



MORAVIA STEEL

CONSOLIDATED ANNUAL REPORT

I	OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD	04
II	THE MORAVIA STEEL GROUP'S PROFILE	06
III	STATUTORY BODIES AND MANAGEMENT OF THE COMPANY	08
IV	REPORT OF THE BOARD OF DIRECTORS	10
V	AUDITOR'S REPORT	24
VI	FINANCIAL PART I. – FINANCIAL STATEMENTS	27
	BALANCE SHEET FULL VERSION – ASSETS	28
	BALANCE SHEET FULL VERSION – LIABILITIES AND EQUITY	30
	PROFIT AND LOSS ACCOUNT	31
	STATEMENT OF CHANGES IN EQUITY	33
	CASH FLOW STATEMENT	34
	NOTES TO THE FINANCIAL STATEMENTS	36
VII	FINANCIAL PART II. – CONSOLIDATED FINANCIAL STATEMENTS	70
	CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS	71
	CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES AND EQUITY	74
	CONSOLIDATED PROFIT AND LOSS ACCOUNT	76
	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	79
	CONSOLIDATED CASH FLOW STATEMENT	80
	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	82

GENERAL SECTION

OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

TO SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES.

The year 2021 was marked by the pandemic and the related ongoing measures that have had an impact on the global business sphere and economy. Production and logistics chains around the world, which had been operating as normal until then, were disrupted and the supply and prices of raw materials, energy and other input materials, which are also important for metallurgy, were affected as well. More significant issues were also experienced in related industries to which we supply our products – the automotive industry is a typical example. Combined with the EU's pressure on the Green Deal, together with the rising price of emission allowances, this situation has led to a significant increase in inflation in Europe and the world, with significant impacts on the living standard of citizens.

Despite all these difficulties, the economy stabilised during the second half of 2021, with positive signs for the period ahead. However, the military conflict in Ukraine has dealt a new blow to this outlook, with widespread global implications not only for the supply of raw materials such as iron ore, but also for other commodities, including food for developing countries. These difficult times continue and the MORAVIA STEEL (MS) Group will once again have to look for methods and solutions to manage these complications successfully.

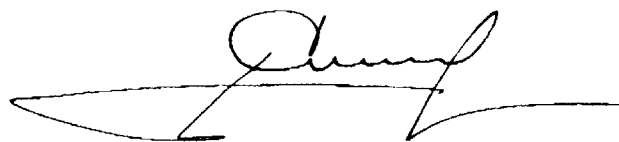
The MS Group consists mainly of companies focused on iron metallurgy, metalworking, engineering production and trade in related products. The Group also includes firms that focus on the creation and production of live-action motion pictures and other audio-visual works, or the field of sports activities. The long-term positive economic results of the MS Group

are favourably affected by the long-term, appropriately defined strategy, which focuses on products with a higher degree of processing and on the creation of product chains.

The MS Group reported a profit of CZK 3.037 billion in the 2021 reporting period

I would therefore like to express my sincere thanks to all employees of the MS Group as well as to our business and other corporate partners for their cooperation to date. I am convinced that it will continue purposefully in the coming period.

Yours sincerely,



Tomáš Chrenek

Chairman of the Supervisory Board
of MORAVIA STEEL a.s.





THE MORAVIA STEEL GROUP'S PROFILE

The MS Group consists mainly of companies focused on iron metallurgy, metalworking, engineering production and trade in related products. The MS Group also includes companies that focus on the creation and production of live-action motion pictures and other audio-visual works, or the field of sports activities.

The MS Group holds a stable and strong position among the leading sellers of metallurgical products in the Czech Republic as well as foreign markets, primarily in EU countries. An integral part of the activity is also the provision of domestic and international transport, the purchase and sale of raw materials and other inputs needed for metallurgical production.

The key economic indicators of the MS Group between 2019 and 2021 prove the Group's ability to cope with less favourable periods in global economic development and in the metallurgical and steel industry.

The consolidated sales include sales to final consumers and external customers. These include, in addition to metallurgical products, which is the Group's main programme, also the sale of drop forgings including complete service, the sale of fasteners, sale of buffers, draw gears, screw couplers and towing hooks for rolling stock and locomotives, forgings and mouldings for railway and other industries, sales related to custom engineering production and construction activities, sales of energy and energy services, sales of steel and cast iron castings, sales of wide ranges of chains, sales of refractory materials, sales of automation technology and equipment for secondary technological processes, sales of fasteners, mainly screws, nuts and special fasteners and forgings, sales of undercarriage springs for railway and automotive industries, sales of modified wire e.g. through galvanising and pickling, sales for wind energy sector.

MS GROUP ECONOMIC INDICATORS BETWEEN 2019 AND 2021

INDICATOR	UNIT	2019	2020	2021
SALES OF PRODUCTS, SERVICES AND GOODS	CZK MILLION	51 424	47 615	58 210
OPERATING PROFIT OR LOSS	CZK MILLION	2 935	1 590	4 228
PROFIT OR LOSS BEFORE TAXATION	CZK MILLION	2 858	1 619	3 791
PROFIT OR LOSS FOR THE REPORTING PERIOD	CZK MILLION	2 204	1 256	3 037
ROS BEFORE TAXATION	%	5,6	3,4	6,5
EBITDA	CZK MILLION	5 264	4 093	6 792
EBITDA MARGIN	%	10,2	8,6	11,7
TOTAL ASSETS	CZK MILLION	57 006	59 371	61 788
FIXED ASSETS	CZK MILLION	29 803	30 305	29 169
CURRENT ASSETS	CZK MILLION	27 204	29 066	32 619
EQUITY	CZK MILLION	40 900	42 111	43 121
LIABILITIES	CZK MILLION	15 445	16 572	17 932
TOTAL DEBT TO EQUITY	%	27,1	27,9	29,0



STATUTORY BODIES AND MANAGEMENT OF THE COMPANY

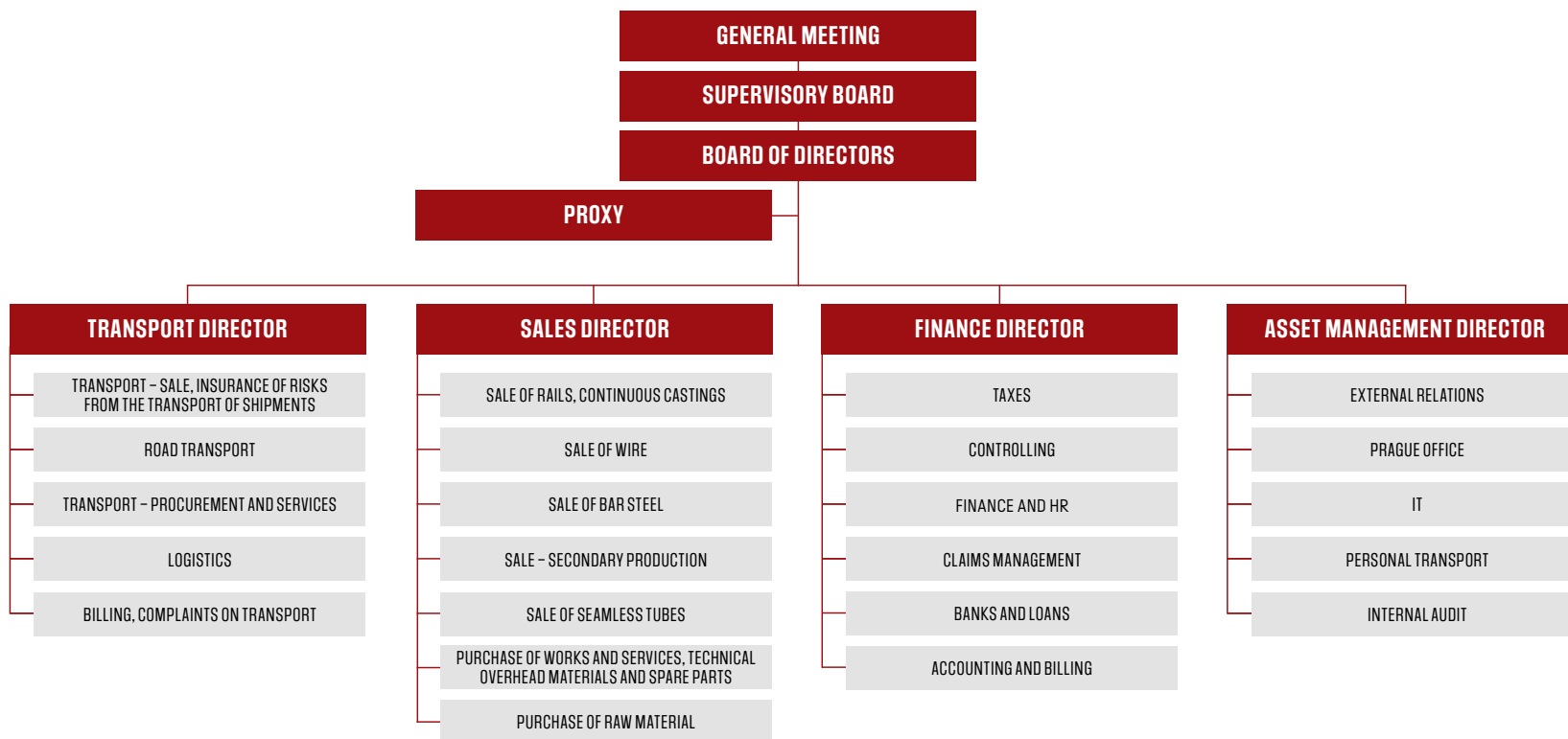
SUPERVISORY BOARD OF THE COMPANY AS OF 31 DECEMBER 2021

CHAIRMAN	TOMÁŠ CHRENEK
VICE-CHAIRMAN	EVŽEN BALHO
VICE-CHAIRMAN	JÁN MODER
MEMBER	MÁRIA BLAŠHOVÁ

BOARD OF DIRECTORS OF THE COMPANY AS OF 31 DECEMBER 2021

CHAIRMAN	PETR POPELÁŘ
VICE-CHAIRMAN	KRZYSZTOF ROCH RUCIŃSKI
MEMBER	MOJMÍR KAŠPŘIŠIN
MEMBER	URŠULA NOVOTNÁ

ORGANISATIONAL STRUCTURE OF MORAVIA STEEL a.s.



IV

REPORT OF THE BOARD OF DIRECTORS

DEVELOPMENT OF THE CZECH ECONOMY

In 2021, the Czech economy continued to recover from the pandemic downturn. However, after the restrictions on trade and services had been lifted, the problems with the shortage of components, which hindered the industry especially in the second half of the year, became apparent. Price increases also intensified in the second half of the year.

Overall, gross domestic product grew by 3.3% in 2021. The growth was fully supported by domestic consumption and capital spending. In contrast, external demand impeded economic development. According to the Czech Statistical Office (CZSO), domestic consumption was boosted by the lifting of restrictions on retail trade and services in May. Household consumption was thus a key contributor to the year-on-year growth of the economy, especially in the second half of the year. At the same time, however, the disruption

in supply chains, which severely impeded the export of goods, became fully apparent.

The shortage of components in 2021 had a particularly negative impact on the production of motor vehicles. According to the CZSO, the high weight of this segment of the Czech industry significantly influenced the decline in economic performance in the second half of the year. However, other industrial sectors performed well and most services also developed favourably. Gross value added grew by 3% overall last year, but in real terms most of the economy lagged behind 2019 levels.

Industrial producer price growth accelerated sharply, with total producer price increases reaching 7.1% last year, the highest since 1995. This is because prices of a number of raw materials, including oil, natural gas, metals and lumber, continued to rise, which was reflected in related industries.

Industrial producer price growth accelerated sharply, with total producer

price increases reaching 7.1% last year, the highest since 1995. This is because prices of a number of raw materials, including oil, natural gas, metals and lumber, continued to rise, which was reflected in related industries.

For the entire 2021, industrial growth was driven mostly by the production of metal structures and fabricated metal products. This was also related to a recovery in domestic and foreign demand in metallurgy, where last year's performance grew the most since 2010 (+11.4%).

Nominal sales of industrial enterprises increased by 10.8% year-on-year in 2021. However, in Q4 alone, they have only grown by 3.1%, significantly less than the cost of production expressed through industrial producer prices. Direct export sales were even slightly below their level at the end of 2020, partly because they were more affected by the weakening of car manufacturers.

Aggregate sales grew most in the metallurgy industry (by 41.0%) in

the fourth quarter, but similarly to coal mining (+26.3%), wood processing (+21.8%) and metalworking (+13.1%), this was solely due to sharp price growth.

The value of new industrial orders rose by 3.6% year-on-year in Q4 2021, with domestic demand increasing at a slightly higher rate than foreign demand. However, the rapid growth in orders in the metallurgy (36.5%), chemical (46.0%) and paper (18.0%) industries was largely offset by rising production costs of firms.

DEVELOPMENT OF THE STEEL INDUSTRY

Raw steel production in the Czech Republic reached approximately 4.8 million tonnes in 2021, representing a year-on-year increase of nearly 8%. The domestic steel industry has thus recovered from the COVID-19 crisis of 2020.

Thanks to a strong recovery in demand, production grew in almost all categories. Production increased in both long products and flat products, to around 3.1 and 1.1 million tonnes,

respectively. This reconfirmed the Czech Republic's long-standing strong position in long products.

Demand for steel products grew particularly strongly in the first half of 2021. According to the Steel Union, domestic companies often produced at the limits of their production capacity.



The economic recovery is also confirmed by data on exports and imports of steel products. Imports rose sharply in 2021, reaching a historical high of 8.3 million tonnes of steel, totalling CZK 182.3 billion. Exports grew as well, reaching a total volume of 4.9 million tonnes, with a total value of CZK 122.6 billion. EU member states, especially our neighbouring countries of Germany, Poland and Slovakia, remained the key markets for Czech steel.

Třinecké železárny (TŽ), a joint-stock company belonging to the MS Group, produced 2.4 million tonnes of raw steel in 2021. TŽ's production fell by 7% year-on-year, mainly due to the repair of Blast Furnace No. 6.

Global raw steel production rose by 3.7% to a record 1,950 million tonnes in 2021. China, as the world's largest producer of raw steel, was forced to cut back operations in the second half of the year, resulting in a 3% year-on-year reduction. However, it produced approximately 1,033 million tonnes in total.

The European Union, already without the UK, produced almost 153 million tonnes of raw steel in 2021. This represented a year-on-year increase of more than 15%. Germany produced the highest amount of raw steel – over 40 million tonnes, followed by Italy at 24.4 million tonnes, Spain at 14 million tonnes and France at 13.9 million tonnes. The share of EU countries in global raw steel production rose from 7% in 2020 to the current 7.8%.

MORAVIA STEEL GROUP

In the year ended 31 December 2021, the MS Group reported a profit of CZK 3.037 billion, with sales of products, services and goods of CZK 58.210 billion. The total assets of the MS Group amounted to CZK 61.788 billion.

MORAVIA STEEL a.s. generated a profit of CZK 988 million in the 2021 reporting period. Sales volume of metallurgical products exceeded 2,279 kilotonnes (kt). More than 1,595 kt were exported, while almost 684 kt of the products sold went to the domestic Czech market.

In the long term, the most important export territory for MORAVIA STEEL a.s. is the EU countries. Germany has traditionally had the largest share of EU exports. In 2021, its share exceeded 28%. The second most important country is Italy with almost 17% and Slovakia came third with EU export share exceeding 15%. Other important partner countries are Poland (share of 12.6%) and Hungary (8.2%). Approximately 3% of total exports to the EU went to Romania.

The 2021 results of MORAVIA STEEL a.s. reflect the long-term strategy of the MS Group. This strategy concentrates on products with a higher processing grade and the creation of product chains, with a focus on products intended for the engineering, energy, oil or automotive industries. For this reason, the group prefers the production of rolled wire for the production of screws, springs, bearings and cords, special bar steel, steel treated in the final phase, and wide and flat tool steel.

DEVELOPMENT IN SALES OF MORAVIA STEEL A.S. BETWEEN 2019 AND 2021

SUPPLIES IN TONNES	2019	2020	2021
EXPORT	1 574 912	1 637 796	1 595 294
DOMESTIC	761 967	717 793	683 747
TOTAL	2 336 879	2 355 589	2 279 041

STRUCTURE OF EXPORTS AS A PERCENTAGE OF THE TOTAL SUPPLIES OF MORAVIA STEEL A.S.

STRUCTURE OF EXPORTS IN %	2019	2020	2021
EUROPEAN UNION – INCLUDING THE UK	77,2	82,6	80,1
OTHER EUROPEAN COUNTRIES	0,5	0,6	0,7
AFRICA	0,1	0,0	0,0
ASIA	0,1	0,3	0,2
AMERICA	7,0	2,9	4,2
AUSTRALIA	0,0	0,0	0,0
SLOVAKIA	15,1	13,6	14,8
TOTAL	100,0	100,0	100,0

DEVELOPMENT IN THE PRODUCT RANGE STRUCTURE OF METALLURGICAL PRODUCT SALES OF MORAVIA STEEL A.S.

SALES IN TONNES	2019	2020	2021
WIRE ROD (INCLUDING DRAWN, ANNEALED AND PHOSPHATE COATED WIRES)	999 180	1 023 116	966 048
BILLETS AND CONTINUOUS CASTINGS	281 943	299 784	249 491
REINFORCING STEEL	26 118	32 277	6 769
RAILS	234 878	222 917	229 812
PRODUCTS OF TŽ IN Kladno	266 050	262 593	276 246
UT BOHUMÍN	41 932	41 684	42 877
PRODUCTS OF VF – TŽ STARÉ MĚSTO FACILITY	75 519	79 581	91 373
OTHER (BARS, SECTIONS, ETC.)	302 156	294 855	312 247
PIPES – VT TŽ OSTRAVA	94 830	87 437	92 463
RAIL FASTENINGS	14 273	11 345	11 715
TOTAL	2 336 879	2 355 589	2 279 041

Accounting for 42.1% of the total production, **WIRE ROD** has been the most significant item of the production programme of TŽ in the long term. It includes the production of the Continuous Wire Rodi Mill (KDT) and the Continuous Fine Section Mill (KJT).

In 2021, we sold 959.3 kilotonnes (kt) of wire rod, of which approximately 845.4 kt from KDT and 113.9 kt from KJT. This represents a decrease of 63.2 kt for KDT and an increase of 5 kt for KJT compared to the previous year. However, given the favourable market situation, this represents a total increase in sales of around 24%.

The year 2021 was marked by high demand for wire rod, which started in the fourth quarter of the previous year. The sharp rise in demand was driven by a significant increase in construction investment and a favourable situation in the mechanical engineering sector. The automotive sector showed some issues due to the shortage of chips and the related disruption in production flow. From the beginning of the year, we

faced a sharp increase in raw material prices, which we were able to reflect in selling prices only from the second quarter onwards. Prices subsequently continued to increase throughout the year. The second half of the year was partly affected by the planned repair of the blast furnace VP No. 6 and the associated lower inventory of billets and lower sales.



Territorially, 28% of production was sold domestically and 72% was exported abroad.

In terms of the quality structure of steel groups produced at KDT, medium and high carbon steel accounts for 62.4%, low-carbon steel accounts for 16.2%, and bolting steel accounts for 9.3%. The remaining approximately 12% is attributable to other types – electrode, spring, chain and bearing steel.

At KJT, the most significant commodity are screw-type wires with a share of 43.6%, followed by carbon steel with 23.8%, low-carbon with 15.8% and free-cutting with 9.8%. The rest consists of a minor amount of spring, chain and bearing steel.

The second most important portfolio item in terms of volume is **BAR STEEL**. It includes the production of the Medium Section Mill and the Continuous Fine Section Mill in Třinec and the wire rod mill at the TŽ Kladno plant. The sales of bar steel in 2021 amounted to 589.2 kt.

Demand for bar steel was very strong in the first half of 2021. It was mainly driven by the automotive industry. In the second half of the year, however, problems with the supply of semiconductors (chips) and other components needed for car production began to emerge, particularly in this industry. This led to a significant slowdown in demand in the months August to October, when car manufacturers resorted to plant shutdowns. The decline was particularly noticeable for smaller diameter bars up to 80 mm, produced at the Třinec Fine Section Mill. Lower demand was partly compensated by production and sales of concrete steel (6.7 kt) in this period.

For the dimensions produced at the Kladno plant (100 mm – 300 mm), market conditions were favourable throughout 2021. The sectors to which bar steel from Kladno is supplied were not significantly affected by the aforementioned semiconductor problems. Lower demand from the truck sector at the turn of Q3-Q4 was compensated by a higher number of

orders from other industries or, more precisely, from the distribution sector.

The sales volume of bar steel increased by 6% compared to 2020.

The actual sales of **WIDE AND FLAT STEEL** from the Universal Strip Mill in Bohumín (UT) amounted to 42.9 kt, an increase of approx. 1.2 kt compared to 2020.

In 2021, less than 13% of UT's production went to the domestic market and 87% was exported to European countries, the German market remained key.

The share of deliveries to warehouses and traders was around 78%. Basic structural brands of steels continued to be UT's main product range, with a share of around 89% of the production portfolio, almost unchanged compared to 2020.

The sales of **DRAWN STEEL** were still affected by the COVID-19 pandemic in 2021. However, demand has increased substantially. Companies focused on

finishing production quickly resumed their activities. Increased but very uneven demand in the automotive sector was characteristic, driven by a shortage of electronic components for the assembly of road vehicles.

Further increases in the value added of the most profitable product ranges were achieved in the peeling, grinding and cutting sectors. Higher stock turnover and reduced logistics times during dispatch were achieved by operating the Kasto 1 and 2 stacking systems.

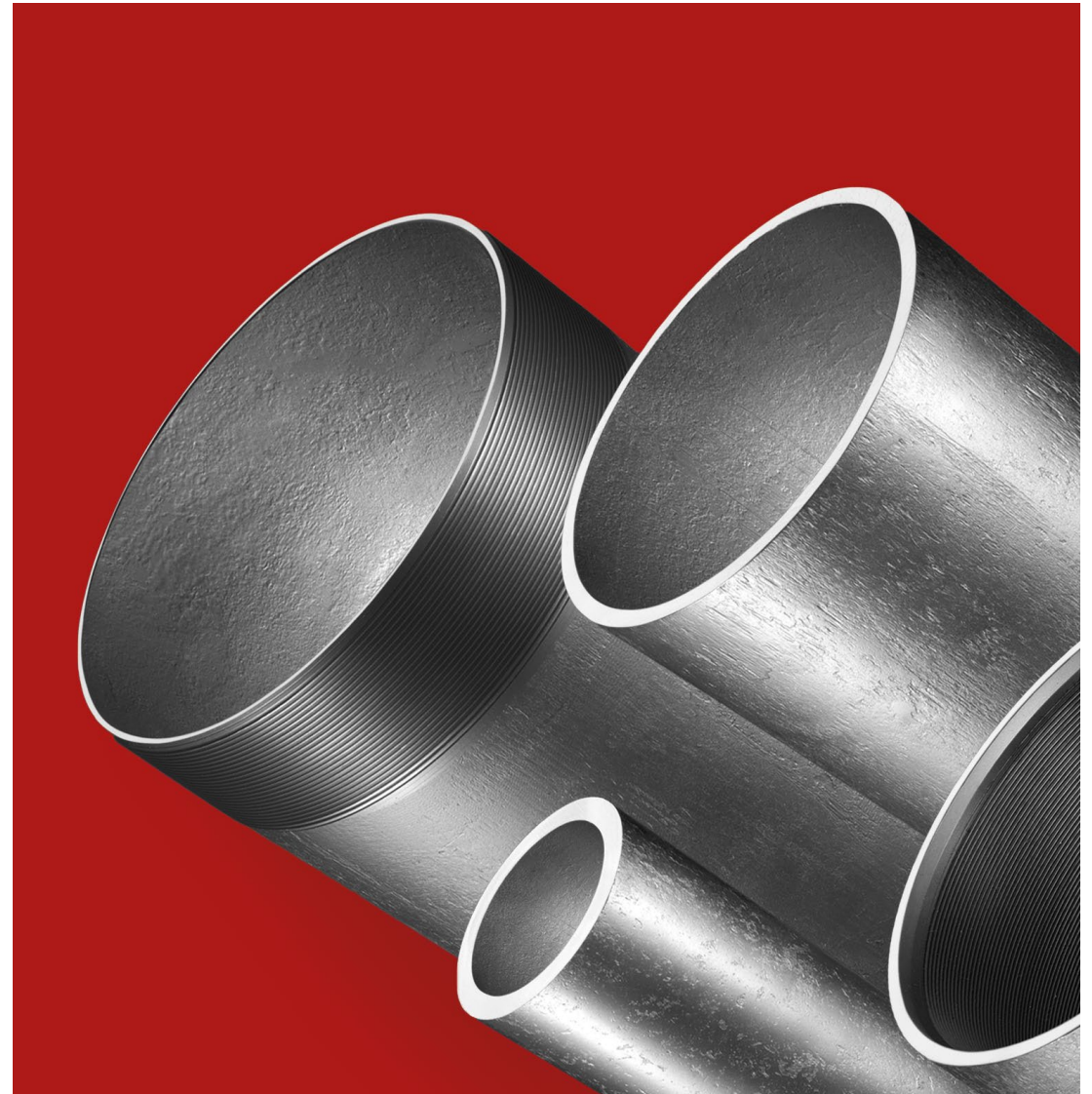
Thus, in 2021, the sales of drawn steel amounted to 91.4 kt and represented, despite the unfavourable persistent effects caused by the pandemic, 11.8 kt higher sales than in 2020.

The MORAVIA STEEL Group further strengthened its position as a reliable manufacturer with a focus on high quality of supply to the domestic and European markets by introducing new production technologies at TŽ in Staré Město (near Uherské Hradiště).

Sales of drawn, annealed and phosphate coated wire in coils from Staku drawing line amounted to 6.741 kt in 2021. This amount was 1.08 kt higher compared to 2020 and it was primarily directed at automotive customers and bearing producers. The main reason was the recovery of business after the COVID-19 pandemic. Despite the fact that many pandemic measures were still in force, companies increased their consumption and returned to the production volumes of previous years. Furthermore, the line performance was also affected by the high share of double-drawing.

Sales of **SEAMLESS TUBES** reached the level of 93 kt in 2021, with major volumes targeted at EU markets (96%). Due to continued demand, sales were mainly driven by heavy engineering (machining and hydraulic cylinder production) and infrastructure projects.

In the OCTG tubing business (4%), we made sales in limited quantities to the EU (geothermal drilling) and US (couplings) markets.



The sale of **RAILS** in 2021 builds on long-term contracts from previous years and is based on deliveries to German Railways, Canada and the USA, Poland and the Czech Republic. The renewed contract with Israel Railways is also an important addition to the overall implementation portfolio.

Total deliveries in 2021 amounted to almost approx. 230 kt, and the trend of rail development and construction is also promising for the future. In 2021, we saw a very positive outcome in the German Railways tender, the US steel import duty was lifted, and planned investments in the construction and modernisation of railway lines in the Czech Republic, Poland and the rest of Europe are also good news.

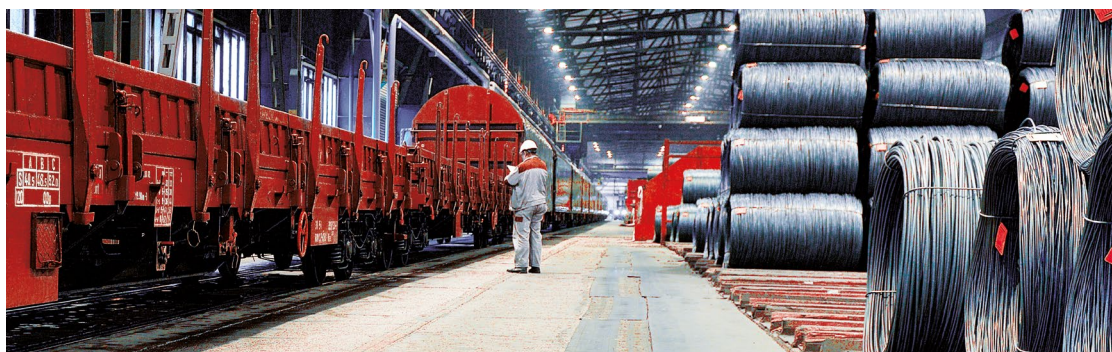
Despite the restrictions caused by the impact of the pandemic situation, strong demand is expected for the period ahead. Nevertheless, the introduction of production of hardened rails, the consumption of which is constantly increasing, will be very important in the near future. This type of rails is needed in virtually

all markets and should enable us to expand to other destinations where we can supply our rails in addition to our existing market portfolio.

RAILWAY ACCESSORIES in the form of rail fastenings are an important accompanying production programme for the supply of rails. In 2021, sales of this commodity recorded a stronger growth compared to the previous year, although the volume of deliveries was slightly below the plan, mainly due to lower consumption on the Polish market in the first half of 2021. However, the order structure resulted in a performance of 11.8 kt and a higher price. The Czech Republic, Poland, Switzerland, Slovakia, Hungary and France remain key markets for sales of rail fastenings. For the next period, we expect a positive trend in sales of rail fastenings, which should be supported by the modernisation of the line for the finishing of base plates.

The sale of **CONTINUOUS CASTINGS** and **BILLETS** has been experiencing a long-term favourable development of demand and custom filling. This is due

to the appropriate diversification and focus on two basic sectors – rail and energy, partly mechanical engineering. Both of these sectors are undergoing long-term development and demand seasonally exceeds our capacity. In addition, in 2021, our supply capability was partially constrained by the overhaul of the blast furnace and therefore it was necessary to allocate supply appropriately among key customers. These are mainly manufacturers of railway wheelsets, wheels and axle shafts both in the Czech Republic and in other European countries. Similarly, the basic customers are the buyers of continuous castings for the production of bearing rings for wind power plants. Sales of continuous castings reached almost 202 kt in 2021, with deliveries mainly to the domestic market, to Italy, Spain, Germany and Poland. Rolled semi-finished products are mainly supplied to manufacturers of railway carriage axle shafts in the Czech Republic and Germany, with a smaller part of the volume produced also being supplied to Poland. The volume of deliveries in 2021 reached 47 kt.



The purchase of **RAW MATERIALS** and **OTHER INPUTS** for TŽ and other subsidiaries is a significant part of the Company's turnover. To secure production at TŽ, strategic raw materials include ores, coal, coke, scrap, ferrous alloys, metals and basic additives.

MORAVIA STEEL a.s. procures the essential raw materials with respect to availability, required quality and optimum acquisition costs.

During 2021, there were further significant increases in iron ore prices, triggered by global demand for this commodity.

From the current events taking place on the international scene it is necessary to mention the war conflict in Ukraine and the associated persistent uncertainty with regard to the supply of raw materials, especially iron ore. We have started to work immediately on strengthening the spectrum of ore suppliers and set our production processes to react promptly to developments of the war conflict.

At the same time as the EU's increasing pressures to transform steel production using green technologies, the demand for scrap metal is increasing. This reduces its availability and leads to significant price increases for this raw material.

Coking coal, in view of the changes caused by OKD's gradual production dampening, also creates the need to replace these supplies from other sources, including imports of coking coal from overseas. The reduced availability of this raw material dramatically increases its price.

LOGISTICS, FREIGHT TRANSPORTATION

2021 was a turbulent year for all of us. Production, logistics and business processes in the steel industry were also tested for their resilience.

The transport of goods has suffered substantially as a result of the pandemic. Stabilisation in this sector was particularly impeded by rising energy and fuel prices, lack of availability of qualified human resources, limitations in transport infrastructure, congestion, including sudden disruptions or reorganisation of maritime transport.

We assess the 2021 business year as a successful one. It is apparent that we remain an important partner with

growth potential for our business partners and customers. We intend to continue to maintain our position.

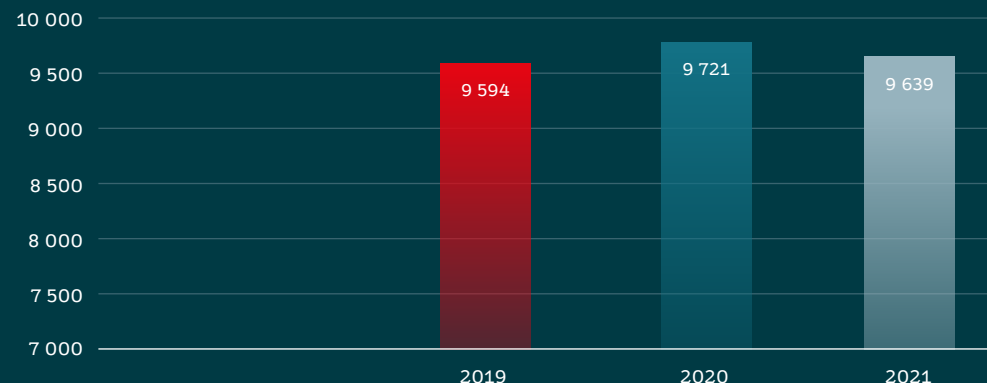
In connection with the strategic pillars of the MS/TŽ Group, we continuously cooperated on environmental projects, digitalisation and product innovations.

