Annual report **2017**

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.

01 / PRODUCING QUALITY PRODUCTS

In 2017, OFZ manufactured almost 137,000 tonnes of ferroalloys and cored wires, an increase of over 20 % compared to the previous year.

02 / SATISFYING CUSTOMERS` NEEDS

In 2017, OFZ sold more than 132,000 tonnes of ferroalloys and other products including services amounting to 169 mil. EUR. The share of revenues from the sale of ferroalloys and cored wires was as follows: Czech Republic (35 %), Slovakia (15 %), Poland (14 %), Germany (7 %) and Hungary (5 %).

03 / INVESTING INTO PRODUCTION AND THE ENVIRONMENT

In 2017, OFZ invested into enhancing environmental protection more than 860,000 EUR. The company invested mainly into the dedusting of crushing & screening lines and thus minimized dust generation in the next stage of the production process. The ecological aspect can also be seen in investment into the pelletizing & briquetting line which utilizes waste heat from the production of ferroalloys.

04 / EMPLOYING A CAPABLE WORKFORCE

In 2017, the average wage in OFZ was 1,157 EUR which is 15 % higher than the average wage paid in the district of Dolný Kubín and 7.2 % higher than the average wage paid in 2016.

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

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

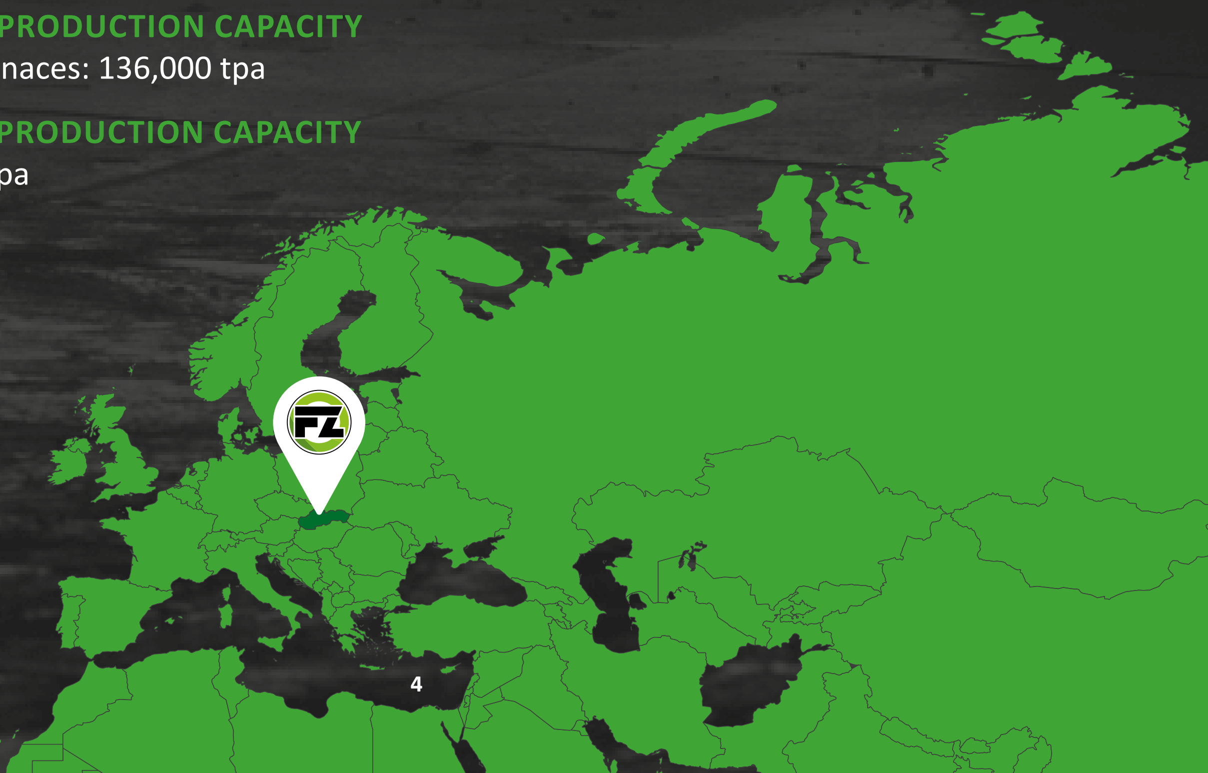
OFZ is a Slovak metallurgical company with significance going far beyond the region of Central Europe. The main strategy for our company is to expand our product portfolio while maintaining sustainable development. The aforementioned is even more apparent in launching new projects in the field of ferroalloys,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

169.1 mil. EUR in net turnover
12 kinds of ferroalloys and cored wires manufactured

OFZ, a.s. SLOVAKIA:

FERROALLOYS PRODUCTION CAPACITY
7 electric arc furnaces: 136,000 tpa

CORED WIRES PRODUCTION CAPACITY
2 lines, 10,000 tpa

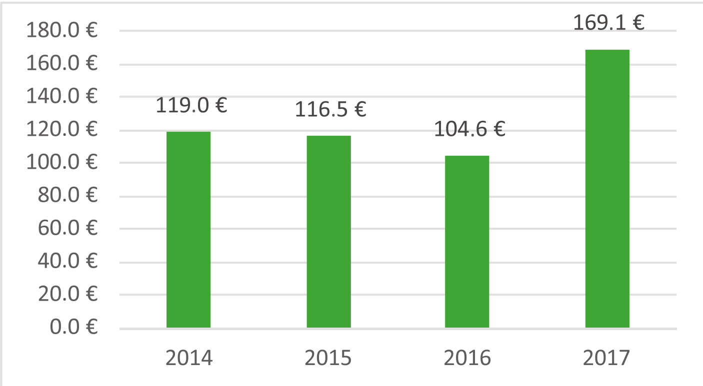


KEY
FIGURES

mil. EUR	2017	2016	2015	Change % 2017-2016
Net turnover	169.1	104.6	116.5	61.7%
Total operating income	176.1	108.1	121.7	62.9%
Total operating expenses	156.9	107.7	119.5	45.7%
Operating income	19.1	0.4	2.1	>10x
Earnings before taxes (EBT)	18.1	1.2	2.7	>10x
Earnings after taxes (EAT)	14.3	0.7	2.6	>10x
EBITDA	20.6	1.0	3.0	>10x
Non-current assets	22.9	20.6	14.1	11.1%
Current assets	97.2	74.7	81.8	30.2%
Equity	48.7	34.4	38.6	41.3%
Total liabilities	71.5	60.9	57.1	17.4%
Gross margin	17.7%	8.0%	10.0%	9.7%
Operating Margin	11.3%	0.4%	1.8%	10.9%
EBITDA margin	12.2%	1.0%	2.6%	11.2%
Working capital [1]	47.1	34.7	68.0	35.9%
Quick ratio [2]	1.32	1.11	1.10	20.8%
Total debt ratio [3]	59.5%	63.9%	59.5%	-4.4%
Average number of employees [4]	505	476	429	6.1%

