# Annual report **2016**

# IMPORTANT PILLARS OF OFZ

**OFZ transforms raw materials into high value-added products using modern technologies. The importance of OFZ goes far beyond the Slovak borders.**

## PRODUCING QUALITY PRODUCTS

In 2016, OFZ manufactured almost 114,000 tonnes of ferroalloys and cored wires, an increase over 10 % compared to the previous year.

## SATISFYING CUSTOMER NEEDS

In 2016, OFZ sold almost 115,000 tonnes of ferroalloys and other products including services amounting to almost 104 mil. EUR. The share of revenues from the sales of ferroalloys and cored wires was as follows: Czech Republic (34 %), Slovakia (24 %), Poland (9 %), Germany (8 %) and Italy (5 %).

## INVESTING INTO PRODUCTION AND THE ENVIRONMENT

In 2016, the investments into the production process, machinery & equipment quadrupled and achieved a record high of 9 mil. EUR when compared to the previous year.

## CARING FOR THE ENVIRONMENT

In 2016, the direct costs incurred by OFZ for enhancing environmental protection were almost 1.5 mil. EUR. The investments were directed into the state-of-the-art dedusting systems. In addition, OFZ processes 100 % of the waste generated at all stages of the production process.

## EMPLOYING A CAPABLE WORKFORCE

In 2016, the average wage in OFZ was 1,079 EUR which is 21 % higher than the average wage paid in the district of Dolný Kubín.

MAIN
# PRODUCT GROUPS

## FERROALLOYS

OFZ is a diversified manufacturer in Central Europe offering its customers a wide range of silicon and manganese alloys.

## CORED WIRES

OFZ is among the most important manufacturers of cored wires in Europe, offering its customers products with a wide range of fillers.

**DIVERSIFIED MANUFACTURER OF FERROALLOYS IN CENTRAL EUROPE**

**MAJOR EUROPEAN MANUFACTURER OF CORED WIRES**

# TABLE OF CONTENTS

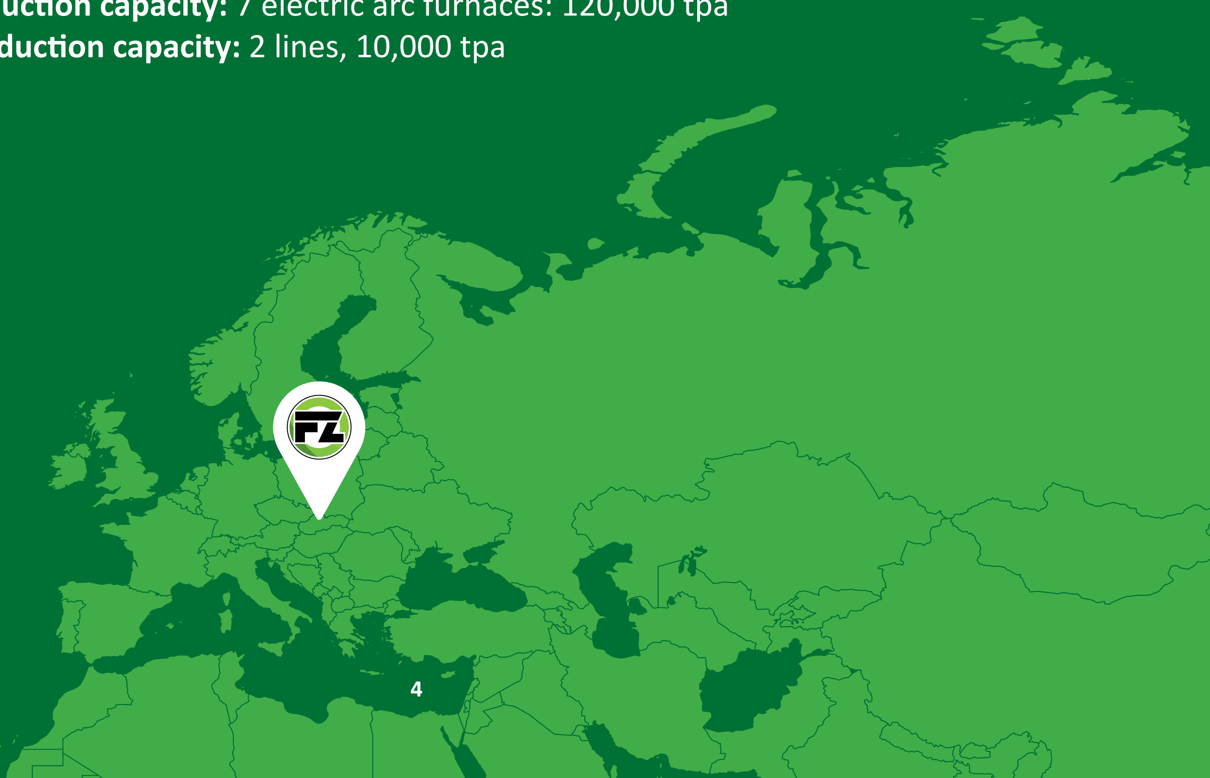
# OFZ AS A COMPANY **WITH A DIVERSIFIED PRODUCT RANGE**

OFZ is a Slovak metallurgical company with significance going far beyond the region of Central Europe. The main strategy for our company is to expand our product portfolio while maintaining sustainable development. The aforementioned is even more apparent in launching new projects in the field of ferroalloys and cored wires production and preparing extensive investments into enhancing environmental protection and power effectiveness.

**104.6 mil. €** in net turnover
**12 kinds** of ferroalloys and cored wires manufactured

## OFZ, A.S., SLOVAKIA:

**ferroalloys production capacity:** 7 electric arc furnaces: 120,000 tpa
**cored wires production capacity:** 2 lines, 10,000 tpa

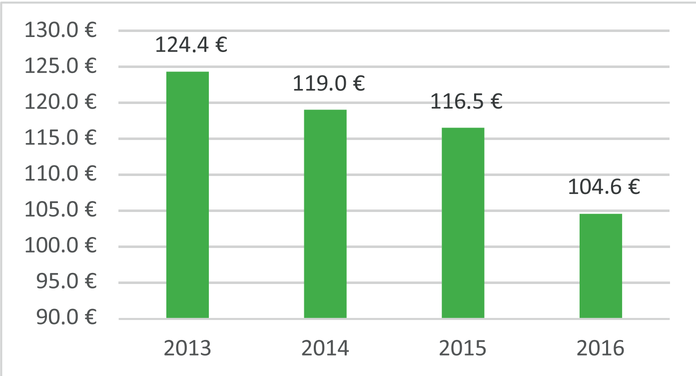


# KEY FIGURES 2016

| mil. EUR | 2016 | 2015 | 2014 | Change % 2016-2015 |
|---|---|---|---|---|
| Net turnover | 104.6 | 116.5 | 119.0 | -10.2% |
| Cost of goods sold (COGS) | 94.3 | 106.5 | 107.8 | -8.7% |
| Operating income | 0.4 | 2.1 | 3.0 | -80.2% |
| Earnings before taxes (EBT) | 1.2 | 2.7 | 2.7 | -54.6% |
| Earnings after taxes (EAT) | 0.7 | 2.6 | 2.3 | -73.5% |
| EBITDA | 1.0 | 3.0 | 4.1 | -66.4% |
| Non-current assets | 20.6 | 14.1 | 15.2 | 46.2% |
| Current assets | 74.7 | 81.8 | 80.5 | -8.7% |
| Equity | 34.4 | 38.6 | 38.6 | -10.7% |
| Total liabilities | 60.9 | 57.1 | 56.8 | 6.6% |
| Total debt | 38.2 | 30.6 | 31.5 | 24.8% |
| Gross margin | 8.1% | 10.1% | 8.7% | -2.0% |
| Operating margin | 0.4% | 1.9% | 2.5% | -1.5% |
| EBITDA margin | 1.0% | 2.6% | 3.5% | -1.6% |
| Working capital [1] | 34.7 | 68.0 | 65.6 | -49.0% |
| Quick ratio [2] | 1.12 | 1.10 | 0.86 | 1.4% |
| Total debt ratio [3] | 64.0% | 59.8% | 59.7% | 4.2% |
| Average number of employees [4] | 476 | 427 | 453 | 11.0% |

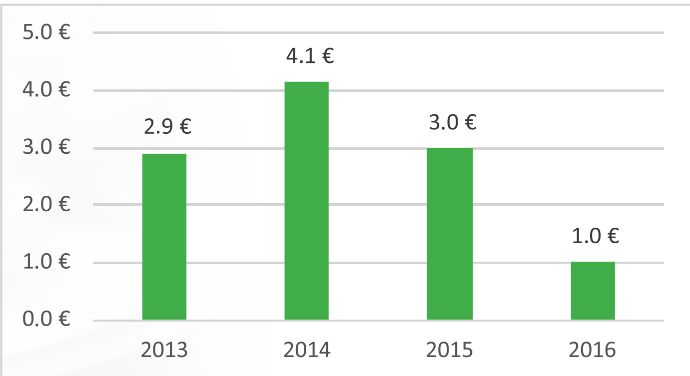
[1] Working capital = Current assets- Current liabilities
[2] Acid test ratio
[3] Total liabilities / Total assets
[4] Average number of employees for the accounting period

Despite the challenging market environment and the prices of ferroalloys hitting multi-year lows, OFZ ended the year 2016 in the black.



