BEKAERT HLOHOVEC, a.s.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION ("EU") AS AT 31 DECEMBER 2018

AND

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This is an English language translation of the original Slovak language document.

Bekaert Hlohovec, a.s.

Mierová 2317, 920 28 Hlohovec, Company ID: 36 234 052
Registered in the Business Register of District Court Trnava, Section: Sa, File No.: 10129/T

SEPARATE ANNUAL REPORT

on the Result of Business Activities and Balance of Assets for 2018

COMPANY PROFILE

Bekaert Hlohovec, a.s. is a joint-stock company that was established on 30 September 1999. The Company was incorporated on 18 October 1999 in the Business Register of District Court Trnava, Section: Sa, File No.: 10129/T. The Company started production on 1 November 1999.

Bekaert Hlohovec, a.s. produces steel wires, steel ropes, wire applications, tyre wires, conveyor belts and construction support products. The Company improves its ability to sell products on leading foreign markets by focusing on quality, flexibility, reliability of supplies and customer satisfaction. The Company has a certified ISO 9001:2000 quality management system that helps it export its products to more than 30 countries globally. The Company's product quality and market position were also reflected in its positive results of operations.

The Company's business activities include:

- Production of drawn wires and wire products;
- Production of other basic inorganic chemicals;
- Locksmithery;
- Metalworking;
- Sharpening and polishing, except for sharpening of knives, scissors and simple tools;
- Production, installation, repairs of electrical machinery and equipment;
- Installation and repairs of measuring and regulation equipment;
- Plumbing;
- Wiring;
- Gas fitting;
- Purchase of goods for resale to other traders (wholesale);
- Purchase of goods for resale to end customers (retail);
- Lease of machinery and equipment without operators;
- Provision and receipt of services related directly and indirectly to the Company's production activities;
- Heat generation, heat distribution, electricity distribution;
- Customs and declaration activities;
- Applied development of products, technology and structures, equipment for product and technological innovation in production;
- Finance lease;
- Business advisory;
- Provision of software – sale of off-the-shelf programmes under a contract with the author;
- Bookkeeping;
- Activities of organisational and economic consultants;
- Adult education and other education;
- Engineering activities under a general trade licence;
- Tooling - tool manufacturing;
- Water production, treatment and distribution;
- Heating pipe fitting;
- Storage and warehousing;
- Advertising and promotion activities;
- Intermediation activities under a general trade licence;
- Business activities in hazardous waste management;

- Market research and opinion polls;
- Data processing;
- Production of steel wire and steel wire products;
- Production of steel cords and steel cord products;
- Advisory activities in steel wire and cord production;
- Provision of services necessary for the operation of buildings, facilities and premises;
- Business activities in non-hazardous waste management; and
- Computer operation activities.

Capital Participation in Other Companies

As at 31 December 2018, Bekaert Hlohovec, a.s. had a capital participation of 62.5% in Bekaert Slovakia s.r.o. and has no organisational unit abroad.

COMPANY'S ORGANISATIONAL STRUCTURE

Company's bodies:
- General Meeting
- Board of Directors
- Supervisory Board

General Meeting

is the Company's supreme body. The powers of the General Meeting are defined in the Company's Articles of Association.

Board of Directors

is the Company's statutory body. It is authorised to act in the name of the Company in all matters and represents the Company towards third parties, before courts and other authorities. The Board of Directors manages the Company's activities and decides on all Company matters, unless they pertain to other Company bodies in accordance with legislation or the Company's Articles of Association. The members of the Board of Directors are:

Chairman:	Inge Schildermans
Members:	Serge Piceu
	Jan Boelens

Supervisory Board

is the Company's supreme control body. The Supervisory Board supervises the actions of the Board of Directors and the Company's business activities. Its members are:

Chairman:	Stijn Robert Jozef Vanneste
Member:	František Balaga
	Piet Van Riet

Executive Management:

Country Controller	Branislav Šimo
Division Director – Wires	Jozef Filo
Division Director – Cords	Roman Kakvicz
Division Director – Engineering	Christophe Vermoere

EMPLOYEES

During 2018, the Company optimised all processes, continued the rationalisation of its organisational structure to improve labour productivity and align production capacity with expected market developments. Occupational health and safety became an even greater priority for the Company. The Company faced labour shortages, similar to other companies in the region, but headcount still increased slightly compared with the previous period. The Company employed 1 660 employees in 2018.

Headcount in 2013 – 2018:

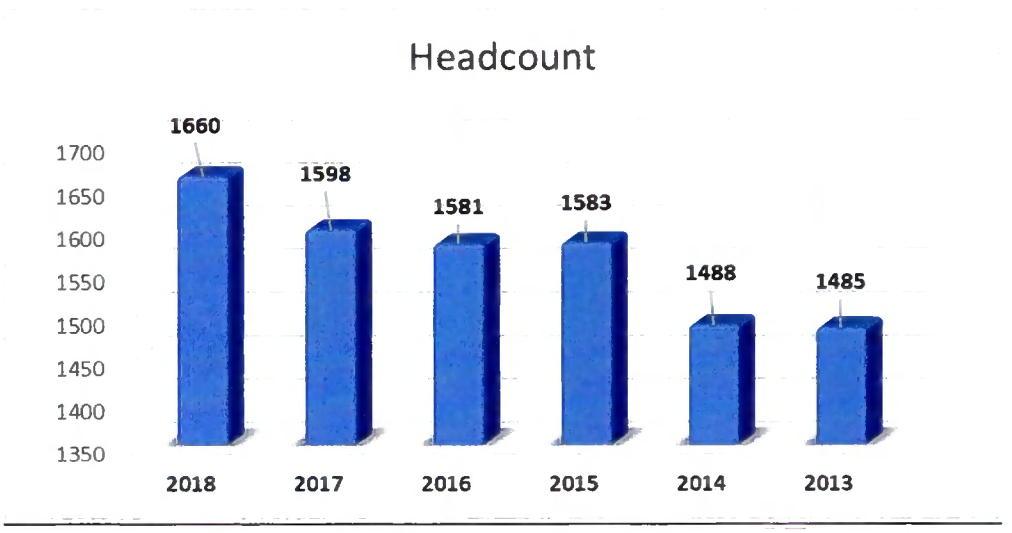

Figure 1

SHARE CAPITAL

The Company's share capital amounts to EUR 15 939 317. The share capital is divided into 478 certificate-form registered shares with a face value of EUR 33 194 each, 2 certificate-form registered shares with a face value of EUR 16 597 each, 11 certificate-form registered shares with a face value of EUR 3 320 each and 87 certificate-form registered shares with a face value of EUR 33 each.

Shareholder Structure and Shares in the Share Capital as at 31 December 2018

Shareholders	**Share in Share Capital**	
	EUR '000	**%**
BEKAERT HOLDING B.V. NETHERLANDS	11 795	74
NV Bekaert SA, Belgium	4 144	26

Movements in equity (in EUR '000): see notes to the financial statements

RESULTS OF OPERATIONS

In 2018, Bekaert Hlohovec, a.s. reported a profit of EUR 11.87 million, a slight decrease compared to 2017 when the Company reported a profit of EUR 17.305 million. The results were affected by higher prices on the steel market, as steel is a basic input material, which has not always been reflected in the prices of final products. Labour shortages in several segments and the year-on-year increase of average personnel expenses, which was partially compensated by increased labour productivity, also had a negative impact on the results.

Profit/Loss Distribution for 2017 and Proposed Distribution for 2018: see notes to the financial statements

INVESTMENTS

A. Non-current Tangible and Intangible Assets

The Company's acquisition of non-current tangible and intangible assets in 2018 amounts to EUR 12 453 thousand. After large-scale investments in the expansion of production capacity in previous years, investment costs decreased compared to the previous years. Investments were made in machinery and equipment required for the optimal use of plant production capacity and related infrastructure. Considerable funds were also invested in increasing the safety and enhancing the quality of the working environment and automation.