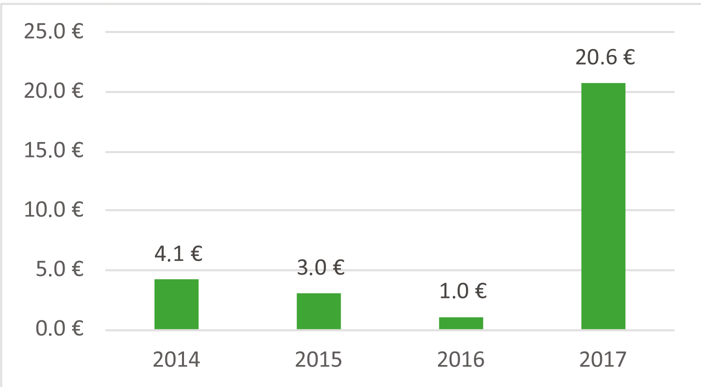
[1] Working capital = Current assets- Current liabilities
[2] Acid test ratio
[3] Total liabilities / Total Assets
[4] Average number of employees for the accounting period

Despite the volatility in strategic raw material prices, the prices for ferroalloys showed a positive trend in 2017 which was also reflected in the net income of OFZ, a.s.



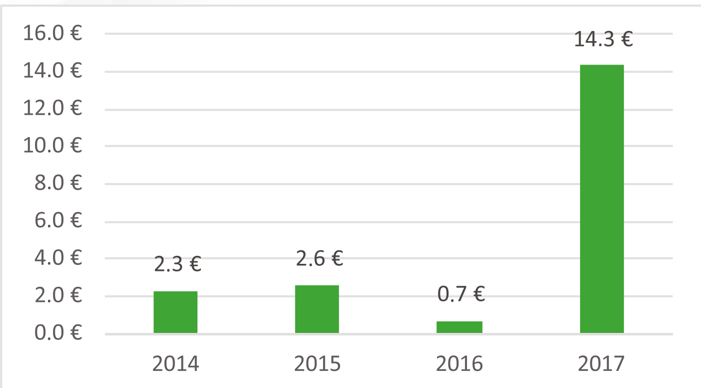
NET TURNOVER (mil. EUR)

In 2017, OFZ`s net turnover increased by more than 60 % YOY to 169.1 mil. EUR, which was mainly caused by higher product prices and higher sales volume.



EBITDA (mil. EUR)

Due to higher ferroalloy prices, OFZ`s EBITDA increased by 20-fold in 2017 and hit 20.6 mil. EUR.

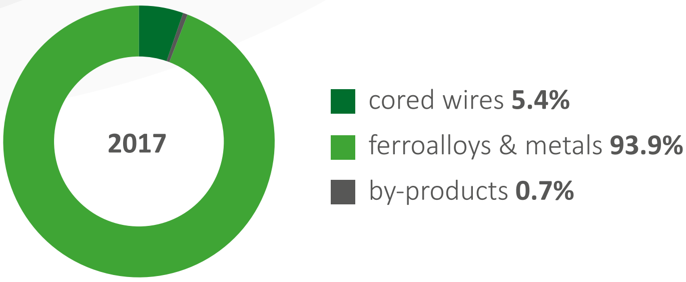


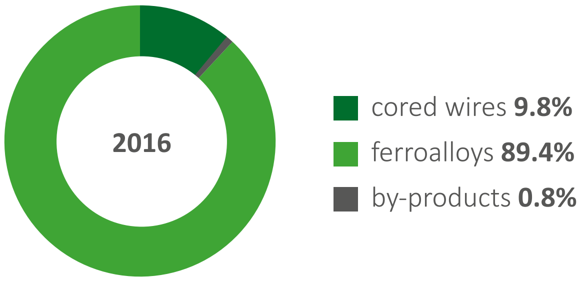
EARNINGS AFTER TAXES (mil. EUR)

The net income for OFZ increased by more than 20-fold YOY. The reason lying behind this increase can be seen in the high selling prices of ferroalloys.

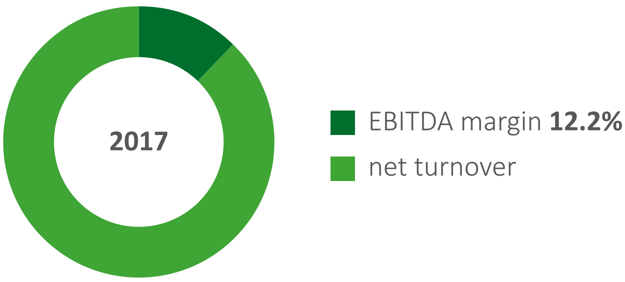
KEY
FIGURES

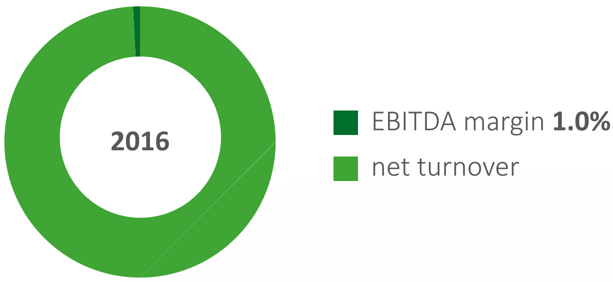
Sales Value of Different Types of Products as a Percentage of Total Sales
(excluding revenues from the sales of services) (EUR)



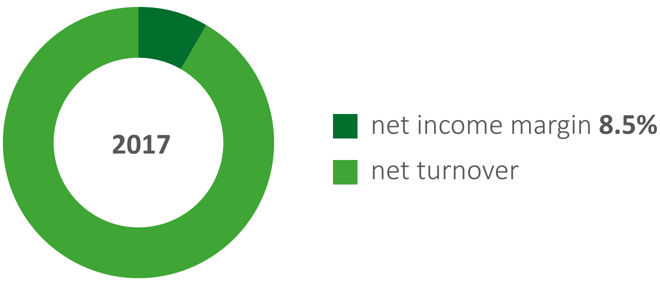


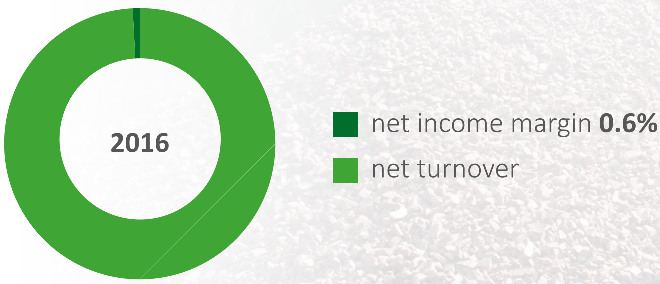
EBITDA Margin





Net Income Margin





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 due to the high price volatility of Mn ore in the world markets“

01 How would you evaluate the year 2017 in terms of the development of the Slovak and European metallurgical industry?

The year 2017 was a positive year for metallurgy. The prices for manganese alloys stayed high and despite the volatility in Mn ore prices, their production proved profitable. A similar situation was seen in the market for silicon alloys; therefore, OFZ has decided to maintain the same range of products. However, this situation is not likely to persist over a long time and the year 2018 appears to be worse due to expectations of higher prices for energy. This is among the main reasons, why OFZ is a proponent of diversifying its product range, alternative raw materials sourcing and enhancing technologies that are a must for an effective production process.