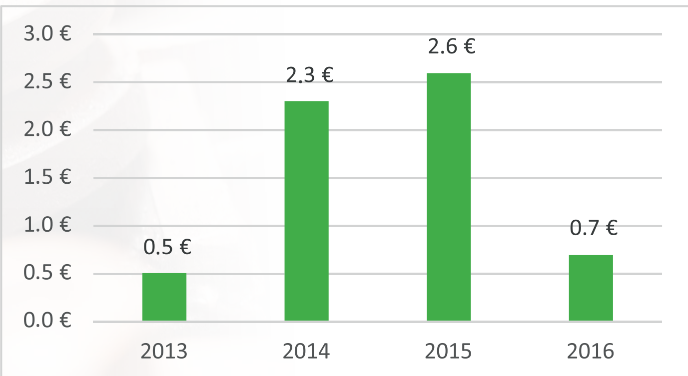

## NET TURNOVER (mil. EUR)

In 2016, OFZ`s net turnover decreased by more than 10 % YOY to 104.6 mil. EUR, which was caused by lower product prices with a flat sales volume.




## EBITDA (mil. EUR)

Due to low ferroalloy prices, OFZ`s EBITDA decreased by 66 % in 2016 and hit 1.0 mil. EUR.



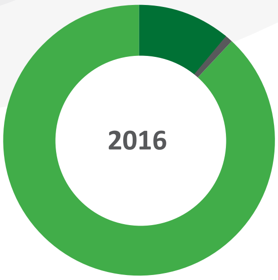

## EARNINGS AFTER TAXES (mil. EUR)

The net income for OFZ decreased by 74 % YOY. The reason lying behind this decrease can be seen in the low selling prices of ferroalloys.

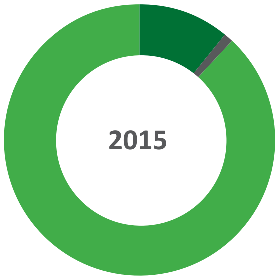
# KEY FIGURES 2016

## Sales Value of Different Types of Products as a Percentage of Total Sales

(excluding revenues from the sales of services) (EUR)

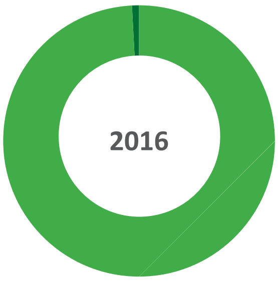



- cored wires **9.8%**
- ferroalloys **89.4%**
- by-products **0.8%**

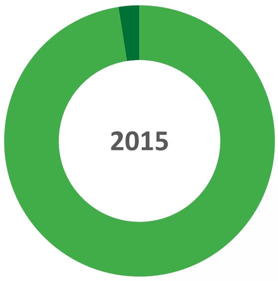



- cored wires **9.4%**
- ferroalloys **89.5%**
- by-products **1.1%**

## EBITDA Margin

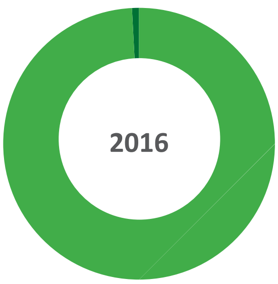



- EBITDA margin **1.0%**
- net turnover

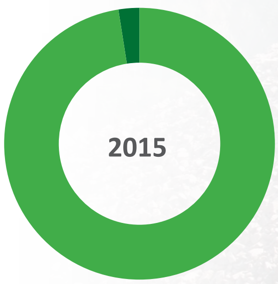



- EBITDA margin **2.6%**
- net turnover

## Net Income Margin




- net income margin **0.7%**
- net turnover




- net income margin **2.3%**
- net turnover

# Ing. **Branislav Klocok**

## Managing Director, OFZ, a.s.

*" the price of energy and the Mn ore purchasing strategy are still playing a key role in the production of ferroalloys "*

### 01 How would you evaluate the year 2016 in terms of the development of the Slovak and European metallurgical industry?

The year 2016 was the most complex year for metallurgy since 2009 and the outbreak of the financial crisis. The prices of our traditional products reached a ten-year low and the dumped imports from Asian countries achieved multi-year highs. This market situation may serve as evidence why OFZ is a proponent of diversifying its product range, alternative raw materials sourcing and enhancing technologies that are a must for effective production process. The launching of a new product - silicon metal, is thus fully aligned with the company`s strategy. OFZ will penetrate into another market niche and will be strategically diversified from the traditional metallurgical companies.

### 02 What is the rationale behind choosing silicon metal as a new product?

Silicon metal is primarily used for manufacturing aluminium alloys (passenger vehicles, aeroplanes...), in photovoltaics (solar cells & panels) and in the chemical industry possessing great potential of growth in demand. The other factor is the relative proximity to our customer markets. Moreover, competing manufacturers within our region do not offer this product.

### 03 What is the company doing to protect the environment?

OFZ continually works on mitigating the environmental impact of its activities. The environmentally responsible behaviour of OFZ is apparent not only in waste-free management, but also in investing into even better air protection using Best Available Technologies (BATs) for dedusting at the various stages of production process, including casting, while at the same time manufacturing a wider range of products.

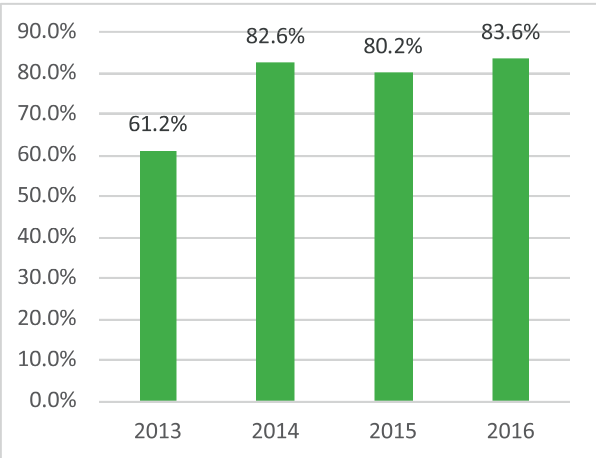
### 04 How do you see the outlook of OFZ in the future?

The main strategy for OFZ to focus on in the future is to diversify its existing product range and manufacture higher value-added products and products of special grades. If we manage to meet these strategic objectives, there is great potential for OFZ to succeed.

# OFZ, a.s.
# IN 2016

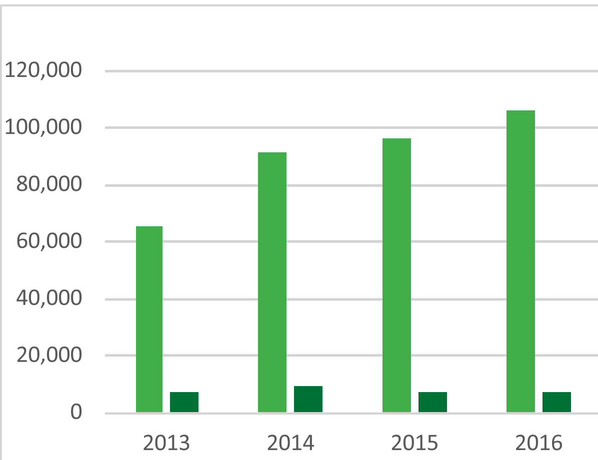
The year 2016 proved to be very important for OFZ in the field of implementing new production processes. The main portion of investments was directed into EAF22 reconstruction for producing a new product - silicon metal from the beginning of 2018. This is fully aligned with the company`s strategy to manufacture high value-added products. OFZ also continues to produce medium carbon FeMn.

We strongly believe that bringing more products to our customers will be a success in the following years. This fact is underlined by retaining a capacity utilization ratio of approximately 80 %.




**Capacity utilization ratio** (%)
(2013-2016)

In 2016, the ferroalloys made a considerable portion of product range with a 93.6 % on the total weight of products. In 2016, the production of ferroalloys increased by 10.6 % YOY to more than 106,000 tonnes and cored wires production by 4.4 % and reached more than 7,000 tonnes.