Project activities primarily focused on the following areas:

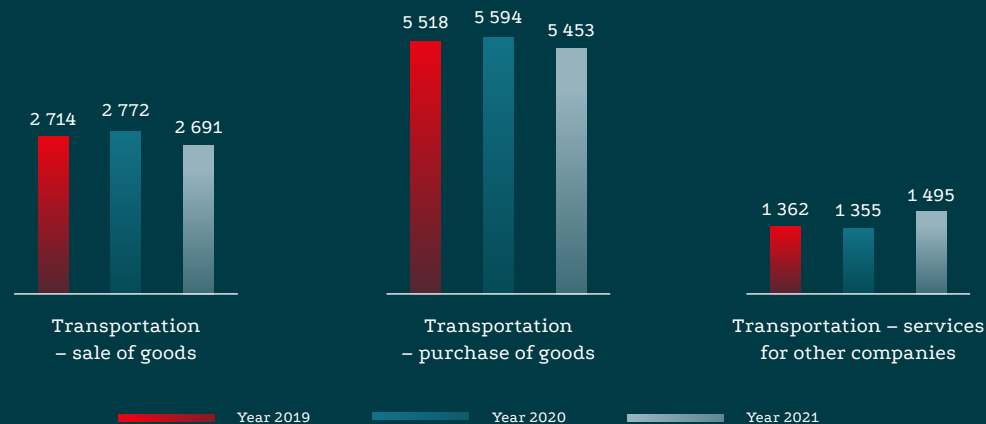
Risk Management

- Higher segmentation and differentiation of supply chains (decline of coal mining in the Czech Republic);
- Elimination of the impact of large-scale investments in harbour and transport infrastructure;
- Availability, ordering rolling stock;
- legislative measures resulting from the EU Road Package, EU climate targets – "GREEN DEAL"; and
- Cyber risks, traffic fraud.

DEVELOPMENT OF THE TOTAL TRANSPORTATION VOLUME OF MORAVIA STEEL A.S. (KT)



TRANSPORTATION VOLUME STRUCTURE (KT)



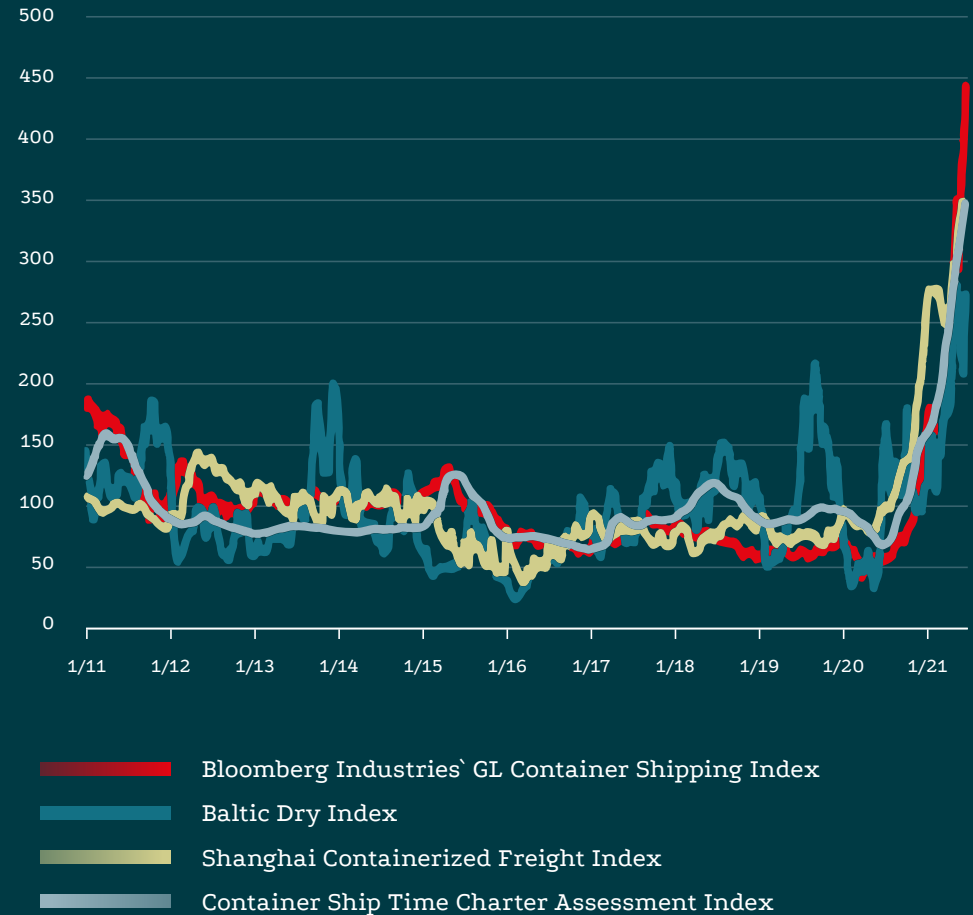
Process and capacity optimisation

- Road transportation of goods – infrastructure for the movement of road vehicles in manipulation areas, contactless processing of shipments, facilities for road vehicle crews;
- Railway transportation – railway siding operation; Innofreight modular transport system;
- Predictive analytics to expand throughput in logistics flows;
- Computerisation of service billing and accompanying documents;
- Business optimisation with the use of digital technology, compatibility of information systems; and
- Reverse product logistics.

MORAVIA STEEL a.s. continued to foster cooperation with professional associations and the state administration.

The difficulties in international transport and the resulting disrupted supply chains have been an important topic not only for economists, see the chart below:

RISING TRANSPORT COSTS BY SEVERAL INDEXES, INDEX 100 = LONG-TERM AVERAGE



Source: Bloomberg

Note: The value 100 indicates the average of the index over last 10 years.

MANAGEMENT SYSTEM, HUMAN RESOURCES

The MS Group's approach towards employees is based on openness and mutual respect. During 2021, no significant changes were made in the HR strategy, where there is an ongoing process of improvement and increasing efficiency in the area of HR management.

As in previous years, the MS Group supports the education and professional development of its employees on an ongoing basis, primarily in the form of specialised training courses, workshops, language and IT courses. The main objective is to ensure the qualification level of employees, to deepen and broaden their professional knowledge and skills, which results in increased efficiency and competitiveness.

The Group also provides its employees with above-standard benefits, e.g. in the form of contribution for company catering, or the provision of elective employee benefits, which it endeavours to continuously expand. In cooperation

with the Czech Industrial Health Insurance Company (ČPZP), a number of preventive health initiatives were implemented to support the health of the employees, in particular spa stays or supplementary reconditioning care, including physical activities, massages, relaxation procedures and nutrition counselling.

The basic principles of the MS Group's conduct, including its relation to employees, corporate culture and corporate social responsibility, are set out in the "Company's Code of Conduct", with which all employees have been made duly familiar. The Group continued to pay increased attention to the personal data protection system in 2021 in order to further meet the requirements of Regulation (EU) 2016/679 of the European Parliament and the Council on the protection of personal data, the GDPR, along with continuous monitoring and updating of individual related areas.



In 2021, due to the ongoing unfavourable epidemiological situation, great emphasis was placed on the safety and health of all employees in the workplace, by observing all strict hygiene rules together with the setting of organisational measures by the Company's management in cooperation with the Commission for the Epidemiological and Pandemic Plan and sufficient communication at all levels within the Company as well as the MS Group. In cooperation with the Agel Hospital Třinec-Podlesí, the employees of the MS Group were given the opportunity to be vaccinated against the COVID-19 disease within the premises of TŽ.

Development and research have long been focused on the introduction of new technologies in various areas across the production flow, where active cooperation takes place within the whole MS Group in the work on research projects. MORAVIA STEEL a.s. does not conduct research and development independently.

In 2021, environmental activities and assistance of the MS Group employees to non-profit organisations continued within the MS Group.

The MS Group performs its activities in accordance with the applicable environmental legislation.

The MS Group has no branch or any other part of its business abroad.

In the year ended 31 December 2021, MORAVIA STEEL a.s. was not a controlled entity within the meaning of Section 74 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, since in the relevant reporting period, no person had the opportunity to directly or indirectly exercise controlling influence over MORAVIA STEEL a.s. and thus become its controlling entity. For this reason, MORAVIA STEEL a.s. was also not obliged to prepare a report on relations pursuant to Section 82 et seq. of the above-mentioned Act.





AUDITOR'S REPORT



Deloitte Audit s.r.o.
Churchill
Italská 2581/157
120 00 Praha 2 – Vinohrady
Czech Republic

Tel: +420 246 042 500
Fax: +420 246 042 555
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Registered by the Municipal Court
in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
MORAVIA STEEL a.s.

Having its registered office at: Průmyslová 1000, Staré Město, 739 61 Třinec

Opinion

We have audited the accompanying financial statements of MORAVIA STEEL a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2021, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We have audited the accompanying consolidated financial statements of the MORAVIA STEEL a.s. consolidation group (hereinafter also the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as of 31 December 2021, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion:

The accompanying financial statements give a true and fair view of the financial position of MORAVIA STEEL a.s. as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the MORAVIA STEEL a.s. consolidation group as of 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic 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.

Emphasis of Matter

We draw attention to Note 8 to the financial statements and Note 9 to the consolidated financial statements, which describe the impacts resulting from the Russian-Ukrainian conflict. Our opinion is not modified in respect of this matter.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL is also referred to as "Deloitte Global" and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the financial statements and the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements and the consolidated financial statements does not cover the other information. In connection with our audit of the financial statements and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements and the consolidated financial statements is, in all material respects, consistent with the financial statements and the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements and the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements and the consolidated financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements and the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the consolidated financial statements, the Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements and the consolidated 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 ISAs 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 and consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the consolidated 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 and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 and Group'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 and the consolidated 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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the consolidated financial statements, including the disclosures, and whether the financial statements and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 26 May 2022

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Václav Joubek
registration no. 2037



FINANCIAL SECTION



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

NAME OF THE COMPANY:	MORAVIA STEEL a.s.
REGISTERED OFFICE:	PRŮMYSLOVÁ 1000, STARÉ MĚSTO, 739 61 TŘINEC, CZ
LEGAL STATUS:	JOINT STOCK COMPANY
CORPORATE ID:	63474808
RECORD IN THE REGISTER OF COMPANIES:	RECORDED IN FILE I297, SECTION B OF THE REGISTER OF COMPANIES HELD BY THE REGIONAL COURT IN OSTRAVA

COMPONENTS OF THE FINANCIAL STATEMENTS:

BALANCE SHEET
PROFIT AND LOSS ACCOUNT
STATEMENT OF CHANGES IN EQUITY
CASH FLOW STATEMENT
NOTES TO THE FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS WERE PREPARED ON 21. 2. 2022.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE
PĚTR POPELÁŘ CHAIRMAN OF THE BOARD	
MOJMÍR KAŠPŘIŠIN MEMBER OF THE BOARD	

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

	31. 12. 2021			31. 12. 2020
	GROSS	ADJUSTMENT	NET	NET
TOTAL ASSETS	23 707 527	1 066 367	22 641 160	21 921 688
A. RECEIVABLES FOR SUBSCRIBED CAPITAL				
B. FIXED ASSETS	10 150 840	826 954	9 323 886	9 477 924
B.I. <i>INTANGIBLE FIXED ASSETS</i>	185 054	126 277	58 777	76 004
B.I.1. DEVELOPMENT	72	72		
B.I.2. <i>VALUABLE RIGHTS</i>	184 282	125 505	58 777	76 004
B.I.2.1. SOFTWARE	1 678	1 678		
B.I.2.2. OTHER VALUABLE RIGHTS	182 604	123 827	58 777	76 004
B.I.4. OTHER INTANGIBLE FIXED ASSETS	700	700		
B.II. <i>TANGIBLE FIXED ASSETS</i>	91 633	77 663	13 970	17 824
B.II.1. <i>LAND AND STRUCTURES</i>	907	38	869	887
B.II.1.1. LAND				
B.II.1.2. STRUCTURES	907	38	869	887
B.II.2. TANGIBLE MOVABLE ASSETS AND SETS OF TANGIBLE MOVABLE ASSETS	90 161	77 625	12 536	16 937
B.II.5. <i>PREPAYMENTS FOR TANGIBLE FIXED ASSETS AND TANGIBLE FIXED ASSETS UNDER CONSTRUCTION</i>	565		565	
B.II.5.2. TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	565		565	
B.III. <i>NON-CURRENT FINANCIAL ASSETS</i>	9 874 153	623 014	9 251 139	9 384 096
B.III.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	9 870 149	623 014	9 247 135	9 376 200
B.III.3. EQUITY INVESTMENTS IN ASSOCIATES				2 886
B.III.7. <i>OTHER NON-CURRENT FINANCIAL ASSETS</i>	4 004		4 004	5 010
B.III.7.2. PREPAYMENTS FOR NON-CURRENT FINANCIAL ASSETS	4 004		4 004	5 010
C. CURRENT ASSETS	13 556 687	239 413	13 317 274	12 443 764


 TABLE CONTINUES ON THE FOLLOWING PAGE

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31. 12. 2021			31. 12. 2020
		GROSS	ADJUSTMENT	NET	NET
C.I.	<i>INVENTORIES</i>	413 326		413 326	730 872
C.I.1.	MATERIAL	1 788		1 788	2 055
C.I.3.	<i>PRODUCTS AND GOODS</i>	411 538		411 538	728 817
C.I.3.2.	GOODS	411 538		411 538	728 817
C.II.	<i>RECEIVABLES</i>	11 069 103	239 413	10 829 690	8 628 377
C.II.1.	<i>LONG-TERM RECEIVABLES</i>	2		2	2
C.II.1.5.	<i>RECEIVABLES – OTHER</i>	2		2	2
C.II.1.5.2.	LONG-TERM PREPAYMENTS MADE	2		2	2
C.II.2.	<i>SHORT-TERM RECEIVABLES</i>	11 044 497	239 413	10 805 084	8 609 495
C.II.2.1.	TRADE RECEIVABLES	10 759 740	224 954	10 534 786	8 247 310
C.II.2.2.	RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY	12 402	12 402		
C.II.2.4.	<i>RECEIVABLES – OTHER</i>	272 355	2 057	270 298	362 185
C.II.2.4.3.	STATE – TAX RECEIVABLES	91 229		91 229	152 050
C.II.2.4.4.	SHORT-TERM PREPAYMENTS MADE	8 077		8 077	12 254
C.II.2.4.5.	ESTIMATED RECEIVABLES	125 491		125 491	114 119
C.II.2.4.6.	SUNDRY RECEIVABLES	47 558	2 057	45 501	83 762
C.II.3.	<i>OTHER ASSETS</i>	24 604		24 604	18 880
C.II.3.1.	DEFERRED EXPENSES	12 034		12 034	7 557
C.II.3.3.	ACCRUED INCOME	12 570		12 570	11 323
C.IV.	<i>CASH</i>	2 074 258		2 074 258	3 084 515
C.IV.1.	CASH ON HAND	453		453	442
C.IV.2.	CASH AT BANK	2 073 805		2 073 805	3 084 073

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31. 12. 2021	31. 12. 2020
TOTAL LIABILITIES & EQUITY	22 641 160	21 921 688
A. EQUITY	15 279 582	16 291 587
A.I. <i>SHARE CAPITAL</i>	3 159 000	3 159 000
A.I.I. SHARE CAPITAL	3 159 000	3 159 000
A.III. <i>FUNDS FROM PROFIT</i>	631 400	631 400
A.III.I. OTHER RESERVE FUNDS	631 400	631 400
A.IV. <i>RETAINED EARNINGS (+/-)</i>	10 500 909	11 745 191
A.IV.I. ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD (+/-)	10 500 909	11 745 191
A.V. <i>PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)</i>	988 273	755 996
B.+C. LIABILITIES	7 361 578	5 630 101
B. RESERVES	1 580	5 202
B.IV. OTHER RESERVES	1 580	5 202
C. PAYABLES	7 359 998	5 624 899
C.I. <i>LONG-TERM PAYABLES</i>	313 134	477 270
C.I.2. PAYABLES TO CREDIT INSTITUTIONS	309 213	471 525
C.I.8. DEFERRED TAX LIABILITY	3 921	5 745
C.II. <i>SHORT-TERM PAYABLES</i>	7 035 678	5 137 001
C.II.2. PAYABLES TO CREDIT INSTITUTIONS	137 428	145 085
C.II.3. SHORT-TERM PREPAYMENTS RECEIVED	214 624	244 341
C.II.4. TRADE PAYABLES	6 534 153	4 637 011
C.II.8. <i>OTHER PAYABLES</i>	149 473	110 564
C.II.8.3. PAYABLES TO EMPLOYEES	10 089	11 081
C.II.8.4. SOCIAL SECURITY AND HEALTH INSURANCE PAYABLES	4 730	5 780
C.II.8.5. STATE – TAX PAYABLES AND SUBSIDIES	37 055	2 244
C.II.8.6. ESTIMATED PAYABLES	96 595	91 457
C.II.8.7. SUNDRY PAYABLES	1 004	2
C.III. <i>OTHER LIABILITIES</i>	11 186	10 628
C.III.1. ACCRUED EXPENSES	10 389	10 388
C.III.2. DEFERRED INCOME	797	240

PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		YEAR ENDED 31. 12. 2021	YEAR ENDED 31. 12. 2020
I.	SALES OF PRODUCTS AND SERVICES	683 680	585 468
II.	SALES OF GOODS	71 317 202	56 416 072
A.	PURCHASED CONSUMABLES AND SERVICES	70 160 377	56 019 890
A.1.	COSTS OF GOODS SOLD	68 596 058	54 514 853
A.2.	CONSUMED MATERIAL AND ENERGY	6 012	5 276
A.3.	SERVICES	1 558 307	1 499 761
D.	STAFF COSTS	360 503	265 599
D.1.	PAYROLL COSTS	280 945	198 490
D.2.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS AND OTHER CHARGES	79 558	67 109
D.2.1.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS	76 443	64 240
D.2.2.	OTHER CHARGES	3 115	2 869
E.	ADJUSTMENTS TO VALUES IN OPERATING ACTIVITIES	18 902	43 262
E.1.	<i>ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS</i>	24 668	28 027
E.1.1.	ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS – PERMANENT	24 668	28 027
E.3.	ADJUSTMENTS TO VALUES OF RECEIVABLES	-5 766	15 235
III.	OTHER OPERATING INCOME	45 697	19 441
III.1.	SALES OF FIXED ASSETS	824	47
III.2.	SALES OF MATERIAL	4 090	3 493
III.3.	SUNDRY OPERATING INCOME	40 783	15 901
F.	OTHER OPERATING EXPENSES	90 036	125 135
F.1.	NET BOOK VALUE OF SOLD FIXED ASSETS	423	
F.2.	MATERIAL SOLD	3 768	3 244
F.3.	TAXES AND CHARGES	362	12 125
F.4.	RESERVES RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES	-3 622	4 227
F.5.	SUNDRY OPERATING EXPENSES	89 105	105 539


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

	YEAR ENDED 31. 12. 2021	YEAR ENDED 31. 12. 2020	
*	OPERATING PROFIT OR LOSS (+/-)	1 416 761	567 095
IV.	INCOME FROM NON-CURRENT FINANCIAL ASSETS – EQUITY INVESTMENTS	161 815	217 007
IV.1.	INCOME FROM EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	157 962	217 007
IV.2.	OTHER INCOME FROM EQUITY INVESTMENTS	3 853	
G.	COSTS OF EQUITY INVESTMENTS SOLD	2 886	
VI.	INTEREST INCOME AND SIMILAR INCOME	1 657	4 466
VI.1.	INTEREST INCOME AND SIMILAR INCOME – CONTROLLED OR CONTROLLING ENTITY	329	320
VI.2.	OTHER INTEREST INCOME AND SIMILAR INCOME	1 328	4 146
I.	ADJUSTMENTS TO VALUES AND RESERVES RELATING TO FINANCIAL ACTIVITIES	149 861	-11
J.	INTEREST EXPENSES AND SIMILAR EXPENSES	5 287	4 290
J.2.	OTHER INTEREST EXPENSES AND SIMILAR EXPENSES	5 287	4 290
VII.	OTHER FINANCIAL INCOME	715 218	1 173 826
K.	OTHER FINANCIAL EXPENSES	912 446	1 057 489
*	FINANCIAL PROFIT OR LOSS (+/-)	-191 790	333 531
**	PROFIT OR LOSS BEFORE TAX (+/-)	1 224 971	900 626
L.	INCOME TAX	236 698	144 630
L.1.	DUE INCOME TAX	238 522	141 063
L.2.	DEFERRED INCOME TAX (+/-)	-1 824	3 567
**	PROFIT OR LOSS NET OF TAX (+/-)	988 273	755 996
***	PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)	988 273	755 996
*	NET TURNOVER FOR THE CURRENT PERIOD	72 925 269	58 416 280

STATEMENT OF CHANGES IN EQUITY

(IN CZK THOUSAND)

	SHARE CAPITAL	CAPITAL FUNDS	FUNDS FROM PROFIT, RESERVE FUND	ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD	OTHER PROFIT OR LOSS FROM PRIOR YEARS	PROFIT SHARE PREPAYMENTS DECLARED	PROFIT OR LOSS FOR THE CURRENT PERIOD	TOTAL EQUITY
Balance at 31 December 2019	3 159 000		631 400	10 601 976			1 143 215	15 535 591
DISTRIBUTION OF PROFIT OR LOSS				1 143 215			-1 143 215	
PROFIT OR LOSS FOR THE CURRENT PERIOD							755 996	
Balance at 31 December 2020	3 159 000		631 400	11 745 191			755 996	16 291 587
PROFIT SHARES PAID				-1 244 282			-755 996	-2 000 278
PROFIT OR LOSS FOR THE CURRENT PERIOD							988 273	988 273
Balance at 31 December 2021	3 159 000		631 400	10 500 909			988 273	15 279 582

CASH FLOW STATEMENT

(IN CZK THOUSAND)

		YEAR ENDED 31. 12. 2021	YEAR ENDED 31. 12. 2020
P.	OPENING BALANCE OF CASH AND CASH EQUIVALENTS	3 084 515	2 570 878
	CASH FLOWS FROM ORDINARY ACTIVITIES (OPERATING ACTIVITIES)		
Z.	PROFIT OR LOSS BEFORE TAX	1 224 971	900 626
A.1.	ADJUSTMENTS FOR NON-CASH TRANSACTIONS	53 650	-150 906
A.1.1.	DEPRECIATION OF FIXED ASSETS	24 668	28 027
A.1.2.	CHANGE IN PROVISIONS AND RESERVES	140 473	19 451
A.1.3.	PROFIT/(LOSS) ON THE SALE OF FIXED ASSETS	-401	-47
A.1.4.	REVENUES FROM PROFIT SHARES	-157 962	-217 007
A.1.5.	INTEREST EXPENSE AND INTEREST INCOME	3 630	-176
A.1.6.	ADJUSTMENTS FOR OTHER NON-CASH TRANSACTIONS	43 242	18 846
A.*	NET OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL	1 278 621	749 720
A.2.	CHANGE IN WORKING CAPITAL	-149 768	112 217
A.2.1.	CHANGE IN OPERATING RECEIVABLES AND OTHER ASSETS	-2 317 759	-736 852
A.2.2.	CHANGE IN OPERATING PAYABLES AND OTHER LIABILITIES	1 850 444	948 526
A.2.3.	CHANGE IN INVENTORIES	317 547	-99 458
A.**	NET CASH FLOW FROM OPERATIONS BEFORE TAX	1 128 853	861 936
A.3.	INTEREST PAID	-5 287	-4 290
A.4.	INTEREST RECEIVED	1 657	4 466
A.5.	INCOME TAX PAID FROM ORDINARY OPERATIONS	-110 763	-155 061
A.6.	RECEIVED PROFIT SHARES	157 962	217 007
A.***	NET OPERATING CASH FLOWS	1 172 422	924 058

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CASH FLOW STATEMENT

(IN CZK THOUSAND)

		YEAR ENDED 31. 12. 2021	YEAR ENDED 31. 12. 2020
	CASH FLOWS FROM INVESTING ACTIVITIES		
B.1.	FIXED ASSETS EXPENDITURES	-20 914	-881 993
B.2.	PROCEEDS FROM FIXED ASSETS SOLD	824	47
B.***	NET INVESTMENT CASH FLOWS	-20 090	-881 946
	CASH FLOW FROM FINANCIAL ACTIVITIES		
C.1.	CHANGE IN PAYABLES FROM FINANCING	-162 311	471 525
C.2.	IMPACT OF CHANGES IN EQUITY	-2 000 278	0
C.2.6.	PROFIT SHARES/ DIVIDENDS PAID	-2 000 278	
C.***	NET FINANCIAL CASH FLOWS	-2 162 589	471 525
F.	NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS	-1 010 257	513 637
R.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	2 074 258	3 084 515

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1.	GENERAL INFORMATION	4	3.12.3.	DEFERRED TAX	10
1.1.	INCORPORATION AND DESCRIPTION OF THE BUSINESS	4	3.13.	IMPAIRMENT	11
1.2.	CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES	4	3.14.	USE OF ESTIMATES	11
1.3.	BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2021	4	3.15.	REVENUE RECOGNITION	11
1.4.	ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2021	5	3.16.	CASH FLOW STATEMENT	12
2.	BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES	6	3.17.	YEAR-ON-YEAR CHANGES IN THE CLASSIFICATION AND DESIGNATION OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ITEMS AND THEIR SUBSTANCE	12
3.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	7	4.	ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT	13
3.1.	TANGIBLE FIXED ASSETS	7	4.1.	FIXED ASSETS	13
3.2.	INTANGIBLE FIXED ASSETS	7	4.1.1.	INTANGIBLE FIXED ASSETS	13
3.3.	NON-CURRENT FINANCIAL ASSETS	8	4.1.2.	TANGIBLE FIXED ASSETS	14
3.4.	INVENTORY	8	4.2.	NON-CURRENT FINANCIAL ASSETS	15
3.5.	CURRENT FINANCIAL ASSETS	9	4.2.1.	EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITIES	15
3.6.	RECEIVABLES	9	4.2.2.	EQUITY INVESTMENTS – ASSOCIATES	16
3.7.	TRADE PAYABLES	9	4.2.3.	PLEGGED NON-CURRENT FINANCIAL ASSETS AND CURRENT EQUITY SECURITIES	16
3.8.	LOANS	9	4.3.	INVENTORY	16
3.9.	FOREIGN CURRENCY TRANSLATION	10	4.4.	RECEIVABLES	17
3.10.	RESERVES	10	4.4.1.	LONG-TERM RECEIVABLES	17
3.11.	FINANCE LEASES	10	4.4.2.	TRADE RECEIVABLES	17
3.12.	TAXATION	10	4.4.3.	AGING OF RECEIVABLES FROM CUSTOMERS	17
3.12.1.	TAX DEPRECIATION OF FIXED ASSETS	10	4.4.4.	INTERCOMPANY TRADE RECEIVABLES	18
3.12.2.	CURRENT TAX PAYABLE	10	4.4.5.	STATE - TAX RECEIVABLES	18

4.5.	SHAREHOLDERS' EQUITY	18	5.	EMPLOYEES, MANAGEMENT AND STATUTORY BODIES	26
4.5.1.	SHARE CAPITAL	18	5.1.	STAFF COSTS AND NUMBER OF EMPLOYEES	26
4.5.2.	CHANGES IN EQUITY	18	5.2.	LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED	27
4.6.	PAYABLES	19	6.	CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS AND LEGAL DISPUTES	28
4.6.1.	LONG-TERM PAYABLES	19	7.	COVID-19	29
4.6.2.	AGING OF PAYABLES TO SUPPLIERS	19	8.	POST BALANCE SHEET EVENTS	30
4.6.3.	INTERCOMPANY PAYABLES	19			
4.6.4.	ESTIMATED PAYABLES	19			
4.6.5.	DUE AMOUNTS FROM SOCIAL SECURITY AND HEALTH INSURANCE	20			
4.6.6.	STATE - TAX PAYABLES	20			
4.6.7.	BANK LOANS	20			
4.6.8.	SHORT-TERM PREPAYMENTS RECEIVED	20			
4.6.9.	ACCRUED EXPENSES	20			
4.6.10.	DEFERRED TAXATION	21			
4.7.	INCOME TAX ON ORDINARY ACTIVITIES	21			
4.8.	INCOME FROM ORDINARY ACTIVITIES	21			
4.9.	COSTS OF GOODS SOLD	22			
4.10.	SERVICES	22			
4.11.	CHANGE IN RESERVES AND PROVISIONS RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES	22			
4.12.	SUNDRY OPERATING EXPENSES AND INCOME	22			
4.13.	OTHER FINANCIAL EXPENSES AND INCOME	22			
4.13.1.	INCOME GENERATED WITH RELATED PARTIES	23			
4.13.2.	PURCHASES	24			

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (hereinafter the “Company”) was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the Regional Court in Brno-venkov on 23 August 1995. At present, the Company is recorded in the Register Companies held at the Regional Court in Ostrava, Section B, File 1297.

As of 31 December 2021, the Company’s issued share capital is CZK 3,159,000 thousand.

The Company’s financial statements have been prepared as of and for the year ended 31 December 2021.

The following table shows legal entities with an equity interest greater than 20 percent and the amounts of their equity interests:

SHAREHOLDER	OWNERSHIP PERCENTAGE
MINERFIN, a.s., NÁMESTIE ĽUDOVÍTA ŠTÚRA 2, 811 02 BRATISLAVA, SLOVAKIA	48.57%
TOTAL	48.57%

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 99.05% of its revenues. The Company is additionally involved in providing domestic and international shipping services.

The Company’s operations are principally focused on Třinecké železářny, a.s. and its subsidiary companies (for further details refer to Note 4.14).

The consolidated financial statements are available at the registered office of MORAVIA STEEL a.s.