Non-current tangible assets: see notes to the financial statements
Non-current intangible assets: see notes to the financial statements

Additions to non-current tangible assets – buildings primarily include the construction of new warehouses, reconstruction and modifications of production buildings and infrastructure.
Additions to machinery primarily include technical modifications of machines, adaptation of production lines to increase productivity and efficiency of production processes and to enable production of innovative products. Considerable funds were invested in increasing safety, which is the Company's highest priority.
Disposals include derecognition of obsolete machinery and equipment.

Non-current intangible assets: see notes to the financial statements

B. Financial Investments

The Company owns a financial investment in Bekaert Slovakia s.r.o. amounting to EUR 57 000 thousand.

PURCHASING AND PRODUCTION

Consumed purchases and services: see notes to the financial statements

SALE OF PRODUCTS, MERCHANDISE AND SERVICES

The Company's business activities in the past year focused on improving its position and increasing its share primarily on European markets. However, this goal was not achieved. Revenues from the sale of products in 2018 were higher by EUR 3.928 thousand than in 2017. However, this increase was not due to an increase in sales volumes, but primarily due to growth of average sales prices on the market, as higher prices of basic materials (rolled wire) were reflected in the prices of our final products. The Company marginally increased production profitability by continuous innovation and optimisation of the production portfolio, by increasing the share of products with higher added value, and by increasing the efficiency of processes by production cost management.

Total revenues from the sale of own products and services by Bekaert Hlohovec, a.s. amounted to EUR 281 256 thousand in 2018. The revenues from the sale of products amounted to EUR 279 214 thousand and revenues from the services amounted to EUR 2 042 thousand. Merchandise exports amounted to EUR 244 601 thousand, which represents 87% of total revenues.

Territorial structure of sales: see notes to the financial statements

Commodity structure of sales: see notes to the financial statements

RESEARCH AND DEVELOPMENT

R&D costs are increasing and totalled EUR 188 thousand in 2018 (2017: EUR 32 thousand). Despite the increase, R&D costs are still limited, as R&D activities are mostly performed centrally in the parent country for all Bekaert Group subsidiaries.

ENVIRONMENT

Environmental protection is a long-term priority at the Company. Environmental protection is managed by a separate unit – the Environmental Health and Safety unit (EHS). National environmental protection legislation is incorporated into the Company's internal governing acts and strictly adhered to. In 2018, there were no serious emergency situations at the Company that represented a threat to the environment. In 2011, the Company was awarded the ISO 14001 certificate, and this was extended in 2016 until the end of 2018. A follow-up audit is planned in autumn 2019.

SIGNIFICANT EVENTS

No significant events occurred after the reporting date and audit of the financial statements.

EXPECTED DEVELOPMENT OF THE COMPANY'S ACTIVITIES

The Company's main goal for 2019 is to achieve profit growth compared to 2018 and a return to the 2017 figure. To achieve its goal, the Company will reduce production costs, optimise the production portfolio and launch innovative products with higher added value on the market. The priority will be to continuously increase competitiveness by the efficient use of installed capacity by optimising production and management processes. In 2019, the Company expects to expand its portfolio of new customers and increase market share.
As regards investments in 2019, the Company plans to continue investing in enhancing production processes, primarily in the renewal of obsolete infrastructure and in increasing the safety and quality of the working environment.

SUMMARISED FINANCIAL DATA

All data is stated in EUR '000.

BALANCE SHEET	31.12.2018	31.12.2017	31.12.2016
Non-current assets	**135 236**	**135 121**	**132 054**
Non-current intangible assets	38	16	50
Non-current tangible assets	135 198	135 105	132 004
Current assets	**93 480**	**108 860**	**93 783**
Inventories	58 133	46 763	44 146
Current receivables	24 020	51 046	41 528
Other receivables	4 442	2 543	2 699
Financial assets	90	477	95
Accruals and deferrals and other current assets	6 795	8 031	5 315
TOTAL ASSETS	**228 717**	**243 981**	**225 837**
Equity	**71 806**	**99 925**	**82 712**
Share capital	15 939	15 939	15 939
Capital funds	16 630	16 630	16 630
Profit/(loss) from previous years	39 505	67 632	50 327
Of which: Profit/(loss) for the current reporting period	11 873	17 305	16 725
Liabilities	**156 910**	**144 055**	143 125
Non-current liabilities	2 838	3 407	**4 537**
Of which: Provisions for liabilities	374	383	443
Current liabilities	154 072	140 648	138 588
Of which: Dividends	40 000	-	-
Of which: Accruals and deferrals and other current liabilities	782	595	482
Bank loans and assistance	**0**	**0**	**0**
TOTAL EQUITY AND LIABILITIES	**228 717**	**243 981**	**225 837**

INCOME STATEMENT	31.12.2018	31.12.2017	31.12.2016
Operating revenues	281 256	277 328	265 691
Operating expenses	265 525	254 346	229 972
Operating profit/(loss)	15 769	23 077	22 751
Profit/(loss) from financial transactions	-683	-905	(1 287)
Profit before tax	**15 085**	**22 172**	**21 464**
Income tax for ordinary activities	-3 212	-4 868	-4 731
Profit/(loss) from ordinary activities	**11 873**	**17 305**	**16 733**
Profit/(loss) for the reporting period	**11 873**	**17 305**	**16 733**

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BEKAERT HLOHOVEC, a.s.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AS ADOPTED BY THE EUROPEAN UNION AS AT 31 DECEMBER 2018

AND

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

BEKAERT HLOHOVEC, a.s.

INDEPENDENT AUDITOR'S REPORT
AND THE SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AS ADOPTED BY THE EU
AS AT 31 DECEMBER 2018

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Bekaert Hlohovec, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of Bekaert Hlohovec, a.s.:

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Bekaert Hlohovec a.s. (hereinafter the "Company"), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter the "EU").

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 Separate 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 separate 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.

Statutory Body's Responsibilities for the Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Company's statutory body determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the statutory body 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 the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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.

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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 the statutory body.
- Conclude on the appropriateness of the statutory body'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 separate 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 Separate Annual Report

The statutory body is responsible for information disclosed in the separate annual report prepared under the requirements of the Act No. 431/2002 Coll. on Accounting, as amended (the "Act on Accounting"). Our opinion on the separate financial statements stated above does not apply to other information in the separate annual report.

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

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

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

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

Furthermore, based on our understanding of the Company and its position, obtained during the audit of the separate financial statements, we are required to disclose whether material misstatements were identified in the separate annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 4 July 2019

Jozef Suchý, FCCA
Responsible Auditor
Licence UDVA No. 1138

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

Separate statement of comprehensive income
for the year ended 31 December 2018

EUR '000	*Note*	*2018*	*2017*
Revenues	5.1	281 256	277 328
Production expenses	5.2	(248 638)	(237 026)
Gross profit		**32 618**	**40 302**
Costs of sales	5.3	(7 177)	(7 866)
Administrative expenses		(620)	(747)
Other operating income		71	1
Other operating expenses	5.4	(9 161)	(8 708)
Operating profit before non-recurring items		**15 731**	**22 982**
Non-recurring items	5.5	38	95
Operating profit		**15 769**	**23 077**
Interest income and expenses	5.6	(586)	(690)
Other financial income and expenses	5.7	(98)	(215)
Profit before taxes		**15 085**	**22 172**
Income tax	5.8	(3 212)	(4 868)
Profit for the year		**11 873**	**17 305**
Other comprehensive income and losses			
Actuarial gain and losses on defined employee benefit schemes		8	(92)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**11 881**	**17 213**

Separate statement of financial position
as at 31 December 2018

EUR' 000	*Note*	*2018*	*2017*
ASSETS			
Intangible assets	6.1	38	16
Property, plant and equipment	6.2	77 803	78 099
Investments in subsidiaries	1.8	57 000	57 000
Other non-current assets		395	6
Non-current assets		**135 236**	**135 121**
Inventories	6.3	58 133	46 763
Trade receivables	6.4	24 020	51 046
Other receivables	6.4	4 442	2 543
Cash and cash equivalents	6.5	90	477
Other current financial assets	6.6	6 796	8 031
Current assets		**93 481**	**108 860**
Total assets		**228 717**	**243 981**
EQUITY AND LIABILITIES			
Share capital	6.7	15 939	15 939
Legal reserve fund		16 630	16 630
Retained earnings	6.7	39 505	67 632
Other provisions for liabilities		(268)	(276)
Equity		**71 806**	**99 925**
Employee benefit obligations - non-current	6.8	1 868	1 724
Provisions for liabilities	6.9	374	383
Deferred tax liability	6.10	596	1 300
Non-current liabilities		**2 838**	**3 407**
Interest-bearing loans and borrowings	6.11	40 009	70 015
Trade payables	6.12	68 216	63 250
Payables to employees	6.8	4 624	5 349
Provisions for liabilities	6.9	441	840
Income tax liabilities		0	599
Liabilities - dividends		40 000	0
Other current liabilities	6.12	782	595
Current liabilities		**154 072**	**140 648**
Total liabilities		**156 911**	**144 055**
Total equity and liabilities		**228 717**	**243 981**

Bekaert Hlohovec, a.s.

