

Annual report 2019



MAIN PILLARS OF OFZ

Using state-of-the-art technologies, OFZ transforms raw materials into high value-added products which are an integral part of the most of the commodities that shape modern society. The importance of OFZ goes far beyond the Slovak borders.

PRODUCING QUALITY PRODUCTS

In 2019, OFZ manufactured almost 111,000 tonnes of ferroalloys and cored wires, a decrease of roughly 7 % compared to the previous year.

INVESTING INTO PRODUCTION AND THE ENVIRONMENT

In 2019, OFZ invested 540,000 EUR into enhancing environmental protection. The company invested mainly into revamping and dedusting of three crushing & screening lines. The ecological aspect can also be seen in further investments into the pelletizing & briquetting line which processes wood waste and utilizes waste heat from the production of ferroalloys. For manufacturing processes, the investments were mainly targeted into revamping the control systems and minimizing losses during processing of molten metal. The ferroalloys manufactured in OFZ produce 36 % less in carbon emissions than those manufactured outside the European Union.

SATISFYING CUSTOMERS' NEEDS

In 2019, OFZ sold more than 104,000 tonnes of ferroalloys and other products, including services amounting to more than 126 mil. EUR. The share of revenues from the sale of ferroalloys and cored wires was as follows: Czech Republic (31 %), Italy (16 %), Poland (11 %), Slovakia (9 %) and Slovenia (7 %).

EMPLOYING A COMPETENT AND MOTIVATED WORKFORCE

In 2019, the average wage in OFZ was 1,285 EUR, which is 12 % higher than average wage paid in the district of Dolný Kubín and 18 % higher than the average wage paid in Slovakia.

MAIN PRODUCT GROUPS

FERROALLOYS

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



**A DIVERSIFIED MANUFACTURER
OF FERROALLOYS
IN CENTRAL EUROPE**



CORED WIRES

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



**A 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 afore mentioned 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.

126.4 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

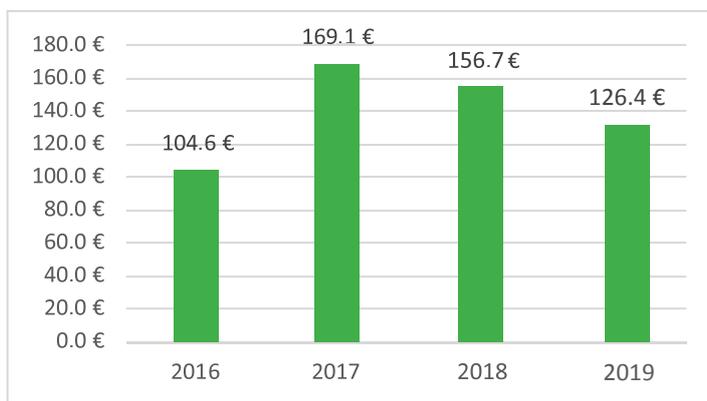


SELECTED INDICATORS

mil. EUR	2019	2018	2017	Change % 2019-2018
Net turnover	126.4	156.7	169.1	-19.3%
Total operating income	136.6	166.8	176.0	-18.1%
Total operating expenses	152.8	159.9	156.9	-4.4%
Operating income	-16.1	6.9	19.1	-334.1%
Earnings before taxes (EBT)	-16.0	6.4	18.1	-348.2%
Earnings after taxes (EAT)	-12.7	5.7	14.3	-321.3%
EBITDA	-12.5	9.2	20.6	-235.4%
Non-current assets	33.8	34.4	22.9	-1.7%
Current assets	69.1	76.4	97.2	-9.5%
Equity	42.1	54.6	48.7	-22.8%
Total liabilities	60.0	56.3	71.5	6.5%
Average number of employees	504	505	505	-0.2%

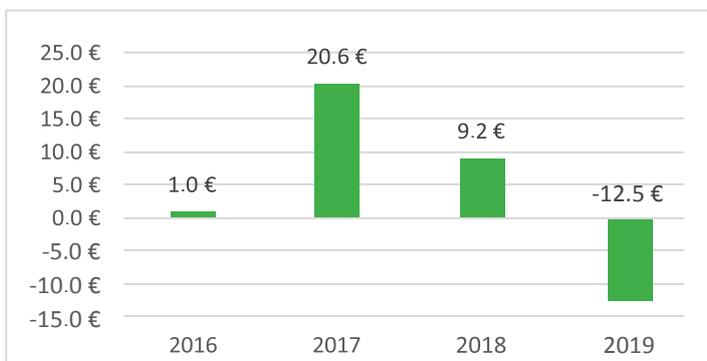


Because of a crisis in the metallurgical industry in 2019, the net income of OFZ, a.s. was in the red.



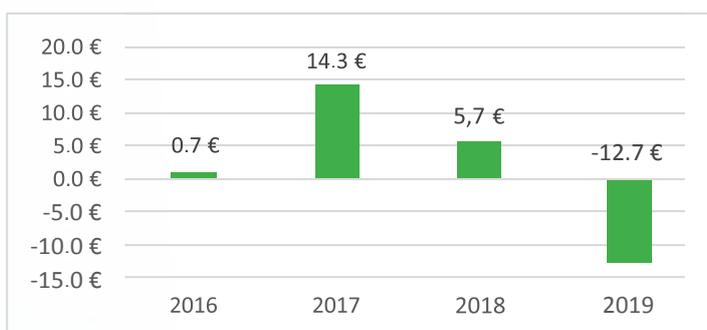
NET TURNOVER (mil. EUR)

In 2019, OFZ's net turnover decreased by more than 19 % YOY to 126.4 mil. EUR, which was primarily caused by lower product prices mainly in the second half of 2019.



EBITDA (mil. EUR)

Due to lower ferroalloy prices, OFZ's EBITDA in 2019 hit -12.5 mil. EUR, which was a decrease into the red when compared with the previous year.



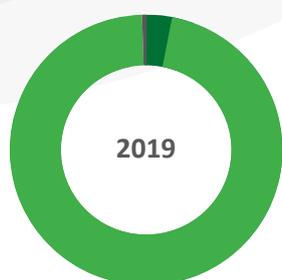
EARNINGS AFTER TAXES (mil. EUR)

The decline in ferroalloy prices in the second half of 2019 has a negative impact on earnings after taxes of OFZ which decreased into the red when compared with the previous year.

