

20

23

CONSOLIDATED ANNUAL REPORT



MORAVIA STEEL



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GENERAL SECTION



OPENING STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

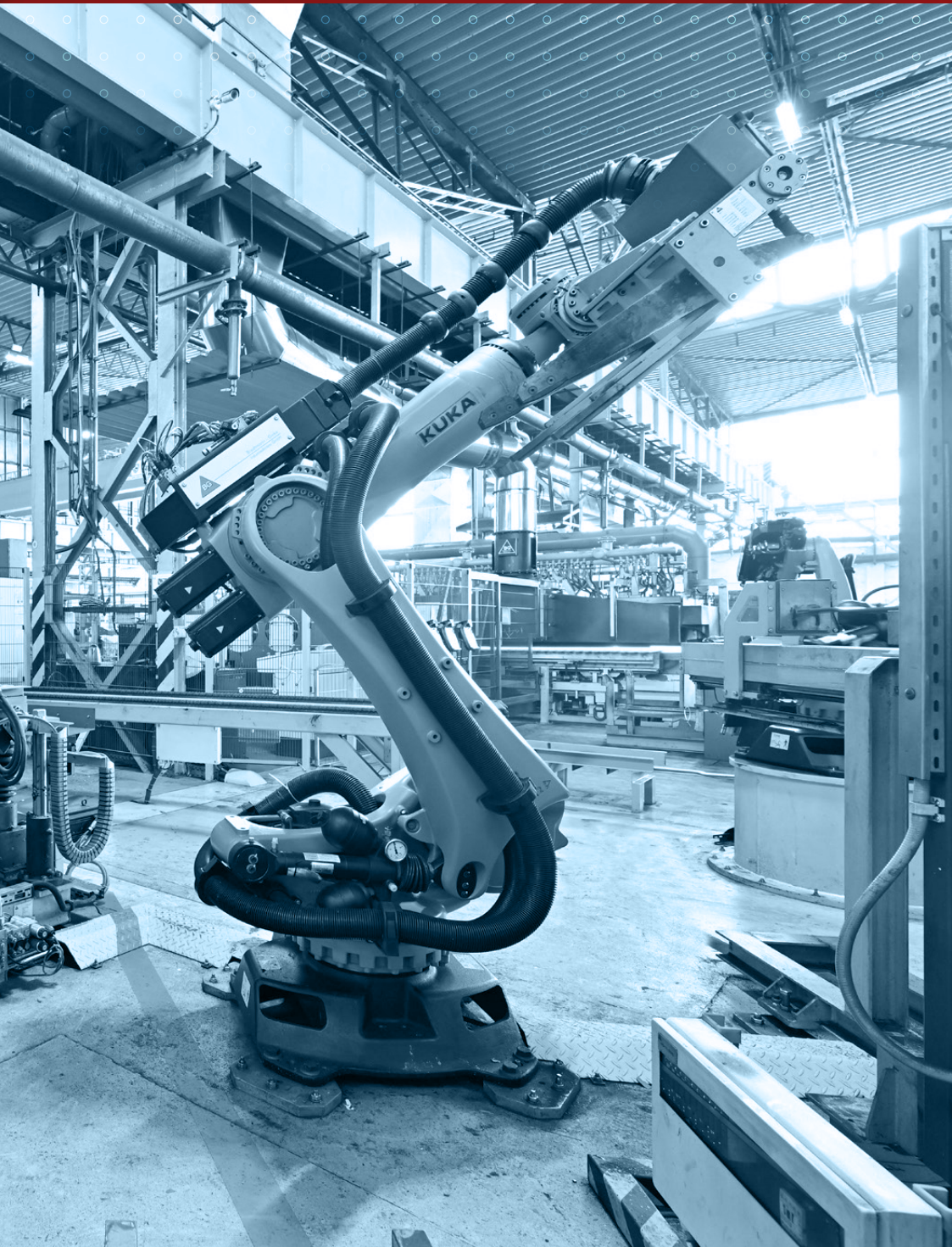
01

TO SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES

The year 2023 was full of adverse phenomena of a global and local nature which the MORAVIA STEEL (MS) Group had to tackle several times in a row. The management and the employees in individual entities in the MS Group however managed to respond in an adequate manner and secure the production, including supplies of semi-finished products and raw materials.