02 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 its investing into even better air protection using Best Available Technologies (BATs) for dedusting. In 2017, OFZ invested a considerable amount of money into dedusting of crushing & screening lines, which minimizes dust generation in the next stage of production process. Investment was also targeted into the plasma furnace which could be used for remelting the fines from the production of manganese alloys and their reuse in the production process.

03 Why have you decided to invest into a briquetting & pelletizing line?

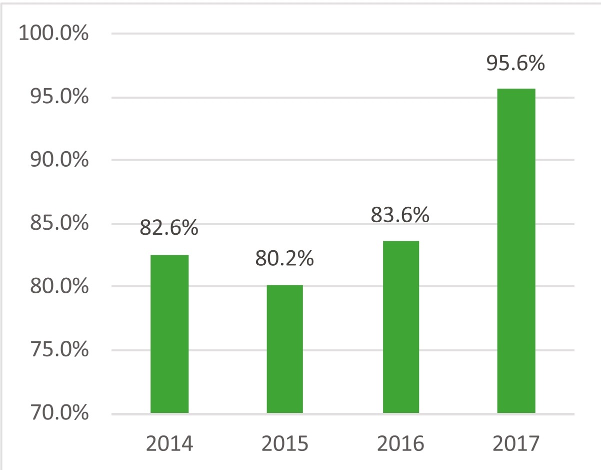
Briquetting & pelletizing line is used to process a wood waste and produce briquettes suitable for heating. The ecological aspect of this line can be seen in utilizing waste heat from the production of ferroalloys as a source of energy for drying raw materials that otherwise would have to be dried using conventional fuels.

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

As life passes by, bad years always come after good ones. The coming year will be the time when we need to prepare ourselves for the bad years. Therefore, it is necessary to complete the diversification of our product range and to continually reduce our manufacturing costs.

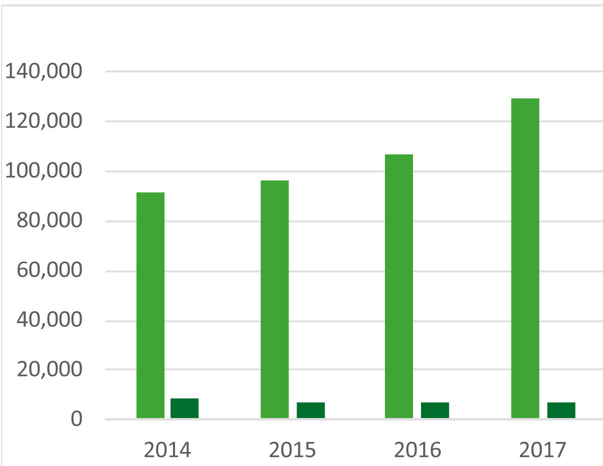
OFZ, a. s. IN 2017

In 2017, OFZ focused on manufacturing traditional alloys and increased its capacity utilization ratio to almost 96 %. However, for the company this year was also a year of introducing new procedures mainly in the area of raw material unloading and furnace charging. OFZ invested further into EAF 22 and plans to launch silicon metal production in H2 2018. This is fully aligned with the company`s strategy to manufacture high value-added products. OFZ also increased the production of medium carbon FeMn when compared to the previous year. We strongly believe that bringing more products to our customers will be a success in the following years.



Capacity utilization ratio (%)
(2014-2017)

In 2017, the ferroalloys made a considerable portion of product range with a 94.6 % on the total weight of products. In 2017, the production of ferroalloys increased by 21.6 % to more than 129,000 tonnes and cored wires production was almost flat and increased only by 2.0 % and reached more than 7,000 tonnes.

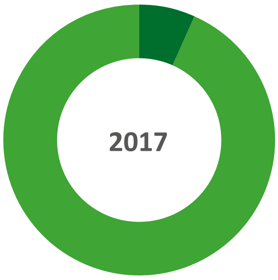


Production (tonnes)
(2014-2017)

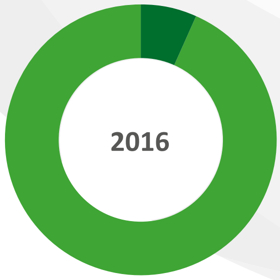
ferroalloys   cored wires

Production (thousands tonnes)	2017	2016	2015	Change % 2017-2016
Ferroalloys	129.5	106.5	96.3	21.6%
Cored wires	7.4	7.2	6.9	2.0%
Total	136.9	113.7	103.2	20.3%

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



ferroalloys **94.6%**
cored wires **5.4%**



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

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. However, in 2017, OFZ produced more ferroalloys, there was also a moderate increase in the production of medium carbon FeMn and some investments were targeted into EAF 22 for the production of silicon metal. Among the top priorities for the company are still the flexible delivery schedules and focus on the customer.

INVESTMENTS

In 2017, investments were targeted into several different areas. Besides the production hall building, machinery, slag raking machine and vehicles, the investments were mainly put into EAF 22 for silicon metal production, a change in furnace charging, revamping of dedusting for crushing & screening lines, a plasma furnace, and into briquetting line for the production of briquettes into a wood waste.

ENVIRONMENT

OFZ constantly pays maximum 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. In 2017, The company invested mainly into the dedusting of crushing & screening lines and thus minimized dust generation in the next stage of the production process. In 2018, OFZ also plans to obtain environmental management certification according to the ISO 14001 standard.

EMPLOYEES

OFZ focuses on educating and training experts in the field of metallurgy in the long term. In 2017, OFZ in cooperation with local high schools provided special training for 22 students in the field of electromechanics, electromechanics- high voltage equipment and electromechanics of machinery & equipment. During the summer holidays, the students of metallurgy at the university were offered the option to gain experience by performing auxiliary tasks in metallurgical production.