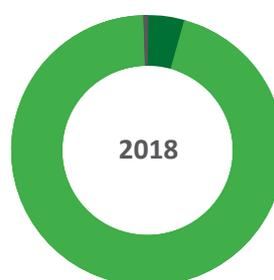
SELECTED FIGURES



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



■ cored wires **3.8%**
■ ferroalloys & metals **95.4%**
■ by-products **0.8%**

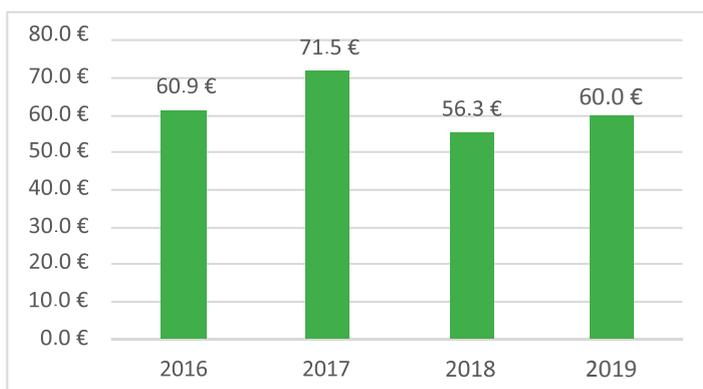


■ cored wires **4.1%**
■ ferroalloys & metals **95.2%**
■ by-products **0.8%**



EQUITY (mil. EUR)

In 2019, OFZ, a.s. recorded a decrease in equity which reached 42.1 mil. EUR.



TOTAL LIABILITIES (mil. EUR)

In 2019, OFZ's total liabilities amounted to 60.0 mil. EUR, which is a slight increase when compared with the previous year.

Ing. Branislav Klocok

Managing Director, OFZ, a.s.

// The key factors in the production of ferroalloys are the price of electricity, the purchasing strategy for raw materials and the ability to offer customers more than just a standard product supply. //



01 How would you evaluate the year 2019 in terms of the development of the Slovak and European metallurgical industry?

The year 2019 was largely a negative year for metallurgy. The prices for manganese alloys began to decrease in the second half of 2019; however, Mn ore prices stayed high and tended to decrease at the end of the year which created a pressure on margins of Mn alloy manufacturers. A similar situation was seen in the market for silicon alloys which was also hit by higher power rates when compared with the previous year. A dumping of alloys from Asia also weighed on the market in that year. OFZ has decided to maintain the same range of products. This situation is likely to persist over a longer time and the year 2020 appears to be worse due to weakening of global prices for our products. This is among the main reasons why OFZ is a proponent of diversifying its product range, sourcing of alternative raw materials 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. Evidence of this is not only the waste-free management, but also its investments into even better protection of the air with the use of the best available technologies (BATs) for dedusting. In 2019, OFZ made further investments into dedusting of crushing & screening lines, which minimizes dust generation in the next stage of production process. The second investment was targeted into manufacturing wood pellets & briquettes that can be effectively used 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. Utilizing waste heat is a primary competitive advantage and the main reason why we have decided to invest into this project.

03 Why did you decide to invest into heating pipelines using biomass as a source of heating in Istebné?

This investment is closely connected with enhancing efficiency of heating systems using Eurofound. We have operated a heating grid in Istebné since its establishment as a part of service for the Orava ferroalloy plant. This investment brought a revamp to heating and a major shift to using a renewable source of energy which we could provide by our own manufacturing.

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

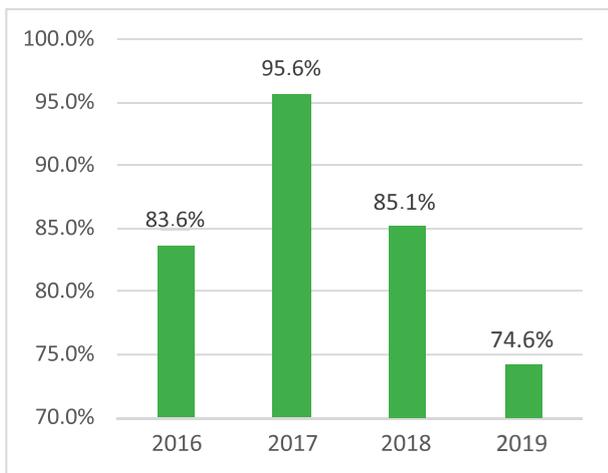
As life passes by, bad years always come after good ones. The coming year will be a time when we need to prepare ourselves for the bad years. Therefore, it is necessary to complete the diversification of our product range and to continually reduce our manufacturing costs.

OFZ, A.S. IN 2019



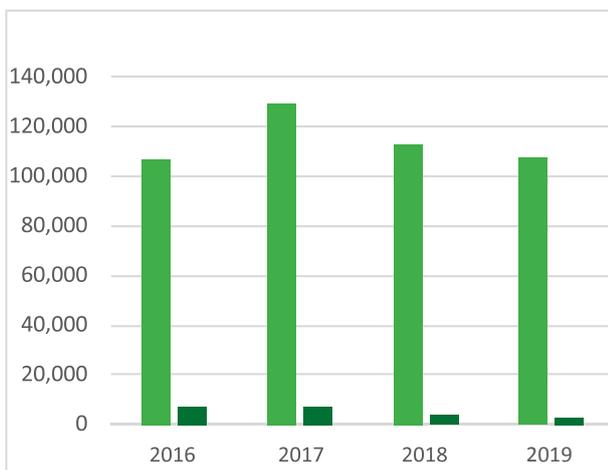
In 2019, OFZ focused on manufacturing traditional alloys with a high capacity utilization ratio of almost 75 %. OFZ has returned back to the production of FeSiCa. This is fully aligned with the company's

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 (%) (2016-2019)

In 2019, the ferroalloys made a considerable portion of the product range with a 97.1 % on the total weight of products. In 2019, the production of ferroalloys decreased by 6.5 % to almost 108,000 tonnes and cored wires production also decreased by more than 25 % and reached more than 3,000



Production (tonnes) (2016-2019)

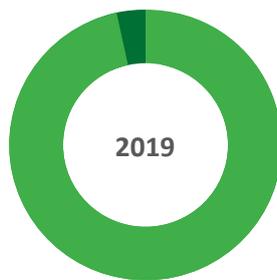
■ ferroalloys ■ cored wires

Production (thousands tonnes)	2019	2018	2017	Change 2019-2018
Ferroalloys	107.6	115.0	129.5	-6.5%
Cored wires	3.2	4.2	7.4	-25.1%
Total	110.7	119.3	136.9	-7.1%

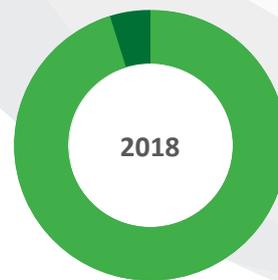
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**Different kinds of Products (in tonnes)
as a Percentage of Total Production (%)**

.....



