



# ANNUAL REPORT

2007



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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  $\text{Al}_2\text{O}_3$ ), 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. Address of the Managing Director

In 2007 the Company managed to keep a positive trend of development from 2006. It continued with restructuring of its production and sales of its forming and non-forming products of higher quality for steelworks, foundry industry and manufacturers of furnaces, fireplaces and hearths. Also thanks to improving the quality of products and services we managed to sustain in strong competition to acquire new customers. I am glad that there is also growing production and sales of refractory concrete mixtures and monoliths with high added value.

Good results can indisputably be attributed also to very good relations with customers, as well as with suppliers of raw materials and services. I want to assure all of them that this year we will continue in the trend we started. Anyway, the economic performance of 2007 is one of the best in the history of Žiaromat. Hereby I would like to thank to the entire staff of Žiaromat a.s.

2007 was important to our company also for another reason. We managed to complete the settlement in advance. Old receivables to creditors resulting from the settlement were repaid prematurely, which will indisputably contribute to further development of the company.

Our company substantially contributed to improvement of the standard of living of its employees and to the development of the region.

I am convinced that meeting this year's plan will be a guarantee for further growth of the standard of living of our employees and development of Žiaromat a.s. In order to ensure competitiveness, it is necessary to invest into modernisation of technology.

I would like to thank to the members of the Board of Directors and the Supervisory Board. Their sensitive approach to solution of specific problems materially contributed to the achieved performance.

Ing. Ľubomír Kupec  
Vice-chair of the Board of Directors and Managing Director



### 3. ASSESSMENT OF THE BUSINESS PLAN FOR THE YEAR 2007

The business plan for 2007 was based on the assumption of continuation of existing business relations, as well as acquisition of new business contacts in order to extend sales activities in the markets of the EU and Eastern markets.

- *INTENTION*

Due to the fact that, in the course of the year, requirements on the assortment of products on the market changed, the focus of the sales in 2007 gradually moved to the field of metallurgy, melting (effort to market refractory concrete mixtures and monoliths, special substances, small fire-clay materials for lower melting). That trend remained even in preparation of the Business Plan for 2008.


- *BUSINESS PLAN*

The total Business Plan for 2007 was approved in the amount of SKK 231,017,540. The actual performance was SKK 228,563,667, which is performance at 98.9 %. Out of that, fire clay represented SKK 114,065,038, refractory concrete SKK 105,094,906 and substances SKK 9,403,723.

Drop in sales compared to projected revenues was 15.2 % for fire clay and 36.3 % for substances. Refractory concrete experienced increase by 28.6 %.

Year-to-year increase of revenues was 4.2 % for fire clay, 64.9 % for refractory concrete and decline by 19.3 % for substances.

Lower revenues compared to the plan were recorded for fireplace fire clay and forming fire clay. Fireplace fire clay was influenced by changing climatic conditions that cause drop in demand for such products among our customers compared to the previous period. Sales of forming fire clay were influenced by low competition prices of other manufacturers operating on the market with this commodity. Higher revenues than the plan were achieved for cast fire clay – acquisition of new customers in the Czech Republic and increase of market share in Poland and France.



Increase of sales of refractory concrete compared to the planned revenues was 28.6 %, whereby compared to the year 2006, sales of refractory concrete increased for the same period by 64.9 %, which was caused by extension of sales activities and acquisition of new customers.

Also the share of sales of refractory concrete monoliths increased by 88.8 %.

Actual increase of revenues for 2007 was 23.6 % compared to 2006.

- *SHARES OF MARKETS*

Shares of markets in 2007:

Domestic 50.1 %

Own export 31.5 %

Export through trade organisations 18.4 %.


Exports increased in 2007 compared to 2006 especially to Czech and Ukrainian customers, thanks to increase of quantity of products, as well as to gradual increase of prices.

Five biggest segments in sales in 2007:

Steelworks	58.1%
Ovens and fire-places	20.9 %
Construction materials	5.6 %
Cement mills and lime works	4.3 %
Energy	3.8 %

Territories with the biggest percentage share in sales:

Slovakia	50.1 %
Czech Republic	22.0 %
Hungary	10.7 %
Ukraine	8.9 %
France	2.8 %



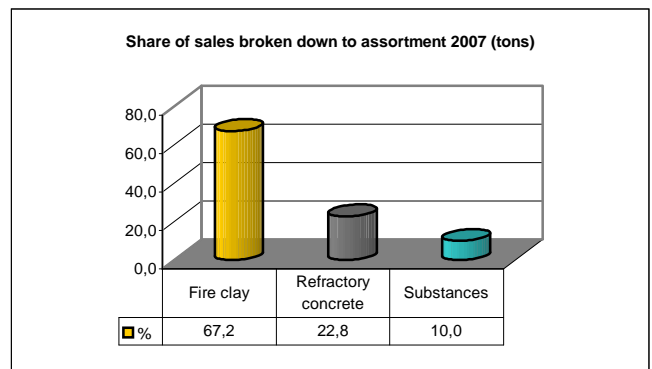
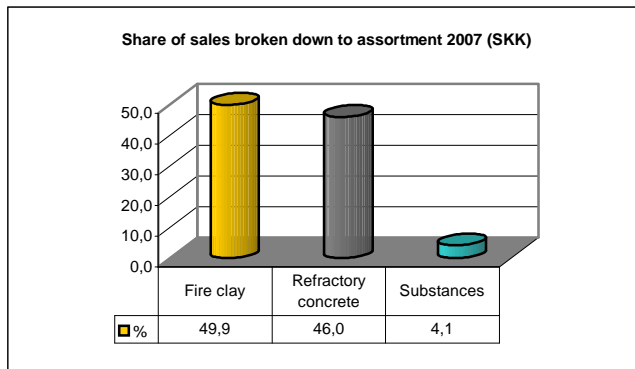
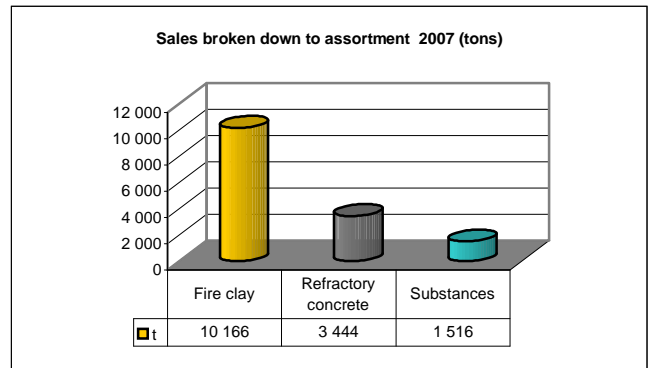
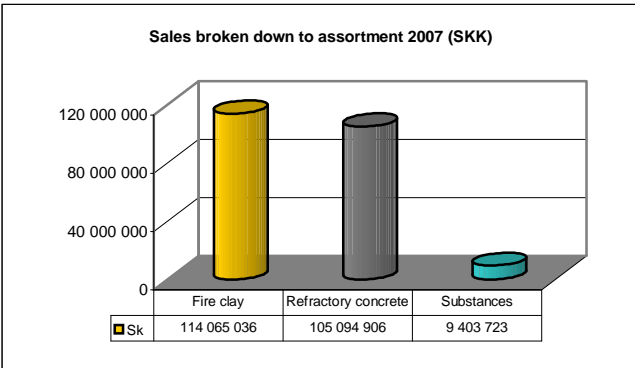
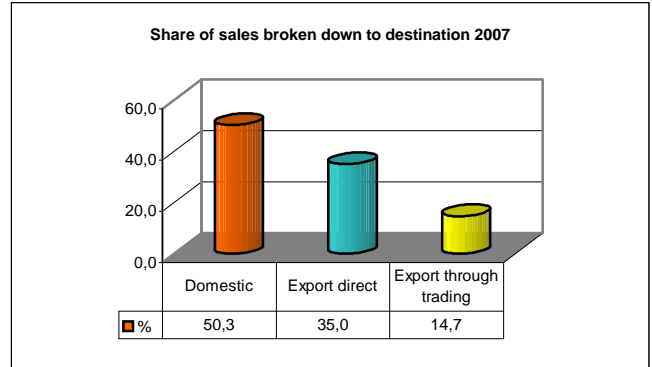
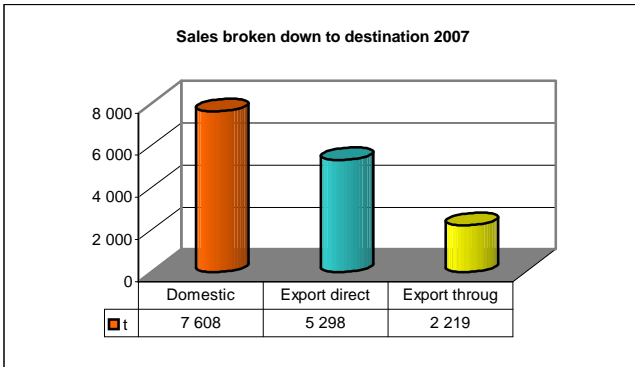
Portfolio of fire-clay construction materials amounted to 49.9% of the total revenues for 2007 (out of which fire-clay inserts to ovens and fireplaces constituted 16.4 %; cast fire-clay 14.2; fittings 19.3 %), refractory concrete mixtures and monoliths accounted for 46.0 % and substances reached 4.1 %.

In 2006, the share of portfolio of fire-clay construction materials reached 59.2 % (out of which fire-clay inserts to ovens and fireplaces made 22.1 %; cast fire-clay 11.0 and fittings 26.1 %), refractory concrete mixtures and monoliths accounted for 34.5 % and substances for 6.3 %.

- *CONCLUSIONS*

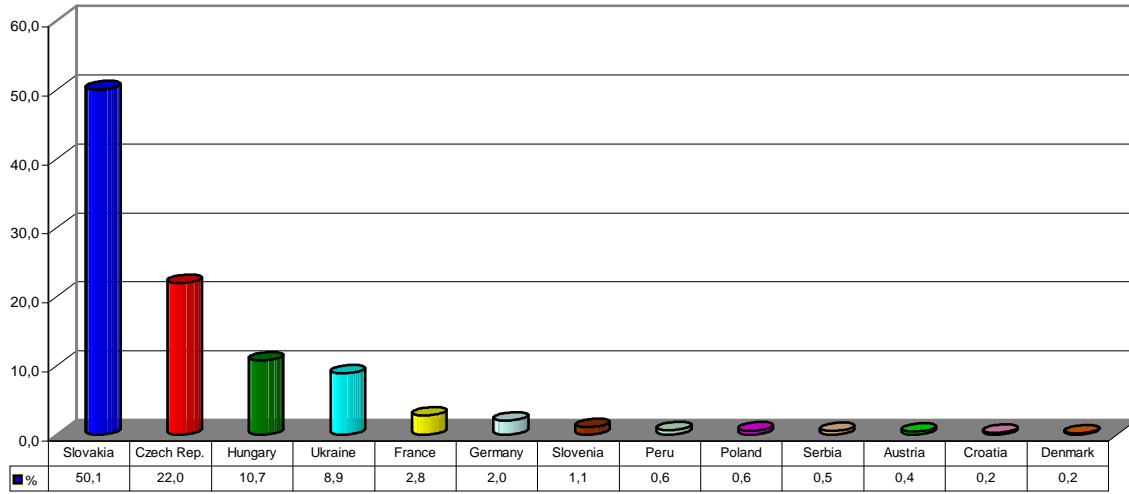
In 2008, along with development of new business activities, it will be necessary to implement remedial measures of production nature. In portfolio of small cast materials for steel and foundry industries, it is necessary to maintain balance between supplies to individual customers due to large quantity and diversity of supplied positions for cast systems. It is also necessary to invest to high quality technological equipment. Manufacturing of synthetic slag is limited by performance of the crushing line. Therefore it is necessary to modernise the crushing equipment that can substantially increase performance and sales.