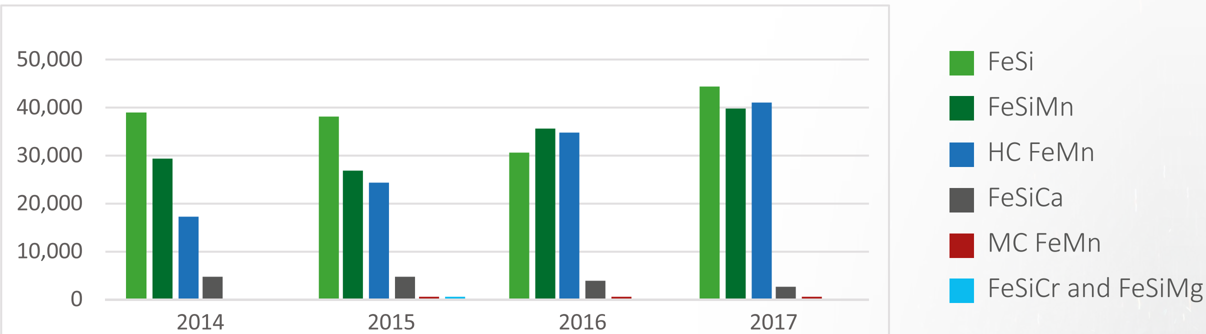
FERROALLOYS

more than **129,000** tonnes produced

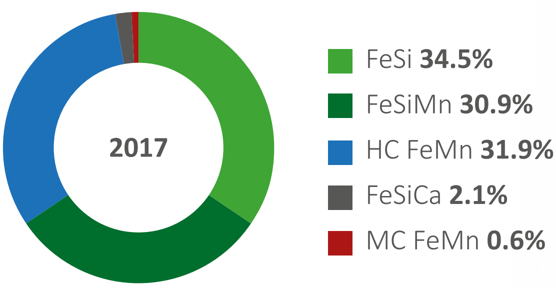
Production of ferroalloys (tonnes) (2015-2017)

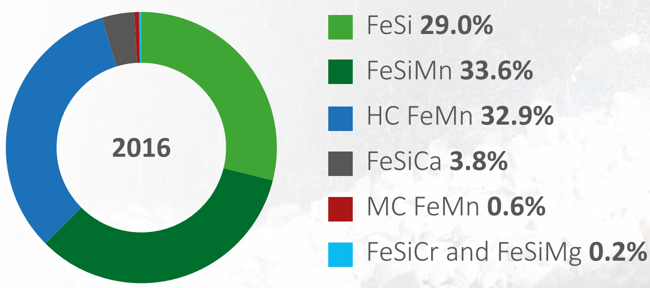
In 2017, production of FeSi due to positive price trends played a part in the biggest percentage increase when compared with 2016. The production of manganese alloys accelerated at a more moderate pace which together triggered an increase in total ferroalloy production by almost 22 % YOY. In 2017, the production of FeSiCr was absent.

Ferroalloy Production (thousands tonnes)	2017	2016	2015	Change % 2017-2016
FeSi	44.6	30.9	38.2	44.7%
FeSiMn	40.1	35.7	27.1	12.1%
HC FeMn	41.3	35.0	24.5	18.0%
FeSiCa	2.7	4.1	5.0	-34.9%
MC FeMn	0.8	0.6	0.8	39.9%
FeSiCr	0.0	0.2	0.7	-100.0%
Total	129.5	106.5	96.3	21.6%



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





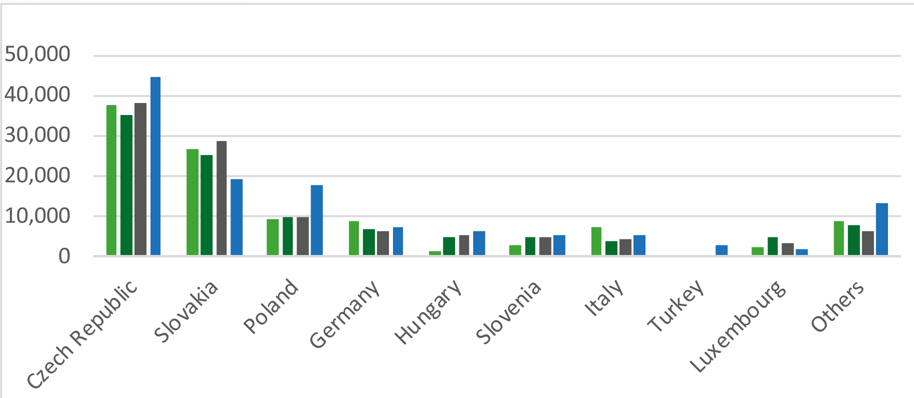
FERROALLOYS

more than **125,000** tonnes of ferroalloys sold

In 2017, sales of ferroalloys and metals increased by 16.4 %.
The main reason lying behind that can be seen in an increase in the sales of FeSi and also manganese alloys, but to a much lesser extent.

Ferroalloys Sales (thousands tonnes)	2017	2016	2015	Change % 2017-2016
FeSi	46.4	34.0	37.5	36.6%
FeSiMn	35.7	33.4	33.7	7.0%
HC FeMn	38.8	36.4	29.7	6.6%
FeSiCa	0.7	1.4	2.2	-47.3%
MC FeMn	0.2	1.1	0.9	-85.8%
FeCrC	0.0	0.2	0.2	-100.0%
FeSiCr + metals	3.6	1.3	0.0	173.8%
Total	125.5	107.8	104.2	16.4%

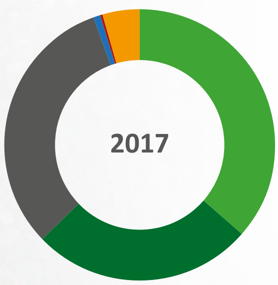
In 2017, the sales of ferroalloys were mainly targeted on closer markets and Central Europe with a major portion going to the Czech Republic and Poland, while the sales in these countries increased. A considerable amount of sales was also made to Slovakia; however, the sales was lower when compared to the previous years. A steady, high level of sales was also made to Germany, Hungary, Slovenia and Italy.



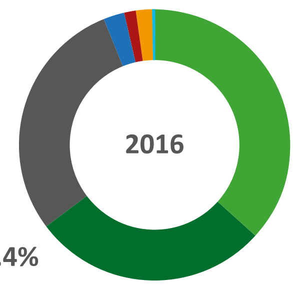
Ferroalloy Sales by Country
(in tonnes) (2014-2017)

2014 2016
2015 2017

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



FeSi **36.5%**
FeSiMn **26.3%**
HC FeMn **31.8%**
FeSiCa **0.7%**
MC FeMn **0.2%**
FeSiCr + metals **4.4%**



FeSi **36.7%**
FeSiMn **27.9%**
HC FeMn **29.2%**
FeSiCa **2.5%**
MC FeMn **1.3%**
FeSiCr + metals **2.2%**
FeCrC **0.2 %**