■ ferroalloys **97.1%**
■ cored wires **2.9%**



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

CUSTOMERS

The strategy of diversification stemming from customer needs is a main focus for OFZ. The company decreased the production of cored wires. In 2019, the production of ferrosilicon decreased; however, FeSiCa widened our range of products. The production of Mn alloys increased which was caused by a higher production of FeSiMn. Among the top priorities for the company are still the flexible delivery schedules and focus on the customer.

INVESTMENTS

In 2019, investments were targeted into several different areas. Besides the fact that further investments were put into the briquetting & pelletizing line, the considerable funds were invested into revamping of existing production processes such as the central control room, ladle preheating, which will minimize a loss of hot metal, which tends to stick to the ladle walls; and continuous monitoring of moisture in reducing agents which will make operation of electric arc furnace even more effective. The investments were also targeted into central heating supply lines and the biomass heating source 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 2019, the company made further investment into the dedusting of the 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 the 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 2019, OFZ in cooperation with local high schools, provided special training for 9 students in the field of electromechanics, tool-making and electromechanics of machinery & equipment. In future, OFZ will also participate in programmes for dual learning of students.

FERROALLOYS

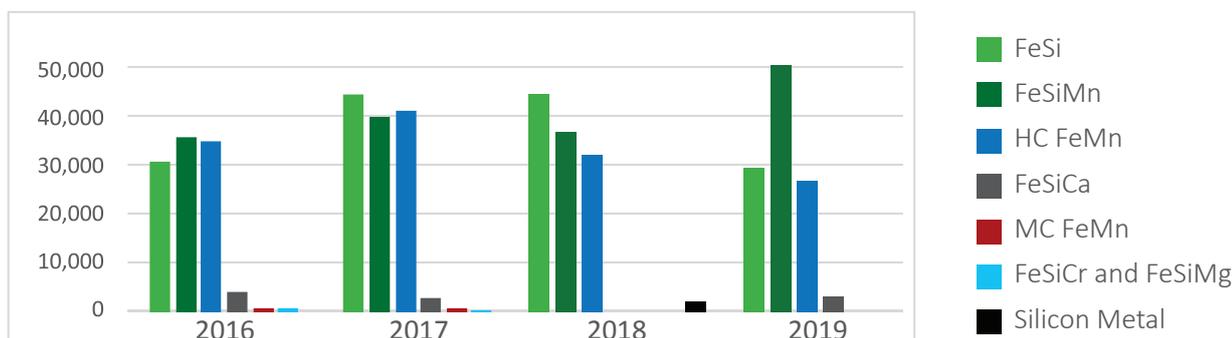
more than **107,000** tonnes produced

Production of ferroalloys (tonnes) (2017-2019)

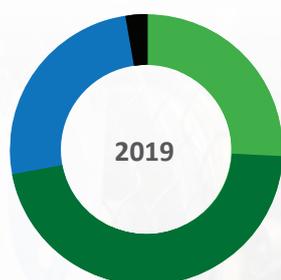
In 2019, despite unfavourable price trends, production of FeSiMn increased and used a somewhat lower decrease in its price from the previous period to its advantage. The decrease in the production of

FeSi by more than one-third and HC FeMn by 19% dragged down the whole ferroalloy production. In 2019, OFZ returned back to the production of FeSiCa.

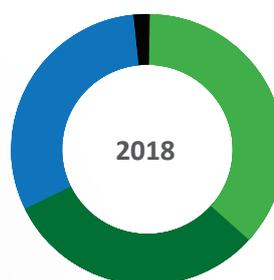
Ferroalloy Production (thousands tonnes)	2019	2018	2017	Change % 2019-2018
FeSi	29.4	44.1	44.6	-33.3%
FeSiMn	49.9	37.2	40.1	34.0%
HC FeMn	26.2	32.3	41.3	-19.0%
FeSiCa	2.1	0.0	2.7	na
MC FeMn	0.0	0.0	0.8	0.0%
Silicon Metal	0.0	1.3	0.0	-100.0%
Total	107.6	115.0	129.5	-6.5%



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



- FeSi **27.4%**
- FeSiMn **46.4%**
- HC FeMn **24.3%**
- FeSiCa **1.9%**



- FeSi **38.3%**
- FeSiMn **32.4%**
- HC FeMn **28.1%**
- Silicon Metal **1.2%**

FERROALLOYS

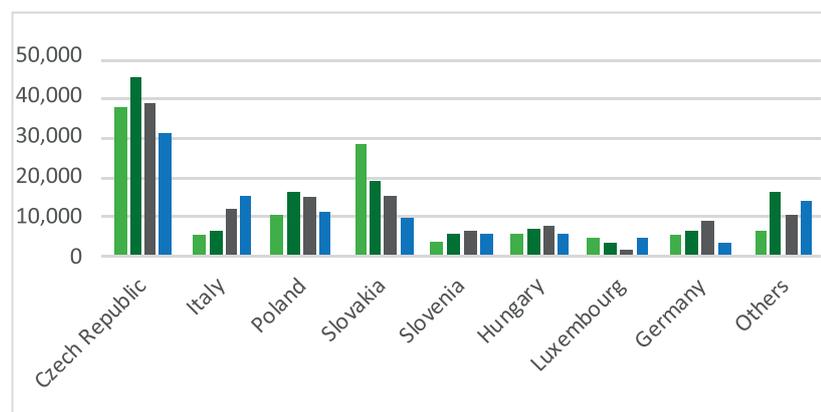
more than **104,000** tonnes sold

In 2019, sales of ferroalloys and metals decreased by **13.4 %**. The main reason was a decrease in the sales of FeSi and HC FeMn.