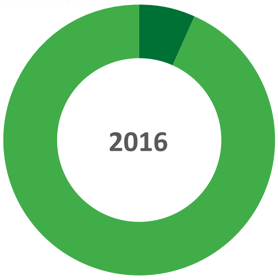



**Production** (tonnes)
(2013-2016)

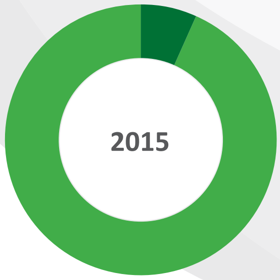
ferroalloys cored wires

| Production (thousands tonnes) | 2016 | 2015 | 2014 | Change % 2016-2015 |
|---|---|---|---|---|
| Ferroalloys | 106 | 96 | 91 | 10.6% |
| Cored wires | 7 | 7 | 9 | 4.4% |
| Total | 114 | 103 | 100 | 10.2% |

**Different Kinds of Products** (in tonnes)
**as a Percentage of Total Production** (%)




ferroalloys **93.6%**
cored wires **6.4%**




ferroalloys **93.3%**
cored wires **6.7%**

## CUSTOMERS

The strategy of diversification stemming from customer needs is a main focus for OFZ. The ratio of ferroalloys to cored wires production has not materially changed throughout the year. In 2016, OFZ continued in producing MC FeMn and FeSiCr and invested into technology for silicon metal production. Among the top priorities for the company are flexible delivery schedules and focus on a customer. The company is also well-known for the premium quality of its products.

## INVESTMENTS

Also In 2016, investments were targeted into three main areas. A major investment was made into EAF22 reconstruction with silicon metal production planned for 2018. There were three phases of implementation: the system of composite electrodes, the furnace body and electrical and mechanical components. The second area of investment involved transport equipment and machinery. The third target of investments was the OFZ plant in Martin. Launching silicon metal production will trigger further investments in the near future.

## ENVIRONMENT

OFZ constantly pays maxium attention to environmental protection of which the waste-free management might serve as a strong evidence. Improving technologies and continually enhancing environmental protection still remain among our top priorities. Dedusting systems on all filtration units have been successfully revamped using the best available technologies on the market (BATs). This has significantly contributed to increasing capacity of dedusting by 25 %, bringing down the level of dust formation at the workplace, protecting the air and minimizing power consumption.

## EMPLOYEES

OFZ focuses on educating and training experts in the field of metallurgy in the long term.

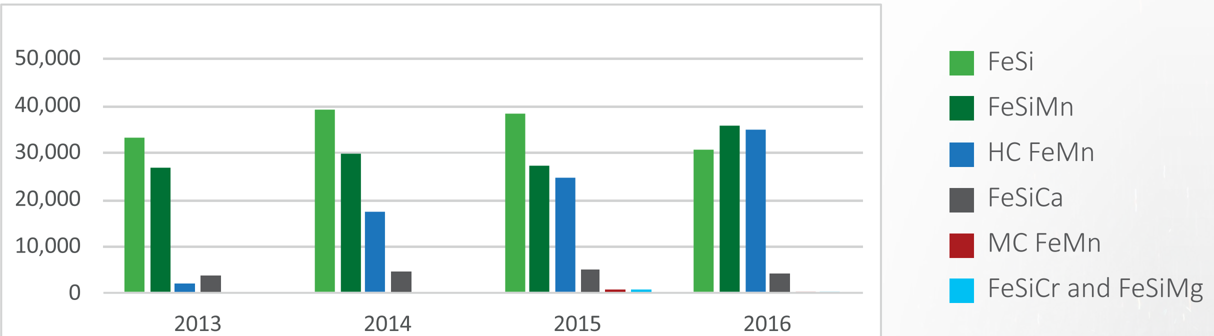
# FERROALLOYS

## **106,000** tonnes of ferroalloys produced

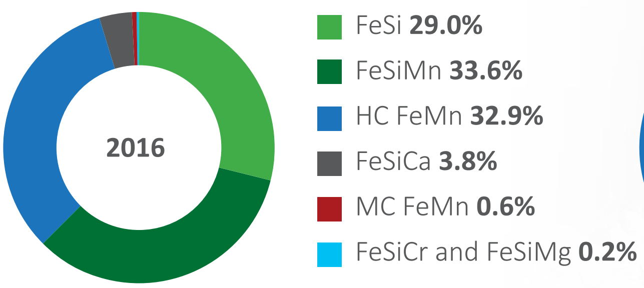
**Production of Ferroalloys** (tonnes) (2014-2016)

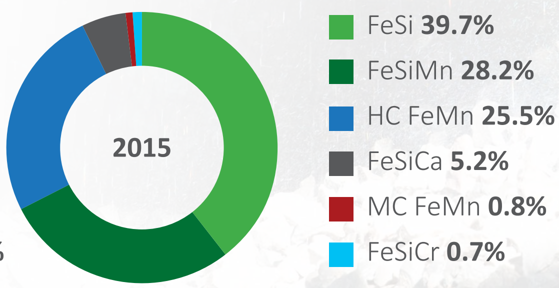
In 2016, Mn ferroalloys production played a part with the biggest percentage increase when compared with 2015, which triggered an increase in total ferroalloys production by almost 11 %. FeSi production decreased due to the outage of EAF22 and its reconstruction for silicon metal production.

| Ferroalloys Production (thousands tonnes) | 2016 | 2015 | 2014 | Change % 2016-2015 |
|---|---|---|---|---|
| FeSi | 30.9 | 38.2 | 39.3 | -19.2% |
| FeSiMn | 35.7 | 27.1 | 29.6 | 31.7% |
| HC FeMn | 35.0 | 24.5 | 17.6 | 42.8% |
| FeSiCa | 4.1 | 5.0 | 4.7 | -18.1% |
| MC FeMn | 0.6 | 0.8 | 0.0 | -25.1% |
| FeSiCr | 0.2 | 0.7 | 0.0 | -68.4% |
| Total | 106.5 | 96.3 | 91.2 | 10.6% |




**Different Types of Ferroalloys as a Percentage Of Total Production** (%)



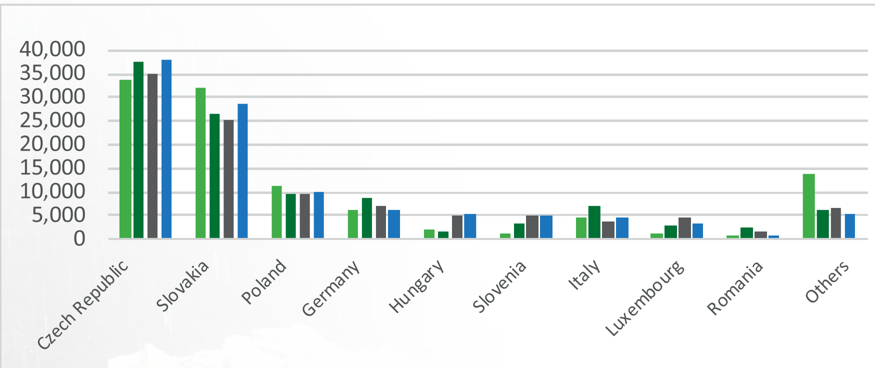
# FERROALLOYS

## **108,000** tonnes of ferroalloys sold

**In 2016, sales of ferroalloys and metals increased by 3.4 % YOY.** The main reason lying behind that can be seen in an increase in the sales of HC and MC FeMn and steady sales of FeSiMn.

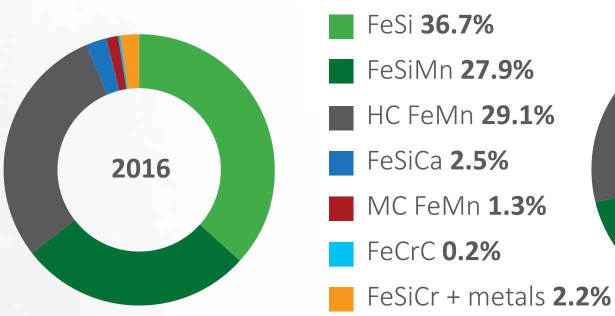
| Ferroalloys Sales (thousands tonnes) | 2016 | 2015 | 2014 | Change % 2016-2015 |
|---|---|---|---|---|
| FeSi | 34.0 | 37.5 | 37.0 | -9.4% |
| FeSiMn | 33.4 | 33.7 | 38.8 | -1.1% |
| HC FeMn | 36.4 | 29.7 | 27.9 | 22.6% |
| FeSiCa | 1.4 | 2.2 | 1.2 | -36.8% |
| MC FeMn | 1.1 | 0.9 | 1.2 | 17.0% |
| FeCrC | 0.2 | 0.2 | 0.0 | 9.4% |
| FeSiCr + metals | 1.3 | 0.0 | 0.0 | na |
| Total | 107.8 | 104.2 | 106.1 | 3.4% |

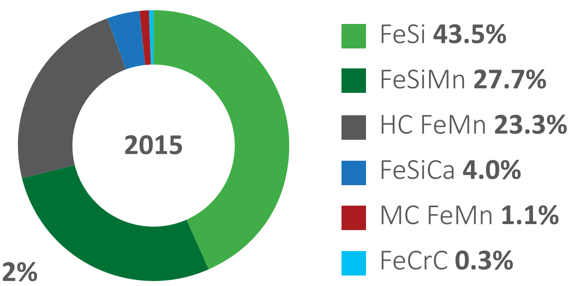
In 2016, the sales of ferroalloys were mainly targeted on closer markets and Central Europe, with a major portion going to the Czech Republic and Slovakia, while the sales in these countries increased. A steady, high level of sales was also made to Poland, Germany, Hungary, Slovenia and Italy.