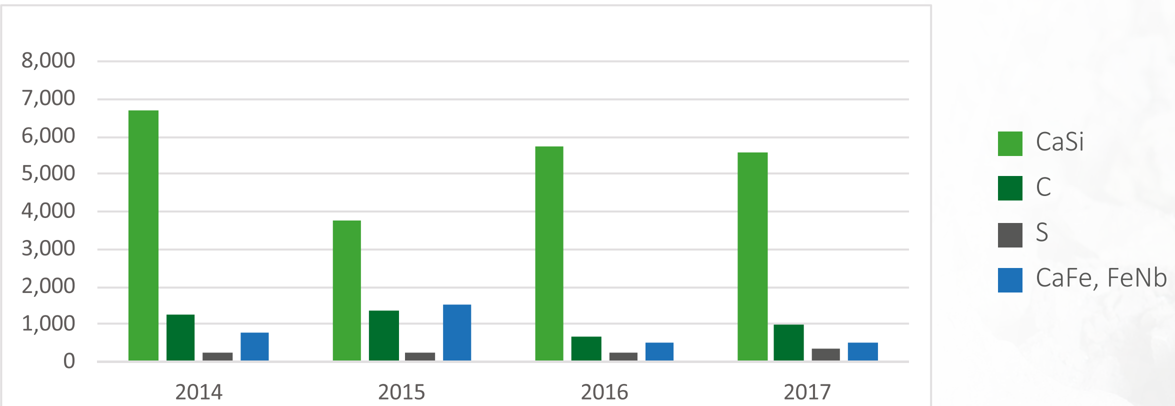
CORED WIRES

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

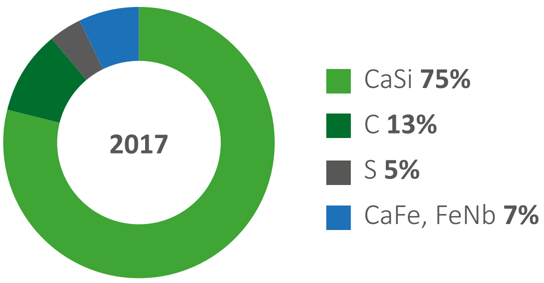
Production of Cored Wires (tonnes) (2015-2017)

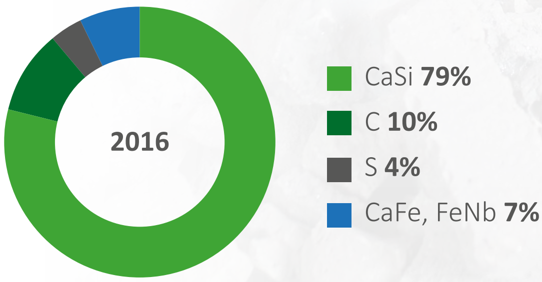
CaSi cored wire also made up the biggest portion of cored wire products in 2017. The production of cored wires increased only by 2.0 % YOY. The decrease in CaSi and CaFe cored wire production was erased by the increase in the production of cored wires with C and S fillers.

Cored Wire Production (tonnes)	2017	2016	2015	Change % 2017-2016
CaSi	5,556	5,734	3,775	-3.1%
C	976	703	1,367	38.9%
S	348	277	275	25.7%
CaFe, FeNb	513	533	1,523	-3.7%
Total	7,393	7,247	6,941	2.0%



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





CORED WIRES

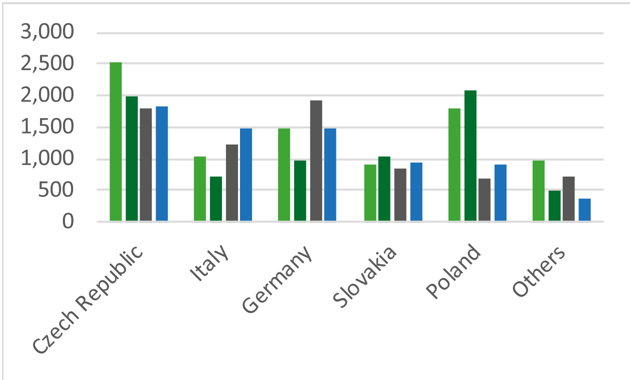
7,000 tonnes of cored wires sold

In 2017, OFZ sold 7,000 tonnes of cored wires, which was a decrease by 3.2 % when compared to the previous year. The higher sales of S and C cored wires were not able to offset the lower sales of CaSi and CaFe cored wires.

With the 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 wire sales are, to a great extent, similar to countries of ferroalloy sales. In 2017, the major portion of sales were made to the Czech Republic, Italy, Germany and Slovakia.

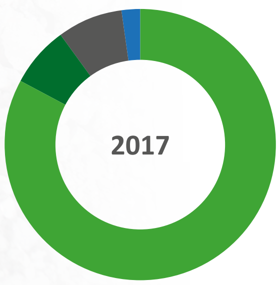
Sales Value of Different Cored Wires as a Percentage of Total Cored Wires Sales

2014 2016
2015 2017

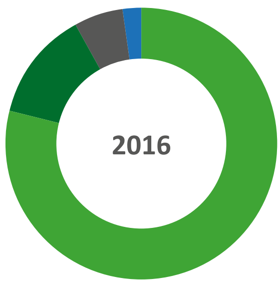


Cored Wire Sales (tonnes)	2017	2016	2015	Change % 2017-2016
CaSi	5,251	5,686	4,037	-7.7%
C	946	704	1,434	34.4%
S	315	277	277	13.5%
CaFe, FeNb, Ca	490	562	1,543	-12.9%
Total	7,001	7,229	7,292	-3.2%

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



CaSi **83%**
CaFe **7%**
C **8%**
S **2%**

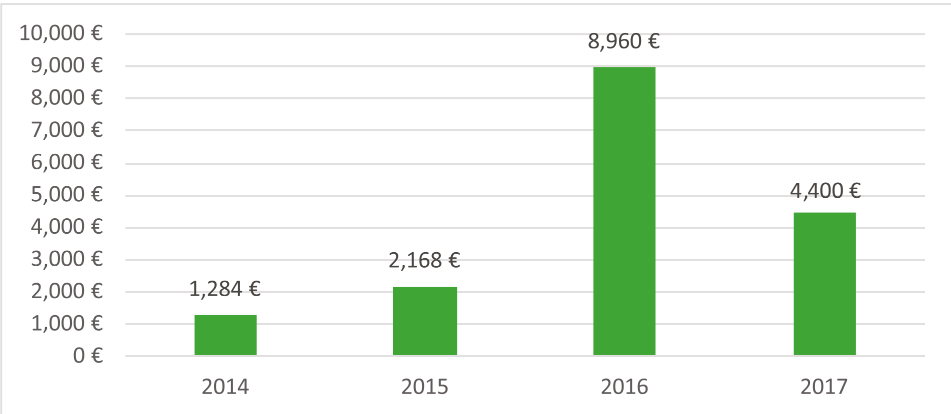


CaSi **79%**
CaFe **13%**
C **6%**
S **2%**

INVESTMENTS & RESEARCH

4.4 mil. EUR invested

The funds reserved for investment projects decreased in 2017 when compared to the record year 2016. The total amount of investments have thus decreased by almost 51 % mainly due to the lower investments that were put into EAF 22 for the production of silicon metal.