Separate statement of changes in equity
for the year ended 31 December 2018

EUR '000	*Share Capital*	*Legal Reserve Fund*	*Other Reserves*	*Retained Earnings*	*Total*
Balance as at 1 Jan 2017	15 939	16 630	(188)	50 327	82 712
Net profit for the period	-	-	-	17 305	17 305
Allotment to the legal reserve fund	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other comprehensive income or (loss)	-	-	(92)	-	(92)
Closing balance at 31 Dec 2017	**15 939**	**16 630**	**(276)**	**67 632**	**99 925**
Net profit for the period	-	-	-	11 873	11 873
Allotment to the legal reserve fund	-	-	-	-	-
Dividends paid	-	-	-	(40 000)	(40 000)
Other comprehensive income or (loss)	-	-	8	-	8
Balance as at 31 Dec 2018	**15 939**	**16 630**	**(268)**	**39 505**	**71 806**

Separate Statement of Cash Flows
for the year ended 31 December 2018

EUR '000	*2018*	*2017*
Operating activities		
Profit/(loss) before tax	15 085	22 172
Adjustments:		
Depreciation charges and provisions	12 569	12 359
Foreign exchange losses/(gains), net	-	-
Profit/(loss) from the sale of property, plant and equipment, net	-	-
Provisions for receivables and inventories	(272)	614
Change in provisions for liabilities	(264)	272
Interest expense/(income), net	586	690
Profit from operating activities before changes in working capital	27 704	36 107
Decrease/(increase) in inventories	(11 277)	(2 579)
Decrease/(increase) in receivables	26 785	(9 628)
Increase/(decrease) in payables	4 436	22 171
Decrease/(increase) of other current assets	1 234	(2 716)
Cash generated by operating activities	48 883	43 355
Interest received	-	-
Interest paid	(586)	(690)
Income tax paid	(6 383)	(6 480)
Cash flows from operating activities	**41 913**	**36 185**
Investing activities		
Acquisition of property, plant and equipment and non-current intangible assets	(12 295)	(15 811)
Acquisition of investments	-	-
Cash flows from investing activities	**(12 295)**	**(15 810)**
Financing activities		
Receipts/(repayments) from borrowings and loans received	(30 006)	(19 992)
Dividends paid	-	-
Cash flows from financing activities	**(30 006)**	**(19 992)**
Increase (decrease) in cash, net	**(387)**	**382**
Cash as at 1 Jan	477	95
Cash as at 31 December	**90**	**477**

1. GENERAL INFORMATION

1.1. Company Details

Business name and registered office	Bekaert Hlohovec, a.s. Mierová 2317, 920 28 Hlohovec
Date of establishment	30 September 1999
Date of incorporation (according to the Business Register)	18 October 1999

1.2. Core Business Activities

- Production of drawn wires and wire products
- Production of steel wires and steel wire products, steel cords and steel cord products
- Advisory activities in the area of steel wire and steel cord production
- Production of other basic inorganic chemical substances

1.3. Unlimited Guarantee

BEKAERT HLOHOVEC, a.s. (hereinafter the "Company") is not an unlimited liability partner in other reporting entities.

1.4. Employees

	Year ended 31 Dec 2018	*Year ended 31 Dec 2017*
Full-Time Equivalent	1 660	1 598
Of which: managers	54	*52*
Number of employees as at the reporting date	1 681	*1 619*
Of which: managers	58	54

1.5. Reason and Basis of Preparation for the Financial Statements

These financial statements represent the Company's annual financial statements pursuant to Act No. 431/2002 Coll. on Accounting, as amended. The annual financial statements were prepared for the period from 1 January 2018 to 31 December 2018 in compliance with the Slovak Act on Accounting and with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union (hereinafter the "EU"). These financial statements represent the Company's separate financial statements prepared pursuant to IFRS as adopted by the EU, and also represent the Slovak statutory financial statements. The Company is no longer required to prepare the financial statements in compliance with Slovak accounting regulations.

The financial statements are intended for general use and information; they are not intended for any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

1.6. Members of the Company's Bodies

Body	*Function*	*Name*
Board of Directors	Chairman	Inge Schildermans
	Member	Serge Piceu
	Member	Jan Boelens
Supervisory Board	Chairman	Stijn Robert Jozef Vanneste
	Member	František Balaga
	Member	Piet Van Riet
Executive Management	Country controller	Branislav Šimo
	Production Director – wires	Jozef Filo
	Production Director – cords	Roman Kakvicz
	Production Director – ENS	Christophe Vermoere

1.7. Shareholders' Structure and Shares in the Registered Capital

Shareholders	*Share in Registered Capital*		*Voting Rights*
	EUR '000	*%*	*%*
Bekaert Combustion Technology B. V., Netherlands	11 795	74	74
NV Bekaert SA, Belgium	4 144	26	26

1.8. Consolidated Financial Statements

Bekaert Hlohovec, a. s. is a subsidiary of Bekaert Holding B. V. (registered office: J. C. van Markenstraat 19, 9403 AR Assen, Netherlands), which owns a 74% share in the Company's registered capital, and of NV Bekaert SA (registered office: Beakertstraar 2, 8550 Zwevegem, Belgium). NV Bekaert SA prepares the consolidated financial statements for all groups of companies in the consolidation group. The Company is an immediate consolidating entity. The consolidated financial statements of NV Bekaert SA are available at its registered office.

Bekaert Hlohovec a.s. is a parent company of Bekaert Slovakia s.r.o. (registered office: Sládkovičovo, Veľkoúľanská cesta 1332), which owns a 62.5% share in the subsidiary's registered capital at a face value of EUR 57 000 thousand. The subsidiary's equity is in the amount of EUR 131 782 thousand, the 2018 results of operations being a loss in the amount of EUR 3 666 thousand. Bekaert Hlohovec a.s. also prepares the consolidated financial statements.

1.9. Comparatives

The comparatives for the previous reporting period include items of assets, liabilities and equity reflecting balances as at 31 December 2017. For expenses and revenues, comparatives for the previous reporting period, ie the year ended 31 December 2017, were used.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB as endorsed by the European Union that are relevant to its operations and are effective for the reporting periods beginning on 1 January 2018.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards, and interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"** issued on 24 July 2014 is IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

  Classification and measurement – IFRS 9 introduces a new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces the existing rule-based requirements under IAS 39. The new model also results in a single impairment model that is applied to all financial instruments.

  Impairment – IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. The new standard requires entities to account for expected credit losses from the moment when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

  Hedge accounting – IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

  Own credit risk – IFRS 9 removes the volatility in profit or loss caused by changes in the credit risk of liabilities which are measured at a fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

- **IFRS 15 "Revenue from Contracts with Customers"** issued by IASB on 28 May 2014 (on 11 September 2015, IASB deferred the effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB issued clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter must recognise revenue and requires such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and applies to nearly all contracts with customers. The main exceptions are leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognise revenue to disclose the transfer of goods or services to customers in amounts that reflect the consideration (ie payment) to which the company expects to be entitled in exchange for such goods or services. The new standard will also result in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (eg service revenue and contract modifications) and improves guidance for multiple-element arrangements.