## OVERVIEW OF SALES FOR THE YEAR 2007

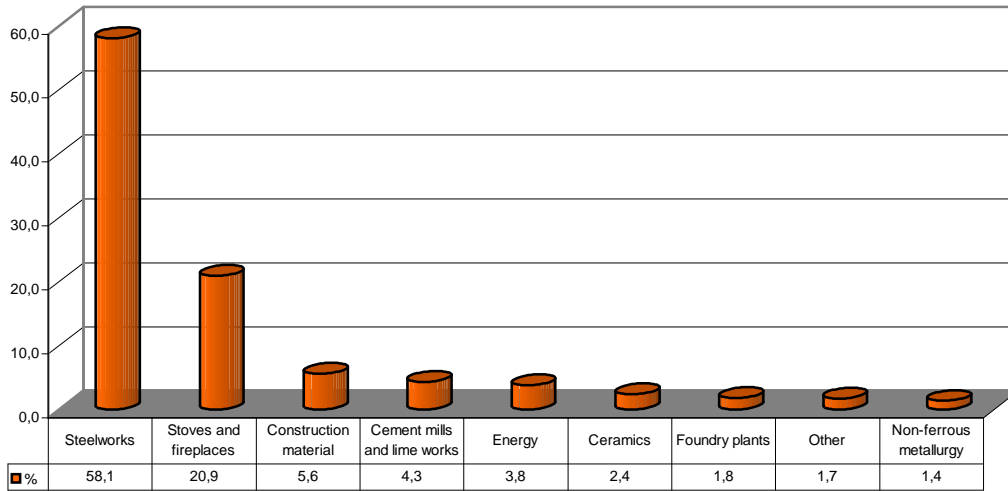




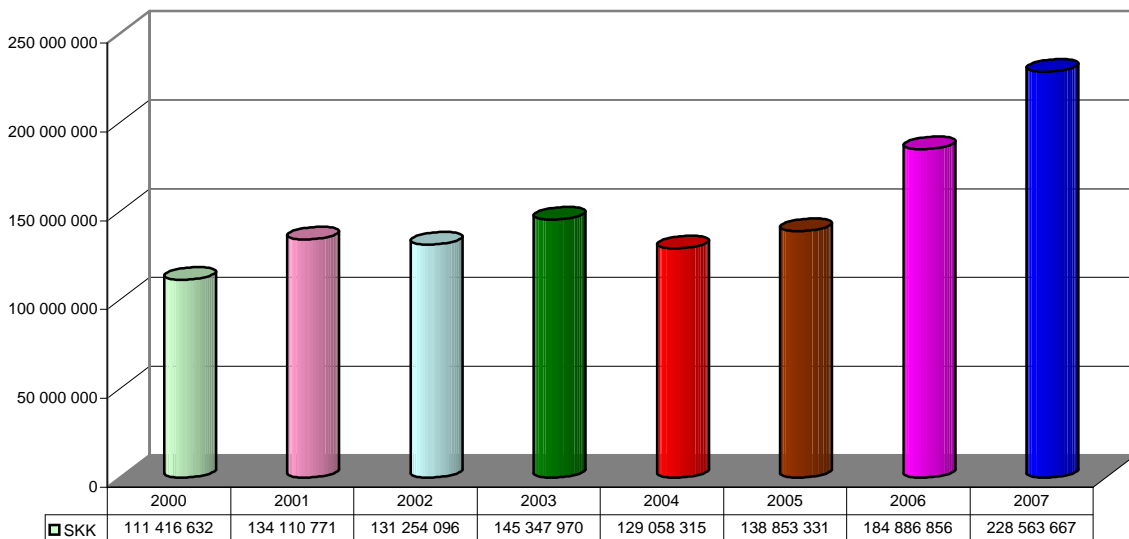
Share of sales broken down to countries for 2007 in %



Share of sales broken down to segments for 2007 in %



Comparison of total sales - 2000 to 2007





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



## 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, 2007, 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., Kalinovo, company's financial position as of December 31, 2007, 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.

With no effect on our opinion, we notice, that as of December 31, 2007, the company's short-term liabilities exceed the company's current assets in amount of 32 millions Sk.

Banská Bystrica, 12.3. 2008

BDR, spol. s r.o. Banská Bystrica  
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. Miroslava Pohrancová  
Responsible auditor  
Licence SKAu No. 54

A handwritten signature in blue ink, appearing to read 'Pohrancová', is written over the printed name of the responsible auditor.





## Balance of assets and resources

During the year 2007, the value of assets increased by SKK 31,093,000. A breakdown of the increase into particular classes of assets follows:

- Non-current assets increased by SKK 3,042,000 – especially due to purchase of land plots in the amount of SKK 1,421,000 for the purposes of new surface mine “Močiar”.
- Current assets increased by SKK 28,155,000, out of which a substantial part consists of increase of inventory in the amount of SKK 21,714,000 and increase in materials /by SKK 8,702,000/ and increase in the stock of finished products /by SKK 15,407,000/.
- Non-current receivables decreased by SKK 1,700,000 to SKK 0, so for the time being we keep record of none. Current assets dropped by SKK 1,275,000. The value of financial accounts increased by SKK 9,416,000.
- Accruals – accrued costs decreased by SKK 104,000, which is connected with previous purchase of the technology line for manufacturing of synthetic slag.

Within the structure of passives during the period of monitoring, the value of negative equity decreased by SKK 327,826,000 and amounted to positive value of SKK 8,340,000. In 2007 the settlement was done even “de facto”, i.e. all creditors were paid and so all conditions and easements determined by the Regional Court in Banská Bystrica could be implemented. During the period of monitoring, the Extraordinary General Meeting, held on 1 October 2007, increased the basic capital of the company by SKK 88,273,000 to the value of SKK 145,000,000.

Balance of liabilities in the period of monitoring:

Liabilities total	- SKK 294,668,000
Out of which:	
Provisions	- SKK 485,000
Non-current liabilities	- SKK 50,819,000
Current liabilities	- SKK 218,157,000
- out of which liabilities from business relations	+ SKK 6,331,000
Bank loans and subsidies	- SKK 25,207,000

BALANCE SHEET Úč POD 1-01 as of 31 December 2007 (in SKK '000)

ASSETS	Line No.	As of 31 Dec 2007		As of 31 Dec 2006
		Gross Correction	Net	Net
<b>Assets total I.002+003+032+062</b>	<b>001</b>	<b>288,413</b>		
		<b>150,300</b>	<b>138,113</b>	<b>107,020</b>
<b>Non-current assets I.004+013+023</b>	<b>003</b>	<b>178,033</b>		
		<b>131,732</b>	<b>46,301</b>	<b>43,259</b>
<b>Non-current intangible assets total (I.005 to 012)</b>	<b>004</b>	<b>1,809</b>		
		<b>1,092</b>	<b>717</b>	<b>777</b>
Software	007	1,152		
		1,092	60	120
Acquired non-current intangible assets	011	657		
			657	657
<b>Non-current tangible assets total (I.014 to 022)</b>	<b>013</b>	<b>176,224</b>		
		<b>130,640</b>	<b>45,584</b>	<b>42,482</b>
Land	014	4,605		
			4,605	3,184
Structures	015	73,056		
		51,847	21,209	23,704
Separate movable assets and sets of movable assets	016	92,045		
		78,693	13,352	11,398
Other non-current tangible assets	019	168		
			168	168
Acquired non-current tangible assets	020	6,350		
		100	6,250	3,993
Provided advance payments for non-current tangible assets	021	0		
		0	0	35
<b>Current assets I.033+041+048+056</b>	<b>032</b>	<b>109,898</b>		
		<b>18,568</b>	<b>91,330</b>	<b>63,175</b>
<b>Reserves total (I.034 to 040)</b>	<b>033</b>	<b>59,340</b>		
		<b>2,000</b>	<b>57,340</b>	<b>35,626</b>
Material	034	31,548		
		2,000	29,548	20,846
Unfinished produce and semi-products	035	3,163		
			3,163	5,402
Products	037	24,282		
			27,282	8,875
Goods	039	347		
			347	499
<b>Non-current receivables total (I.042 to 047)</b>	<b>041</b>			<b>1,700</b>
Other receivables	046			1,700
<b>Current receivables total (I.049 to 055)</b>	<b>048</b>	<b>38,659</b>		
		<b>16,568</b>	<b>22,091</b>	<b>23,366</b>
Receivables from business relations	049	36,792		
		16,568	20,224	23,322
Tax receivables	054	1,842		
			1,842	
Other receivables	055	25		
			25	44
<b>Financial accounts total (I.057 to 061)</b>	<b>056</b>	<b>11,899</b>		
			<b>11,899</b>	<b>2,483</b>
Cash	057	136		
			136	71
Bank accounts	058	11,763		
			11,763	2,412
<b>Accruals and deferrals I.063 and 064</b>	<b>062</b>	<b>482</b>		
			<b>482</b>	<b>586</b>
Accrued costs	063	482		
			482	586

