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PRODUCTION AND TRADE ARE EFFECTED ENTIRELY ON A TOLLING BASIS. SINCE 1 APRIL 2000 (AT WHICH TIME OUR COMPANY EXISTED IN THE FORM OF THE VÍTKOVICE FLAT PRODUCTS DIVISION), OUR PARTNER OSINEK, A.S. HAS PURCHASED RAW MATERIALS, FUEL AND ENERGY AT ITS OWN EXPENSE AND SOLD FINISHED PRODUCTS TO ITS OWN BENEFIT. VÍTKOVICE STEEL, A.S. CONTRIBUTES LABOUR TO THE JOINT UNDERTAKING, ORDERS AND FINANCES REPAIR AND MAINTENANCE SERVICES, USES TANGIBLE AND INTANGIBLE FIXED ASSETS, SECURES AND FINANCES SOME ADDITIONAL OVERHEAD SERVICES AND HANDLES ALL INPUT PURCHASES AND FINISHED PRODUCTS SALES FOR OSINEK, A.S.

The trading company VÍTKOVICE STEEL, a.s., seated in OSTRAVA – Hulváky, Štramberská 2871/47, 709 00, was established based on a deed of foundation of the sole founder, VÍTKOVICE, a.s. The company VÍTKOVICE STEEL, a.s., with share capital of CZK 2 million, arose upon its entry in the commercial register kept by the Regional Court in Ostrava on 7 March 2001, section B, entry No. 2475.

At 1 August 2001 Division 200 – VÍTKOVICE Flat Products incorporating the basic production aggregates Steelworks I, Rolled Section Mill, Rolling Mill 4.5 Duo and Rolling Mill 3.5 Kvarto was contributed to VÍTKOVICE STEEL, a.s. With the contribution of this part of VÍTKOVICE, a.s. the share capital of VÍTKOVICE STEEL, a.s. was increased to CZK 2.602 billion.

The Board of Directors manages the activities of VÍTKOVICE STEEL, a.s. pursuant to the generally binding legal regulations and valid Company articles The Board members are: Ing. Vladimír Bail (chairman), Mgr. Marek Gocman (vice-chairman) Ing. Zbyněk Kvapík, Ing. Pavel Cimala and Ing. Jiří Poštulka (members; the last two since 9 September 2001).

The Supervisory Board is the Company's control body. Its members in 2001 are: Ing. Ladislav Král (chairman), Ing. Karel Rojko, Dr. Ing. Radim Valas, Ing. Zdeněk Chládek, Mgr. Pavlína Sklenářová and Ing. Jan Skipala, Ph.D (members).

Dear Shareholders,

The company VÍTKOVICE STEEL, a.s. was founded in this past year based on a decision of the sole shareholder, VÍTKOVICE, a.s., effected on 6 February 2001. VÍTKOVICE STEEL, a.s. was entered in the commercial register kept by the Regional Court in Ostrava on 7 March 2001. Effective from 1 August 2001, when the sole shareholder's decision to increase the share capital by contributing part of the company VÍTKOVICE, a.s. (Division 200 – VÍTKOVICE Flat Products) entered into legal force, it has performed independent entrepreneurial activity in the full scope of the former Division 200 – VÍTKOVICE Flat Products.

In the period from 7 March 2001 to 2 July 2001 the Supervisory Board (henceforth the „SB") had the following six members:

Chairman:	Mgr. Václav Novák, MBA
Members:	Ing. Zdeněk Šmejkal
	Ing. David Kostruh
	Ing. Břetislav Palička
	Ing. Vilém Balcárek, MBA
	Mgr. Pavlína Sklenářová

On 2 July 2001 the SB changed as follows:

Chairman:	Ing. Ladislav Král
Members:	Ing. Jan Skipala, Ph.D.
	Ing. Karel Rojko
	Dr. Ing. Radim Valas
	Mgr. Pavlína Sklenářová
	Ing. Zdeněk Chládek

On 18 February 2002 the SB discussed the resignation of Supervisory Board members Ing. Jan Skipala, Ph.D. and Mgr. Pavlína Sklenářová. Subsequently, Mgr. Sklenářová was charged with performing the function of Supervisory Board secretary based on SB decision No. 8/7/02. At 22 February 2002 Mr. Rostislav Fromelius and Ing. Pavel Makový were elected to the Supervisory Board as employee representatives. In 2001 the Supervisory Board discharged its obligations and exercised its rights in accordance with the relevant Commercial Code provisions and the Company articles.

The Supervisory Board conducted 6 meetings in 2001, all of which achieved a quorum.

In 2001 the Supervisory Board's work focussed on:

- regular analyses and controls of Company business result,
- the analysis and control of receivables and the collection of monies,
- securing financing and the tolling process per contracts concluded with OSINEK, a.s.,
- drafting a business plan for 2002,
- preparing the Company for the sale of shares as part of the VÍTKOVICE, a.s. restructuring process.

The Supervisory Board discussed the results of operation for 2001 including an examination of the ordinary annual financial statements for 2001 and reviewed the content of the Auditor's Report on the review of the ordinary financial statements issued 26 April 2002. It discussed and reviewed the Board of Directors proposal for the settlement of Company losses and further reviewed the "Report on Relations Between Related Persons Pursuant to § 66a(9) of the Commercial Code" and expresses no reservations regarding the content thereof.

The Supervisory Board recommends that the General Mereting approve the ordinary financial statements for 2001 and the Board of Directors proposal for the settlement of Company losses for 2001.

Ostrava, 3 June 2002

ING. LADISLAV KRÁL
Supervisory Board Chairman
VÍTKOVICE STEEL, a.s.

Roughly 20 months prior to 1 August 2001 – when VÍTKOVICE STEEL commenced viable operation – preparation had begun to start the new company. The Company was established as an independent corporate body free of the parent company's debts, the intention being that it would not only generate revenue, but that its favourable results would increase its readiness to be sold to a strategic investor. The establishment of „Steel" was preceded not only by the consent of the shareholders, but also by the subscription of newly issued shares. The issue was effected on 17 July 2001 and involved shares with a total nominal value of CZK 2.602 billion.

This was followed by the requisite commercial register entry; on the same day all the shares were paid for via a non-monetary contribution, i.e. the VÍTKOVICE Flat Products division. The division's value was determined based on two court-certified expert valuations performed by Petr Schulmeister and Radim Dědic. VÍTKOVICE STEEL, a.s. incurred a payable to VÍTKOVICE, a.s. in the amount of the difference between the value of the division as a non-monetary contribution and the value of the shares.

As these words are being written (April 2002), most of the above mentioned plans have been fulfilled: for the first 5 months of its existence (from 1 August to 31 December 2001) VÍTKOVICE STEEL, a.s. carried on its manufacturing operations without interruption, established itself on the domestic and foreign markets, reports very good material- and value-based indices (aggregated with those of its tolling partner OSINEK, a.s.), has paid the majority of its liabilities and, at the end of the 2002 first quarter, was sold on a tender basis.

I am personally convinced that our Company will only strengthen its position in the sphere of metallurgy. Therefore it is no coincidence that I cite the following facts: In 2001 the key mill – Four-high rolling mill – celebrated 30 excellent years (during which it produced 14.331 million tons of plates), the Steelworks marked 20 years since the introduction into operation of the K1 converter (production of 8.304 million tons) and 10 years since the K2 converter was installed (production of 4.178 million tons), and in 2001 cast slab production in the continuous steel casting plant, not yet 7 years old, reached the 4 million ton mark.

A modernised production base, ongoing technological innovation, the introduction of new information systems and quality employees are the attributes that enable me to express the opinion that VÍTKOVICE STEEL, a.s. has an excellent future ahead of it.

ING. VLADIMÍR BAIL
Board of Directors Chairman
VÍTKOVICE STEEL, a.s.

FOR THE FIRST FIVE MONTHS OF ITS EXISTENCE VÍTKOVICE STEEL, A.S. ENGAGED IN ONGOING PRODUCTION AND ESTABLISHED ITSELF ON THE DOMESTIC AND FOREIGN MARKET

DIVISION 201 - MANAGEMENT

200 MANAGING DIRECTOR

- 200.1 INFORMATION SCIENCE
- 200.2 DIRECTOR FOR QUALITY
- 200.3 HUMAN RESOURCES DIRECTOR
- 200.4 TECHNICAL DIRECTOR
- 200.5 FINANCIAL DIRECTOR
- 200.6 COMMERCIAL DIRECTOR
- 200.7 PRODUCTION AND LOGISTICS DIRECTOR
- 200.8 DIRECTOR FOR PURCHASING
- 200.9 DIRECTOR OF OPERATIONS

DIVISION 210 - PRODUCTION

- 220 STEELWORKS I
- 230 SECTION ROLLING MILL
- 240 FINISHED PRODUCT WAREHOUSE
- 250 TWO-HIGH ROLLING MILL
- 260 FOUR-HIGH ROLLING MILL
- 270 SERVICES

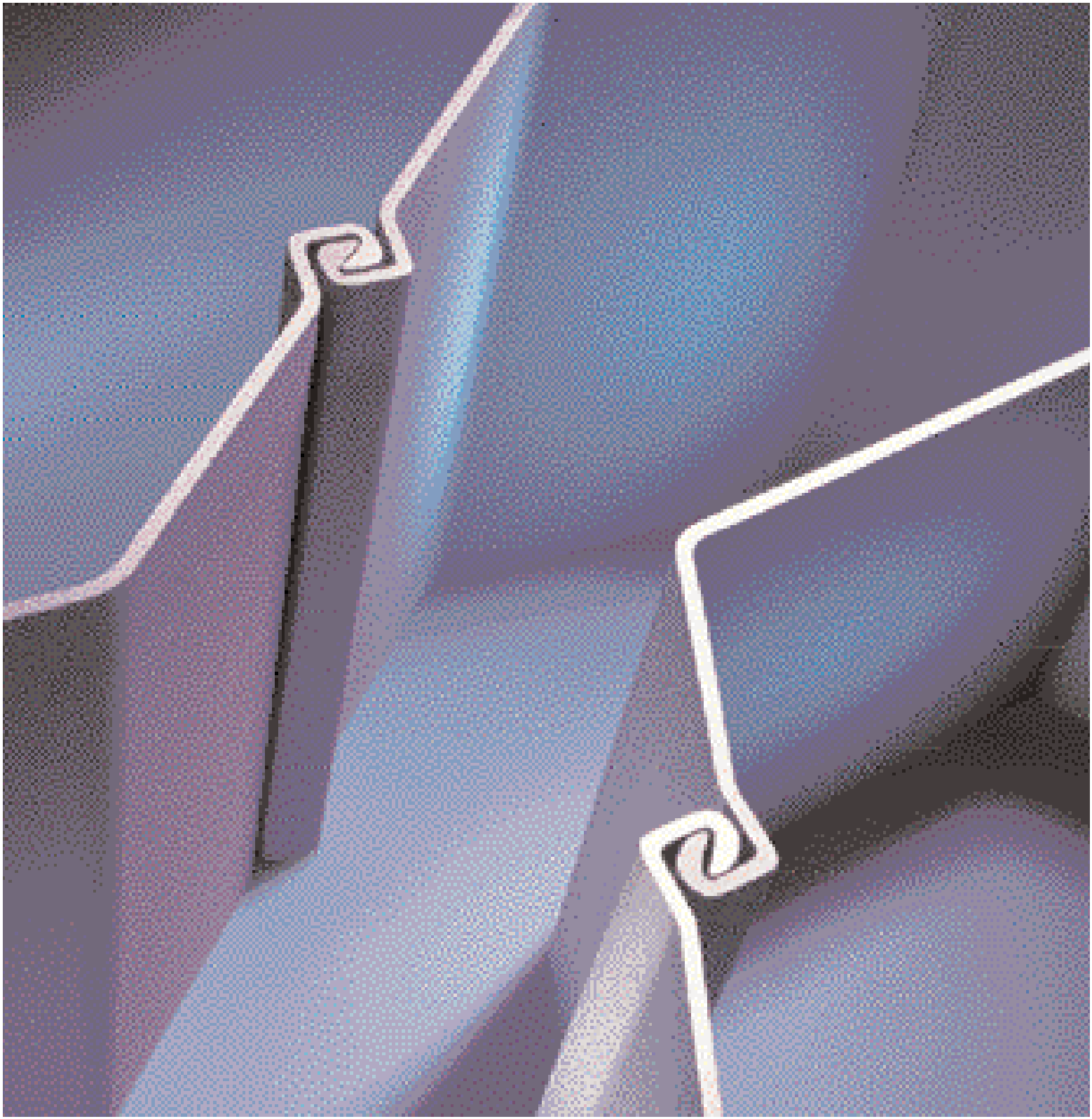
SUBSIDIARIES

With controlling influence

- VÍTKOVICE SERVIS CENTRUM, A.S.