- **Amendments to IFRS 2 "Share-based Payment"** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 4 "Insurance Contracts"** – Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied for the first time);

- **Amendments to IAS 40 "Investment Property"** – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 – 2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing

inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards, and the interpretation has not led to any material changes in the Company's financial statements. The Company assessed the impact of IFRS 15 as at 1 January 2018 and identified no issues that would lead to the revision of the accounting policy on the revenue recognition.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard, and the interpretation issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the interest rate implicit in the lease if such a rate can be readily determined. If such a rate cannot be readily determined, the lessee must use their incremental borrowing rate. In accordance with IFRS 16 and its predecessor, IAS 17, lessors must classify leases by their nature as operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases, a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or another systematic basis, if more representative of how benefit from use of the underlying asset is diminished.

- **Amendments to IFRS 9 "Financial Instruments"** – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);

The Company has elected not to adopt these new standards, amendments to the existing standards and the new interpretation in advance of their effective dates.

The Company anticipates that as a result of the application of IFRS 16 "Leases" the amounts recognised in the balance sheet in respect of non-current tangible assets and financial liabilities will be increased by EUR 4 413 thousand as at 1 January 2019. The Company anticipates that the adoption of other new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the reporting date (the effective dates stated below are for IFRS as issued by IASB):

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021);

- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period

beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material (effective for annual periods beginning on or after 1 January 2020);

- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 – 2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not yet been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of Compliance

These financial statements have been prepared in accordance with IFRS as adopted by the European Union. IFRS as adopted by the EU do not differ from IFRS as issued by the International Accounting Standards Board, except for certain standards and interpretations that have not been endorsed by the EU, as described above.

3.2. Basis of Preparation

The separate financial statements are prepared under the historical cost convention, except for certain financial instruments. The principal accounting policies adopted are set out below. In order to conform the Slovak statutory financial statements to financial statements prepared in accordance with IFRS as adopted by the EU, the accompanying separate financial statements reflect certain adjustments and reclassifications not recorded in the Company's accounting records.

The reporting currency and functional currency is the euro. The data in the separate financial statements are reported in thousands of euros, unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires the management to exercise its judgment when applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements, are disclosed in Note 4.

The financial statements have been prepared under the going concern assumption. The Company recognises significant negative working capital, which principally arises from a significant loan received from related parties. The going-concern assumption was applied as a result of the expected growth of the Company in future periods and sources of financing from the Bekaert Group companies, which confirmed that the loan provided to the Company will be rolled over according to the Company's needs.

3.3. Foreign Currency

Assets and liabilities denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank (ECB) or the National Bank of Slovakia (NBS) on the date preceding the transaction date and also on the reporting date. Advance payments received and made in a foreign currency are not translated as at the reporting date. For foreign currency purchases and sales in euros, and upon transfers of funds from the account established in a foreign currency to the account established in euros and from the account established in euros to the account established in a foreign currency, the exchange rates at which these amounts were purchased or sold were applied. If the sale or purchase of a foreign currency is performed at an exchange rate other than the one offered by a commercial bank in its foreign exchange list, the exchange rate offered by such commercial bank in its foreign exchange list on the transaction settlement date is used. If the sale or purchase is not performed with a commercial bank, the reference exchange rate determined and announced by the ECB or the NBS on the date preceding the transaction settlement date is used.

3.4. Balance Sheet Items

Intangible assets
Intangible assets acquired in a business combination are initially measured at fair value; intangible assets acquired separately are initially measured at cost. After initial recognition, intangible assets are measured at cost or fair value less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and method are reviewed at each financial year-end. A change in the useful life of an intangible asset is accounted for prospectively as a change in estimate. Under the provisions of IAS 38 = Intangible Assets, the items of intangible assets may have indefinite useful lives. If the useful life of an intangible asset is deemed indefinite, no amortisation is recognised and the asset is reviewed at least annually for impairment.

Licenses, patents and similar rights
Expenditures on acquired licenses, patents, trademarks and similar rights are capitalised and amortised on a straight-line basis over the contractual period, if any, or the estimated useful life, which is generally considered to be less than 10 years.

Computer software
In general, costs associated with the acquisition, development or maintenance of computer software are recognised as expenses when they are incurred, but external costs directly associated with the acquisition and implementation of acquired ERP software are recognised as intangible assets and amortised over five years on a straight-line basis.

Research and development
Expenditures on research activities undertaken with the prospect of gaining new scientific or technological knowledge and understanding are recognised in the income statement as expenses when incurred. Expenditures on development activities where research findings are applied to a plan or design for the production of new or substantially improved products and processes prior to commercial production or use are capitalised only if all the recognition criteria set out below are met:
- The product or process is clearly defined and costs are separately identified and reliably measured.
- The technical feasibility of the product is demonstrated.
- The product or process is to be sold or used in-house.
- The assets are expected to generate future economic benefits (eg, a potential market exists for the product or, if for internal use, its usefulness is demonstrated).
- Adequate technical, financial and other resources required for the completion of the project are available.

In most cases, these recognition criteria are not met. Capitalised development costs are amortised from the commencement of the commercial production of the product on a straight-line basis over the period during which benefits are expected to accrue. The period of amortisation does not typically exceed 10 years.

Property, plant and equipment
The Company has opted for the historical cost model and not for the revaluation model. Property, plant and equipment acquired separately are initially measured at cost. Property, plant and equipment acquired in a business combination is initially measured at fair value, which thus becomes its deemed cost. After initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all direct costs and all expenditures incurred to bring the asset into working condition and to the location for its intended use. Borrowing costs are capitalised according to the requirements of the revised IAS 23 Borrowing Costs. Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment on a straight-line basis. The useful life and depreciation method are reviewed at least at each financial year-end. Unless revised owing to specific changes in the estimated economic useful life, annual depreciation rates are as follows:
- Land: 0%
- Buildings: 5%
- Plant, machinery and equipment: 8% - 16.7%,
- Furniture and vehicles: 20%
- Computer hardware: 25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (see the section on 'Impairment of assets' below). Gains and losses on disposal are included in the operating result.

Operating leases
Leases under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised, on a straight-line basis, as a reduction of rental expenses over the lease term. Improvements to buildings held under operating leases are depreciated over their expected useful lives, or, where shorter, the term of the relevant lease.

Investments in subsidiaries
Investments in subsidiaries, joint ventures and associates are measured at cost less an impairment loss, if any.

Financial assets
The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables category comprises trade and other receivables, short-term deposits, and cash and cash equivalents in the balance sheet. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, have original maturities of three months or less, and are subject to insignificant risk of changes in value. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method (FIFO). For inventories developed internally, cost means full cost including all direct and indirect production costs required to bring the inventory items to the stage of completion at the balance sheet date. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and costs necessary to make the sale.

Provisions
Provisions are recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, which is expected to result in an outflow of resources embodying economic benefits that can be reliably estimated. Each provision is based on the best estimate of the expenditure required to settle the present obligation at the balance sheet date. When appropriate, provisions are measured on a discounted basis.

Restructuring
A provision for restructuring is only recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly before the balance sheet date. Restructuring provisions include only the direct expenditure arising from the restructuring that is necessarily incurred on the restructuring and is not associated with the ongoing activities of the entity.

Site restoration
A provision for site restoration in respect of contaminated land is recognised in accordance with the Company's published environmental policy and applicable legal requirements. The site restoration provision is updated by the management according to current information available at the date when the financial statements are prepared.

Interest-bearing debt
Interest-bearing debt includes loans and borrowings that are initially recognised at the fair value of the consideration received net of transaction costs incurred. In subsequent periods, they are carried at amortised cost using the effective interest-rate method. Any difference between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement on a straight-line basis over the period of the liability.

Trade payables and other current liabilities
Trade payables and other current liabilities, except derivatives, are stated at cost, which is the fair value of the consideration payable.