Predaj ferozliatin (v tis. tt)	2019	2018	2017	Zmena 2019-2018
FeSi	32.5	40.1	46.4	-19.0%
FeSiMn	43.7	36.7	35.7	19.0%
HC FeMn	25.2	40.7	38.8	-38.1%
FeSiCa	0.9	0.7	0.7	31.6%
MC FeMn	0.5	0.5	0.2	4.0%
HC FeCr	0.0	0.0	0.0	na
Silicon Metal	0.7	0.5	0.0	38.8%
FeSiCr + other ferroalloys & metals	0.6	1.0	3.6	-37.6%
Total	104.1	120.2	125.5	-13.4%

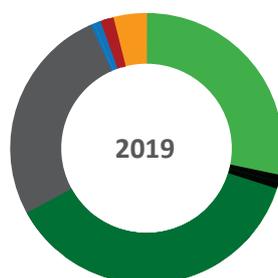
In 2019, the sales of ferroalloys were mainly targeted on closer markets and Central Europe with a major portion going to the Czech Republic, Italy, Poland and Slovakia. A considerable amount of sales

was also made to Slovenia and Hungary where OFZ maintained its market share when compared to the previous year. A higher level of sales was also made to Luxembourg.

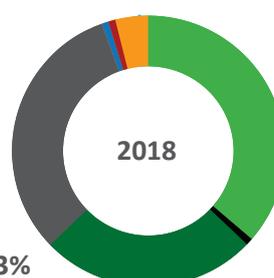


Ferroalloy Sales by Country
(in tonnes) (2016-2019)

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



- FeSi **31.6%**
- Silicon Metal **0.9%**
- FeSiMn **39.5%**
- HC FeMn **23.7%**
- FeSiCa **1.3%**
- MC FeMn **0.7%**
- FeSiCr + metals **2.3%**



- FeSi **39.7%**
- Silicon Metal **0.5%**
- FeSiMn **26.3%**
- HC FeMn **30.5%**
- FeSiCa **0.8%**
- MC FeMn **0.5%**
- FeSiCr + metals **1.7%**



CORED WIRES

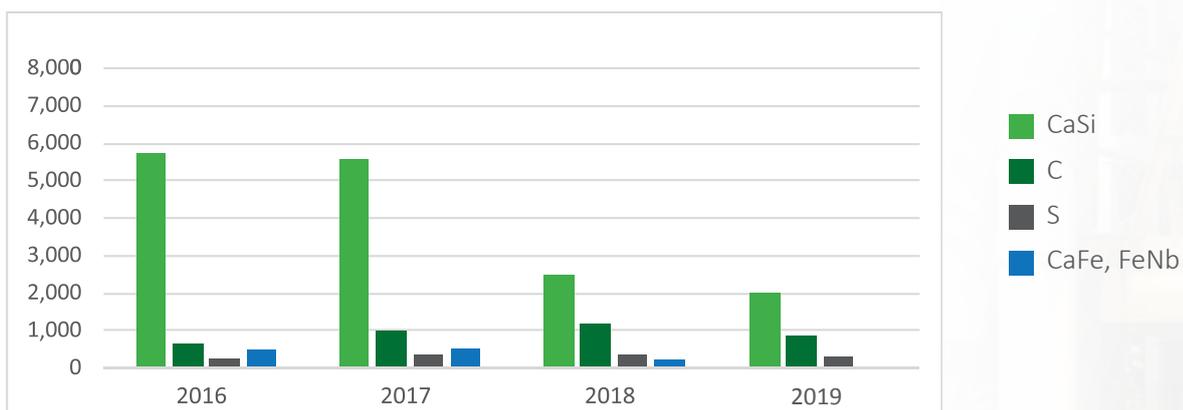
more than **3,000** tonnes of cored wires

Production of Cored Wires (tonnes) (2017-2019)

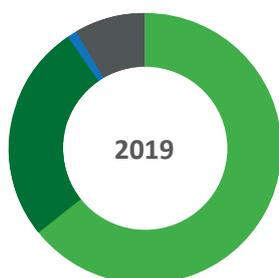
CaSi cored wire also made up the biggest portion of cored wire products in 2019. The production of cored wires decreased by more than 25 % YOY.

The production of cored wire with CaSi and C fillers decreased.

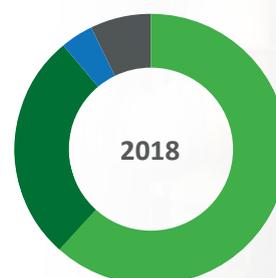
Cored Wire Production (tonnes)	2019	2018	2017	Change % 2019-2018
CaSi	2 011	2 529	5 556	-20,5%
C	853	1 183	976	-27,9%
S	295	315	348	-6,3%
CaFe, FeNb	13	210	513	-93,8%
Spolu	3 172	4 236	7 393	-25,1%



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



CaSi **63%**
C **27%**
S **9%**
CaFe, FeNb **1%**



CaSi **60%**
C **28%**
S **7%**
CaFe, FeNb **5%**

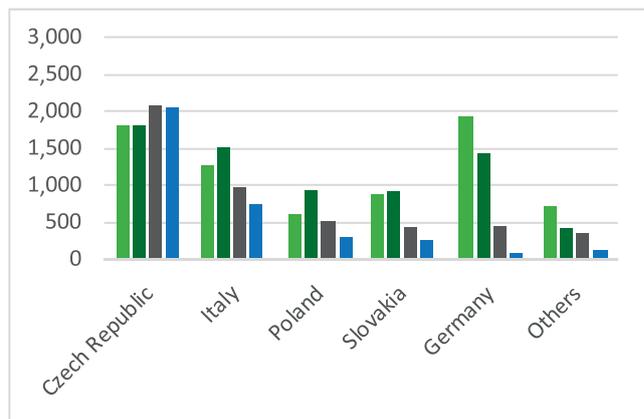


CORED WIRES

3200 tonnes of cored wires sold

In 2019, OFZ sold more than 3,200 tonnes of cored wires, which was a decrease of almost one-third when compared to the previous year. The sales of CaSi and C cored wires saw the biggest decline. The decrease was also apparent in the production of cored wires with other powder fillers.