With substantial influence

- VÍTKOVICE INTERNATIONAL GmbH



SELECTED PRODUCTION AND DELIVERY DATA (INCLUDING OSINEK, A.S.)

Steelworks and rolling mill production

in tons

Production units - product		1st – 7th mo. 2001	8th – 12th mo. 2001	Annual 2001
Steelworks I	– total steel	560 400	365 600	926 000
of which:	slabs	533 530	341 670	875 200
	ingots	26 870	23 930	50 800
	– heat-resistant materials	75	96	171
Section Rolling Mill	– sections	64 450	38 403	102 853
Two-high rolling mill	– plates	60 458	36 586	97 044
	– cut shapes	5 429	3 334	8 763
Four-high rolling mill	– plates	364 650	237 985	602 635

Note: 1st – 7th months of 2001 Flat Products division; 8th – 12th months of 2001 VÍTKOVICE STEEL, a.s.

Rolling mill deliveries

in tons

Production unit – product		1st – 7th mo. 2001	8th – 12th mo. 2001	Annual 2001
Section Rolling Mill	– sections	67 406	39 687	107 093
Two-high rolling mill	– plates	59 496	39 355	98 851
	– cut shapes	5 457	3 233	8 690
Four-high rolling mill	– plates	364 061	251 515	615 576
	– slabs	115	87	202

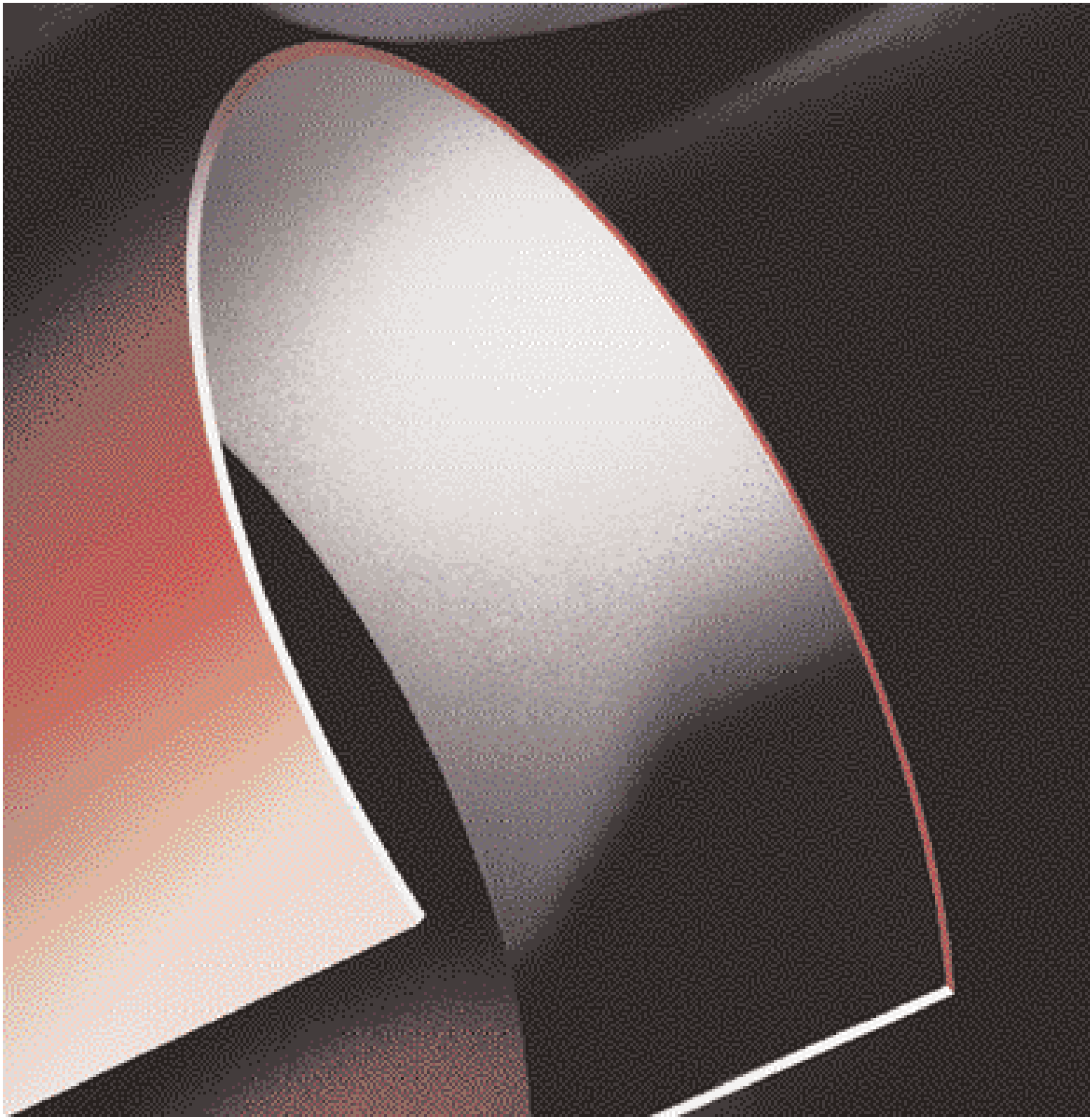
Note: 1st – 7th months of 2001 Flat Products division; 8th – 12th months of 2001 VÍTKOVICE STEEL, a.s.

Finished products

(T CZK)

Production unit – customer		1st – 7th mo. 2001	8th – 12th mo. 2001	Annual 2001
Steelworks I total		3 932 697	2 396 771	6 329 468
of which:	transfers to other Cost Centres	3 932 697	2 396 771	6 329 468
	sales to the holding	0	0	0
	domestic & foreign sales	0	0	0
Section Rolling Mill total		881 875	495 613	1 377 488
of which:	transfers to other Cost Centres	0	0	0
	sales to the holding	9 418	2 056	11 474
	domestic & foreign sales	872 457	493 557	1 366 014
Two-high rolling mill total		924 695	578 841	1 512 536
of which:	transfers to other Cost Centres	0	0	0
	sales to the holding	64 549	41 543	106 092
	domestic & foreign sales	860 146	546 298	1 406 444
Four-high rolling mill total		4 408 316	2 910 084	7 318 400
of which:	transfers to other Cost Centres	41 826	33 860	75 686
	sales to the holding	186 783	164 060	350 843
	domestic & foreign sales	4 179 707	2 712 164	6 891 871

Note: 1st – 7th months of 2001 Flat Products division; 8th – 12th months of 2001 VÍTKOVICE STEEL, a.s.



VÍTKOVICE STEEL, a.s. is a manufacturer of steel and steel products. The Company ranks among Europe's top producers of heavy plates, and is the sole producer in the Czech Republic. A part of heavy plate production is performed on flame-cutting machines for cut shapes. VÍTKOVICE STEEL, a.s. also manufactures heavy sections; the Company holds an important position on the European market in the production of sheet piles, and once again is the sole domestic producer. In the category of long products the Company manufactures bars, girders, rail, automobile wheel rims and other special sections. We also have the capacity to produce clad sheets.

The VÍTKOVICE STEEL, a.s. production base is divided into 6 internal cost centres. Four of these are engaged in production – cost centre 220 Steelworks I (2 OXYVIT converters, secondary metallurgy, pot furnace, equipment for continuous and ingot casting), cost centre 230 Section Rolling Mill (heavy-section rolling mill, billet mill, equipment for sheet pile pairing and a Messer-Griesheim flame-cutting machine), cost centre 250 Two-high Rolling Mill and cost centre 260 Four-high Rolling Mill. The remaining 2 cost centres – cost centre 240 Finished Product Warehouse and cost centre 270 Services – are non-production related.

VÍTKOVICE STEEL, a.s. sells the majority of its steel products (roughly 70%) to customers abroad. Key foreign customers include Thyssen Krupp, Salzgitter, HY-TEN, BEIJERS + Volvo, Mannesmann, Loděnice 3. Maj Rijeka, Stocznia Gdynia, Stocznia PH Szczecin. Key customers in Slovakia are Slovenské loděnice Komárno, Tatravagónka Poprad, Raven Považská Bystrica and Elektrovod Žilina. Key Czech customers include the parent VÍTKOVICE, a.s., Škoda, a.s., Ferona, a.s., KARLA, spol. s r.o., Thrall Vagonka Studénka, a.s. and Lounské strojírny, spol. s r.o.

The actual history of VÍTKOVICE STEEL, a.s. began on 1 August 2001. As mentioned earlier in this Annual Report, the joint undertaking is born of the close symbiosis enjoyed by both tolling partners, VÍTKOVICE STEEL, a.s. and OSINEK, a.s., since 1 April 2000. In practice this means that the foundation of the partners' co-operation was laid in the 16 months before 1 August 2001. It thus makes sense that the transition of the VÍTKOVICE Flat Products division into VÍTKOVICE STEEL, a.s. gave rise to no appreciable problems.

Our Company performs its business at its own separate account and prepares its own financial statements. All activities are evaluated by the statutory bodies – the Board of Directors and Supervisory Board. The first 5 months of operation of VÍTKOVICE STEEL, a.s. (August through December 2001) may be evaluated favourably, while the key successes and completed tasks are as follows:

- Manufacturing results in the months of August through November 2001 achieved production capacity values. The month of December 2001 was negatively affected by EU measures on import limits; therefore, Company management opted to perform secondary repairs of production aggregates in December 2001 and January 2002.
- The engineering and technology department has continued its ongoing efforts to reduce material and energy demands in production. Measures were taken to increase the purity of steel and the surface quality of slabs and plates. We routinely use a mathematical model of automatic rolling at Four-high rolling mill (to attain precision tolerance at the level ± 0,1 mm). New quality standards in accordance to EU norms were also introduced – in particular for cold forming of plates, micro-alloyed boiler plates and special quality standards for shipbuilding. In the area of long products we introduced new types of sheet piles, the VL 601 and VL 605. In the period under review the Company invested some CZK 25.8 million and, in co-operation with VÍTKOVICE – Výzkum a vývoj, spol. s r.o. and VŠB – TU Ostrava, continued to carry out 13 technical development tasks at a cost of CZK 6.8 million. We have also recorded positive results of the 14 inventions we adopted and 8 thematic tasks, which have yielded CZK 4.3 million. We are especially pleased by reduced accident rates – for the period of August to December 2001 not one fatal, mass or serious operational injury was recorded.
- The Company's business policy was focussed on changing the customer portfolio in favour of end consumers (44%) and large wholesalers, i.e. vendors with warehouses (51%). Efforts are also focussed on strengthening relations with those customers with whom we have concluded framework contracts ensuring long-term sales of our products. In 2001 the Company worked hard to introduce E-business; we offer online access to our information system to our long-term large customers, where they can review the performance of their contracts. Aside from the successes, we must objectively mention that there is still room for improvement in the area of more effective methods of avoiding risky receivables, minimising delivery delays and increasing the domestic market share of plates, rolled sections and cut shapes.
- Information technology plays an increasingly important role in production and trade. At VÍTKOVICE STEEL, a.s., the information system backbone comprises what is known as the Metallurgical Production Management System (MPMS), which communicates with other information systems that manage production units and with the Integrated Information System (IIS) 24 hours a day, 365 days a year.

In addition, the Company is gradually implementing new communication channels with banks, managing product sales and ordering processes over the Internet, incorporating the newly created cost centre 240 Finished Product Warehouse into the information system and sending metallurgy certificates electronically. Our efforts to expand communications with the ORACLE APPLICATION modules (Nominal ledger, Receivables, Payables, Assets, TFA, Purchasing, Warehouses and SEIBAN and PERSIMS) are nearing completion. The Company is also working on the planned optimisation of the warehouse at the Four-high rolling mill, Section Rolling Mill, the issuance of metallurgy certificates via the MPMS and the managing of product sales and ordering processes over the Internet.

- Another basic condition that our Company must fulfil on its path to greater success is ongoing improvement and defence of the quality management system. In particular at a time of lasting metallurgy product market recession supervisory staff feel pressure to ensure that quality is fixed in the heads and hands of all VÍTKOVICE STEEL, a.s. employees. Every firm – and ours doubly so – must know how to accommodate all (even unexpressed) client wishes. The following quality-related activities were carried out in the evaluated period: expansion of ship plate certification to a thickness of 100 mm from the companies DNV, GL and LRS; expansion of certification of plates and rolled steel from the company Russian Maritime Shipping Register; expansion of Ű – Zeichen certification for all types of sheet piles designed for construction purposes on the German market, and the electronic dispatch of control documents to customers.