Income taxes
Income taxes are classified as either current or deferred taxes. Current income taxes include expected tax charges based on the accounting profit for the current year and adjustments to the tax charges of prior years. Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The principal temporary differences arise from the depreciation of property, plant and equipment, provisions for pensions, pre-pensions and other post-retirement benefits, and tax losses carried forward. Deferred taxes are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realised or settled, based on the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised; This criterion is reassessed at each balance sheet date.

Impairment of assets
Goodwill and intangible assets with an indefinite useful life or not yet available for use are reviewed for impairment at least annually. Other tangible and intangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised in the income statement as and when the carrying amount of an asset exceeds its recoverable amount (being the higher of its fair value less costs to sell and its value in use). The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs to sell, while value in use is the present value of the future cash flows expected to be derived from an asset. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the assets belong. Reversals of impairment losses reported in prior years are recognised in the income statement when there is an indication that the impairment losses recognised for the asset are no longer needed or the need has decreased.

3.5. Income Statement Items

Revenue recognition
Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the entity and the amount of the revenue can be measured reliably. Sales are recognised net of sales taxes and discounts. Revenue from the sale of goods is recognised when delivery takes place and the transfer of risks and rewards is completed. No revenue is recognised on barter transactions involving the exchange of similar goods or services. Interest is recognised on a time-proportional basis that reflects the effective yield on the asset. Royalties are recognised on an accrual basis in accordance with the terms of agreements. Dividends are recognised when the shareholder's right to receive payment is established.

Non-recurring items
Operating income and expenses that are related to restructuring programmes, impairment losses, environmental provisions, or other events and transactions that are clearly distinct from the Company's normal activities are presented on the face of the income statement as non-recurring items. Bekaert believes that the separate presentation of non-recurring items is essential for the readers of its financial statements to understand fully the Company's sustainable performance.

3.6. Statement of Comprehensive Income and Statement of Changes in Equity

Its purpose is to present an overview of all income and expenses recognised both in the income statement and in equity. In accordance with the revised guidance of IAS 1 Presentation of Financial Statements (revised September 2007), an entity can elect to present either a single statement of comprehensive income or two statements, ie an income statement immediately followed by a comprehensive income statement. The Company elected to present the latter. Another consequence of presenting a statement of comprehensive income is that the content of the statement of changes in equity is confined to owner-related changes only.

3.7. Miscellaneous

Contingent assets and contingent liabilities
Contingent assets are not recognised in the financial statements. They are disclosed if an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements, except if they arise from a business combination. They are disclosed unless the possibility of a loss is remote.

Events after the balance sheet date
Events after the balance sheet date that provide additional information about the Company's position as at the balance sheet date (adjusting events) are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes, if material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in Note 3, the Company's management has made the following judgements concerning uncertainties and estimates that have an effect on the amounts recognised in the financial statements.

Estimated risks, losses, and impairment related to assets and liabilities are reflected in provisions for liabilities, provisions for assets, and depreciation charges. Actual results may differ significantly if there are changes in the estimates described below.

- Provisions for liabilities are recognised at the anticipated amount payable. The Company records long-term provisions for retirement payments and environmental liabilities, and short-term provisions for complaints. The amount of provisions and the grounds for their recognition are assessed as at the reporting date.

  The Company has a long-term employee benefit plan comprising lump-sum payments to employees upon retirement, long-service loyalty bonuses for years with the Company, and jubilee bonuses, for which no separate funds are allocated. Employee benefit costs are calculated using the Projected Unit Credit Method. Based on this method, the costs of the provision of pensions are recognised on the income statement so that the regularly recurring costs are spread over the employment term. The liabilities arising from the provision of benefits are measured at the present value of the estimated future expenses discounted at the rate amounting to the interest income from securities with a fixed interest rate the maturity of which approximates the maturity of the given liability. The Company derives the discount rate from the anticipated actual interest rate of 1.75% p.a. and the anticipated inflation rate of the euro.

- Provisions for assets are recorded in the amount of a justifiable assumption of the impairment of assets when compared to their valuation in the accounting books as follows:
  - For redundant non-current tangible assets owing to the idleness thereof;
  - For inventories with no movement based on a specific assessment of their usability, but at 100% for inventories exceeding average consumption for three years;
  - Provisions for inventory of raw materials, work in progress and finished goods whose market value is below their cost or below own cost measurement are recorded based on the calculation of the proportion of cost or own costs to the potential market price;
  - For inventories classified as strategic for production, provisions reflect their potential non-usability and obsoleteness; and
  - Provisions for receivables overdue by more than 360 days are recorded at 100%. For trade receivables, items that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis as an expected loss to maturity.

- Depreciation plan

  Non-current tangible and intangible assets are depreciated according to a depreciation plan that takes into account an estimate of their actual useful lives. Assets are depreciated over their estimated useful lives corresponding to the consumption of future economic benefits arising from such assets. The straight-line accounting depreciation method is applied. Assets are depreciated starting in the month following the month when such assets are placed into service.

  In some instances, the Company applies a component method of depreciation, ie the depreciation plan takes into account different useful lives, wear and tear of individual detachable components of non-current assets.

  Tax depreciations are applied using the rates applicable to straight-line depreciation as set out in the Income Tax Act.

- Income taxes

  Slovak tax legislation is subject to continuous amendments and broad powers of interpretation by tax authorities. Since various interpretations of tax laws and regulations in the application thereof to various transaction types exist, the amounts disclosed in the financial statements may later change, based on the ultimate opinion of the tax authorities.

5. INCOME STATEMENT ITEMS AND OTHER COMPREHENSIVE INCOME

5.1. Revenues from the Sale of Merchandise, Own Products and Services

Revenues from the sale of own outputs, services and merchandise by major geographical segments:

Country	*2018*		*2017*	
	EUR '000	*%*	*EUR '000*	*%*
Slovakia	36 655	13.0	36 917	13.3
Abroad	244 601	87.0	240 411	86.7
Total sales	**281 256**	**100.00**	**277 328**	**100.00**

Revenues from the Sale of Own Outputs and Merchandise by Finished Goods and Services:

Finished Goods/Merchandise/Service	*2018*		*2017*	
	EUR '000	*%*	*EUR '000*	*%*
Non-patented bare and galvanised wires	59 497	23.15	64 196	23.15
Patented wires	116 706	39.84	110 481	39.84
Steel cords for tyres – semi-finished goods	13 617	4.92	13 640	4.92
Construction products	14 807	5.34	14 889	5.34
Wires for tyres	8 514	2.54	7 057	2.54
Belt cords	16 276	6.01	16 679	6.01
Woven cords	4 486	1.36	3 772	1.36
Tubing wire	24 282	7.25	20 064	7.25
Rolled wire	737	2.49	6 913	2.49
Die plates	5 860	1.80	5 001	1.80
Other Products	3 956	1.33	3 698	1.33
Engineering department sales	10 476	3.39	9 401	3.39
Services	2 042	0.58	1 619	0.58
Total sales	**281 256**	**100.00**	**277 328**	**100.00**

5.2. Production Costs

	2018	*2017*
	EUR '000	*EUR '000*
Raw materials	112 930	104 537
Other consumables	36 949	38 619
Repairs and maintenance	13 333	12 523
Utilities	20 638	18 256
Transport	12 522	12 719
Wages and salaries	39 698	38 055
Depreciation and amortisation charges	12 568	12 317
Other	-	-
Total	**248 638**	**237 026**

Of which, costs of audit amounted to EUR 47 000 and costs of tax and legal advisory services to EUR 53 818.

5.3. Costs of Sales

	2018 EUR '000	*2017 EUR '000*
Sales commissions	1 120	1 018
Insurance premium	141	135
Wages and salaries	1 764	2 134
Other costs of sales	4 152	4 579
Total	**7 177**	**7 866**

5.4. Other Operating Expenses

	2018 EUR '000	*2017 EUR '000*
Loss from the sale of property, plant and equipment and additions to a provision for non-current assets	104	143
Expenses for management fees (royalties)	5 914	5 514
BU services (corporate overheads)	3 116	3 021
Other operating expenses	28	30
Total	**9 161**	**8 708**

5.5. Non-Recurring Items

	2018 EUR '000	*2017 EUR '000*
Non-recurring items	38	95
Total	**38**	**95**

5.6. Interest Income and Expense

	2018 EUR '000	*2017 EUR '000*
Interest income	2	1
Interest expense	(588)	(691)
Total	**(586)**	**(690)**

5.7. Other Financial Income and Expenses

	2018 EUR '000	*2017 EUR '000*
Foreign exchange gains:	61	260
Realised	*61*	*260*
Unrealised	-	-
Foreign exchange losses:	(99)	(305)
Realised	*(99)*	*(214)*
Unrealised	*0*	*(91)*
Other financial income	-	-
Other financial expenses	(60)	(170)
Total	**(98)**	**(214)**

5.8. Income Tax

The income tax rate for 2018 amounts to 21%, effective from 1 January 2017.

