Annual
report
2018

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 2018, OFZ manufactured more than 119.000 tonnes of ferroalloys and cored wires, a decrease of almost 13 % compared to the previous year.

SATISFYING CUSTOMERS` NEEDS

In 2018, OFZ sold more than 120.000 tonnes of ferroalloys and other products including services amounting to almost 157 mil. EUR. The share of revenues from the sale of ferroalloys and cored wires was as follows: Czech Republic (33 %), Poland (14 %), Slovakia (13 %), Italy (10 %) and Germany (8 %).

INVESTING INTO PRODUCTION AND THE ENVIRONMENT

In 2018, OFZ invested into enhancing environmental protection 1.238 mil. EUR. The company invested mainly into dedusting of all three screening & crushing lines and thus minimized dust generation in the next stage of the production process. The ecological aspect can also be seen in further investments into the pelletizing & briquetting line which utilizes waste heat from the production

EMPLOYING A CAPABLE WORKFORCE

In 2018, the average wage in OFZ was 1,332 EUR which is 26 % higher than the average wage paid in the district of Dolný Kubín and 15.2 % higher than the average wage paid in 2017.

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

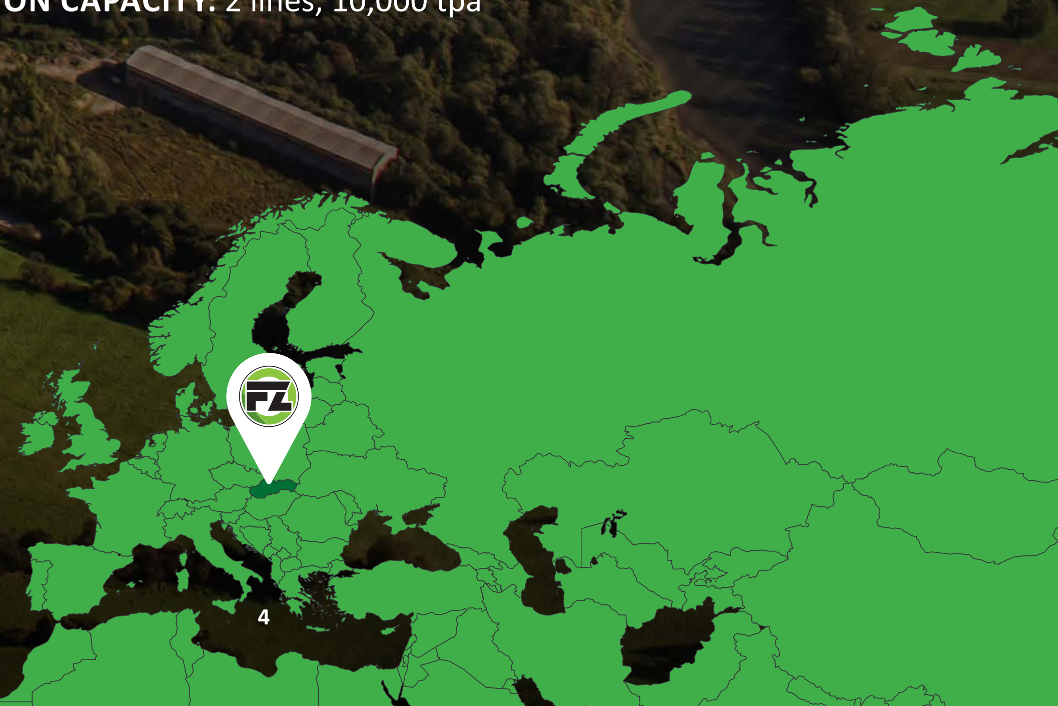
OFZ AS A COMPANY **WITH A DIVERSIFIED PRODUCT RANGE**

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, metals and cored wires production and preparing extensive investments into enhancing environmental protection and power effectiveness.

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

OFZ, A.S. SLOVAKIA:

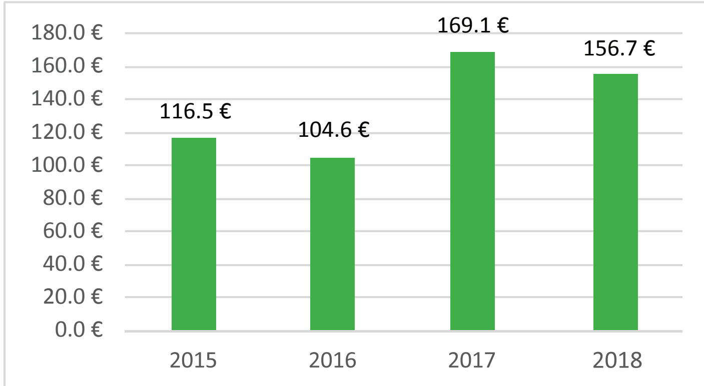
FERROALLOYS PRODUCTION CAPACITY: 7 electric arc furnaces: 136,000 tpa
CORED WIRES PRODUCTION CAPACITY: 2 lines, 10,000 tpa



KEY
FIGURES

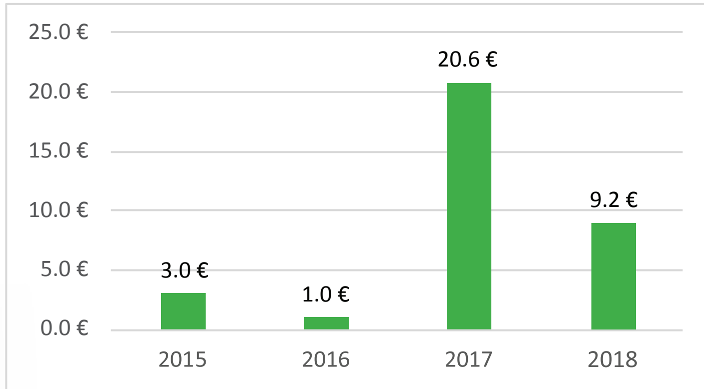
mil. EUR	2018	2017	2016	Change % 2018-2017
Net turnover	156.7	169.1	104.6	-7.4%
Total operating income	166.8	176.0	108.1	-5.2%
Total operating expenses	159.9	156.9	107.7	1.9%
Operating income	6.9	19.1	0.4	-64.0%
Earnings before taxes (EBT)	6.4	18.1	1.2	-64.4%
Earnings after taxes (EAT)	5.7	14.3	0.7	-59.9%
EBITDA	9.2	20.6	1.0	-55.2 %
Non-current assets	34.4	22.9	20.6	50.1%
Current assets	76.4	97.2	74.7	-21.4%
Equity	54.6	48.7	34.4	12.1%
Total liabilities	56.3	71.5	60.9	-21.2%
Average number of employees	505	505	476	0.0%

Despite the volatility in strategic raw material prices and negative trend in ferroalloy prices for 2018, net income of OFZ, a.s. was in the black.