With a firm place in the steel production, cored wires are also used for alloying and deoxidation of steel and for inoculating and modifying cast iron. The markets for cored wire sales are, to a great extent, similar to countries of ferroalloy sales. In 2019, the major portion of sales were made to the Czech Republic, Italy, Poland and Slovakia.

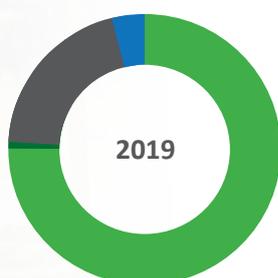


Sales Value of Different Cored Wires as a Percentage of Total Cored Wires Sales

- 2016 (Light Green)
- 2017 (Dark Green)
- 2018 (Grey)
- 2019 (Blue)

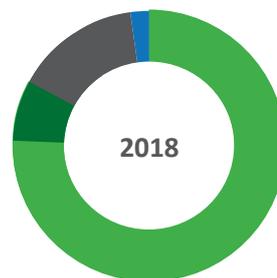
Cored Wire Sales (tonnes)	2019	2018	2017	Change % 2019-2018
CaSi	2,022	2,855	5,251	-29.2%
C	870	1,182	946	-26.4%
S	295	331	315	-11.1%
CaFe, FeNb, Ca	21	233	490	-91.0%
Total	3,207	4,601	7,001	-30.3%

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



2019 Distribution:

- CaSi 76%
- CaFe 1%
- C 18%
- S 5%



2018 Distribution:

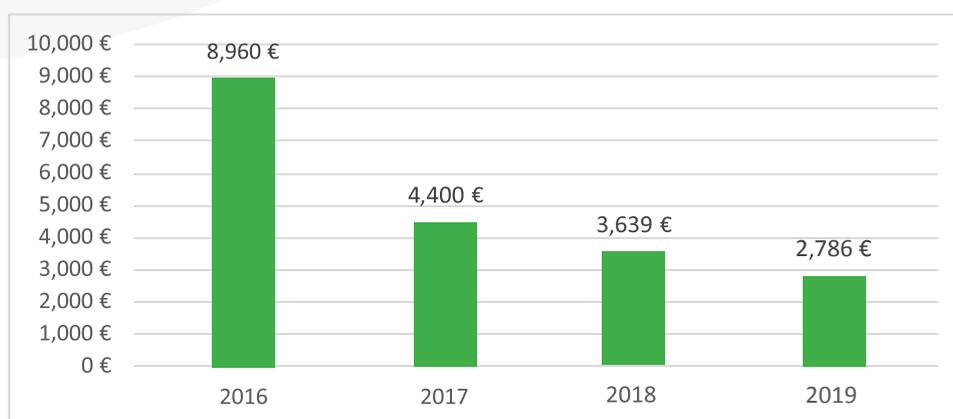
- CaSi 76%
- CaFe 5%
- C 16%
- S 3%



INVESTMENTS & RESEARCH

2.8 mil. EUR invested

The funds reserved for investment projects decreased in 2019 when compared to the year 2018. The total amount of investments thus decreased by almost 23%, mainly due to the unfavorable economic conditions.



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

Investments (thousands EUR)	2019
Central heating supply lines in Istebne	1,015 €
Pelletizing plant for wood pellets	502 €
Biomass heating source at Istebne	394 €
Technological processes for ferroalloy production	372 €
Investments into the Martin plant	97 €
Vehicles	76 €
Compressor station	39 €
Dedusting of screening & crushing lines 1 and 3	38 €
Revamping of screening & crushing line 1	26 €
Cooling towers	23 €
Housing in Istebne	23 €
Other investments	182 €
Total	2,786 €

In 2019, the company invested mainly into central heating supply lines and biomass as a source of heating in Istebné, a briquetting & pelletizing line for the production of wood pellets, into technological equipment such as ladle preheating, continuous monitoring of moisture in reducing agents, central control room, power supply & equipment, and crushing & screening lines.

Research & development costs

Description	2019	2018	2017
Research & development costs	0 €	2,395,485 €	42,404 €

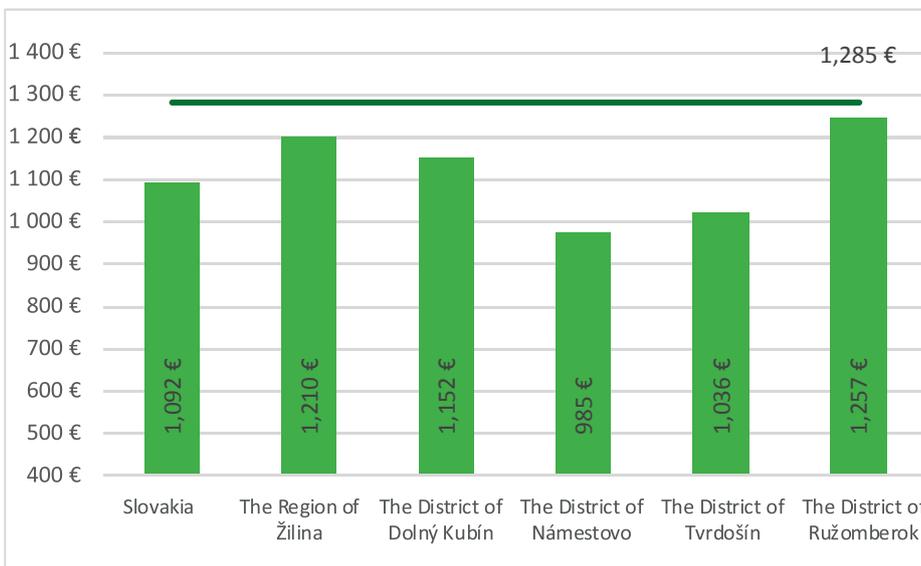


EMPLOYEES

504 employees, average wage 1,285 EUR

OFZ keeps a close eye on continuous improvement of the working conditions and quality of the workplace. The average number of employees

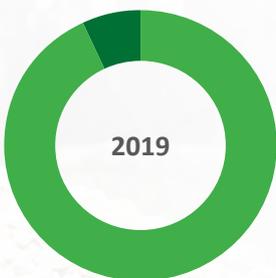
in 2019 was kept stable. The average wage was still among the highest in the region.