1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

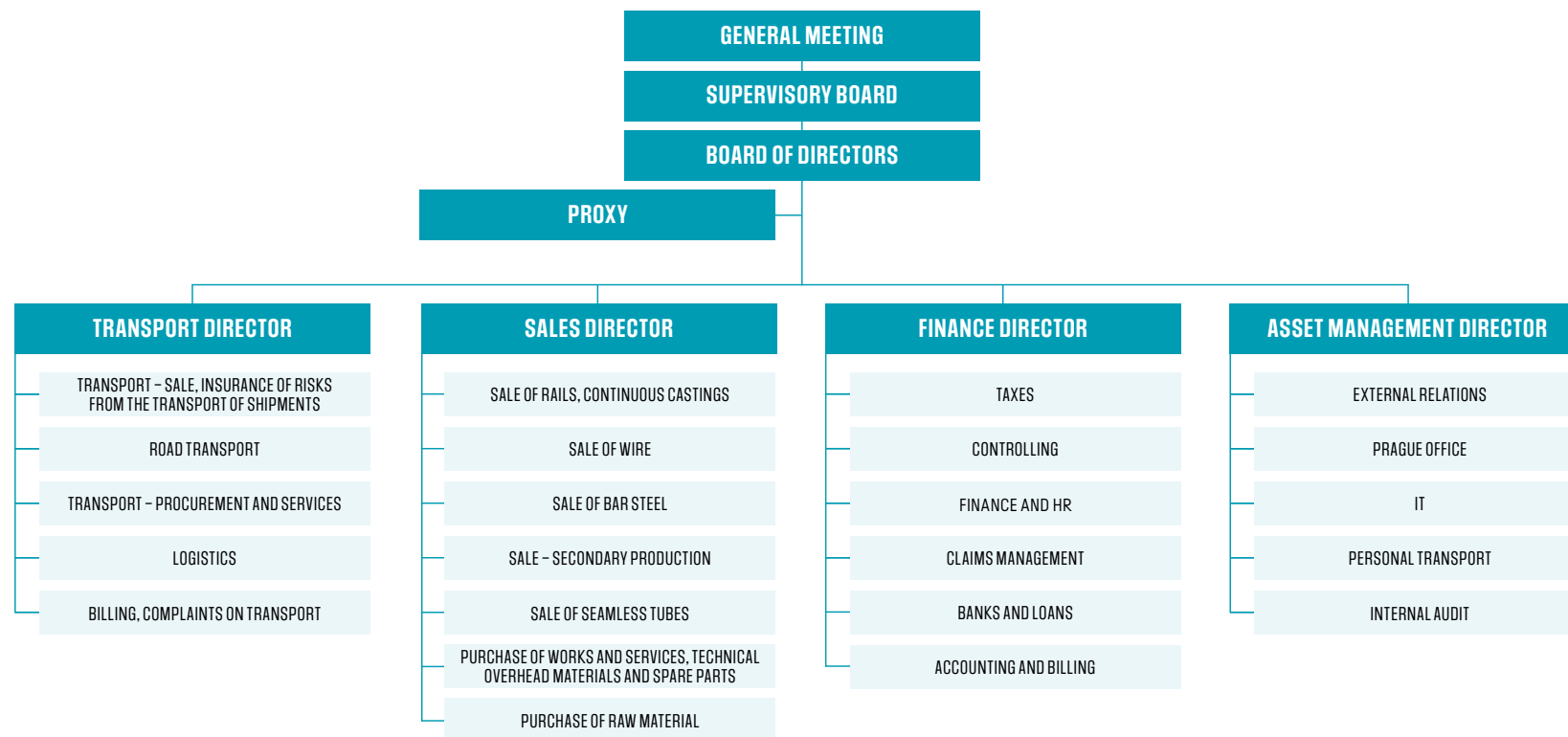
In the year ended 31 December 2021, no changes were made to the Register of Companies.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2021

	POSITION	Name
BOARD OF DIRECTORS	CHAIRMAN	PETR POPELÁŘ
	VICE CHAIRMAN	KRZYSZTOF ROCH RUCIŃSKI
	MEMBER	MOJMÍR KAŠPŘIŠIN
	MEMBER	URŠULA NOVOTNÁ

	POSITION	Name
SUPERVISORY BOARD	CHAIRMAN	TOMÁŠ CHRENEK
	VICE CHAIRMAN	JÁN MODER
	VICE CHAIRMAN	EVŽEN BALHO
	MEMBER	MÁRIA BLÁŠKOVÁ

1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2021



2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns ('CZK thousand').

The Company's financial statements are prepared as of 31 December 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. TANGIBLE FIXED ASSETS

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. The Company carried no internally developed tangible fixed assets during the year ended 31 December 2021.

The cost of fixed asset improvements exceeding CZK 40 thousand for the period increases the acquisition cost of the related fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

CATEGORY OF ASSETS	NUMBER OF YEARS
MACHINERY AND EQUIPMENT	3 - 12
VEHICLES	4 - 5
FURNITURE AND FIXTURES	6 - 15

Provisioning

Provisions against fixed assets are recognised based on an assessment of their value during the stock count.

The Company recorded no provisions against tangible and intangible fixed assets in the year ended 31 December 2021.

3.2. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Purchased intangible fixed assets are stated at cost.

The cost of fixed asset improvements exceeding CZK 60 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets is recorded over the estimated useful lives of assets using the straight line method as follows:

	NUMBER OF YEARS
SOFTWARE	4
VALUABLE RIGHTS	4 - 10
OTHER INTANGIBLE FIXED ASSETS	4 - 5

3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

Securities and equity investments are carried at cost upon acquisition. The cost of securities or equity investments includes direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges and bonuses to the Company's employees relating to the acquisition of securities and equity investments.

As of the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity, or securities and equity investments available for sale.

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as 'Equity investments – controlled or controlling entity'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their activities are treated as 'Equity investments in associates'.

At the balance sheet, equity investments in controlled and controlling entities are stated at cost net of any provisions.

Provisioning

Investments are provisioned if there is a risk that the fair value of a non-current financial asset is lower than its carrying value.

In charging provisions against equity securities that are not fair-valued, the Company refers to its detailed knowledge of the relevant entity, the results of its operations and available expert valuations.

3.4. INVENTORY

Valuation

Purchased inventory of material is valued at acquisition costs. Acquisition costs include the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees during transportation, commissions and insurance charges.

Inventory issued out of stock is recorded using costs determined by the weighted arithmetic average method.

Goods are purchased and sold directly to customers and are not physically stored at the Company's premises. Reported stocks comprise goods in transit where supplies are delivered based on different delivery terms (e.g. delivery in port, delivery free on board). This gives rise to a certain mismatch between the purchase date and the date of sale to the customer, during which the goods are carried as the Company's assets.

Provisions

No provisions were recognised in respect of inventory in 2021.

3.5. CURRENT FINANCIAL ASSETS

Current financial assets principally consist of cash on hand and cash at banks and debt securities with a maturity of less than one year held to maturity (mainly depository bills of exchange).

Current financial assets are carried at cost upon acquisition and at the balance sheet date. The cost of securities includes the direct costs of acquisition, such as fees paid to banks.

If the value of securities held to maturity exceeds their estimated recoverable value as of the balance sheet date, such current financial assets are provisioned pursuant to an expert estimate.

3.6. RECEIVABLES

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Receivables acquired for consideration or through an investment are stated at cost less provisioning for doubtful and bad amounts.

Provisioning

The Company recognised provisions against accounts receivable according to their aging categories as follows:

- Receivables past due by more than 180 and less than 365 days are provisioned at 50 percent; and
- Receivables past due by more than 365 days are provisioned in full.

In circumstances where there is doubt over the collectability of individual debts, the Company increases the provisioning charge taking into consideration the collateral underlying these debts.

3.7. TRADE PAYABLES

Trade payables are stated at their nominal value.

3.8. LOANS

Loans are stated at nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short – term loans.

3.9. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated using the exchange rate of the Czech National Bank prevailing on the date preceding the transaction date.

As of the balance sheet date, financial assets, current assets and liabilities denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank as of that date. Any resulting foreign exchange rate gains and losses are recorded as the current year's financial expenses or revenues as appropriate.

3.10. RESERVES

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

3.11. FINANCE LEASES

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset that are charged to expenses.

The initial lump-sum payment related to assets acquired under finance leases is amortised and expensed over the lease period.

3.12. TAXATION

3.12.1. TAX DEPRECIATION OF FIXED ASSETS

Depreciation of fixed assets for taxation purposes is recorded on an accelerated basis.

3.12.2. CURRENT TAX PAYABLE

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the tax rate that has been enacted by the balance sheet date.

3.12.3. DEFERRED TAX

Deferred tax is accounted for using the balance sheet liability method.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3.13. IMPAIRMENT

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

3.14. USE OF ESTIMATES

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

3.15. REVENUE RECOGNITION

Revenues are recognised when supplier terms under INCOTERMS 2020 are fulfilled or when services are rendered and are reported net of discounts and VAT.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income is recognised when the shareholders' rights to receive payment have been declared.

3.16. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(CZK '000)

	31 DEC 2021	31 DEC 2020
CASH ON HAND	453	442
CASH AT BANK AND CASH IN TRANSIT	2 073 805	3 084 073
TOTAL CASH AND CASH EQUIVALENTS	2 074 258	3 084 515

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

3.17. YEAR-ON-YEAR CHANGES IN THE CLASSIFICATION AND DESIGNATION OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ITEMS AND THEIR SUBSTANCE

No changes in the classification or designation of balance sheet and profit and loss account items were made in 2021.

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4.1. FIXED ASSETS

4.1.1. INTANGIBLE FIXED ASSETS

Cost (CZK '000)

	Balance at 31 Dec 2019	ADDITIONS	DISPOSALS	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	Balance at 31 Dec 2021
DEVELOPMENT	72	0	0	72	0	0	72
SOFTWARE	1 678	0	0	1 678	0	0	1 678
VALUABLE RIGHTS	182 604	0	0	182 604	0	0	182 604
OTHER INTANGIBLE FA	700	0	0	700	0	0	700
INTANGIBLE FA UNDER CONSTRUCTION	0	0	0	0	0	0	0
PREPAYMENTS AND ADVANCES FOR INTANGIBLE FA	0	0	0	0	0	0	0
TOTAL	185 054	0	0	185 054	0	0	185 054

Accumulated Amortisation (CZK '000)

	Balance at 31 Dec 2019	ADDITIONS	DISPOSALS	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	Balance at 31 Dec 2021
DEVELOPMENT	72	0	0	72	0	0	72
SOFTWARE	1 678	0	0	1 678	0	0	1 678
VALUABLE RIGHTS	87 706	18 894	0	106 600	17 227	0	123 827
OTHER INTANGIBLE FA	700	0	0	700	0	0	700
TOTAL	90 156	18 894	0	109 050	17 227	0	126 277

Net Book Value

(CZK '000)

	BALANCE AT 31 DEC 2020	BALANCE AT 31 DEC 2021
DEVELOPMENT	0	0
SOFTWARE	0	0
VALUABLE RIGHTS	76 004	58 777
OTHER INTANGIBLE FA	0	0
INTANGIBLE FA UNDER CONSTRUCTION	0	0
PREPAYMENTS AND ADVANCES FOR INTANGIBLE FA	0	0
TOTAL	76 004	58 777

Amortisation of intangible fixed assets was CZK 17,227 thousand and CZK 18,894 thousand as of 31 December 2021 and 31 December 2020, respectively.

4.1.2. TANGIBLE FIXED ASSETS
Cost

(CZK '000)

	BALANCE AT 31 DEC 2019	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
STRUCTURES	907	0	0	907	0	0	907
TANGIBLE MOVABLE ASSETS	90 408	0	577	89 831	3 445	3 115	90 161
- MACHINES AND EQUIPMENT	11 231	0	210	11 021	740	84	11 677
- VEHICLES	75 937	0	307	75 630	2 705	3 031	75 304
- FURNITURE AND FIXTURES	3 240	0	60	3 180	0	0	3 180
TANGIBLE FA UNDER CONSTRUCTION	0	0	0	0	4 158	3 593	565
PREPAYMENTS FOR TANGIBLE FA	0	0	0	0	332	332	0
TOTAL	91 315	0	577	90 738	7 935	7 040	91 633

Accumulated Depreciation

(CZK '000)

	BALANCE AT 31 DEC 2019	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
STRUCTURES	2	18	0	20	18	0	38
TANGIBLE MOVABLE ASSETS	64 356	9 115	577	72 894	7 423	2 692	77 625
- MACHINES AND EQUIPMENT	10 412	315	210	10 517	438	84	10 871
- VEHICLES	50 814	8 778	307	59 285	6 964	2 608	63 641
- FURNITURE AND FIXTURES	3 130	22	60	3 092	21	0	3 113
TOTAL	64 358	9 133	577	72 914	7 441	2 692	77 663

Net Book Value

(CZK '000)

	BALANCE AT 31 DEC 2020	BALANCE AT 31 DEC 2021
STRUCTURES	887	869
TANGIBLE MOVABLE ASSETS	16 937	12 536
- MACHINES AND EQUIPMENT	504	806
- VEHICLES	16 345	11 663
- FURNITURE AND FIXTURES	88	67
TANGIBLE FA UNDER CONSTRUCTION	0	565
PREPAYMENTS FOR TANGIBLE FA	0	0
TOTAL	17 824	13 970

The Company principally acquired cars in 2020 and 2021.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,124 thousand and 1,601 thousand for the years ended 31 December 2021 and 2020, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are directly expensed on a one-off basis.

Depreciation of tangible fixed assets amounted to CZK 7,441 thousand and CZK 9,133 thousand as of 31 December 2021 and 31 December 2020, respectively.

4.2. NON-CURRENT FINANCIAL ASSETS

Cost (CZK '000)

	BALANCE AT 31 DEC 2019	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
EQUITY INVESTMENTS - CONTROLLED OR CONTROLLING ENTITIES	8 875 207	942 097	0	9 817 304	21 225	0	9 838 529
EQUITY INVESTMENTS - ASSOCIATES	2 886	0	0	2 886	0	2 886	0
ACQUISITION OF NON-CURRENT FINANCIAL ASSETS	94 925	879 221	942 097	32 049	53 036	53 465	31 620
PREPAYMENTS FOR NON-CURRENT FINANCIAL ASSETS	2 238	60 000	57 229	5 009	0	1 005	4 004
TOTAL	8 975 256	1 881 318	999 326	9 857 248	74 261	57 356	9 874 153

4.2.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITIES

2021

(CZK*000)

NAME	REGISTRE D OFFICE	COST	NOMINAL VALUE	OWNERSHIP %	EQUITY	PROFIT/ LOSS	PROVISION	DIVIDEND INCOME FOR THE PERIOD
TŘINECKÉ ŽELEZÁRNY, a.s.	TŘINEC	7 165 579	8 109 863	100	30 275 505	1 306 080	0	0
BARRANDOV STUDIO a.s.	PRAGUE	746 439	197 112	99.85	1 048 425	71 945	150 000	0
MORAVIA STEEL SLOVENIJA, D.O.O.	CELJE	1 573	867	51	13 051	1 437	0	0
MORAVIA STEEL ITALIA, SRL	MILANO	2 580	2 075	66	81 666	32 882	0	8 623
MORAVIA STEEL IBÉRIA, S.A.	LISBON	10 850	2 533	99.33	17 300	4 571	0	2 096
MS – SLOVENSKO S.R.O.	BRATISLAVA	161	160	100	13 797	-413	0	0
MORAVIA STEEL ISRAEL LTD.*)	PETAACH TIHVA	605	466	100	**)	**)	0	0
BESHYDSKÁ GOLFOVÁ, a.s.	ROPICE	274 342	230 000	100	226 795	2 663	150 000	0
MORAVSKOSLEZSKÝ KOVOŠROT, a.s.	OSTRAVA	202 209	2 000	100	229 414	-8 633	0	50 000
M STEEL PROJECTS a.s.	TŘINEC	10 000	10 000	100	57 122	-4 127	0	0
MORAVIA STEEL UK LTD	CHESHIRE	1 449	728	100	13 745	3 850	0	2 968
MORAVIA STEEL DEUTSCHLAND GMBH	KÜR TEN	113 140	1 625	100	81 568	68 165	113 000	64 575
NEOMET SP. Z O.O.	RADOMSKO	33 972	34 701	100	203 349	34 955	0	0
MORAVIA MINING PLC*)	ADDIS ABABA	3 153	3 157	76	**)	**)	3 153	0
KOVÁRNA VIVA a.s.	ZLÍN	417 667	33 000	66	1 142 787	106 382	0	29 700
MSV METAL STUDÉNKA, a.s.	STUDÉNKA	886 430	69 300	100	482 067	50 803	206 861	0
TOTAL		9 870 149	8 697 587		33 886 591	1 670 560	623 014	157 962

*) Figures not available.

2020

(CZK '000)

NAME	REGISTERED OFFICE	COST	NOMINAL VALUE	OWNERSHIP %	EQUITY	PROFIT/LOSS	PROVISION	DIVIDEND INCOME FOR THE PERIOD
TŘINECKÉ ŽELEZÁRNY, a.s.*)	TŘINEC	7 164 783	8 109 863	100	28 969 425	469 323	0	0
BARRANDOV STUDIO a.s.	PRAGUE	746 439	197 112	99.85	976 448	25 673	150 000	0
MORAVIA STEEL SLOVENIJA, D.O.O.	CELJE	1 573	867	51	12 308	582	0	0
MORAVIA STEEL ITALIA, SRL	MILANO	2 580	2 075	66	65 687	17 817	0	8 927
MORAVIA STEEL IBÉRIA, S.A.	LISBON	10 850	2 533	99.33	15 747	4 175	0	2 113
MS - SLOVENSHO S.R.O.	BRATISLAVA	161	160	100	14 989	-427	0	0
MORAVIA STEEL ISRAEL LTD.	PETACH TIKVA	605	466	100	0	0	0	0
BESKYDSKÁ GOLFOVÁ, a.s.	ROPICE	254 342	230 000	100	204 131	1 096	170 000	0
MORAVSKOSLEZSKÝ KOVOŠROT, a.s.	OSTRAVA	202 209	2 000	100	233 814	28 816	37 000	50 000
M STEEL PROJECTS a.s.	TŘINEC	10 000	10 000	100	97 424	71 391	0	100 000
MORAVIA STEEL UK LTD	CHESHIRE	1 449	728	100	12 713	863	0	5 918
MORAVIA STEEL DEUTSCHLAND GMBH	KÜRTEŇ	113 140	1 625	100	81 965	65 384	113 000	50 050
NEOMET SP. Z O.O.	RADOMSKO	33 972	4 856	100	180 590	15 693	0	0
MORAVIA MINING PLC	ADDIS ABABA	3 153	3 157	76	0	0	3 153	0
KOVÁRNA VIVA a.s.	ZLÍN	417 667	33 000	66	1 082 342	66 255	0	0
MSV METAL STUDÉNKA, a.s.**)	STUDÉNKA	886 430	69 300	100	419 026	100 543	0	0
TOTAL	9 849 353	8 667 742	32 366 609	867 184	473 153	217 008		

*) During 2020, the investment increased by CZK 55,667 thousand consisting of an increase in the share price that was paid to minority shareholders based on a court ruling.

**) On 28 February 2020, MORAVIA STEEL a.s. acquired a 100% share in MSV Metal Studénka, a.s. based on a share purchase agreement. MORAVIA STEEL a.s. thereby became the 100% owner of the aforementioned company.

4.2.2. EQUITY INVESTMENTS – ASSOCIATES

2021 (CZK '000)

NAME	REGISTERED OFFICE	COST	NOMINAL VALUE	OWNERSHIP %	EQUITY	PROFIT/LOSS	PROVISION	DIVIDEND INCOME FOR THE PERIOD
MORAVIA STEEL MIDDLE EAST FZCO*)	DUBAI	0	0		0	0	0	0
TOTAL		0	0		0	0	0	0

*) On 2 August 2021, MORAVIA STEEL a.s. sold 6 shares representing a 40% investment in the equity of Moravia Steel Middle East FZCO under the contract for a call and put option. The settlement took place on 31 October 2021.

2020 (CZK '000)

NAME	REGISTERED OFFICE	COST	NOMINAL VALUE	OWNERSHIP %	EQUITY	PROFIT/LOSS	PROVISION	DIVIDEND INCOME FOR THE PERIOD
MORAVIA STEEL MIDDLE EAST FZCO	DUBAI	2 886	2 841	40	304 085	7 914	0	0
TOTAL		2 886	2 841		304 085	7 914	0	0

4.2.3. PLEDGED NON-CURRENT FINANCIAL ASSETS AND CURRENT EQUITY SECURITIES

In 2021 and 2020, shares of MSV Metal Studénka, a.s. were pledged, see Note 4.6.7.

4.3. INVENTORY

(CZK '000)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
MATERIAL	1 788	2 055
INVENTORY – RAW MATERIAL	17 739	247 755
INVENTORY – METALLURGICAL PRODUCTS	393 798	481 062
TOTAL	413 325	730 872

In the year ended 31 December 2021, the Company recognised no provision against inventory. No prepayments for inventory were provided in the reporting periods.

4.4. RECEIVABLES

4.4.1. LONG-TERM RECEIVABLES

As of 31 December 2021, the Company reports long-term receivables of CZK 2 thousand.

As of 31 December 2021 and 2020, the Company records no long-term receivables with maturity exceeding 5 years.

4.4.2. TRADE RECEIVABLES

(CZK*000)

	Balance at 31 Dec 2021	Balance at 31 Dec 2020
SHORT-TERM		
- CUSTOMERS	10 756 396	8 497 856
- BILLS OF EXCHANGE TO BE COLLECTED	3 344	3 344
- PROVISIONS - CUSTOMERS	-221 610	-250 546
- PROVISIONS - BILLS OF EXCHANGE TO BE COLLECTED	-3 344	-3 344
TOTAL	10 534 786	8 247 310

4.4.3. AGING OF RECEIVABLES FROM CUSTOMERS

(CZK*000)

Balance at	Category	Before due date	Past due date	Total
31 Dec 2021	GROSS	9 509 919	1 246 477	10 756 396
	PROVISIONS	329	221 281	221 610
31 Dec 2020	GROSS	7 299 308	1 198 548	8 497 856
	PROVISIONS	5 111	245 435	250 546

Receivables typically mature within 30 days.

Past due receivables:

(CZK*000)

Year ended	Local	Cross-border	Total
31 Dec 2021	229 726	1 016 751	1 246 477
31 Dec 2020	160 085	1 038 463	1 198 548

4.4.4. INTERCOMPANY TRADE RECEIVABLES

(CZK '000)

NAME OF THE ENTITY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
SHORT-TERM TRADE RECEIVABLES		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 226 500	1 959 169
STROJÍRNY A STAVBY TŘINEC, a.s.	0	77
ENERGETIKA TŘINEC, a.s.	43 173	48 746
SLÉVÁRNY TŘINEC, a.s.	68 389	49 515
MORAVIA STEEL DEUTSCHLAND GMBH, GERMANY	0	12
ŘETĚZÁRNA a.s.	29 425	23 580
HŽP a.s.	67 768	38 893
MORAVIA STEEL UK LTD	0	40
MORAVIA STEEL ITALIA, SRL.	0	112
DOPRAVA TŽ, a.s.	1 128	343
BESKYDSKÁ GOLFOVÁ, a.s.	61	61
VÚHŽ, a.s.	4 675	4 773
ŠROUBÁRNA KYJOV SPOL. S R.O.	3 388	31 458
KOVÁRNA VIVA a.s.	178 530	102 851
M STEEL PROJECTS a.s.	121	242
ŽDB DRÁTOVNA a.s.	398 934	361 863
„NEOMET“ SP.Z O.O.	439	475
“D&D” DRÓTÁRU IPARI ÉS	244 019	198 689
MORAVSHOSLEZSKÝ KOVOŠROT	87	377
BOHEMIA RINGS S.R.O.	89 556	63 546
MSV METAL STUDÉNHA, a.s.	81 090	37 267
TOTAL SHORT-TERM INTERCOMPANY RECEIVABLES	3 437 283	2 922 089
RECEIVABLES OUTSIDE THE GROUP	7 322 457	5 579 111
TOTAL SHORT TERM TRADE RECEIVABLES – GROSS	10 759 740	8 501 200

4.4.5. STATE – TAX RECEIVABLES

State – tax receivables principally comprise a receivable arising from VAT of CZK 91,229 thousand as of 31 December 2021 (2020: a receivable arising from VAT of CZK 60,269 thousand).

4.5. SHAREHOLDERS' EQUITY

4.5.1. SHARE CAPITAL

The Company's share capital in the aggregate amount of CZK 3,159,000 thousand as of 31 December 2021 is composed of 315,900 registered shares in book-entry form with a nominal value of CZK 10,000 each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's General Meeting.

4.5.2. CHANGES IN EQUITY

Based on the decision of the General Meeting of Shareholders held on 28 June 2021, the profit of CZK 755,996 thousand for the year ended 31 December 2020 was allocated as follows:

- CZK 755,996 thousand – payment of a dividend from the current period profit; and
- CZK 1,244,282 thousand – additional payment of a dividend from retained earnings.

The expected allocation of profit of CZK 988,273 thousand for the year ended 31 December 2021 is the payment of dividends of CZK 2,000,278 thousand as follows:

- CZK 988,273 thousand – payment of a dividend from the current period profit;
- CZK 1,012,005 thousand – additional payment of a dividend from retained earnings.

4.6. PAYABLES

4.6.1. LONG-TERM PAYABLES

The Company records no long-term trade payables with maturities exceeding five years as of 31 December 2021.

4.6.2. AGING OF PAYABLES TO SUPPLIERS

(CZK '000)

BALANCE AT	CATEGORY	BEFORE DUE DATE	PAST DUE DATE	TOTAL
31 DEC 2021	SHORT-TERM	6 534 153	0	6 534 153
31 DEC 2020	SHORT-TERM	4 601 238	35 773	4 637 011

Payables typically mature within 45 days.

4.6.3. INTERCOMPANY PAYABLES

(CZK '000)

NAME OF THE ENTITY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
SHORT-TERM TRADE PAYABLES		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 837 635	1 590 712
STROJÍRNY A STAVBY TŘINEC, a.s.	9	16
ŘETĚZÁRNA a.s.	0	0
REFRASIL, S.R.O.	10 097	12 808
MORAVIA STEEL ITALIA, SRL	20 874	35 393
MORAVIA STEEL IBÉRIA, S.a.	0	0
MORAVIA STEEL SLOVENIJA, D.O.O.	5 678	4 627
DOPRAVA TŽ, a.s.	14	27
VESUVIUS ČESKÁ REPUBLIKA, a.s.	21 771	19 176
ŽDB DRÁTOVNA a.s.	0	0
BESKYDSKÁ GOLFOVÁ a.s.	0	10
TŘINECHÉ GASTROSLUŽBY, S.R.O.	286	191
MINERFIN a.s.	568 437	786 065
MORAVIA STEEL DEUTSCHLAND GMBH	16 967	14 162
MORAVIA STEEL UK LTD	18 042	11 984
KOVÁRNA VIVA a.s.	0	1
MSV METAL STUDÉNKA, a.s.	0	4
TOTAL INTERCOMPANY SHORT-TERM PAYABLES	3 499 810	2 475 176
PAYABLES TO OTHER THAN GROUP COMPANIES	3 034 343	2 161 835
TOTAL SHORT-TERM TRADE PAYABLES	6 534 153	4 637 011

4.6.4. ESTIMATED PAYABLES

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 22,897 thousand (2020: CZK 20,356 thousand), unbilled supplies of work and services amounting to CZK 70,942 thousand (2020: CZK 71,087 thousand) and an estimated payable for staff costs in the amount of CZK 2,757 thousand (2020: CZK 14 thousand).

4.6.5. DUE AMOUNTS FROM SOCIAL SECURITY AND HEALTH INSURANCE

As of 31 December 2021, the aggregate amount of due amounts related to social security, state employment policy and health insurance contributions was CZK 4,730 thousand (2020: CZK 5,780 thousand). These payables were fully settled as of the balance sheet date.

4.6.6. STATE – TAX PAYABLES

State – tax payables as of 31 December 2021 principally comprise a payable arising from personal income tax amounting to CZK 1,064 thousand (2020: CZK 2,239 thousand) and a payable arising from the corporate income tax in the amount of CZK 35,978 thousand.

4.6.7. BANK LOANS

During the years ended 31 December 2021, the Company used a long-term bank loan.

2021

PURPOSE	CURRENCY	BALANCE AT 31 DEC 2021 IN CZK THOUSAND	COLLATERAL
LONG-TERM LOANS		0	
REFINANCING OF MAXIMUM 80% OF THE TOTAL ACQUISITION COST FOR THE TRANSFER OF 100% SHARES IN THE COMPANY ACCORDING TO SHARE PURCHASE AGREEMENT – DUE ON 31 MARCH 2025	CZK	446 641	SECURITIES PLEDGE AGREEMENT
TOTAL			
SHORT-TERM PART OF LONG-TERM LOANS		137 428	
TOTAL LONG-TERM LOANS		309 213	

4.6.8. SHORT-TERM PREPAYMENTS RECEIVED

In the year ended 31 December 2021, the Company recorded short-term prepayments received of CZK 214,624 thousand (2020: CZK 244,341 thousand).

4.6.9. ACCRUED EXPENSES

Accrued expenses largely comprise costs related to the year ended 31 December 2021 for transportation and other services paid in 2022 in the amount of CZK 10,377 thousand (2020: CZK 10,368 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 11 thousand (2020: CZK 20 thousand).

4.6.10. DEFERRED TAXATION

The deferred tax asset/liability is analysed as follows:

Deferred Tax Arising from

(CZK '000)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
ACCUMULATED DEPRECIATION AND AMORTISATION OF FIXED ASSETS	-12 196	-13 135
ESTIMATED PAYABLE ARISING FROM OUTSTANDING VACATION DAYS	524	3
UNPAID PENALTIES	0	1 001
PROVISIONS - RECEIVABLES	8 725	6 683
UNPAID (UN-RECEIVED) PENALTY	-975	-1 019
RESERVES	0	722
TOTAL RECOGNISED TAX ASSET (+) / LIABILITY (-)	-3 922	-5 745

4.7. INCOME TAX ON ORDINARY ACTIVITIES

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

(CZK '000)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
PROFIT BEFORE TAX	1 224 971	900 626
TAX AT THE DOMESTIC INCOME TAX RATE OF 19%	232 744	171 119
TAX EFFECT OF PERMANENT DIFFERENCES	5 747	-30 169
DEFERRED TAX LIABILITY	-1 824	3 567
ADDITIONAL TAXES OF PRIOR YEARS	31	113
TOTAL INCOME TAX ON ORDINARY ACTIVITIES	236 698	144 630

4.8. INCOME FROM ORDINARY ACTIVITIES

(CZK '000)

	2021			2020		
	LOCAL	CROSS-BORDER	TOTAL	LOCAL	CROSS-BORDER	TOTAL
GOODS – RAW MATERIAL	25 383 057	0	25 383 057	19 073 422	0	19 073 422
GOODS – METALLURGICAL PRODUCTS	14 183 135	31 751 010	45 934 145	11 374 390	25 968 260	37 342 650
SALES OF GOODS	39 566 192	31 751 010	71 317 202	30 447 812	25 968 260	56 416 072
SALES OF SERVICES	597 777	85 903	683 680	521 751	63 717	585 468
TOTAL SALES OF OWN PRODUCTS AND SERVICES	597 777	85 903	683 680	521 751	63 717	585 468

The line entitled 'Goods – raw material' represents the income from the purchases of input raw material for Třinecké železárny, a. s., and its subsidiaries. The line entitled 'Goods – metallurgical products' largely relates to sales of products purchased from Třinecké železárny, a. s.

Sales of services principally comprise the provision of forwarding services of CZK 520,782 thousand for the year ended 31 December 2021 (2020: CZK 469,770 thousand). The sales of services also comprise revenues arising from remuneration and commissions based on mandatory contracts.

4.9. COSTS OF GOODS SOLD

(CZK '000)

	YEAR ENDED 31 DEC 2021	YEAR ENDED 31 DEC 2020
PURCHASE OF GOODS – RAW MATERIALS	24 774 103	18 693 250
PURCHASE OF GOODS – METALLURGICAL PRODUCTS	42 089 958	34 069 770
COSTS FOR TRANSPORT OF GOODS – METALLURGICAL PRODUCTS	1 731 997	1 751 833
TOTAL COSTS OF GOODS SOLD	68 596 058	54 514 853

4.10. SERVICES

(CZK '000)

	Year ended 31 DEC 2021	Year ended 31 DEC 2020
TRANSPORTATION COSTS – SERVICES	602 855	582 521
LEASE OF TRADEMARK	123 000	123 000
COMMISSIONS	347 626	311 549
ADVERTISING	118 068	95 594
RENTAL FEES	12 272	9 494
TELECOMMUNICATIONS	9 020	9 624
LEGAL ADVISORY AND AUDITING ACTIVITIES	18 151	22 961
OTHER SERVICES	327 315	345 018
TOTAL	1 558 307	1 499 761

4.11. CHANGE IN RESERVES AND PROVISIONS RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES

(CZK '000)

	Year ended 31 DEC 2021	Year ended 31 DEC 2020
SETTLEMENT OF COMPLEX DEFERRED EXPENSES	0	0
CHANGE IN RESERVES	-3 622	4 227
RESERVES RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES	-3 622	4 227
CHANGES IN PROVISIONS UNDER SPECIAL LEGISLATION	-21 026	18 381
- PROVISIONS AGAINST RECEIVABLES	-21 026	18 381
CHANGES IN TAX NON-DEDUCTIBLE PROVISIONS:	15 260	-3 146
- PROVISIONS AGAINST RECEIVABLES	15 260	-3 146
CHANGES IN RECEIVABLES	-5 766	15 235
TOTAL	-9 388	19 462

4.12. SUNDRY OPERATING EXPENSES AND INCOME

Sundry operating expenses primarily include the costs of the write-off of receivables due to the completed insolvency proceedings and sale of receivables of CZK 31,109 thousand (2020: CZK 0 thousand) and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 49,333 thousand (2020: CZK 44,078 thousand). Sundry operating income primarily includes discounts and rebates of CZK 63 thousand (2020: CZK 19 thousand) and supplies of insurance companies arising from insurance of receivables of CZK 37,767 thousand (2020: CZK 4,860 thousand).

4.13. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 715,218 thousand (2020: CZK 1,173,826 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 908,295 thousand (2020: CZK 1,054,154 thousand). The remaining balance consists of sundry financial expenses such as fees under letters of credit, fees under loan agreements, banking fees and other financial costs of CZK 4,152 thousand (2020: CZK 3,335 thousand).