VÍTKOVICE STEEL, a.s. is obliged to present complete business results at the General Meeting in the form of annual financial statements. All detailed information of this nature is included in the financial statements (in another part of the Annual Report), therefore we only provide here a selection of key indicators relating to assets, outputs, revenues, added value and the business result of VÍTKOVICE STEEL, a.s. at 31 December 2001:

	(in T CZK)
Intangible fixed assets	25
Tangible fixed assets	1 991 483
Long-term financial assets	3 689
Inventory	652 751
Long-term receivables	27 900
Current receivables	648 837
Financial assets	13 051
Current payables	988 808
Accrued expenses	370 040
Unrealised foreign currency exchange losses	1 452
Revenues from the sale of goods	5 973
Outputs	1 164 709
Added value	563 012
Operating loss	-96 656
Loss before tax	-257 022

We should add that the information on this and all other pages relates „purely" to VÍTKOVICE STEEL, a.s. for the period August to December 2001, as actual Company activity began on 1 August 2001. For this reason, it is not possible to report the results of the preceding two annual periods.

BALANCE SHEET
Full scope
as at 31.12.2001
(rounded to the nearest '000 CZK)

Line	IKF	Year	Month	ID Number
01	801095	2001	12	25874942

Name and seat of accounting unit

VÍTKOVICE STEEL, a. s.
Ostrava - Hulváky
Štramberská 2871/47

709 00

a	ASSETS b	line c	Current accounting period Gross 1	Adjust. 2	Net 3	Prior period Net 4
	TOTAL ASSETS (l. 02 +03 +28 + 55)	**001**	**9 904 033**	**-6 194 805**	**3 709 228**	**2 000**
A.	**Receivables from subscribed capital**	**002**				**1 400**
B.	**Fixed assets (l. 04 + 12 + 22)**	**003**	**8 131 764**	**-6 136 567**	**1 995 197**	
B. I.	**Intangible fixed assets (l. 05 to 11)**	**004**	**66 878**	**-66 853**	**25**	
B. I. 1.	**Incorporation expenses**	**005**				
2.	Research and development	006				
3.	Software	007	66 878	-66 853	25	
4.	Valuable rights	008				
5.	Other intangible fixed assets	009				
6.	Intangible fixed assets under construction (l. 05 to 11)	010				
7.	Advance payments for intangible fixed assets	011				
B. II.	**Tangible fixed assets (l. 13 to 21)**	**012**	**7 989 989**	**-5 998 506**	**1 991 483**	
B. II. 1.	Land	013	387 748	-9 832	377 916	
2.	Buildings, halls and structures	014	2 775 973	-1 195 427	1 580 546	
3.	Separate movable items and sets of movable items	015	8 185 336	-4 850 774	3 334 562	
4.	Perennial crops	016				
5.	Breeding and draught animals	017				
6.	Other tangible fixed assets	018	39 622	-38 619	1 003	
7.	Tangible fixed assets under construction (l. 13 to 21)	019	61 675		61 675	
8.	Advance payments for tangible fixed assets	020	883		883	
9.	Adjustments to acquired assets	021	-3 461 248	96 146	-3 365 102	
B. III.	**Financial investments (l. 23 to 27)**	**022**	**74 897**	**-71 208**	**3 689**	
B. III. 1.	Shares and ownership interests in enterprises with controlling influence	023				
2.	Shares and ownership interests in enterprises with substantial influence	024	74 897	-71 208	3 689	
3.	Other securities and ownership interests	025				
4.	Intercompany loans	026				
5.	Other financial investments	027				

a	ASSETS b	line c	Current accounting period Gross 1	Correction 2	Net 3	Prior period Net 4
C.	**Current assets (l. 29 + 36 + 42 + 51)**	**028**	**1 400 777**	**-58 238**	**1 342 539**	**600**
C. I.	**Inventory (l. 30 to 35)**	**029**	**690 989**	**-38 238**	**652 751**	
C. I. 1.	Materials	030	566 593	-38 238	528 355	
2.	WIP and semi-finished products	031	91 028		91 028	
3.	Finished products	032	9 268		9 268	
4.	Animals	033				
5.	Merchandise	034	21 653		21 653	
6.	Advance payments for inventory	035	2 447		2 447	
C. II.	**Long-term receivables (l. 37 to 41)**	**036**	**47 900**	**-20 000**	**27 900**	
C. II. 1.	Trade receivables	037				
2.	Receivables from partners and participants in an association	038				
3.	Receivables from enterpraises with controling influence	039				
4.	Receivables from enterpraises with substantial influence	040				
5.	Other receivables	041	47 900	-20 000	27 900	
C. III.	**Short-term receivables (l. 43 to 50)**	**042**	**648 837**		**648 837**	
C. III. 1.	Trade receivables	043	623 245		623 245	
2.	Receivables from partners and participants in an association	044				
3.	Social security	045				
4.	Due from state - tax receivables	046	25 527		25 527	
5.	Deferred tax receivable	047				
6.	Receivables from enterpraises with controling influence	048				
7.	Receivables from enterpraises with substantial influence	049				
8.	Other receivables	050	65		65	
C. IV.	**Financial assets (l. 52 to 54)**	**051**	**13 051**		**13 051**	**600**
C. IV. 1.	Cash	052	230		230	
2.	Bank accounts	053	12 821		12 821	600
3.	Short-term financial assets (l. 43 to 50)	054				
D.	**Other assets - temporary accounts of assets (l. 56 to 60)**	**055**	**371 492**		**371 492**	
D. I.	**Accruals (l. 57 to 59)**	**056**	**371 492**		**371 492**	
D. I. 1.	Deferred expenses	057	370 040		370 040	
2.	Accrued revenue	058				
3.	Foreign currency exchange losses	059	1 452		1 452	
D. II.	**Estimated receivables**	**060**				
	Check number (l. 01 to 60)	**999**	**39 616 132**	**-24 779 220**	**14 836 912**	**5 200**

a	LIABILITIES b	line c	Current period 5	Prior period 6
	TOTAL LIABILITIES (l. 62 + 79 + 105)	**061**	**3 709 228**	**2 000**
A.	**Equity (l. 63 + 66 + 71 + 75 + 78)**	**062**	**2 344 978**	**2 000**
A. I.	**Registered capital (l. 64 + 65)**	**063**	**2 602 000**	**2 000**
A. I. 1.	Registered capital as in Commercial register (l. 64 + 65)	064	2 602 000	2 000
2.	Own shares	065		
A. II.	**Capital funds (l. 67 až 70)**	**066**		
A. II. 1.	Share premium	067		
2.	Other capital funds	068		
3.	Gains or losses from revaluation of assets	069		
4.	Gains or losses from capital participations	070		
A. III.	**Funds created from net profit (l. 72 + 73 + 74)**	**071**		
A. III. 1.	Legal reserve fund	072		
2.	Indivisible fund	073		
3.	Statutory and other funds	074		
A. IV.	**Profit (loss) of previous years (l. 76 + 77)**	**075**		
A. IV. 1.	Retained earnings from previous years	076		
2.	Accumulated losses from previous years	077		
A. V.	**Profit (loss) of current period (+/-) [l. 01- (+63+66+71+75+79+105)]**	**078**	**-257 022**	
B.	**Not - own capital (l. 80 + 84 + 91 + 101)**	**079**	**1 338 649**	
B. I.	**Reserves (l. 81 + 82 + 83)**	**080**	**349 839**	
B. I. 1.	Legal reserves	081		
2.	Reserves for foreign exchange losses (l. 81 + 82 + 83)	082	587	
3.	Other reserves	083	349 252	
B. II.	**Long-term payables (l. 85 to 90)**	**084**		
B. II. 1.	Payables to enterprises with controlling influence	085		
2.	Payables to enterprises with substantial influence	086		
3.	Long-term advances received (l. 85 to 90)	087		
4.	Bonds issued	088		
5.	Long-term bills of exchange to be paid	089		
6.	Other long - term payables	090		

a	Liabilities b	line c	Current period 5	Prior period 6
B. III.	**Short - term payables (l. 92 to 100)**	**091**	**988 808**	
B. III. 1.	Trade payables	092	316 037	
2.	Payables to partners and participants in an association	093		
3.	Payables to employees	094	26 290	
4.	Payables to social security	095	15 159	
5.	Due to state - taxes and subsidies	096	3 921	
6.	Due to state - deferred taxes	097		
7.	Payables to enterprises with controlling influence	098	625 354	
8.	Payables to enterprises with substantial influence	099		
9.	Other payables	100	2 047	
B. IV.	**Bank loans (l. 102 to 104)**	**101**	**2**	
B. IV. 1.	Long-term bank loans	102		
2.	Current bank looans	103	2	
3.	Short - term financial assistance (l. 92 to 100)	104		
C.	**Other liabilities-temporary accounts of liabilities (l. 106 + 110)**	**105**	**25 601**	
C. I.	Accruals (l. 107 to 109)	106	866	
C. I. 1.	Accrued expenses	107		
2.	Deferred revenues	108		
3.	Foreign currency exchange gains	109	866	
C. II.	**Estimated payables**	**110**	**24 735**	
	Check number (l. 61 to 110)	**999**	**15 069 199**	**8 000**

Sent out on	Signature of the statutory body or natural person which is the accounting unit	Person responsible for the accounting (name and signature) Ing. Pavel Cimala	Person responsible for the financial statements (name and signature) Ing. Jana Strauninská
26.4. 2002			

INCOME STATEMENT
Full version
as at 31.12.2001
(rounded to the nearest '000 CZK)