LIABILITIES	Line No.	As of 31 Dec 2007	As of 31 Dec 2006
<b>EQUITY AND LIABILITIES TOTAL I.066+086+116</b>	<b>065</b>	<b>138,113</b>	<b>107,020</b>
<b>Equity I.067+071+078+082+085</b>	<b>066</b>	<b>8,340</b>	<b>-319,486</b>
<b>Shareholders' equity total (I. 068 to 0470)</b>	<b>067</b>	<b>145,000</b>	<b>56,727</b>
Shareholders' equity	068	145,000	56,727
<b>Capital funds total (I. 072 to 077)</b>	<b>071</b>	<b>2</b>	<b>3</b>
Other capital funds	073	2	3
<b>Profit funds total (I. 079 to 081)</b>	<b>078</b>	<b>3,884</b>	<b>3,281</b>
Mandatory reserve fund	079	3,884	3,281
<b>Economic performance of previous years I. 083+084</b>	<b>082</b>	<b>-380,101</b>	<b>-385,536</b>
Undistributed profit of previous years	083	5,947	512
Unsettled loss of previous years	084	-386,048	-386,048
<b>Economic performance for the accounting period +/- I. 001- (067+071+078+082+086+116)</b>	<b>085</b>	<b>239,555</b>	<b>6,039</b>
<b>Liabilities I. 87+91+102+112</b>	<b>086</b>	<b>129,756</b>	<b>424,424</b>
<b>Provisions total (I. 088 to 090)</b>	<b>087</b>	<b>3,775</b>	<b>4,260</b>
Current provisions	090	3,775	4,260
<b>Non-current liabilities total (I. 092 to 101)</b>	<b>091</b>	<b>2,747</b>	<b>53,566</b>
Liabilities from the social funds	099	25	16
Other non-current liabilities	100	1,800	52,371
Deferred tax liability	101	922	1,179
<b>Current liabilities total (I. 103 to 111)</b>	<b>102</b>	<b>123,234</b>	<b>341,391</b>
Liabilities from business relations	103	111,535	105,204
Non-invoiced supplies	104	98	
Liabilities to employees	108	2,877	2,688
Liabilities of the social insurance scheme	109	2,609	122,731
Tax liabilities and subsidies	110	3,883	105,209
Other liabilities	111	2,232	5,559
<b>Bank loans and subsidies total (I. 113 to 115)</b>	<b>112</b>		<b>25,207</b>
Current financial subsidies	115		25,207
<b>Accruals total (I. 117 and 118)</b>	<b>116</b>	<b>17</b>	<b>2,082</b>
Accrued expenses	117	17	2,046
Accrued revenues	118		36



## Economic performance

Economic performance – profit in the amount of SKK 239,555,000 is the result of the equation of revenues in the total amount of SKK 494,759,000 and total costs in the amount of SKK 255,204,000.

The total value of revenues was influenced by extraordinary revenues in the amount of SKK 225,092,000. They are the result of accomplishment of the settlement and implementation of conditions determined by resolution of the Regional Court in Banská Bystrica. Revenues from operating and financial activities amounted to SKK 269,667,000.

Share of revenues from sales of own products and services in total revenues /not including extraordinary revenues/ of the company is 85.76 %. It is an increase compared to 2006 by SKK 45,484,000, which is 24.48 %.

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

- Material consumption	SKK 107,001,000
Share in total costs	42.62 %
- Energy consumption	SKK 24,739,000
Share in total costs	9.85 %
- Personnel costs	SKK 68,039,000
Share in total costs	27.10 %

The above three groups of costs are dominant in the total structure and account for 79.57 %.

### PROPOSAL FOR DISTRIBUTION OF THE PROFIT

The Board of Directors proposes to distribute the profit in the amount of SKK 239,555,000 as follows:

- Mandatory reserve fund	SKK 23,955,500.00
- Unsettled loss of previous years	SKK 215,599,500.00



Profit and Loss Statement Úč POD 2-01 as of 31 December 2007 (in SKK '000)

Text	Line No.	As of 31 Dec 2007	As of 31 Dec 2006
Revenues from sale of goods	01	3,298	1,453
Costs incurred on acquisition of goods sold	02	2,628	1,404
<b>Sales margin I. 01 - 02</b>	<b>03</b>	<b>670</b>	<b>49</b>
<b>Production I. 05+06+07</b>	<b>04</b>	<b>248,447</b>	<b>183,436</b>
Revenues from sale of own products and services	05	231,278	185,794
Change of the balance of internal company stock	06	13,217	-5,620
Activation	07	3,952	3,262
Production consumption I. 09+10	08	149,448	110,458
Consumption of energy and other non-storable supplies	09	131,740	100,202
Services	10	17,708	10,256
Added value I. 03+04-08	11	99,669	73,027
Human resources costs total (I. 13 to 16)	12	68,039	59,449
Salary costs	13	47,578	41,590
Rewards to members of the company and cooperation bodies	14	734	651
Costs of social insurance scheme	15	16,753	14,852
Social costs	16	2,974	2,356
Taxes and fees	17	1,309	783
Depreciation and adjusting entries to non-current intangible assets and non-current tangible assets	18	7,073	6,639
Revenues from sale of non-current assets and material	19	348	1,272
Residual price of sold non-current assets and sold material	20	181	60
Other revenues from economic activity	21	14,818	3,848
Other costs on economic activity	22	18,604	4,958
<b>Economic performance of economic activity I. 11-12-17-18+19-20+21-22+(-1.23)-(-1.24)</b>	<b>25</b>	<b>19,629</b>	<b>6,258</b>
Revenue interests	37	10	3
Cost interests	38	1,198	1,529
Exchange rate profits	39	2,746	4,962
Exchange rate losses	40	2,369	2,707
Other costs of financial activity	42	212	254
<b>Economic performance of financial activity I.26-27+28+32-33+34-35-36+37-38+39-40+41-42+(-1.43)-(-1.44)</b>	<b>45</b>	<b>-1,023</b>	<b>475</b>
Income tax on current activity I.47+48	46	4,143	694
- due	47	4,400	746
- deferred	48	-257	-52
<b>Economic performance of current activity I.25+45-46</b>	<b>49</b>	<b>14,463</b>	<b>6,039</b>
Extraordinary revenues	50	225,092	0
<b>Economic performance of extraordinary activity I.50-51-52</b>	<b>55</b>	<b>22,092</b>	<b>0</b>
<b>Economic performance for the accounting period I.49+55-56</b>	<b>57</b>	<b>239,555</b>	<b>6,039</b>



