of third party funds nor realised exchange rate differences, which occurred until the moment of registration the non-current assets for use.

Non-current assets created from own activities are valued at their own costs. Own costs are all costs incurred on manufacturing and indirect costs that are related to the manufacturing .

Depreciation of non-current assets depends on expected duration of use and expected course of wearing off of assets. Intangible assets of less than € 2,400 are, after being reviewed by the relevant authorised employee, posted to the account No. 518. Depreciation starts of the month registration of non-current assets for use.

Depreciation of long-term tangible assets regarding the assumed period of use and the anticipated depreciation plan. Depreciation starts in the month the assets are put into use. Assets of which acquisition price is €500 and less (before 31. December 2002: € 664 and less) are charged to account No. 501. Land is not subject to depreciation.

Classification of products was changed in 2009 for forms from 29.56.24 to 25.73.5, where tax depreciation equals accounting depreciation and is rounded to integral numbers in Euros.

Tax depreciation is provided by depreciation classes:

| Depreciation class | Expected period of use | Method straightforward | Yearly depreciation rate in % |
|--------------------|------------------------|------------------------|-------------------------------|
| 1                  | 4                      |                        | 25,0000                       |
| 2                  | 6                      |                        | 16,6667                       |
| 3                  | 12                     |                        | 8,3334                        |
| 4                  | 20                     |                        | 5,0000                        |

#### (c) Inventories

Purchased inventories are valued at the acquisition price that includes the price of inventories and the costs related to their acquisition (customs duty, transport, insurance, discounts, etc.). Interests from third party funds do not constitute part of the acquisition price. Purchased inventories are valued at the weighted arithmetic average of acquisition prices.

Inventories created from own activities are valued at their own costs. Own costs are direct costs (direct material, direct salaries and other direct costs) and part of indirect costs, imminently related to formation of inventories by own activities (production overhead costs). Production overhead costs are included to own costs depending on the level of readiness of such inventories. Administrative overhead costs and costs of sales are not part of own costs.

**(d) Receivables**

At their origin, receivables are valued at their nominal value; assigned receivables and receivables acquired by contribution to the shareholders' equity are valued at the acquisition price, including costs related to the acquisition. Such valuation is lowered by disputable and irrecoverable receivables. Adjusting entries are formed for doubtful and bad receivables.

**(e) Cash and valuables**

Cash and valuables are valued at their nominal price. Lowering of their value is done by adjusting entry.

**(f) Accrued costs and accrued revenues**

Accrued costs and accrued revenues are reported in the amount required in order to keep the principle of time and material reference with the accounting period.

**(g) Provisions**

Provisions are liabilities with indefinite time period or amount; they are formed in order to cover known risks or losses from business activities. They are valued at the expected amount of the liability. Provisions for costs are posted to relevant costs account.

**(h) Liabilities**

At their origin, liabilities are valued at the nominal value. Liabilities, at their assumption, are valued at the acquisition price. If the inventorying uncovers that the amount of liabilities is different from the amount reported in the accounting books, the liabilities are posted to the accounting books and such finding is recorded to the Financial Statement.

**(i) Deferred taxes**

Deferred taxes (deferred tax liability and deferred tax liability) refer to:

- a) Temporary differences between the accounting value of assets and accounting value of liabilities reported in the balance sheet and the tax base
- b) Possibility to depreciate tax loss in the future – possibility to depreciate the tax loss from the tax base in the future
- c) Possibility to transfer unused tax depreciations and other tax claims to future periods

**(j) Accrued expenses and accrued revenues**

Accrued expenses and accrued revenues are reported in the amount required in order to keep the principle of timely and material reference with the accounting period.

**(k) Foreign exchange**

Assets and liabilities expressed the financial statements in foreign exchange are to be converted to Euros by the accounting entity, using the referential exchange rate determined and declared by the European Central Bank or the National Bank of Slovakia valid as at the date for which the financial statements are prepared and posted with the effect on the economic performance.

**(l) Revenues**

Revenues for own activities and goods do not include value added tax. They are also lowered by discounts and deductions (rebates, bonuses, discounts, credit notes, etc.) regardless of the fact whether the customer was entitled to the discount in advance or whether it is an additionally granted discount.

## **E. INFORMATION ABOUT DATA ON ASSETS PAGE IN THE BALANCE SHEET**

### **1. Non-current intangible and tangible assets**

Overview of the assets movement is shown in the table that is a part of attachment comments. Assets are insured with the insurance company ALLIANZ Slovenská poisťovňa a.s.

### **2. Inventories**

As at 31 December 2010, the company had an adjusting entry for purchased inventories in the amount of EUR 25,614.80. It is an adjusting entry posted for inventories that were not moved for more than a year in the amount of 100 % of their value. The inventories are insured with ALLIANZ Slovenská poisťovňa a.s. The value of material stock slightly decreased from EUR 1,194,771.00 to EUR 1,191,884.00. The finished products inventory was also increased by EUR 7,625.00. For the products where there is an assumption of no implementation, a corrective item was created in the amount of €1,677. The company has no lien on inventory. We do not store any foreign stock nor we do not have our own stock stored in foreign storage.