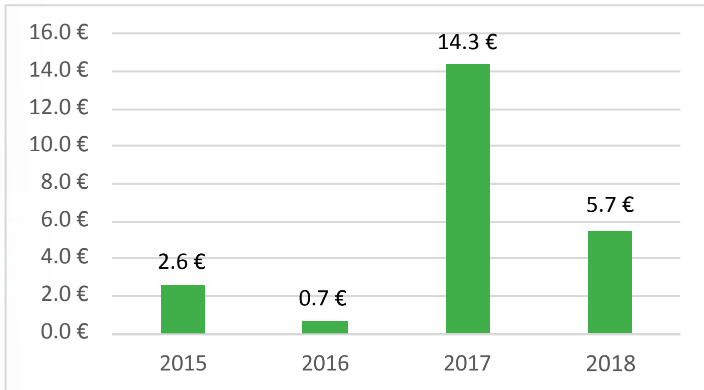
NET TURNOVER (mil. EUR)

In 2018, OFZ`s net turnover decreased by more than 7 % YOY to 156.7 mil. EUR, which was mainly caused by lower product prices mainly in the second half of 2018.



EBITDA (mil. EUR)

Due to lower ferroalloy prices, OFZ`s EBITDA in 2018 decreased and hit 9.2 mil. EUR. Despite decline in EBITDA, the result appears to be above-average when taking into account the long-term point of view.

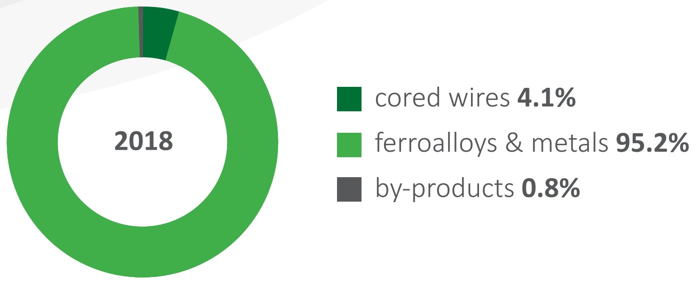


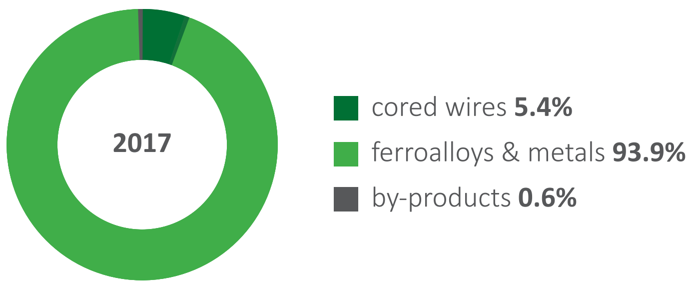
EARNINGS AFTER TAXES (mil. EUR)

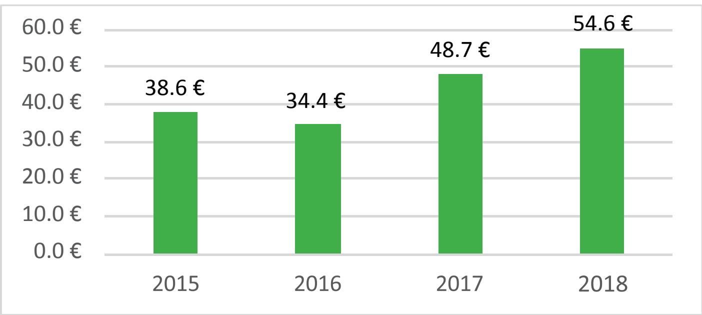
The decline in ferroalloy prices in the second half of 2018 has a negative impact on earnings after taxes of OFZ which decreased by more than 60 % YOY.

KEY FIGURES

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

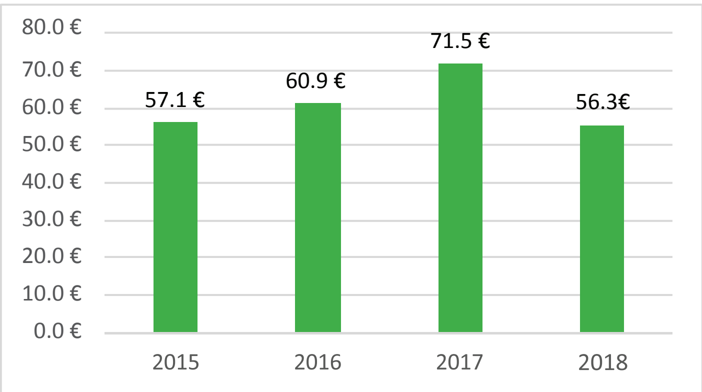






EQUITY
(mil. EUR)

In 2018, OFZ, a.s. recorded an increase in equity which reached 54.6 mil. EUR and was thus highest in the last 4 years.



TOTAL LIABILITIES
(mil. EUR)

In 2018, OFZ`s total liabilities amounted to 56.3 mil. EUR which is a decrease of more than one fifth YOY and thus the lowest number in the last 4 years.

Ing. **Branislav Klocok**

Managing Director, OFZ, a.s.

"to supply customers with a product of a desired quality, the price of energy and the Mn ore purchasing strategy are playing a key role in the production of ferroalloys"

01 How would you evaluate the year 2018 in terms of the development of the Slovak and European metallurgical industry?

The year 2018 was largely 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 and performed only a trial production campaign for silicon metal. However, this situation is not likely to persist over a long time and the year 2019 appears to be worse due to weakening of global prices for our products and 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 2018, OFZ made further investments into dedusting of crushing & screening lines, which minimizes dust generation in the next stage of production process.

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

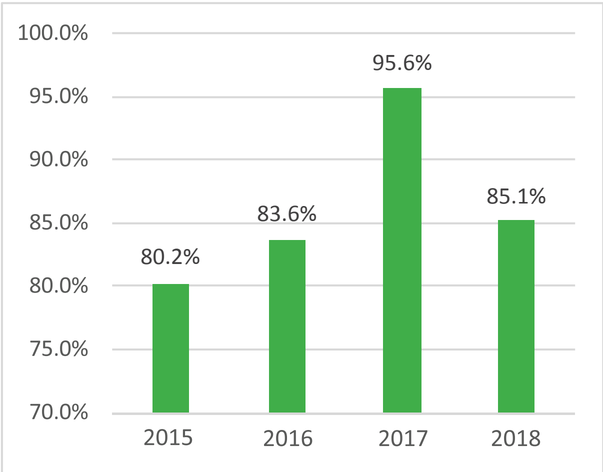
Briquetting & pelletizing line is used to process a wood waste and produce briquettes suitable for heating. In 2019, briquetting & pelletizing line should be put into full operation. The ecological aspect of this line can be seen in utilizing waste heat from the production of ferroalloys as a source of energy for drying raw materials that otherwise would have to be dried using conventional fuels. Utilizing a waste heat is a primary competitive advantage and the main reason why we have decided to invest into this project.

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.