**ŽIAROMAT a. s.**

Továrenská 1,  
985 01 Kalinovo  
Slovak Republic

# **Comments to Financial Statements as of 31 December 2007**

.....  
date

.....  
signature of the statutory body

## Notes to the Financial Statements as of 31 December 2007

### 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

#### 3. Average number of employees

Average number of employees of the Company as of 31 December 2007 was 239, out of which 13 executive employees; as of 31 December 2006 there were 220 employees, out of which 13 executive employees.

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

The Financial statements of the Company for the fiscal year from 1 January 2007 until 31 December 2007 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 2006 were approved by the General Meeting of the Company on 25 April 2007

### B. INFORMATION ABOUT BODIES OF THE ACCOUNTING UNIT

Board of Directors: Ing. Marián Kurčík  
Ing. Miroslav Hoška, until 16 May 2006  
Ing. Lubomír Kupec, since 16 May 2006  
Ing. Dušan Brečka

Ing. Ivan Zemko, since 30 May 2005  
Ing. Roman Gál, since 25 April 2007

Supervisory Board: Ing. Ludovít Ihring  
JUDr. Marián Zima, until 18 October 2006  
Ing. Ján Banas, since 18 October 2006  
Ing. Jozef Marčok  
Ing. Vladimír Zvarík  
Miroslav Milec  
Dušan Ďalog

### 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.

HOLD spol. s.r.o.	56 727 shares	i.e. 100 %	from 15 December 2004
Contribution of shareholders	88 273 shares	October 2007	

### 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.

## D. FORMATIONS ABOUT ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS

### (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 (until 31 December 2002 they made up part of the acquisition price).

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

Depreciation of other non-current assets depends on expected duration of use and expected course of wearing off of assets. Intangible assets of less than SKK 50,000 are, after being reviewed by the relevant authorised employee, posted to the account No. 518. Depreciation starts on the first day of the month following registration of non-current assets for use.

Depreciation of non-current tangible assets depends on expected duration of use and expected course of wearing off of assets. Depreciation begins on the first day of registration of assets for use. Small tangible assets, whose acquisition price (or own costs) is SKK 30,000 and lower (until 31 December 2002: SKK 20,000 and lower), depending on the duration of use, are depreciated in a one-off application at the registration for use and posted to account No. 501. Land is not depreciated. Expected accounting period of use, depreciation method and depreciation rates are laid down in the following table:

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. There are adjusting entries posted to 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.

### (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 reported in foreign exchange are converted to Slovak currency using the exchange rate of the National Bank of Slovakia applicable as of the date of posting of accounting case and, in the Financial Statements, using the exchange rate as of the date as of which the Financial Statements are prepared; they are posted with the impact of 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 movements is shown in the table at the end of Notes. Assets are insured with the insurance company ALLIANZ Slovenská poisťovňa a.s.

**2. Inventories**

In 2004 there were adjusting entries posted for inventories in the amount of SKK 2,000,000. Inventories are insured. The Company, in order to ensure increased production, adopted a measure to make stock of raw materials in advance, which led to increase of purchased inventories from SKK 20,846,000 to SKK 29,450,000. After completing the inventory for customers the stock of ready made produce increased. There is no lien on the inventory.

**3. Receivables**

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

	Balance as of 31 Dec 2006 SKK '000	Formed (increase) SKK '000	Decreased (use) SKK '000	Cancelled reposted SKK '000	Balance as of 31 Dec 2007 SKK '000
Receivables from business relations	2,625	6	680	399	1,552
Receivables in bankruptcy	3762		45		3717
Other receivables HP servis	10,900			-399	11,299
<b>Total</b>	<b>17,287</b>	<b>6</b>	<b>725</b>	<b>0</b>	<b>16,568</b>

The age structure of receivables is laid down in the following overview: There is no lien on receivables, adjusting entries were formed for the reason they would not be paid.

Account No. 311	As of 31 Dec 2006 SKK '000	As of 31 Dec 2007 SKK '000
Due receivables	23,062	11,190
Overdue receivables	17,547	24,224
<b>Total</b>	<b>40,609</b>	<b>35,414</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 2006	31 Dec 2007 SKK '000
Costs	0	0
Other accrued costs	18	53
Complex accrued costs	568	425
<b>Total</b>	<b>586</b>	<b>482</b>

## F. INFORMATION ABOUT LIABILITIES IN THE BALANCE SHEET

### 1. Equity

Information about equity is laid down in sections C and P. Provisions

Overview of provisions is laid down in the following table:

	Balance as of 31 Dec 2006 SKK '000	Formed SKK '000	Used SKK '000	Cancelled SKK '000	Balance as of 31 Dec 2007 SKK '000
<b>Other provisions</b>					
Vacation leave salaries, including social security scheme	2,143	1,825	2,143	0	1,825
Fines and penalties	300	420		300	420
Other	1,817	1,530	300	1,517	1,530
<b>Total</b>	<b>4,260</b>	<b>3,775</b>	<b>2,443</b>	<b>1,817</b>	<b>3,775</b>

A provision in the amount of SKK 420,000 was formed for expected penalisation for late payment to the tax office, SPP and insurance companies. The amount of SKK 1,530,000 includes mandatory provision of SKK 500,000 unpaid bonuses, SKK 180,000 for audit, SKK 350,000 for claims and SKK 500,000 for employment benefits.

### 2. 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/ 2006 SKK '000	31/ 12/ 2007 SKK '000
Due liabilities from business relations	13,231	23,210
Overdue liabilities from business relations	91,973	88,303
<b>Current liabilities total</b>	<b>105,204</b>	<b>111,513</b>
Leasing liabilities of up to 1 year		1,800
Leasing liabilities of more than 1 year	1751	810
Liabilities from business relations applied for settlement within 1 year	528	
Liabilities from business relations applied for settlement of more than 1 year	2,021	
Liabilities with remaining due period of more than 5 years (assumed loan)	21,250	
<b>Non-current liabilities total</b>	<b>25,550</b>	<b>2,610</b>
<b>Liabilities</b>	<b>from leasing,</b>	<b>interests</b>
<b>683</b>		<b>and VAT</b>

Žiaromat a.s. settled all due amounts in October 2007 in accordance with the resolution of the court.