**Ferroalloys Sales by Country**
(in tonnes) (2013 – 2016)

**Sales Value of the Different Ferroalloys as a Percentage of Total Ferroalloys Sales** (%)



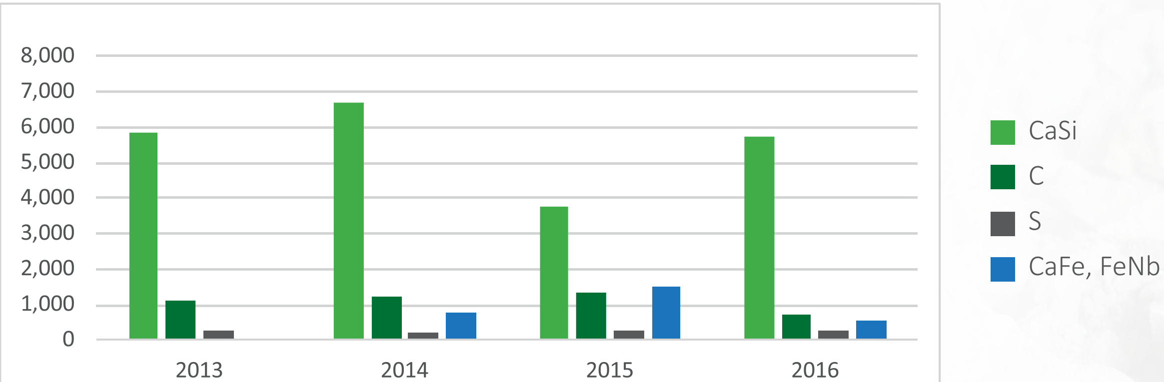
# CORED WIRES

## more than **7,000** tonnes of cored wires produced

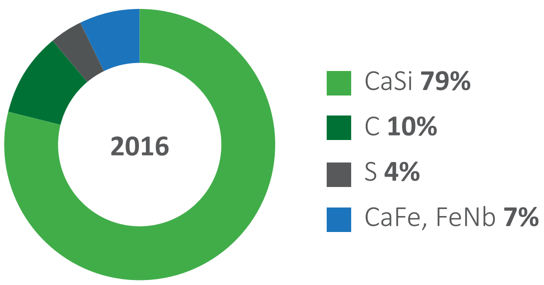
**Production of Cored Wires** (tonnes) (2014-2016)

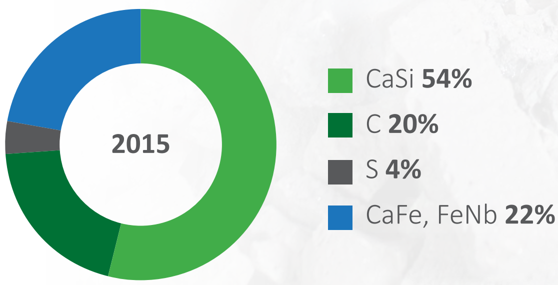
CaSi cored wire also made up the biggest portion of cored wire products in 2016. The YOY increase by 4.4 % was mainly caused by higher CaSi cored wire production, which increased by more than a half. On the other hand, CaFe cored wire production was almost two-thirds lower than in the previous year.

| Cored Wires Production (tonnes) | 2016 | 2015 | 2014 | Change % 2016-2015 |
|---|---|---|---|---|
| CaSi | 5,734 | 3,775 | 6,719 | 51.9% |
| C | 703 | 1,367 | 1,241 | -48.6% |
| S | 277 | 275 | 230 | 0.6% |
| CaFe, FeNb | 533 | 1,523 | 760 | -65.0% |
| Total | 7,247 | 6,941 | 8,951 | 4.4% |




**Different Types Of Cored Wires as a Percentage of Total Cored Wires Production** (%)



# CORED WIRES

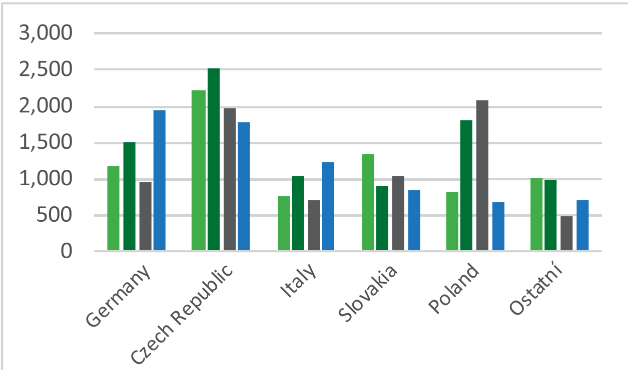
## over **7,000** tonnes of cored wires sold

**In 2016 OFZ, a.s. sold more than 7,000 tonnes of cored wires, which was a slight decrease of 1 % when compared to the previous year.** The higher sales of CaSi cored wire were offset by the lower sales of other cored wires.

With a firm place in the steel production, cored wires are also used for alloying and deoxidation of steel and for inoculating and modifying cast iron. The markets for cored wires sales are, to a great extent, similar to countries of ferroalloys sales. In 2016, the major portion of sales were made to Germany, the Czech Republic and Italy.

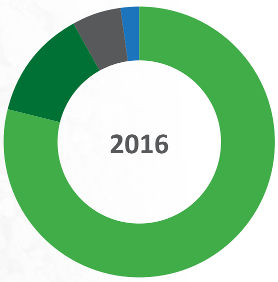
**Cored Wires Sales by Country** (in tonnes)

2013 2015
2014 2016

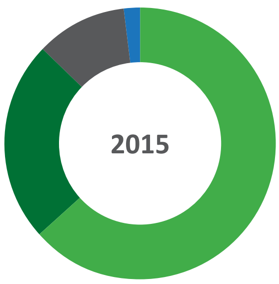



| Cored Wires Sales (tonnes) | 2016 | 2015 | 2014 | Change % 2016-2015 |
|---|---|---|---|---|
| CaSi | 5,686 | 4,037 | 6,576 | 40.9% |
| C | 704 | 1,434 | 1,201 | -50.9% |
| S | 277 | 277 | 234 | -0.1% |
| CaFe, FeNb, Ca | 562 | 1,543 | 760 | -63.6% |
| Total | 7,229 | 7,292 | 8,771 | -0.9% |

**Sales Value of Different Cored Wires as a Percentage of Total Cored Wires Sales** (%)




CaSi **79%**
CaFe **13%**
C **6%**
S **2%**

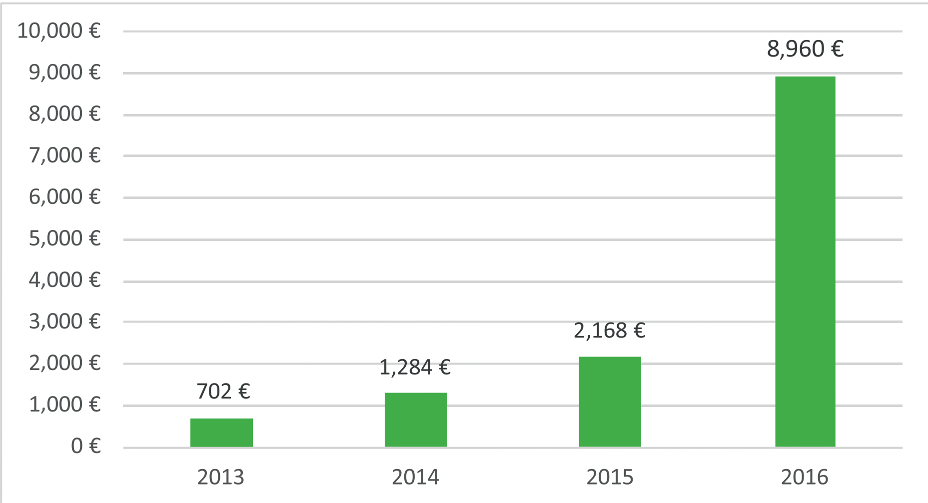



CaSi **63%**
CaFe **24%**
C **11%**
S **2%**

# INVESTMENTS

## **8.960** mil. EUR invested

The funds reserved for investment projects also increased in 2016. The total amount of investments quadrupled when compared with the previous year and hit 8.960 mil. EUR. The major reason can be seen in the huge investments targeted into EAF22 reconstruction for silicon metal production.