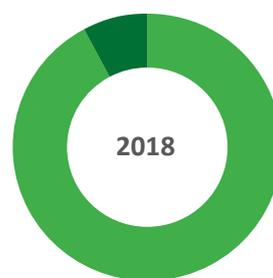
Average Wages & Salaries Compared with Slovakia (2019)

- 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 %**

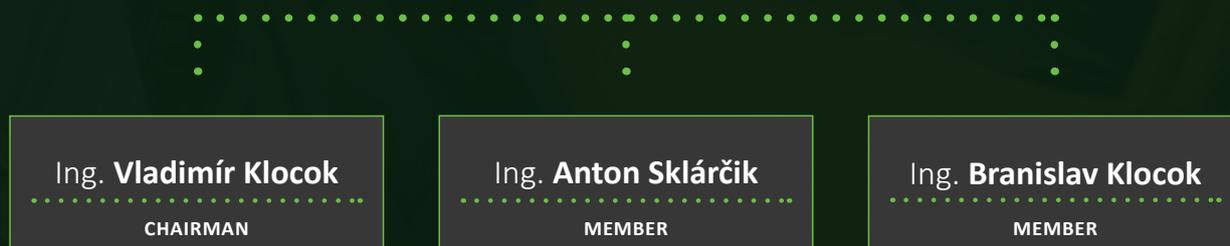


■ management **6.9 %**
 ■ other staff **93.1 %**

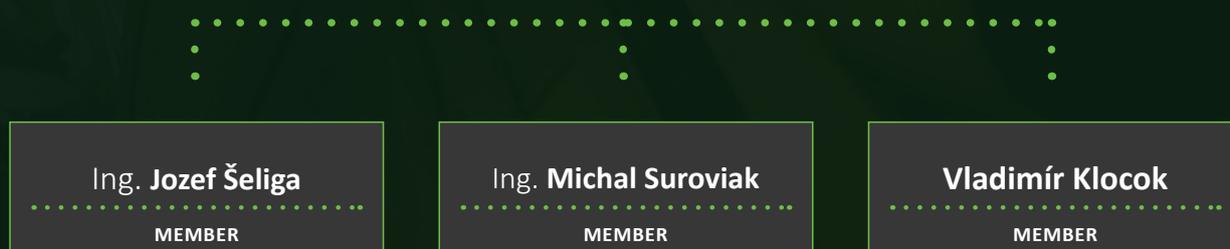
In 2019, the company continued in supporting social activities for its employees. The total amount paid for legal social costs for training & education, recovery stays and the canteen reached almost 284,000 EUR.

COMPANY BODIES

BOARD OF DIRECTORS



SUPERVISORY BOARD



COMPANY MANAGEMENT



FINANCIAL SITUATION

net turnover **126.4** mil. EUR

net loss after taxes **-12.7** mil. EUR

In 2019, due to a decrease in prices for ferroalloys and cored wires mainly in the second half of the year, OFZ achieved a net loss after taxes and EBITDA

was also in red numbers. Net turnover decreased by almost 20 % YOY.

Proposed Settlement of Earnings for the Current Accounting Period (as of December 31, 2019)

Item	2019
Net loss	-12,704,632 €
Loss compensation from retained earnings	-12,704,632 €

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

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

Equity Participations & Interests of OFZ, a.s. in Subsidiaries (as of December 31, 2019)

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, 2019) 1/2

Class	Item	No.	Current Accounting Period €	Preceding Accounting Period €
*	Net turnover (part of accounting Class 6 according to the Act)	01	126 385 211	156 658 471
**	Operating income - total (lines 03 to 09)	02	136 629 801	166 758 724
I.	Revenue from the sale of merchandise (604, 607)	03	10 209 407	17 714 846
II.	Revenue from the sale of own products (601)	04	99 754 581	127 124 684
III.	Revenue from the sale of services (602, 606)	05	16 328 931	11 626 218
IV.	Changes in internal inventory (+/- acct. grp. 61)	06	1 151 768	2 304 209
V.	Own work capitalized (acct. grp. 62)	07	1 659 879	1 294 675
VI.	Revenue from the sales of non-current intangible assets, property, plant, equipment, and raw materials (641, 642)	08	2 076 627	2 675 762
VII.	Other operating income (644, 645, 646, 648, 655, 657)	09	5 448 608	4 018 330
**	Operating expenses - total line 11 + line 12 + line 13 + line 14 + line 15 + line 20 + line 21 + line 24 + line 25 + line 26	10	152 760 850	159 868 897
A.	Costs of merchandise sold (504, 507)	11	9 704 059	17 196 650
B.	Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503)	12	112 703 986	111 346 624
C.	Value adjustments to inventory (+/-) (505)	13		
D.	Services (acct. grp. 51)	14	7 644 493	11 165 324
E.	Personnel expenses- total (lines 16 to 19)	15	11 049 105	11 425 312
E. 1.	Wages and salaries (521, 522)	16	7 808 195	8 064 815
2.	Remuneration of board members of the company or cooperatives (523)	17		
3.	Social security expenses (524, 525, 526)	18	2 836 261	2 934 814
4.	Social expenses (527, 528)	19	404 649	425 683
F.	Taxes and fees (acct. grp. 53)	20	245 466	269 480
G.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (line 22 + line 23)	21	3 316 593	2 805 198
G. 1.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to PP & E (551)	22	3 316 593	2 819 105
2.	Value adjustments to non-current intangible assets and PP & E (+/-) (553)	23		-13 907
H.	Carrying value of non-current assets sold and raw materials sold (541, 542)	24	1 498 248	2 436 404
I.	Value adjustments to receivables (+/-) (547)	25	540 217	-1 482 084
J.	Other operating expenses (543, 544, 545, 546, 548, 549, 555, 557))	26	6 058 683	4 705 989
***	Profit/loss from operations (line 02 - line 10)	27	-16 131 049	6 889 827
*	Added value (line 03 + line 04 + line 05 + line 06 + line 07) - (line 11 + line 12 + line 13 + line 14)	28	-947 972	20 356 034
**	Income from financial activities - total line 30 + line 31 + line 35 + line 39 + line 42 + line 43 + line 44	29	610 320	670 862
VIII.	Revenue from the sale of securities and shares (661)	30		