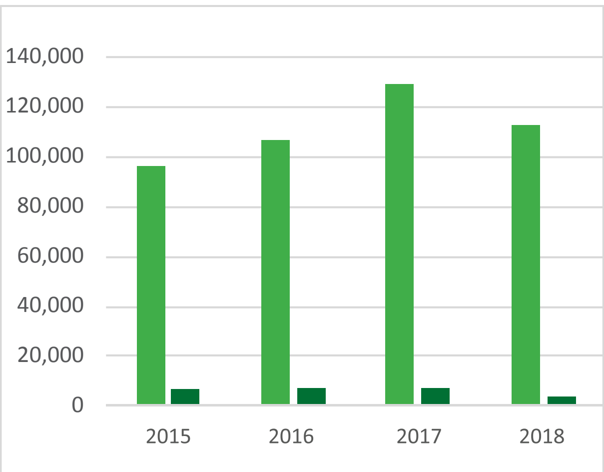
OFZ, A.S. IN 2018

In 2018, OFZ focused on manufacturing traditional alloys with a high capacity utilization ratio of more than 85 %. However, for the company this year was also a year of introducing new procedures mainly in the area of silicon metal. In the second half of 2018, OFZ performed a trial production campaign for silicon metal and tested a process of refining to manufacture a high-purity ferro silicon. This is fully aligned with the company`s strategy to manufacture high value-added products. We strongly believe that bringing more products to our customers will be a success in the following years.



Capacity utilization ratio (%) (2015-2018)

In 2018, the ferroalloys made a considerable portion of product range with a 96.4 % on the total weight of products. In 2018, the production of ferroalloys decreased by more than 11 % to 115,000 tonnes and cored wires production was also decreased by more than 40 % and reached more than 4,000 tonnes.

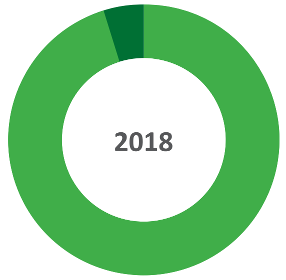


Production (tonnes) (2015-2018)

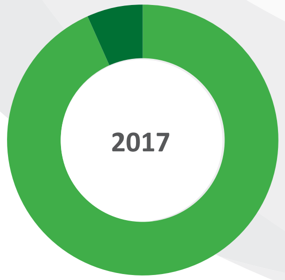
ferroalloys   cored wires

Production (thousands tonnes)	2018	2017	2016	Change % 2017-2016
Ferroalloys	115.0	129.5	106.5	-11.2%
Cored wires	4.2	7.4	7.2	-42.7%
Total	119.3	113.7	103.2	4.9%

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



ferroalloys **96.4%**
cored wires **3.6%**



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

CUSTOMERS

The strategy of diversification stemming from customer needs is a main focus for OFZ. The company decreased a production of cored wires. However, in 2018, the production of ferrosilicon was more or less the same; however, silicon metal widened our range of products. The production of Mn alloys slightly decreased. Among the top priorities for the company are still the flexible delivery schedules and focus on the customer.

INVESTMENTS

In 2018, investments were targeted into several different areas. Besides the fact that further investments were put into the briquetting & pelletizing line, the considerable amount of funds were invested into revamping of existing production processes such as ferroalloy separation, crushing & screening lines, and electric bridge cranes. The investments were targeted also to the workers`s housing in Istebné.

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 2018, the company made further investment into the dedusting of crushing & screening lines and thus minimized dust generation in the next stage of the production process. From the ecological point of view, we need to mention further investments that were targeted into pelletizing line to process a wood waste and utilize waste heat from the production of ferroalloys

EMPLOYEES

OFZ focuses on educating and training experts in the field of metallurgy in the long term. In 2018, OFZ in cooperation with local high schools provided special training for 15 students in the field of electromechanics and electromechanics of machinery & equipment.

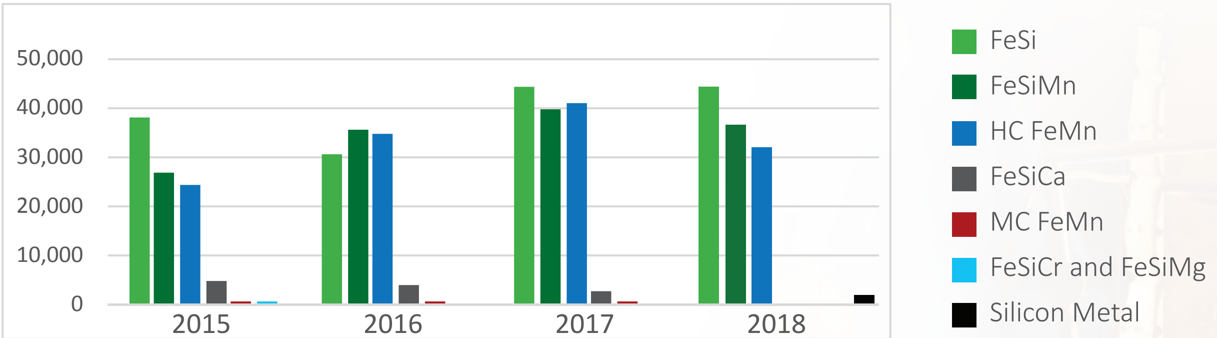
FERROALLOYS

more than **115,000** tonnes produced

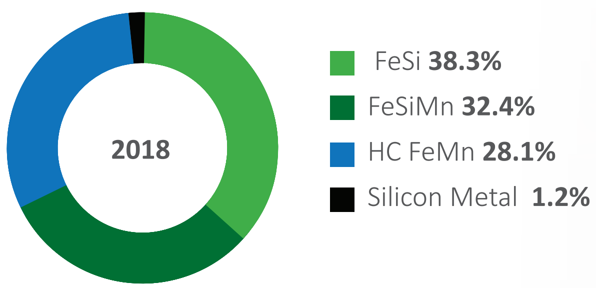
Production of ferroalloys (tonnes) (2016-2018)

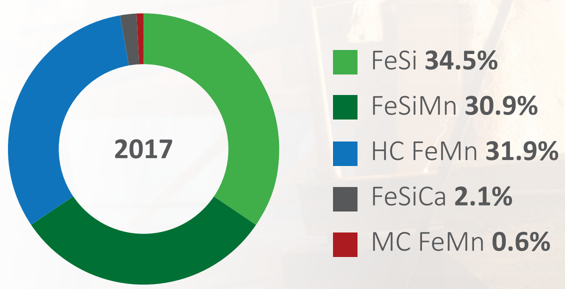
In 2018, despite unfavourable price trends, production of FeSi stayed largely on the same level and used a positive price trend from the previous period to its advantage. The decrease in the production of Mn alloys, particularly HC FeMn by almost 22 %, dragged down the whole ferroalloy production. In 2018, OFZ launched silicon metal trial production campaign.