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

In 2017, the company invested mainly into the production hall, machinery, slag raking machine, vehicles, EAF 22 for the production of silicon metal, a change in furnace charging, revamping of dedusting for crushing & screening lines and into a briquetting & pelletizing line.

Investments (thousands EUR)	2017
Vehicles	1,438 €
Silicon metal furnace	869 €
Pelletizing plant & advances	603 €
Machinery & equipment	474 €
Change in furnace charging	348 €
Dedusting of screening & crushing lines	257 €
Buildings & halls	148 €
Software	138 €
Plasma furnace	125 €
Total	4,400 €

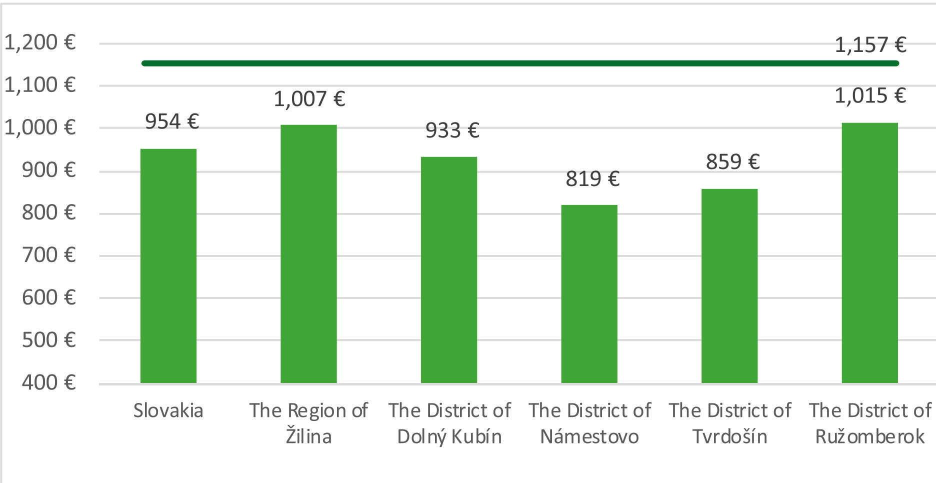
In 2017, OFZ initiated a research project on designing and producing ladles without using refractory bricks. The ladle lining should be made of a monolithic refractory concrete. The research should bring a higher level of safety into ladle handling and lead to an improvement in the economic aspects of using them in the production process.

Description	2017	2016
Research costs- Change in ladle linings in OFZ, a.s.	42,404 €	0 €

EMPLOYEES

505 employees, average wage **1,157 EUR**

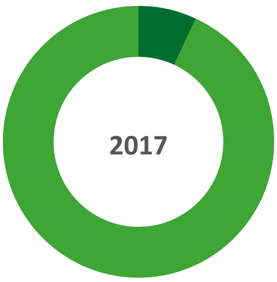
OFZ keeps a close eye on continuous improvement of the working conditions and quality of the working place. The average number of employees in 2017 increased by more than 6 %. The average wage was 1,157 EUR which represented an increase by more than 7 % YOY and was among the highest in the region.



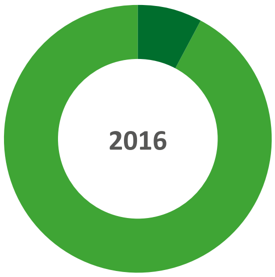
Average Wages & Salaries Compared with Slovakia (2017)

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

Management as a Percentage of Total Workforce (%)



management **6.9 %**
other staff **93.1 %**



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

In 2017, 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 reached almost 274,000 EUR.

COMPANY BODIES

BOARD OF DRECTORS

Ing. **Vladimír Klocok**
CHAIRMAN

Ing. **Anton Sklárčik**
MEMBER

Ing. **Branislav Klocok**
MEMBER

SUPERVISORY BOARD

Ing. **Jozef Šeliga**
MEMBER

Ing. **Michal Suroviak**
MEMBER

Vladimír Klocok
MEMBER

COMPANY 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 **169.1 mil.** EUR

earnings after taxes **14.3 mil.** EUR

In 2017 with better market prices for ferroalloys and cored wires, OFZ achieved very good financial results. The sound financial performance is a pre-requisite for extending investment activities and for ensuring and pursuing the strategy of sustainable development. Net turnover increased by more than 60 % YOY and there was also a significant increase in operating income and EBITDA.

Proposed Settlement of Earnings for the Current Accounting Period (as of December 31, 2017)

Item	2017
Net profit	14,253,224 €
Reserve fund	1,425,324 €
Retained earnings	12,827,900 €

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

Item	2016
Net profit	674,514 €
Reserve fund	67,452 €
Retained earnings	607,062 €

Equity Participations & Interests of OFZ, a.s. in Subsidiaries (as of December 31, 2017)

Legal Entity	Equity Interest (EUR)	Equity Interest (%)
ESI, s.r.o. Istebné	220,000 €	100.00%
OFZ Novokuzneck	144 €	100.00%