Profit and Loss Statement (as of December 31, 2019) 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	92 293	192 723
XI. 1.	Interest income from affiliated accounting entities (662A)	40	62 483	60 522
2.	Other interest income (662A)	41	29 810	132 201
XII.	Exchange rate gains (663)	42	344 869	178 254
XIII.	Gains on the revaluation of securities and income from derivative transactions (664, 667)	43	173 158	257 542
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	439 278	1 129 826
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	152 325	173 267
N. 1.	Interest expenses related to affiliated accounting entities (562A)	50		105 570
2.	Other interest expenses (562A)	51	152 325	67 697
O.	Exchange rate losses (563)	52	104 365	473 909
P.	Loss on the revaluation of securities and expenses related to derivative transactions (564, 567)	53	122 182	183 543
Q.	Other expenses related to financial activities (568, 569)	54	60 406	70 899
***	Profit/loss from financial activities (+/-) (line 29 - line 45)	55	171 042	-458 964
****	Profit/loss for the accounting period before taxes (+/-) (line 27 + line 55)	56	-15 960 007	6 430 863
R.	Income tax (line 58 + line 59)	57	-3 255 375	690 450
R. 1.	Income tax- current (591, 595)	58	249	366
2.	Income tax- deferred (+/-) (592)	59	-3 255 624	690 084
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	-12 704 632	5 740 413

Balance Sheet (as of December 31, 2019) 1/6

Class	ASSETS	No.	Current Accounting Period €		Preceding Accounting Period €
a	b	c	Gross Adjustment	Net for Current Period	Net for Pre-vious Period
	TOTAL ASSETS line 002 + line 033 + line 074	001	135 687 706 32 733 188	102 954 518	110 845 106
A.	Non-current assets line 003 + line 011 + line 021	002	65 053 024 31 300 119	33 752 905	34 354 371
A.I.	Non-current Intangible assets - total (lines 004 to 010)	003	862 144 607 817	254 327	282 523
A.I.1.	Capitalized development costs (012)- /072, 091A/	004			
2.	Software (013)- /073, 091 A/	005	670 841 416 514	254 327	282 523
3.	Valuable rights (014)- /074, 091A/	006	62 302 62 302		
4.	Goodwill (015)- /075, 091A/	007			
5.	Other non-current intangible assets (019, 01X)- /079, 07X, 091A/	008	129 001 129 001		
6.	Acquisition of non-current intangible assets (041)-093	009			
7.	Advance payments made for non-current intangible assets (051) – 095A	010			
A.II.	Property, plant & equipment - total (lines 012 to 020)	011	52 445 587 29 701 476	22 744 111	23 609 236
A.II.1.	Land (031)- 092A	012	742 901	742 901	743 172
2.	Structures (021)- /081, 092A/	013	18 283 153 8 956 577	9 326 576	8 358 481
3.	Machinery (022)- /082, 092A/	014	32 389 368 20 692 389	11 696 979	11 009 494
4.	Perennial crops (025)- /085, 092A/	015	5 989 84	5 905	
5.	Livestock (026)- /086, 092A/	016			
6.	Other property, plant & equipment (029, 02X, 032)- /089, 08X, 092A/	017	141 280 52 426	88 854	88 854
7.	Acquisition of property, plant & equipment (042)-094	018	782 896	782 896	2 959 980
8.	Advance payments made for property, plant & equipment (052)-095A	019	100 000	100 000	449 255
9.	Value adjustment to acquired assets (+/-097) +/-098	020			

Balance Sheet (as of December 31, 2019) 2/6

Class	ASSETS	No.	Current Accounting Period €		Preceding Accounting Period €
a	b	c	Gross Adjustment	Net for Current Period	Net for Pre-vious Period
A.III.	Non-current financial assets - total (lines 022 to 029)	021	11 745 293	10 754 467	10 462 612
			990 826		
A.III.1.	Shares and ownership interests in affiliated accounting entities (061A, 062A, 063A)- /096A/	022	463 995	463 995	172 139
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	11 273 331	10 290 472	10 290 473
			982 859		
5.	Loans with a participating interest, except for affiliated accounting entities (066A)-/096A/	026			
6.	Other loans (067A)- /096A/	027			
7.	Debt securities and other non-current financial assets (065A, 069A, 06XA)- /096A/	028			
8.	Loans and other financial assets with a remaining maturity of 1 year (066A, 067A, 069A, 06XA)- /096A/	029			
9.	Bank accounts with a notice period exceeding 1 year (22XA)	030			
10.	Acquisition of non-current financial assets (043)- /096A/	031			
11.	Advance payments made for non-current financial assets (053)- /095A/	032			
B.	Current assets line 034 + line 041 + line 053 + line 066 + line 071	033	70 573 239	69 140 170	76 388 767
			1 433 069		
B.I.	Inventory - total (lines 035 to 040)	034	30 742 817	30 742 817	36 637 693
B.I.1.	Raw material (112,119, 11X)- /191, 19X/	035	13 681 021	13 681 021	19 078 128
2.	Work-in-progress and semi-finished products (121,122, 12X) - /192,193, 19X/	036	1 484 267	1 484 267	529 392
3.	Finished goods (123) – /194/	037	11 956 975	11 956 975	11 760 082
4.	Animals (124) – /195/	038			
5.	Merchandise (132, 133, 13X, 139) – /196, 19X/	039	3 132 109	3 132 109	4 387 716
6.	Advance payments made for inventory (314A) – /391A/	040	488 445	488 445	882 375

Balance Sheet (as of December 31, 2019) 3/6

Class	ASSETS	No.	Current Accounting Period €		Preceding Accounting Period €
a	b	c	Gross Adjustment	Net for Current Period	Net for Pre-vious Period
B.II.	Non-current receivables - total (line 042 + lines 046 to 052)	041	5 877 680	5 877 680	2 608 427
B.II.1.	Trade receivables - total (lines 043 to 045)	042	520 600	520 600	568 100
1. a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	043	520 600	520 600	568 100
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	61 129	61 129	
8.	Deferred tax asset (481A)	052	5 295 951	5 295 951	2 040 327
B.III.	Current receivables - total (line 054 + line 058 to line 065)	053	29 170 675	27 737 606	33 541 477
B.III.1.	Trade receivables - total lines 055 to 057	054	21 678 923	20 788 559	22 422 056
1. a.	Trade receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	055	2 600 105	1 865 173	1 885 691
1. b.	Trade receivables within participating interest, except for receivables from affiliated accounting entities (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	056	734 932		
1. c.	Other trade receivables (311A, 312A, 313A, 314A, 315A, 31XA)- /391A/	057	19 078 818	18 923 386	20 536 365
2.	Net value of contract (316A)	058	155 432		
3.	Other receivables from affiliated accounting entities (351A) - /391A)	059	3 923 193	3 381 468	3 430 202
			541 725		