Ferroalloy Production (thousands tonnes)	2018	2017	2016	Change % 2018-2017
FeSi	44.1	44.6	30.9	-1.2%
FeSiMn	37.2	40.1	35.7	-7.1%
HC FeMn	32.3	41.3	35.0	-21.7%
FeSiCa	0.0	2.7	4.1	-100.0%
MC FeMn	0.0	0.8	0.6	-97.3%
FeSiCr	1.3	0.0	0.0	na
Total	115.0	129.5	106.3	-11.2%



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





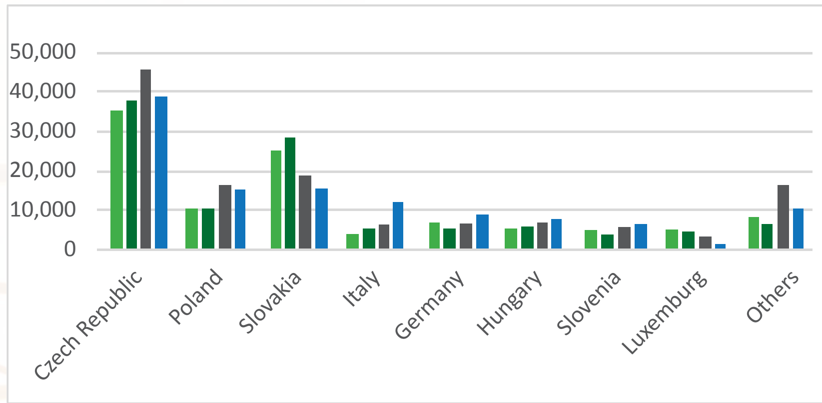
FERROALLOYS

more than **120,000** tonnes sold

In 2018, sales of ferroalloys and metals decreased by 4.2 %. The main reason behind that can be seen in a decrease in the sales of FeSi and silicon metal sales was not able to offset this decrease.

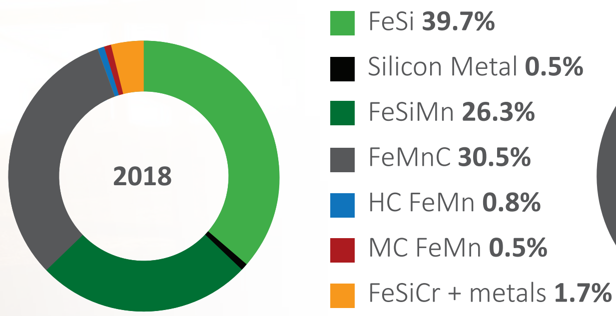
Ferroalloy Sales (thousands tonnes)	2018	2017	2016	Change % 2018-2017
FeSi	40.1	46.4	34.0	-13.5%
FeSiMn	36.7	35.7	33.4	2.9%
HC FeMn	40.7	38.8	36.4	4.7%
FeSiCa	0.7	0.7	1.4	-9.5%
MC FeMn	0.5	0.2	1.1	209.2%
HC FeCr	0.0	0.0	0.2	na
Silicon Metal	0.5	0.0	0.0	na
FeSiCr + other ferroalloys & metals	1.0	3.6	1.3	-71.3%
Total	120.2	125.5	107.8	-4.2%

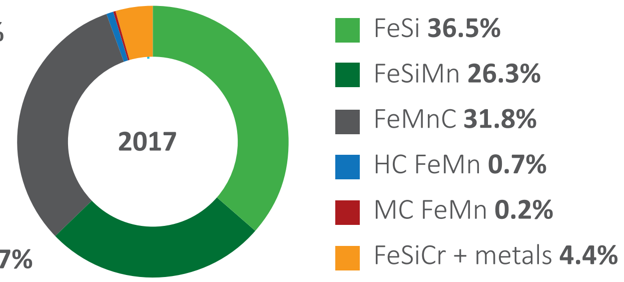
In 2018, the sales of ferroalloys were mainly targeted on closer markets and Central Europe with a major portion going to the Czech Republic, Slovakia and Poland. A considerable amount of sales was also made to Italy where the sales doubled when compared to the previous year. A higher level of sales was also made to Germany, Hungary and Slovenia.



Ferroalloy Sales by Country
(in tonnes) (2015-2018)

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





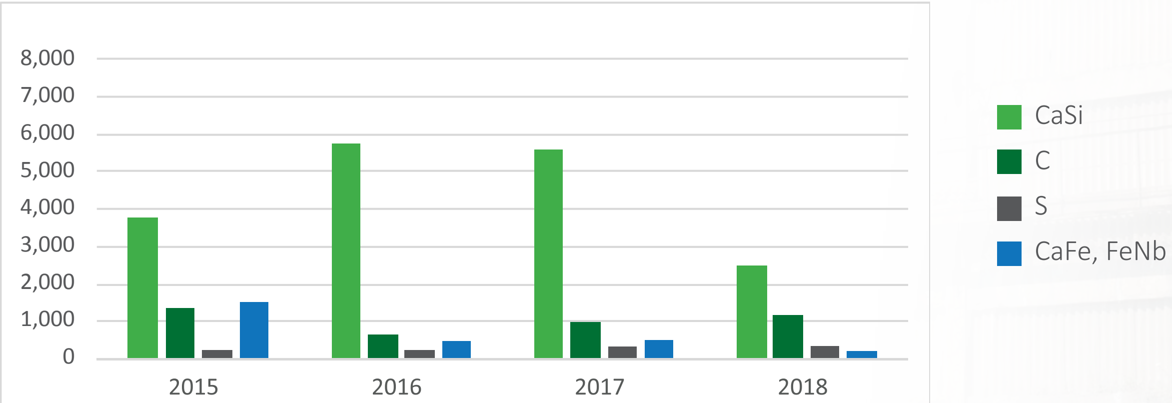
CORED WIRES

more than **4,000** tonnes of cored wires

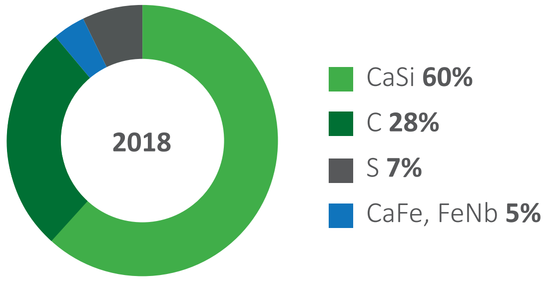
Production of Cored Wires (tonnes) (2016-2018)

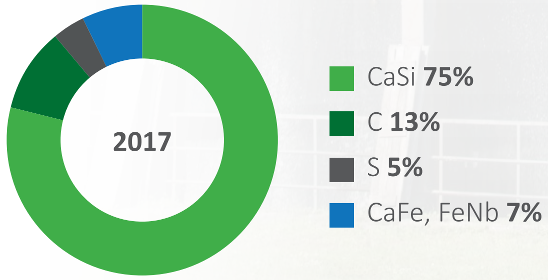
CaSi cored wire also made up the biggest portion of cored wire products in 2018. The production of cored wires decreased by 40.0 % YOY. The increase in C cored wire production was not able to offset the decrease in cored wire with CaSi filler.