4.13.1. INCOME GENERATED WITH RELATED PARTIES

2021							(CZK '000)
ENTITY	RELATION TO THE COMPANY	GOODS	SERVICES	OTHER INCOME	FIN. INCOME	TOTAL	
TŘINECKÉ ŽELEZÁRNY, a.s.	SUBSIDIARY	24 844 468	367 080	2 938	0	25 214 486	
BESHYDSKÁ GOLFOVÁ, a.s.	SUBSIDIARY	0	600	0	0	600	
HŽP a.s.	SUBSIDIARY OF A SUBSIDIARY	392 422	7 412	0	0	399 834	
MORAVIA STEEL ITALIA S.R.L.	SUBSIDIARY	0	0	1	0	1	
MORAVIA STEEL IBÉRIA, S.A.	SUBSIDIARY	0	0	0	0	0	
MORAVIA STEEL UK LTD	SUBSIDIARY	0	0	0	0	0	
KOVÁRNA VIVA a.s.	SUBSIDIARY	818 707	969	30	0	819 706	
M STEEL PROJECTS a.s.	SUBSIDIARY	42 697	1 200	0	0	43 897	
STROJÍRNY A STAVBY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	202	177	0	0	379	
ENERGETIKA TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	361 804	2 832	0	0	364 636	
SLÉVÁRNY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	191 330	8 918	0	0	200 248	

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

ENTITY	RELATION TO THE COMPANY	GOODS	SERVICES	OTHER INCOME	FIN. INCOME	TOTAL
REFRASIL, S.R.O.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	0	0
ŘETĚŽÁRNA a.S.	SUBSIDIARY OF A SUBSIDIARY	232 167	0	0	0	232 167
DOPRAVA TŽ, a.S.	SUBSIDIARY OF A SUBSIDIARY	0	5 618	0	0	5 618
MORAVIA STEEL DEUTSCHLAND GMBH	SUBSIDIARY	0	0	0	0	0
VÚHŽ, a.S.	SUBSIDIARY OF A SUBSIDIARY	29 673	2 773	0	0	32 446
ŠROUBÁRNA KYJOV, SPOL. S R.O.	SUBSIDIARY OF A SUBSIDIARY	499 550	9 689	27	0	509 266
ŽDB DRÁTOVNA a.S.	SUBSIDIARY OF A SUBSIDIARY	2 147 665	120 105	0	0	2 267 770
NEOMET SP. Z O.O.	SUBSIDIARY	0	15 422	0	0	15 422
MINERFIN a.S.		0	358	150	0	508
“METALURGIA” SPÓŁKA AKCYJNA	SUBSIDIARY OF A SUBSIDIARY	132 362	13	0	0	132 375
“D&D” DRÓTÁRU	SUBSIDIARY OF A SUBSIDIARY	1 452 354	0	156	0	1 452 510
MORAVSKOSLEZSKÝ KOVOŠROT, a.S.	SUBSIDIARY	0	3 047	7	0	3 054
MORAVIA MINING	SUBSIDIARY	0	329	0	0	329
BOHEMIA RINGS S.R.O.	SUBSIDIARY OF A SUBSIDIARY	352 884	21 708	0	0	374 592
MSV METAL STUDÉNHA, a.S.	SUBSIDIARY	324 064	14 809	74	0	338 947
TOTAL		31 822 349	583 059	3 383	0	32 408 791

2020

(CZK '000)

ENTITY	RELATION TO THE COMPANY	GOODS	SERVICES	OTHER INCOME	FIN. INCOME	TOTAL
TŘINECKÉ ŽELEZÁRNY, a.s.	SUBSIDIARY	18 524 816	317 120	2 773	0	18 844 709
BARRANDOV STUDIO a.s.	SUBSIDIARY	0	0	0	0	0
BESKYDSKÁ GOLFOVÁ, a.s.	SUBSIDIARY	0	600	0	0	600
HŽP a.s.	SUBSIDIARY OF A SUBSIDIARY	215 140	4 808	0	0	219 948
MORAVIA STEEL ITALIA S.R.L.	SUBSIDIARY	0	116	0	0	116
MORAVIA STEEL IBÉRIA, S.a.	SUBSIDIARY	0	0	0	0	0
MORAVIA STEEL UK LTD	SUBSIDIARY	0	111	0	0	111
KOVÁRNA VIVA a.s.	SUBSIDIARY	379 609	638	0	0	380 247
M STEEL PROJECTS a.s.	SUBSIDIARY	0	1 200	0	0	1 200
STROJÍRNY A STAVBY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	0	189	0	0	189
ENERGETIKA TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	428 263	2 435	0	0	430 698
SLÉVÁRNY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	120 485	6 077	0	0	126 562
REFRASIL, S.R.O.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	0	0
ŘETĚZÁRNA a.s.	SUBSIDIARY OF A SUBSIDIARY	182 343	0	0	0	182 343
DOPRAVA TŽ, a.s.	SUBSIDIARY OF A SUBSIDIARY	0	925	0	0	925
MORAVIA STEEL DEUTSCHLAND GMBH	SUBSIDIARY	0	12	0	0	12
VÚHŽ, a.s.	SUBSIDIARY OF A SUBSIDIARY	19 337	3 777	0	0	23 114
ŠROUBÁRNA KYJOV, SPOL. S R.O.	SUBSIDIARY OF A SUBSIDIARY	345 760	6 923	10	0	352 693
ŽDB DRÁTOVNA a.s.	SUBSIDIARY OF A SUBSIDIARY	1 564 404	108 334	0	0	1 672 738
NEOMET SP. Z O.O.	SUBSIDIARY	0	3 970	0	0	3 970
MINERFIN a.s.	GROUP ENTITY	0	100	0	0	100
“METALURGIA” SPÓŁKA AKCYJNA	SUBSIDIARY OF A SUBSIDIARY	127 229	43	0	0	127 272
“D&D” DRÓTÁRU	SUBSIDIARY OF A SUBSIDIARY	967 112	73	23	0	967 208
MORAVSHOSLEZSHÝ KOVOŠROT, a.s.	SUBSIDIARY	0	3 250	0	0	3 250
MORAVIA MINING	SUBSIDIARY	0	0	0	320	320
BOHEMIA RINGS S.R.O.	SUBSIDIARY OF A SUBSIDIARY	412 031	26 979	0	0	439 010
MSV METAL STUDÉNHA, a.s.	SUBSIDIARY	193 135	65	0	0	193 200
TOTAL		23 479 664	487 745	2 806	320	23 970 535

4.13.2. PURCHASES

2021

(CZK'000)

ENTITY	RELATION TO THE COMPANY	GOODS	MATERIAL	SERVICES	OTHER EXPENSES	EXTRA-ORDINARY EXPENSES	TOTAL
TŘINECKÉ ŽELEZÁRNY, a.s.	SUBSIDIARY	41 861 388	226	173 959	155	0	42 035 728
MORAVIA STEEL ITALIA, S.R.L.	SUBSIDIARY	0	0	96 174	0	0	96 174
MORAVIA STEEL IBÉRIA, S.a.	SUBSIDIARY	0	0	15 449	0	0	15 449
MORAVIA STEEL SLOVENIJA, D.O.O.	SUBSIDIARY	0	0	15 707	0	0	15 707
MORAVIA STEEL DEUTSCHLAND GMBH	SUBSIDIARY	0	0	175 634	0	0	175 634
MORAVIA STEEL UK LTD.	SUBSIDIARY	0	0	38 747	0	0	38 747
BESKYDSKÁ GOLFOVÁ, a.s.	SUBSIDIARY	0	0	7 044	198	0	7 242
HŽP a.s.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	7	0	7
STROJÍRNY A STAVBY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	0	0	93	0	0	93
REFRASIL, S.R.O.	SUBSIDIARY OF A SUBSIDIARY	102 294	0	0	0	0	102 294
DOPRAVA TŽ, a.s.	SUBSIDIARY OF A SUBSIDIARY	141	0	0	0	0	141
TRISIA, a.s.	SUBSIDIARY OF A SUBSIDIARY	0	0	1 028	124	0	1 152
TŘINEČÉ GASTROSLUŽBY, S.R.O.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	3 790	0	3 790
VESUVIUS ČESKÁ REPUBLIKA, a.s.	SUBSIDIARY OF A SUBSIDIARY	110 470	0	0	0	0	110 470
MINERFIN a.s.	GROUP ENTITY	5 335 065	0	0	0	0	5 335 065
SLÉVÁRNY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	0	0	0
BOHEMIA RINGS S.R.O.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	6	0	6
MSV METAL STUDÉNHA, a.s.	SUBSIDIARY	0	0	18	0	0	18
TOTAL		47 409 358	226	523 853	4 280	0	47 937 717

2020

(CZK '000)

ENTITY	RELATION TO THE COMPANY	GOODS	MATERIAL	SERVICES	OTHER EXPENSES	EXTRA-ORDINARY EXPENSES	TOTAL
TŘINECKÉ ŽELEZÁRNY, a.s.	SUBSIDIARY	33 806 182	480	171 297	273	0	33 978 232
MORAVIA STEEL ITALIA, S.R.L.	SUBSIDIARY	0	0	76 435	0	0	76 435
MORAVIA STEEL IBÉRIA, S.A.	SUBSIDIARY	0	0	12 611	0	0	12 611
MORAVIA STEEL SLOVENIJA, D.O.O.	SUBSIDIARY	0	0	12 911	0	0	12 911
BARRANDOV STUDIO, a.s.	SUBSIDIARY	0	0	0	0	0	0
MORAVIA STEEL DEUTSCHLAND GMBH	SUBSIDIARY	0	0	177 009	0	0	177 009
MORAVIA STEEL UK LTD.	SUBSIDIARY	0	0	27 637	0	0	27 637
BESKYDSKÁ GOLFOVÁ, a.s.	SUBSIDIARY	20	0	6 920	30	0	6 970
HŽP a.s.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	1	0	1
STROJÍRNY A STAVBY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	0	9	106	0	0	115
REFRASIL, S.R.O.	SUBSIDIARY OF A SUBSIDIARY	94 432	0	0	0	0	94 432
DOPRAVA TŽ, a.s.	SUBSIDIARY OF A SUBSIDIARY	229	0	0	0	0	229
TRISIA, a.s.	SUBSIDIARY OF A SUBSIDIARY	21	0	3 090	14	0	3 125
TŘINEČÉ GASTROSLUŽBY, S.R.O.	SUBSIDIARY OF A SUBSIDIARY	0	0	568	2 948	0	3 516
VESUVIUS ČESKÁ REPUBLIKA, a.s.	SUBSIDIARY OF A SUBSIDIARY	114 738	0	0	0	0	114 738
MINERFIN a.s.	GROUP ENTITY	4 106 615	0	0	101	0	4 106 716
SLÉVÁRNY TŘINEC, a.s.	SUBSIDIARY OF A SUBSIDIARY	264	0	0	0	0	264
BOHEMIA RINGS S.R.O.	SUBSIDIARY OF A SUBSIDIARY	0	0	0	9	0	9
MSV METAL STUDÉNHA, a.s.	SUBSIDIARY	0	0	3	57	0	60
TOTAL		38 122 501	489	488 587	3 433	0	38 615 010

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees and managers and staff costs for the years ended 31 December 2021 and 2020 are as follows:

2021 (CZK '000)

	NUMBER	PAYROLL COSTS	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER COSTS	TOTAL STAFF COSTS
EMPLOYEES	266	211 190	51 753	2 993	265 936
MANAGEMENT	33	69 755	24 690	122	94 567
TOTAL	299	280 945	76 443	3 115	360 503

2020 (CZK '000)

	NUMBER	PAYROLL COSTS	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER COSTS	TOTAL STAFF COSTS
EMPLOYEES	268	134 718	47 476	2 869	185 063
MANAGEMENT	30	63 772	16 764	0	80 536
TOTAL	298	198 490	64 240	2 869	265 599

The number of employees is based on the average recalculated headcount. As of 31 December 2021, management includes the Finance Director and Board Chairman, Sales Director and Board Vice Chairman, Asset Management Director and Board member, Transportation Director and Board member, Raw Material Procurement Director, Director for Procurement of work and services, technical overhead material and spare parts, Sale of Wires Director, Re-processing Director, Bar Steel Director for TŽ, Sale of Rails and Semi-Finished Products Director, Sale of Seamless Tubes Director, Audit Committee Chairman, Supervisory Board Chairman, two Supervisory Board Vice Chairmen, Supervisory Board member, two proxies and Transportation Deputy Directors, Head of Transportation – sale, shipment transportation risk insurance, Head of Road Transportation, Head of Transportation – procurement and services, Head of Logistics, Head of Billing and Transport Complaints, Head of Taxes, Head of Controlling, Head of Funding and HR, Head of Accounting and Billing, Head of Receivable Administration, Head – Banks and Loans, Head of External Relations, Head of IT, Head of Passenger Transportation, Head of Internal Audit.

Other costs principally include remuneration of statutory bodies paid in other than the 'salaries' form.

5.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED

The Company provides members of the Board of Directors, Supervisory Board and management bodies with company cars and other movable assets for both business and private purposes (the amount presented in the table below increases the tax base of employees):

(CZK '000)

	2021	2020
BOARD OF DIRECTORS	960	983
SUPERVISORY BOARD	0	0
MEMBERS OF MANAGEMENT BODIES	2 685	2 594
TOTAL	3 645	3 577

Management of the Company includes the Board of Directors.

Benefits provided to the members of the Supervisory Board and Board of Directors also included the payment of premiums under the liability insurance for damage caused in performing professional duties of a statutory member. Insurance for 2021 for all members of the Board of Directors and the Supervisory Board totalled CZK 3,844 thousand (2020: CZK 1,169 thousand).

6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS AND LEGAL DISPUTES

As of 31 December 2021, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2021, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 85,135 thousand.

The dispute held since 2013 based on the petition of former minority shareholders of TŘINECKÉ ŽELEZÁRNY, a. s. to review of the adequacy of the consideration attributable to the minority shareholders based on the decision of the General Meeting of TŘINECKÉ ŽELEZÁRNY, a. s. of 31 July 2013, was effectively concluded by the ruling of the High Court in Olomouc on 11 September 2019. This appellate court confirmed the ruling of the Regional Court in Ostrava of 8 June 2018, which set the amount of adequate consideration for each share with the nominal value of CZK 1,000 at CZK 2,284 (compared to CZK 1,815, which was the amount awarded by the company to minority shareholders based on an expert opinion prepared for the purposes of the squeeze-out).

Following the conclusions of the appellate court's ruling, the Company recognised an anticipated payable to the minority shareholder as of the effective date in the amount of the consideration of CZK 26,878 thousand as well as interest as of 31 December 2021 in the amount of CZK 4,742 thousand.

MORAVIA STEEL a.s., as well as TŘINECKÉ ŽELEZÁRNY, a. s. as another participant in the proceedings and some former shareholders, filed an appeal against the ruling of the High Court in Olomouc with the Supreme Court of the Czech Republic which, however, rejected all appeals by its ruling of 6 May 2021. Two former shareholders subsequently filed a constitutional complaint against this ruling of the Supreme Court which has not yet been decided.

In relation to the above legal dispute, several former shareholders of TŘINECKÉ ŽELEZÁRNY, a. s. took legal action regarding the payment of default interest on the additional payment of the consideration for their shares. On 31 January 2022, the Regional Court in Ostrava partially upheld the legal action of two shareholders. MORAVIA STEEL a.s. filed an appeal against the ruling of the Regional Court in Ostrava which has not yet been decided by the High Court in Olomouc.

Court proceedings based on a legal action filed by the group entities of Deutsche Bahn (DB Netz AG and companies) with the State Court in Frankfurt am Main whereby the plaintiffs are claiming from Moravia Steel Deutschland GmbH, MORAVIA STEEL a.s. and other entities compensation for damage arising from unlawful cartel arrangements. MORAVIA STEEL a.s.'s liability for damage (the legal action was delivered on 29 March 2013) is based on an argument regarding one economic unit that the Company allegedly formed together with Moravia Steel Deutschland GmbH.

The legal dispute is still in the phase of first-instance procedures and only the first court hearing has taken place so far, where the court focused on procedural matters concerning the place of holding the dispute (international jurisdiction), and on 25 September 2019 the Court issued an interim judgment, ruling that the jurisdiction was both international and local. MORAVIA STEEL a.s. filed an appeal against this decision on 20 December 2019. The High State Court rejected the appeal on 1 December 2020 and confirmed the admissibility of the action but did not agree with the opinion of the State Court that its jurisdiction is based on a concept of one economic unit. During 2021, there were no changes in this proceeding. MORAVIA STEEL a.s. thus still has a realistic possibility that the claim will be dismissed.

The dispute initiated in October 2019 by the plaintiff – insurance company Mapfre España Compañía de Seguros y Reseguros, S.A. against MORAVIA STEEL a.s., as well as against TŘINECKÉ ŽELEZÁRNY, a. s. (jointly and severally). The subject of the action is the claim for compensation for damage that was allegedly suffered when the plaintiff covered a loss on behalf of the customer MORAVIA STEEL a.s. arising from alleged faulty performance provided by MORAVIA STEEL a.s./TŘINECKÉ ŽELEZÁRNY, a. s. District Court in Frýdek-Místek issued a payment order which was cancelled after both defendants filed a protest against it. Trial proceedings will be conducted in respect of the claim arising from the legal action.

Further development of this dispute and its prognosis depends on how the plaintiff will deal with their so far inaccurate factual allegation and whether they provide evidence to support this allegation. The court ordered the first hearing to be held on 21 April 2021, where the action was dismissed. Given that the plaintiff filed no appeal, the ruling became final and enforceable. As such, the proceeding was definitively closed.

Inasmuch as the MORAVIA STEEL a.s.'s management considers the above legal actions against the Company to lack merit, no reasonable estimate of the results of the court proceedings and future payments, if any, in respect of these legal disputes can presently be made.

7. COVID-19

The Company considered the impact of the coronavirus (referred to as SARS-CoV-2) when preparing the financial statements as of 31 December 2021. The impact is not material and does not compromise the Company's ability to continue as a going concern.

8. POST BALANCE SHEET EVENTS

The Company has assessed and tried to predict, as far as possible, the impacts arising from the Russian – Ukrainian conflict, primarily in respect of the supplies of iron ore from Ukraine and the supplies of gas. The Company is aware of a threat in this regard, these supplies may be interrupted completely, and it therefore works on expanding the range of iron ore suppliers.

In view of the rapidly developing situation, the Company has analysed these impacts on an ongoing basis, including the financial statements preparation time, and takes measures in order to eliminate the risks that this development triggers, including possible restrictions on the production in the Company. However, as of the financial statements date, the Company continues to duly meet its commitments and therefore applies the going concern assumption.

VI

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021


CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

NAME OF THE COMPANY:	MORAVIA STEEL a.s.
REGISTERED OFFICE:	PRŮMYSLOVÁ 1000, STARÉ MĚSTO, 739 61 TŘINEC, CZ
LEGAL STATUS:	JOINT STOCK COMPANY
CORPORATE ID:	63474808
RECORD IN THE REGISTER OF COMPANIES:	RECORDED IN FILE I297, SECTION B OF THE REGISTER OF COMPANIES HELD BY THE REGIONAL COURT IN OSTRAVA

COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS:

CONSOLIDATED BALANCE SHEET
CONSOLIDATED PROFIT AND LOSS ACCOUNT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONSOLIDATED CASH FLOW STATEMENT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS WERE PREPARED ON 11. 4. 2022.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE
PETR POPELÁŘ CHAIRMAN OF THE BOARD	
MOJMÍR KAŠPŘIŠIN MEMBER OF THE BOARD	

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31. 12. 2021			31. 12. 2020
		GROSS	ADJUSTMENT	NET	NET
	TOTAL ASSETS	108 597 835	46 809 601	61 788 234	59 371 019
B.	FIXED ASSETS	74 818 419	45 649 405	29 169 014	30 304 826
B.I.	<i>INTANGIBLE FIXED ASSETS</i>	1 355 036	1 030 186	324 850	1 450 571
B.I.1.	DEVELOPMENT	6 405	6 405	0	
B.I.2.	<i>VALUABLE RIGHTS</i>	1 220 629	987 750	232 879	242 550
B.I.2.1.	SOFTWARE	443 647	350 784	92 863	74 570
B.I.2.2.	OTHER VALUABLE RIGHTS	776 982	636 966	140 016	167 980
B.I.3.	GOODWILL	22 439	3 634	18 805	21 188
B.I.4.	OTHER INTANGIBLE FIXED ASSETS	89 663	32 087	57 576	115 857
B.I.5.	<i>PREPAYMENTS FOR INTANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS UNDER CONSTRUCTION</i>	15 900	310	15 590	28 256
B.I.5.2.	INTANGIBLE FIXED ASSETS UNDER CONSTRUCTION	15 900	310	15 590	28 256
B.II.	<i>TANGIBLE FIXED ASSETS</i>	72 060 221	44 307 645	27 752 576	27 625 907
B.II.1.	<i>LAND AND STRUCTURES</i>	20 536 151	9 708 603	10 827 548	10 834 973
B.II.1.1.	LAND	1 421 366	2 924	1 418 442	1 391 542
B.II.1.2.	STRUCTURES	19 114 785	9 705 679	9 409 106	9 443 431
B.II.2.	TANGIBLE MOVABLE ASSETS AND SETS OF TANGIBLE MOVABLE ASSETS	49 937 259	34 178 354	15 758 905	15 080 169
B.II.4.	<i>OTHER TANGIBLE FIXED ASSETS</i>	467 524	413 043	54 481	64 605
B.II.4.3.	OTHER TANGIBLE FIXED ASSETS	467 524	413 043	54 481	64 605
B.II.5.	<i>PREPAYMENTS FOR TANGIBLE FIXED ASSETS AND TANGIBLE FIXED ASSETS UNDER CONSTRUCTION</i>	1 119 287	7 645	1 111 642	1 646 160
B.II.5.1.	PREPAYMENTS FOR TANGIBLE FIXED ASSETS	272 579		272 579	214 589
B.II.5.2.	TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	846 708	7 645	839 063	1 431 571


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31. 12. 2021			31. 12. 2020
		GROSS	ADJUSTMENT	NET	NET
B.III.	<i>NON-CURRENT FINANCIAL ASSETS</i>	511 402	134 871	376 531	397 240
B.III.1.	EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	483 189	117 131	366 058	386 367
B.III.3.	EQUITY INVESTMENTS IN ASSOCIATES	26 202	17 740	8 462	8 862
B.III.5.	OTHER NON-CURRENT SECURITIES AND INVESTMENTS	2 011		2 011	2 011
B.IV.	<i>GOODWILL ARISING ON CONSOLIDATION</i>	717 296	176 703	540 593	545 698
B.IV.1.	POSITIVE GOODWILL	731 862	179 131	552 731	558 564
B.IV.2.	NEGATIVE GOODWILL	-14 566	-2 428	-12 138	-12 866
B.V.	<i>SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING</i>	174 464		174 464	285 410
C.	CURRENT ASSETS	33 779 416	1 160 196	32 619 220	29 066 193
C.I.	<i>INVENTORIES</i>	18 372 511	810 460	17 562 051	14 514 582
C.I.1.	MATERIAL	8 715 591	521 715	8 193 876	6 493 865
C.I.2.	WORK IN PROGRESS AND SEMIFINISHED GOODS	5 552 842	185 890	5 366 952	4 389 489
C.I.3.	<i>PRODUCTS AND GOODS</i>	4 091 369	102 855	3 988 514	3 625 320
C.I.3.1.	PRODUCTS	4 019 576	100 956	3 918 620	3 553 598
C.I.3.2.	GOODS	71 793	1 899	69 894	71 722
C.I.5.	PREPAYMENTS FOR INVENTORIES	12 709		12 709	5 908
C.II.	<i>RECEIVABLES</i>	11 380 680	346 702	11 033 978	8 594 296
C.II.1.	<i>LONG-TERM RECEIVABLES</i>	151 492		151 492	73 139
C.II.1.1.	TRADE RECEIVABLES	17 326		17 326	20 621

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31. 12. 2021			31. 12. 2020
		GROSS	ADJUSTMENT	NET	NET
C.II.1.4.	DEFERRED TAX ASSET	115 185		115 185	31 365
C.II.1.5.	<i>RECEIVABLES – OTHER</i>	18 981	0	18 981	21 153
C.II.1.5.2.	LONG-TERM PREPAYMENTS MADE	1 209		1 209	1 220
C.II.1.5.4.	SUNDRY RECEIVABLES	17 772		17 772	19 933
C.II.2.	<i>SHORT-TERM RECEIVABLES</i>	11 031 160	346 702	10 684 458	8 308 193
C.II.2.1.	TRADE RECEIVABLES	10 172 095	303 966	9 868 129	7 299 550
C.II.2.2.	RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY	25 587	12 402	13 185	8 016
C.II.2.4.	<i>RECEIVABLES – OTHER</i>	833 478	30 334	803 144	1 000 627
C.II.2.4.1.	RECEIVABLES FROM PARTNERS	0			6 792
C.II.2.4.3.	STATE – TAX RECEIVABLES	517 387		517 387	721 573
C.II.2.4.4.	SHORT-TERM PREPAYMENTS MADE	33 768		33 768	32 201
C.II.2.4.5.	ESTIMATED RECEIVABLES	197 989		197 989	151 499
C.II.2.4.6.	SUNDRY RECEIVABLES	84 334	30 334	54 000	88 562
C.II.3.	<i>OTHER ASSETS</i>	198 028	0	198 028	212 964
C.II.3.1.	DEFERRED EXPENSES	102 166		102 166	80 631
C.II.3.2.	COMPLEX DEFERRED EXPENSES	91 055		91 055	117 083
C.II.3.3.	ACCRUED INCOME	4 807		4 807	15 250
C.III.	<i>CURRENT FINANCIAL ASSETS</i>	20 363	3 034	17 329	32 219
C.III.2.	OTHER CURRENT FINANCIAL ASSETS	20 363	3 034	17 329	32 219
C.IV.	<i>CASH</i>	4 005 862	0	4 005 862	5 925 096
C.IV.1.	CASH ON HAND	6 733		6 733	6 856
C.IV.2.	CASH AT BANK	3 999 129		3 999 129	5 918 240

TABLE CONTINUES ON THE FOLLOWING PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31. 12. 2021	31. 12. 2020
TOTAL LIABILITIES & EQUITY	61 788 234	59 371 019
A. EQUITY	43 121 362	42 110 800
A.I. <i>SHARE CAPITAL</i>	3 159 000	3 159 000
A.I.1. SHARE CAPITAL	3 159 000	3 159 000
A.II. <i>SHARE PREMIUM AND CAPITAL FUNDS</i>	-279 617	-164 760
A.II.2. <i>CAPITAL FUNDS</i>	-279 617	-164 760
A.II.2.1. OTHER CAPITAL FUNDS	20 964	20 963
A.II.2.2. GAINS OR LOSSES FROM THE REVALUATION OF ASSETS AND LIABILITIES (+/-)	-300 581	-185 723
A.III. <i>FUNDS FROM PROFIT</i>	1 801 961	1 800 953
A.III.1. OTHER RESERVE FUNDS	1 802 533	1 801 404
A.III.2. STATUTORY AND OTHER FUNDS	-572	-451
A.IV. <i>RETAINED EARNINGS (+/-)</i>	34 891 104	35 453 828
A.IV.1. ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD (+/-)	34 891 051	35 453 828
A.IV.2. OTHER PROFIT OR LOSS FROM PRIOR YEARS (+/-)	53	
A.V. <i>PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)</i>	3 037 067	1 256 143
A.VI. PROFIT SHARE PREPAYMENTS DECLARED (-)	2 994 196	1 220 794
A.V.2. SHARE IN PROFIT OR LOSS UNDER EQUITY ACCOUNTING	42 871	35 349
VII. CONSOLIDATION RESERVE FUND	511 847	605 636
B.+C. LIABILITIES	17 932 467	16 572 394
B. RESERVES	1 097 928	847 342
B.I. RESERVE FOR PENSIONS AND SIMILAR LIABILITIES	18 185	19 649
B.II. INCOME TAX RESERVE	1 328	7 994
B.III. RESERVES UNDER SPECIAL LEGISLATION	9 914	4 750
B.IV. OTHER RESERVES	1 068 501	814 949


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31. 12. 2021	31. 12. 2020
C. PAYABLES	16 834 539	15 725 052
C.I. <i>LONG-TERM PAYABLES</i>	5 762 298	5 586 531
C.I.2. PAYABLES TO CREDIT INSTITUTIONS	3 678 512	3 568 741
C.I.4. TRADE PAYABLES	44 770	38 789
C.I.8. DEFERRED TAX LIABILITY	2 031 474	1 970 715
C.I.9. <i>PAYABLES – OTHER</i>	7 542	8 286
C.I.9.3. SUNDRY PAYABLES	7 542	8 286
C.II. <i>SHORT-TERM PAYABLES</i>	11 008 065	10 077 551
C.II.2. PAYABLES TO CREDIT INSTITUTIONS	2 651 201	2 132 839
C.II.3. SHORT-TERM PREPAYMENTS RECEIVED	284 406	296 356
C.II.4. TRADE PAYABLES	6 300 976	5 268 128
C.II.8. <i>OTHER PAYABLES</i>	1 771 482	2 380 228
C.II.8.1. PAYABLES TO PARTNERS		4 145
C.II.8.2. SHORT-TERM FINANCIAL BORROWINGS	139	23
C.II.8.3. PAYABLES TO EMPLOYEES	667 483	624 221
C.II.8.4. SOCIAL SECURITY AND HEALTH INSURANCE PAYABLES	259 843	258 941
C.II.8.5. STATE – TAX PAYABLES AND SUBSIDIES	456 836	1 228 343
C.II.8.6. ESTIMATED PAYABLES	351 540	233 418
C.II.8.7. SUNDRY PAYABLES	35 641	31 137
C.III. <i>OTHER LIABILITIES</i>	64 176	60 970
C.III.1. ACCRUED EXPENSES	38 200	36 239
C.III.2. DEFERRED INCOME	25 976	24 731
E. MINORITY EQUITY	734 405	687 825
E.I.1. MINORITY SHARE CAPITAL	76 898	76 898
E.I.2. MINORITY CAPITAL FUNDS	5 376	5 849
E.I.3. MINORITY PROFIT FUNDS INCL. ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD	578 185	566 163
E.V. MINORITY PROFIT OR LOSS FOR THE CURRENT PERIOD	73 946	38 915

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		Year ended 31. 12. 2021	Year ended 31. 12. 2020
I.	SALES OF PRODUCTS AND SERVICES	57 734 264	47 354 049
II.	SALES OF GOODS	476 011	260 998
A.	PURCHASED CONSUMABLES AND SERVICES	44 510 005	35 856 200
A.1.	COSTS OF GOODS SOLD	400 466	216 482
A.2.	CONSUMED MATERIAL AND ENERGY	38 500 133	31 033 941
A.3.	SERVICES	5 609 406	4 605 777
B.	CHANGE IN INTERNALLY PRODUCED INVENTORY (+/-)	-1 155 588	-292 095
C.	OWN WORK CAPITALISED (-)	-1 344 705	-859 651
D.	STAFF COSTS	9 047 765	8 466 889
D.1.	PAYROLL COSTS	6 428 791	6 017 513
D.2.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS AND OTHER CHARGES	2 618 974	2 449 376
D.2.1.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS	2 280 221	2 163 482
D.2.2.	OTHER CHARGES	338 753	285 894
E.	ADJUSTMENTS TO VALUES IN OPERATING ACTIVITIES	2 447 437	2 552 904
E.1.	<i>ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS</i>	2 630 831	2 543 943
E.1.1.	ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS - PERMANENT	2 563 646	2 502 766
E.1.A.	ACCOUNTING FOR POSITIVE GOODWILL ARISING ON CONSOLIDATION	37 828	32 338
E.1.B.	ACCOUNTING FOR NEGATIVE GOODWILL ARISING ON CONSOLIDATION	-728	-728
E.1.2.	ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS - TEMPORARY	30 085	9 567
E.2.	ADJUSTMENTS TO VALUES OF INVENTORIES	-132 744	-14 875
E.3.	ADJUSTMENTS TO VALUES OF RECEIVABLES	-50 650	23 836