Line	IKF	Year	Month	ID Number
01	801095	2001	12	25874942

Name and seat of accounting unit

VÍTKOVICE STEEL, a. s.
Ostrava - Hulváky
Štramberská 2871/47

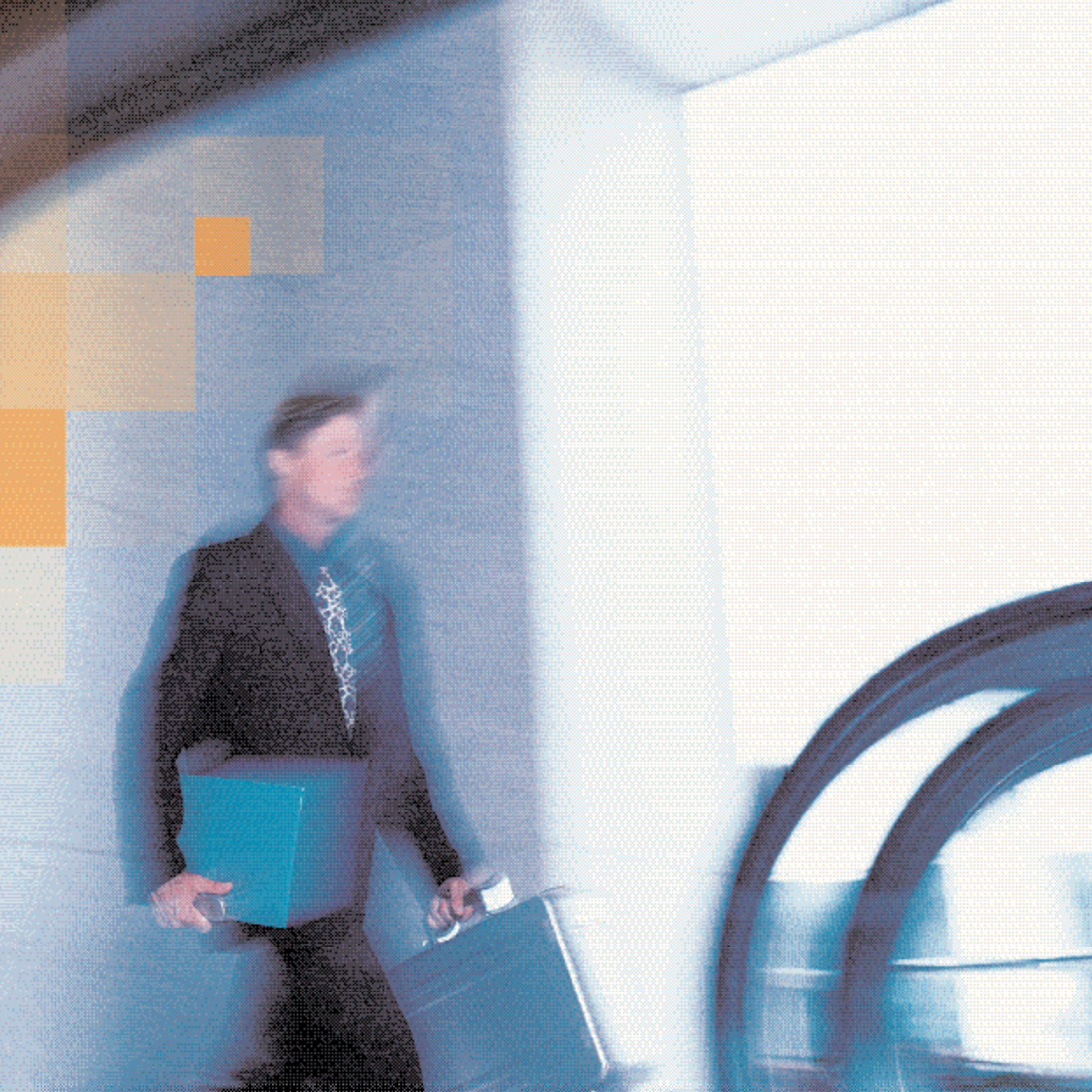
709 00

a	TEXT b	line c	Current period 1	Prior period 2
I.	Revenues from the sale of merchandise	01	5 973	
A.	Cost of goods sold	02	5 792	
+	Sale margin (l. 01 - 02)	03	181	
II.	Production (l. 05 + 06 +07)	04	1 164 709	
1.	Revenues from own products and services	05	1 167 125	
2.	Change in inventory of own production	06	-17 774	
3.	Capitalization	07	15 358	
B.	Production consumption (l. 09 + 10)	08	601 878	
1.	Materials and energy consumption	09	285 927	
2.	Services	10	315 951	
+	Value added (l. 03+ 04 - 08)	11	563 012	
C.	Personnel expenses (l. 13 to 16)	12	240 114	
1.	Wages and salaries	13	177 225	
2.	Remuneration of board members	14	750	
3.	Social security expenses	15	61 629	
4.	Social expenses	16	510	
D.	Taxes and fees	17	525	
E.	Depreciation of intangible and tangible fixed assets	18	189 722	
III.	Revenues from disposals of fixed assets and material	19	11 806	
F.	Net book value of fixed assets and material sold	20	8 066	
IV.	Accounting for reserves and accruals to operating revenues	21		
G.	Additions to reserves and accruals to operating expenses	22	280 909	
V.	Accounting for adjustments to operating revenues	23	96 146	
H.	Accounting for adjustments to operating expenses	24	48 069	
VI.	Other operating revenues	25	1 236	
I.	Other operating expenses	26	1 451	
VII.	Transfer of operating revenues	27		
J.	Transfer of operating expenses	28		
*	**Operating profit (loss) [l.11-12-17-18+19-20+21-22+23-24+25-26+(-27)-(-28)]**	**29**	**-96 656**	

a	TEXT b	line c	Current period 1	Prior period 2
VIII.	Revenues from sale of securities and ownership interests	30		
K.	Securities and ownership interests sold	31		
IX.	Revenues from financial investments (l. 33 + 34 + 35)	32		
1.	Revenues from intercompany securities and ownership interests	33		
2.	Revenues from other securities and ownership interests	34		
3.	Revenues from other financial investments	35		
X.	Revenues from short -term financial assets	36		
XI.	Accounting for reserves to financial revenues	37		
L.	Additions to reserves to financial expenses	38	68 930	
XII.	Accounting for adjustments to financial revenues	39		
M.	Accounting for adjustments to financial expenses	40	91 208	
XIII.	Interest received	41	806	
N.	Interest paid	42	1	
XIV.	Other financial revenues	43	3 775	
O.	Other financial expenses	44	4 961	
XV.	Transfer of financial revenues	45		
P.	Transfer of financial expenses	46		
*	**Profit (loss) from financial operations [l.30-31+32+36+37-38+39-40+41-42+43-44+(-45)-(-46)]**	**47**	**-160 519**	
R.	Income tax on ordinary income (l. 49 + 50)	48		
1.	- due	49		
2.	- deferred	50		
		51		
**	**Ordinary income (l. 29 + 47 -48)**	**52**	**-257 175**	
XVI.	Extraordinary revenues	53	1 037	
S.	Extraordinary expenses	54	884	
T.	Income tax on extraordinary income (l. 56 + 57)	55		
1.	- due	56		
2.	- deferred	57		
*	**Extraordinary income (l. 53 - 54 -55)**	**58**	**153**	
U.	Transfer of profit or loss to partners (+ / -)	59		
***	**Profit (loss) of current accounting period (+ / -) (l. 52 + 58 - 59)**	**60**	**-257 022**	
	Profit (loss) before taxation (+/-) (l.29 + 47 + 53 - 54)	**61**	**-257 022**	
	Check number (l. 01 to 61)	**99**	**4 369 651**	

Sent out on	Signature of the statutory body or natural person which is the accounting unit	Person responsible for the accounting (name and signature) Ing. Pavel Cimala	Person responsible for the financial statements (name and signature) Ing. Jana Struminská
26.4. 2002			

AT 1 AUGUST 2001 THE COMPANY'S SHARE CAPITAL WAS **INCREASED**
BY A NON-MONETARY CONTRIBUTION OF T CZK **2 600 000**



Company name:	VÍTKOVICE STEEL, a.s.
Seat:	Ostrava-Hulváky, Štramberská 2871/47 709 00
Postal address:	706 02 Ostrava-Vítkovice
Legal form:	joint stock company
ID number:	25874942

The financial statements for 2001 were approved by the Company management on 26 April 2002.

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1. GENERAL INFORMATION

1.1. Company establishment and characteristics

Business name:	VÍTKOVICE STEEL, a.s.
Seat:	Ostrava-Hulváky, Štramberská 2871/47
Legal form:	joint stock company
Foundation date:	7 March 2001
Founder:	VÍTKOVICE, a.s.

VÍTKOVICE STEEL, a.s. (henceforth the "Company") is a Czech corporate body established on 7 March 2001. The Company, seated in Ostrava, Czech Republic, is a once-only founded company established for an indefinite period pursuant to § 172 of Act No. 513/91 Coll. based on a deed of foundation and articles of association dated 6 February 2001. The Accounting Unit was entered in the commercial register kept by the Regional Court in Ostrava, section B, entry No. 2475.
At 31 December 2001 the Company's share capital totals CZK 2 602 000 000.
The company VÍTKOVICE, a.s. is the parent company and sole proprietor (with 100% of share capital).

1.2. Changes and addenda to the commercial register in the period under review

The Company's share capital was increased at 1 August 2001 by a non-monetary contribution of TCZK 2 600 000.
On 1 August 2001 the parent, VÍTKOVICE, a.s., contributed assets to the Company valued (by expert valuation) at an amount of CZK 3 469 million.
Payment of CZK 2 600 million of the share capital increase was confirmed; the parent will pay the remaining amount of CZK 869 million by no later than the end of 2002 in accordance with a General Meeting decision.

1.3. Company organisational structure

The Company is part of the VÍTKOVICE, a.s. consolidation unit.
For accounting purposes, the Company is organised into two divisions further sub-divided into cost centres.

ORGANISATIONAL CHART AT 31 DECEMBER 2001:

BOARD OF DIRECTORS

VLADIMÍR BAIL	ZBYNĚK KVAPÍK	JIŘÍ POŠTULKA	PAVEL CIMALA	MAREK GOCMAN
Chairman	Member	Member	Member	Vice-chairman

DIVISION 201 - MANAGEMENT

200 MANAGING DIRECTOR

- 200.1 INFORMATION SCIENCE
- 200.2 DIRECTOR FOR QUALITY
- 200.3 HUMAN RESOURCES DIRECTOR
- 200.4 TECHNICAL DIRECTOR
- 200.5 FINANCIAL DIRECTOR
- 200.6 COMMERCIAL DIRECTOR
- 200.7 PRODUCTION AND LOGISTICS DIRECTOR
- 200.8 DIRECTOR FOR PURCHASING
- 200.9 DIRECTOR OF OPERATIONS

DIVISION 210 - PRODUCTION

- 220 STEELWORKS I
- 230 SECTION ROLLING MILL
- 240 FINISHED PRODUCT WAREHOUSE
- 250 TWO-HIGH ROLLING MILL
- 260 FOUR-HIGH ROLLING MILL
- 270 SERVICES

GROUP COMPANIES

With controlling influence

- VÍTKOVICE SERVIS CENTRUM, A.S.

With substantial influence

- VÍTKOVICE INTERNATIONAL GmbH

Decisive Company objects:

- Production and metallurgical processing of iron and steel
- Finishing and welding of metals
- Trade mediation
- Wholesaling
- Waste management (with the exception of dangerous waste)
- Storage of goods and cargo handling

The main Company object is steel production, which represents 99% of revenues.

1.4. Statutory body (Board of Directors)

	At 31 December 2001
Chairman	Ing. Vladimír Bail
Vice-chairman	Mgr. Marek Gocman
Member	Ing. Pavel Cimala
Member	Ing. Zbyněk Kvapík
Member	Ing. Jiří Poštulka

1.5. Supervisory Board

	At 31 December 2001 *
Chairman:	Ing. Ladislav Král
Members:	Ing. Karel Rojko
	Dr. Ing. Radim Valas
	Ing. Zdeněk Chládek
	Ing. Jan Skipala ,Ph.D.
	Mgr. Pavlína Sklenářová

* The information has not yet been entered in the commercial register (petition for entry filed on 24 September 2001).

1.6. Company position

Results for 2001

Below are key characteristics of the Company's activities in the evaluated year. This information is integral to a full understanding of the reported information.

Financing of Company activities via OSINEK, a.s.

Based on a government decision the company OSINEK, a.s., owned by the National Property Fund of the Czech Republic, was charged with the task of financing the activities of VÍTKOVICE, a.s. (in particular steel production). For this purpose OSINEK, a.s. was provided with a loan by Konsolidační banka Praha s.p.ú.

This system of financing steel production actually began in Division 200 – Flat Products of the joint stock company VÍTKOVICE as at 1 April 2000. The system comprises the purchase of basic input raw materials and energy at the expense of OSINEK, a.s. The manufacturer, i.e. VÍTKOVICE, a.s., manufactures finished steel products – heavy plate, rolled steel and pyrite cinders – using these inputs in exchange for a manufacturing fee. The delivered production outputs are the property of OSINEK, a.s. during all stages of pre-production and production, as are the finished products, which OSINEK, a.s. sells. OSINEK, a.s. also finances all costs of sales. This financing method was further accepted by the company VÍTKOVICE STEEL, a.s. established by a contribution of part of an enterprise (Division 200 – Flat Products).

OSINEK, a.s. purchases all steel production inputs – direct material, direct technological and overhead energies, from which the Company manufactures flat products for a manufacturing fee. These products are sold on behalf of VÍTKOVICE STEEL a.s. and to the benefit of OSINEK a.s.

For 2001 the Company reported loss of CZK 257 million. The loss was affected by the following items:

		(data in million CZK)
Profit/loss total (before tax)		**-257**
of which:		
- impact of provision for contingencies and losses		-349
- impact of the creation and release of provisions for:	land	-10
	long-term financial assets including receivables for subscribed shares	-91
	inventory	-38
- impact of the release of an adjustment to acquired property		+96

The foregoing recapitulation clearly indicates that these impacts represent a value of CZK -392 million. The reserve for contingencies and losses arises from the financing of the Company by OSINEK a.s. and relates to the risk of the transfer of less liquid receivables and foreign exchange impacts.

2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

The Company books are kept and the financial statements prepared in accordance with Act No. 563/1991 Coll., on accounting, Ministry of Finance measures stipulating the chart of accounts and accounting procedures for business entities and Ministry of Finance measures stipulating the content of the financial statements for business entities. The accounting respects general accounting principles, in particular the principle of valuing assets at historical costs, the accounting principle of accrual, the principle of prudence and the going concern principle (i.e. assumption of an accounting unit's ability to continue as a going concern).

2.1. Valuation and depreciation methods, provision creation

2.1.1. Contribution of part of an enterprise

The Company acquired the majority of its assets through a parent company contribution and records these assets at their carrying value in the contributor's books of account. At the contribution date (1 August 2001) the contributed assets were valued by a court-certified expert and the Company records the difference between this valuation and the net book value of the assets recorded in the contributor's books in fixed assets as an adjustment for acquired assets.
This adjustment represents a correction of the value of assets to their replacement value as recorded in the contributor's books of account. The provision may be broken down as follows into its individual asset components per the expert valuation:

	(mil. CZK)
- provision for land	353,9
- provision for depreciated assets	2 878,8
- provision for material	228,5
Total	**3 461,2**

The adjustment for acquired assets adjusts the valuation by contributed inventory and fixed assets and is straight-line depreciated over 15 years.
The adjustment for acquired assets was not specifically allocated to the individual assets to which it relates. As this adjustment reflects a one-time impairment of the value of assets, it will be released to revenues evenly over a period of 15 years in accordance with Czech accounting principles. The application of this accounting principle could lead to the non-uniform reporting of profit/loss due to one-time write-offs of the net book values of the contributed fixed assets.