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

## Tangible non-current assets and intangible non-current assets

	12/31/2006	12/31/2007
	SKK '000	SKK '000
Temporary differences between the accounting value of assets and the accounting value of liabilities and their tax base		
Accounting residual value	38,406	39,226
Tax residual value	32,200	33,103
Difference	6,206	6,123
Receivable from not-approved provisions		-1,270
Possibility to depreciate tax loss in the future	0	
Income tax rate (in %)	19	19
<b>Deferred tax liability</b>	<b>1,179</b>	<b>922</b>

**3. Social fund**

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

Formed at the expense of costs	213	245
Formed from the profit	0	0
Drawing	-204	-236
<b>Balance as of 31 December</b>	<b>16</b>	<b>25</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.

**4. Financial subsidies**

As of 31 December 2007 the Company kept records of no bank loans; as of 31 December 2006 the Company had a loan from Železiarne Podbrezová a.s. in the amount of SKK 25 million, with extended due date until 31 December 2007 and agreed interest rate of 5% p. a., which was paid back in October 2007.

**5. Accruals**

The structure of accruals is laid down in the following overview: 7

	31/ 12/ 2006	31/ 12/ 2007
	SKK '000	SKK '000
Accrued costs	2,046	17
Accrued revenues	36	(
Rent	0	(
negative balance from custom manufacturing	0	(
<b>Total</b>	<b>2,082</b>	<b>17</b>

The SKK 17,000 is a credit note issued in 2008 for the year 2007.

**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:

	Fire clay		Refractory concretes		Other and services		Total	
	31.12.06.	12/31/2007	31.12.06.	12/31/2007	31.12.06.	12/31/2007	31.12.06.	12/31/2007
	TSKK	TSKK	TSKK	TSKK	TSKK	SKK '000	SKK '000	SKK '000
Slovak Republic	50,862	45,677	42,243	62,479	12,458	12,272	105,563	12
Czech Republic	22,958	30,804	9,666	16,642	1,111	2,821	33,735	5
Austria	1,140	282	1,122	616	145	57	2,407	
Germany	5,449	4,640	0	0	0	0	5,449	
Ukraine	0	0	4,685	20,271	0	0	4,685	2
France	6,058	6,314	0	0	0	0	6,058	
Hungary	22,823	21,699	5,406	2,656	290	201	28,519	2
Slovenia		2,332	0	0	0	0	0	
Poland	219	1,267	0	0	0	0	219	
Denmark		365						
Croatia		538						
Serbia		147		979		77		
Peru	0	0	612	1,440	0	0	612	
<b>Total</b>	<b>109,509</b>	<b>114,065</b>	<b>63,734</b>	<b>105,083</b>	<b>14,004</b>	<b>15,428</b>	<b>187,247</b>	<b>23</b>

Other revenues were posted to account No. 648 in the amount of SKK 803,000, namely:

SKK 501,000 for delivered scrap  
SKK 115,000 for tax non-deductible not claimed liabilities

## 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 increase by SKK 13,217,000. regarding balance sheet items, there is an increase of SKK 13,168,000, as illustrated in the following table:

	Balance as of			Change of the balance	
	32.12.2005	31/ 12/ 2006	31/ 12/ 2007	12/31/2006	12/31/2007
	SKK '000	SKK '000	SKK '000	SKK '000	SKK '000
Unfinished production	6,028	5,402	3,163	-626	-2,239
Finished products	13,869	8,875	24,282	-4,994	15,407
<b>Total</b>	<b>19,897</b>	<b>14,277</b>	<b>27,445</b>	<b>-5,620</b>	<b>13,168</b>
611.612	-558	-626	-2,239	-626	
613	4,409	-4,994	15,407	-4,994	
549			49		49

## 3. Activation

Overview of activation:

	12/31/2006	12/31/2007
	SKK '000	SKK '000
Non-current tangible assets formed by own activity	870	818
Other activation - manufacturing of spare parts	1,572	2,346
Other activation of intra-company services, transportation to the warehouse	<b>820</b>	<b>788</b>
<b>Total</b>	<b>3,262</b>	<b>3,952</b>

## 4. Exchange rate profits

Overview of exchange rate profits:

	12/31/2006	12/31/2007
	SKK '000	SKK '000
Realised exchange rate profits	1,132	1,225
Non-realised exchange rate profits	3,830	1,521
<b>Total</b>	<b>4,962</b>	<b>2,746</b>

We posted extraordinary revenues in the amount of SKK 225,092,052 to account No. 688. The extraordinary revenues are depreciated values /percents/ on the basis of court resolution, not paid penalties – that formed non-deductible item in previous years and non-registered creditors.



## H. INFORMATION ABOUT COSTS

### 1. Services

## I. INFORMATION ABOUT CORPORATE INCOME TAX

	12/31/2006	12/31/2007
	SKK '000	SKK '000
Transport	2,493	2,888
Other activities of material nature	447	240
Other activities of non-material nature	3,947	2,245
Other activities of non-material nature - legal	0	7,596
Telecommunication activities	479	421
Promotion related activities	352	544
Mediation fees	0	546
Other	0	0
<b>Total account No. 518</b>	<b>7,718</b>	<b>14,480</b>

There was SKK 1,568,000 posted to account No. 548 Other costs; out of which: SKK 381,000 insurance of assets  
SKK 149,000 mandatory motor third party li  
SKK 25,000 insurance of leasing  
SKK 101,000 liability insurance  
SKK 34,000 membership fees  
SKK 24,000 tax non-deductible cost  
SKK 768,000 costs of the settlement

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

	Tax base SKK '000	Tax SKK '000	Tax %	Tax base SKK '000	Tax SKK '000	Tax %
Profit before taxation	6,733			243,698		
Items adjusting tax base				-220,541		
Tax base	8,390		19.00 %	23,157		19.00 %
Out of which theoretical tax 19 % (in 2003: 25 %)	4,463	746			4,400	
Depreciated loss						

### Overview of items of deferred tax:

	31 Dec 2006	31 Dec 2007
	SKK '000	SKK '000
Deferred tax liability	52	257
	0	
The balance constitutes deferred tax liability		0

## J. INFORMATION ABOUT OTHER ASSETS AND OTHER LIABILITIES

### 18. 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.
- The Company considers dispute with SPED-TRANS Levice in the amount of SKK 7,766,000 that has not been completed as a conditional liability.

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

Off-balance sheet accounts: lien on assets on account No. 792.100 in the amount of SKK 75,830,696 was cancelled; material and small assets on account No. 752.100 in the amount of SKK 3,432,941.61, food vouchers on account No. 757 in the amount of SKK 196.17. There are 5 leasing contracts with remaining payments of VAT and interests in the amount of SKK 682,785.