### 3. Receivables

Balance of adjusting entries in the course of the accounting period is illustrated in the following overview:

|                                     | Balance<br>as of 31 Dec 2009<br>EUR | Formed<br>(increase)<br>EUR | Decreased<br>(use)<br>EUR | Cancelled<br>reposted<br>EUR | Balance<br>as of 31 Dec 2010<br>EUR |
|-------------------------------------|-------------------------------------|-----------------------------|---------------------------|------------------------------|-------------------------------------|
| Receivables from business relations | 168 546                             |                             | 4 096                     | -11 440                      | 153 010                             |
| Receivables in bankruptcy           | 110 445                             |                             | 4 289                     | -759                         | 105 397                             |
| Other receivables HP servis         | 275 869                             |                             |                           | -19 157                      | 0                                   |
| <b>Total</b>                        | <b>554 860</b>                      | <b>0</b>                    | <b>8 385</b>              | <b>-288 068</b>              | <b>258 407</b>                      |

The age structure of receivables is laid down in the following overview: There is no lien on receivables. Adjusting entries are formed because there is no payment guarantee.

| Account No. 311     | As of 31 Dec 2009<br>EUR | As of 31 Dec 2010<br>EUR |
|---------------------|--------------------------|--------------------------|
| Due receivables     | 477 454                  | 561 819                  |
| Overdue receivables | 713 591                  | 379 206                  |
| <b>Total</b>        | <b>1 191 045</b>         | <b>941 025</b>           |

### 4. Financial accounts

Financial accounts include cash and accounts in banks. The Company can freely dispose of bank accounts.

### 5. Accruals

They are as follows:

|                            | 31 Dec 2009<br>EUR | 31 Dec 2010<br>EUR |
|----------------------------|--------------------|--------------------|
| Costs                      | 0                  | 0                  |
| Accrued costs, current     | 2 409              | 2 284              |
| Accrued costs, non-current | 4 362              | 0                  |
| <b>Total</b>               | <b>6 771</b>       | <b>2 284</b>       |

## F. INFORMATION ABOUT LIABILITIES IN THE BALANCE SHEET

### 1. Equity

Information about equity is laid down in sections C and M.

### 2. Provisions

Overview of provisions is specified in the following table:

|                            | Balance as of<br>31 Dec 2009<br>EUR | Formed<br>EUR    | Used<br>EUR     | Cancelled<br>EUR | Balance as of<br>31 Dec 2010<br>EUR |
|----------------------------|-------------------------------------|------------------|-----------------|------------------|-------------------------------------|
| <b>Provisions</b>          |                                     |                  |                 |                  |                                     |
| Salary costs for vacations | 28 038                              | 66 680           | 28 038          | 0                | 66 680                              |
| Employee perquisites       | 10 879                              | 4 600            | 10 879          |                  | 4 600                               |
| Fines, claims,             | 8 300                               | 7 000            |                 | 8 300            | 7 000                               |
| Emissions                  | 37 448                              | 39 829           | 37 448          | 0                | 39 829                              |
| For mined minerals, water  | 760                                 | 237              | 760             | 0                | 237                                 |
| Audit                      | 4 204                               | 7 690            | 4 204           | 0                | 7 690                               |
| <b>Total</b>               | <b>89 629 0</b>                     | <b>126 036 0</b> | <b>81 329 0</b> | <b>8 300 0</b>   | <b>126 036</b>                      |

A provision in the amount of EUR 3,000 EUR was posted for penalisation for late payments of taxes and mandatory insurance premiums, EUR 39,829 for emissions, EUR 7,690 for audit, EUR 4,000 for claims, EUR 4,600 for employee perquisites and EUR 237 for mined minerals and water.

### 3. Liabilities

The structure of liabilities (except for bank loans) broken down to remaining due date is laid down in the following overview:

| Account No. 321   | 31. 12. 2009<br>EUR | 31. 12. 2010<br>EUR |
|---|---------------------|---------------------|
| Due liabilities from business relations   | 818 761             | 634 467             |
| Overdue liabilities from business relations                                     | 576 684             | 278 795             |
| <b>Curent liabilities total</b>   | <b>1 395 445</b>    | <b>913 262</b>      |
| Leasing liabilities of up to 1 year   | 20 471              | 10 223              |
| Leasing liabilities of more than 1 year   | 23 490              | 13 266              |
| Liabilities from business relations applied for settlement within 1 year        |                     |                     |
| Liabilities from business relations applied for settlement of more than 1 year  |                     |                     |
| Liabilities with remaining due period of more than 5 years (assumed loan of ŽP) |                     |                     |
| <b>Non-current liabilities total</b>  | <b>43 961</b>       | <b>23 489</b>       |
| <b>Liabilities from leasing, interests and VAT</b>                              |                     | <b>22 671</b>       |
| <b>6 096</b>  |                     |                     |

Our liabilities from business relations decreased compared to 2009 by EUR 482,183.

Calculation of deferred tax liability is laid down in the following overview:

|  | 31 Dec 2009<br>EUR | 31 Dec 2010<br>EUR |
|--|--------------------|--------------------|
| Temporary differences between the accounting value of assets and the accounting value of liabilities and their Accounting residual value | 1 338 177          | 1 333 039          |
| Tax residual value   | 1 194 487          | 1 190 298          |
| Difference from tax unacknowledged provisions /receivable/   | 143 690            | 141 741            |
| Possibility to depreciate tax loss in the future   | -19 939            | -61 622            |
| Income tax rate (in %)   | 0                  | 19                 |
| <b>Deferred tax liability</b>  | <b>23 513</b>      | <b>15 222</b>      |

### 4. Social fund

Forming and drawing from the social fund in the course of the accounting period are illustrated in the following overview:

|                                  | 31.12.2009<br>EUR | 31.12.2010<br>EUR |
|----------------------------------|-------------------|-------------------|
| Balance as of 31 December        | 1 671             | 1 688             |
| Formed at the expense of costs   | 11 401            | 14 633            |
| Formed from the profit           | 0                 | 0                 |
| Drawing                          | -11 384           | -12 025           |
| <b>Balance as of 31 December</b> | <b>1 688</b>      | <b>4 296</b>      |

In accordance with the Act on Social Fund, part of the social fund is formed on mandatory basis at the expense of costs and part can be formed from the profit. In accordance with the Act on Social Fund, the social fund can be used for social, health, recreational and other needs of employees.