Profit and Loss Statement (as of December 31, 2017) 1/2

Class	Item	No.	Current Accounting Period €	Preceding Accounting Period €
*	**Net turnover (part of accounting Class 6 according to the Act)**	**01**	**169,134,898**	**104,581,150**
**	**Operating income - total (lines 03 to 09)**	**02**	**175,991,707**	**108,112,180**
I.	Revenue from the sale of merchandise (604, 607)	03	13,567,385	8,414,821
II.	Revenue from the sale of own products (601)	04	142,418,993	84,554,620
III.	Revenue from the sale of services (602, 606)	05	12,642,277	10,855,997
IV.	Changes in internal inventory (+/- acct. grp. 61)	06	2,008,463	-2,215,468
V.	Own work capitalized (acct. grp. 62)	07	1,173,222	1,068,118
VI.	Revenue from the sales of non-current intangible assets, property, plant, equipment, and raw materials (641, 642)	08	1,442,318	1,991,788
VII.	Other operating income (644, 645, 646, 648, 655, 657)	09	2,739,049	3,442,304
**	**Operating expenses - total line 11 + line 12 + line 13 + line 14 + line 15 + line 20 + line 21 + line 24 + line 25 + line 26**	**10**	**156,873,026**	**107,686,798**
A.	Costs of merchandise sold (504, 507)	11	13,140,821	8,333,989
B.	Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503)	12	110,702,169	78,790,217
C.	Value adjustments to inventory (+/-) (505)	13		
D.	Services (acct. grp. 51)	14	18,053,355	7,166,797
E.	Personnel expenses- total (lines 16 to 19)	15	10,363,101	8,998,929
E. 1.	Wages and salaries (521, 522)	16	7,316,005	6,359,305
2.	Remuneration of board members of the company or cooperatives (523)	17		
3.	Social security expenses (524, 525, 526)	18	2,663,133	2,272,432
4.	Social expenses (527, 528)	19	383,963	367,192
F.	Taxes and fees (acct. grp. 53)	20	276,878	283,443
G.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (line 22 + line 23)	21	2,068,888	1,453,297
G. 1.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (551)	22	2,069,740	1,453,329
2.	Value adjustments to non-current intangible assets and PP & E (+/-) (553)	23	-852	-32
H.	Carrying value of non-current assets sold and raw materials sold (541, 542)	24	838,494	1,121,403
I.	Value adjustments to receivables (+/-) (547)	25	-488,928	-499,988
J.	Other operating expenses (543, 544, 545, 546, 548, 549, 555, 557))	26	1,918,248	2,038,711
***	**Profit/loss from operations (line 02 - line 10)**	**27**	**19,118,681**	**425,382**
*	**Added value (line 03 + line 04 + line 05 + line 06 + line 07) - (line 11 + line 12 + line 13 + line 14)**	**28**	**29,913,995**	**8,387,085**
**	**Income from financial activities - total line 30 + line 31 + line 35 + line 39 + line 42 + line 43 + line 44**	**29**	**1,026,984**	**1,685,878**
VIII.	Revenue from the sale of securities and shares (661)	30		

Profit and Loss Statement (as of December 31, 2017) 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 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	506,243	755,712
XI. 1.	Interest income from affiliated accounting entities (662A)	40	342,984	418,616
2.	Other interest income (662A)	41	163,259	337,096
XII.	Exchange rate gains (663)	42	150,256	522,514
XIII.	Gains on the revaluation of securities and income from derivative transactions (664, 667)	43	370,485	407,041
XIV.	Other income from financial activities (668)	44		611
**	**Expenses related to financial activities - total line 46 + line 47 + line 48 + line 49 + line 52 + line 53 + line 54**	**45**	**2,088,800**	**914,932**
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 expenses (line 51 + line 52)	49	206,410	648,403
N. 1.	Interest expenses related to affiliated accounting entities (562A)	50	117,700	599,600
2.	Other interest expenses (562A)	51	88,710	48,803
O.	Exchange rate losses (563)	52	770,195	55,653
P.	Loss on the revaluation of securities and expenses related to derivative transactions (564, 567)	53	993,100	137,535
Q.	Other expenses related to financial activities (568, 569)	54	119,095	73,341
***	**Profit/loss from financial activities (+/-) (line 29 - line 45)**	**55**	**-1,061,816**	**770,946**
****	**Profit/loss for the accounting period before taxes (+/-) (line 27 + line 55)**	**56**	**18,056,865**	**1,196,328**
R.	Income tax (line 58 + line 59)	57	3,803,641	521,813
R. 1.	Income tax- current (591, 595)	58	5,067,198	3,010
2.	Income tax- deferred (+/-) (592)	59	-1,263,557	518,803
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**	**14,253,224**	**674,515**

Balance Sheet (as of December 31, 2017) 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**	**149,221,831** **28,967,618**	**120,254,213**	**95,317,478**
A.	**Non-current assets line 003 + line 011 + line 021**	**002**	**48,672,171** **25,785,726**	**22,886,445**	**20,583,220**
A.I.	**Non-current Intangible assets - total (lines 004 to 010)**	**003**	**674,830** **478,141**	**196,689**	**1,018,798**
A.I.1.	Capitalized development costs (012)- /072, 091A/	004			
2.	Software (013)- /073, 091 A/	005	479,441 282,752	196,689	86,697
3.	Valuable rights (014)- /074, 091A/	006	62,302 62,302		2,101
4.	Goodwill (015)- /075, 091A/	007			
5.	Other non-current intangible assets (019, 01X)- /079, 07X, 091A/	008	133,087 133,087		
6.	Acquisition of non-current intangible assets (041)-093	009			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**	**47,958,863** **25,299,618**	**22,659,245**	**19,538,664**
A.II.1.	Land (031)- 092A	012	752,795	752,795	752,795
2.	Structures (021)- /081, 092A/	013	16,209,031 7,664,513	8,544,518	7,545,171
3.	Machinery (022)- /082, 092A/	014	28,988,992 17,562,451	11,426,541	3,372,515
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	169,167 72,654	96,513	96,514
7.	Acquisition of property, plant & equipment (042)-094	018	1,274,402	1,274,402	7,669,969
8.	Advance payments made for property, plant & equipment (052)-095A	019	564,476	564,476	101,700
9.	Value adjustment to acquired assets (+/-097) +/-098	020			

Balance Sheet (as of December 31, 2017) 2/6

Class	ASSETS	No.	Current Accounting Period €		Preceding Accounting Period €
a	b	c	Gross Adjustment	Net for Current Period	Net for Previous Period
A.III.	**Non-current financial assets - total (lines 022 to 029)**	**021**	**38,478** **7,967**	**30,511**	**25,758**
A.III.1.	Shares and ownership interests in affiliated accounting entities (061A, 062A, 063A)- /096A/	022	30,485	30,485	25,758
2.	Shares and ownership interests with a participating interest, except for affiliated accounting entities (062A) – 096A	023	7,303 7,303		
3.	Other available-for-sale securities and ownership interests (063A)- /096A/	024	664 664		
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	26	26	
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**	**100,420,823** **3,181,892**	**97,238,931**	**74,691,142**
B.I.	**Inventory - total (lines 035 to 040)**	**034**	**26,426,528**	**26,426,528**	**21,426,087**
B.I.1.	Raw material (112,119, 11X)- /191, 19X/	035	12,909,380	12,909,380	11,606,778
2.	Work-in-progress and semi-finished products (121,122, 12X) - /192,193, 19X/	036	444,927	444,927	575,425
3.	Finished goods (123) – /194/	037	9,540,339	9,540,339	7,401,377
4.	Animals (124) – /195/	038			
5.	Merchandise (132, 133, 13X, 139) – /196, 19X/	039	1,300,248	1,300,248	1,178,249
6.	Advance payments made for inventory (314A) – /391A/	040	2,231,634	2,231,634	664,258