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

In 2007, members of statutory bodies were paid bonuses on the amount of SKK 734,000.

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

	2006 SKK '000	2007 SKK '000
ŽP Podbrezová – revenues: for goods	26,960	41,278
for assigned receivables	2,468	2,451
costs: purchase of material	13,904	36,157
services	2,694	6,407
interests	1,237	1,000
Borrowing from 2004	25,000	payment of the loan
Liabilities from business relations	48,937	92,152
Other subsidiaries	receivables as of 31 December 2007	revenues
ŽP EKO-QELET a.s.	-	477
ŽP PRAKO s.r.o.	-	496
ŽP TRADE Bohémia a.s.	-	2,756 – assignment
ŽĎAS a.s.	2,681	24,060
	liabilities as of 31 December 2007	costs
ŽP Informatika s.r.o.	-	148
ZANINONI s.r.o.	225	1,403
ŽP TRADE Bohémia a.s.	-	4,521
ŽĎAS a.s.	-	31
ŽP TRADE s.r.o.		1,774

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

	Balance as of 31 December 2006	Increments SKK '000	Transfers SKK '000	Balance as of 31 December 2007
Shareholders' equity	56,727	88,273		145,000
Other capital funds	3		-1	2
Mandatory reserve fund	3,281		603	3,884
Undistributed profit	512		5,435	5,947
Undistributed loss of previous years	- 386,048	-	-	- 386,048
Economic performance for the current accounting period	6,039	239,555	- 6,039	239,555
<b>Equity total</b>	<b>- 319,486</b>	<b>239,555</b> <b>88,273</b>		<b>8,340</b>

The shareholders' equity was increased in October 2007 by contribution of shareholders in the amount of 88,273 shares for the price of SKK 1,000 per share.

**Proposal for distribution of economic performance in the amount of SKK 239,558,000.**

- Reserve fund in the amount of SKK 2,395,580
- Reposting to unsettled loss – SKK 237,162,420

**O. CIRCUMSTANCES THAT OCCURRED AFTER THE DAY AS OF WHEN THE FINANCIAL STATEMENTS WERE PREPARED AND BEFORE THE DATE OF PREPARATION OF THE FINANCIAL STATEMENTS**

- Repayment of liabilities from settlement was done by a one-off payment of remaining instalments in October 2007, except for creditor ALLIANZ, with whom agreement about non-payment was agreed if the company maintains its insurance contract with the creditor. Based on the resolution of the court, all creditors were sent written notification about one-off payment of remaining instalments. Liabilities to creditors who were not registered were deregistered from the books in October 2007.
- The strategic plan for development of ŽIAROMAT a.s. for the years 2008 – 2012 was prepared in January 2008.
- From the viewpoint of development of the company there were intensive works and negotiations on investment activities that would increase the effectiveness of the production in January and February 2008.

In Kalinovo, on 10 March 2008  
Prepared by: Jablonská Anna

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

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

Des.	Item	No.	Actual in SKK '000	
			current accounting period	previous accounting period
	<b>Cash flow from operating activities</b>			
Z/S	Economic performance of usual activities before taxation (+/-)	1	18 606	6 733
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	6 333	7 865
A.1.1.	Depreciation of non-current intangible assets and non-current tangible assets	3	7 073	6 639
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	-1 961	74
A.1.7.	Dividends and other shares in profit posted to revenues (-)	9		
A.1.8.	Interests posted to costs (+)	10	1 198	1 529
A.1.9.	Interests posted to revenues (-)	11	-10	-3
A.1.10.	Exchange rate profit calculated to cash and cash equivalents as at the date as at which the financial statements are prepared (-)	12		
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	87	14
A.1.12.	Sale of non-current assets, with exception of assets deemed as cash equivalent (+/-)	14	-54	-388
A.1.13.	Other items of non-cash nature that influence economic performance, with the exception of those that are reported separately in other parts of the Cash Flow Statements (+/-).	15		
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	-290 021	-6 396
A.2.1.	Change of the balance of receivables from operating activity (-/+)	17	2 975	-8 539
A.2.2.	Change of the balance of liabilities from operating activity (+/-)	18	-271 282	2 997
A.2.3.	Change of the balance of inventory (-/+)	19	-21 714	-854
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>-265 082</b>	<b>8 202</b>
A.3.	Received interests, with the exception of those that are included to investment	22	10	3
A.4.	Expenses on interests paid, with the exception of those that are included to financial activities (-)	23	-1 198	-1 529

Des.	Item	No.	Actual in SKK '000	
			current accounting period	previous accounting period
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>-284 876</b>	<b>-57</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	-757	
A.8.	Revenues of extraordinary nature related to operating activity (+)	28	225 092	
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>	30	<b>-41 935</b>	<b>6 676</b>
	<b>Cash flow from investment activity</b>			
B.1.	Expenses on acquisition of non-current intangible assets (-)	31		
B.2.	Expenses on acquisition of non-current tangible assets (-)	32	-10 199	-5 045
B.3.	Expenses on acquisition of non-current securities and shares in other accounting units, with the exception of securities that are deemed as cash equivalents and securities intended for sale or trading (-)	33		
B.4.	Revenues from sale of non-current intangible assets (+)	34		
B.5.	Revenues from sale of non-current tangible assets (+)	35	138	393
B.6.	Revenues from sale of non-current securities and shares in other accounting units, with the exception of securities that are deemed as cash equivalents and securities intended for sale or trading (+)	36		
B.7.	Expenses on non-current borrowings provided by the accounting unit to another accounting unit that is a part of the consolidated unit (-)	37		
B.8.	Revenues from repayment of non-current borrowings provided by the accounting unit to another accounting unit that is a part of the consolidated unit	38		
B.9.	Expenses on non-current borrowings provided by the accounting unit to third persons, with the exception of non-current borrowings provided by the accounting unit to another accounting unit that is a part of the consolidated unit	39		
B.10.	Revenues from repayment of non-current borrowings provided by the accounting unit to third persons, with the exception of non-current borrowings provided by the accounting unit to another accounting unit that is a part of the	40		
B.11.	Revenues from rental of the set of tangible assets and intangible assets used and depreciated by the tenant (+)Príjmy z prenájmu súboru hnutel'ného majetku	41		
B.12.	Received interests, with the exception of those that are included to operating	42		
B.13.	Revenues from dividends and other shares in profit, with the exception of those that are included to operating activities (+)	43		
B.14.	Expenses related to derivatives, unless they are intended for sale or trading, or if such expenses are deemed as cash flow from financial activity (-)	44		
B.15.	Revenues related to derivatives, unless they are intended for sale or trading, or if such expenses are deemed as cash flow from financial activity (+)	45		
B.16.	Expenses on corporate income tax of the accounting unit, if it can be included to investment activities (-)	46		
B.17.	Revenues of extraordinary nature related to investment activity (+)	47		
B.18.	Expenses of extraordinary nature related to investment activity (-)	48		
B.19.	Other revenues related to investment activity (+)	49		
B.20.	Other expenses related to investment activity (-)	50		
<b>B</b>	<b>Net cash flow from investment activity (sum of B.1. to B.20.)</b>	51	<b>-10 061</b>	<b>-4 652</b>
	<b>Cash flow from financial activity</b>			