2.1.2. Tangible and intangible fixed assets

The contributed tangible fixed assets are valued at their carrying values in the contributor's books and reduced by an adjustment for their replacement value as determined by a court-certified expert. The expert valuation was prepared by two independent experts based on the weighted average of two different valuation methods – the valuation of individual asset components on the basis of in rem value and based on discounted future profits.
Tangible fixed assets are understood as assets whose value is greater than TCZK 40 and whose useful life is longer than one year.
Intangible fixed assets are understood as assets whose value is greater than TCZK 60 and whose useful life is longer than one year.
Purchased tangible and intangible fixed assets are valued at their acquisition cost.
Internally created tangible and intangible fixed assets are valued at internal prices determined based on direct costs (exclusive of administrative overhead).
In 2001 replacement costs were determined by expert valuation for newly found tangible fixed assets and gifts.
Costs of technical appreciation of tangible fixed assets are capitalised if for a particular asset they total TCZK 40 in the aggregate for a tax period. Repair and maintenance costs are charged to income.
Low-value tangible fixed assets (up to TCZK 40) are posted to consumption when put into use and thereafter recorded in operating records. The operating records for low-value tangible fixed assets are automatically processed in the local database system, while the records themselves are kept on stock cards.
Low-value intangible fixed assets with an acquisition of up to TCZK 60 are also posted to consumption and kept in operating records.

Depreciation

The Company adopted the basic tangible and intangible fixed asset depreciation policy used by the contributor/parent company.
Book depreciation is calculated based on acquisition cost and the estimated useful life of the relevant asset. Estimated useful lives are as follows:

Asset category	Depreciation period in years
Buildings and structures	56
of which: production buildings and halls for power engineering	25
of which: underground cables	20
Machinery and equipment	9
of which: tools and instruments	4
Means of transportation	7
Office furniture and other	18
Software	4

Depreciation period length is stipulated based on the expected useful lives of the relevant assets. The linear and degressive (e.g. applied to equipment for continuous steel casting) methods of depreciation are used.
The stock-take of tangible fixed assets under construction performed at 31 December 2001 in the course of which the valuation of individual items was reviewed did not reveal any need to create provisions. The competent department did not identify any tangible fixed assets under construction on which work would be halted or cancelled, thus giving rise to a risk of their not being completed and introduced into use.
In 2001 no stock-take of fixed assets was performed. The Company only created a provision for land. The procedure used to create the provision is described in Section 2.7 – Provisions.

2.1.3. Long-term financial assets

Shares and ownership interests in group companies are valued at their purchase price. However, if there is an appreciable decline in the value of the contribution in these companies (e.g. owing to a decrease in capital), the difference between the purchase price and the recorded capital value is considered as a temporary diminution in value and recorded as a provision.

2.1.4. Inventory

Purchased inventories are valued at their acquisition cost broken down into a pre-set acquisition cost (standard price) and the deviation from this standard price. Standard prices are updated twice weekly.
The acquisition cost of inventories includes incidental costs of their acquisition (shipping, customs duty, commissions, etc.).
The value of unmoving inventories is reduced by a provision charged to income. The method of its creation is described in Section 2.7 – Provisions.
Work in progress, semi-finished internally-created products and finished products are valued at direct costs according to planning calculations, which incorporate direct material, semi-finished internally-created products, direct wages, other direct expenses, and, for finished products, production overhead.
Given the previously described method of financing steel production via OSINEK, a.s., the following valuation and accounting principles were adopted for work in progress, semi-finished products and finished products. The company OSINEK records:
- primary direct expenses (purchases made by OSINEK, a.s),
- primary overhead expenses (overhead of OSINEK, a.s, inclusive of interest),
- the change in the balance of semi-finished products and work in progress according to cost centre and the line of business, e.g. the opening balance minus the closing balance.

Own re-processing of material and energy inputs in finished products is covered by contracts for work based on which monthly billing is performed.
Purchases are made based on a commercial representation contract, sales of finished products based on a commissionaire contract. These contracts also give rise to monthly billing.

2.1.5. Receivables

Receivables are recorded at their nominal value. Receivables are reduced to their net realisable value by provisions charged to income. The Company creates provisions for doubtful receivables based on an assessment of individual receivables.
More detailed comments are provided in Section 3.4.

2.1.6. Debt

Debt is recorded at its nominal value. A part of long-term debt, which is due within one year from the financial statements date is considered to be short-term debt.

2.2. Reserves

Reserves are created for foreseeable risks and contingent losses known at the financial statements date.

2.3. Translation of data denominated in foreign currencies to CZK

The Company uses a fixed exchange rate when accounting for foreign currencies. The fixed rate is set at the beginning of the year and only changes in the course of the year if there are significant changes in the daily exchange rates in the Czech National Bank (CNB) exchange list. In 2001 the Company used the rate announced by the CNB at 2 July 2001 for the period from 1 August 2001 to 2 September 2001, and the CNB rate at 3 September 2001 for the period from 3 September 2001 to 31 December 2001.

Financial assets, receivables and payables denominated in foreign currency are translated to Czech crowns at the year-end using the exchange rate announced by the CNB at 31 December.

Realised exchange gains and losses are charged or credited, as appropriate, to income for the year. Unrealised forex gains and losses are not charged or credited to income if collection or payment of the given foreign currency amount does not occur, and are recorded in other liabilities or assets.

A reserve is created and charged to income for the amount of unrealised forex losses net of unrealised forex gains.

2.4. Financial lease

The Company records leased assets by expensing the period lease payments and capitalising the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments are accrued over the lease term.

2.5. Recognition of expenses and revenues

Revenues and expenses are recorded on an accrual basis in the period to which they relate in nature and timing.

In accordance with the accounting principle of prudence, the Company does not record contingent gains at year-end, whereas foreseeable contingencies and losses are recorded as they become known.

2.6. Income tax

Expense for corporate income tax due is calculated at the statutory tax rate on the basis of accounting income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible reserves and provisions, entertainment expenses, difference between book and tax depreciation, etc.).

Deferred corporate income tax results from the difference between accounting and tax net book values and differences resulting from the posting of other items to different periods for accounting and tax purposes (e.g. provisions for receivables, inventory, unclaimed tax loss, etc.) adjusted by the tax rate valid for the following year (31% for 2002).

2.7. Provisions

The Company creates provisions for tangible fixed assets if it ascertains a temporary diminution in their value due to devaluation, existing environmental damage, temporary disuse or contingent sales losses.

Because the Company acquired assets through a contribution, when determining the amount of the provisions it bears in mind the existing adjustment for acquired assets (reduced by depreciation), which reflected the pertinent risks in the contribution valuation.

The adjustment for acquired assets was not allocated to individual assets. However, the Company did break down the adjustment in its sub-ledger accounts into individual types of assets to which it relates per the valuations (land, written-off fixed assets and inventory).

The adjustment is increased if the part of the adjustment for a particular category of acquired asset fails sufficiently to express the temporary reduction in carrying value of this asset category. In the opposite case, the Company does not create an adjustment for the contributed assets or posts the created adjustment to previous years' revenues.

The Company creates provisions for inventory based on physical stock-takes during which it assesses whether there has been a temporary diminution in the value of inventory.

Provisions are created for non-moving stocks of spare parts. Inventories that have not moved for a year are considered as non-moving. The provision estimate is determined based on a Company methodology as a share of the value of non-moving inventories. This amount is compared with the adjustment for acquired assets related to the inventories acquired through contribution.

3. SUPPLEMENTARY FINANCIAL STATEMENTS INFORMATION

3.1. Fixed assets

3.1.1. Intangible fixed assets (ITFA)

(in T CZK)

	Software	Valuable rights	Advance payments for assets	Asset acquisition	Total
Cost					
Opening balance at 1 August 2001	66 878	0	0	0	66 878
Additions	0	0	0	0	0
Transfer	0	0	0	0	0
Disposals	0	0	0	0	0
Closing balance at 31 December 2001	66 878	0	0	0	66 878
Accumulated depreciation					
Opening balance at 1 August 2001	66 808	0	0	0	66 808
Additions from depreciation	45	0	0	0	45
Other additions	0	0	0	0	0
Disposals	0	0	0	0	0
Provisions	0	0	0	0	0
Closing balance at 31 December 2001	66 853	0	0	0	66 853
Net book value					
Opening balance at 1 January 2001	**70**	**0**	**0**	**0**	**70**
Closing balance at 31 December 2001	**25**	**0**	**0**	**0**	**25**

The 2001 intangible fixed asset amortisation charge totalled T CZK 45.

3.1.2. Tangible fixed assets

(in T CZK)

	Land	Buildings, halls, structures	Independent movable assets	Other TFA	Works of art and collections	Adjustment for acquired assets	Advance payments for assets	Asset acquisition	Total
Cost									
Opening bal. at 1 Aug. 2001	387 748	2 741 146	8 147 127	38 178	61	(3 461 248)	0	107 873	7 960 885
Additions	0	0	0	6 608	0	0	883	27 061	34 552
Transfer	0	34 827	38 432	0	0	0	0	(73 259)	0
Disposals	0	0	223	5 225	0	0	0	0	5 448
Closing bal. at 31 Dec. 2001	387 748	2 775 973	8 185 336	39 561	61	(3 461 248)	883	61 675	7 989 989
Accumulated depreciation									
Opening bal. at 1 Aug. 2001	0	1 175 884	4 688 185	36 361	0	0	0	0	5 900 430
Additions from depreciation	0	19 543	162 812	7 322	0	0	0	0	189 677
Other additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	223	5 064	0	0	0	0	5 287
Provisions	9 832	0	0	0	0	(96 146)	0	0	(86 314)
Closing bal. at 31 Dec. 2001	9 832	1 195 427	4 850 774	38 619	0	(96 146)	0	0	5 998 506
Net book value									
Opening bal. at 1 Aug. 2001	**387 748**	**1 565 262**	**3 458 942**	**1 817**	**61**	**(3 461 248)**	**0**	**107 873**	**2 060 455**
Closing bal. at 31 Dec. 2001	**377 916**	**1 580 546**	**3 334 562**	**942**	**61**	**(3 365 102)**	**883**	**61 675**	**1 991 483**

The 2001 tangible fixed asset depreciation charge totalled T CZK 182,355.
A part of the provision for assets recorded in fixed assets (see point 3.1.6.) relates to fixed assets. The balance at 31 December is as follows:
- provision for land T CZK 344,100
- provision for depreciated assets T CZK 2,798,897

Separate movable assets

(in T CZK)

	2001			
Separate movable assets and sets of movable assets	**Cost**	**Accumulated depreciation**	**Provision**	**NBV**
Machinery and equipment	7 595 112	4 401 294	0	3 193 818
Means of transport	558 886	433 360	0	125 526
Furniture and fixtures	31 338	16 120	0	15 218
Total	**8 185 336**	**4 850 774**	**0**	**3 334 562**

The key tangible fixed asset additions included an overhaul of the 6 kV switching station totalling T CZK 25,250 and technical appreciation of the following assets: fine-grained forge scale drainage totalling T CZK 12,027; water treatment facility totalling T CZK 11,917 and lighting fixtures in the EO1 switching station totalling T CZK 10,396.
The decrease is due to the liquidation of two DESTA forklifts totalling T CZK 223.
Tangible fixed assets under construction totalling T CZK 61,676 at 31 December 2001 include construction and assembly work relating to GOMO 3.5 Kvarto totalling T CZK 11,163, the moving of a flame-cutting machine totalling T CZK 5,871 and the acquisition of a camera system totalling T CZK 1,263.
Of other tangible fixed assets totalling T CZK 39,561 at 31 December 2001, the most significant items include tangible fixed assets of T CZK 38,623 at 31 December 2001, which are expensed upon acquisition.

The tangible fixed asset depreciation charge was as follows:

	(in T CZK)
	2001
Accounting depreciation of TFA and ITFA	182 400
Accounting depreciation of other FA	7 322
Depreciation of tangible and intangible fixed assets	**189 722**

The total value of low-value tangible fixed assets not reflected in the accompanying balance sheet was T CZK 85,635 at 31 December 2001.