The Company applied no tax relief.

Reconciliation of Income Tax

	2018 EUR '000	*2017 EUR '000*
Current income tax:	(3 916)	(6 269)
Deferred income tax:	704	1 401
Total income tax	**(3 212)**	**(4 868)**

	2018 EUR '000	*2017 EUR '000*
Profit/(loss) before tax	15 085	22 172
Income tax at rate of 21%	(3 168)	(4 656)
Impact of permanent adjusting items:	(41)	(95)
Deductible items		
Non-deductible items	*(41)*	*(95)*
Effect of a change in the income tax rate		
Other	3	*(117)*
Total income tax	**(3 212)**	**(4 868)**

In the Slovak Republic, the taxation periods of 2014 to 2018 remain open and are subject to inspection by the tax authority.

Requirements for transfer pricing have been applied to transactions with foreign related parties and with local related parties since 1 January 2009 and 1 January 2015, respectively. The requirements state that the Company shall have documentation prepared upfront for each transaction with a related party in order to support the arm's length basis of the transaction. The Company has documentation prepared up to 2016. Documentation for 2017 and 2018 is under preparation.

6. BALANCE SHEET ITEMS

6.1. Non-Current Intangible Assets

6.1.1. Movements in Non-Current Intangible Assets, Accumulated Amortisation, Provisions, and Net Book Value

31 December 2018

EUR '000	*Licences, patents and similar rights*	*Computer software*	*Other*	*Total*
Cost				
As at 1 Jan 2018	694	1 884	-	2 578
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	31	-	31
As at 31 Dec 2018	694	1 915	-	2 609
Accumulated Depreciation				
As at 1 Jan 2018	694	1 868	-	2 562
Charge for the year				
Additions	-	9	-	9
Disposals	-	-	-	-
Transfers	-	-	-	-
As at 31 Dec 2018	694	1 878	-	2 571
Provisions				
As at 1 Jan 2018	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
As at 31 Dec 2018	-	-	-	-
Net Book Value				
As at 1 Jan 2018	-	16	-	16
As at 31 Dec 2018	-	38	-	38

31 December 2017

EUR '000	*Licences, patents and similar rights*	*Computer software*	*Other*	*Total*
Cost				
At 1 Jan 2017	694	1 874	-	2 568
Additions	-	10	-	10
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 Dec 2017	694	1 884	-	2 578
Accumulated Amortisation				
At 1 Jan 2017	694	1 825	-	2 518
Charge for the year				
Additions	-	44	-	44
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 Dec 2017	694	1 868	-	2 562
Provisions				
At 1 Jan 2017	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 Dec 2017	-	-	-	-
Net Book Value				
At 1 Jan 2017	-	50	-	50
At 31 Dec 2017	-	16	-	16

6.2. Property, Plant and Equipment

6.2.1. Movements in Non-Current Tangible Assets, Accumulated Depreciation, Provisions, and Net Book Value

31 December 2018

EUR '000	*Land and buildings*	*Plant, machinery and equipment*	*Furniture and equipment*	*Assets under construction and advanced payments*	*Total*
Cost					
As at 1 Jan 2018	49 939	134 857	3 604	10 550	198 949
Additions	-	-	-	12 453	12 453
Disposals	(102)	(2 640)	(247)	-	(2 988)
Transfers	6 550	11 789	622	(18 993)	(31)
As at 31 Dec 2018	56 388	144 006	3 979	4 009	208 383
Accumulated Depreciation					
As at 1 Jan 2018	22 935	95 184	2 730	-	120 850
Amortisation	2 805	9 316	438	-	12 560
Additions	-	-	-	-	-
Disposals	(72)	(2 512)	(245)	-	(2 829)
Transfers	-	-	-	-	-
As at 31 Dec 2018	25 668	101 988	2 923	-	130 580
Provisions					
As at 1 Jan 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
As at 31 Dec 2018	-	-			-
Net Book Value					
As at 1 Jan 2018	27 002	39 673	874	10 549	78 099
As at 31 Dec 2018	30 720	42 018	1 056	4 009	77 803

31 December 2017

EUR '000	*Land and buildings*	*Plant, machinery and equipment*	*Furniture and equipment*	*Assets under construction and advanced payments*	*Total*
Cost					
At 1 Jan 2017	47 779	128 818	3 278	4 127	184 002
Additions	-	-	-	16 147	16 147
Disposals	(52)	(1 056)	(92)	-	(1 200)
Transfers	2 212	7 095	418	(9 724)	-
At 31 Dec 2017	49 939	134 857	3 604	10 550	198 949
Accumulated Depreciation					
At 1 Jan 2017	20 432	86 448	2 509	-	109 389
Depreciation	2 545	9 456	314	-	12 315
Additions	-	-	-	-	-
Disposals	(46)	(715)	(92)	-	(854)
Transfers	4	(4)	-	-	-
At 31 Dec 2017	22 935	95 184	2 730	-	120 850
Provisions					
At 1 Jan 2017	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
At 31 Dec 2017	-	-			-
Net Book Value					
At 1 Jan 2017	27 347	42 370	770	4 127	74 613
At 31 Dec 2017	27 002	39 673	874	10 549	78 099

6.2.2. Insurance Type and Amount for Non-Current Tangible Assets

EUR '000

Insured Item	*Type of Insurance*	*Insured Amount/(Net Book Value of Insured Assets) 2018*	*2017*	*Name and Seat of Insurance Company*
Passenger vehicles	Against theft, motor hull	3	3	ČSOB poisťovňa, Bratislava
Technology, buildings and inventories	Against natural disasters, against disruption of operation	344 307	327 383	Alianz poisťovňa, Bratislava
Authorised activities	Liability insurance	5 000	5 000	Generali poisťovňa
Insurance of receivables	Bad debts	26 872	28 871	Euler Belgium

6.2.3. Assets Under Lien and Restricted Handling of Non-Current Intangible and Tangible Assets

The Company has no assets pledged in favour of any bank and/or any other third parties.

6.2.4. Assets Owned by Other Entities

The Company recorded no assets owned by other entities.

6.3. Inventories

Summary of individual balance sheet items

EUR '000	*31 Dec 2018*	*31 Dec 2017*
Raw materials and spare parts	36 323	29 604
Work-in-progress	13 588	12 990
Finished goods	15 817	11 437
Merchandise	60	50
Provisions	(7 655)	(7 318)
Total	**58 133**	**46 763**

6.3.1. Breakdown of Provisions by Individual Balance Sheet Items

31 December 2018

EUR '000	*Balance at 1. 1. 2018*	*Creation*	*Decrease*	*Clearing*	*Balance at 31. 12. 2018*
Raw materials	6 181	478	9	-	6 650
Work-in-progress	599	0	97	-	502
Finished goods	539	14	49	-	503
Merchandise	-	-	-	-	-
Total	**7 318**	**491**	**154**	**-**	**7 655**

31 December 2017

	Balance as at as at 1 Jan 2017	*Creation*	*Decrease*	*Clearing*	*Balance as at 31 Dec 2017*
Raw materials	6 076	220	116	-	6 181
Work-in-progress	761	0	162	-	599
Finished goods	518	24	4	-	539
Merchandise	-	-	-	-	-
Total	**7 356**	**244**	**282**	**-**	**7 318**

6.3.2. Assets Under Lien and Restricted Handling of Inventories

In 2017 and 2018, the Company's inventories were not under lien and the Company's handling of inventories was not restricted in any way.