**OFZ, a.s. and Trends in Investments** (thousands EUR)

In 2016, the investments were targeted into three main areas: EAF22 reconstruction for silicon metal production, transport equipment and machinery and the OFZ plant in Martin.

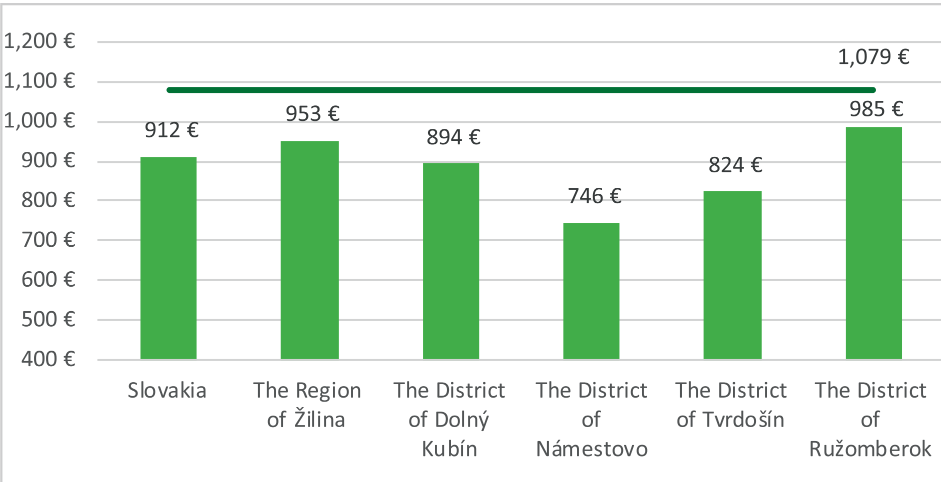
| Investments (thousands EUR) | 2016 |
|---|---|
| Silicon metal production | 6,916 € |
| Transport equipment | 941 € |
| Machinery | 610 € |
| OFZ Martin | 399 € |
| Land | 35 € |
| Software | 34 € |
| Others | 25 € |
| Total | 8,960 € |

# EMPLOYEES

## **476** employees, average wage **1,079 EUR**

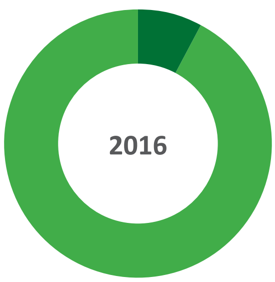
OFZ fully realizes that the employees are a crucial part of the organization and thus keeps a close eye on continuous improvement of the working conditions and quality of the working place. The average number of employees in 2016 increased by roughly 11 %. The average wage of 1,079 EUR was among the highest in this region.

**Average Wages & Salaries Compared with Slovakia** (2016)

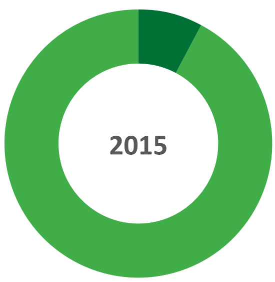



Average Wages & Salaries € in Slovakia
Average Wages & Salaries at OFZ, a.s. €

**Management as a Percentage of Total Workforce** (%)




management **7.4 %**
other staff **92.6 %**




management **8.2 %**
other staff **91.8 %**

In 2016 the company continued in supporting the social activities for its employees. The total amount paid for legal social costs for training & education, recovery stays and the canteen exceeded 250,000 EUR.

# COMPANY BODIES

## BOARD OF DIRECTORS

Ing. **Vladimír Klocok**
CHAIRMAN

Ing. **Branislav Klocok**
MEMBER

Ing. **Anton Sklárčik**
MEMBER

## SUPERVISORY BOARD

JUDr. **Zuzana Michalíková**
MEMBER

Ing. **Michal Suroviak**
MEMBER

Ing. **Jozef Šeliga**
MEMBER

## COMPANY`S MANAGEMENT

| | |
|---|---|
| Ing. **Vladimír Klocok** | GENERAL DIRECTOR |
| Ing. **Branislav Klocok** | MANAGING DIRECTOR |
| Ing. **Stanislav Huba** | DIRECTOR FOR FINANCE & DEVELOPMENT |
| Ing. **Martin Levčík** | COMMERCIAL DIRECTOR |
| Ing. **Andrzej Jabłonski** | PRODUCTION & TECHNICAL DIRECTOR |

# FINANCIAL SITUATION

## net turnover **104.6** mil. EUR

## earnings after taxes almost **700,000** EUR

The year 2016, when the prices hit multi-year lows, proved to be very challenging for ferroalloys and cored wires manufacturers. However, OFZ, a.s. achieved a good financial performance mainly through decreasing input costs. The sound financial performance is a pre-requisite for extending investment activities and for ensuring and pursuing the strategy of sustainable development. The year 2016 was also very important for OFZ, a.s. in financial terms. Net turnover decreased by more than 10 % and there was also a decrease in operating income and EBITDA.

**Proposed Settlement of Earnings for the Current Accounting Period** (as of December 31, 2016)

| Item | 2016 |
|---|---|
| Net profit | 674,515 € |
| Reserve fund | 67,452 € |
| Retained earnings | 607,062 € |

**Proposed Settlement of Earnings for the Preceding Accounting Period** (as of December 31, 2015)

| Item | 2015 |
|---|---|
| Net profit | 2,640,813 € |
| Reserve fund | 264,082 € |
| Dividend distribution to shareholders | 2,376,731 € |

**Equity Participations & Interests of OFZ, a.s. in Other Legal Entities** (as of December 31, 2016)

| Legal Entity | Equity Interest (EUR) | Equity Interest (%) |
|---|---|---|
| ESI, s.r.o. Istebné | 220,000 € | 100.00% |
| OFZ Novokuznetsk | 155 € | 100.00% |
| SES SK, a. s. KN Mesto | 6,639 € | 20.00% |
| Hutnictví železa, a.s. Praha | 37,821 € | 2.72% |

## **Profit and Loss Statement** (as of December 31, 2016) 1/2

| Class | Item | No. | Current Accounting Period € | Preceding Accounting Period € |
|---|---|---|---|---|
| * | **Net turnover (part of accounting Class 6 according to the Act)** | **01** | **104,581,150** | **116,480,279** |
| ** | **Operating income - total (lines 03 to 09)** | **02** | **108,112,180** | **121,656,355** |
| I. | Revenue from the sale of merchandise (604, 607) | 03 | 8,414,821 | 15,661,752 |
| II. | Revenue from the sale of own products (601) | 04 | 84,554,620 | 90,396,914 |
| III. | Revenue from the sale of services (602, 606) | 05 | 10,855,997 | 8,785,637 |
| IV. | Changes in internal inventory (+/- acct. grp. 61) | 06 | -2,215,468 | 2,075,611 |
| V. | Own work capitalized (acct. grp. 62) | 07 | 1,068,118 | 1,166,161 |
| VI. | Revenue from the sales of non-current intangible assets, property, plant, and equipment, and raw materials (641, 642) | 08 | 1,991,788 | 1,647,176 |
| VII. | Other operating income (644, 645, 646, 648, 655, 657) | 09 | 3,442,304 | 1,923,104 |
| ** | **Operating expenses - total line 11 + line 12 + line 13 + line 14 + line 15 + line 20 + line 21 + line 24 + line 25 + line 26** | **10** | **107,686,798** | **119,513,445** |
| A. | Costs of merchandise sold (504, 507) | 11 | 8,333,989 | 15,167,976 |
| B. | Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503) | 12 | 78,790,217 | 77,770,747 |
| C. | Value adjustments to inventory (+/-) (505) | 13 | | |
| D. | Services (acct. grp. 51) | 14 | 7,166,797 | 13,537,584 |
| E. | Personnel expenses- total (lines 16 to 19) | 15 | 8,998,929 | 7,795,036 |
| E. 1. | Wages and salaries (521, 522) | 16 | 6,359,305 | 5,461,244 |
| 2. | Remuneration of board members of the company or cooperatives (523) | 17 | | |
| 3. | Social security expenses (524, 525, 526) | 18 | 2,272,432 | 2,004,198 |
| 4. | Social expenses (527, 528) | 19 | 367,192 | 329,594 |
| F. | Taxes and fees (acct. grp. 53) | 20 | 283,443 | 193,103 |
| G. | Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (line 22 + line 23) | 21 | 1,453,297 | -898,517 |
| G. 1. | Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (551) | 22 | 1,453,329 | -716,862 |
| 2. | Value adjustments to non-current intangible assets and PP & E (+/-) (553) | 23 | -32 | -181,655 |
| H. | Carrying value of non-current assets sold and raw materials sold (541, 542) | 24 | 1,121,403 | 3,386,777 |
| I. | Value adjustments to receivables (+/-) (547) | 25 | -499,988 | 252,328 |
| J. | Other operating expenses (543, 544, 545, 546, 548, 549, 555, 557)) | 26 | 2,038,711 | 2,308,411 |
| *** | **Profit/loss from operations (line 02 - line 10)** | **27** | **425,382** | **2,142,910** |
| * | **Added value (line 03 + line 04 + line 05 + line 06 + line 07) - (line 11 + line 12 + line 13 + line 14)** | **28** | **8,387,085** | **11,609,768** |
| ** | **Income from financial activities - total line 30 + line 31 + line 35 + line 39 + line 42 + line 43 + line 44** | **29** | **1,685,878** | **2,118,513** |
| VIII. | Revenue from the sale of securities and shares (661) | 30 | | |