Cored Wire Production (tonnes)	2018	2017	2016	Change % 2018-2017
CaSi	2,529	5,556	5,734	-54.5%
C	1,183	976	703	21.2%
S	315	348	277	-9.7%
CaFe. FeNb	210	513	533	-59.1%
Total	4,236	7,393	7,247	-42.7%



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





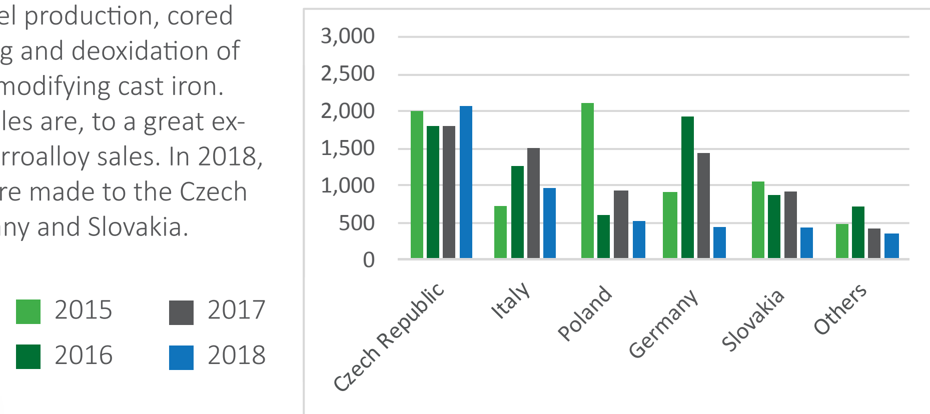
CORED WIRES

4,600 tonnes of cored wires sold

In 2018, OFZ sold 4,600 tonnes of cored wires, which was a decrease of one third 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.

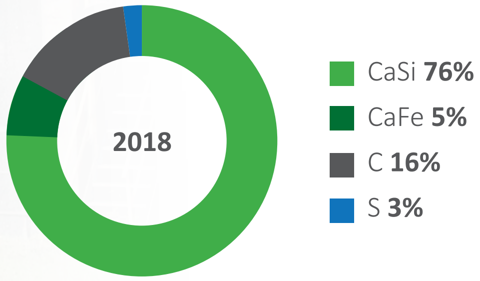
With the firm place in the steel production, cored wires are also used for alloying and deoxidation of steel and for inoculating and modifying cast iron. The markets for cored wire sales are, to a great extent, similar to countries of ferroalloy sales. In 2018, the major portion of sales were made to the Czech Republic, Italy, Poland, Germany and Slovakia.

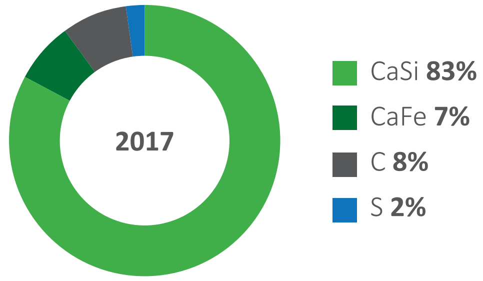
Sales Value of Different Cored Wires as a Percentage of Total Cored Wires Sales



Cored Wire Sales (tonnes)	2018	2017	2016	Change % 2018-2017
CaSi	2,855	5,251	5,686	-45.6%
C	1,182	946	704	25.0%
S	331	315	277	5.3%
CaFe. FeNb. Ca	233	490	562	-52.4%
Total	4,601	7,001	7,229	-34.3%

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

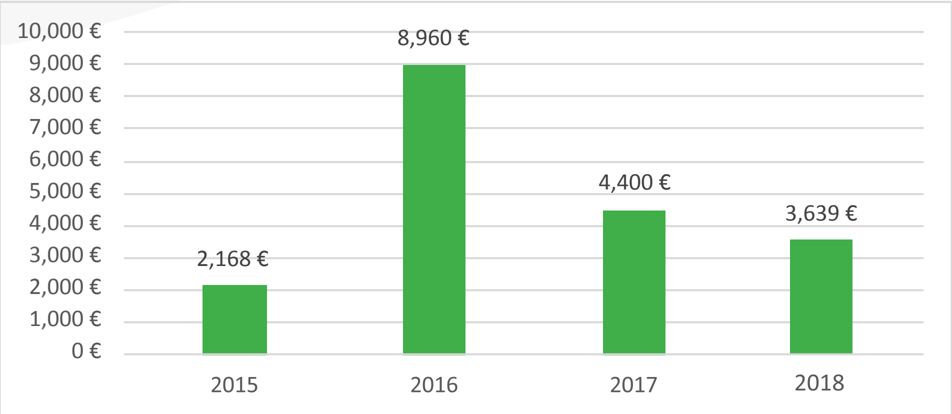




INVESTMENTS & RESEARCH

3.6 mil. EUR invested

The funds reserved for investment projects decreased in 2018 when compared to the favourable year 2017. The total amount of investments have thus decreased by almost 17 % 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 2018, the company invested mainly into a briquetting & pelletizing line for the production of wood pellets, revamping of separation, crushing & screening equipment, revamping of bridge cranes and into the housing for workers in Istebné.

Investments (thousands EUR)	2018
Pelletizing plant for wood pellets	1,036 €
Reconstruction of cooling towers	465 €
Vehicles	463 €
Ferroalloy separation module	453 €
Portable crushing line	258 €
Revamping of screening & crushing lines	202 €
Housing in Istebne	199 €
IS extensions & add-ons	139 €
Revamping of electric bridge cranes	138 €
Other investments	286 €
Total	3,639 €

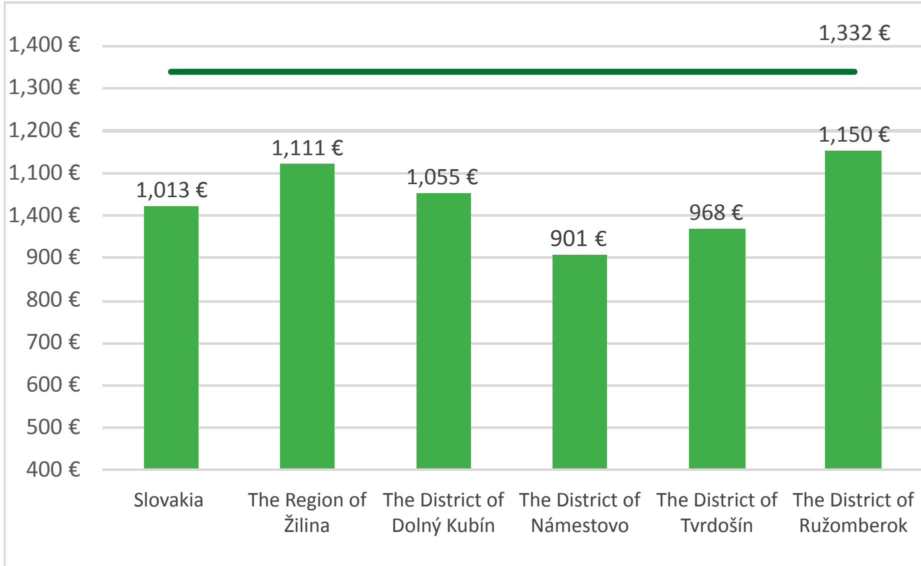
In 2018, OFZ initiated a research project entitled Research of the Silicon Metal Production Process with Si min. 98 %. The research should ensure that the production of silicon metal in OFZ, a.s. be sustainable and reliable.