### 5. Credits

As at 31 December 2010, ŽIAROMAT a.s. kept records of a bank loan signed on 10 September 2008 based on a contract on non-binding credit restrictions No. 346/AUCC/08 with Slovenská sporiteľňa a.s. A loan in the amount of EUR 2,489,544 ( SKK 75,000,000 ) was provided on 22 September 2008:

- 1,161,787 EUR ( 35,000,000.00 SKK ) as a current account overdraft
- 1,327,757 EUR ( 40,000,000.00 SKK ) as time credit

The loan was used to pay liabilities to Železiarne Podbrezová in the amount of EUR 2,380,014 ( SKK 71,700,303.00 ).

On 1 December 2008, we signed Amendment 1 to the contract on non-binding credit restrictions No. 346/AUCC/08, which regulated loan terms and conditions.

On 23 October 2009, we signed Amendment 2 to the contract on non-binding credit restrictions No. 346/AUCC/08, which extended the loan maturity until 31 January 2010.

On 28 January 2011, we signed Amendment 5 to the contract on non-binding credit restrictions No. 346/AUCC/08, which extended the loan maturity until 30 March 2011.

|                                       |                                |                  |
|---------------------------------------|--------------------------------|------------------|
| Credit balance as at 31 December 2010 | time credit                    | EUR 2,500,000.00 |
|                                       | current account overdraft      | EUR 106,246.00   |
|                                       | payable as at 31 December 2010 | EUR 2,606,246.00 |

## 6. Accruals

The structure of accruals is laid down in the following overview:

|                               | 31. 12. 2009  | 31. 12. 2010  |
|-------------------------------|---------------|---------------|
|                               | EUR           | EUR           |
| Accrued expenses, non-current | 0             | 0             |
| Accrued expenses, current     | 5 737         | 1 664         |
| Accrued revenues, current     | 38 117        | 12 228        |
| Accrued revenues, non-current | 0             | 0             |
| <b>Total</b>                  | <b>43 854</b> | <b>13 892</b> |

Future expenses are connected with an interest from a loan in the amount of €1,288 and they are shown in the bank statement for the month of January 2011.

Accrued revenues are related to posting of emission quotas.

## G. INFORMATION ABOUT REVENUES

### 1. Revenues for own activities and goods

Revenues for own activities and goods, broken down to individual segments, i.e. to types of products and services and main territories are laid down in the following overview:

|                | EUR              | EUR              | EUR              | EUR              | EUR              | EUR            | EUR              | EUR            |
|----------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|----------------|
| Slovakia       | 1 295 61€        | 1 297 397        | 1 652 667        | 1 865 73€        | 500 560          | 772 814        | 3 448 843        | 3 935 9        |
| Serbia         |                  | 5 154            |                  |                  |                  |                |                  | 5 1            |
| Czech Republic | 488 250          | 961 120          | 531 976          | 961 632          | 42 215           | 52 640         | 1 062 441        | 1 975 3        |
| Austria        | 1 951            | 480              | 42 470           | 20 412           | 0                | 0              | 44 421           | 20 8           |
| Germany        | 22 264           | 17 939           | 113 07€          | 151 87€          | 0                | 0              | 135 340          | 169 8          |
| Belarus        |                  |                  |                  | 33 840           |                  |                |                  | 33 8           |
| Ukraine        | 353              | 0                | 485893           | 823 226          | 0                | 0              | 486 246          | 823 2          |
| France         | 89025            | 187 797          | 0                | 0                | 0                | 0              | 89 025           | 187 7          |
| Hungary        | 760536           | 661 841          | 6070             | 126 666          | 2968             | 1868           | 769 574          | 790 3          |
| Slovenia       | 0                | 0                | 0                | 0                | 0                | 6238           | 0                | 6 2            |
| Poland         | 47626            | 66706            | 0                | 0                | 0                | 0              | 47626            | 66 7           |
| Denmark        | 0                | 9436             |                  |                  |                  |                | 0                | 9 4            |
| Croatia        | 41801            | 127833           |                  |                  | 41300            | 1 16660        | 83101            | 244 4          |
| Italy          | 0                | 0                | 6224             | 0                | 23               | 0              | 6247             |                |
| Latvia         | 0                | 0                | 1 686            | 0                | 0 0              | 0              | 1 686            |                |
| <b>Spolu</b>   | <b>2 747 422</b> | <b>3 335 703</b> | <b>2 840 062</b> | <b>3 983 388</b> | <b>587 066 0</b> | <b>950 220</b> | <b>6 174 550</b> | <b>8 269 3</b> |

On account No. 648 Other revenues accounts in the amount of €133,172 were posted, namely:

- €3,030 for delivered scrap
- €28,361 obligations KOOPERATÍVA and other
- €39,829 emissions reserve
- €46,800 emissions sold
- €15,152 other total

## 2. Change of the balance of inventory of own production

The change of the balance of inventory of own production reported in the Profit and Loss Statement is decrease by €5,577. Regarding balance sheet items, there is a decrease of €5,577 of products and €11,677 of adjustment, as illustrated in the following table:

|                       | 32.12.2008       | Balance as of       |                     | Change of the balance |                   |
|-----------------------|------------------|---------------------|---------------------|-----------------------|-------------------|
|                       | EUR              | 31. 12. 2009<br>EUR | 31. 12. 2010<br>EUR | 31.12.2009<br>EUR     | 31.12.2010<br>EUR |
| Unfinished production | 138 259          | 147 311             | 134 109             | 9 052                 | -13 202           |
| Finished products     | 1 238 435        | 1 234 901           | 1 242 526           | -3 534                | 7 625             |
| <b>Total</b>          | <b>1 376 694</b> | <b>1 382 212</b>    | <b>1 376 635</b>    | <b>5 518</b>          | <b>-5 577</b>     |
| 194 Adjustment        |                  |                     | -11 677             |                       |                   |
| 611,612               | 33 277           | 9 052               | -13 202             |                       |                   |
| 613                   | 432 429          | -3 534              | -4 052              |                       |                   |
| 549                   | 0                | 0                   |                     |                       |                   |