Balance Sheet (as of December 31, 2017) 3/6

Class	ASSETS	No.	Current Accounting Period €		Preceding Accounting Period €
a	b	c	Gross Adjustment	Net for Current Period	Net for Previous Period
B.II.	**Non-current receivables - total (line 042 + lines 046 to 052)**	**041**	**3,346,011**	**3,346,011**	**2,135,725**
B.II.1.	**Trade receivables - total (lines 043 to 045)**	**042**	**615,600**	**615,600**	**663,100**
1. a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	043	615,600	615,600	663,100
1. b.	Trade receivables within 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
8.	Deferred tax asset (481A)	052	2,730,411	2,730,411	1,466,854
B.III.	**Current receivables - total (line 054 + line 058 to line 065)**	**053**	**59,770,748** **3,181,892**	**56,588,856**	**49,298,512**
B.III.1.	**Trade receivables - total lines 055 to 057**	**054**	**28,547,452** **1,969,964**	**26,577,488**	**18,859,127**
1. a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	055	1,308,028 38,551	1,269,477	672,390
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	27,239,424 1,931,413	25,308,011	18,186,737
2.	Net value of contract (316A)	058			
3.	Other receivables from affiliated accounting entities (351A) - /391A)	059	15,640,616 1,210,948	14,429,668	13,154,996

Balance Sheet (as of December 31, 2017) 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	7,026	7,026	
6.	Social security receivables (336A)- /391A/	062			
7.	Tax assets and subsidies (341, 342, 343, 345, 346, 347)- /391A/	063	3,733,479	3,733,479	4,064,315
8.	Receivables related to derivative transactions (373A, 376A)	064			82,518
9.	Other receivables (335A, 33XA, 371A, 374A, 375A, 378A)- /391A/	065	11,842,175 980	11,841,195	13,137,556
B.IV.	**Current financial assets - total (lines 067 to 070)**	**066**	**1,331,395**	**1,331,395**	**1,469,273**
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	1,331,395	1,331,395	1,469,273
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**	**9,546,141**	**9,546,141**	**361,545**
B.V.1.	Cash (211, 213, 21X)	072	117,408	117,408	96,236
2.	Bank accounts (221A, 22X, +/- 261)	073	9,428,733	9,428,733	265,309
C.	**Accruals/deferrals - total (lines 075 to 078)**	**074**	**128,837**	**128,837**	**43,116**
C.1.	Prepaid expenses- long-term (381A, 382A)	075	2,631	2,631	6,570
2.	Prepaid expenses- short-term (381A, 382A)	076	35,367	35,367	28,336
3.	Accrued income- long-term (385A)	077			
4.	Accrued income- short-term (385A)	078	90,839	90,839	8,210

Balance Sheet (as of December 31, 2017) 5/6

Class	LIABILITIES	No.	Current Accounting Period €	Preceding Accounting Period €
	TOTAL EQUITY AND LIABILITIES line 080 + line 101 + line 141	**079**	**120,254,213**	**95,317,478**
A	**Equity line 081+ line 085+ line 086 + line 087 + line 090 + line 093 + line 097 + line 100**	**080**	**48,654,951**	**34,439,424**
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**	**607,909**	**540,457**
A.IV.1.	Legal reserve fund and non-distributable fund (417A, 418, 421A, 422)	088	607,909	540,457
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**	**-213,246**	**-175,548**
A.VI.1.	Differences from the revaluation of assets and liabilities (+/- 414)	094	-213,246	-175,548
2.	Investment revaluation reserves (+/- 415)	095		
3.	Difference 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**	**607,064**	
A.VII.1.	Retained earnings from previous years (428)	098	607,064	
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**	**14,253,224**	**674,515**
B.	**Liabilities line 102 + line 118 + line 121 + line 122 + line 136 + line 139 + line 140**	**101**	**71,459,876**	**60,851,429**
B.I.	**Non-current liabilities - total (line 103 + lines 107 to 117)**	**102**	**839,470**	**493,939**
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, 2017) 6/6

Trieda	STRANA PASÍV	Číslo riadku	Bežné účtovné obdobie	Bezprostredne predchádzajúce účtovné obdobie €
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	17,238	6,797
10.	Other non-current liabilities (336A, 372A, 474A, 47XA)	115	822,232	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**	**9,750,000**	**7,718,500**
B.II.1.	Legal provisions (451A)	119		
2.	Other provisions (459A, 45XA)	120	9,750,000	7,718,500
B.III.	**Long-term bank loans (461A, 46XA)**	**121**	**2,250,000**	**3,375,000**
B.IV.	**Current liabilities - total (line 123 + line 127 + line 135)**	**122**	**50,124,576**	**40,018,025**
B.IV.1.	**Trade liabilities - total (lines 124 to 126)**	**123**	**10,299,501**	**9,057,957**
1.a.	Trade liabilities to affiliated accounting entities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA)	124	14,400	703,985
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	10,285,101	8,353,972
2.	Net value of contract (316A)	127		
3.	Other liabilities to affiliated accounting entities (361A, 36XA, 471A, 47XA)	128	6,007,506	1,356,787
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	27,634,647	28,634,646
6.	Liabilities to employees (331, 333, 33X, 479A)	131	417,080	375,755
7.	Liabilities related to social security (336A)	132	287,487	261,394
8.	Tax liabilities and subsidies (341, 342, 3543, 344, 345, 346, 347, 34X)	133	5,058,675	64,729
9.	Liabilities related to derivative transactions (373A, 377A)	134	15,621	55,719
10.	Other liabilities (372A, 379A, 474A, 475A, 479A, 47XA)	135	404,059	211,038
B.V.	**Short-term provisions (line 137 + line 138)**	**136**	**7,370,830**	**3,099,207**
B.V.1.	Legal provisions (323A, 451A)	137	1,571,301	1,500,609
2.	Other provisions (323A, 32X, 459A, 45XA)	138	5,799,529	1,598,598
B.VI.	**Current bank loans (221A, 231, 232, 23X, 461A, 46XA)**	**139**	**1,125,000**	**6,146,758**
B.VII.	**Short-term financial borrowings (241, 249, 24X, 473A, /-/255A)**	**140**		
C.	**Accruals/deferrals (lines 142 to 145)**	**141**	**139,386**	**26,625**
C.1.	Accrued expenses- long-term (383A)	142		
2.	Accrued expenses- short-term (383A)	143	40,194	25,001
3.	Deferred income- long-term (384A)	144		
4.	Deferred income- short-term (384A)	145	99,192	1,624

ALFA AUDIT, s.r.o.

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

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SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT

on the Annual Report
of company OFZ, a.s.
for the year ended December 31, 2017

/ 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 23, 2018 of the company OFZ, a.s. (the "Company") as at 31 December 2017 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 28, 2018 in the wording as follows:

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements prepared on August 23, 2018 of the company OFZ, a.s., which comprise the balance sheet as at December 31, 2017, 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 23, 2018 give a true and fair view of the financial position of the Company as at December 31, 2017, 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 skepticism 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 2017 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 18, 2018

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

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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.

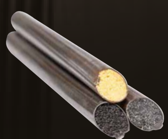
OFZ, a. s. is a company where natural resources are transformed into products that have long been known for their premium quality. OFZ, a.s. is also a company with a presence in Central Europe.

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 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.