Description	2018	2017	2016
Research cost	2,395,485 €	42,404 €	0 €

EMPLOYEES

505 employees, average wage **1,332 EUR**

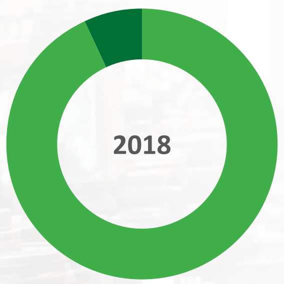
OFZ keeps a close eye on continuous improvement of the working conditions and quality of the working place. The average number of employees in 2018 was kept stable. The average wage was 1,332 EUR which represented an increase by more than 15 % YOY and was among the highest in the region.



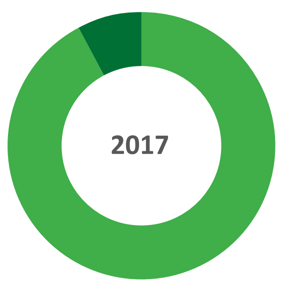
Average Wages & Salaries Compared with Slovakia (2018)

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

In 2018, 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 303,000 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**	DIRECTOR FOR TECHNICAL DEVELOPMENT & MAINTENANCE
Ing. **Milan Kelbel**	DIRECTOR FOR PRODUCTION & PRODUCTION SERVICES

FINANCIAL SITUATION

net turnover **156.7 mil.** EUR

earnings after taxes **5.7 mil.** EUR

In 2018, despite decrease in prices for ferroalloys and cored wires, OFZ achieved above-average financial results. For this year, net turnover decreased by more than 7 % YOY.

Proposed Settlement of Earnings for the Current Accounting Period (as of December 31, 2018)

Item	2018
Net profit	5,740,413 €
Reserve fund	574,072 €
Retained earnings	5,166,341 €

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

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

Equity Participations & Interests of OFZ, a.s. in Subsidiaries (as of December 31, 2018)

Legal Entity	Equity Interest (%)
ESI, s.r.o. Istebné	100.00 %
OFZ Novokuznetsk	100.00 %
OFZ Bucovina	60.00 %

Profit and Loss Statement (as of December 31, 2018) 1/2

Class	Item	No.	Current Accounting Period €	Preceding Accounting Period €
*	**Net turnover (part of accounting Class 6 according to the Act)**	**1**	**156,658,471**	**169,134,898**
**	**Operating income - total (lines 03 to 09)**	**2**	**166,758,724**	**175,991,707**
I.	Revenue from the sale of merchandise (604, 607)	3	17,714,846	13,567,385
II.	Revenue from the sale of own products (601)	4	127,124,684	142,418,993
III.	Revenue from the sale of services (602, 606)	5	11,626,218	12,642,277
IV.	Changes in internal inventory (+/- acct. grp. 61)	6	2,304,209	2,008,463
V.	Own work capitalized (acct. grp. 62)	7	1,294,675	1,173,222
VI.	Revenue from the sales of non-current intangible assets, property, plant, equipment, and raw materials (641, 642)	8	2,675,762	1,442,318
VII.	Other operating income (644, 645, 646, 648, 655, 657)	9	4,018,330	2,739,049
**	**Operating expenses - total line 11 + line 12 + line 13 + line 14 + line 15 + line 20 + line 21 + line 24 + line 25 + line 26**	**10**	**159,868,897**	**156,873,026**
A.	Costs of merchandise sold (504, 507)	11	17,196,650	13,140,821
B.	Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503)	12	111,346,624	110,702,169
C.	Value adjustments to inventory (+/-) (505)	13		
D.	Services (acct. grp. 51)	14	11,165,324	18,053,355
E.	Personnel expenses- total (lines 16 to 19)	15	11,425,312	10,363,101
E. 1.	Wages and salaries (521, 522)	16	8,064,815	7,316,005
2.	Remuneration of board members of the company or cooperatives (523)	17		
3.	Social security expenses (524, 525, 526)	18	2,934,814	2,663,133
4.	Social expenses (527, 528)	19	425,683	383,963
F.	Taxes and fees (acct. grp. 53)	20	269,480	276,878
G.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (line 22 + line 23)	21	2,805,198	2,068,888
G. 1.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (551)	22	2,819,105	2,069,740
2.	Value adjustments to non-current intangible assets and PP & E (+/-) (553)	23	-13,907	-852
H.	Carrying value of non-current assets sold and raw materials sold (541, 542)	24	2,436,404	838,494
I.	Value adjustments to receivables (+/-) (547)	25	-1,482,084	-488,928
J.	Other operating expenses (543, 544, 545, 546, 548, 549, 555, 557))	26	4,705,989	1,918,248
***	**Profit/loss from operations (line 02 - line 10)**	**27**	**6,889,827**	**19,118,681**
*	**Added value (line 03 + line 04 + line 05 + line 06 + line 07) - (line 11 + line 12 + line 13 + line 14)**	**28**	**20,356,034**	**29,913,995**
**	**Income from financial activities - total line 30 + line 31 + line 35 + line 39 + line 42 + line 43 + line 44**	**29**	**670,862**	**1,026,984**

Profit and Loss Statement (as of December 31, 2018) 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	192,723	506,243
XI. 1.	Interest income from affiliated accounting entities (662A)	40	60,522	342,984
2.	Other interest income (662A)	41	132,201	163,259
XII.	Exchange rate gains (663)	42	178,254	150,256
XIII.	Gains on the revaluation of securities and income from derivative transactions (664, 667)	43	257,542	370,485
XIV.	Other income from financial activities (668)	44	42,343	
**	**Expenses related to financial activities - total line 46 + line 47 + line 48 + line 49 + line 52 + line 53 + line 54**	**45**	**1,129,826**	**2,088,800**
K.	Securities and shares sold (561)	46		
L.	Expenses related to current financial assets (566)	47		
M.	Value adjustments to financial assets (+/-) (565)	48	228,208	
N.	Interest expenses (line 51 + line 52)	49	173,267	206,410
N. 1.	Interest expenses related to affiliated accounting entities (562A)	50	105,570	117,700
2.	Other interest expenses (562A)	51	67,697	88,710
O.	Exchange rate losses (563)	52	473,909	770,195
P.	Loss on the revaluation of securities and expenses related to derivative transactions (564, 567)	53	183,543	993,100
Q.	Other expenses related to financial activities (568, 569)	54	70,899	119,095
***	**Profit/loss from financial activities (+/-) (line 29 - line 45)**	**55**	**-458,964**	**-1,061,816**
****	**Profit/loss for the accounting period before taxes (+/-) (line 27 + line 55)**	**56**	**6,430,863**	**18,056,865**
R.	Income tax (line 58 + line 59)	57	690,450	3,803,641
R. 1.	Income tax- current (591, 595)	58	366	5,067,198
2.	Income tax- deferred (+/-) (592)	59	690,084	-1,263,557
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**	**5 740 413**	**14 253 224**