## 3. Activation

Overview of activation:

|  | 31.12.2009<br>EUR | 31.12.2010<br>EUR |
|--|-------------------|-------------------|
| Non-current tangible assets formed by own activity                     | 150 491           | 85 002            |
| Other activation - manufacturing of spare parts                        | 55 299            | 25 354            |
| Other activation of intra-company services, transport to the warehouse | <b>18 449</b>     | <b>25 796</b>     |
| <b>Total</b>   | <b>224 239</b>    | <b>136 152</b>    |

## 4. Exchange rate profits

Overview of exchange rate profits:

|                                    | 31.12.2009<br>EUR | 31.12.2010<br>EUR |
|------------------------------------|-------------------|-------------------|
| Realised exchange rate profits     | 1 217             | 10                |
| Non-realised exchange rate profits | 137               | 0                 |
| <b>Total</b>                       | <b>1 354</b>      | <b>10</b>         |

## H. INFORMATION ABOUT COSTS

### 1. Services

|  | 31.12.2009<br>EUR | 31.12.2010<br>EUR |
|--|-------------------|-------------------|
| Transport  | 54 950            | 77 218            |
| Other activities of material nature                    | 48 641            | 11 424            |
| Other activities of non-material nature                | 101 913           | 97 239            |
| Other activities of non-material nature-ŽP Informatika | 74 684            | 88 546            |
| Telecommunication activities                           | 12 600            | 11 470            |
| Promotion related activities                           | 3 326             | 12 145            |
| Mediation fees   | 3 923             | 8 722             |
| Other  | 797               | 1017              |
| <b>Total account No. 518</b>                           | <b>300 834</b>    | <b>307 781</b>    |

There was €65,172 posted to account No. 548 Other costs; out of which:

€11,175 insurance of assets  
 €4,632 mandatory motor third party liability insurance  
 €2,982 insurance of leasing  
 €587 air pollution  
 €39,829 emissions  
 €1,708 compensation liability for damages  
 €4,259 others total



ŽIAROMAT a.s. entered into a contract on audit for the year 2010. The auditing company, BDR spol. s.r.o., provides our company accounting entity with no other services. The contract on audit for the year 2010 has been made at the amount of EUR 10,300.

## CH. INFORMATION ABOUT CORPORATE INCOME TAX

Conversion from theoretical corporate income tax to reported corporate income tax is laid down in the following table:

|                                   | 31.12.2009      |            |          | 31.12.2010      |            |          |
|-----------------------------------|-----------------|------------|----------|-----------------|------------|----------|
|                                   | Tax base<br>EUR | Tax<br>EUR | Tax<br>% | Tax base<br>EUR | Tax<br>EUR | Tax<br>% |
| Profit before taxation            | 56 222          |            |          | 283 864         |            |          |
| Items adjusting tax base          | -121 471        |            |          | -104 541        |            |          |
| Depreciated loss                  |                 |            |          | -65 250         |            |          |
| Tax base                          | -65 250         |            | 19,00 %  | 114 073         |            | 19,00 %  |
| Out of which theoretical tax 19 % |                 | 0          |          |                 | 21 674     |          |

### Overview of items of deferred tax:

|  | 31 Dec 2009<br>EUR | 31 Dec 2010<br>EUR |
|--|--------------------|--------------------|
| Deferred tax liability                         | 1 656              | 8291               |
| The balance constitutes deferred tax liability | 0                  | 0                  |

## I. INFORMATION ABOUT OTHER ASSETS AND OTHER LIABILITIES

### Possible further liabilities

Due to the fact that several areas of Slovak tax legislation have not sufficiently been proven in practice, there is an uncertainty regarding its application by tax authorities. The level of such uncertainty cannot be qualified and will diminish only when there are legal precedents or official interpretations of relevant authorities available there.

### Position of the legal department

Company adheres to the legislative requirements and in timely manner pays taxes and fees and in this regard, no other subjects have any claims in this area except those that are indicated in the accounting.

During the inventory with the health insurance companies, one of them, DOVERA, stated unpaid balance in the amount of €281,012.96 as fines. This is the amount they claimed in order for them to zero out the balance. Although in letter dated 22.2.2011 the health insurance company was informed, that by a resolution of the District Court in Banska Bystrica dated 25.10.2004, the court considered that the case was closed and the fines were not a subject of being paid out.

## J. INFORMATION ABOUT DATA ON OFF-BALANCE SHEET ACCOUNTS

In the off-balance sheet, there are tangible assets recorded on account 752 in the amount of EUR 113,952.78 and lunch vouchers on account 757 in the amount of EUR 4,75. There is an outstanding amount of EUR 23,489.65 to be paid on VAT and interests from leasing contract.

## K. REWARDS AND BENEFITS OF MEMEBERS OF STATUTORY AND OTHER BODIES OF THE COMPANY

In 2010, members of statutory bodies were paid bonuses on the amount of €25,493.