3.1.3. Assets under financial and operating lease

Financial lease with the subsequent purchase of the leased asset

The accounting entity records financial lease contracts with the subsequent purchase of the leased asset in a separate sub-ledger account.

	(in T CZK)
Total assets under financial leasing at 31 December 2001:	**608 018**
Total financial lease instalments at 31 December 2001	601 319
Including total instalments paid in 2001	125 468
Future total financial leasing instalments	6 699
Including amounts payable within one year	2 398
Due after one year	4 301

The entity concluded financial lease contracts for the acquisition of 6 tangible fixed assets.
Some 97.97% of the total financial leasing value represents assets related to general repair and overhaul of the Kvarto 3.5 rolling mill.

Operational leasing

The entity leased cars and office equipment.
2001 instalments totalled T CZK 1,121.
The above data is exclusive of VAT (if input VAT deduction can be claimed).

3.1.4. Pledged fixed assets

(In NBV exclusive of provisions – in T CZK)

Object of pledge	2001
Land	335 224
Buildings, halls, structures	734 165
Total	**1 069 389**

Pledged fixed assets broken down by creditors

(In NBV exclusive of provisions – in T CZK)

Creditor	Land	Real estate
1 District Social Insurance Administration	335 036	734 152
2 Czech Consolidation Agency	334 895	940 328
Total	**669 931**	**1 674 480**

The total of pledged assets broken down by creditors is higher as compared to the grand pledged assets total because in some cases assets were pledged repeatedly to one creditor.

Based on a Resolution of the District Court in Ostrava dated 30 June 2000, ref. No. 53 E 1372/99, the District Court ordered judicial execution of a decision through the creation of a judicial lien to the benefit of the District Social Insurance Administration to secure a receivable from VÍTKOVICE a.s.

In another decision in the same case dated 24 November 2000, the District Court in Ostrava ruled that pursuant to the provisions of Section 268 par. h), the order requiring judicial execution of a decision was not allowable and therefore its execution was halted. This decision has not yet become legally effective.

The reason why the decision may not be executed is that based on a judgement of the Regional Commercial Court in Ostrava of 15 September 2000, ref. No. 35 Kv 1/2000, the debtor was allowed to enter into composition proceedings, while, pursuant to the provisions of Section 52, par. 2, letter e) of Act No. 328/1991 Coll., the Bankruptcy and Composition Act, as amended, after composition proceedings have been allowed creditors must not execute a decision relating to non-priority receivables.

3.1.5. Property investment

Assets of the metallurgical division contributed by the parent company at 1 August 2001 were assessed by an expert valuer (prior to the Company's incorporation) at CZK 3,469 million. Of this amount, CZK 2,600 million was recorded as an increase in the Company's share capital and the remaining amount of CZK 869 million was recorded as a payable to the parent company. This liability is payable by the end of 2002 and is non-interest-bearing.

Property investment was recorded as follows:

in CZK million	Assets	Liabilities
Fixed assets	5 522	
Adjustment for acquired assets	(3 461)	
Materials	693	
Receivables	520	
Other assets	401	
Share capital		2 600
Payable to the parent company – the paid part of the non-monetary contribution		869
Payables		202
Other liabilities		4
Total	**3 675**	**3 675**

3.1.6. Release of adjustment for acquired assets

The creation and breakdown of the adjustment is described in detail in 2.1.1- Contribution of Part of Enterprise. An expert appraisal on the basis of in rem value was used as the basis for adjustment allocation to individual asset categories.

The adjustment for acquired assets is released to revenues on a straight-line monthly basis for a period of 15 years.

(in T CZK)

	Balance at 1 August 2001	Depreciation in Aug. through Dec.	Balance at 31 Dec. 2001
Provision for land	353 931	9 831	344 100
Provision for acquired depreciated assets	2 878 866	79 969	2 798 897
Provision for acquired assets	228 451	6 346	222 105
Total	**3 461 248**	**96 146**	**3 365 102**

When assessing the value of land in Supplement No. 2 of joint expert appraisal No. 2824/01, the valuer considered the fact that environmental damage was confirmed in the given location. The adjustment for acquired land was allocated at an amount of the difference between the in rem value of land as stipulated by the expert appraisal and its carrying value. The adjustment for acquired materials was stipulated based on the provision for slow-moving spare parts as recorded in the books relating to the respective part of the enterprise as of the day of investment.

3.2. Financial investments

(in T CZK)

Purchase price	Closing balance at 1 Aug. 2001	Additions	Disposals	Balance at 31 Dec. 2001
Majority securities and ownership interests	0	74 897	0	74 897
Total (Gross)	**0**	**74 897**	**0**	**74 897**
Provisions	**0**	**-71 208**	**0**	**-71 208**
Total (Net)	**0**	**3 689**	**0**	**3 689**

2001

(in T CZK)

Company name	Purchase price	Nominal value	Shareholding (%)	Provision	Net value
VÍTKOVICE International GmbH Frankfurt	74 897	•34	33,3	-71 208	3 689
Total	**74 897**	**•34**	**33,3**	**-71 208**	**3 689**

• in DEM (exchange rate at 31 December 2001 = 16.351)

During the year, the Company acquired a 33.3% share in VÍTKOVICE International GmbH (hereinafter "VI"), which since its incorporation has been a strategic player selling VÍTKOVICE Group products in Germany and the European Union. The share in this company was purchased from the former German partner and the paid price expresses a final settlement preventing any and all future disputes between the German partner and other Company owners in the German market. Other Company owners are VÍTKOVICE, a.s. and VÍTKOVICE – Export, a.s. In these financial statements, the value of the investment was reduced to a VI capital share belonging to the Company.

In 2001, the Company, through a subscription of shares, acquired a 97.96% interest in VÍTKOVICE Servis centrum at T CZK 47,900. Because the share subscription was entered in the commercial register at 3 January 2002, the subscribed shares are not recorded as a long-term investment in the balance sheet as at 31 December 2001. The nominal value of the subscribed shares of VÍTKOVICE Servis centrum is recorded as a long-term receivable. A provision of T CZK 20,000 was created for this long-term receivable.

3.3. Inventory

(in T CZK)

	2001
Production inventory	657 621
Material in transit	11 491
Materials in the warehouse	553 941
Of which material	75 588
spare parts	478 353
Price variances between fixed and purchase prices	1 161
Total material	**566 593**
Work in progress	49 715

	(in T CZK)
	2001
Internally produced semi-finished products	41 313
Work in progress and semi-finished products	**91 028**
Sales inventory	30 921
Products	9 268
Merchandise	21 653
Advance payments for inventory	2 447
Total inventory	**690 989**
Provisions for materials	-38 238
Total inventory - net	**652 751**

A provision for slow-moving spare parts was created at T CZK 38,238. A part the adjustment for acquired assets recorded in fixed assets (see point 3.1.6.) relates to slow-moving spare parts. The balance at 31 December is T CZK 222,105.

3.4. Receivables

3.4.1. Trade receivables

	(in T CZK)
	Balance at 31 December 2001
Short-term receivables (gross) (balance sheet lines 43 + 35)	**625 692**
- customers	602 171
- operational advances paid	23 410
- of which operational advances	19 200
- intercompany operational advances	3 216
- other receivables	110
- provisions	0
Total net (balance sheet lines 43 + 35)	**625 692**

An analysis of trade receivables and receivables from bills of exchange revealed that 36.64% of total receivables are overdue.
At 31 December 2001, receivables from OSINEK a.s. totalled T CZK 593,432, of which T CZK 182,676 is overdue.
The average maturity of trade receivables is 79 days.

3.4.2. Aged analysis of trade receivables

Overview of overdue receivables
2001

	(in T CZK)
Receivables from customers by maturity (A/C 311)	**Gross balance at 31 Dec.2001**
Total	**602 171**
Including receivables within maturity	417 675
Overdue receivables	184 496
up to 30 days	1 512
30 -90 days	182 975
90 -180 days	4
180 -360 days	5
360 days and older	0
Exchange rate differences at 31 December 2001	**0**

Note: Customers (Ledger account 311)

All remaining receivables totalling T CZK 110 are within maturity.
At 31 December 2001, the Company created no receivable provisions. Only reserves described in part 3.7. - Reserves were created.

Intercompany trade receivables

(in T CZK)

Company	Receivables 31 December 2001
VÍTKOVICE, a.s.	2 448
VÍTKOVICE Údržba, spol. s r.o.	1 181
VÍTKOVICE Výzkum a vývoj, spol. s r.o.	15
Vítkovické slévárny, spol. s r.o.	5
VÍTKOVICE - STAMONT, spol. s r.o.	2
VÍTKOVICE - Servis centrum a.s.	12
Total	**3 663**

3.4.3. Other receivables

In line 041 – Other long-term receivables, the Company recorded the non-registered investment in Vítkovice Servis centrum, a.s. totalling T CZK 47,900 for which it created a provision of T CZK 20,000.

3.4.4. Receivables pledged as collateral or in any other manner

No receivables were pledged as collateral or in any other manner.

3.4.5. State - tax receivables

An amount of T CZK 25,527 is recorded in balance sheet line 046 at 31 December 2001 and represents a summary of the following accounts:

(in T CZK)

A/C	Balance at 31 December 2001
Value added tax	25 410
Corporate income tax - withholding tax on term deposits	117
Total	**25 527**

The VAT receivable comprises excess VAT deductions for October totalling T CZK 10,346 and December totalling T CZK 15,064.

3.4.6. Financial assets

Using the official Czech National Bank exchange rate at 31 December 2001, T CZK 1,007 of financial accounts was denominated in a foreign currency.
Most current accounts are kept with eBanka. At 31 December 2001 the aggregated current account balance totalled T CZK 12,821.
The Company has overdraft facilities with Komerční banka, which allow it to maintain a negative balance. At 31 December 2001, the negative balance totalled T CZK 2. It is recorded as a short-term bank loan in the balance sheet.

3.5. Temporary asset accounts

Key temporary asset account items include accruals, of which prepaid expenses represent T CZK 370,040. They include paid but not expensed financial leasing instalments (T CZK 368,440), insurance (T CZK 1,583) and fees in relation to a cession of lease-related rights and liability insurance (T CZK 17).
Foreign exchange losses totalling T CZK 1,452 represent a potential loss resulting from the re-valuation of foreign currency-denominated assets and liabilities using the Czech National Bank exchange rate at 31 December 2001. Taking into account unrealised foreign exchange gains and in compliance with the Accounting Procedures, the Company created a reserve for foreign exchange losses totalling T CZK 587.

3.6. Capital

3.6.1. Changes in capital

The registered capital of T CZK 2,602,000 consists of the following registered shares:

Number of shares	Nominal value per share
20	CZK 100 000
32	CZK 50 000 000
40	CZK 20 000 000
30	CZK 5 000 000
50	CZK 1 000 000

All shares were fully paid in 2001 – the payment consisted of T CZK 2,000 in cash and a contribution in-kind totalling T CZK 2,600,000.

Changes in capital

(in T CZK)

Description	Balance at 7 March 2001	2001 increase	Balance at 31 Dec. 2001
Share capital	2 000	2 600 000	2 602 000
Share capital – cash contribution	2 000	0	2 000
Share capital – contribution in kind	0	2 600 000	2 600 000
Profit/loss for the current period	0	-257 022	- 257 022
Total equity	**2 000**	**2 342 978**	**2 344 978**

3.7. Reserves

(in T CZK)

	Reserve for exchange rate losses	Reserve for other risks and losses
Balance at 1 August 2001	0	0
Additions	587	349 252
Use	0	0
Balance at 31 December 2001	**587**	**349 252**

At 31 December 2001, the Company created reserves for risks and losses resulting from Addendum No. 1/2000 to the Commission Agent Contract with OSINEK a.s.

Based on the above contract, the Company is obliged to purchase outstanding receivables overdue by more than 180 days at their nominal value. After an analysis performed in OSINEK, the Company identified risky receivables and created a receivable provision totalling T CZK 241,923. This reserve takes into account negative trends in receivable collection from certain customers in 2002.
The Company further created a reserve for exchange rate risks transferred from OSINEK a.s. totalling T CZK 68,343 and for the remaining price variance in relation to iron supplies totalling T CZK 9,986.
The Company also created a reserve for risk and losses resulting from real estate transfer tax. Property contributions to the share capital of trading companies is generally not subject to real estate transfer tax. However, the part of the asset value that is paid back to the investor (CZK 869 million) can be considered as sale and as such subject to this tax. Because the investor is in composition proceedings, the obligation to pay tax, if applicable, transfers to the acquirer. Presently there is a loophole in the legislation with regard to the above situation; it is therefore being discussed by the Company, the tax administrator and tax consultants. The value of the transferred real estate was stipulated at T CZK 2,341,506 for tax purposes. Based on estimates provided by tax consultants and an analysis of possible variants, the Company created a reserve of T CZK 29,000.