Balance Sheet (as of December 31, 2018) 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	**01**	**140,160,192**	**29,315,086**	**110,845,106**	**120,254,213**
A.	**Non-current assets line 003 + line 011 + line 021**	**02**	**62,792,590**	**28,438,219**	**34,354,371**	**22,886,445**
A.I.	**Non-current Intangible assets - total (lines 004 to 010)**	**03**	**810,073**	**527,550**	**282,523**	**196,689**
A.I.1.	Capitalized development costs (012)- /072, 091A/	04				
2.	Software (013)- /073, 091 A/	05	618,770	336,247	282,523	196,689
3.	Valuable rights (014)- /074, 091A/	06	62,302	62,302		
4.	Goodwill (015)- /075, 091A/	07				
5.	Other non-current intangible assets (019, 01X)- /079, 07X, 091A/	08	129,001	129,001		
6.	Acquisition of non-current intangible assets (041)-093	09				
7.	Advance payments made for non-current intangible assets (051) – 095A	10				
A.II.	**Property, plant & equipment - total (lines 012 to 020)**	**11**	**50,529,080**	**26,919,844**	**23,609,236**	**22,659,245**
A.II.1.	Land (031)- 092A	12	743,172		743,172	752,795
2.	Structures (021)- /081, 092A/	13	16,633,580	8,275,099	8,358,481	8,544,518
3.	Machinery (022)- /082, 092A/	14	29,601,713	18,592,219	11,009,494	11,426,541
4.	Perennial crops (025)- /085, 092A/	15				
5.	Livestock (026)- /086, 092A/	16				
6.	Other property, plant & equipment (029, 02X, 032)- /089, 08X, 092A/	17	141,380	52,526	88,854	96,513
7.	Acquisition of property, plant & equipment (042)-094	18	2,959,980		2,959,980	1,274,402
8.	Advance payments made for property, plant & equipment (052)-095A	19	449,255		449,255	564,476
9.	Value adjustment to acquired assets (+/-097) +/-098	20				

Balance Sheet (as of December 31, 2018) 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)**	**21**	**11,453,437**	**990,825**	**10,462,612**	**30,511**
A.III.1.	Shares and ownership interests in affiliated accounting entities (061A, 062A, 063A)- /096A/	22	172,139		172,139	30,485
2.	Shares and ownership interests with a participating interest, except for affiliated accounting entities (062A) – 096A	23	7,303	7,303		
3.	Other available-for-sale securities and ownership interests (063A)- /096A/	24	664	664		
4.	Loans to affiliated accounting entities (066A)- 096A	25	11,273,331	982,858	10,290,473	
5.	Loans with a participating interest, except for affiliated accounting entities (066A)-/096A/	26				
6.	Other loans (067A)- /096A/	27				
7.	Debt securities and other non-current financial assets (065A, 069A, 06XA)- /096A/	28				
8.	Loans and other financial assets with a remaining maturity of 1 year (066A, 067A, 069A, 06XA)- /096A/	29				
9.	Bank accounts with a notice period exceeding 1 year (22XA)	30				
10.	Acquisition of non-current financial assets (043)- /096A/	31				26
11.	Advance payments made for non-current financial assets (053)- /095A/	32				
B.	**Current assets line 034 + line 041 + line 053 + line 066 + line 071**	**33**	**77,265,634**	**876,867**	**76,388,767**	**97,238,931**
B.I.	**Inventory - total (lines 035 to 040)**	**34**	**36,637,693**		**36,637,693**	**26,426,528**
B.I.1.	Raw material (112,119, 11X)- /191, 19X/	35	19,078,128		19,078,128	12,909,380
2.	Work-in-progress and semi-finished products (121,122, 12X) - /192,193, 19X/	36	529,392		529,392	444,927
3.	Finished goods (123) – /194/	37	11,760,082		11,760,082	9,540,339
4.	Animals (124) – /195/	38				
5.	Merchandise (132, 133, 13X, 139) – /196, 19X/	39	4,387,716		4,387,716	1,300,248
6.	Advance payments made for inventory (314A) – /391A/	40	882,375		882,375	2,231,634

Balance Sheet (as of December 31, 2018) 3/6

Class	ASSETS	No.	Current Accounting Period €		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)**	**41**	**2,608,427**		**2,608,427**	**3,346,011**
B.II.1.	**Trade receivables - total (lines 043 to 045)**	**42**	**568,100**		**568,100**	**615,600**
1. a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	43	568,100		568,100	615,600
1. b.	Trade receivables within a participating interest, except for receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	44				
1. c.	Other trade receivables (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	45				
2.	Net value of contract (316A)	46				
3.	Other receivables from affiliated accounting entities (351A) - /391A)	47				
4.	Other receivables within a participating interest, except for receivables from affiliated accounting entities (351A)- /391A/	48				
5.	Receivables from participants, members, and association (354A, 355A, 358A, 35XA)- /391A/	49				
6.	Receivables related to derivative transactions (373A, 376A)	50				
7.	Other receivables (335A, 336A, 33XA, 371A, 374A, 375A, 378A)- /391A/	51				
8.	Deferred tax asset (481A)	52	2,040,327		2,040,327	2,730,411
B.III.	**Current receivables - total (line 054 + line 058 to line 065)**	**53**	**34,418,344**	**876,867**	**33,541,477**	**56,588,856**
B.III.1.	**Trade receivables - total lines 055 to 057**	**54**	**22,811,971**	**389,915**	**22,422,056**	**26,577,488**
1. a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	55	2,132,387	246,696	1,885,691	1,269,477
1. b.	Trade receivables within participating interest, except for receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	56				
1. c.	Other trade receivables (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	57	20,679,584	143,219	20,536,365	25,308,011
2.	Net value of contract (316A)	58				
3.	Other receivables from affiliated accounting entities (351A) - /391A)	59	3,916,174	485,972	3,430,202	14,429,668