## **Profit and Loss Statement** (as of December 31, 2016) 2/2

| Class | Item | No. | Current Accounting Period € | Preceding Accounting Period € |
|---|---|---|---|---|
| IX. | Income from non-current financial assets (line 32 to 34) | 31 | | |
| IX. 1. | Income from securities and ownership interests in affiliated accounting entities (665A) | 32 | | |
| 2. | Income from securities and ownership interests within a participating interest, except for income of affiliated accounting entities (665A) | 33 | | |
| 3. | Other income from securities and ownership interests (665A) | 34 | | |
| X. | Income from current financial assets- total (line 36 to 38) | 35 | | |
| X. 1. | Income from current financial assets in affiliated accounting entities (666A) | 36 | | |
| 2. | Income from current financial assets within a participating interest, except for the income of affiliated accounting entities (666A) | 37 | | |
| 3. | Other income from current financial assets (666A) | 38 | | |
| XI. | Interest income (line 40 + line 41) | 39 | 755,712 | 671,330 |
| XI. 1. | Interest income from affiliated accounting entities (662A) | 40 | 418,616 | 374,636 |
| 2. | Other interest income (662A) | 41 | 337,096 | 296,694 |
| XII. | Exchange rate gains (663) | 42 | 522,514 | 590,499 |
| XIII. | Gains on the revaluation of securities and income from derivative transactions (664, 667) | 43 | 407,041 | 30,621 |
| XIV. | Other income from financial activities (668) | 44 | 611 | 826,063 |
| ** | Expenses related to financial activities- total line 46 + line 47 + line 48 + line 49 + line 52 + line 53 + line 54 | 45 | 914,932 | 1,567,417 |
| K. | Securities and shares sold (561) | 46 | | |
| L. | Expenses related to current financial assets (566) | 47 | | |
| M. | Value adjustments to financial assets (+/-) (565) | 48 | | |
| N. | Interest expense (line 51 + line 52) | 49 | 648,403 | 795,836 |
| N. 1. | Interest expenses related to affiliated accounting entities (562A) | 50 | 599,600 | 788,344 |
| 2. | Other interest expenses (562A) | 51 | 48,803 | 7,492 |
| O. | Exchange rate losses (563) | 52 | 55,653 | 387,348 |
| P. | Loss on the revaluation of securities and expenses related to derivative transactions (564, 567) | 53 | 137,535 | 30,621 |
| Q. | Other expenses related to financial activities (568, 569) | 54 | 73,341 | 353,612 |
| *** | **Profit/loss from financial acitivites (+/-) (line 29 - line 45)** | **55** | **770,946** | **551,096** |
| **** | **Profit/loss for the accounting period before taxes (+/-) (line 27 + line 55)** | **56** | **1,196,328** | **2,694,006** |
| R. | Income tax (line 58 + line 59) | 57 | 521,813 | 53,193 |
| R. 1. | Income tax- current (591, 595) | 58 | 3,010 | 315,883 |
| 2. | Income tax- deferred (+/-) (592) | 59 | 518,803 | -262,690 |
| S. | Transfer of net profit/net loss shares to partners (+/-596) | 60 | | |
| **** | **Profit/loss for the accounting period after taxes (+/-) (line 56 - line 57 - line 60)** | **61** | **674,515** | **2,640,813** |

## **Balance Sheet** (as of December 31, 2016) 1/6

| Class | ASSETS | No. | Current Accounting Period € | | Preceding Accounting Period € |
|---|---|---|---|---|---|
| a | b | c | Gross / Adjustment | Net for Current Period | Net for Previous Period |
| | **TOTAL ASSETS line 002 + line 033 + line 074** | **001** | **124,143,170** / **28,825,692** | **95,317,478** | **95,898,588** |
| **A.** | **Non-current assets line 003 + line 011 + line 021** | **002** | **45,738,092** / **25,154,872** | **20,583,220** | **14,088,332** |
| **A.I.** | **Non-current Intangible assets - total (lines 004 to 010)** | **003** | **1,476,546** / **457,748** | **1,018,798** | **1,009,245** |
| A.I.1. | Capitalized development costs (012)- /072, 091A/ | 004 | | | |
| 2. | Software (013)- /073, 091 A/ | 005 | 341,897 / 255,200 | 86,697 | 73,520 |
| 3. | Valuable rights (014)- /074, 091A/ | 006 | 62,302 / 60,201 | 2,101 | 5,725 |
| 4. | Goodwill (015)- /075, 091A/ | 007 | | | |
| 5. | Other non-current intangible assets (019, 01X)- /079, 07X, 091A/ | 008 | 142,347 / 142,347 | | |
| 6. | Acquisition of non-current intanglible assets (041)-093 | 009 | 930,000 | 930,000 | 930,000 |
| 7. | Advance payments made for non-current intangible assets (051) – 095A | 010 | | | |
| **A.II.** | **Property, plant & equipment - total (lines 012 to 020)** | **011** | **44,227,821** / **24,689,157** | **19,538,664** | **13,079,087** |
| A.II.1. | Land (031)- 092A | 012 | 752,795 | 752,795 | 892,451 |
| 2. | Structures (021)- /081, 092A/ | 013 | 14,606,821 / 7,061,650 | 7,545,171 | 8,239,088 |
| 3. | Machinery (022)- /082, 092A/ | 014 | 20,926,774 / 17,554,259 | 3,372,515 | 2,864,423 |
| 4. | Perennial crops (025)- /085, 092A/ | 015 | | | |
| 5. | Livestock (026)- /086, 092A/ | 016 | | | |
| 6. | Other property, plant & equipment (029, 02X, 032)- /089, 08X, 092A/ | 017 | 169,762 / 73,248 | 96,514 | 96,514 |
| 7. | Acquisition of property, plant & equipment (042)-094 | 018 | 7,669,969 | 7,669,969 | 279,483 |
| 8. | Advance payments made for property, plant & equipment (052)-095A | 019 | 101,700 | 101,700 | 707,128 |
| 9. | Value adjustment to acquired assets (+/-097) +/-098 | 020 | | | |