3.8. Payables

3.8.1. Trade payables

(in T CZK)

	Balance at 31 December 2001
- Suppliers	216 045
- Notes payable	0
- Advance payments received	100 027
- Other payables	-35
Total trade payables	**316 037**
Payables to majority shareholdings	625 354
Payables to employees	26 290
Social insurance and tax payable	19 080
Other payables	2 047
Current payables	**988 808**

Advance payments received of T CZK 100,000 represent advance payments made by OSINEK a.s.
At 31 December 2001 the Company records no long-term payables.

3.8.2. Payables structure

Aged analysis of trade payables
In 2001, the average maturity of trade payables was 42 days. For suppliers the Company applied a 45-day maturity, a maturity of 30 days applies for intercompany supplies.

(in T CZK)

Payable to suppliers – aged analysis		Balance at 31 December 2001
including payables	within maturity	195 952
	overdue payables	20 093
	of which less than 30 days overdue	20 089
	30 -90 days	4
	90 days and older	0
Total		**216 045**

(in T CZK)

Social and health insurance payables	
Payable to District Social Insurance Administration	10 469
Payable to health insurance companies	4 690
Total balance sheet line 095 - Social insurance payables	**15 159**

At 31 December 2001 key creditors include:

(in T CZK)

Creditor	Balance at 31 December 2001
District Social Insurance Administration	10 469
Hutnická zaměstnanecká pojišťovna	3 871
Všeobecná zdravotní pojišťovna	569
Total	**14 909**

All social and health insurance obligations were within maturity and were paid in January 2002.

Payable to the parent company

At 31 December 2001, the Company records a payable from contributed assets (see 3.1.5 – Property Investment) totalling T CZK 625,354. Of the original amount of T CZK 868,729, the Company paid T CZK 243,375 at 31 December 2001.

Due to state - taxes and subsidies

(in T CZK)

A/C	Balance at 31 December 2001
Personal income tax	3 808
Other taxes	113
Total balance sheet line 096 - Due to state - taxes and subsidies	**3 921**

Personal income tax was within maturity and was paid in January 2002.
Other taxes include an air pollution fee and road tax.

3.8.3. Other payables

Other payables totalling T CZK 2,047 include payments deducted from wages (such as insurance, rent, pension fund contributions, etc.) totalling T CZK 1,377, loans and contributions to the trade union headquarters totalling T CZK 297 and other payables totalling T CZK 373.

3.8.4. Intercompany trade payables

(in T CZK)

Company	Payable at 31 December 2001
VÍTKOVICE, a.s.	47 940
VÍTKOVICE Údržba, spol. s r.o.	16 946
VÍTKOVICE Výzkum a vývoj, spol. s r.o.	3 450
VÍTKOVICE Zkušebny a laboratoře, spol. s r.o.	6 421
Hotel ATOM Ostrava, spol. s r.o.	5
Vítkovické slévárny, spol. s r.o.	4 874
VÍTKOVICE - STAMONT, spol. s r.o.	5 931
VÍTKOVICE - Servis centrum,a.s.	34 229
Total	**119 796**

3.9. Bank loans and short-term notes

Because OSINEK, a.s. provides funds for the Company's operation, the Company received no bank loans.

3.10. Temporary liability accounts

Of the total of T CZK 24,735 of estimated payables at 31 December 2001, T CZK 8,915 represents unbilled supplies and services, T CZK 1,538 unbilled materials and goods, T CZK 412 unbilled fixed assets under construction and T CZK 4,358 unbilled utilities. Unpaid bonuses totalled T CZK 7,046, unpaid social and health insurance totalled T CZK 2,466.

3.11. Income tax

Quantified tax charge for the year (T CZK):

YEAR	2001
Profit before tax	-257 022
Non-deductible items	490 687
Deductible items	270 429
Tax base	**- 36 764**
Tax rate	31 %
Deductions:	485
Tax payable	**0**
Withheld tax - receivable	117

Deferred tax

The difference between the NBV and tax residual value of assets and liabilities:

(in T CZK)

	Book value	Tax value	Temporary differences
Long-term depreciated assets	4 915 108	5 613 536	698 428
Adjustment for acquired assets	(3 365 102)	0	3 365 102
Long-term investments	3 689	74 897	71 208
Inventory	652 751	690 989	38 238
Receivables	676 737	696 737	20 000
Reserves	(349 839)	0	349 839
Unclaimed tax loss deduction	-	36 764	36 764
Total			**4 579 579**
Deferred tax asset		**31%**	**1 419 669**

In accordance with the principle of prudence, the deferred tax receivable of T CZK 1,419,669 was not recorded.

3.12. Revenues from ordinary activities and their breakdown according to main areas

(in T CZK)

	Balance at 31 December 2001		
Activities	**Domestic**	**Foreign**	**Total**
Metallurgical production	1 062 142	0	1 062 142
Trade	104 405	792	105 197
Service	5 617	0	5 617
Other	143	0	143
Revenues from merchandise, products and services	**1 172 307**	**792**	**1 173 099**

Of total metallurgical production revenue, CZK 1,060 million relates to OSINEK a.s.; T CZK 99,224 of trade revenues relate to the same company. They include the manufacturing fee for the period August through December 2001.

3.13. Research and development costs

Research and development costs incurred in the period between 1 August and 31 December 2001 total T CZK 3,974. The key items include expenses related to the development and prototype production of a TPT rolling mill management system and the upgrading of thick sheet metal selection at the 3.5 Kvarto Rolling Mill.

3.14. Other operating expenses and revenues

(in T CZK)

	Expenses 2001	Revenue 2001
Sold and ceded receivables	1 236	1 236
Contractual fines and penalties	27	0
Other expenses	188	0
Total	**1 451**	**1 236**

3.15. Financial expenses and revenues

(in T CZK))

Financial expenses	**2001**
Additions to provisions	91 208
Creation of reserves for exchange rate losses	68 930
Insurance premiums	3 856
Realised foreign exchange losses	933
Other interest and financial expenses	173
Total	**165 100**

(in T CZK)

Financial revenues	2001
Interest received	806
Realised foreign exchange gains	3 775
Total	**4 581**

3.16. Extraordinary revenues and expenses

(in T CZK)

	Expenses 2001	Revenues 2001
Inventory shortage, damage and liquidation	205	
Other extraordinary expenses	679	
Surpluses		972
Other extraordinary revenues		65
Total	**884**	**1037**

Damages only include damage to inventory up to the amount of indemnification.

3.17. Related party transactions

3.17.1. Related party revenue

2001

(in T CZK)

Subject	Revenue (exclusive of VAT)
VÍTKOVICE, a.s.,	5 725
VÍTKOVICE Údržba, spol. s r.o.	1 132
VÍTKOVICE Výzkum a vývoj, spol. s r.o.	16
VÍTKOVICE Zkušebny a laboratoře, spol. s r.o.	1
Vítkovické slévárny, spol. s r.o.	13
VÍTKOVICE - STAMONT, spol. s r.o.	2
Total	**6 889**

3.17.2. Purchases from related parties

2001

(in T CZK)

Subject	Purchases (exclusive of VAT)	Of which: purchases of TFA (exclusive of VAT)
VÍTKOVICE, a.s.	152 739	10 461
VÍTKOVICE Údržba, spol. s r.o.	53 317	515
VÍTKOVICE Výzkum a vývoj, spol. s r.o.	5 733	
VÍTKOVICE Zkušebny a laboratoře, spol. s r.o.	15 716	
Hotel ATOM Ostrava, spol. s r.o.	57	
Vítkovické slévárny, spol. s r.o.	10 757	
VÍTKOVICE - STAMONT, spol. s r.o.	8 831	5 054
VÍTKOVICE - Servis centrum a.s.	76 416	
Total	**323 566**	**16 030**

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

4.1. Average number of employees during the accounting period and the related personnel expenses

	2001
Average adjusted number of employees	2 030
of which: management	61
Staff-related costs (in T CZK)	**240 114**
Total salaries and wages	177 225
of which: management	13 758
Social insurance	62 139
of which: management	4 815

Management includes senior and mid-level managers.
Bonuses paid to statutory and supervisory bodies in the period 1 August – 31 December 2001 totalled T CZK 750.

4.2. Loans, credits and other benefits

Private use of passenger cars for no consideration:

	2001	
	Number of people	Amount in T CZK
Statutory bodies	2	61

5. OFF-BALANCE SHEET LIABILITIES

Promissory notes relating to a specific transaction

The Company records promissory notes issued as a security in respect of leasing contracts. The creditors are ČP Leasing, a.s. and Raiffeisen Leasing, s.r.o. The notes are blank notes issued as security for payables totalling T CZK 8,298.

Legal disputes

At 31 December 2001, the Company is unaware of any pending legal or arbitration proceedings involving Company assets, which may have a significant impact on the Company's assets, except for proceedings listed in public listings, such as the commercial register, the land deed register, the register of pledges, etc.

Environment-related obligations

The investment valuation reflected the environmental damage established by the environmental audit carried out by UNIGEO in 1996 and involving an estimated expense of T CZK 427,155. The investor has concluded a contract with the National Property Fund obliging the National Property Fund to pay expenses incurred in remedying environmental damage. Negotiations are presently under way in an effort to extend the application of this contract to include environmental damage transferred to the Company as part of the contribution of part of an enterprise. The results are still pending.

Contingent capital liabilities (including financial)

As of the financial statements date, the Company has liabilities resulting from investment expenditure based on concluded contracts totalling T CZK 9,363.

6. SUBSEQUENT EVENTS (AFTER 31 DECEMBER 2001)

Based on a tender and the conclusion of a contract on the purchase of 98.96% of Company shares dated 29 March 2002, the joint stock company OSINEK (100% owned by the National Property Fund) became the Company's majority owner.

Statutory body member's signature:

Title	Board of Directors Chairman
Name	Ing. Vladimír Bail
Signature	

Title	Board of Directors Vice-chairman
Name	Mgr. Marek Gocman
Signature	

CASH FLOW STATEMENT - FULL SCOPE
at 31 December 2001
(in whole T CZK)

Line	IKF	Year	Month	ID Number
01	801095	2001	12	25874942

Name and seat of accounting unit

VÍTKOVICE STEEL, a. s.
Ostrava - Hulváky
Štramberská 2871/47

709 00

Code	Text	2001 Actual Figures
P.	**Opening balance of cash and cash equivalents**	**600**
	Cash flow from main activities (operating activities)	
Z.	Profit/loss from regular activities before tax	**-257 175**
A.1.	**Non-monetary transactions adjustments**	**634 593**
A.1.1	Depreciation of fixed assets (+) excl. net book value of fixed assets sold, write off of receivables (+), and depreciation of adjustment to acquired assets (+/-)	94 812
A.1.2.	Changes in balances of adjustments and reserves and change in the balance of temporary asset and liability accounts (+/-), i.e. accrued expenses and revenues and foreign exchange differences	540 586
A.1.3.	Profit/loss from sale of fixed assets (+/-) including valuation differences on capital participations	
A.1.4.	Revenues from dividends and shares in profit excl. enterprises the object of which consists in investment activities (investment companies and funds) (-)	
A.1.5.	Accounted expense interest (+) with the exception of capitalised interest, and accounted revenue interest (-)	-805
A.*	**Net cash flow from operating activities before tax, changes in working capital and extraordinary items**	**377 418**
A.2.	**Change in need of working capital**	**20 389**
A.2.1.	Change in operating activity receivables	-130 524
A.2.2.	Change in operating activity short-term payables	149 361
A.2.3.	Change in inventory	1 552
A.2.4.	Change in the balance of short-term financial assets	
A.**	**Net cash flow from operating activities before tax and extraordinary items**	**397 807**
A.3.	Expenditure related to interest payment excluding capitalised interest (-)	-1
A.4.	Interest received with the exception of enterprises the object of which consists in investment activities (investment companies and funds) (+)	806
A.5.	Tax paid on income from regular activities and additional tax payments for previous periods (-)	
A.6.	Revenues and expenses related to extraordinary accounting events leading to extraordinary profit/loss including tax paid on income from extraordinary activities (+,-)	153
A.***	**Net cash flow from operating activities**	**398 765**
	Cash flow from investment activities	
B.1.	Expenditures related to acquisition of fixed assets (-)	**-144 341**
B.2.	Revenues from the sale of fixed assets (+)	
B.3.	Loans and credits to related parties (-,+)	
B.***	**Net cash flow related to investment activities**	**-144 341**
	Cash flow from financial activities	
C.1.	Change in the balance of long-term or short-term liabilities (+,-)	-243 373
C.2.	Effect of net equity changes on cash	**1 400**
C.2.1.	Increase in cash and cash equivalents due to increase in registered capital or reserve fund including advance payments made for such increase (+)	
C.2.2.	Payment of share in net equity to partners and shareholders (+)	
C.2.3.	Gifts as cash and subsidies in net equity and other cash contributions of partners and shareholders (+)	
C.2.4.	Compensation of loss by partners (+)	
C.2.5.	Direct payments credited to funds (-)	
C.2.6.	Paid dividends or shares in profit including withholding tax paid related to those titles and including financial settlement with partners of publicly traded companies or general partners of limited partnerships (-)	
C.3.	Received dividends or shares in profit excl. companies the main object of which consists in investment activities (investment companies and funds)	
C.***	**Net cash flow related to financial activities**	**-241 973**
F.	**Net increase/decrease in cash**	**12 451**
R.	**Closing balance of cash and cash equivalents**	**13 051**

1. Description of key relations between related parties

VÍTKOVICE STEEL, a.s. is a 100% subsidiary of VÍTKOVICE, a.s. (VÍTKOVICE, a.s. is 67.31% owned by the National Property Fund).