Balance Sheet (as of December 31, 2018) 4/6

Class	ASSETS	No.	Current Accounting Period €		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/	60				
5.	Receivables from participants, members, and association (354A, 355A, 358A, 35XA)- /391A/	61	7,026		7,026	7,026
6.	Social security receivables (336A)- /391A/	62				
7.	Tax assets and subsidies (341, 342, 343, 345, 346, 347)- /391A/	63	6,159,133		6,159,133	3,733,479
8.	Receivables related to derivative transactions (373A, 376A)	64				
9.	Other receivables (335A, 33XA, 371A, 374A, 375A, 378A)- /391A/	65	1,524,040	980	1,523,060	11,841,195
B.IV.	**Current financial assets - total (lines 067 to 070)**	**66**	**1,614,727**		**1,614,727**	**1,331,395**
B.IV.1	Current financial assets in affiliated accounting entities (251A, 253A, 256A, 257A, 25XA)- /291A, 29XA/	67				
2.	Current financial assets not including current financial assets in affiliated accounting entities (251A, 253A, 256A, 257A, 25XA)- /291A, 29XA/	68	1,614,727		1,614,727	1,331,395
3.	Own shares and own ownership interests (252)	69				
4.	Acquisition of current financial assets (259, 314A)- /291A/	70				
B.V.	**Financial accounts (line 72 + line 73)**	**71**	**1,986,443**		**1,986,443**	**9,546,141**
B.V.1.	Cash (211, 213, 21X)	72	139,194		139,194	117,408
2.	Bank accounts (221A, 22X, +/- 261)	73	1,847,249		1,847,249	9,428,733
C.	**Accruals/deferrals - total (lines 075 to 078)**	**74**	**101,968**		**101,968**	**128,837**
C.1.	Prepaid expenses- long-term (381A, 382A)	75	16,820		16,820	2,631
2.	Prepaid expenses- short-term (381A, 382A)	76	57,750		57,750	35,367
3.	Accrued income- long-term (385A)	77				
4.	Accrued income- short-term (385A)	78	27,398		27,398	90,839

Class	LIABILITIES	No.	Current Accounting Period €	Preceding Accounting Period €
	TOTAL EQUITY AND LIABILITIES line 080 + line 101 + line 141	**79**	**110,845,106**	**120,254,213**
A	**Equity line 081+ line 085+ line 086 + line 087 + line 090 + line 093 + line 097 + line 100**	**80**	**54,550,640**	**48,654,951**
A.I.	**Share capital - total (r. 082 to 084)**	**81**	**33,400,000**	**33,400,000**
A.I.1.	Share capital (411 or +/-491)	82	33,400,000	33,400,000
2.	Share capital (411 or +/-491)	83		
3.	Unpaid share capital (/-/353)	84		
A.II.	**Share premium (412)**	**85**		
A.III.	**Other capital funds (413)**	**86**		
A.IV.	**Legal reserve funds (line 088 + line 089)**	**87**	**2,033,233**	**607,909**
A.IV.1.	Legal reserve fund and non-distributable fund (417A, 418, 421A, 422)	88	2,033,233	607,909
2.	Reserve fund for own shares and own ownership interests (417A, 421A)	89		
A.V.	**Other funds created from profit (line 091 + line 092)**	**90**		
A.V.1.	Statutory funds (423, 42X)	91		
2.	Other funds (427, 42X)	92		
A.VI.	**Differences from revaluation - total (lines 094 to 096)**	**93**	**-57,970**	**-213,246**
A.VI.1.	Differences from the revaluation of assets and liabilities (+/- 414)	94	-57,970	-213,246
2.	Investment revaluation reserves (+/- 415)	95		
3.	Difference from the revaluation in the event of mergers, amalgamation into a separate accounting entity, or demerger (+/- 416)	96		
A.VII.	**Net profit/loss of previous years (line 098 + line 099)**	**97**	**13,434,964**	**607,064**
A.VII.1.	Retained earnings from previous years (428)	98	13,434,964	607,064
2.	Accumulated losses from previous years (/-/429)	99		
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**	**5,740,413**	**14,253,224**
B.	**Liabilities line 102 + line 118 + line 121 + line 122 + line 136 + line 139 + line 140**	**101**	**56,287,758**	**71,459,876**
B.I.	**Non-current liabilities - total (line 103 + lines 107 to 117)**	**102**	**617,965**	**839,470**
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		
6.	Long-term advance payments received (475A)	111		

Class	LIABILITIES	No.	Current Accounting Period €	Preceding Accounting Period €
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	18 333	17 238
10.	Other non-current liabilities (336A, 372A, 474A, 47XA)	115	599,632	822,232
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**	**7,645,000**	**9,750,000**
B.II.1.	**Legal provisions (451A)**	**119**		
2.	Other provisions (459A, 45XA)	120	7,645,000	9,750,000
B.III.	**Long-term bank loans (461A, 46XA)**	**121**	**1,687,500**	**2,250,000**
B.IV.	**Current liabilities - total (line 123 + line 127 + line 135)**	**122**	**38,360,312**	**50,124,576**
B.IV.1.	**Trade liabilities - total (lines 124 to 126)**	**123**	**9,293,097**	**10,299,501**
1.a.	Trade liabilities to affiliated accounting entities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA)	124		14,400
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	9,293,097	10,285,101
2.	Net value of contract (316A)	127		
3.	Other liabilities to affiliated accounting entities (361A, 36XA, 471A, 47XA)	128		6,007,506
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	27,634,647
6.	Liabilities to employees (331, 333, 33X, 479A)	131	489,816	417,080
7.	Liabilities related to social security (336A)	132	317,834	287,487
8.	Tax liabilities and subsidies (341, 342, 3543, 344, 345, 346, 347, 34X)	133	87,014	5,058,675
9.	Liabilities related to derivative transactions (373A, 377A)	134	1,991	15,621
10.	Other liabilities (372A, 379A, 474A, 475A, 479A, 47XA)	135	535,913	404,059
B.V.	**Short-term provisions (line 137 + line 138)**	**136**	**7,414,481**	**7,370,830**
B.V.1.	Legal provisions (323A, 451A)	137	3,687,433	1,571,301
2.	Other provisions (323A, 32X, 459A, 45XA)	138	3,727,048	5,799,529
B.VI.	**Current bank loans (221A, 231, 232, 23X, 461A, 46XA)**	**139**	**562,500**	**1,125,000**
B.VII.	**Short-term financial borrowings (241, 249, 24X, 473A, /-/255A)**	**140**		
C.	**Accruals/deferrals (lines 142 to 145)**	**141**	**6,708**	**139,386**
C.1.	Accrued expenses- long-term (383A)	142		
2.	Accrued expenses- short-term (383A)	143	6,708	40,194
3.	Deferred income- long-term (384A)	144		
4.	Deferred income- short-term (384A)	145		99,192

ALFA AUDIT, s.r.o.

Auditorská 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

INDEPENDENT AUDITOR`S REPORT

of auditing financial statements for the year ended December 31, 2018 of the company OFZ, a.s.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements prepared on June 6, 2019 of the company

OFZ, a.s.

Registration No.: 36 389 030
(the "Company"),

which comprise the balance sheet as at December 31, 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting principles and accounting policies.

In our opinion, the accompanying financial statements prepared on June 6, 2019 give a true and fair view of the financial position of the Company as at December 31, 2018, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual 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.

As at the issuance date of the auditor's report on the audit of financial statements, the annual report was not available to us.

When we obtain the annual report, we will evaluate whether the Company's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the financial statements, we will express an opinion on whether:

- Information disclosed in the annual report prepared for 2018 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its position, obtained in the audit of the financial statements.

Piestany, June 19, 2019

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

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

Annex:
Financial Statements as at December 31, 2018
with Notes to Financial Statements in Slovak language version

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

SILICON METAL

is used for the production of aluminium alloys, in the chemical and photovoltaic industry and for the production of semiconductors. OFZ, a.s. manufactures different grades of silicon metal.

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