## L. ECONOMIC RELATIONS OF THE COMPANY AND CONNECTED PERSONS

|   | 2009<br>EUR                        | 2010<br>EUR        |
|---|------------------------------------|--------------------|
| ŽP Podbrezová – revenues: for goods<br>for assigned receivables | 1,347,921<br>-                     | 1,829,963<br>3,296 |
| costs: purchase of material                                     | 1,027,008                          | 1,419,147          |
| services  | 12,213                             | 12,541             |
| investments   |                                    | 4,416              |
| Liabilities from business relations                             | 906,289                            | 669,395            |
| Other subsidiaries  | receivables as of 31 December 2010 | revenues           |
| ŽP EKO-QELET a.s.   | -                                  | 2,570.80           |
| ŽP PRAKO s.r.o.   | -                                  | -                  |
| ŽP TRADE Bohémia a.s.   | -                                  | -                  |
| ŽDAS a.s.   | 90,684,09                          | 1,316,061.01       |
|   | liabilities as of 31 December 2010 | costs              |
| ŽP Informatika s.r.o.   | -                                  | 85,770.00          |
| ZANINONI s.r.o.   | 702,10                             | 5,655.00           |
| ŽP TRADE Bohémia a.s.   | -                                  | 25,91              |
| ŽDAS a.s.   | -                                  | 4,439,12           |
| ŽP TRADE s.r.o.   | 23,489.65                          | 6,096.30           |
| HOLD s.r.o.   | -                                  | -                  |
| Tále  | -                                  | 5,162.73           |

## M. OVERVIEW OF MOVEMENTS OF THE EQUITY IN THE COURSE OF THE ACCOUNTING PERIOD IS SHOWN IN THE FOLLOWING TABLE:

|   | Balance as of 31<br>December 2009 | Increments<br>EUR | Transfers<br>EUR | Balance as of 31<br>December 2010 |
|---|-----------------------------------|-------------------|------------------|-----------------------------------|
| Shareholders' equity                                      | 4,812,550                         |                   |                  | 4,812,550                         |
| Other capital funds                                       | 568                               |                   |                  | 568                               |
| Mandatory reserve fund                                    | 994,113                           | 5,788             |                  | 999,901                           |
| Undistributed profit                                      |                                   |                   |                  | 0                                 |
| Undistributed loss of previous years                      | -4,830,451                        | 52,089            |                  | -4,778,362                        |
| Economic performance for the current<br>accounting period | 57,877                            | 253,899           | - 57,877         | 253,899                           |
| <b>Equity total</b>                                       | <b>1,034,657</b>                  | <b>311,776</b>    | <b>- 57,877</b>  | <b>1,288,556</b>                  |
|   |                                   |                   |                  |                                   |

During the accounting period for the year 2010, the fixed assets did not change and its value is €4,812,550.

### Proposal for distribution of economic performance for the year 2009 in the amount of €57,877.27

- Accounting of unsettled loss EUR 52,089.54
- mandatory reserve fund EUR 5,787.73

### Proposal for distribution of the profit for 2010 in the amount of EUR 253,898.67

- reposting to unsettled debt EUR 228,508.80
- to mandatory provisions fund EUR 25,389.87

**N. THE FACTS WHICH CAME AFTER THE DATE TO WHICH FINANCIAL STATEMENT IS CLAIMED AND BEFORE THE DATE OF FINANCIAL STATEMENT**

ŽIAROMAT a.s. signed, on 28 January 2011, Amendment 5 to contract on non-binding credit restrictions No. 346/AUCC/08 with Slovenská sporiteľňa a.s., which extended the loan maturity until 30 March 2011.

In Kalinovo, on 28 February 2011  
Prepared by: Jablonská Anna

| Adjustments broken down to asset types          | Balance sheet line | Residual price as of Jan 1, 2010 | Residual price as of Dec 31, 2010 |
|---|--------------------|----------------------------------|-----------------------------------|
| B.  |                    |                                  |                                   |
| B.I.  |                    |                                  |                                   |
| B.I.1.  |                    |                                  |                                   |
| 1. Non-current assets I. 04+13+23               | 003                | 1 811 220                        | 1 827 597                         |
| 2. Non-current intangible assets                | 004                | 17 265                           | 14 538                            |
| B.I.1.1.  | 005                |                                  |                                   |
| 1. Set-up costs (011)                           | 006                |                                  |                                   |
| 2. Activated costs of development (012)         | 007                |                                  |                                   |
| 3. Software (013)                               | 008                | 17 265                           | 14 538                            |
| 4. Appreciable rights (014)                     | 009                |                                  |                                   |
| 5. Goodwill (015)                               | 010                |                                  |                                   |
| 6. Other non-current intangible assets (019)    | 011                |                                  |                                   |
| 7. Acquired non-current intangible assets (041) | 012                |                                  |                                   |
| 8. Received advance payments for STA (051)      | 013                | 1 793 955                        | 1 813 059                         |
| B.II.   |                    |                                  |                                   |
| B.II.1.   |                    |                                  |                                   |
| 1. Non-current tangible assets I. 14 to 22      | 014                | 148 311                          | 149 472                           |
| Land (031)                                      | 015                | 558 335                          | 472 645                           |
| 2. Structures (021)                             | 016                | 614 266                          | 695 384                           |
| 3. Separate movable assets (022)                | 017                |                                  |                                   |
| 4. Growing units of permanent copses (025)      | 018                |                                  |                                   |
| 5. Basic herd and draft animals (026)           | 019                | 6 307                            | 5 635                             |
| 6. Other non-current tangible assets (029,032)  | 020                | 471 715                          | 436 031                           |
| 7. Acquired non-current tangible assets (042)   | 021                |                                  | 66 622                            |
| 8. Received advance payments for STA (052)      | 022                | -4 979                           | -12 730                           |
| 9. Adjusting entry to acquired assets           |                    |                                  |                                   |