## **Balance Sheet** (as of December 31, 2016) 2/6

| Class | ASSETS | No. | Current Accounting Period € | | Preceding Accounting Period € |
|---|---|---|---|---|---|
| a | b | c | Gross<br>Adjustment | Net for Current Period | Net for Previous Period |
| **A.III.** | **Non-current financial assets - total (lines 022 to 029)** | **021** | **33,725**<br>**7,967** | **25,758** | |
| A.III.1. | Shares and ownership interests in affiliated accounting entities (061A, 062A, 063A)- /096A/ | 022 | 25,758 | 25,758 | |
| 2. | Shares and ownership interests with a participating interest, except for affiliated accounting entities (062A) – 096A | 023 | 7,303<br>7,303 | | |
| 3. | Other available-for-sale securities and ownership interests (063A)- /096A/ | 024 | 664<br>664 | | |
| 4. | Loans to affiliated accounting entities (066A)- 096A | 025 | | | |
| 5. | Loans with a participating interest, except for affiliated accounting entities (066A)-/096A/ | 026 | | | |
| 6. | Other loans (067A)- /096A/ | 027 | | | |
| 7. | Debt securities and other non-current financial assets (065A, 069A, 06XA)- /096A/ | 028 | | | |
| 8. | Loans and other financial assets with a remaining maturity of 1 year (066A, 067A, 069A, 06XA)- /096A/ | 029 | | | |
| 9. | Bank accounts with a notice period exceeding 1 year (22XA) | 030 | | | |
| 10. | Acquisition of non-current financial assets (043)- /096A/ | 031 | | | |
| 11. | Advance payments made for non-current financial assets (053)- /095A/ | 032 | | | |
| **B.** | **Current assets line 034 + line 041 + line 053 + line 066 + line 071** | **033** | **78,361,962**<br>**3,670,820** | **74,691,142** | **81,783,137** |
| **B.I.** | **Inventory - total (lines 035 to 040)** | **034** | **21,426,087** | **21,426,087** | **28,939,230** |
| B.I.1. | Raw material (112,119, 11X)- /191, 19X/ | 035 | 11,606,778 | 11,606,778 | 14,703,144 |
| 2. | Work-in-progress and semi-finished products (121,122, 12X) - /192,193, 19X/ | 036 | 575,425 | 575,425 | 1,298,440 |
| 3. | Finished goods (123) – /194/ | 037 | 7,401,377 | 7,401,377 | 8,893,831 |
| 4. | Animals (124) – /195/ | 038 | | | |
| 5. | Merchandise (132, 133, 13X, 139) – /196, 19X/ | 039 | 1,178,249 | 1,178,249 | 984,412 |
| 6. | Advance payments made for inventory (314A) – /391A/ | 040 | 664,258 | 664,258 | 3,059,403 |

## **Balance Sheet** (as of December 31, 2016) 3/6

| Class | ASSETS | No. | Current Accounting Period € | | Preceding Accounting Period € |
|---|---|---|---|---|---|
| a | b | c | Gross<br>Adjustment | Net for Current Period | Net for Previous Period |
| **B.II.** | **Non-current receivables - total (line 042 + lines 046 to 052)** | **041** | **2,135,725** | **2,135,725** | **3,764,027** |
| **B.II.1.** | **Trade receivables - total (lines 043 to 045)** | **042** | **663,100** | **663,100** | **710,600** |
| 1. a. | Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/ | 043 | 663,100 | 663,100 | 710,600 |
| 1. b. | Trade receivables with a participating interest, except for receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/ | 044 | | | |
| 1. c. | Other trade receivables (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/ | 045 | | | |
| 2. | Net value of contract (316A) | 046 | | | |
| 3. | Other receivables from affiliated accounting entities (351A) - /391A) | 047 | | | |
| 4. | Other receivables within a participating interest, except for receivables from affiliated accounting entities (351A)- /391A/ | 048 | | | |
| 5. | Receivables from participants, members, and association (354A, 355A, 358A, 35XA)- /391A/ | 049 | | | |
| 6. | Receivables related to derivative transactions (373A, 376A) | 050 | | | |
| 7. | Other receivables (335A, 336A, 33XA, 371A, 374A, 375A, 378A)- /391A/ | 051 | 5,771 | 5,771 | 1,067,771 |
| 8. | Deferred tax asset (481A) | 052 | 1,466,854 | 1,466,854 | 1,985,656 |
| **B.III.** | **Current receivables - total (line 054 + line 058 to line 065)** | **053** | **52,969,332**<br>**3,670,820** | **49,298,512** | **46,678,487** |
| **B.III.1.** | **Trade receivables - total lines 055 to 057** | **054** | **21,395,791**<br>**2,536,664** | **18,859,127** | **17,672,052** |
| 1. a. | Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/ | 055 | 672,390 | 672,390 | 117,952 |
| 1. b. | Trade receivables within participating interest, except for receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/ | 056 | | | |
| 1. c. | Other trade receivables (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/ | 057 | 20,723,401<br>2,536,664 | 18,186,737 | 17,554,100 |
| 2. | Net value of contract (316A) | 058 | | | |
| 3. | Other receivables from affiliated accounting entities (351A) - /391A) | 059 | 14,224,872<br>1,069,876 | 13,154,996 | 31,095 |

## **Balance Sheet** (as of December 31, 2016) 4/6

| Class | ASSETS | No. | Current Accounting Period € | | | Preceding Accounting Period € |
|---|---|---|---|---|---|---|
| a | b | c | Gross | Adjustment | Net for Current Period | Net for Previous Period |
| 4. | Other receivables within a participating interest, except for receivables from affiliated accounting entities (351A)- /391A/ | 060 | | | | |
| 5. | Receivables from participants, members, and association (354A, 355A, 358A, 35XA)- /391A/ | 061 | | | | |
| 6. | Social security receivables (336A)- /391A/ | 062 | | | | |
| 7. | Tax assets and subsidies (341, 342, 343, 345, 346, 347)- /391A/ | 063 | 4,064,315 | | 4,064,315 | 5,264,995 |
| 8. | Receivables related to derivative transactions (373A, 376A) | 064 | 82,518 | | 82,518 | 51,932 |
| 9. | Other receivables (335A, 33XA, 371A, 374A, 375A, 378A)- /391A/ | 065 | 13,201,836 | 64,280 | 13,137,556 | 23,658,413 |
| **B.IV.** | **Current financial assets - total (lines 067 to 070)** | **066** | **1,469,273** | | **1,469,273** | **1,933,967** |
| B.IV.1 | Current financial assets in affiliated accounting entities (251A, 253A, 256A, 257A, 25XA)- /291A, 29XA/ | 067 | | | | |
| 2. | Current financial assets not including current financial assets in affiliated accounting entities (251A, 253A, 256A, 257A, 25XA)- /291A, 29XA/ | 068 | 1,469,273 | | 1,469,273 | 1,933,967 |
| 3. | Own shares and own ownership interests (252) | 069 | | | | |
| 4. | Acquisition of current financial assets (259, 314A)- /291A/ | 070 | | | | |
| **B.V.** | **Financial accounts (line 72 + line 73)** | **071** | **361,545** | | **361,545** | **467,426** |
| B.V.1. | Cash (211, 213, 21X) | 072 | 96,236 | | 96,236 | 79,374 |
| 2. | Bank accounts (221A, 22X, +/- 261) | 073 | 265,309 | | 265,309 | 388,052 |
| **C.** | **Accruals/deferrals - total (lines 075 to 078)** | **074** | **43,116** | | **43,116** | **27,119** |
| C.1. | Prepaid expenses- long-term (381A, 382A) | 075 | 6,570 | | 6,570 | |
| 2. | Prepaid expenses- short-term (381A, 382A) | 076 | 28,336 | | 28,336 | 24,740 |
| 3. | Accrued income- long-term (385A) | 077 | | | | |
| 4. | Accrued income- short-term (385A) | 078 | 8,210 | | 8,210 | 2,379 |