6.4. Trade and Other Receivables

EUR '000	*Total as at 31 Dec 2018*	*Total as at 31 Dec 2017*
Trade receivables	24 964	52 170
Provision for receivables	(944)	(1 124)
Net trade receivables	24 020	51 046
Other receivables	4 448	2 543
Total	**28 462**	**53 589**

6.4.1. Breakdown of Receivables by Maturity

EUR '000

31 December 2018

Category of Receivables	*Within Maturity*	*< 30 Days*	*< 90 Days*	*Overdue < 180 Days*	*< 360 Days*	*> 360 Days*	*Total*
EUR '000							
Trade receivables	16 293	5 123	1 330	180	239	1 169	24 964
Other receivables	4 378	-	-	-	-	-	4 378

31 December 2017

Category of Receivables	*Within Maturity*	*< 30 Days*	*< 90 Days*	*Overdue < 180 Days*	*< 360 Days*	*> 360 Days*	*Total*
Trade receivables	41 024	6 873	1 871	870	824	708	52 170
Other receivables	2 543	-	-	-	-	-	2 543

6.4.2. Provisions for Receivables

Balance sheet items for which provisions were recorded:

	Balance as at 1. 1. 2018	*Creation*	*Decrease*	*Reversal*	*Balance as at 31. 12. 2018*
EUR '000					
Trade receivables	1 124	10	-	190	944
Other receivables	-	-	-	-	-

	Balance as at 1 Jan 2017	*Creation*	*Decrease*	*Reversal*	*Balance as at 31 Dec 2017*
Trade receivables	472	703	-	51	1 124
Other receivables	-	-	-	-	-

The Company records provisions for receivables based on their ageing structure. No provision is recorded for receivables from Bekaert Group companies, for other customer receivables overdue more than 360 days, the Company records a provision in the amount of 100%.

The Company did not prepare an analysis of overdue receivables that are not provisioned for as at 31 December 2018 and 2017, as the amount thereof net of the Bekaert Group receivables was considered to be insignificant.

6.4.3. Collateralisation of Receivables

The Company does not have its receivables secured by assets pledged as collateral.

6.4.4. Assets Under Lien and Restricted Handling of Receivables

The Company did not establish any pledge over its receivables for the benefit of any creditor.

6.5. Cash and Cash Equivalents

6.5.1. Breakdown of the Company's Financial Assets

EUR '000	*Total as at 31 Dec 2018*	*Total as at 31 Dec 2017*
Cash		
Cash on hand	13	7
Bank accounts – current	76	469
Total	**90**	**477**

6.6. Other Current Assets

	Total as at 31 Dec 2018	*Total as at 31 Dec 2017*
Other financial receivables	6 733	7 981
Deferred expenses	63	49
Total	**6 796**	**8 030**

Deferred expenses mainly comprise insurance premium attributable to Q1 2019 (EUR 52 thousand), and the remainder is attributable to other services. Other financial receivables in 2018 represent an outstanding balance of the Group borrowing from Bekaert Coordinatiecentrum.

6.7. Equity

6.7.1. Description of Equity

The Company's registered capital comprises 478 registered certificate-form shares with a face value of EUR 33 194 per share, 2 registered certificate-form shares with a face value of EUR 16 597 per share, 11 registered certificate-form shares with a face value of EUR 3 320 per share, and 87 registered certificate-form shares with a face value of EUR 33 per share. The registered capital has been fully subscribed and paid.

Legal reserve fund

The legal reserve fund cannot be distributed among the shareholders. It is designed to cover potential future losses from operations, and to increase registered capital in accordance with valid regulations.

6.7.2. Distribution of Accounting Profit or Settlement of Loss

EUR '000

Type of Settlement	*Distribution of Profit for 2017*
Transfer to retained earnings	17 305
Total distributed profit	**17 305**

On 12 December 2018, the Company's General Meeting approved the financial statements as at 31 December 2017 and decided to transfer the 2017 profit to Retained earnings from previous years. A decision was also made that the dividends of EUR 40 000 thousand will be paid from the profit.

6.8. Employee Obligations

EUR '000	*Total as at 31 Dec 2018*	*Total as at 31 Dec 2017*
Non-current liabilities, of which:	1 868	1 724
Provision for retirement payments and other long-term employee benefits	*1 868*	*1 724*
Current liabilities, of which:	4 624	5 349
Payroll liabilities:	*4 624*	*5 349*
Of which: social fund	*345*	*271*
Total	**6 492**	**7 073**

The Company created the social fund in the amount of EUR 403 thousand, and drew down EUR 329 thousand. The opening balance as at 1 January 2018 was EUR 271 thousand, and the closing balance as at 31 December 2018 was EUR 345 thousand.

Based on an actuarial valuation calculated by an external actuary, the Company estimated a provision for retirement payments and other long-term employee benefits for the year ended 31 December 2018.

Under the employee benefit scheme prepared in line with the Labour Code and as agreed in the Company's Collective Agreement, the Company's employees are entitled to receive a one-off payment on their old-age or disability retirement. The amount of this benefit paid to individual employees depends on the conditions agreed in the Collective Agreement and is based on the average earnings of the respective employee or the Company. As at 31 December 2018, the scheme applied to 1 681 employees of the Company. As at the above date, the scheme was not funded, ie there were no assets specifically allocated to cover liabilities resulting from the scheme.

Key actuarial assumptions:

	As at 31 Dec 2018	*At 31 Dec 2017*
Real discount rate p.a.	1.65%	1.55%
Real future wage growth rate p.a.	5.75%	5.75%
Labour turnover p.a.	5.00%	5.00%
Mortality	Mortality rate of Slovak population in 2017	Mortality rate of the Slovak population in 2016
Retirement age	63.1 for men and 63.1 for women	62.4 for men and 62.3 for women

6.9. Provisions for Liabilities

EUR '000	*Balance at 1. 1. 2018*	*Creation*	*Decrease*	*Balance As at 31. 12. 2018*
Long-Term Provisions for Liabilities:	383	-	9	375
Provision for environmental liabilities	*383*	-	*9*	*375*
Short-term provisions for liabilities:	840	364	*763*	441
Provision for sales returns	*840*	*364*	*763*	*441*
Total	**1 223**	**364**	**772**	**816**

EUR '000	*Balance as at 1 Jan 2017*	*Creation*	*Decrease*	*Balance as at 31 Dec 2017*
Long-term provisions for liabilities:	443	-	60	383
Provision for environmental liabilities	*443*	-	*60*	*383*
Short-term provisions for liabilities:	841	683	*684*	840
Provision for sales returns	*841*	*683*	*684*	*840*
Total	**1 284**	**683**	**744**	**1 223**

The Company recorded a provision for environmental liabilities with respect to the purification of underground water and soil decontamination at the Company's premises, and the reconstruction of a sewer system. The provision reflects the estimated expenses related to soil decontamination, restoration and reconditioning of the related land. External authorities approved an action plan in 2015. As at 31 December 2015, the provision amount was updated based on the approved project. The environmental burden was reviewed by the authorities in 2018, the result is positive - no need to spend additional funds on restoration. Further reassessment of the provision for liabilities is scheduled for the 2019 period.

6.10. Deferred Tax

EUR '000	*31 Dec 2018*	*31 Dec 2017*
Deferred tax liability as at 1 Jan	(1 301)	(2 702)
Deferred income tax recognised in profit or loss of the current year, (expense)/revenue	704	1 401
Deferred income tax recognised in equity in the current year	-	-
Deferred tax liability as at 31 Dec	**(597)**	**(1 301)**

The Company records a deferred tax liability arising on taxable temporary differences between the carrying amount of assets and liabilities as disclosed on the balance sheet and tax base thereof. The deferred tax for these taxable temporary differences are as follows:

	31 Dec 2018	*31 Dec 2017*
Difference between net tax value and net book value of non-current assets	(4 039)	(4 805)
Provisions to be a tax expense in future periods	1 055	1 450
Provision for warranty repairs	-	-
Provisions for receivables	198	236
Provisions for inventories	1 617	1 537
Tax losses carried forward	-	-
Other	572	281
Deferred tax liability as at 31 Dec	**(597)**	**(1 301)**

6.11. Interest-Bearing Debt

EUR '000	*31 Dec 2018*	*31 Dec 2017*
Interest-bearing loan within the Group	40 000	70 000
ČSOB overdraft facility	9	31

	31 Dec 2018	*31 Dec 2017*
Loans by currency:		
EUR		
- fixed interest rate	40 000	70 000
- zero interest rate	9	31
Total	40 000	**70 031**

The loan was provided by the parent company and is due on 30 January 2018. The loan can be renewed and its maturity period updated according to the Company's financial needs. The loan had an average interest rate of 0.9%.