ŽIAROMAT  
 a.s.  
 KALINOVŮ JAKOV

| Type of assets |   | Balance sheet line | Acquisition price as of Jan 1, 2010 | Increments | Decrements | Transfers (+/-) | Acquisition price as of Dec 31, 2010 |
|----------------|---|--------------------|-------------------------------------|------------|------------|-----------------|--------------------------------------|
| B.             | Non-current assets I. 04+13+23                  | 003                | 6 697 457                           | 634 754    | 329 970    |                 | 7 002 241                            |
| B.I.           | Non-current intangible assets                   | 004                | 60 062                              |            |            |                 | 60 062                               |
| B.I.           | Set-up costs (011)                              | 005                |                                     |            |            |                 |                                      |
|                | 2. Activated costs of development (012)         | 006                |                                     |            |            |                 |                                      |
|                | 3. Software (013)                               | 007                | 38 254                              |            |            |                 | 38 254                               |
|                | 4. Appreciable rights (014)                     | 008                | 21 808                              |            |            |                 | 21 808                               |
|                | 5. Goodwill (015)                               | 009                |                                     |            |            |                 |                                      |
|                | 6. Other non-current intangible assets (019)    | 010                |                                     |            |            |                 |                                      |
|                | 7. Acquired non-current intangible assets (041) | 011                |                                     |            |            |                 |                                      |
|                | 8. Received advance payments for STA (051)      | 012                |                                     |            |            |                 |                                      |
| B.II.          | Non-current tangible assets I. 14 to 22         | 013                | 6 637 395                           | 634 754    | 329 970    |                 | 6 942 179                            |
| B.II.          | Land (031)                                      | 014                | 148 311                             | 1 161      |            |                 | 149 472                              |
|                | 2. Structures (021)                             | 015                | 2 464 012                           | 4 342      |            |                 | 2 468 354                            |
|                | 3. Separate movable assets (022)                | 016                | 3 547 050                           | 295 979    | 26 964     |                 | 3 816 065                            |
|                | 4. Growing units of permanent copses (025)      | 017                |                                     |            |            |                 |                                      |
|                | 5. Basic herd and draft animals (026)           | 018                |                                     |            |            |                 |                                      |
|                | 6. Other non-current tangible assets (029,032)  | 019                | 6 307                               | 853        | 1 525      |                 | 5 635                                |
|                | 7. Acquired non-current tangible assets (042)   | 020                | 471 715                             | 2 657 97   | 301 481    |                 | 436 031                              |
|                | 8. Received advance payments for STA (052)      | 021                |                                     |            | 66 622     |                 |                                      |
|                | 9. Adjusting entry to acquired assets           | 022                |                                     |            |            |                 |                                      |

Active tangible fixed assets:

Passenger car € 10,007.18

VZV € 11,980.00

Gas consumption meter € 10,323.91

Feeding hopper for the firebrick press € 8,326.16

Forms € 128,302.85

Non-active tangible fixed assets:

Mixer MK1 € 4,393.41

Moveable screening machine € 16,391.06

Copy Panasonic € 1,335.58

Concrete machine € 1,259.64

Car Skoda Fabia € 2,370.05

Construction bending machine € 866.36

| 213.81.184.2<br>16 |  | Balance<br>sheet line | Adjustments<br>and adjusting<br>entries as of<br>Jan 1, 2010 | Increment<br>of<br>adjustments<br>and<br>adjusting<br>entries | Decrement<br>of<br>adjustments<br>and<br>adjusting<br>entries | Transfers (+/-) | Adjustments<br>and<br>adjusting<br>entries as of<br>Dec 31, 2010 |
|--------------------|--|-----------------------|--|---|---|-----------------|--|
| B.                 | Non-current assets I. 04+13+23               | 003                   | 4 886 237  | 307 620   | 26 964  |                 | 5 174 644  |
| B.I.               | Non-current intangible assets                | 004                   | 42 797   | 2 727   |   |                 | 45 524   |
| B.I.1.             | Set-up costs (011)                           | 005                   |  |   |   |                 |  |
| 2.                 | Activated costs of development (012)         | 006                   |  |   |   |                 |  |
| 3.                 | Software (013)                               | 007                   | 38 254   |   |   |                 | 38 254   |
| 4.                 | Appreciable rights (014)                     | 008                   | 4 543  | 2 727   |   |                 | 7 270  |
| 5.                 | Goodwill (015)                               | 009                   |  |   |   |                 |  |
| 6.                 | Other non-current intangible assets (019)    | 010                   |  |   |   |                 |  |
| 7.                 | Acquired non-current intangible assets (041) | 011                   |  |   |   |                 |  |
| 8.                 | Received advance payments for STA (051)      | 012                   |  |   |   |                 |  |
| B.II.              | Non-current tangible assets I. 14 to 22      | 013                   | 4 843 440  | 312 644   | 26 964  |                 | 5 129 120  |
| B.II.1.            | Land (031)                                   | 014                   |  |   |   |                 |  |
| 2.                 | Structures (021)                             | 015                   | 1 905 677  | 90 032  |   |                 | 1 995 709  |
| 3.                 | Separate movable assets (022)                | 016                   | 2 932 784  | 214 861   | 26 964  |                 | 3 120 681  |
| 4.                 | Growing units of permanent copses (025)      | 017                   |  |   |   |                 |  |
| 5.                 | Basic herd and draft animals (026)           | 018                   |  |   |   |                 |  |
| 6.                 | Other non-current tangible assets (029,032)  | 019                   |  |   |   |                 |  |
| 7.                 | Acquired non-current tangible assets (042)   | 020                   |  |   |   |                 |  |
| 8.                 | Received advance payments for STA (052)      | 021                   |  |   |   |                 |  |
| 9.                 | Adjusting entry to acquired assets           | 022                   | 4 979  | 7 751   |   |                 | 12 730   |