Des.	Item	No.	Actual in SKK '000	
			current accounting period	previous accounting period
C.1.	Cash flow in the equity (sum of C.1.1 to C.1.8.)	52	88 273	-499
C.1.1.	Revenues from subscribed shares and tradable shares (+)	53	88 273	
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		
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		-499
C.2.	Cash flow originating from non-current liabilities and current liabilities from financial activity (sum of C.2.1 to C.2.10) Peňažné toky vznikajúce z	61	-26 774	-1 375
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		
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	-25 000	-20
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	-1 774	-1 355
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		
C.	<b>Net cash flow from financial activity (sum of C.1. to C.9.)</b>	79	<b>61 499</b>	<b>-1 874</b>
D.	<b>Net increase or net reduction of cash (+/-) (sum of A + B + C)</b>	80	<b>9 503</b>	<b>150</b>
E.	<b>Balance of cash and cash equivalents at the beginning of the accounting period (+/-)</b>	81	<b>2 483</b>	<b>2 347</b>
F.	<b>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 (+/-)</b>	82	<b>11 986</b>	<b>2 497</b>

Des.	Item	No.	Actual in SKK '000	
			current accounting period	previous accounting period
G.	Exchange rate differences calculated for cash and cash equivalents as at the date of preparation of the Financial Statements (+/-)	83	-87	-14
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	11 899	2 483

Prepared on:	Signature of the member of the statutory body of the accounting unit or natural person that is an accounting unit:	Signature of the person responsible for preparation of the Financial Statements:	Signature of the person responsible for book-keeping:
Approved on:			

Type of assets		Balance sheet line	Acquisition price as of Jan 1, 2007	Increments	Decrements	Transfers (+/-)	Acquisition price as of Dec 31, 2007
B.	Non-current assets I. 04+13+23	003	170 656	18 211	10 834	0	178 033
B.I.	Non-current intangible assets	004	1 809			0	1 809
B.I.	1. Set-up costs (011)	005					
	2. Activated costs of development (012)	006					
	3. Software (013)	007	1 152				1 152
	4. Appreciable rights (014)	008					
	5. Goodwill (015)	009					
	6. Other non-current intangible assets (019)	010					
	7. Acquired non-current intangible assets (041)	011	657				657
	8. Received advance payments for STA (051)	012					
B.II.	Non-current tangible assets I. 14 to 22	013	168 847	18 211	10 834	0	176 224
B.II.	1. Land (031)	014	3 184	1 437	16		4 605
	2. Structures (021)	015	72 647	409			73 056
	3. Separate movable assets (022)	016	88 520	6 131	2 606		92 045
	4. Growing units of permanent crops (025)	017					
	5. Basic herd and draft animals (026)	018					
	6. Other non-current tangible assets (029,032)	019	168				168
	7. Acquired non-current tangible assets (042)	020	4 093	10 234	7 977		6 350
	8. Received advance payments for STA (052)	021	235		235		
	9. Adjusting entry to acquired assets	022					

**Registered NTA:** Concrete-mixer MN 250: 245 546,-  
Wrapping machine Ronda: 151 324,-  
Press 250 t: 459 383,-  
Press 355 t: 312 131,-  
Press MK III: 286 708,-  
Heating of two halls : 424 751,-  
Passenger cars Octavia: 1 074 236,-  
High-temperature furnace: 274 130,-

**Deregistered NTA:** Forklift: 129 303,-  
Above-the-ground tank: 181 477,-  
Continuous lift cart: 177 200,-  
Vibrating press: 962 100,-  
Floor cart 17 ks: 192 100,-  
Worm press: 200 000,-  
Concrete-mixer MN 15: 89 515,-  
Mixkret: 77 900,-



<b>213.81.184. 216</b>		<b>Balance sheet line</b>	<b>Adjustments and adjusting entries as of Jan 1, 2007</b>	<b>Increment of adjustmetn s and adjusting entries</b>	<b>Decrement of adjustmetn s and adjusting entries</b>	<b>Transfers (+/-)</b>	<b>Adjustmetns and adjusting entries as of Dec 31, 2007</b>
B.	Non-current assets l. 04+13+23	003	127397	17038	12703		131732
B.I.	Non-current intangible assets	004	1032	60			1092
B.I.1.	Set-up costs (011)	005					
2.	Activated costs of development (012)	006					
3.	Software (013)	007	1032	60			1092
4.	Appreciable rights (014)	008					
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 l. 14 to 22	013	126365	16978	12703		130640
B.II.1.	Land (031)	014					
2.	Structures (021)	015	48943	7719	4815		51847
3.	Separate movable assets (022)	016	77122	9259	7688		78693
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	100				100
8.	Received advance payments for STA (052)	021	200		200		
9.	Adjusting entry to acquired assets	022					

Adjustments broken down to asset types		Balance sheet line	Residual price as of Jan 1, 2007	Residual price as of Dec 31, 2007
B.	Non-current assets l. 04+13+23	003	43259	46301
B.I.	Non-current intangible assets	004	777	717
B.I.1.	Set-up costs (011)	005		
	2. Activated costs of development (012)	006		
	3. Software (013)	007	120	60
	4. Appreciable rights (014)	008		
	5. Goodwill (015)	009		
	6. Other non-current intangible assets (019)	010		
	7. Acquired non-current intangible assets (041)	011	657	657
	8. Received advance payments for STA (051)	012		
B.II.	Non-current tangible assets l. 14 to 22	013	42482	45584
B.II.1.	Land (031)	014	3184	4605
	2. Structures (021)	015	23704	21209
	3. Separate movable assets (022)	016	11398	13352
	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	168	168
	7. Acquired non-current tangible assets (042)	020	3993	6250
	8. Received advance payments for STA (052)	021	35	
	9. Adjusting entry to acquired assets	022		



## 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 2007 entered into between the Trade Union of Workers in Mines, Geology and Petroleum Industry and the Board of Directors of Žiaromat a.s. The company met its obligations resulting from the Collective Labour Agreement in full extent. In 2007 we provided our employees with recreational stays and preventive medical examinations to employees at exposed workplaces. A matter of course is boarding provided to employees and offer of drinks in beverage machines.



## **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 requirements of the law, the company monitors and performs regular assessment of produced emissions of carbon dioxide.

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.