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		Year ended 31. 12. 2021	Year ended 31. 12. 2020
III.	OTHER OPERATING INCOME	5 947 920	2 855 199
III.1.	SALES OF FIXED ASSETS	84 943	28 388
III.2.	SALES OF MATERIAL	281 681	154 154
III.3.	SUNDRY OPERATING INCOME	5 581 296	2 672 657
F.	OTHER OPERATING EXPENSES	6 424 815	3 155 572
F.1.	NET BOOK VALUE OF SOLD FIXED ASSETS	24 193	7 039
F.2.	MATERIAL SOLD	160 737	112 393
F.3.	TAXES AND CHARGES	78 634	96 110
F.4.	RESERVES RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES	298 824	58 240
F.5.	SUNDRY OPERATING EXPENSES	5 862 427	2 881 790
*	OPERATING PROFIT OR LOSS (+/-)	4 228 466	1 590 427
IV.	INCOME FROM NON-CURRENT FINANCIAL ASSETS – EQUITY INVESTMENTS	33 682	11 380
IV.1.	INCOME FROM EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	29 829	11 380
IV.2.	OTHER INCOME FROM EQUITY INVESTMENTS	3 853	
G.	COSTS OF EQUITY INVESTMENTS SOLD	120 343	
H.	COSTS OF OTHER NON-CURRENT FINANCIAL ASSETS	54 233	
VI.	INTEREST INCOME AND SIMILAR INCOME	2 117	5 911
VI.1.	INTEREST INCOME AND SIMILAR INCOME – CONTROLLED OR CONTROLLING ENTITY	404	400
VI.2.	OTHER INTEREST INCOME AND SIMILAR INCOME	1 713	5 511
I.	ADJUSTMENTS TO VALUES AND RESERVES RELATING TO FINANCIAL ACTIVITIES	66 785	14 769
J.	INTEREST EXPENSES AND SIMILAR EXPENSES	52 095	69 006
J.2.	OTHER INTEREST EXPENSES AND SIMILAR EXPENSES	52 095	69 006

TABLE CONTINUES ON THE FOLLOWING PAGE

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		Year ended 31. 12. 2021	Year ended 31. 12. 2020
VII.	OTHER FINANCIAL INCOME	971 917	1 513 458
K.	OTHER FINANCIAL EXPENSES	1 151 761	1 418 569
*	FINANCIAL PROFIT OR LOSS (+/-)	-437 501	28 405
**	PROFIT OR LOSS BEFORE TAX (+/-)	3 790 965	1 618 832
L.	INCOME TAX	722 823	359 123
L.1.	DUE INCOME TAX	777 119	313 698
L.2.	DEFERRED INCOME TAX (+/-)	-54 296	45 425
**	PROFIT OR LOSS NET OF TAX (+/-)	3 068 142	1 259 709
**	CONSOLIDATED PROFIT OR LOSS EXCLUDING EQUITY ACCOUNTED INVESTMENTS	3 068 142	1 259 709
	CONSOLIDATED PROFIT OR LOSS EXCLUDING MINORITY INTERESTS	2 994 196	1 220 794
	MINORITY INTEREST IN PROFIT OR LOSS	73 946	38 915
**	PROFIT OR LOSS UNDER EQUITY ACCOUNTING	42 871	35 349
***	PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)	3 111 013	1 295 058
***	PROFIT OR LOSS FOR THE CURRENT PERIOD EXCLUDING MINORITY INTERESTS (+/-)	3 037 067	1 256 143
***	PROFIT OR LOSS FOR THE CURRENT PERIOD INCLUDING MINORITY INTERESTS (+/-)	3 111 013	1 295 058
***	PROFIT OR LOSS FOR THE CURRENT PERIOD EXCLUDING MINORITY INTERESTS BEFORE TAX (+/-)	3 759 890	1 615 266
*	NET TURNOVER FOR THE CURRENT PERIOD	65 165 911	52 000 995

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IN CZK THOUSAND)

	Share Capital	Capital Funds	Funds from Profit, Reserve Fund	Accumulated Profits or Losses Brought Forward	Other Profit or Loss of Prior Years	Profit or Loss for the Current Period	Consolidation Reserve Fund	Profit or Loss under Equity Accounting	Total Equity
Balance at 1 January 2020	3 159 000	-127 350	1 799 457	33 257 102		2 198 814	607 731	5 548	40 900 302
DISTRIBUTION OF PROFIT OR LOSS			1 984	2 196 830		-2 198 814	5 548	-5 548	
REVALUATION OF ASSETS AND LIABILITIES		-37 410					-7 643		-45 053
PAYMENTS FROM THE SOCIAL FUND			-488						-488
PROFIT OR LOSS FOR THE CURRENT PERIOD						1 220 794		35 349	1 256 143
PROFIT OR LOSS FOR THE CURRENT PERIOD				-104					-104
Balance at 31 December 2020	3 159 000	-164 760	1 800 953	35 453 828		1 220 794	605 636	35 349	42 110 800
DISTRIBUTION OF PROFIT OR LOSS			1 857	462 941		-464 798	35 349	-35 349	
PROFIT SHARES PAID				-1 244 282		-755 996			-2 000 278
IMPACT OF CHANGES IN THE CONSOLIDATION GROUP		3 002		124 845			-129 138		-1 291
RECLASSIFICATION/UTILISATION OF FUNDS		-34 973	-841	89 723					53 909
REVALUATION OF ASSETS AND LIABILITIES		-82 886							-82 886
PROFIT OR LOSS FOR THE CURRENT PERIOD					53	2 994 196		42 871	3 037 120
OTHER			-8	3 996					3 988
Balance at 31 December 2021	3 159 000	-279 617	1 801 961	34 891 051	53	2 994 196	511 847	42 871	43 121 362

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

	Year ended 31. 12. 2021	Year ended 31. 12. 2020	
P.	OPENING BALANCE OF CASH AND CASH EQUIVALENTS	5 948 614	4 532 964
	<i>CASH FLOWS FROM ORDINARY ACTIVITIES (OPERATING ACTIVITIES)</i>		
Z.	PROFIT OR LOSS BEFORE TAX	3 790 965	1 618 832
A.1.	ADJUSTMENTS FOR NON-CASH TRANSACTIONS	3 254 156	2 814 369
A.1.1.	DEPRECIATION OF FIXED ASSETS	2 600 746	2 534 375
A.1.2.	CHANGE IN PROVISIONS AND RESERVES	212 300	91 535
A.1.3.	PROFIT/(LOSS) ON THE SALE OF FIXED ASSETS	55 740	-21 348
A.1.4.	REVENUES FROM PROFIT SHARES	-29 829	-11 380
A.1.5.	INTEREST EXPENSE AND INTEREST INCOME	49 978	63 096
A.1.6.	ADJUSTMENTS FOR OTHER NON-CASH TRANSACTIONS	25 018	158 091
A.1.7.	COSTS ARISING FROM THE USE OF PURCHASED EMISSION ALLOWANCES	340 203	
A.*	NET OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL	7 045 121	4 433 201
A.2.	CHANGE IN WORKING CAPITAL	-4 403 997	697 992
A.2.1.	CHANGE IN OPERATING RECEIVABLES AND OTHER ASSETS	-2 708 543	391 939
A.2.2.	CHANGE IN OPERATING PAYABLES AND OTHER LIABILITIES	1 254 343	822 431
A.2.3.	CHANGE IN INVENTORIES	-2 950 000	-516 255
A.2.4.	CHANGE IN CURRENT FINANCIAL ASSETS	203	-123
A.**	NET CASH FLOW FROM OPERATIONS BEFORE TAX	2 641 124	5 131 193
A.3.	INTEREST PAID	-51 875	-69 390
A.4.	INTEREST RECEIVED	2 147	6 098
A.5.	INCOME TAX PAID FROM ORDINARY OPERATIONS	-237 423	-235 667
A.6.	RECEIVED PROFIT SHARES	62 012	27 237


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

	Year ended 31. 12. 2021	Year ended 31. 12. 2020
A.***		
NET OPERATING CASH FLOWS	2 415 985	4 859 471
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
B.1.	-2 794 802	-2 788 849
B.2.	89 901	39 504
B.3.	-5 164	1 000
B.4.		-883 059
B.7	-340 203	
B.***	-3 050 268	-3 631 404
<i>CASH FLOW FROM FINANCIAL ACTIVITIES</i>		
C.1.	782 783	201 506
C.2.	-2 080 481	-13 923
C.2.1.		
C.2.5.	-55 507	-739
C.2.6.	-2 024 974	-13 184
C.***	-1 297 698	187 583
F.	-1 931 981	1 415 650
R.	4 016 633	5 948 614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1.	GENERAL INFORMATION	5	4.8.	PAYABLES TO CREDIT INSTITUTIONS	17
1.1.	INCORPORATION AND DESCRIPTION OF THE BUSINESS	4	4.9.	RESERVES	17
1.2.	BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2021	4	4.10.	TEMPORARY ASSETS AND LIABILITIES	17
1.3.	ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY	5	4.11.	FOREIGN CURRENCY TRANSLATION	17
2.	DEFINITION OF THE CONSOLIDATED GROUP, CONSOLIDATION SYSTEM AND METHODS	7	4.12.	FINANCE LEASES	18
2.1.	DEFINITION OF THE CONSOLIDATED GROUP	6	4.13.	TAXATION	18
2.1.1.	CONSOLIDATION METHOD	6	4.13.1.	DEPRECIATION OF FIXED ASSETS FOR TAX PURPOSES	18
2.1.2.	NAMES AND REGISTERED OFFICES OF SUBSIDIARIES AND ASSOCIATES INCLUDED IN THE CONSOLIDATED GROUP	6	4.13.2.	CURRENT TAX PAYABLE	18
2.1.3.	BALANCE SHEET DATES OF THE COMPANIES INCLUDED IN THE GROUP	8	4.13.3.	DEFERRED TAX	18
2.1.4.	COMPANIES EXCLUDED FROM CONSOLIDATION	8	4.14.	BORROWING COSTS	19
3.	BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES	11	4.15.	COSTS RELATING TO AGENCY EMPLOYEES	19
4.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12	4.16.	REVENUE RECOGNITION	19
4.1.	TANGIBLE AND INTANGIBLE FIXED ASSETS	11	4.17.	USE OF ESTIMATES	20
4.2.	NON-CURRENT FINANCIAL ASSETS	13	4.18.	RESEARCH AND DEVELOPMENT EXPENDITURE	20
4.3.	DERIVATIVE FINANCIAL TRANSACTIONS	14	4.19.	GRANTS	20
4.4.	CURRENT FINANCIAL ASSETS AND CASH	15	4.20.	CASH FLOW STATEMENT	20
4.5.	INVENTORY	15	4.21.	CONSOLIDATION RULES	21
4.6.	RECEIVABLES	16	5.	ANALYSIS OF IMPACTS ON PROFIT/LOSS	25
4.7.	PAYABLES	16	5.1.	CONSOLIDATED PROFIT/LOSS FOR 2021	23
			5.1.1.	STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2021	23
			5.1.2.	PROFIT/(LOSS) ADJUSTMENTS UNDER FULL CONSOLIDATION FOR 2021	23
			5.1.3.	ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2021	23

5.2.	CONSOLIDATED PROFIT/LOSS FOR 2020	24	6.12.2.	SHORT-TERM TRADE PAYABLES	38
5.2.1.	STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2020	24	6.12.3.	OTHER PAYABLES	38
5.2.2.	PROFIT/(LOSS) ADJUSTMENTS UNDER FULL CONSOLIDATION FOR 2020	24	6.12.4.	INTERCOMPANY PAYABLES	39
5.2.3.	ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2020	24	6.13.	DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET	39
6.	ADDITIONAL INFORMATION ON THE BALANCE SHEET	28	6.13.1.	DEFERRED TAX LIABILITY	39
6.1.	INTANGIBLE FIXED ASSETS	25	6.13.2.	DEFERRED TAX ASSET	40
6.2.	TANGIBLE FIXED ASSETS	27	6.14.	BANK LOANS AND BORROWINGS	40
6.3.	ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS	29	6.15.	OTHER OFF-BALANCE SHEET LIABILITIES, LEGAL DISPUTES	44
6.4.	FIXED ASSETS PLEDGED AS SECURITY	30	6.16.	COVID-19	48
6.5.	SUMMARY OF UNCONSOLIDATED INVESTMENTS	33	7.	ADDITIONAL INFORMATION ON THE PROFIT AND LOSS ACCOUNT	61
6.5.1.	SUMMARY OF UNCONSOLIDATED INVESTMENTS IN 2021	33	7.1.	INCOME FROM CURRENT ACTIVITIES OF THE GROUP	49
6.6.	ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION	35	7.2.	OTHER INCOME AND EXPENSES	49
6.7.	SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING	35	7.3.	GRANTS AND SUBSIDIES	49
6.8.	INVENTORY	35	7.4.	AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE	50
6.9.	RECEIVABLES	36	7.5.	RELATED PARTY TRANSACTIONS	50
6.9.1.	STRUCTURE OF SHORT-TERM RECEIVABLES	36	7.5.1.	INCOME GENERATED WITH RELATED PARTIES	50
6.9.2.	RECEIVABLES PLEDGED AS SECURITY	36	7.5.2.	PURCHASES FROM RELATED PARTIES	51
6.9.3.	INTERCOMPANY RECEIVABLES	37	8.	EMPLOYEES, MANAGEMENT AND STATUTORY BODIES	64
6.10.	EQUITY AND SHARE CAPITAL	37	8.1.	STAFF COSTS AND NUMBER OF EMPLOYEES	52
6.10.1.	EQUITY	37	8.1.1.	STAFF COSTS AND NUMBER OF EMPLOYEES FOR THE YEAR	52
6.10.2.	SHARE CAPITAL	37	8.1.2.	LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED	52
6.11.	RESERVES	38	9.	POST BALANCE SHEET EVENTS	65
6.12.	PAYABLES	38			
6.12.1.	LONG-TERM PAYABLES	38			

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

MORAVIA STEEL a.s. (henceforth the “Parent Company” or the “Company”) was formed by a Memorandum of Association as a joint stock company on 27 July 1995 and was incorporated following its registration in the Register of Companies held at the Regional Court in Brno-venkov on 23 August 1995 (File B, Insert 1680), currently registered at the Regional Court in Ostrava (File B, Insert 1297). The principal business activities of the Company include trade activities – purchase of goods for resale. Additional business activities include domestic and international shipping services.

The Company’s registered office is located in Průmyslová 1000, Staré Město, 739 61 Třinec.

The Company’s share capital is CZK 3,159,000 thousand.

The following table shows legal entities holding more than 20% of the Company’s share capital and the amount of their equity investment:

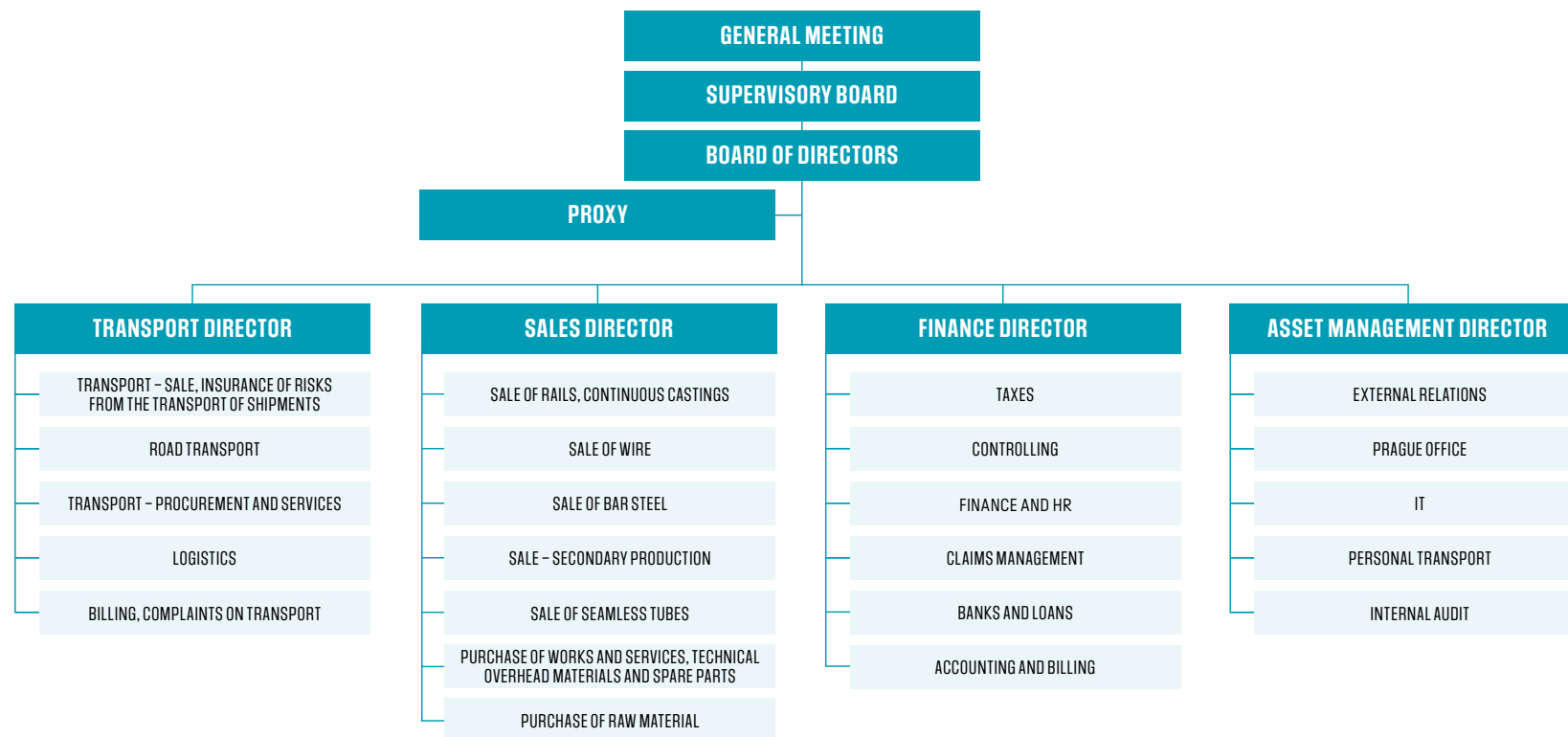
SHAREHOLDER	OWNERSHIP PERCENTAGE
MINERFIN, a.s., Námestie Ľudovíta Štúra 2, 811 02 BRATISLAVA, SLOVAKIA	48.57%
TOTAL	48.57%

The consolidated group is primarily engaged in metallurgical production with a closed metallurgical cycle. The consolidated group is additionally involved in generating electricity and providing foundry and engineering services, and domestic as well as international shipment.

1.2. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2021

	POSITION	Name
BOARD OF DIRECTORS	CHAIRMAN	PETR POPELÁŘ
	VICE CHAIRMAN	KRZYSZTOF ROCH RUCIŃSKI
	MEMBER	MOJMÍR KAŠPŘIŠIN
	MEMBER	URŠULA NOVOTNÁ
SUPERVISORY BOARD	CHAIRMAN	TOMÁŠ CHRENEK
	VICE CHAIRMAN	JÁN MODER
	VICE CHAIRMAN	EVŽEN BALHO
	MEMBER	MÁRIA BLAŠHOVÁ

1.3. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



2. DEFINITION OF THE CONSOLIDATED GROUP, CONSOLIDATION SYSTEM AND METHODS

2.1. DEFINITION OF THE CONSOLIDATED GROUP

2.1.1. CONSOLIDATION METHOD

The consolidation was performed using the proportionate consolidation method.

2.1.2. NAMES AND REGISTERED OFFICES OF SUBSIDIARIES AND ASSOCIATES INCLUDED IN THE CONSOLIDATED GROUP

The consolidated group (hereinafter the “Group”) included the following entities:

Subsidiaries

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	SHARE OF SHARE CAPITAL AT 31 DEC 2021	SHARE OF SHARE CAPITAL AT 31 DEC 2020
TŘINECKÉ ŽELEZÁRNY, a. s.	PRŮMYSLOVÁ 1000, STARÉ MĚSTO, 739 61 TŘINEC	MANUFACTURE OF METALLURGICAL PRODUCTS	100.00%	100.00%
BARRANDOV STUDIO a.s.	PRAGUE 5, HLUBOČEPEY KŘÍŽENECHÉHO NÁM. 322/5	CREATION AND PRODUCTION OF FILMS AND OTHER AUDIO-VISUAL MATERIAL	99.85%	99.85%
MORAVIA STEEL ITALIA S.R.L.	CORSO SEMPIONE 39, 20154, MILAN, ITALY	DISTRIBUTION OF METALLURGICAL PRODUCTS	66.00%	66.00%
BESHYDSKÁ GOLFOVÁ, a.s.	ROPICE 415, 739 56	PROVISION OF SPORT SERVICES	100.00%	100.00%
HOTEL GOLF ROPICE a.s.	ROPICE 415, 739 56	PRODUCTION, TRADE AND SERVICES NOT LISTED IN APPENDICES 1 TO 3 TO THE TRADE LICENSING ACT	0%	100.00%
MS – SLOVENSHO S.R.O.	NÁMESTIE ĽUDOVÍTA ŠTÚRA 2 811 02 BRATISLAVA	PURCHASE AND SALE OF GOODS IN RETAIL AND WHOLESALE, MEDIATION SERVICES IN THE EXTENT OF NOTIFIABLE TRADE	100.00%	100.00%
MORAVSKOSLEZSKÝ KOVOŠROT a.s.	BOŽKOVA 936/73, PŘÍVOZ, 702 00 OSTRAVA	PURCHASE, PROCESSING AND SALES OF METAL SCRAP AND NON-FERROUS METALS	100.00%	100.00%
M STEEL PROJECTS a.s.	PRŮMYSLOVÁ 1000, STARÉ MĚSTO, 739 61 TŘINEC	PRODUCTION, TRADE AND SERVICES NOT LISTED IN APPENDICES 1 TO 3 TO THE TRADE LICENSING ACT	100.00%	100.00%

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	SHARE OF SHARE CAPITAL AT 31 DEC 2021	SHARE OF SHARE CAPITAL AT 31 DEC 2020
MORAVIA STEEL DEUTSCHLAND GMBH	CLIEV 19, 51515 KÜRTEH-HERWEG, GERMANY	DISTRIBUTION OF METALLURGICAL PRODUCTS	100.00%	100.00%
MORAVIA STEEL UK LIMITED	5 BRADWALL COURT, BRADWALL ROAD, SANDBACH, CHESHIRE, CW11 1GE, UNITED KINGDOM	DISTRIBUTION OF METALLURGICAL PRODUCTS	100.00%	100.00%
"NEOMET" SP.Z O.O.	UL. BATALIONÓW CHŁOPSKICH 2, 42-680 TARNOWSKIE GÓRY, POLAND	TRADING WITH METAL SCRAP AND METAL PROCESSING	100.00%	100.00%
ENERGETIKA TŘINEC, a.S.	PRŮMYSLOVÁ 1024, STARÉ MĚSTO, 739 61 TŘINEC	PRODUCTION AND DISTRIBUTION OF HEAT AND ELECTRICITY	100.00%	100.00%
SLÉVÁRNÝ TŘINEC, a.S.	PRŮMYSLOVÁ 1001, STARÉ MĚSTO, 739 61 TŘINEC,	FOUNDRY INDUSTRY	100.00%	100.00%
VÚHŽ a.S.	240, 739 51 DOBRÁ	PRODUCTION, INSTALLATION AND REPAIRS OF ELECTRONIC EQUIPMENT, FOUNDRY INDUSTRY, MODELLING	100.00%	100.00%
ŠROUBÁRNA KYJOV, SPOL. S R.O.	KYJOV, JIRÁSKOVA 987, 697 32	RAILWAY ROUTE OPERATION, LOCKSMITHING, TOOL ENGINEERING, METALWORKING	100.00%	100.00%
STROJÍRNÁ A STAVBY TŘINEC, a.S.	PRŮMYSLOVÁ 1038, STARÉ MĚSTO, 739 61 TŘINEC	PRODUCTION OF MACHINERY AND TECHNOLOGY UNITS, MACHINERY EQUIPMENT, CONSTRUCTION WORK	100.00%	100.00%
"METALURGIA" S.A.	ULICA ŚWIĘTEJ ROZALII NR 10/12, 97-500, RĄDOMSKO, POLAND	PRODUCTION OF NAILS, WIRE AND WIRE PRODUCTS	100.00%	100.00%
"D&D" DRÓTÁRU ZRT.	3527 MISHOLC, SAJÓSZIGETI UTCA 4, HUNGARY	PRODUCTION OF WIRE PRODUCTS	100.00%	100.00%
ŽDB DRÁTOVNA a.S.	JEREMENKOVA 66, PUDLOV, 735 51 BOHUMÍN	PRODUCTION OF DRAWN WIRE, STEEL CORD AND TUBULAR WIRE, ROPES, TISSUES AND WELDED NETWORKS, SPRINGS, DRAW PLATES AND OTHER WIRE PRODUCTS	100.00%	100.00%
HŽP a.S.	DOLNÍ 3137/100, 796 01 PROSTĚJOV	PRODUCTION OF LEAF AND HELICAL SPRINGS FOR THE AUTOMOTIVE AND RAILWAY INDUSTRIES	100.00%	100.00%
SV SERVISNÍ, S.R.O.	PROSTĚJOV, DOLNÍ 3137/100, 796 01	ELECTRICITY TRADING AND DISTRIBUTION, GAS TRADING AND DISTRIBUTION	100.00%	100.00%
BOHEMIA RINGS S.R.O.	NO. 10, 565 43 ZÁMRŠK	BLACKSMITHING AND MACHINING	100.00%	100.00%
ŘETĚZÁRNA a.S.	ČESKÁ VES, POLSKÁ 48, 790 81	PRODUCTION OF CHAINS, CHAIN PRODUCTS AND DRAWN WIRE	51.00%	51.00%

TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	SHARE OF SHARE CAPITAL AT 31 DEC 2021	SHARE OF SHARE CAPITAL AT 31 DEC 2020
REFRASIL, S.R.O.	PRŮMYSLOVÁ 720, KONŠHÁ, 739 65 TŘINEC	PRODUCTION OF BUILDING MATERIALS, PORCELAIN, CERAMIC AND PLASTER PRODUCTS	100.00%	100.00%
M STEEL PROJECTS, S.R.O.	Na BRÁNE 8665/4, ŽILINA, 010 01 SLOVAKIA	PURCHASE OF GOODS FOR SALE, MEDIATION ACTIVITIES, ADVERTISING PRODUCTION, TRADE AND SERVICES NOT LISTED IN APPENDICES 1 TO 3 TO THE TRADE LICENSING ACT	100.00%	100.00%
KOVÁRNA VIVA a.s.	ZLÍN, VAVREČHOVA 5333, 76001	BLACKSMITHING, FARRIERING, MACHINING, BOOKKEEPING, TAX RECORD KEEPING	66.00%	66.00%
ALPER a.s.	PROSTĚJOV, VRAHOVICHÁ 4530, 796 01	BLACKSMITHING, FARRIERING, LOCKSMITHING, TOOL-MAKING, MACHINING,	66.00%	66.00%
MSV METAL STUDÉNKA, a.s.	R. TOMÁŠKA 859, STUDÉNKA 742 13	BLACKSMITHING, FARRIERING, LOCKSMITHING, MACHINING, TOOL-MAKING	100.00%	100.00%
KUŹNIA OSTRÓW WIELKOPOLSKI SP. Z O.O.	OSTRÓW WIELKOPOLSKI, UL.WROCLAWSKA 93, 63-400	BLACKSMITHING, FARRIERING, TOOL-MAKING	100.00%	100.00%

Associates

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY SHARE AT 31 DEC 2021	EQUITY SHARE AT 31 DEC 2020
MORAVIA STEEL MIDDLE EAST FZCO	JEBEL ALI FREE ZONE, DUBAI, U.A.E.	DISTRIBUTION OF METALLURGICAL PRODUCTS	0%	40.00%
VESUVIUS ČESKÁ REPUBLIKA, a.s.	PRŮMYSLOVÁ 715, KONŠHÁ, 739 61 TŘINEC	PRODUCTION OF ISOSTATICALLY PRESSED HEAT-RESISTING PRODUCTS FOR CONTINUOUS STEEL CASTING	40.00%	40.00%

The Hotel Golf Ropice a.s. entity, which was dissolved as a result of a merger by amalgamation into the Beskydská golfová, a.s. entity, was removed from the consolidation group for 2021. Furthermore, the Moravia Steel Middle East FZCO entity was removed from the consolidation group for 2021 due to its sale.

2.1.3. BALANCE SHEET DATES OF THE COMPANIES INCLUDED IN THE GROUP

The financial statements of the companies included in the Group were prepared as of and for the years ended 31 December 2021 and 2020. The companies included in the Group are based in the Czech Republic, with the exception of Moravia Steel Deutschland GmbH, which is based in Germany, MORAVIA STEEL ITALIA S.R.L. based in Italy, MORAVIA STEEL UK LIMITED based in the UK, “D&D” Drótáru Zrt. based in Hungary, METALURGIA S.A., NEOMET Sp. z o.o. and KUŹNIA OSTRÓW WIELKOPOLSKI Sp. z o.o. based in Poland, M Steel Projects, s.r.o. and MS – Slovensko s.r.o. based in Slovakia.

2.1.4. COMPANIES EXCLUDED FROM CONSOLIDATION

Entities which are the Company's subsidiaries or associates, are not included in the consolidated group if:

- The share in the consolidation group is not material in terms of giving a true and fair view of the financial position and performance of the consolidation group, when:
 - The share of the recalculated assets of such subsidiary or associate in the total recalculated assets of all the group's entities is less than 1.5 percent, and the value of assets is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.;
 - The share of the recalculated equity of such subsidiary or associate in the total recalculated equity of all of the group's entities is less than 1.5 percent, and the value of equity is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.; and
 - The share in the recalculated net turnover (revenues of account class 6) of such subsidiary or associate in the total recalculated net turnover of all of the group's entities is less than 1.5 percent, and the value of the net turnover is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.
- Long-term restrictions significantly hinder MORAVIA STEEL, a. s. in exercising its rights connected to the control of assets or management of these subsidiaries or associates, or, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable but unacceptable undue delay;
- The shares or equity interests in subsidiaries and associates are held exclusively with a view to their subsequent disposal.

If the entity exceeds any individual level of materiality for the inclusion in the consolidation group, there must be a real assumption for exceeding the individual level of materiality for the following reporting period. An entity that does not meet the individual level of materiality for the inclusion in the consolidation group, has to be included in the consolidation group if there is a real assumption of exceeding the level of materiality in the following reporting period.

The entities that meet the condition set out above for non-inclusion in the consolidated group, thereby not entering into consolidation based on individual assessment, must also meet the group materiality criterion for non-inclusion. Under the group materiality criterion, these entities are taken as one whole. This whole has to have (i) the share of the recalculated assets of this whole in the total recalculated assets of all entities in the group less than 1.5 percent, while the value of assets for these purposes is recalculated using the percentage of the ownership share held by the parent company MORAVIA STEEL, a. s. (ii) the share of recalculated equity in total recalculated equity of all entities in the group less than 1.5 percent, while the value of equity for these purposes is recalculated using the percentage of the ownership share held by MORAVIA STEEL, a. s., and (iii) the share of the recalculated net turnover (revenues of account class 6) in total recalculated net turnover of all entities in the group less than 1.5 percent, while the value of the net turnover for these purposes is recalculated using the percentage of the ownership share held by MORAVIA STEEL, a. s. For calculating materiality levels, all entities in the Group with the exception of companies in liquidation or subject to bankruptcy proceedings are taken into account.

3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

The accounting records are maintained and the consolidated financial statements were prepared in accordance with Accounting Act 563/1991 Coll.; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

For the purposes of preparing the consolidated financial statements of MORAVIA STEEL a.s., the accounting principles within the Group were brought into line. Significant accounting policies as adopted by individual group entities are set out below.

These consolidated financial statements are presented in thousands of Czech crowns (“CZK thousand”). The figures of MORAVIA STEEL ITALIA S.R.L., Moravia Steel Deutschland GmbH, MORAVIA STEEL UK LIMITED, “METALURGIA” S.A., “D&D” Drótáru Zrt., M Steel Projects, s.r.o., NEOMET Sp. z o.o., MS – Slovensko s.r.o., MSP International AZ, Moravia Mining Plc and KUŹNIA OSTRÓW WIELKOPOLSKI Sp. z o.o. are translated into CZK (refer to Note 4.10).

The consolidated financial statements of the Group for the year ended 31 December 2021 were prepared as follows:

- The balance sheet comprises comparative balances as of 31 December 2020;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2020;
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2020; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

Tangible fixed assets include assets with an acquisition cost greater than CZK 40 thousand on an individual basis and an estimated useful life greater than one year.