**CASH FLOW STATEMENTS**  
**(using indirect reporting method)**

as of 31. December 2010




**Business name** Žiaromat a.s.  
**Registered office** Továrenská 1, Kalinovo  
**Company ID No. (IČO)** 31633803

| Des.    | Item  | No. | Actual in EUR             |                            |
|---------|---|-----|---------------------------|----------------------------|
|         |   |     | current accounting period | previous accounting period |
|         | <b>Cash flow from operating activities</b>  |     |                           |                            |
| Z/S     | Economic performance of usual activities before taxation (+/-)  | 1   | 283 864                   | 56 222                     |
| A.1.    | Non-financial operations with influence on the economic performance of usual activities before taxation (sum of A 1.1 to A1.13) (+/-)   | 2   | <b>337 485</b>            | <b>395 046</b>             |
| A.1.1.  | Depreciation of non-current intangible assets and non-current tangible assets   | 3   | 307 619                   | 313 085                    |
| A.1.2.  | Residual value of non-current intangible assets and non-current tangible assets posted at deregistration of the assets to costs of usual activities, with the exception of their sale (+)   | 4   |                           |                            |
| A.1.3.  | Depreciation of adjusting entry to acquired assets (+/-)  | 5   |                           |                            |
| A.1.4.  | Change of the balance of non-current provisions (+/-)   | 6   |                           |                            |
| A.1.5.  | Change of the balance of adjusting entries (+/-)  | 7   |                           |                            |
| A.1.6.  | Change of the balance of accrued costs and accrued revenues (+/-)   | 8   | -25 475                   | 26 306                     |
| A.1.7.  | Dividends and other shares in profit posted to revenues (-)   | 9   |                           |                            |
| A.1.8.  | Interests posted to costs (+)   | 10  | 60 383                    | 64 568                     |
| A.1.9.  | Interests posted to revenues (-)  | 11  | -168                      | -26                        |
| A.1.11. | Exchange rate loss calculated to cash and cash equivalents as at the date as at which the Financial Statements are prepared (+)   | 13  | 1 077                     | 4 640                      |
| A.1.12. | Sale of non-current assets, with exception of assets deemed as cash equivalent (+/-)  | 14  | -5 951                    | -13 527                    |
| A.2.    | Influence of changes in balance of the working capital on economic performance. For the purposes of this measure, it is deemed as the difference between current assets and current liabilities with the exception of current assets that form a part of cash and cash equivalents. | 16  | <b>-432 028</b>           | <b>-86 364</b>             |
| A.2.1.  | Change of the balance of receivables from operating activity (-/+)  | 17  | -4 463                    | -105 629                   |
| A.2.2.  | Change of the balance of liabilities from business activities (+/-) current and non-current liabilities and provisions for current liabilities  | 18  | -436 278                  | -33 089                    |
| A.2.3.  | Change of the balance of inventory (-/+)  | 19  | 8 713                     | 52 354                     |
| A.2.4.  | Change of the balance of current financial assets with the exception of assets that form a part of cash and cash equivalents (-/+)  | 20  |                           |                            |
|         | <b>Cash flow from operating activity with the exception of revenues and costs reported separately in other sections of the Cash Flow Statements (+/-), (sum of P/L + A.1.+ A.2.)</b>  | 21  | <b>189 321</b>            | <b>364 904</b>             |
| A.3.    | Received interests, with the exception of those that are included to investment   | 22  | 168                       | 26                         |
| A.4.    | Expenses on interests paid, with the exception of those that are included to financial activities (-)   | 23  | -60 384                   | -64 568                    |
| A.5.    | Revenues from dividends and other shares in profit, with the exception of those that are included to investment activities (+)  | 24  |                           |                            |
| A.6.    | Expenses on dividends and other shares in profit, with the exception of those that are included to financial activities (-)   | 25  |                           |                            |
|         | <b>Cash flow from operating activity (+/-), (sum of A.1. to A.6.)</b>   | 26  | <b>-154 759</b>           | <b>244 140</b>             |
| A.7.    | Expenses on corporate income tax of the accounting unit, with the exception of those that are included to investment activities or financial activities (-/+)   | 27  | -29 965                   | 1 656                      |