6.12. Trade Payables and Other Current Liabilities

EUR '000	*31 Dec 2018*	*31 Dec 2017*
Trade payables	55 337	50 619
Received advances	468	295
Unbilled supplies	12 879	12 631
Other payables and other current liabilities	314	308
Total	**68 998**	**63 854**

Out of this:

	31 Dec 2018	*31 Dec 2017*
Liabilities within maturity	66 794	61 582
Overdue liabilities	2 205	2 272
Total	**68 998**	**63 854**

7. FINANCIAL RISK MANAGEMENT

7.1. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern with the goal to achieve an optimum debt to equity balance.

As at the year-end, the gearing ratio was as follows:

EUR '000	*31 Dec 2018*	*31 Dec 2017*
Debt (s)	40 009	70 031
Cash and cash equivalents	(90)	(477)
Net debt	39 919	69 554
Equity	71 904	99 925
Net debt to equity ratio	**56%**	**70%**

(i) Debt is defined as long-term and short-term loans and interest-bearing borrowings.

Key Categories of Financial Instruments

EUR '000	*31 Dec 2018*	*31 Dec 2017*
Cash and cash equivalents	90	477
Current financial assets	-	-
Loans and receivables	24 020	51 046
Other current financial assets	6 796	8 030
Financial assets	**30 905**	**51 523**
Interest-bearing loans	40 009	70 031
Current financial liabilities	68 998	63 854
Financial liabilities	**109 007**	**133 885**

Given its activities, the Company is exposed to the financial risk of fluctuations in foreign exchange rates and interest rates. The Company does not use any official statistical methods to assess market risk exposures.

7.1.1. Currency Risk

The Company is mainly exposed to the risk of movements in the EUR/USD exchange rate, which represents minimum risk considering the insignificant position of USD in the total amount of liabilities/assets, and therefore, no sensitivity analysis was performed. The Company ensures that its net exposure is kept at an acceptable level by buying or selling USD and other foreign currencies at spot rates to address short-term imbalances.

7.1.2. Interest Rate Risk

The Company's operating income and cash flows from operating activities are relatively independent of changes in market interest rates. Interest rate risk arises on short-term borrowings, which bear interest at fixed interest rates and expose the Company to an actual interest rate fluctuation risk.

The sensitivity analysis (see below) was determined based on the exposure to interest rates for debt instruments at the reporting date. For floating rate liabilities, the analysis is prepared under the assumption that the amount of a liability outstanding at the reporting date was outstanding for the whole year.

If interest rates were 50 basis points higher/lower and all other variables were constant, the Company's profit for the year ended 31 December 2018 would increase/decrease by EUR 319 thousand (2017: increase/decrease by EUR 398 thousand). This is mainly attributable to the Company's exposure to variable interest rates on loans.

7.1.3. Credit Risk

The Company's management has a credit policy in place under which it continuously monitors the exposure to credit risk and assesses the financial standings of all customers requiring a commercial loan over a certain amount. The Company does not require collateral in respect of financial assets. At the reporting date there were no significant risk concentrations in financial assets except for Group related party accounts. Derivative transactions and cash transactions are only carried out by renowned financial institutions. The Company did not limit the amount of open positions to any financial institution.

7.1.4. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle its financial obligations when they fall due.

The Group's financial department applies a cash pooling policy in order to maximise the economic return and manage the optimisation and centralisation of financial funds under the most favourable financial conditions for most of the subsidiaries.

The following tables summarise the residual maturity of the Company's non-derivative financial assets and liabilities as at 31 December 2018 and 31 December 2017. The tables have been prepared based on undiscounted cash flows from financial liabilities assuming the earliest possible dates on which the Company can be required to settle the liabilities. The table includes both interest and principal cash flows during the term of the loan agreement. Interest bearing debt relates to short term intercompany loan provided by the parent company which has no intention to claim the repayment in short term.

31 December 2018

	Weighted average effective interest rate	*Up to 1 year*	*1 - 5 years*	*Over 5 years*	*Total*
Short-term deposit	-	-	-	-	-
Current financial assets	-	-	-	-	-
Trade and other receivables	-	24 020	-	-	24 020
Other current financial assets		6 796	-	-	6 796
Interest-free liabilities	-	68 998	-	-	68 998
Payable from dividends	-	40,000	-	-	40 000
Interest-bearing debt – within the Group	0.88%	40 000	-	-	40 000
- ČSOB overdraft facility	-	9	-	-	9

31 December 2017

	Weighted average effective interest rate	*Up to 1 year*	*1 - 5 years*	*Over 5 years*	*Total*
Short-term deposit	-	-	-	-	-
Current financial assets	-	-	-	-	-
Trade and other receivables	-	51 046	-	-	51 046
Other current financial assets		8 030	-	-	8 030
Interest-free liabilities	-	63 854	-	-	63 854
Interest-bearing debt – within the Group	0.86%	70 000	-	-	70 000
- ČSOB overdraft facility	-	31	-	-	31

7.1.5. Market Risk

The Company is exposed to risk of changes of commodity prices which cannot be reflected in sales prices of final products on short term basis. The Company does not use financial derivative instruments to hedge this the risk and uses natural hedging instead, when changes of commodity inputs prices are reflected to sales prices of final products.

7.1.6. Fair Value Estimate

The Company applies a number of methods and market assumptions based on the existing market conditions to determine the fair value of financial instruments as at the balance sheet date. Other methods, primarily the expected discounted value of future cash flows, are applied to determine the fair value of other financial instruments.

The face values of financial assets and liabilities net of potential adjustments with a maturity of less than one year approximate their fair values. For the purposes of the presentation in the Notes, the fair value of financial liabilities is determined based on discounted future contractual cash flows using the current market interest rate available to the Company for similar financial instruments.

8. RELATED PARTIES

Related parties include shareholders, members of the Board of Directors, employees, and companies in which the investment exceeds 20% (subsidiaries and associates), as well as the Bekaert Group entities.

Transactions between the aforementioned parties and the Company are made on an arm's length basis and at market prices. The Board of Directors decides on all related party transactions.

Related Parties	*Balances and Transactions for the Year Ended 31 Dec 2018*				
	Assets	*Liabilities*	*Expenses*	*Revenues*	*Loan received*
EUR '000					
Bekaert Group entities	20 651	47 899	43 099	64 408	40 000
Total	**20 651**	**47 899**	**43 099**	**64 408**	**40 000**

Related Parties	*Balances and Transactions for the Year Ended 31 Dec 2017*				
	Assets	*Liabilities*	*Expenses*	*Revenues*	*Loan received*
Bekaert Group entities	25 004	9 142	37 669	68 557	70 000
Total	**25 004**	**9 142**	**37 669**	**68 557**	**70 000**

The above table shows a short-term loan provided in full within the Bekaert/Bekaert NVB Group. The maturity of the loan is regularly extended according to the Company's financial needs.

9. COMMITMENTS AND CONTINGENCIES

The Company does not recognise any contingent liabilities.

10. POST BALANCE SHEET EVENTS

From 31 December 2018 up to the issue date of the financial statements, there were no such events that would have a significant impact on the Company's assets and liabilities.

11. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

The separate financial statements on pages 3 – 32 were prepared and approved for issue on 27 June 2019.

Signature of a member of the statutory body of the reporting entity:	*Signature of the person responsible for the preparation of the financial statements:*	*Signature of the person responsible for bookkeeping:*