| Class | LIABILITIES | No. | Current Accounting Period € | Preceding Accounting Period € |
|---|---|---|---|---|
| | **TOTAL EQUITY AND LIABILITIES line 080 + line 101 + line 141** | **079** | **95,317,478** | **95,898,588** |
| **A** | **Equity line 081+ line 085+ line 086 + line 087 + line 090 + line 093 + line 097 + line 100** | **080** | **34,439,424** | **38,571,447** |
| **A.I.** | **Share capital - total (r. 082 to 084)** | **081** | **33,400,000** | **33,400,000** |
| A.I.1. | Share capital (411 or +/-491) | 082 | 33,400,000 | 33,400,000 |
| 2. | Change in share capital +/- 419 | 083 | | |
| 3. | Unpaid share capital (/-/353) | 084 | | |
| **A.II.** | **Share premium (412)** | **085** | | |
| **A.III.** | **Other capital funds (413)** | **086** | | |
| **A.IV.** | **Legal reserve funds (line 088 + line 089)** | **087** | **540,457** | **275,457** |
| A.IV.1. | Legal reserve fund and non-distributable fund (417A, 418, 421A, 422) | 088 | 540,457 | 275,457 |
| 2. | Reserve fund for own shares and own ownership interests (417A, 421A) | 089 | | |
| **A.V.** | **Other funds created from profit (line 091 + line 092)** | **090** | | |
| A.V.1. | Statutory funds (423, 42X) | 091 | | |
| 2. | Other funds (427, 42X) | 092 | | |
| **A.VI.** | **Differences from revaluation - total (lines 094 to 096)** | **093** | **-175,548** | **28,785** |
| A.VI.1. | Differences from the revaluation of assets and liabilities (+/- 414) | 094 | -175,548 | 28,785 |
| 2. | Investment revaluation reserves (+/- 415) | 095 | | |
| 3. | Differences from the revaluation in the event of mergers, amalgamation into a separate accounting entity, or demerger (+/- 416) | 096 | | |
| **A.VII.** | **Net profit/loss of previous years (line 098 + line 099)** | **097** | | **2,226,392** |
| A.VII.1. | Retained earnings from previous years (428) | 098 | | 2,226,392 |
| 2. | Accumulated losses from previous years (/-/429) | 099 | | |
| **A.VIII.** | **Net profit/loss for the accounting period after taxes /+ -/ line 001 - (line 081 + line 085 + line 086 + line 087 + line 090 + line 093 + line 097 + line 101 + line 141)** | **100** | **674,515** | **2,640,813** |
| **B.** | **Liabilities line 102 + line 118 + line 121 + line 122 + line 136 + line 139 + line 140** | **101** | **60,851,429** | **57,076,123** |
| **B.I.** | **Non-current liabilities - total (line 103 + lines 107 to 117)** | **102** | **493,939** | **12,283** |
| **B.I.1.** | **Non-current trade liabilities (lines 104 to 106)** | **103** | | |
| 1.a. | Trade liabilities to affiliated accounting entities (321A, 475A, 476A) | 104 | | |
| 1.b. | Trade liabilities within a participating interest, except for liabilities to affiliated accounting entities (321A, 475A, 476A) | 105 | | |
| 1.c. | Other trade liabilities (321A, 475A, 476A) | 106 | | |
| 2. | Net value of contract (316A) | 107 | | |
| 3. | Other liabilities to affiliated accounting entities (471A, 47XA) | 108 | | |
| 4. | Other liabilities within a participating interest, except for liabilities to affiliated accounting entities (471A, 4XA) | 109 | | |
| 5. | Other non-current liabilities (479A, 47XA) | 110 | | |

## **Balance Sheet** (as of December 31, 2016) 6/6

| Class | LIABILITIES | No. | Current Accounting Period € | Preceding Accounting Period € |
|---|---|---|---|---|
| 6. | Long-term advance payments received (475A) | 111 | | |
| 7. | Long-term bills of exchange to be paid (478A) | 112 | | |
| 8. | Bonds issued (473A /-/ 255A) | 113 | | |
| 9. | Liabilities related to social fund (472) | 114 | 6,797 | 12,283 |
| 10. | Other non-current liabilities (336A, 372A, 474A, 47XA) | 115 | 487,142 | |
| 11. | Non-current liabilities related to derivative transactions (373A, 377A) | 116 | | |
| 12. | Deferred tax liability (481A) | 117 | | |
| **B.II.** | **Long-term provisions (line 119 + line 120)** | **118** | **7,718,500** | **7,683,750** |
| B.II.1. | Legal provisions (451A) | 119 | | |
| 2. | Other provisions (459A, 45XA) | 120 | 7,718,500 | 7,683,750 |
| **B.III.** | **Long-term bank loans (461A, 46XA)** | **121** | **3,375,000** | |
| **B.IV.** | **Current liabilities - total (line 123 + line 127 + line 135)** | **122** | **40,018,025** | **13,755,257** |
| **B.IV.1.** | **Trade liabilities - total (lines 124 to 126)** | **123** | **9,057,957** | **11,111,728** |
| 1.a. | Trade liabilities to affiliated accounting entities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA) | 124 | 703,985 | 1,216,150 |
| 1.b. | Trade liabilities within a participating interest, except for liabilities to affiliated accounting entities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA) | 125 | | |
| 1.c. | Other trade liabilities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA) | 126 | 8,353,972 | 9,895,578 |
| 2. | Net value of contract (316A) | 127 | | |
| 3. | Other liabilities to affiliated accounting entities (361A, 36XA, 471A, 47XA) | 128 | 1,356,787 | 1,352,984 |
| 4. | Other liabilities within a participating interest, except for liabilities to affiliated accounting entities (361A, 36XA, 471A, 47XA) | 129 | | |
| 5. | Liabilities to partners and association (364, 365, 366, 367, 368, 398A, 478A, 479A) | 130 | 28,634,646 | 421,137 |
| 6. | Liabilities to employees (331, 333, 33X, 479A) | 131 | 375,755 | 375,165 |
| 7. | Liabilities related to social security (336A) | 132 | 261,394 | 305,708 |
| 8. | Tax liabilities and subsidies (341, 342, 3543, 344, 345, 346, 347, 34X) | 133 | 64,729 | 166,656 |
| 9. | Liabilities related to derivative transactions (373A, 377A) | 134 | 55,719 | 8,542 |
| 10. | Other liabilities (372A, 379A, 474A, 475A, 479A, 47XA) | 135 | 211,038 | 13,337 |
| **B.V.** | **Short-term provisions (line 137 + line 138)** | **136** | **3,099,207** | **5,058,131** |
| B.V.1. | Legal provisions (323A, 451A) | 137 | 1,500,609 | 1,982,631 |
| 2. | Other provisions (323A, 32X, 459A, 45XA) | 138 | 1,598,598 | 3,075,500 |
| **B.VI.** | **Current bank loans (221A, 231, 232, 23X, 461A, 46XA)** | **139** | **6,146,758** | **1,151,341** |
| **B.VII.** | **Short-term financial borrowings (241, 249, 24X, 473A, /-/255A)** | **140** | | **29,415,361** |
| **C.** | **Accruals/deferrals (lines 142 to 145)** | **141** | **26,625** | **251,018** |
| C.1. | Accrued expenses- long-term (383A) | 142 | | |
| 2. | Accrued expenses- short-term (383A) | 143 | 25,001 | 48,613 |
| 3. | Deferred income- long-term (384A) | 144 | | |
| 4. | Deferred income- short-term (384A) | 145 | 1,624 | 202,405 |

ALFA AUDIT, s.r.o.

Audítorská spoločnosť, č. licencie 93
Auditing company, licence No. 93

Sv. Cyrila a Metoda 2

921 01 Piešťany
Slovak Republic
Tel: +421 33/735 00 03
Fax: +421 33/735 00 16
sekretariat@alfa-audit.sk
www.alfa-audit.sk

# SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT

on the Annual Report
**of company OFZ, a.s.**
for the year ended December 31, 2016

/ To the Shareholders, Supervisory Board and Board of Directors of company /

Pursuant to Act No. 423/2015 Coll., Article 27 (6)

I. We have audited the financial statements prepared on August 22, 2017 of the company OFZ, a.s. (the "Company") as at 31 December 2016 presented from page 27 of the accompanying annual report of the Company. We issued an Auditor's Report on the Audit of Financial Statements dated September 29, 2017 in the wording as follows:

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements prepared on August 22, 2017 of the company OFZ, a.s., which comprise the balance sheet as at December 31, 2016, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements prepared on August 22, 2017 give a true and fair view of the financial position of the Company as at December 31, 2016, and its financial performance for the year then ended in accordance with the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management**

Management is responsible for the preparation of the financial statements to give a true and fair view in accordance with the Act on Accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## II. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on Information Disclosed in the Annual Report– Supplement to the Independent Auditor's Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting. Our opinion on the financial statements stated above does not apply to other information in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We evaluated whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2016 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received after the date of issuance of this auditor's report.

Piestany, December 20, 2017

ÚRAD PRE DOHĽAD NAD VÝKONOM AUDITU
UDVA
93
číslo licencie
ALFA AUDIT, s.r.o.

ALFA AUDIT, s.r.o.
Auditing company, license No. 93
Dipl. Ing. Jarmila B o k o r o v a
Responsible auditor License No. 175

OFZ, a.s. is a company with more than 60 years of ferroalloy production history, a material without which steel production would not be possible.

OFZ, a.s. is a company where natural resources are transformed into products that have long been known for their premium quality. OFZ, a.s. is also a company with a presence in Central Europe.

OFZ, a.s. uses modern technologies that protect the environment

...to ensure sustainable development for future generations.

OFZ, a.s. - changing more than just the properties of steel

## FERROALLOYS

are used for alloying and deoxidation of steel, for the inoculating and modifying of cast iron. OFZ, a.s. manufactures a great variety of Mn and Si alloys.

## CORED WIRES

are used for alloying and deoxidation of steel, for the inoculating and modifying of cast iron. OFZ, a.s. manufactures a great variety of cored wires with different types of powder fillers.

## BY-PRODUCTS

The production of by-products through the waste-free manufacturing processes is undoubtedly an integral part of the company. By-products can be used as additives to concrete, and as refractory materials, in the building industry and for ground completion.

OFZ, a.s., Široká 381, 027 41 Oravský Podzámok, Slovakia

**www.ofz.company**