| Des.     | Item  | No.       | Actual in EUR             |                            |
|----------|---|-----------|---------------------------|----------------------------|
|          |   |           | current accounting period | previous accounting period |
| A.8.     | Revenues of extraordinary nature related to operating activity (+)  | 28        |                           |                            |
| A.9.     | Expenses of extraordinary nature related to operating activity (-)  | 29        |                           |                            |
| <b>A</b> | <b>Net cash flow from operating activity (sum of A.1. to A.9.)</b>  | <b>30</b> | <b>99 140</b>             | <b>302 018</b>             |
|          | <b>Cash flow from investment activity</b>   |           |                           |                            |
| B.2.     | Expenses on acquisition of non-current tangible assets (-)  | 32        | -370 795                  | -431 100                   |
| B.5.     | Revenues from sale of non-current tangible assets (+)   | 35        | 52 751                    | 18 047                     |
| <b>B</b> | <b>Net cash flow from investment activity (sum of B.1. to B.20.)</b>  | <b>51</b> | <b>-318 044</b>           | <b>-413 053</b>            |
|          | <b>Cash flow from financial activity</b>  |           |                           |                            |
| C.1.     | Cash flow in the equity (sum of C.1.1 to C.1.8.)  | 52        | 0                         | 0                          |
| C.1.1.   | Revenues from subscribed shares and tradable shares (+)   | 53        |                           |                            |
| C.1.2.   | Revenues from other contributions to the equity by shareholders or natural person that is an accounting unit (+)  | 54        |                           |                            |
| C.1.3    | Received cash donations (+)   | 55        |                           |                            |
| C.1.4    | Revenues from settlement of the loss by associates (+)  | 56        | 0                         | 0                          |
| C.1.5.   | Expenses on acquisition or repurchase of own shares and own business shares (-)   | 57        |                           |                            |
| C.1.6.   | Expenses related to lowering of funds established by the accounting unit (-)  | 58        |                           |                            |
| C.1.7.   | Expenses on payment of the share in the equity by associates of the accounting unit and a natural person that is an accounting unit (-)   | 59        |                           |                            |
| C.1.8    | Expenses on other reasons related to lowering of the equity (-)   | 60        | 0                         |                            |
| C.2.     | Cash flow originating from non-current liabilities and current liabilities from financial activity (sum of C.2.1 to C.2.10) Pe ňážné toky vznikajúce z  | 61        | <b>200 526</b>            | <b>34 246</b>              |
| C.2.1.   | Revenues from emission of debt securities (+)   | 62        |                           |                            |
| C.2.2.   | Expenses on settlement of liabilities from debt securities (-)  | 63        |                           |                            |
| C.2.3.   | Revenues from loans granted by a bank or local subsidiary of a bank, with the exception of loans granted in order to ensure the main subject-matter of activity (+)   | 64        | 220 997                   | 63 990                     |
| C.2.4.   | Expenses on repayment of loans granted to the accounting unit by a bank or local subsidiary of a bank, with the exception of loans granted in order to  | 65        |                           |                            |
| C.2.5.   | Revenues from received borrowings (+)   | 66        |                           |                            |
| C.2.6.   | Expenses on repayment of borrowings (-)   | 67        |                           |                            |
| C.2.7.   | Expenses on settlement of liabilities from use of assets that are subject-matter of the contract on purchase of leased assets (-)   | 68        | -20 471                   | -29 744                    |
| C.2.8.   | Expenses on settlement of liabilities from rental of a set of movable assets and immovable assets used and depreciated by the tenant (-)  | 69        |                           |                            |
| C.2.9.   | Revenues from other non-current liabilities and current liabilities resulting from the financial activity of the accounting unit, with the exception of those that are reported separately in another section of the Cash Flow Statements (+) | 70        |                           |                            |
| C.2.10   | Expenses on repayment of other non-current liabilities and current liabilities resulting from the financial activity of the accounting unit, with the exception of those that are reported separately in another section of the Cash Flow     | 71        |                           |                            |
| C.3.     | Expenses on paid interests, with the exception of those that are included to operating activities (-)   | 72        |                           |                            |
| C.4.     | Expenses on paid dividends and other shares in profit, with the exception of those that are included to operating activities (-)  | 73        |                           |                            |
| C.5.     | Expenses related to derivatives, unless they are intended for sale or trading, or if such expenses are deemed as cash flow from investment activity (-)   | 74        |                           |                            |
| C.6.     | Revenues related to derivatives, unless they are intended for sale or trading, or if such expenses are deemed as cash flow from investment activity (+)   | 75        |                           |                            |
| C.7.     | Expenses on corporate income tax of the accounting unit, if they can be included to financial activities (-)  | 76        |                           |                            |
| C.8.     | Revenues of extraordinary nature related to financial activity (+)  | 77        |                           |                            |
| C.9.     | Expenses of extraordinary nature related to financial activity (-)  | 78        |                           |                            |



| Des. | Item  | No. | Actual in EUR             |                            |
|------|---|-----|---------------------------|----------------------------|
|      |   |     | current accounting period | previous accounting period |
| D.   | Net increase or net reduction of cash (+/-) (sum of A + B + C)  | 80  | -18 378                   | -76 789                    |
| E.   | Balance of cash and cash equivalents at the beginning of the accounting period (+/-)  | 81  | 94 625                    | 176 054                    |
| F.   | Balance of cash and cash equivalents at the end of the accounting period before application of exchange rate differences calculated as at the date of preparation of the Financial Statements (+/-) | 82  | 76 247                    | 99 265                     |
| G.   | Exchange rate differences calculated for cash and cash equivalents as at the date of preparation of the Financial Statements (+/-)  | 83  | -1 077                    | -4 640                     |
| H.   | Balance of cash and cash equivalents at the end of the accounting period after application of exchange rate differences calculated as at the date of preparation of the Financial Statements (+/-)  | 84  | 75 170                    | 94 625                     |

|                                |   |  |   |
|--------------------------------|---|--|---|
| Prepared on:<br><br>28-02-2011 | Signature of the member of the statutory body of the accounting unit or natural person that is an accounting unit:<br><br> | Signature of the person responsible for preparation of the Financial Statements:<br><br> | Signature of the person responsible for book-keeping:<br><br> |
| Approved on:                   |   |  |   |



## 5. Human Resources



## Human resources

The strategy of human resources management stems from the idea that employees are the most important resource at all. The business strategy is closely related to the human resources strategy. The scheme of human resources, salary and social policies and the health and safety protection at work policy have been incorporated to the Collective Labour Agreement for 2010 entered into between the Trade Union of Workers in Mines, Geology and Petroleum Industry and the Board of Directors of Žiaromat a.s..

In comparison with the year 2009 where the fulfillment of obligations implicit from the collective labor agreement was influenced by the consequences of the economic crises, these were in 2010 fulfilled either in the social or wage area to the full extent. Stabilization of the production volume and product sales were shown in the area of the wage policy, showing a growth of the average monthly income by 17.34 % compared to year 2009 (an increase by 9.4% in comparison with year 2008). The increase was secured by paying the vacation wages in the month of May 2010 and paying the 13th month wages (Christmas bonus) in the month of November 2010. By the end of 2010 (31.12.2010) the company employed total of 216 employees where the average number of employees in 2010 as the physical entity was 201 employees. During the year 31 employees were hired and 17 employees were released. Inter-department transfers amounted to 20 employees due to the operational management of production with the aim of effectively utilize the human resources.

In 2010 we had fitness stays, we provided meals in our own kitchen and cafeteria and the potable regime providing beverage machines, preventive health check ups for employees working in the risky areas and for employees exposed to PCs'.



## **6. Environmental policy**



## Environmental policy

The Board of Directors of the Company publicly declares its positive relationship to the environment and its commitment to its continuous improvement. Care for the environment focuses on improvement of the status in protection of the air, water and waste management, as well as reduction of the risk of ecological accidents.

In accordance with the law, the company performs monitoring and regular assessment of produced emissions of carbon dioxide, sulphur dioxide and solid pollutants into the air and submits reports to bodies of ŽP.

In accordance with Act on integrated prevention and inspection of pollution of the environment, the Company has been granted the integrated permission for performance of those activities.