VÍTKOVICE STEEL, a.s. controls no other parties. Pursuant to information obtained from VÍTKOVICE, a.s., VÍTKOVICE STEEL, a.s. is related to 17 legal entities controlled by VÍTKOVICE a.s. In each of these 17 companies, VÍTKOVICE a.s. holds a business interest in excess of 40%.

THE FNM

67,31 %
VÍTKOVICE, a.s.

100,00%
VÍTKOVICE - Export, a. s.

100,00%
Vítkovické slévárny, spol. s r. o.

100,00%
Mechanické dílny Kojetín, spol. s r. o.

100,00%
VÍTKOVICE STROJÍRENSTVÍ, a. s.

50,00%
AGA - VÍTKOVICE a. s.

100,00%
VÍTKOVICE CAD/CAM, spol. s r. o.

100,00%
Hotel Atom Ostrava, spol. s r. o.

100,00%
VÍTKOVICE-Údržba, spol. s r. o.

100,00%
VÍTKOVICE Ozubárna, a. s.

100,00%
VÍTKOVICE STEEL, a. s.

100,00%
VÍTKOVICE - PRODECO, a. s.

100,00%
VÍTKOVICE - Real. proj. Košice, spol. s r. o.

100,00%
VÍTKOVICE - Zkušebny a laboratoře, spol. s r. o.

99,61%
Refravit, spol. s r. o.

100,00%
VÍTKOVICE Lisovna, spol. s r. o.

100,00%
VÍTKOVICE - STAMONT, spol. s r. o.

100,00%
VÍTKOVICE-Výzkum a vývoj, spol. s r. o.

58,00%
LANG FAN PAN Vítkovice
Ekologické inženýrství, spol. s r. o.

Pursuant to information obtained from the National Property Fund, VÍTKOVICE STEEL, a.s. is related via VÍTKOVICE, a.s. to 64 legal entities controlled by the National Property Fund. In each of these 64 companies, the National Property Fund holds a business interest in excess of 40%.

2. Related parties that did business with VÍTKOVICE STEEL, a.s. in 2001

An analysis of the 2001 books of VÍTKOVICE STEEL, a.s. indicates that our firm did business with the following related parties (their registered seat has been taken from the commercial register):

Company name	Seat	ID number
VÍTKOVICE, a.s.	Ostrava-Vítkovice, Ruská 2887/101, PSČ 706 02	45193070
VÍTKOVICE - Export, a.s.	Ostrava-Vítkovice, Ruská 11, PSČ 706 02	00549070
Vítkovické slévárny, spol. s r.o.	Ostrava-Vítkovice, Ruská 83	25362810
VÍTKOVICE - STAMONT, spol. s r.o.	Ostrava-Vítkovice, Mostárenská 1140/48, PSČ 706 02	64617874
VÍTKOVICE - Údržba, spol. s r.o.	Ostrava-Vítkovice, Pohraniční 52/53, PSČ 706 02	25871587
VÍTKOVICE - Zkušebny a laboratoře, spol. s r.o.	Ostrava-Hulváky, Pohraniční 584/142, PSČ 709 00	25870556
VÍTKOVICE - Výzkum a vývoj, spol. s r.o.	Ostrava-Vítkovice, Pohraniční 693/31, PSČ 706 02	25870807
VÍTKOVICE - Servis centrum, a. s.	Frýdek-Místek, ul.Míru 3267, PSČ 738 01	25824341
Hotel ATOM Ostrava, spol. s r.o.	Ostrava-Zábřeh, Zkrácená 2703	25386727
NOVÁ HUŤ, a.s.	Ostrava-Kunčice, Vratimovská 689	45193258
NOVÁ HUŤ - Válcovna za studena, spol. s r.o.	Ostrava-Vítkovice, ulice Štramberská	64617882
VYSOKÉ PECE Ostrava, a.s.	Ostrava-Kunčice, Vratimovská 142	25352954
OSINEK, a.s.	Ruská 56 č.p.397, Ostrava-Vítkovice, PSČ 706 02	00012173
Severomoravská energetika, a.s.	709 02 Ostrava, 28.října 152	47675691
Energetika Vítkovice, a.s.	706 02 Ostrava-Vítkovice, Výstavní 1144/103	25854712
TONAVA, a.s.	Úpice, Havlíčkova 437	48171549
Penzijní fond Komerční banky, a.s.	Praha 1, Na Příkopě 33	61860018

3. Legal relations between the controlling and controlled party

No contract on relations between a controlling and controlled person has been concluded between VÍTKOVICE, a.s., identification number 45193070, Ruská 2887/101, 706 02 Ostrava-Vítkovice – the controlling person and VÍTKOVICE STEEL, a.s., identification number 25874942, Štramberská 2871/47, 709 00 Ostrava – Hulváky – the controlled person. Our Company suffered no disadvantage, loss or damage, nor did it obtain unreasonable benefit, in relation to supplies provided by the controlling person.

4. Contractual relations between VÍTKOVICE STEEL, a.s. and related parties

Our Company concluded a total of 227 purchase and sales contracts with related parties (the contracts are listed in an appendix filed in the office of the Company's Financial Director).

VÍTKOVICE STEEL, a.s. has carried out no other acts or measures in the interest of related parties. Our Company suffered no damage in connection with the above contracts. Prices listed in these contracts have been stipulated on an arms length's basis and are supported by costing calculations (including reasonable profit) used in mass metallurgical production.

5. Supplies and counter-supplies between VÍTKOVICE STEEL, a.s. and related parties in 2001

The Company sells services (to a negligible extent also products and goods) to related parties. Related party sales totalled T CZK 1,238,187 (including VAT) in 2001.

Advances totalling T CZK 3,195 were paid to related parties at 31 December 2001.

The Company has no long-term receivables from related parties. At 31 December 2001 the Company records the following short-term intercompany receivables:

Company	(in T CZK)
VÍTKOVICE, a.s.	2 448
Vítkovické slévárny, spol. s r.o.	5
VÍTKOVICE - Stamont, spol. s r.o.	2
VÍTKOVICE - Údržba, spol. s r.o.	1 181
VÍTKOVICE - Výzkum a vývoj, spol. s r.o.	15
VÍTKOVICE - Servis centrum, a.s.	12
NOVÁ HUŤ - Válcovna za studena, spol. s r.o.	1 148
Energetika Vítkovice, a.s.	262
OSINEK, a.s	593 432

The Company purchases products, merchandise and services from related parties as part of its ordinary business.

Intercompany purchases totalled T CZK 598,093 in 2001.

At 31 December 2001, the Company received advances from related parties totalling T CZK 100,000.

The Company has no long-term payables to related parties. At 31 December 2001, short-term payables are as follows:

Company	(in T CZK)
VÍTKOVICE, a.s	676 777
Vítkovické slévárny, spol. s r.o.	4 874
Hotel ATOM Ostrava, spol. s r.o.	5
VÍTKOVICE – STAMONT, spol. s r.o.	5 931
VÍTKOVICE – Údržba, spol. s r.o.	16 946
VÍTKOVICE – Zkušebny a laboratoře, spol. s r.o.	6 421
VÍTKOVICE – Výzkum a vývoj, spol. s r.o.	3 450
VÍTKOVICE – Servis centrum, a.s.	34 229
Energetika Vítkovice, a.s.	1 409
OSINEK, a.s.	35 663
Penzijní fond KB Praha, a.s.	9
NOVÁ HUŤ, a.s.	1 468
VYSOKÉ PECE Ostrava, a.s.	1

ING. VLADIMÍR BAIL
VÍTKOVICE STEEL, a.s. Board of Directors
Chairman

ING. PAVEL CIMALA
VÍTKOVICE STEEL, a.s. Board of Directors
Member

THE FINANCIAL STATEMENTS **FAIRLY PRESENT**, IN ALL **MATERIAL RESPECTS**, THE ASSETS, LIABILITIES, CAPITAL AND FINANCIAL POSITION OF VÍTKOVICE STEEL, A.S.

AUDITOR'S REPORT TO THE SHAREHOLDERS OF VÍTKOVICE STEEL, A.S.

We have audited the accounting information contained in the 2001 Annual Report and financial statements of VÍTKOVICE STEEL, a.s. for the year ended 31 December 2001. Our responsibility was limited to the confirmation of whether the information disclosed in the Annual Report accords with the financial statements. In our opinion, the accounting information in the Annual Report corresponds to the data included in the audited financial statements. As the Company's auditors, we presented our Auditor's Report and Financial Statements Audit to the Company shareholders in April 2002. The Auditor's Report was as follows:

We have audited the accompanying financial statements of VÍTKOVICE STEEL, a.s. for the year ended 31 December 2001. These financial statements are the responsibility of the Company's statutory body. Our responsibility is to issue an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the legislation valid in the Czech Republic, i.e. Act No. 254/2000 Coll. on Auditors and the auditing standards of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting procedures used and significant estimates made by management, as well as an evaluation of the overall financial statements presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities, equity and the financial position of VÍTKOVICE STEEL, a.s. as at 31 December 2001 and the results of its operations for the year then ended in accordance with the Act on Accounting No. 563/1991 Coll. as valid in the Czech Republic.

Without qualifying our opinion, we would like to note the following:

The accompanying financial statements were prepared based on the going concern principle. The management of the Company is convinced that this assumption is warranted for the following reasons:

1. The Company is financed on the basis of a governmental resolution via the company OSINEK, a.s., whose sole shareholder is the national Property Fund of the Czech Republic, financed by the Czech Consolidation Agency.
2. In March 2002 the joint stock company OSINEK, a.s., owned by the National Property Fund of the Czech Republic, purchased from VÍTKOVICE, a.s. a substantial part (98.96%) of the shares of VÍTKOVICE STEEL, a.s. The payable to VÍTKOVICE, a.s. (CZK 625 million as at 31 December 2001) arising from a non-monetary contribution above the registered capital will be transferred to the company OSINEK, a.s. after the share purchase price is paid. At the date of the share purchase the actual price of the payable totalled CZK 564m. The payable should not be due in the 12 following months provided the Company's financial position is not good enough to make the payment.

If events were to occur that could have a negative impact on the above mentioned assumption, then substantial doubt would arise as to the Company's ability to continue as a going concern, and the value of assets and classification of liabilities would have to be adjusted. The Company acquired a decisive portion of assets through the contribution of the part of an enterprise. The difference between the value of the assets recorded in the contributor's accounts and the expert valuation is recorded as an adjustment to acquired assets. Note 2.1.1. of the Notes to the Financial Statements describes the accounting policy relating to this adjustment.

Furthermore, we audited the information included in the report on relations between a controlling and controlled person and between the controlled person and other persons controlled by the same person (the Report on Relations between Related Parties), which was prepared pursuant to Section 66a of the Commercial Code and forms part of this annual report. The Company statutory body is responsible for the completeness and correctness of the Report on Relations between Related Parties.

Our audit revealed no matters that suggest there are significant inaccuracies in the information in this Report on Relations between Related Parties. We have not verified whether the information contained in this report is complete, nor are we in a position to assess whether the Company suffered damages in connection with related-party transactions. The Company management believes that all related-party transactions were performed on an arms-length basis.

Prague, 14 June 2002

Ernst & Young Audit

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ING. MILAN SLAVÍK
Auditor
License Number 708