Intangible fixed assets include assets (such as software, valuable rights, research and development) with an acquisition cost greater than CZK 60 thousand on an individual basis and an estimated useful life greater than one year.

Purchased tangible and intangible fixed assets are valued at acquisition costs.

Tangible and intangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of

assets (production overheads) and relating to the period of activity. Costs of engineering activities are also included in production overheads. Costs of sales are not included.

The following tangible and intangible fixed assets are stated at replacement cost: tangible and intangible fixed assets acquired through donation, intangible fixed assets internally generated, assets recently entered in the accounting records and an investment of intangible and tangible fixed assets, except for cases where the investment is valued differently pursuant to a Memorandum of Association or a Deed of Foundation.

The replacement cost is also applied to tangible fixed assets acquired under finance lease arrangements with an original cost exceeding CZK 1 million. These assets are carried at replacement cost and recorded in the statutory books as fully depreciated. Replacement cost is determined by an expert appraiser or through an estimate performed under internal regulations.

Tangible and intangible assets with an estimated useful life greater than one year and an acquisition cost equal to or lower than CZK 40 thousand and CZK 60 thousand, respectively, are not treated as fixed assets. Such tangible assets are accounted for as inventory and when brought into use they are charged to “Consumed material and energy” in the profit and loss account. Intangible assets costing CZK 60 thousand and less are expensed through the account “Services” upon acquisition.

The cost of tangible fixed asset improvements exceeding CZK 40 thousand on an individual basis in the taxation period increases the acquisition cost of the related fixed asset.

The cost of intangible asset improvements exceeding CZK 60 thousand on an individual basis in the taxation period increases the acquisition cost of the related fixed asset.

Starting from the reporting period beginning on 1 January 2022

- Tangible and intangible fixed assets will comprise assets with a carrying amount exceeding CZK 80 thousand on an individual basis and a useful life longer than one year;
- Technical improvement of tangible and intangible fixed assets, if it exceeds the total amount of CZK 80 thousand for each asset in the reporting period, increases the accounting acquisition cost of the fixed asset.

The intangible results of research and development, if held for trading or resale, are recognised through the balance sheet line “Development”. Research and development results designed for internal purposes are not classified as intangible fixed assets and are recorded off balance sheet in the valuation of own costs.

Greenhouse emission allowances (hereinafter “emission allowances”) are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. The use of emission allowances is accounted for at the consolidated balance sheet date as a minimum, depending upon the level of emissions produced by the companies in the consolidation group in the relevant calendar year; any difference arising from the verification of emissions by a verifier is recognised in the reporting period in which the verification was carried out. An initial free-of-charge acquisition of the allowances is recognised as a subsidy not reducing the carrying amount of the intangible fixed assets. This “subsidy” is released into income on a systematic basis as the allowances are used and charged to expenses. The sale of free allowances is recognised in the profit or loss under “Sundry operating

income”. In the case of sale of purchased allowances, such sale is recognised in profit or loss in “Sales of fixed assets”. The exchange of purchased CERs for allowances is recognised in “Other intangible fixed assets” against the “Sundry operating expenses” and “Sundry operating income” accounts.

As of the consolidated balance sheet date, emission allowances are valued according to the EUROPEAN ENERGY EXCHANGE rate. The decrease in the valuation of emission allowances acquired on a free-of-charge basis as of the consolidated balance sheet date is recognised in the balance sheet lines “Other intangible fixed assets” and “State – tax payables and subsidies”. The Company does not recognise an upward revaluation of the emission allowances. If there is a lack of allowances at the consolidated balance sheet date, the Company recognises a reserve as part of “Other reserves” in the balance sheet and “Reserves relating to operating activities and complex deferred expenses” in the profit and loss account. The reserve for the purchase of allowances is released in the following accounting period when the missing allowances are purchased or used from the free-of-charge allocation of the following period.

As a result of mergers in previous reporting periods, allowances are recorded in separate accounts in the Union Registry depending on the locally defined operating facility. For accounting purposes, EUAs are reported in a single analytical account, and the FIFO valuation method is used to record the disposal of allowances.

Depreciation for Accounting Purposes

Depreciation of fixed assets, other than land and assets under construction, is recorded on a straight-line basis over the depreciation period indicated below:

CATEGORY OF ASSETS	DEPRECIATION PERIOD IN YEARS
STRUCTURES	2 - 77
MACHINERY AND EQUIPMENT	2 - 42
VEHICLES	3 - 40
FURNITURE AND FIXTURES	6 - 15
SOFTWARE	3 - 7

The depreciation period in years is established in terms of the estimated useful life of the fixed assets taking into account the operational conditions.

If the inventory count indicates that the estimated useful life of assets has changed, the Group appropriately adjusts the depreciation period of the related asset.

The bulk of buildings and structures are depreciated over 45 – 60 years. The shorter depreciation period is applied to temporary structures and short-term structures (lighting, fencing, energy grids, pipelines, etc.). A depreciation period over 60 years is applied to structures with a long useful life such as railway and road bridges, conveying tunnels, and production and administrative buildings.

The bulk of machines and equipment are depreciated over 15 – 25 years. The shorter depreciation period is primarily applied to IT systems, management systems, devices, etc.; the longer depreciation period is applied in exceptional cases to agglomeration equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

Provisioning

Provisions against tangible fixed assets are recognised in circumstances where the carrying value is greater than value in use, which is equal to the present value of estimated future cash flows expected to arise from the continuing use of fixed assets or anticipated income for the intended sale.

Impairment

At each balance sheet date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there are any indications that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

4.2. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments in subsidiaries and associates and securities and equity investments available for sale.

Valuation

Securities and equity investments are carried at cost upon acquisition. The cost of securities or equity investments includes direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the consolidated balance sheet date:

Equity investments are valued at cost less any provisions against equity investments.

Available-for-sale securities are valued pursuant to the Accounting Act (Section 27) at fair value, determined by reference to the market value or a reasonable estimate. If the determination of this fair value is not practicable, the securities are valued at cost.

At the consolidated balance sheet date, changes in the fair value of available-for-sale securities are recorded on the balance sheet as “Other non-current securities and equity investments” and “Gains and losses from the revaluation of assets”. A deferred tax liability is determined in respect of the revaluation difference where the value of available-for-sale securities increases, and is recorded through the lines “Gains and losses from the revaluation of assets” and “Deferred tax liability”.

Upon sale or any other disposal, securities of the same type are valued at the weighted average cost.

Investments in enterprises in which the entities consolidated using the full consolidation method have the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as “Equity investments – controlled or controlling entity”.

Investments in enterprises in which the entities consolidated using the full consolidation method are in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their activities are treated as “Equity investments in associates”.

Provisioning against Equity Investments

Investments are provisioned if there is a risk that the fair value of non-current financial assets is lower than its carrying value.

In charging provisions against equity securities that are not fair valued, the Group refers to its detailed knowledge of the relevant entity, its anticipated future cash flows and the results of its operations and reflects its interest in the entity's equity.

4.3. DERIVATIVE FINANCIAL TRANSACTIONS

The Company designates derivative financial instruments as either trading or hedging. The Company's criteria for a derivative instrument to be accounted for as a hedge are as follows:

- In line with the financial risk management strategy, at the inception of the hedge, a decision was made regarding the hedged items and hedging instruments, the risks subject to hedging, the approach to calculating and documenting whether the hedge is effective;
- The hedge is highly effective (that is, within a range of 80% to 125%); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis, the Company assesses effectiveness at the derivative trade date and at the balance sheet date.

If derivative instruments do not meet the criteria for hedge accounting referred to above, they are treated as trading derivatives.

Derivative transactions are concluded for an agreed trade volume. At the consolidated balance sheet date, derivatives are reported at fair value. The market value is used as a fair value measure.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a contract, a forecasted future transaction, groups of assets, groups of liabilities, contracts or forecasted future transactions with similar characteristics where the same type and category of risk is the subject of the hedge. Gains or losses arising over the term of the hedge from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to the hedged risks are retained on the balance sheet. The gains or losses are taken to income or expenses in the same period in which the income or expenses associated with the hedged item are recognised. Gains or losses arising from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to unhedged risks are recorded as expenses or income from derivative transactions at the measurement date.

4.4. CURRENT FINANCIAL ASSETS AND CASH

Current financial assets include short-term debt securities maturing within one year and other securities available for sale.

Current financial assets are carried at cost upon acquisition.

Cash comprises cash on hand and cash at bank.

4.5. INVENTORY

Valuation

Purchased inventory is valued at acquisition costs. Acquisition costs include the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees during transportation, commissions and insurance charges.

Inventory is issued out of stock at costs determined using the weighted arithmetic average method.

Internally produced inventory is valued at cost using a costing formula in which the pure charge is valued at the actual cost and processing costs are valued at planned rates of the particular year.

At the consolidated balance sheet date, the Company assesses the actual costs of the charge and the difference between the actual costs of the charge and the valuation of the charge from the prior month is reflected only in the financial accounting records. In respect of processing costs, the difference between the value of processing costs of the planned operations valued at planned rates of the particular year and the value of the actually completed operations valued at planned rates of the particular year is reflected in the financial accounting accounts.

Provisioning

Provisions against inventory of material are made in respect of inventory with low or no movement and a very low likelihood for processing following an individual analysis.

Provisions against the inventory of finished products and semi-finished products are charged based on their realisability.

4.6. RECEIVABLES

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts.

Provisioning

Provisions are created against receivables with doubtful recoverability.

Tax deductible provisions against receivables are made pursuant to Act No. 586/1992 Coll., on Income Taxes, and Act No. 593/1992 Coll., on Provisioning.

Non-tax deductible provisions (other than intercompany) are created as follows:

- a) Receivables past due for 1 year and more are provisioned in full; and
- b) Receivables past due over 180 days but less than 365 days are provisioned at 50%.

In addition, provisions are recognised against specific receivables following an individual assessment of their collectability.

The Group also creates provisions against interest-free long-term receivables. This provisioning charge is calculated as equal to the difference between the nominal value and the discounted value of these receivables.

4.7. PAYABLES

Trade and other payables are stated at their nominal value. Long-term bills of exchange to be settled are stated at their nominal value. Interest on these bills is accrued over the term to their maturity.

4.8. PAYABLES TO CREDIT INSTITUTIONS

Payables to credit institutions are reported at nominal value. The portion of long-term payables to credit institutions maturing within one year from the consolidated balance sheet date and revolving payables to credit institutions which are regularly rolled over to the following period are included in short-term payables to credit institutions.

4.9. RESERVES

Other reserves are created to provide for future risks known at the balance sheet date. In addition, a reserve is recorded for the restoration and maintenance of a dump site and clean-up after termination of the operation of the site in accordance with Regulation of No. 294/2005 Coll. on Conditions for Storing Waste in Dump Sites.

4.10. TEMPORARY ASSETS AND LIABILITIES

Deferred/accrued expenses and income are reported on the relevant accounts under Other assets and Other liabilities. Deferred expenses only include items for which it is probable or certain that they will have a specific measurable effect in terms of income or other economic benefit in future periods for which they are deferred. Immaterial and recurring expenses or income are not accrued. Complex expenses include research and development and implementation expenses for projects related to the acquisition of software.

4.11. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies conducted during the year are translated using the exchange rate of the Czech National Bank prevailing on the date preceding the transaction date.

Cash denominated in foreign currencies (foreign currency cash) is translated into Czech crowns using the fixed monthly exchange rate as notified by the Czech National Bank as of the first day of the month in which it was recorded.

At the consolidated balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into CZK using exchange rates prevailing at the end of the reporting period. Equity items carried at historical cost in foreign currencies are not translated. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in capital funds (attributed to the minority capital funds as appropriate).

Prepayments for tangible and intangible fixed assets received after 31 December 2020, if non-refundable, are considered to be part of the acquisition cost of the specific fixed asset as of the date of the consolidated financial statements and are not translated using the Czech National Bank exchange rate as of the date of the consolidated financial statements. Prepayments for fixed assets received before 1 January 2021 and reported in a foreign currency as of the date of the consolidated financial statements are translated using the exchange rate of the Czech National Bank prevailing on the date of the consolidated financial statements.

Foreign exchange gains or losses in provisions for newly created foreign currency receivables exceeding CZK 1 million are recognised individually in the profit or loss (in the “563 – foreign exchange losses” or “663 – foreign exchange gains” accounts). Below this limit, foreign exchange gains and losses in provisions for foreign currency receivables continue to be recognised in the operating profit/loss as a charge or release of the provision for receivables.

4.12. Finance Leases

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title, the lessee makes lease payments to the lessor for the asset that are charged to expenses.

The initial lump-sum payment related to assets acquired under finance leases are amortised and expensed over the lease period.

4.13. Taxation

4.13.1. DEPRECIATION OF FIXED ASSETS FOR TAX PURPOSES

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act No. 586/1992 Coll., on Income Taxes, with the exception of assets used by TŘINECKÉ ŽELEZÁRNY, a. s. in the Tube Rolling Mill (the VT operation), VZ – Sochorová válcovna plant and the Univerzální trať plant and the Track Fastenings Plant and assets used by ŽDB DRÁTOVNA, a.s. and Řetězárna a.s. which are depreciated using both the straight-line and accelerated methods for tax purposes. HŽP a.s., SV servisní, s.r.o., Slévárny Třinec, a.s., REFRASIL, s.r.o., and VÚHŽ a.s. use the straight-line method for the calculation of depreciation for tax purposes. The accelerated depreciation method is also used by MORAVIA STEEL a.s. and Moravskoslezský kovošrot a.s.; Beskydská Golfová, a.s. and MSV METAL STUDĚNKA, a.s., use the straight-line depreciation method for calculating tax depreciation and Kovárna VIVA a.s. and ALPER a.s. use both the accelerated and straight-line depreciation methods.

4.13.2. CURRENT TAX PAYABLE

The tax currently payable is based on taxable profit for the reporting period. The taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

4.13.3. DEFERRED TAX

Deferred tax is accounted for using the balance sheet liability method.

Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled.

The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The deferred tax asset/liability reported is the sum of deferred tax assets/liabilities of individual companies of the consolidation group that are reported by these companies in their separate financial statements.

4.14. BORROWING COSTS

Borrowing costs arising from payables to credit institutions are expensed irrespective of the purpose for which they were drawn.

4.15. COSTS RELATING TO AGENCY EMPLOYEES

The staff costs of employees hired through an employment agency who are temporarily assigned to perform work under an agreement with the employment agency (the “agency employees”) are reported as part of social costs (the “Other Charges” line in the Profit and Loss Account) which include the actually paid salaries including social security and health insurance costs. The costs of other aids and protective drinks for agency employees are reported under ‘Consumed material and energy’. Other payments for the services of the employment agency, such as mediation fees or the employment agency’s overheads, are reported under ‘Services’.

4.16. REVENUE RECOGNITION

Revenues are recognised when goods are delivered and accepted by the customer or when services are rendered and are reported net of discounts and VAT.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Income from profit shares is recognised when the General Meeting of the Company, or the sole shareholder in the exercise of its powers, has approved the distribution of profit.

Received insurance benefits are charged to income in the reporting period in which the amount of the insurance benefit is recognised by the insurance company. If the benefit has not been recognised, an estimate is made for the insurance benefit received only to the extent of the actual expense incurred to recover the consequences of the insured event in the relevant reporting period.

4.17. USE OF ESTIMATES

The presentation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are made on the basis of all the relevant information available. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

4.18. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is capitalised as part of cost and posted to the acquisition of tangible or intangible fixed assets if the research and development projects result in fixed assets (tangible or intangible). The output of a research project is capitalised on the basis of the results of opponent proceedings. A detailed analysis of the projects in progress is undertaken at the consolidated balance sheet date and the costs incurred are charged to expenses or recognised as complex deferred expenses in the event that there is doubt over the completion or future utilisation of the project.

Permanent development is charged directly to expenses with regard to repeatability and materiality. The materiality criterion is defined as follows: “If the expenditure on permanent development for the relevant reporting period does not exceed, on average, more than 50% of the expenditure on permanent development for the preceding two reporting periods, all such expenditure is charged to expenses in the relevant reporting period. In the event that the above limit is exceeded, the entity shall select the projects that result in the materiality limit being exceeded and, after analysis, capitalise them in the ‘complex deferred expenses’ account”.

4.19. GRANTS

Operating subsidies received are credited to income on an accruals basis.

In accordance with Government Decree No. 565/2020 Coll., on the conditions for granting indirect cost compensations for industries identified as having a significant risk of carbon leakage as a result of projecting GHG-related costs into electricity prices, these compensations are accounted for in the reporting period in which the Ministry of Industry and Trade issues a decision on granting the compensation.

Subsidies for the acquisition of fixed assets reduce the cost of assets.

4.20. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

For cash flow reporting purposes, cash and cash equivalents include cash on hand and duty stamps, cash in bank except for deposits with maturity longer than three months, and current liquid assets easily convertible into cash in an amount agreed in advance where no significant changes in the value of these assets are expected over time.

Cash and cash equivalents can be analysed as follows:

(CZK'000)

	Balance at 31 Dec 2021	Balance at 31 Dec 2020
CASH AT HAND	6 733	6 856
CURRENT ACCOUNTS	3 999 129	5 918 240
CURRENT ACCOUNTS WITH RESTRICTED HANDLING OF THE BALANCE	0	0
TERM DEPOSITS	0	0
SHORT-TERM SECURITIES	20 363	35 253
TOTAL CURRENT FINANCIAL ASSETS (GROSS)	4 026 225	5 960 349
CASH AND CASH EQUIVALENTS NOT INCLUDED IN THE CASH FLOW	-6 558	-8 701
PROVISION AGAINST SHORT-TERM SECURITIES AND INVESTMENTS	-3 034	-3 034
TOTAL CASH AND CASH EQUIVALENTS	4 016 633	5 948 614

The difference between cash and cash equivalents as of 31 December 2021 and 2020 in the cash flows statement in comparison with the current financial assets in the balance sheet represents blocked deposits that are restricted with regard to the free handling of the funds.

4.21. CONSOLIDATION RULES

The individual items of the balance sheets and the profit and loss accounts of subsidiaries consolidated under the full consolidation method were added up in total amounts with the balance sheet and the profit and loss account of the parent company. Furthermore, financial investments of the parent company were eliminated against acquired equity, inter-company supplies, receivables and payables, including profits from the sale of the fixed assets realised among the consolidated group companies, and profit margins relating to inventories not yet consumed.

Under the equity consolidation method, financial investments of the parent company were eliminated from the balance sheet against acquired equity. The assets in the consolidated balance sheet included the item "Securities and equity investments under equity accounting", the balance of which is

calculated as the share in the equity of associates. This item was adjusted by a portion of the profit margin, reflecting the share in the equity of an associate, on intercompany supplies of inventories not yet consumed. Liabilities of the consolidated balance sheet included the item “Share in the profit/(loss) of equity accounted investment” which represents the parent company’s share in the current period’s results, and the “Consolidation reserve fund” comprising an associate’s accumulated profit/loss of previous years.

Goodwill arising on consolidation represents the difference between the cost of an investment in the consolidated entity and its value determined on the basis of the Company’s interest in the fair value of equity which arises as a difference between the fair values of assets and the fair values of liabilities as of the acquisition date or as of the date of a further capital increase (a further increase in the investment). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated entity.

Starting from the reporting period beginning on 1 January 2018, the Company began to amortise the goodwill arising on consolidation recognised in the consolidated financial statements as of 31 December 2017 over 20 years on a straight-line basis in accordance with Czech Accounting Standard No. 20.

Previously, positive (negative) goodwill arising on consolidation was measured at cost which was adjusted by accumulated losses (accumulated profits) from the change in this value, with the testing of the change in the value performed on an annual basis. The method of reporting goodwill arising on consolidation was based on International Accounting Standards and did not have a material impact on the Group’s profits or losses.

Amortisation charges of goodwill arising on consolidation are recognised in a special consolidated profit and loss account line item ‘Release of a positive consolidation difference (goodwill)’ or ‘Release of a negative consolidation difference (bargain purchase gain)’ with a charge against expenses or a credit to income from common activities as appropriate.

The assets and liabilities of companies included in the consolidated group after 1 January 2003 were remeasured at fair value in accordance with the accounting regulations applicable for consolidation.

If the investment in the share capital of an already controlled entity (an additional purchase on a non-controlling investment) is increased, the goodwill on consolidation is not calculated and the assets and liabilities are not remeasured to fair value as of the date when the investment is increased. The difference between the purchase cost of the equity securities and investments of the consolidated entity and their valuation by the equity share of the controlling or jointly-controlling entity in the equity of the consolidated entity, in carrying amount which results as equal to the difference between the carrying amount of assets and the carrying amount of liabilities as of the date when another increase in the investment (another acquisition of securities or investments) is recognised in equity (profit or loss of prior periods).

The consolidation of the financial statements was performed using the combination of the direct consolidation method and consolidation of consolidation sub-groups.

The financial statements for the years ended 31 December 2021 and 2020 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statements date are available in the registered office of the Parent Company.

The consolidation rules for 2021 and 2020 (definition of the consolidated group, method of transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Parent Company.

5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

5.1. CONSOLIDATED PROFIT/LOSS FOR 2021

5.1.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2021

(CZK '000)

CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL a.s.	988 273
CURRENT YEAR'S PROFIT MADE BY M STEEL PROJECTS a.s.	-4 127
CURRENT YEAR'S PROFIT MADE BY M STEEL PROJECTS S.R.O.	-15 405
CURRENT YEAR'S PROFIT MADE BY BESHYDŠHÁ GOLFOVÁ, a.s.	2 663
SHARE IN CURRENT YEAR'S PROFIT MADE BY BARRANDOV STUDIO a.s.	71 945
SHARE IN CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL ITALIA S.R.L.	32 882
CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL DEUTSCHLAND, GMBH	68 165
CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL UK LTD.	3 850
SHARE IN CURRENT YEAR'S PROFIT MADE BY KOVÁRNA VIVA a.s.	106 382
SHARE IN CURRENT YEAR'S PROFIT MADE BY ALPER a.s.	10 553
CURRENT YEAR'S PROFIT MADE BY THE CONSOLIDATION GROUP OF TŽ, a.s.	2 211 486
CURRENT YEAR'S PROFIT MADE BY MS – SLOVENSKO S.R.O.	-413
CURRENT YEAR'S PROFIT MADE BY MORAVSKOSLEZSKÝ KOVOŠROT a.s.	-8 633
CURRENT YEAR'S PROFIT MADE BY NEOMET SP.Z O.O.	34 956
CURRENT YEAR'S PROFIT MADE BY MSV METAL STUDÉNHA, a.s.	50 803
CURRENT YEAR'S PROFIT MADE BY KUŹNIA OSTROW WIELHOPOSHI SP.Z O.O.	12 733
SHARE IN CURRENT YEAR'S PROFIT OF EQUITY ACCOUNTED INVESTMENTS	42 871
ADJUSTMENTS UNDER FULL CONSOLIDATION (SEE NOTE 4.1.2.)	-454 460
ADJUSTMENTS UNDER THE EQUITY METHOD OF CONSOLIDATION (SEE NOTE 4.1.3.)	-117 457
CONSOLIDATED PROFIT	3 037 067

5.1.2. PROFIT/(LOSS) ADJUSTMENTS UNDER FULL CONSOLIDATION FOR 2021

(CZK '000)

ELIMINATION OF PROFIT FROM UNREALISED INVENTORY FROM INTERCOMPANY SALE, INCLUDING THE DEFERRED TAX IMPACT AND ELIMINATION OF MINORITY PROFIT OR LOSS	-405 411
ELIMINATION OF THE PROVISION AGAINST INVESTMENTS AND INVENTORY, INCLUDING THE DEFERRED TAX IMPACT	153 291
OTHER CONSOLIDATION ADJUSTMENTS	-41 473
ELIMINATION OF DIVIDENDS PAID BY MS ITALIA, KOV.VIVA,MSK,MS UK,MSD,ALPER	-160 867
TOTAL ADJUSTMENTS	-454 460

5.1.3. ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2021

(CZK '000)

CONSOLIDATION ADJUSTMENTS RELATED TO DECONSOLIDATION OF MS MIDDLE EAST FZCO	-117 457
TOTAL ADJUSTMENTS	-117 457

5.2. CONSOLIDATED PROFIT/LOSS FOR 2020

5.2.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2020

(CZK '000)

CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL a.s.	755 996
CURRENT YEAR'S PROFIT MADE BY M STEEL PROJECTS a.s.	71 391
CURRENT YEAR'S PROFIT MADE BY M STEEL PROJECTS S.R.O.	-33 105
CURRENT YEAR'S PROFIT MADE BY BESHYDŠHÁ GOLFOVÁ, a.s.	1 096
CURRENT YEAR'S PROFIT MADE BY HOTEL GOLF ROPICE a.s.	-13
SHARE IN CURRENT YEAR'S PROFIT MADE BY BARRANDOV STUDIO a.s.	25 706
SHARE IN CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL ITALIA S.R.L.	17 817
CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL DEUTSCHLAND, GMBH	65 384
CURRENT YEAR'S PROFIT MADE BY MORAVIA STEEL UK LTD.	863
SHARE IN CURRENT YEAR'S PROFIT MADE BY KOVÁRNA VIVA a.s.	66 255
SHARE IN CURRENT YEAR'S PROFIT MADE BY ALPER a.s.	3 418


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CURRENT YEAR'S PROFIT MADE BY THE CONSOLIDATION GROUP OF TŽ, a.S.	403 469
CURRENT YEAR'S PROFIT MADE BY MS – SLOVENSKO S.R.O.	-427
CURRENT YEAR'S PROFIT MADE BY MORAVSKOSLEZSKÝ KOVOŠROT a.S.	28 816
CURRENT YEAR'S PROFIT MADE BY NEOMET SP. Z O.O.	15 698
CURRENT YEAR'S PROFIT MADE BY MSV METAL STUDÉNKA, a.S. *)	88 263
CURRENT YEAR'S PROFIT MADE BY KUŽNIA OSTROW WIELHOPOSHI SP. Z O.O. *)	19 330
SHARE IN CURRENT YEAR'S PROFIT OF EQUITY ACCOUNTED INVESTMENTS	35 349
ADJUSTMENTS UNDER FULL CONSOLIDATION (SEE NOTE 4.1.2.)	-309 163
ADJUSTMENTS UNDER THE EQUITY METHOD OF CONSOLIDATION (SEE NOTE 4.1.3.)	0
CONSOLIDATED PROFIT	1256 143

*) Included in the consolidation group starting from 28 February 2020

5.2.2. PROFIT/(LOSS) ADJUSTMENTS UNDER FULL CONSOLIDATION FOR 2020

(CZK '000)

ELIMINATION OF PROFIT FROM UNREALISED INVENTORY FROM INTERCOMPANY SALE, INCLUDING THE DEFERRED TAX IMPACT AND ELIMINATION OF MINORITY PROFIT OR LOSS	-9 884
ELIMINATION OF THE PROVISION AGAINST INVESTMENTS, INVENTORY AND RECEIVABLES, INCLUDING THE DEFERRED TAX IMPACT	-995
OTHER CONSOLIDATION ADJUSTMENTS	-37 390
ELIMINATION OF DIVIDENDS PAID BY MS ITALIA, MSP, MSK, MS UK, MSD, MSPI AZ	-260 894
TOTAL ADJUSTMENTS	-309 163

5.2.3. ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2020

(CZK '000)

ELIMINATION OF PROFIT FROM SALES OF UNREALISED INVENTORY AMONG ASSOCIATES, INCLUDING THE DEFERRED TAX IMPACT	0
TOTAL ADJUSTMENTS	0

6. ADDITIONAL INFORMATION ON THE BALANCE SHEET

6.1. INTANGIBLE FIXED ASSETS

Cost (CZK '000)

	BALANCE AT 1 Jan 2020	MERGER IMPACT	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 Dec 2020
DEVELOPMENT	6 405	0	0	0	0	6 405
START-UP COSTS	0	0	0	0	0	0
GOODWILL	24 770	0	0	0	-892	23 878
SOFTWARE	342 415	43 122	26 766	4 248	-126	407 929
VALUABLE RIGHTS	763 576	13 975	7 127	11 147	-835	772 696
OTHER INTANGIBLE FA	1 630 667	18 073	2 104 870	2 564 072	-587	1 188 951
INTANGIBLE FA UNDER CONSTRUCTION	17 081	7 709	34 698	30 922	0	28 566
PREPAYMENTS FOR INTANGIBLE FA	0	0	201	201	0	0
TOTAL	2 784 914	82 879	2 173 662	2 610 590	-2 440	2 428 425

(CZK '000)

	BALANCE AT 1 Jan 2021	NEW ACQUISITION	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 Dec 2021
DEVELOPMENT	6 405	0	0	0	0	6 405
START-UP COSTS	0	0	0	0	0	0
GOODWILL	23 878	0	0	0	-1 439	22 439
SOFTWARE	407 929	0	40 585	4 376	-491	443 647
VALUABLE RIGHTS	772 696	0	5 106	331	-489	776 982
OTHER INTANGIBLE FA	1 188 951	0	525 907	1 624 014	-1 181	89 663
INTANGIBLE FA UNDER CONSTRUCTION	28 566	0	375 775	388 407	-34	15 900
PREPAYMENTS FOR INTANGIBLE FA	0	0	0	0	0	0
TOTAL	2 428 425	0	947 373	2 017 128	-3 634	1 355 036

Accumulated Amortisation and Provisions

(CZK '000)

	BALANCE AT 1 JAN 2020	MERGER IMPACT	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2020
DEVELOPMENT	6 405	0	0	0	0	6 405
START-UP COSTS	0	0	0	0	0	0
GOODWILL	1 569	0	1 221	46	-54	2 690
SOFTWARE	284 089	36 342	17 306	4 249	-129	333 359
VALUABLE RIGHTS	576 308	3 399	33 809	8 438	-362	604 716
OTHER INTANGIBLE FA	15 887	12 745	2 116	0	-374	30 374
INTANGIBLE FA UNDER CONSTRUCTION	310	0	0	0	0	310
TOTAL	884 568	52 486	54 452	12 733	-919	977 854

(CZK '000)

	BALANCE AT 1 JAN 2021	NEW ACQUISITION	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2021
DEVELOPMENT	6 405	0	0	0	0	6 405
START-UP COSTS	0	0	0	0	0	0
GOODWILL	2 690	0	1 105	0	-161	3 634
SOFTWARE	333 359	0	22 291	4 388	-478	350 784
VALUABLE RIGHTS	604 716	0	33 009	497	-262	636 966
OTHER INTANGIBLE FA	30 374	0	2 503	0	-790	32 087
INTANGIBLE FA UNDER CONSTRUCTION	310	0	0	0	0	310
TOTAL	977 854	0	58 908	4 885	-1 691	1 030 186

Net Book Value

(CZK '000)

	BALANCE AT 31 DEC 2020	BALANCE AT 31 DEC 2021
DEVELOPMENT	0	0
START-UP COSTS	0	0
SOFTWARE	74 570	92 863
VALUABLE RIGHTS	167 980	140 016
GOODWILL	21 188	18 805
OTHER INTANGIBLE FA	1 158 577	57 576
INTANGIBLE FA UNDER CONSTRUCTION	28 256	15 590
PREPAYMENTS FOR INTANGIBLE FA	0	0
TOTAL	1 450 571	324 850

Additions to and disposals of other intangible fixed assets predominantly include the allocation and consumption of greenhouse gas emission allowances.

The most significant additions to intangible fixed assets in 2021 include the following:

(CZK '000)

SOFTWARE - SYTELIN	16 811
--------------------	--------

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets charged to expenses amounted to CZK 57,639 thousand and CZK 53,276 thousand for the years ended 31 December 2021 and 2020, respectively.

Other intangible assets include greenhouse gas emission allowances.

In the year ended 31 December 2021, the Company acquired 103,906 emission allowances for 2021 free of charge in the amount of CZK 164,211 thousand. As of the date of financial statements for the year ended 31 December 2021, the Company recognised a disposal of emission allowances for 2020 in the amount of CZK 299 thousand and for 2021 in the amount of CZK 5,452,290 thousand.

As of 31.12.2021, the total volume of allowances for 2021 has not been allocated to the Group. In April 2022, the Group acquired an additional 3,375,076 allowances free of charge for 2021 based on the approval of the European Commission and subsequently the decision of the Ministry of the Environment of the Czech Republic. Therefore, the Group does not create a reserve for the missing allowances as of 31 December 2021. The Group reported a disposal of allowances and the use of a subsidy for the missing allowances in the amount of CZK 3,645,754 thousand in the corresponding "Other operating expenses" and "Other operating income" accounts based on estimates only in the profit and loss account.