Balance Sheet (as of December 31, 2019) 4/6

Class	ASSETS	No.	Current Accounting Period €		Preceding Accounting Period €
a	b	c	Gross Adjustment	Net for Current Period	Net for Pre-vious 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	7 026
6.	Social security receivables (336A)- /391A/	062			
7.	Tax assets and subsidies (341, 342, 343, 345, 346, 347)- /391A/	063	2 934 990	2 934 990	6 159 133
8.	Receivables related to derivative transactions (373A, 376A)	064			
9.	Other receivables (335A, 33XA, 371A, 374A, 375A, 378A)- /391A/	065	626 543 980	625 563	1 523 060
B.IV.	Current financial assets - total (lines 067 to 070)	066	2 583 667	2 583 667	1 614 727
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	2 583 667	2 583 667	1 614 727
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	2 198 400	2 198 400	1 986 443
B.V.1.	Cash (211, 213, 21X)	072	63 490	63 490	139 194
2.	Bank accounts (221A, 22X, +/- 261)	073	2 134 910	2 134 910	1 847 249
C.	Accruals/deferrals - total (lines 075 to 078)	074	61 443	61 443	101 968
C.1.	Prepaid expenses- long-term (381A, 382A)	075	18 338	18 338	16 820
2.	Prepaid expenses- short-term (381A, 382A)	076	36 361	36 361	57 750
3.	Accrued income - long-term (385A)	077			
4.	Accrued income- short-term (385A)	078	6 744	6 744	27 398

Balance Sheet (as of December 31, 2019) 5/6

Class	LIABILITIES	No.	Current Accounting Period €	Preceding Accounting Period €
	TOTAL EQUITY AND LIABILITIES line 080 + line 101 + line 141	079	102 954 518	110 845 106
A	Equity line 081+ line 085+ line 086 + line 087 + line 090 + line 093 + line 097 + line 100	080	42 135 534	54 550 640
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	2 607 275	2 033 233
A.IV.1.	Legal reserve fund and non-distributable fund (417A, 418, 421A, 422)	088	2 607 275	2 033 233
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	0	0
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	231 557	-57 970
A.VI.1.	Differences from the revaluation of assets and liabilities (+/- 414)	094	231 557	-57 970
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	18 601 334	13 434 964
A.VII.1.	Retained earnings from previous years (428)	098	18 601 334	13 434 964
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	-12 704 632	5 740 413
B.	Liabilities line 102 + line 118 + line 121 + line 122 + line 136 + line 139 + line 140	101	59 950 897	56 287 758
B.I.	Non-current liabilities - total (line 103 + lines 107 to 117)	102	405 395	617 965
B.I.1.	Non-current trade liabilities (lines 104 to 106)	103	156 047	
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	156 047	
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, 2019) 6/6

Class	LIABILITIES	No.	Current Accounting Period €	Preceding Accounting Period €
6.	Long-term advance payments received (475A)	111		
7.	Long-term bills of exchange to be paid (478A)	112		
8.	Bonds issued (473A /- 255A)	113		
9.	Liabilities related to social fund (472)	114	13 362	18 333
10.	Other non-current liabilities (336A, 372A, 474A, 47XA)	115	235 986	599 632
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
B.II.1.	Legal provisions (451A)	119		
2.	Other provisions (459A, 45XA)	120		7 645 000
B.III.	Long-term bank loans (461A, 46XA)	121	4 471 306	1 687 500
B.IV.	Current liabilities - total (line 123 + line 127 + line 135)	122	35 198 313	38 360 312
B.IV.1.	Trade liabilities - total (lines 124 to 126)	123	7 403 966	9 293 097
1.a.	Trade liabilities to affiliated accounting entities (321A, 322A, 324A, 325A, 326A, 32XA, 475A, 476A, 478A, 47XA)	124		
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	7 403 966	9 293 097
2.	Net value of contract (316A)	127		
3.	Other liabilities to affiliated accounting entities (361A, 36XA, 471A, 47XA)	128		
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	26 630 000	27 634 647
6.	Liabilities to employees (331, 333, 33X, 479A)	131	419 677	489 816
7.	Liabilities related to social security (336A)	132	292 195	317 834
8.	Tax liabilities and subsidies (341, 342, 3543, 344, 345, 346, 347, 34X)	133	76 995	87 014
9.	Liabilities related to derivative transactions (373A, 377A)	134	4 304	1 991
10.	Other liabilities (372A, 379A, 474A, 475A, 479A, 47XA)	135	371 176	535 913
B.V.	Short-term provisions (line 137 + line 138)	136	14 310 318	7 414 481
B.V.1.	Legal provisions (323A, 451A)	137	5 677 270	3 687 433
2.	Other provisions (323A, 32X, 459A, 45XA)	138	8 633 048	3 727 048
B.VI.	Current bank loans (221A, 231, 232, 23X, 461A, 46XA)	139	5 565 565	562 500
B.VII.	Short-term financial borrowings (241, 249, 24X, 473A, /-/255A)	140		
C.	Accruals/deferrals (lines 142 to 145)	141	868 087	6 708
C.1.	Accrued expenses- long-term (383A)	142		
2.	Accrued expenses- short-term (383A)	143	14 204	6 708
3.	Deferred income- long-term (384A)	144	807 338	
4.	Deferred income- short-term (384A)	145	46 545	

INDEPENDENT AUDITOR`S REPORT
of auditing financial statements for the year ended
December 31, 2019 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 of the company

OFZ, a.s.

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

which comprise the balance sheet as at December 31, 2019, 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 give a true and fair view of the financial position of the Company as at December 31, 2019, 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 2019 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 23, 2020



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, 2019

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.