In the year ended 31 December 2020, the Company acquired 3,466,718 emission allowances for 2020 in the amount of CZK 2,068,860 thousand free of charge.

As of the date of the consolidated financial statements of 31 December 2020, the Company additionally recognised a disposal of allowances for 2019 in the amount of CZK 1,602 thousand based on the verification performed. As of the date of consolidated financial statements for the year ended 31 December 2020, the Company recognised a disposal of emission allowances for 2020 of CZK 2,527,283 thousand.

Aggregate Amount of Low-Value Intangible Fixed Assets Maintained Off-Balance Sheet

The aggregate balance of low-value intangible assets not reported on the face of the balance sheet was CZK 41,097 thousand and CZK 40,594 thousand as of 31 December 2021 and 2020, respectively.

6.2. TANGIBLE FIXED ASSETS

Cost (CZK '000)

	Balance at 1 Jan 2020	Merger Impact	Additions	Disposals	Impact of FX Differences	Balance at 31 Dec 2020
Land	1 286 554	114 148	491	5 738	-1 290	1 394 165
Structures	16 916 496	748 268	1 057 795	24 331	-14 254	18 683 974
Individual tangible movable assets	45 838 870	655 333	2 021 545	487 021	-48 340	47 980 387
Other tangible FA	240 139	220 825	10 656	5 708	-3 726	462 186
Tangible FA under construction	1 977 835	8 773	2 574 738	3 120 470	-1 060	1 439 816
Prepayments	278 490	1 786	536 078	601 073	-692	214 589
TOTAL	66 538 384	1 749 133	6 201 303	4 244 341	-69 362	70 175 117

(CZK '000)

	Balance at 1 Jan 2021	New acquisition	Additions	Disposals	Impact of FX Differences	Balance at 31 Dec 2021
Land	1 394 165	0	30 903	1 094	-2 608	1 421 366
Structures	18 683 974	0	509 816	53 126	-25 879	19 114 785
Individual tangible movable assets	47 980 387	0	2 715 721	693 016	-65 833	49 937 259
Other tangible FA	462 186	0	19 643	9 045	-5 260	467 524
Tangible FA under construction	1 439 816	0	2 701 309	3 291 362	-3 055	846 708
Prepayments	214 589	0	435 868	377 620	-258	272 579
TOTAL	70 175 117	0	6 413 260	4 425 263	-102 893	72 060 221

Accumulated Depreciation and Provisions

(CZK '000)

	BALANCE AT 1 Jan 2020	MERGER IMPACT	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2020
LAND	1 521	964	222	81	-3	2 623
STRUCTURES	8 601 472	183 170	486 899	25 105	-5 893	9 240 543
INDIVIDUAL TANGIBLE MOVABLE ASSETS	31 075 398	366 189	1 977 076	485 349	-33 096	32 900 218
OTHER TANGIBLE FA	211 570	170 582	25 338	7 192	-2 717	397 581
TANGIBLE FA UNDER CONSTRUCTION	4 375	3 370	500	0	0	8 245
PREPAYMENTS	0	0	0	0	0	0
VALUATION DIFFERENCE ON ACQUIRED ASSETS	0	0	0	0	0	0
TOTAL	39 894 336	724 275	2 490 035	517 727	-41 709	42 549 210

(CZK '000)

	BALANCE AT 1 Jan 2021	NEW ACQUISITION	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2021
LAND	2 623	0	450	0	-149	2 924
STRUCTURES	9 240 543	0	509 384	31 481	-12 767	9 705 679
INDIVIDUAL TANGIBLE MOVABLE ASSETS	32 900 218	0	2 023 169	697 630	-47 403	34 178 354
OTHER TANGIBLE FA	397 581	0	28 209	8 734	-4 013	413 043
TANGIBLE FA UNDER CONSTRUCTION	8 245	0	4 360	4 960	0	7 645
PREPAYMENTS	0	0	0	0	0	0
VALUATION DIFFERENCE ON ACQUIRED ASSETS	0	0	0	0	0	0
TOTAL	42 549 210	0	2 565 572	742 805	-64 332	44 307 645

Net Book Value

(CZK'000)

NET BOOK VALUE	BALANCE AT 31 DEC 2020	BALANCE AT 31 DEC 2021
LAND	1 391 542	1 418 442
STRUCTURES	9 443 431	9 409 106
INDIVIDUAL TANGIBLE MOVABLE ASSETS	15 080 169	15 758 905
OTHER TANGIBLE FA	64 605	54 481
TANGIBLE FA UNDER CONSTRUCTION	1 431 571	839 063
PREPAYMENTS FOR TANGIBLE FA	214 589	272 579
VALUATION DIFFERENCE ON ACQUIRED ASSETS	0	0
TOTAL	27 625 907	27 752 576

Principal additions to tangible fixed assets for the year ended 31 December 2021 were as follows:

(CZK'000)

RENOVATION OF BLAST FURNACE NO. 6	563 477
RENOVATION OF CONTINUOUS CASTING MACHINE 1	275 201
HOT BLAST RECUPERATOR NO. 62 ON BLAST FURNACE NO. 6	249 166
NEW KOP DNI200 PIPE	81 315
VERTICAL FORGING PRESS LMZ 4000	56 776
TECHNICAL IMPROVEMENTS OF THE MECHANICAL WORKSHOP BUILDING	51 426
KER/KEH 4.2 PRODUCTION LINE	26 801
TECHNICAL IMPROVEMENTS OF CENTRAL CHANGING ROOMS FOR 900 PERSONS	24 817
CNC 20C MACHINE TOOL	21 443
CNC 20A MACHINE TOOL	20 949
ELHA E MACHINE TOOL	19 674
EQUIPMENT FOR HEAT TREATMENT OF PRODUCTS	16 690
MD900 M.F.L WIRE WINDER	16 216
CNC MACHINE TOOL FOR MACHINING HOLES	11 568
E3 COAL DUMP ROOFING	10 740
NULT2 6KV DISTRIBUTION POINT	10 508

Principal additions to tangible fixed assets under construction for the year ended 31 December 2021 were as follows: (CZK '000)

NEW PEELING LINE IN VJ – WIRE ROD AND LIGHT PROFILES ROLLING MILL	68 671
AKS 63 – H4 PRESS	19 906
EQUIPMENT FOR MEASUREMENT OF COLD RAIL DIMENSIONS	12 491
MODERNISATION OF THE K19 MACHINE	10 835
INNOFREIGHT STATIONARY UNLOADING MACHINE	10 123
RAW MATERIAL TANKS	5 614

Principal additions to tangible fixed assets for the year ended 31 December 2020 were as follows: (CZK '000)

ACQUISITION OF HOT BLAST RECUPERATOR NO. 61 FOR BLAST FURNACE NO.6	268 819
ACQUISITION OF A WHEEL SCOOP	183 255
ACQUISITION OF HALL NO. 3, INCLUDING THE EXPEDITION RAMP OF VF – THE STEEL DRAWING MILL PLANT	160 237
RECONSTRUCTION OF THE FILM LABORATORY BUILDING	139 080
TECHNICAL IMPROVEMENT OF VKP GAS TANK (GAS TANK BELL)	115 364
EXPEDITION AND STORAGE HALL WITH A SOCIAL INHALL UNIT	80 880
CNC HORIZONTAL CENTRE LATHE ŠKODA SR-2-220 / 7.	44 124
TECHNICAL IMPROVEMENTS OF THE BOILER K12 (MEASURES TO REDUCE SO2 AND NOX EMISSIONS)	38 187
TECHNICAL IMPROVEMENTS OF THE FORGING PRESS LMZ 1600_L01	33 220
TECHNICAL IMPROVEMENTS OF THE FORGING PRESS LMZ 1600_L02	31 808
TECHNICAL IMPROVEMENTS OF THE BOILER K11 (MEASURES TO REDUCE SO2 AND NOX EMISSIONS)	31 682
TECHNICAL IMPROVEMENTS OF THE WIRE ROD WAREHOUSE, VOL. 01	27 801
KER/KEH 4.2. PRODUCTION LINE	25 681
TECHNICAL IMPROVEMENTS OF THE BUILDING WITH ANNEALING AND ROUGH MACHINING FACILITIES	21 114
VICE ASSEMBLY	10 126

Principal additions to tangible fixed assets under construction for the year ended 31 December 2020 were as follows: (CZK '000)

ACQUISITION OF A NEW PEELING LINE AT THE VJ OPERATION – WIRE ROD AND LIGHT PROFILES ROLLING MILL	144 454
RECONSTRUCTION OF THE FILM LABORATORY BUILDING	116 987
ACQUISITION OF STAKU LINE NO. 2	106 758
ACQUISITION OF A DEDUSTING DEVICE FOR THE COLLECTION OF BLAST-FURNACE AGGLOMERATE	87 597
NEW SKIQ 20 MACHINE	18 542
EXTENSION OF THE PROCESSING HALL	11 688
AKS63 – H4 PRESS	11 688
FACILITY FOR DIAGNOSTICS AND REPAIR OF CORES	8 671

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 2,506,007 thousand and CZK 2,449,490 thousand for the years ended 31 December 2021 and 2020, respectively.

Aggregate Amount of Low-Value Tangible Assets Maintained Off-Balance Sheet

The aggregate cost of low-value tangible fixed assets not included in the balance sheet totalled CZK 1,030,602 thousand and CZK 992,914 thousand as of 31 December 2021 and 2020, respectively.

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

(CZK '000)

31 DECEMBER 2021	PASSENGER CARS	MACHINERY AND EQUIPMENT	BALANCE AT 31 DEC 2021
TOTAL ESTIMATED SUM OF LEASE INSTALMENTS	1 512	1 209	2 721
PAYMENTS MADE AS OF 31 DEC 2021	1 118	844	1 963
DUE IN THE FOLLOWING YEARS	1 807	1 192	2 999

As of 31 December 2020, the Company records no assets held under the finance lease.

Operating Leases

In the years ended 31 December 2021 and 2020, rental amounted to CZK 73,718 thousand and CZK 71,392 thousand, respectively.

6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2021

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TFA	546 578	LOAN FROM ČESKÁ SPOŘITELNA, a.s.
STRUCTURES	108 891	
LAND	3 458	
TFA	2 058	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
LAND	39 986	
TFA	629 944	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
TFA	713 296	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
TFA	446 908	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
LAND	96 223	
TFA	423 718	LOAN FROM ING BANK N. V.
LAND	11 988	
TFA	143 603	LOAN FROM ING BANK N.V.
TFA	1194 887	LOAN FROM RAIFFEISENBANK a.s.
LAND	185 38	
TFA	695 87	COLLATERAL FOR AN INVESTMENT BANK LOAN FROM UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, a.s.
TECHNOLOGY	55 301	RAIFFEISENBANK a.s. – SECURITY FOR A LONG-TERM BANK LOAN FOR FINANCING THE MORE DISTRIBUTION POINT T4 – 110KV
TFA	57 495	INVESTMENT LOAN FROM ING BANK N.V.
TFA*	105 456	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA, SECURED WITH MACHINERY UP TO PLN 15,000 THOUSAND
TFA*	7 301	LOAN FROM BANK BGŻ BNP PARIBAS S.A., SECURED WITH MACHINERY UP TO PLN 9,406 THOUSAND
TFA*	21 632	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA, SECURED WITH MACHINERY UP TO PLN 14,795 THOUSAND
TFA*	80 009	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA, SECURED WITH MACHINERY UP TO PLN 14,795 THOUSAND
TFA, LAND	890	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TFA, LAND	1 255	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.

TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

TFA, LAND	642	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA, LAND	12 887	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA, LAND	1 123	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA, LAND	1 473	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA, LAND	743	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA, LAND	6 613	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA, LAND	353	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA, LAND	2 895	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA	976	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA	1 527	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA	35 268	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA	7 975	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA	4 789	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TFA	253 376	LOAN FROM CITIBANK EUROPE PLC.
LAND	4 166	
TECHNOLOGY	197 007	
TFA*	43 130	INVESTMENT LOAN FROM ERSTE BANK HUNGARY ZRT.
TFA*	18 990	INVESTMENT LOAN FROM K&H BANK ZRT.
TFA*	34 025	INVESTMENT LOAN FROM K&H BANK ZRT.
LAND	4 772	LOAN FROM RAIFFEISENBANK a.S.
TFA	231 760	
LAND	283	LOAN FROM ČESKÁ SPOŘITELNA, a.S.
TFA	43 247	
TFA	38 241	LONG-TERM BANK LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

TFA	70 981	LOAN FROM ČSOB
LAND	4 836	
TECHNOLOGY	26 149	
TFA	24 793	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
LAND	23 202	LOAN FROM ČESKÁ SPOŘITELNA, a.S. AND ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TECHNOLOGY	168 426	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TFA	158 102	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
LAND	73 920	LOAN FROM PKO BP
TOTAL	6 275 672	

* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2021.

31 December 2020

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TFA	556 192	LOAN FROM ČESKÁ SPOŘITELNA, a.S.
STRUCTURES	118 323	
LAND	3 458	
TFA	2 194	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
LAND	39 986	
TFA	692 199	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TFA	764 853	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TFA	513 658	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
LAND	106 893	
TFA	464 716	LOAN FROM ING BANK N. V.
LAND	10 465	
TFA	74 232	COLLATERAL FOR AN INVESTMENT BANK LOAN FROM UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, a.S.
TECHNOLOGY	60 142	RAIFFEISENBANK a.S. – SECURITY FOR A LONG-TERM BANK LOAN FOR FINANCING THE MORE DISTRIBUTION POINT T4 – 110KV

TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

TFA	71 092	INVESTMENT LOAN FROM ING BANK N.V.
TFA*	86 325	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA, SECURED WITH MACHINERY UP TO PLN 15,000 THOUSAND
TFA*	54 132	LOAN FROM BANK BGŻ BNP PARIBAS S.A., SECURED WITH MACHINERY UP TO PLN 9,406 THOUSAND
TFA*	85 143	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA, SECURED WITH MACHINERY UP TO PLN 14,795 THOUSAND
TFA, LAND	32	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	949	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	1 330	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	422	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	12 922	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	1 557	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	1 387	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	826	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	7 004	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA, LAND	406	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA	3 088	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA	1 124	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA	1 742	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA	34 367	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA	8 989	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA	6 539	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TFA	162 726	LOAN FROM CITIBANK EUROPE PLC.
LAND	4 166	
TECHNOLOGY	217 180	
TFA*	48 417	INVESTMENT LOAN FROM ERSTE BANK HUNGARY ZRT.
TFA*	21 267	INVESTMENT LOAN FROM K&H BANK ZRT.


 TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

LAND	4 772	LOAN FROM RAIFFEISENBANK a.S.
TFA	240 756	
LAND	283	LOAN FROM ČESKÁ SPOŘITELNA, a.S.
TFA	43 590	
TFA	41 183	LONG-TERM BANK LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
LAND	1 022	CONTRACTUAL PLEDGE, LOAN GUARANTEE
TFA	112 046	CONTRACTUAL PLEDGE, LOAN GUARANTEE
LAND	57	CONTRACTUAL PLEDGE, LOAN GUARANTEE
LAND	24	CONTRACTUAL PLEDGE, LOAN GUARANTEE
LAND	26	CONTRACTUAL PLEDGE, LOAN GUARANTEE
LAND	1 123	CONTRACTUAL PLEDGE, LOAN GUARANTEE
LAND	2 096	CONTRACTUAL PLEDGE, LOAN GUARANTEE
TFA	155 080	CONTRACTUAL PLEDGE, LOAN GUARANTEE
TFA	25 250	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
LAND	4 190	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TECHNOLOGY	136 422	LOAN FROM ČESKÉ SPOŘITELNA, a.S. AND ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TFA	56 032	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
LAND	4 326	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TECHNOLOGY	30 119	INVESTMENT LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.S.
TFA	83 414	LOAN FROM PKO BP
LAND	5 092	LOAN FROM PKO BP
TOTAL	5 187 346	

* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2020

6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

6.5.1. SUMMARY OF UNCONSOLIDATED INVESTMENTS IN 2021

Balance at 31 December 2021

(CZK '000)

company name	SHARE IN %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION
MORAVIA STEEL SLOVENIJA, D.O.O.	51,00	13 051	1 437	0
MORAVIA STEEL IBÉRIA,S.a.	99,33	17 300	4 571	0
AHP HYDRAULIK A, a.S.	50,11	**)	**)	0
MORAVIA STEEL ISRAEL LTD. **)	100,00	**)	**)	0
BARRANDOV PRODUCTIONS S.R.O.	100,00	2 357	81	0
FILMOVÁ NADACE *)	100,00	1 265	-541	0
MORAVIA MINING PLC	76,00	**)	**)	-3 153
MSPROJECTS INTERNATIONAL S.R.O.	100,00	5 296	-742	0
MSV SERVIS S.R.O.	100,00	41	-18	0
B.A. ZLÍN, S.R.O.	40,00	3 554	-53	0
TŘINECHÉ GASTROSLUŽBY, S.R.O., STARÉ MĚSTO, TŘINEC	100,00	40 773	-1 887	0
DOPRAVA TŽ, a.S., TŘINEC-STARÉ MĚSTO	100,00	47 067	3 206	0
TRIALFA, S.R.O., TŘINEC - KANADA	100,00	21 089	461	0
MORAVIA SECURITY, a.S., KONSKÁ, TŘINEC	100,00	40 727	2 571	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O., VÍTHOVICE, OSTRAVA	90,00	50 276	1 455	0
TŘINECKÁ PROJEKCE, a.S., KANADA, TŘINEC	84,54	32 223	2 702	0
“ZAMECZEK BŁOGOCICE” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, CIESZYŃ (POL)	88,00	42 303	370	-12 522
TRISIA, a.S., LYŽBICE, TŘINEC	66,00	40 164	534	-15 785
REŤAZE SLOVAKIA S.R.O., ŠHALICA (SK)	80,00	12 578	3 134	0
JUBO JESENÍK S. R. O., JESENÍK	80,00	6 070	2 732	0

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

ŘETĚŽÁRNA SERVIS S.R.O., JESENÍK	100,00	5 103	3 288	0
IMOPRA S.R.O., NIVNICE	100,00	113 636	4 810	-85 671
EKOSTROJÍRENSTVÍ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100,00	20 940	-9 642	0
ENEZA, S.R.O., STARÉ MĚSTO, TŘINEC *)	52,5	92 174	14 227	0
TOTAL			32 162	-117 131

*) financial results for the period 1 April 2021–31 December 2021 (financial year from 1 April 2021 to 31 March 2022)

**) data not available

Note: In italics – preliminary results as of 31 December 2021

MSK Polska Sp.z o.o. was liquidated as of 2 November 2021.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2021.

Balance at 31 December 2020

(CZK '000)

COMPANY NAME	SHARE IN %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION
MORAVIA STEEL SLOVENIJA, D.O.O.	51,00	12 308	582	0
MORAVIA STEEL IBÉRIA, S.a.	99,33	15 747	4 175	0
AHP HYDRAULIK A, a.s.**)	100,00	**)	**)	0
MORAVIA STEEL ISRAEL LTD. **)	100,00	0	0	0
BARRANDOV PRODUCTIONS S.R.O.	100,00	2 278	-31	0
FILMOVÁ NADACE *)	100,00	1 197	-450	0
MORAVIA MINING PLC	76,00	-2 931	-377	-3 152
MSPROJECTS INTERNATIONAL S.R.O.***)	100,00	6 038	-1 647	0
MSK POLSKA SP.K.O.O	84,00	-3 568	-542	-48 345
TŘINECHÉ GASTROSLUŽBY, S.R.O., STARÉ MĚSTO, TŘINEC	100,00	42 660	-14 787	0
DOPRAVA TŽ, a.s., TŘINEC-STARÉ MĚSTO	100,00	53 861	2 311	0

TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

TRIALFA, S.R.O., TŘINEC - KANADA	100,00	20 629	683	0
MORAVIA SECURITY, a.s., KONSKÁ, TŘINEC	100,00	43 430	2 603	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O., VÍTHOVICE, OSTRAVA	90,00	48 820	1 098	0
TŘINECKÁ PROJEKCE, a.s., KANADA, TŘINEC	84,54	31 563	2 043	0
“ZAMECZEK BŁOGOCICE” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, CIESZYŃ (POL)	88,00	44 645	495	-10 547
TRISIA, a.s., LYŽBICE, TŘINEC	66,00	39 630	-15 323	-15 658
REŤAZE SLOVAKIA S.R.O., ŠHALICA (SK)	80,00	12 069	2 201	0
JUBO JESENÍK S. R. O., JESENÍK	80,00	3 938	732	0
ŘETĚZÁRNA SERVIS S.R.O., JESENÍK	100,00	4 715	3 076	0
IMOPRA S.R.O., NIVNICE	100,00	114 826	4 851	-20 654
EKOSTROJÍRENSTVÍ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100,00	30 583	-19 417	0
TOTAL				-98 356

Note: In italics – preliminary results as of 31 December 2020

*) Balance at 31 December 2020, reporting period ended 29 February 2021.

**) As of the end of 2020, Moravia Steel Israel Ltd. and AHP HYDRAULIKA, a.s. reported a deficit on equity. The companies reported a loss in 2020.

***) The company deconsolidated as of 1 January 2020

MSP INTERNATIONAL AZ was deconsolidated as of 1 January 2020 and sold as of 21 September 2020.

In 2020 (2019) Moravskoslezský kovošrot, a.s. held a 84% equity investment in a subsidiary in Poland called MSK Polska Sp. z.o o., which entered liquidation and bankruptcy. As of the balance sheet date 31 December 2020 (31 December 2019), the equity investment was recalculated to the amount of CZK 0.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2020.

6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2021

(CZK '000)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME	RECOGNITION IN EQUITY
<i>POSITIVE GOODWILL ARISING ON CONSOLIDATION</i>						
ŽDB DRÁTOVNA a.S.	261 780	-52 356	209 424	14 920	0	0
BOHEMIA RINGS S.R.O.	119 809	-22 464	97 345	7 838	0	0
MS UK	1 234	-247	987	62	0	0
HŽP a.S.	130 509	-37 703	92 806	5 800	0	0
KOVÁRNA VIVA	164 908	-30 233	134 675	8 245	0	0
BARRANDOV STUDIO a.S.	34 362	-34 362	0	0	0	0
MSV	19 260	-1 766	17 494	963	0	0
TOTAL	731 862	-179 131	552 731	37 828	0	0
<i>NEGATIVE GOODWILL ARISING ON CONSOLIDATION</i>						
REFRASIL, S.R.O.	-14 566	2 428	-12 138	0	728	0
TOTAL	-14 566	2 428	-12 138	0	728	0

2020

(CZK '000)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME	RECOGNITION IN EQUITY
POSITIVE GOODWILL ARISING ON CONSOLIDATION						
ŽDB DRÁTOVNA a.s.	249 039	-37 436	211 603	12 447	0	0
BOHEMIA RINGS S.R.O.	100 554	-14 626	85 928	4 982	0	0
MS UK	1 234	-185	1 049	62	0	0
HŽP a.s.	130 506	-31 901	98 605	5 800	0	0
KOVÁRNA VIVA	164 908	-21 988	142 920	8 245	0	0
BARRANDOV STUDIO a.s.	34 362	-34 362	0	0	0	0
MSV	19 261	-802	18 459	802	0	0
TOTAL	699 864	-141 300	558 564	32 338	0	0
NEGATIVE GOODWILL ARISING ON CONSOLIDATION						
REFRASIL, S.R.O.	-14 566	1 700	-12 866	0	728	0
TOTAL	-14 566	1 700	-12 866	0	728	0

6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK '000)

SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING	2021	2020
VESUVIUS ČESKÁ REPUBLIKA, a.s.	174 464	163 776
MORAVIA STEEL MIDDLE EAST FZCO	0	121 634
TOTAL	174 464	285 410

6.8. INVENTORY

As of 31 December 2021, “METALURGIA” SPÓŁKA AKCYJNA has pledged inventory up to PLN 19,500 thousand (CZK 105,456 thousand) with BNP Paribas Bank Polska S.A. in relation to the loan drawn and inventory up to PLN 10,500 thousand (CZK 56,784 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna in relation to the loan drawn.

As of 31 December 2020, “METALURGIA” SPÓŁKA AKCYJNA has pledged inventory up to PLN 13,000 thousand (CZK 74,815 thousand) with BNP Paribas Bank Polska S.A. in relation to the loan drawn and inventory up to PLN 10,500 thousand (CZK 60,428 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna in relation to the loan drawn.

6.9. RECEIVABLES

6.9.1. STRUCTURE OF SHORT-TERM RECEIVABLES

As of 31 December 2021, gross short-term trade receivables past their due dates amounted to CZK 1,678,338 thousand (net CZK 1,383,423 thousand). As of 31 December 2020, gross short-term trade receivables past their due dates amounted to CZK 1,535,017 thousand (net CZK 1,192,988 thousand).

Other Short-Term Receivables

Short-term prepayments made principally include prepayments for supplied services.

State – tax receivables as of 31 December 2021 predominantly include a receivable arising from value added tax and prepayments for fees according to Act No– 201/2012 Coll., on Air Protection. As of 31.12.2020, this item mainly represented a receivable arising from value added tax, prepayments for corporate income tax and prepayments for fees pursuant to Act No. 201/2012 Coll., on Air Protection.

Sundry receivables as of 31 December 2021 predominantly include a receivable arising from an unquestionable entitlement to a subsidy, receivables from individuals, a receivable arising from an unused donation and a receivable arising from a contribution under the “Antivirus” employment support programme. As of 31 December 2020, this item predominantly included a receivable in respect of an unquestionable entitlement to a subsidy, receivables from individuals, a receivable arising from group VAT registration and a receivable arising from a contribution under the “Antivirus” employment support programme.

Estimated receivables as of 31 December 2021 and 31 December 2020, respectively, principally include an estimated receivable arising from anticipated insurance benefits, use of operating subsidies and reimbursement of value added tax paid abroad.

Receivables typically mature within 30 days.

6.9.2. RECEIVABLES PLEDGED AS SECURITY

As of 31 December 2021, "METALURGIA" SPÓŁKA AKCYJNA records pledged receivables of PLN 11,222 thousand (CZK 60,686 thousand) with BNP Paribas Faktoring Sp. z o. o. and pledged receivables of PLN 3,209 thousand (CZK 17,355 thousand) with Pekao Faktoring Sp. z o.o. As of 31 December 2020, the pledged receivables amounted to PLN 4,860 thousand (CZK 27,970 thousand) with BNP Paribas Faktoring Sp. z o. o. and PLN 2,446 thousand (CZK 14,080 thousand) with Pekao Faktoring Sp. z o.o.

As of 31 December 2021, "D&D" Drótáru Zrt. records pledged receivables of HUF 20,767 thousand (CZK 1,398 thousand) with ING BANK N.V. Bucherest and pledged receivables of HUF 81,715 thousand (CZK 5,503 thousand) with Credit Agricole Bank Polska S.A.

MSV Metal Studénka, a.s., NEOMET Sp. z o.o., Kuźnia Ostrów Wielkopolski Sp. z o.o. and Kovárna VIVA a.s. also record pledged receivables in connection with their bank loans.

6.9.3. INTERCOMPANY RECEIVABLES

Short-Term Receivables

CZK thousand)

ENTITY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
DOPRAVA TŽ, a.S.	4 679	343
MORAVIA SECURITY, a.S.	146	102
SECURITY MORAVA, S.R.O.	9	19
TRIALFA, S.R.O.	6 224	1 092
TRISIA, a.S.	107	65
TŘINECKÁ PROJEKCE, a.S.	157	164
TŘINECHÉ GASTROSLUŽBY, S.R.O.	2 124	1 586
VESUVIUS ČESKA REPUBLIKA, a.S.	5 780	6 612
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O.	12	10
IMOPRA S.R.O.		1
JUBO JESEŇÍK S.R.O.	4 732	5 999
REŤAZE SLOVAKIA, S.R.O.		1 253

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

MINERFIN a.S.	1	1
ENEZA, S.R.O.	1 276	0
EKOSTROJÍRENSTVÍ TŘINEC, a.S.	625	0
AHP HYDRAULIKA, a.S.	9 693	0
MSV SERVIS S.R.O.	7	0
TOTAL SHORT-TERM INTERCOMPANY RECEIVABLES	35 572	17 247
OTHER THAN INTERCOMPANY RECEIVABLES	9 832 557	7 282 303
TOTAL SHORT-TERM RECEIVABLES	9 868 129	7 299 550

Long-Term Receivables

As of 31 December 2021, the Group records long-term receivables with due dates of more than 5 years of CZK 581 thousand; as of 31 December 2020, the Group recorded long-term receivables with due dates of more than 5 years of CZK 20,621 thousand.

6.10. EQUITY AND SHARE CAPITAL

6.10.1. EQUITY

Gains and losses from revaluation comprise the gain or loss from the revaluation of available-for-sale securities net of the deferred tax liability.

In the year ended 31 December 2021, dividends in the amount of CZK 2,078,000 thousand were declared and paid out.

Proposal for the allocation of profit for 2021

In 2021, the consolidation group generated net profit after tax of CZK 3,068,142 thousand. The expected profit allocation for 2021 is the payment of dividends in the total amount of CZK 2,000,278 thousand.

6.10.2. SHARE CAPITAL

As of 31 December 2021, the share capital amounted to CZK 3,159,000 thousand. The Company's share capital is composed of 315,900 registered shares in book-entry form with a nominal value of CZK 10,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's General Meeting.

6.11. RESERVES

Other reserves consist primarily of reserves for employee bonuses and risks arising from business relationships, including claims.

6.12. PAYABLES

6.12.1. LONG-TERM PAYABLES

As of 31 December 2021 and 2020, primarily payables arising from retention fees to suppliers according to concluded contracts are reported under long-term trade payables.

6.12.2. SHORT-TERM TRADE PAYABLES

As of 31 December 2021, short-term trade payables past their due dates amount to CZK 48,395 thousand (2020: CZK 95,510 thousand).

6.12.3. OTHER PAYABLES

As of 31 December 2021 and 2020, due amounts arising from social security and state employment policy contributions and public health insurance amounted to CZK 259,843 thousand and CZK 258,941 thousand, respectively. These payables were duly settled as of the balance sheet date.

As of 31 December 2021, state – tax payables and subsidies predominantly include the corporate and individual income tax payable. As of 31 December 2020, this item mainly included subsidies received for allowances and an individual income tax payable.

As of 31 December 2021 and 31 December 2020, estimated payables predominantly include an estimated payable for covering all unbilled payments relating to staff costs, an estimated payable arising from fees in accordance with Act No. 201/2012 Coll., on Air Protection, and an estimated payable arising from unbilled inventory including services.

Sundry payables of the Company as of 31 December 2021 and 31 December 2020 predominantly include payables arising from a group registration for value added tax and contributions to employees.

6.12.4. INTERCOMPANY PAYABLES

Short-Term Payables

(CZK'000)

ENTITY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
DOPRAVA TŽ, a.s.	13 170	27
OCELÁŘSKÁ UNIE, a.s.	835	0
MORAVIA SECURITY, a.s.	11 887	6 548
TŘINECHÉ GASTROSLUŽBY, S.R.O.	10 462	191
VESUVIUS ČESKÁ REPUBLIKA, a.s.	29 967	19 176
MORAVIA STEEL IBÉRIA, S.a.	883	0
MORAVIA STEEL SLOVENIJA D.O.O.	6 281	4 627
MINERFIN, a.s.	568 437	786 065
ŘETĚŽÁRNA SERVIS S.R.O.	2 613	0
TRIALFA, S.R.O.	15 809	0
TRISIA, a.s.	463	0
TŘINECKÁ PROJEKCE, a.s.	5 961	0
ZAMECZEK BŁOGOCICE™SP.Z.O.O.	91	0
MATERIÁLOVÝ A METAL.VÝZKUM, S.R.O.	225	0
ENEZA, S.R.O.	11 026	0
SECURITY MORAVA, S.R.O.	1 980	0
TOTAL SHORT-TERM INTERCOMPANY PAYABLES	680 090	816 634
OTHER THAN INTERCOMPANY PAYABLES	10 327 975	9 260 917
TOTAL SHORT-TERM PAYABLES	11 008 065	10 077 551

6.13. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

6.13.1. DEFERRED TAX LIABILITY

In determining the deferred tax liability amount, the Group used the tax rate for the period in which the deferred tax liability is anticipated to be realised.

(CZK '000)

DEFERRED TAX ARISING FROM	TAX RATE IN %	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
DIFFERENCE BETWEEN THE TAX AND ACCOUNTING CARRYING VALUES OF FIXED ASSETS	19	11 931 581	11 208 532
DIFFERENCE BETWEEN THE TAX AND ACCOUNTING CARRYING VALUES OF FIXED ASSETS	9	65 302	57 505
REVALUATION OF SECURITIES AVAILABLE FOR SALE	19	-54	-54
REVALUATION OF ASSETS TO FAIR VALUE CHARGED TO EQUITY	19	882 459	781 391
REVALUATION OF ASSETS TO FAIR VALUE CHARGED TO EQUITY	9	30 317	31 742
REVALUATION OF ASSETS TO FAIR VALUE CHARGED TO CONSOLIDATION GOODWILL	19	0	178 753
ACCOUNTING RESERVES	19	-851 679	-392 204
PROVISIONS	19	-902 161	-974 212
PROVISIONS	9	0	-5 909
OUTSTANDING DEFAULT INTEREST	19	5 131	-18
EXPENSES DEDUCTIBLE FOR TAX PURPOSES IN THE FOLLOWING YEARS	19	-237 456	-133 992
UTILISABLE TAX LOSS	19	-93 795	-72 859
UTILISABLE TAX LOSS	19	-3 888	-7 950
UNREALISED PROFIT ON THE SALE OF INVENTORY WITHIN THE GROUP	19	-48 691	-11 550
UNREALISED PROFIT ON THE SALE OF TANGIBLE FA WITHIN THE GROUP	19	-34 938	-281 502
UNREALISED PROFIT FROM THE SALE OF TANGIBLE AND INTANGIBLE FA WITHIN THE GROUP (EQUITY)	19	169	0
TOTAL TEMPORARY DIFFERENCES		10 742 297	10 377 673
DEFERRED TAX LIABILITY		2 031 474	1 970 715

ANALYSIS OF MOVEMENTS

1 JAN 2020	1 809 626
CURRENT CHANGES CHARGED TO THE PROFIT AND LOSS ACCOUNT	170 659
CURRENT CHANGES CHARGED TO EQUITY	-2 297
CHARGE AGAINST POSITIVE GOODWILL ON CONSOLIDATION	-7 273
31 DEC 2020	1 970 715
CURRENT CHANGES CHARGED TO THE PROFIT AND LOSS ACCOUNT	29 220
CURRENT CHANGES CHARGED TO EQUITY	-457
CHARGE AGAINST POSITIVE GOODWILL ON CONSOLIDATION	31 996
31 DEC 2021	2 031 474

6.13.2. DEFERRED TAX ASSET

	TAX RATE (%)	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
DIFFERENCE BETWEEN THE TAX AND ACCOUNTING NET BOOK VALUE OF FIXED ASSETS	19	4 091	3 042
ACCOUNTING RESERVES	19	10 183	9 196
PROVISIONS	19	6 437	4 780
UNREALISED PROFIT ON THE SALE OF INVENTORY AND ASSETS WITHIN THE GROUP	19	580 874	143 095
DEFERRED EXPENSES	19	4 653	4 967
TOTAL TEMPORARY DIFFERENCES		606 238	165 080
DEFERRED TAX ASSET		115 185	31 365

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

(CZK '000)

ANALYSIS OF MOVEMENTS	
1 JAN 2020	36 799
CURRENT CHANGES CHARGED TO THE PROFIT AND LOSS ACCOUNT	-5 434
CURRENT CHANGES CHARGED TO EQUITY	0
31 DEC 2020	31 365
CURRENT CHANGES CHARGED TO THE PROFIT AND LOSS ACCOUNT	83 820
CURRENT CHANGES CHARGED TO EQUITY	0
31 DEC 2021	115 185

6.14. BANK LOANS AND BORROWINGS

Long-Term Bank Loans

(CZK '000)

TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AT 31 DEC 2021
Investment Loan	CZK	60 000	240 000	IMMOVABLE AND MOVABLE ASSETS, SECURITIES, PROMISSORY NOTE
Investment Loan	EUR	7 952	25 184	HERMES GUARANTEE INSURER
Investment Loan	EUR	0	14 544	ODL GUARANTEE INSURER
Term Loan	CZK	1 080 000	0	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Acquisition Loan	EUR	124 300	306 192	SECURITIES, PROMISSORY NOTE
Investment Loan	EUR	775 694	880 091	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES
Investment Loan	CZK	400 000	628 571	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Investment Loan	EUR	3 865	6 307	PLEDGE OF REAL ESTATE
Investment Loan	EUR	13 429	23 132	PLEDGE OF REAL ESTATE
Investment Loan	CZK	6 650	2 827	NOT SECURED
Investment Loan	CZK	52 803	79 167	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Investment Loan	CZK	47 333	65 333	BLANK PROMISSORY NOTE
Investment Loan	CZK	11 400	26 600	PLEDGE OF ASSETS, BLANK PROMISSORY NOTE
One-time Loan	EUR	0	21 753	MOVABLE AND IMMOVABLE ASSETS
One-time Investment Loan*	EUR	0	25 668	MOVABLE AND IMMOVABLE ASSETS
One-time Investment Loan	EUR	78 132	109 979	MOVABLE AND IMMOVABLE ASSETS
Investment Loan	EUR	0	10 733	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
Investment Loan	EUR	17 105	29 649	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
Purpose Loan	CZK	25 000	45 000	PLEDGE OF MOVABLE ASSETS
Investment Loan	EUR	0	6 561	BLANK PROMISSORY NOTE
Investment Loan	EUR	11 585	0	BLANK PROMISSORY NOTE
Investment Loan	CZK	10 561	26 403	TWO BLANK PROMISSORY NOTES
Investment Loan	EUR	2 486	6 561	PLEDGE OF IMMOVABLE ASSETS, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET INSURANCE
Investment Loan	EUR	3 551	7 498	PLEDGE OF IMMOVABLE ASSETS, BLANK PROMISSORY NOTE, PLEDGE OF INSURANCE RECEIVABLES
Investment Loan	EUR	33 622	48 402	BLANK PROMISSORY NOTE
Investment Loan	EUR	51 709	0	BLANK PROMISSORY NOTE
Investment Loan	EUR	7 966	15 143	MORTGAGE, INSURANCE PLEDGE
Investment Loan	EUR	5 338	8 876	MORTGAGE, INSURANCE PLEDGE
Investment Loan	EUR	12 569	18 099	MORTGAGE, INSURANCE PLEDGE
Investment Loan	PLN	0	2 389	PLEDGE OF MACHINES AND EQUIPMENT
Investment Loan	PLN	14 894	0	SECURED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) AND INSURANCE
Investment Loan	PLN	3 213	0	SECURED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) AND INSURANCE
Operating Loan	EUR	0	548	FINANCING OF CARS
Raiffeisenbank a.s.	CZK	0	2 000	PLEDGE OF FINANCED ASSET
Investment Loan	CZK	82 020	114 900	PLEDGE OF IMMOVABLE ASSETS

TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Investment Loan	EUR	19 099	26 884	REAL ESTATE, PRODUCTION EQUIPMENT
Investment Loan	EUR	96 128	122 951	TECHNOLOGY
Investment Loan	CZK	51 781	0	TECHNOLOGY
Investment Loan	EUR	90 487	0	TECHNOLOGY
Investment Loan	CZK	37 104	42 472	REAL ESTATE AND TECHNOLOGY
Investment Loan	EUR	11 006	0	REAL ESTATE AND TECHNOLOGY
Investment Loan	EUR	4 632	0	REAL ESTATE AND TECHNOLOGY
Acquisition Loan	CZK	309 213	471 525	BLANK PROMISSORY NOTE
Investment Loan	EUR	62 035	87 322	PLEDGE OF MOVABLE ASSETS WILL BE ESTABLISHED NO LATER THAN ON 31 MARCH 2021
Investment Loan	EUR	21 778	0	PLEDGE OF MOVABLE ASSETS
Investment Loan	EUR	10 322	0	PLEDGE OF MOVABLE ASSETS
Investment Loan	EUR	7 856	0	PLEDGE OF MOVABLE ASSETS
Investment Loan	PLN	9 544	10 845	MORTGAGE, INSURANCE PLEDGE
Investment Loan	PLN	4 350	8 632	MORTGAGE, INSURANCE PLEDGE
TOTAL		3 678 512	3 568 741	

Short-Term Bank Loans

(CZK '000)

TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AT 31 DEC 2021
Investment loan	EUR	15 904	16 790	HERMES GUARANTEE INSURER
Investment loan	EUR	6 215	6 561	BLANK PROMISSORY NOTE
Investment loan	EUR	5 817	0	BLANK PROMISSORY NOTE
OVERDRAFT LOAN	PLN	44 035	29 454	PLEDGE
Investment loan	PLN	0	3 033	SECURED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) AND INSURANCE
OVERDRAFT LOAN	PLN	54 006	33 969	PLEDGE - MACHINERY, EQUIPMENT AND RECEIVABLES
Investment loan	PLN	2 245	4 696	PLEDGE - MACHINERY
Investment loan	PLN	4 255	0	PLEDGE - MACHINERY
Investment loan	PLN	2 268	0	PLEDGE - MACHINERY
One-time investment loan	EUR	20 605	21 753	MOVABLE AND IMMOVABLE ASSETS
OVERDRAFT LOAN - CREDIT CARDS	CZK	46	6	NOT SECURED
One-time investment loan*	EUR	24 313	25 668	MOVABLE AND IMMOVABLE ASSETS
One-time investment loan	EUR	26 044	27 495	MOVABLE AND IMMOVABLE ASSETS
Investment loan	CZK	0	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Investment loan	EUR	13 776	29 087	ODL GUARANTEE INSURER
Investment loan	EUR	221 627	97 788	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES
Investment loan	CZK	180 000	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
ACQUISITION LOAN	EUR	165 733	174 967	SECURITIES, PROMISSORY NOTE
Investment loan	CZK	228 571	228 572	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Investment loan	CZK	120 000	0	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
OVERDRAFT LOAN	CZK	65 937	0	PROMISSORY NOTE
OVERDRAFT LOAN	CZK	65 805	0	NOT SECURED
OVERDRAFT LOAN	CZK	66 124	0	PROMISSORY NOTE

 TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

OVERDRAFT LOAN	CZK	71 043	0	PROMISSORY NOTE
OVERDRAFT LOAN	CZK	70 841	0	PROMISSORY NOTE
OVERDRAFT LOAN	CZK	9	0	NOT SECURED
INVESTMENT LOAN	EUR	2 441	2 441	PLEDGE OF REAL ESTATE
INVESTMENT LOAN	CZK	8 482	8 954	PLEDGE OF REAL ESTATE
INVESTMENT LOAN	CZK	1 900	314	NOT SECURED
INVESTMENT LOAN	CZK	15 200	15 200	PLEDGE OF ASSETS, BLANK PROMISSORY NOTE
CREDIT CARDS	CZK	6	1	NOT SECURED
PURPOSE LOAN	CZK	10 000	0	PLEDGE OF MOVABLE ASSET
INVESTMENT LOAN	CZK	26 364	26 364	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
	CZK	18 000	18 000	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	10 166	14 310	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
OVERDRAFT LOAN	CZK	39 562	2 799	NOT SECURED
OVERDRAFT LOAN	CZK	44 570	16 577	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	10 980	0	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
OVERDRAFT LOAN	CZK	70 494	0	NOT SECURED
INVESTMENT LOAN	CZK	15 842	15 842	TWO PROMISSORY NOTES
OPERATING LOAN	CZK	14 638	27 183	PLEDGE OF IMMOVABLE ASSETS, TRANSFER OF OWNERSHIP TITLE TO MOVABLE ASSETS AS SECURITY, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET INSURANCE
INVESTMENT LOAN	EUR	0	20 340	PLEDGE OF IMMOVABLE ASSETS, TRANSFER OF OWNERSHIP TITLE TO MOVABLE ASSETS AS SECURITY, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET INSURANCE
INVESTMENT LOAN	EUR	3 729	3 937	PLEDGE OF IMMOVABLE ASSETS, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET INSURANCE
INVESTMENT LOAN	EUR	3 552	3 749	PLEDGE OF IMMOVABLE ASSETS, BLANK PROMISSORY NOTE, PLEDGE OF INSURANCE RECEIVABLES
OPERATING LOAN	CZK	187 026	76 412	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	12 227	12 908	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	11 187	0	BLANK PROMISSORY NOTE


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

INVESTMENT LOAN	EUR	6 373	6 730	MORTGAGE, INSURANCE PLEDGE
INVESTMENT LOAN	EUR	3 067	3 239	MORTGAGE, INSURANCE PLEDGE
INVESTMENT LOAN	EUR	4 571	4 826	MORTGAGE, INSURANCE PLEDGE
ACQUISITION LOAN	CZK	137 428	145 085	BLANK PROMISSORY NOTE
CURRENT BANK LOAN	EUR	519	6 851	CREDIT CARDS
OPERATING LOAN	CZK	0	8 250	PLEDGE OF REAL ESTATE
INVESTMENT LOAN	CZK	2 000	8 000	PLEDGE OF REAL ESTATE
INVESTMENT LOAN	CZK	32 880	32 880	PLEDGE OF REAL ESTATE
INVESTMENT LOAN	EUR	0	29 236	REAL ESTATE, PRODUCTION MACHINERY
OPERATING LOAN	EUR	8 105	30 225	RECEIVABLES
OPERATING LOAN	CZK	33 326	47 003	RECEIVABLES
INVESTMENT LOAN	EUR	6 366	6 721	REAL ESTATE TECHNOLOGY
INVESTMENT LOAN	EUR	20 238	21 263	EXPANSION OF PRODUCTION
OPERATING LOAN	CZK	52 395	0	RECEIVABLES
OPERATING LOAN	EUR	16 446	0	RECEIVABLES
INVESTMENT LOAN	CZK	8 219	0	REAL ESTATE TECHNOLOGY
OVERDRAFT LOAN	PLN	56 508	69 705	PLEDGE OF RECEIVABLES
OPERATING LOAN	CZK	10 790	8 383	FINANCING OF NET WORKING CAPITAL
INVESTMENT LOAN	CZK	5 368	5 368	REAL ESTATE, TECHNOLOGY
INVESTMENT LOAN	EUR	1 748	0	EXPANSION OF PRODUCTION
REVOLVING LOAN	CZK	74 656	50 729	PLEDGE OF RECEIVABLES
REVOLVING LOAN	CZK	71 592	71 289	PLEDGE OF RECEIVABLES
INVESTMENT LOAN	EUR	0	21 831	PLEDGE OF MOVABLE ASSET
RE-FINANCING LOAN	EUR	0	32 692	PLEDGE OF MOVABLE ASSET
INVESTMENT LOAN	EUR	30 666	0	PLEDGE OF MOVABLE ASSET
OPERATING LOAN	PLN	86 355	77 363	MORTGAGE FOR REAL ESTATE
TOTAL		2 651 201	2 132 839	

TABLE CONTINUES ON THE FOLLOWING PAGE

Short-Term Financial Borrowings

(CZK '000)

PURPOSE	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	PROVIDER
SHORT-TERM	PLN	139	23	MSA RADOMSKO
TOTAL		139	23	

6.15. OTHER OFF-BALANCE SHEET LIABILITIES, LEGAL DISPUTES

MORAVIA STEEL a.s.

As of 31 December 2021, the Company participated in no legal dispute, the ruling of which would have had a material impact on the Company.

As of 31 December 2021, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 85,135 thousand.

The dispute held since 2013 based on the petition of former minority shareholders of TŘINECKÉ ŽELEZÁRNY, a. s. to review the adequacy of the consideration attributable to the minority shareholders based on the decision of the General Meeting of TŘINECKÉ ŽELEZÁRNY, a. s. of 31 July 2013, was effectively concluded by the ruling of the High Court in Olomouc on 11 September 2019. This appellate court confirmed the ruling of the Regional Court in Ostrava of 8 June 2018, which set the amount of adequate consideration for each share with the nominal value of CZK 1,000 at CZK 2,284 (compared to CZK 1,815, which was the amount awarded by the company to minority shareholders based on an expert opinion prepared for the purposes of the squeeze-out).

Following the conclusions of the appellate court's ruling, the Company recognised an anticipated payable to the minority shareholders as of the effective date in the amount of the consideration of CZK 26,878 thousand as well as interest as of 31 December 2021 in the amount of CZK 4,742 thousand.

MORAVIA STEEL a.s., as well as TŘINECKÉ ŽELEZÁRNY, a. s. as another participant in the proceedings and some former shareholders, filed an appeal against the ruling of the High Court in Olomouc with the Supreme Court of the Czech Republic, which however, by its ruling of 6 May 2021, rejected all appeals. Two former shareholders subsequently filed a constitutional complaint against this decision of the Supreme Court, which has not yet been decided.

In connection with the above-mentioned dispute, several former shareholders of TŘINECKÉ ŽELEZÁRNY, a. s. filed a legal action for the payment of interest on the delayed payment of the consideration for their shares in 2021. On 31 January 2022, the Regional Court in Ostrava partially upheld the action filed by two shareholders. MORAVIA STEEL a.s. filed an appeal against the decision of the Regional Court in Ostrava, which has not yet been decided by the High Court in Olomouc.

Court proceedings based on a legal action filed by the group entities of Deutsche Bahn (DB Netz AG and companies) with the State Court in Frankfurt am Main whereby the plaintiffs are claiming from Moravia Steel Deutschland GmbH, MORAVIA STEEL a.s. and other entities compensation for damage arising from unlawful cartel arrangements. MORAVIA STEEL a.s.'s liability for damage (the legal action was delivered on 29 March 2013) is derived from one economic unit that the Company allegedly formed together with Moravia Steel Deutschland GmbH.

The legal dispute is still in the phase of first-instance procedures and only the first court hearing has taken place so far, where the court focused on procedural matters concerning the place of holding the dispute, (international jurisdiction), and on 25 September 2019 the court issued a preliminary ruling with international as well as local jurisdiction. MORAVIA STEEL a.s. filed an appeal against this decision on 20 December 2019, which was rejected by the appealing Higher Regional Court on 1 December 2020. The Court upheld the admissibility of the action, but did not agree with the opinion of the Regional Court that the dispute's jurisdiction is based on the concept of one economic unit. There were no changes in this procedure during 2021. Thus, MORAVIA STEEL a.s. still has a real possibility to reach the rejection of the plaintiff's claim in the main proceedings.

The dispute initiated in October 2019 by the plaintiff – insurance company Mapfre España Compañía de Seguros y Reseguros, S.A. against MORAVIA STEEL a.s., as well as against TŘINECKÉ ŽELEZÁRNY, a. s. (jointly and severally). The subject of the action is the claim for compensation for damage that was allegedly suffered when the plaintiff covered a loss on behalf of the customer MORAVIA STEEL a.s. arising from alleged faulty performance provided by MORAVIA STEEL a.s./TŘINECKÉ ŽELEZÁRNY, a. s. District Court in Frýdek-Místek issued a payment order which was cancelled after both defendants filed a protest against it. Trial proceedings will be conducted in respect of the claim arising from the legal action.

The further development of this dispute and its prediction depend on how the plaintiff deals with its hitherto inaccurate factual allegation and whether this allegation is substantiated. The court ordered the first hearing in the case on 21 April 2021, where the action was dismissed. As the plaintiff did not appeal, the judgment became final and enforceable. The proceedings were thus definitively terminated.

Inasmuch as the MORAVIA STEEL a.s.'s management considers the above legal actions against the Company to lack merit, no reasonable estimate of the results of the court proceedings and future payments, if any, in respect of these legal disputes can presently be made.

TŘINECKÉ ŽELEZÁRNY, a. s.
Provided Guarantees
31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<i>GUARANTEES</i>		
TO OTHER ENTITIES	EUR 3,449 THOUSAND	CZK 85,749 THOUSAND

31 December 2020

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2020
<i>GUARANTEES</i>		
TO OTHER ENTITIES	EUR 3,249 THOUSAND	CZK 85,277 THOUSAND

Received Guarantees
31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<i>GUARANTEES</i>		
	USD 52 THOUSAND	CZK 1,131 THOUSAND
FROM OTHER ENTITIES	EUR 5,709 THOUSAND CZK 86,937 THOUSAND	CZK 141,915 THOUSAND CZK 86,937 THOUSAND

31 December 2020

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2020
<i>GUARANTEES</i>		
FROM OTHER ENTITIES	USD 103 THOUSAND EUR 4,007 THOUSAND CZK 120,697 THOUSAND	CZK 2,204 THOUSAND CZK 105,158 THOUSAND CZK 120,697 THOUSAND

As of 31 December 2021, the Company records in off-balance sheet accounts both the promissory notes issued by the Company in favour of credit institutions and the promissory notes received, issued in favour of the Company to secure cash liabilities under the Revolving Credit Agreements.

In addition, as of 31 December 2021, the Company records a pledge of accounts receivable in its favour as a means of securing cash debts under the Credit Agreement.

Legal Disputes

Dispute initiated by certain former shareholders of the Company for reviewing the adequacy of the payments provided by MORAVIA STEEL a.s. that belong to former shareholders according to the resolution of the extraordinary general meeting of the Company held on 31 July 2013, on the transfer of the shares of the Company owned by other shareholders to MORAVIA STEEL, a.s., as the majority shareholder. The Company is referred to as another participant in the proceedings. Through its ruling of 8 June 2018, the Regional Court in Ostrava determined that the amount of an adequate payment per each share with the nominal value of CZK 1,000 thousand issued by the Company is CZK 2,284. The High Court in Olomouc confirmed the above ruling on 11 September 2019 in an appellate proceedings and the ruling is final and conclusive. The Supreme Court rejected the appeal. A constitutional complaint is currently being processed by the Constitutional Court.

Dispute initiated by the insolvency trustee of the debtor VÍTKOVICE GEARWORKS a.s., regarding the ineffectiveness of the agreement on the extinguishment of mutual obligations concluded between the Company, Strojírny a stavby Třinec, a.s., and this debtor, based on which the Company's obligation to pay an amount to this debtor, the settlement of which is now being sought by the lawsuit, ceased to exist. The Regional Court in Ostrava rejected the lawsuit. On 23 May 2018, the High Court in Olomouc revoked the ruling of the Regional Court in Ostrava and referred the matter back to the court for additional proceedings. Following the completion of the debtor's restructuring, the dispute is ongoing after the insolvency trustee of VÍTKOVICE POWER ENGINEERING a.s. became the new plaintiff. The Regional Court in Ostrava rejected the legal action again on 17 April 2019. The High Court in Olomouc cancelled the judgement of the Regional Court in Ostrava on 17 December 2019 and referred the matter back to the court for further proceedings. By a ruling of 10 February 2021, the Regional Court in Ostrava dismissed the lawsuit again. On 29 June 2021, the High Court in Olomouc confirmed this judgment, which is now final. Appellate proceedings are in progress at the Supreme Court. The outcome of the dispute will not have a significant impact on the Company.

The dispute initiated by Mapfre España Compañía de Seguros y Reseguros, S.A. ("Mapfre") against the Company and against MORAVIA STEEL a.s. ("MS") for the payment (jointly and severally) of an amount including fees and interest, representing, as claimed by Mapfre, the damage suffered by Mapfre by paying damages on behalf of a customer of MS caused by alleged defective performance provided by the Company and MS. The District Court in Frýdek-Místek dismissed the action by its judgment issued on 21 April 2021; this judgment is final. The Company is therefore not obliged to pay anything to the plaintiff in this case.

Environmental Liabilities

The Company was subject to an environmental audit, which highlighted the Company's environmental obligations. Based upon the audit, the Company entered into an agreement with the National Property Fund of the Czech Republic for the settlement of expenses involved in removing environmental liabilities up to CZK 514 million that had arisen prior to privatisation.

Under the amendment to this contract concluded on 3 November 2008 with the Czech Republic – the Ministry of Finance, the guarantee of the Ministry of Finance is capped at CZK 843.6 million. This guarantee covers environmental liabilities of the Company. For this reason, the Company does not create a reserve for environmental burdens.

As of 31 December 2021, the Company used up funds in the amount of CZK 541,615 thousand (2020: CZK 540,796 thousand).

Other

In 2021 and 2020, the Company was involved in the project of the Regional Chamber of Commerce of the Moravian-Silesian Region that provides educational courses for employees. The support of this project is based on the de minimis rule.

In 2020, the Company was involved in the project "Education of REGRADA members as a joint path to the region's development", which is co-funded by the European Union. Education as part of the project was provided at a discounted price and the remaining costs were funded by the subsidy's recipient, which is the Regional Development and Cooperation Council based in Třinec.

Other entities included in the MS consolidation group

Energetika třinec, a.s.

Security for liabilities

(CZK '000)

LIABILITY TYPE	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
BLANK PROMISSORY NOTES – SECURITY FOR OWN OVERDRAFTS	450 000	450 000
BLANK PROMISSORY NOTES – SECURITY FOR OWN LONG-TERM LOANS	235 000	235 000
TOTAL	685 000	685 000

Moravia Steel Deutschland GmbH

On 26 February 2013, MORAVIA STEEL DEUTSCHLAND GMBH received a legal action filed by the group entities of Deutsche Bahn with the State Court in Frankfurt am Main. The Company records a reserve for this legal dispute of CZK 375,780 thousand.

Payables and receivables not reported in the accounting records and legal disputes of entities included in the MS consolidation group are described in detail in the separate financial statements of these entities.

6.16. COVID-19

In preparing the consolidated financial statements as of 31 December 2021, the Group has considered the impact of COVID-19 (referred to as SARS-CoV-2). The impact is not material and does not impede the Group's ability to continue as a going concern.

7. ADDITIONAL INFORMATION ON THE PROFIT AND LOSS ACCOUNT

7.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

(CZK '000)			
2021			
ACTIVITIES	INLAND	CROSS-BORDER	TOTAL
METALLURGIC PRODUCTION	12 096 837	36 755 839	48 852 676
OTHER PRODUCTION	2 073 958	5 336 836	7 410 794
SALE OF GOODS	94 018	381 993	476 011
SERVICES	1 214 844	255 950	1 470 794
TOTAL	15 479 657	42 730 618	58 210 275

(CZK '000)			
2020			
ACTIVITIES	INLAND	CROSS-BORDER	TOTAL
METALLURGIC PRODUCTION	34 824 857	27 715 195	39 854 762
OTHER PRODUCTION	1 708 157	3 729 314	5 437 471
SALE OF GOODS	83 410	177 588	260 998
SERVICES	1 285 705	776 111	2 061 816
TOTAL	37 902 129	32 398 208	47 615 047

 TABLE CONTINUES ON THE FOLLOWING PAGE

7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 43,625 thousand and CZK 48,921 thousand as of 31 December 2021 and 2020, respectively.

Other operating income as of 31 December 2021 and 2020 predominantly included the use of the grant for allowances in the amounts of CZK 5,114,072 thousand and CZK 2,528,885 thousand, respectively.

Other operating expenses as of 31 December 2021 and 2020 predominantly included the use of allowances in the amounts of CZK 5,451,864 thousand and CZK 2,528,885 thousand, respectively.

Financial donations are reported under operating expenses. The total amount of donations provided in 2021 was CZK 31,767 thousand (2020: CZK 86,107 thousand).

Other financial income and expenses in the years ended 31 December 2021 and 2020 predominantly included foreign exchange rate gains and losses.

7.3. GRANTS AND SUBSIDIES

In the year ended 31 December 2021, TŘINECKÉ ŽELEZÁRNY, a. s. received a subsidy for the acquisition of environmental and other investments of CZK 34,002 thousand.

In the year ended 31 December 2020, TŘINECKÉ ŽELEZÁRNY, a. s. received a subsidy for the acquisition of environmental and other investments of CZK 145,969 thousand.

In the year ended 31 December 2020, ENERGETIKA TŘINEC, a.s., received a subsidy for the project ‘Optimisation of production of industrial water Vodárna 1’ in the amount of CZK 9,300 thousand.

In the year ended 31 December 2021, Strojírny a stavby Třinec, a.s., continued to receive a subsidy for the acquisition of fixed assets under the “Enterprise and Innovation for Competitiveness” Operational Programme in the “Energy Savings” project in Strojírny a stavby Třinec, a.s. in the amount of CZK 444 thousand.

In the year ended 31 December 2020, Strojírny a stavby Třinec, a.s., received a subsidy for the acquisition of fixed assets within the Operational Programme Enterprise and Innovation for Competitiveness in the project Energy savings in Strojírny a stavby Třinec, a.s. in the amount of CZK 21,836 thousand.

In the year ended 31 December 2021, BOHEMIA RINGS s.r.o. received an investment subsidy in the amount of CZK 321 thousand for the acquisition of new energy-saving lighting in the production halls.

In the year ended 31 December 2020, BOHEMIA RINGS s.r.o. received an investment subsidy for a new energy-saving heating system in the production halls in the amount of CZK 837 thousand.

In 2021, Kovárna VIVA a.s. received an investment subsidy in the amount of CZK 14,727 thousand for the project “Development centre for machining of drop forgings”.

Subsidies for operating purposes and contributions relating to companies of the TŽ consolidation group in the amount of CZK 27,188 thousand used in 2021 include subsidies for research and development, a subsidy for the museum operation, a subsidy for environmental projects, a contribution as part of the “Antivirus” employment support programme – a contribution for partial reimbursement of payroll costs, and a contribution to support the implementation of the COVID-19 self-sampling tests.

Subsidies for operating purposes and contributions relating to subsidiaries of MS a.s. amount to CZK 5,434 thousand for the year ended 31 December 2021.

Subsidies for operating purposes related to the companies of the TŽ consolidation group, in the amount of CZK 22,733 thousand utilised in 2020, include subsidies for development, a subsidy for the museum operation, subsidies for environmental projects, subsidies for professional training and employment support “Antivirus” – a contribution for partial reimbursement of payroll costs.

7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

(CZK '000)

	31 DEC 2021	31 DEC 2020
RESEARCH AND DEVELOPMENT EXPENDITURE (NET OF GRANTS)	43 634	34 029

7.5. RELATED PARTY TRANSACTIONS

7.5.1. INCOME GENERATED WITH RELATED PARTIES

Income generated with related parties amounted to CZK 239,333 thousand in 2021. All related party transactions took place under arm’s length conditions.

Income from profit shares from related parties for 2021 and 2020 is disclosed in Note 6.5.

7.5.2. PURCHASES FROM RELATED PARTIES

Total purchases from related parties amounted to CZK 6,145,897 thousand in 2021.

All related party transactions took place under arm’s length conditions.

8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

8.1.1. STAFF COSTS AND NUMBER OF EMPLOYEES FOR THE YEAR

The number of employees as of 31 December 2021 was 13,608, of which 248 managers. The number of employees as of 31 December 2020 was 13,859, of which 246 managers.

The staff costs of employees in the year ended 31 December 2021 amounted to CZK 9,047,765 thousand, of which staff costs of managers amounted to CZK 556,236 thousand. The staff costs of employees in the year ended 31 December 2020 amounted to CZK 8,466,889 thousand, of which staff costs of managers amounted to CZK 412,634 thousand.

The number of employees and managers is based on their average recalculated headcount.

For the purposes of these notes to the consolidated financial statements, the term “management” refers to the members of the Supervisory Board, members of the Board of Directors and specialised directors. For the Company, it also includes the heads of operations and professional departments and the plant manager.

8.1.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

Amount of other supplies provided to managers, Supervisory Boards and Audit Committee:

(CZK '000)

	2021	2020
USE OF MANAGEMENT CARS (THE FIGURE INCREASES THE TAX BASE OF EMPLOYEES)	18 123	16 956
CONTRIBUTION FOR LIFE INSURANCE	4 493	3 157
LIABILITY INSURANCE	6 755	1 971
TOTAL	29 371	22 084

9. POST BALANCE SHEET EVENTS

On 15 February 2022, TŘINECKÉ ŽELEZÁRNY, a. s. sold its 46200/51330 share in MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.

The Group evaluates and tries to anticipate, as far as possible, the effects resulting from the Russian-Ukrainian conflict, especially in the area of iron ore supplies from Ukraine as well as gas supplies. The Group perceives a threat in this area, with the possibility of a complete disruption of these supplies, and is therefore working on expanding the range of iron ore suppliers.

In view of the rapid development of the situation, the Group is continuously analysing these impacts and taking measures to eliminate the risks caused by these developments, also at the time of preparing the consolidated financial statements. However, as of the date of these consolidated financial statements, the Group continues to meet its obligations properly and therefore applies the going concern assumption.



2021