After the previous year which was ultimately favourable in terms of sales and prices, we had to face a decline in demand in the MS Group in 2023 and consequently the drop in prices not only on the local market, but also in the EU countries which are our key export territory. An unpleasant factor in the Czech Republic was a persisting high – up to double-digit inflation triggered primarily by the previous increase in energy prices.

The European Green Deal and reduction of air emissions is a significant challenge on the one hand – however, it involves high demands for technological development and massive investments which, when not addressed with adequate public support, reasonable time schedule with feasible target indicators, may result in an existential threat to both Czech and European steelmaking sector.



We have to see steel as a strategically important commodity without which the EU cannot do; for this reason, it should encourage further development of the European metallurgy sector, also in the context of the lengthy military conflict in Ukraine and other geopolitical developments worldwide.

The MS Group reported a profit of CZK 94 million for the year ended 31 December 2023.

As a conclusion of the opening statement, I would like to express, as I already traditionally do, my sincere thanks to all employees of the MS Group as well as to our business and other corporate partners and partners among institutions for their beneficial cooperation.

Yours sincerely

Tomáš Chrenek

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



THE MS GROUP'S PROFILE

02





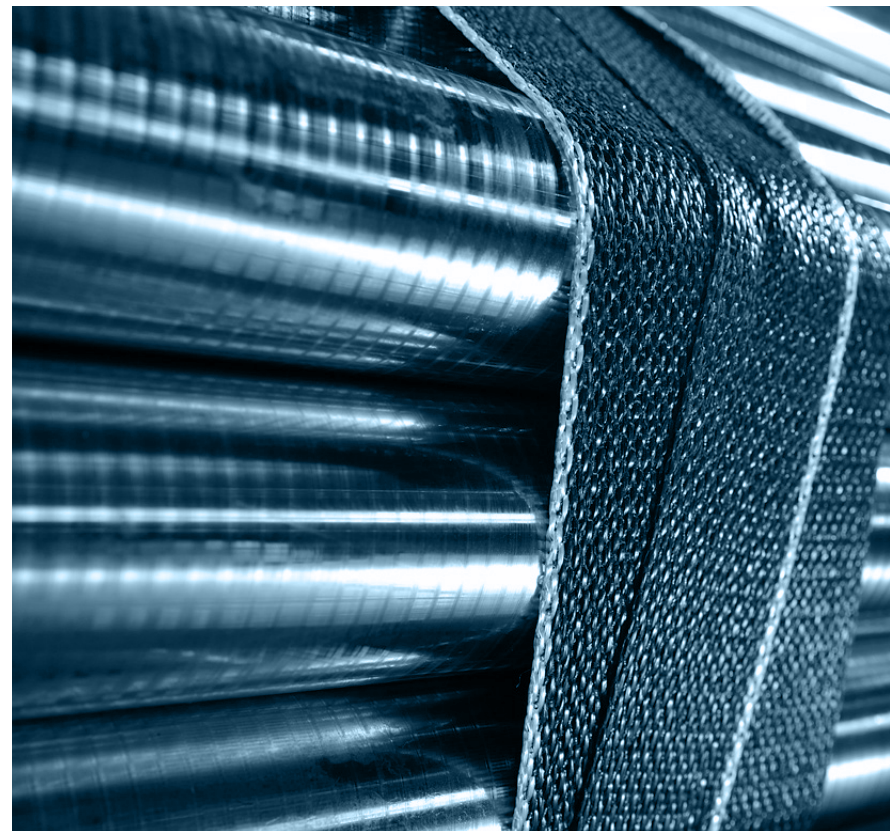
The MORAVIA STEEL (MS) Group consists mainly of companies focused on iron metallurgy, metalworking, engineering production and trade in related products. The MS Group also includes companies that focus on the creation and production of live-action motion pictures and other audio-visual works, or the 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 2021 and 2023 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, for example through galvanising and pickling, sales for the wind energy sector.



**MS GROUP ECONOMIC INDICATORS BETWEEN 2021 AND 2023**

| INDICATOR | | 2021 | 2022 | 2023 |
|---|-------------|-------------|-------------|-------------|
| Sales of products, services and goods | CZK million | 58 210 | 75 418 | 66 585 |
| Operating profit or loss | CZK million | 4 228 | 7 411 | 867 |
| Profit or loss before taxation | CZK million | 3 791 | 7 005 | 493 |
| Profit or loss for the reporting period | CZK million | 3 037 | 5 569 | 94 |
| ROS before taxation | % | 6.5 | 9.3 | 0.7 |
| EBITDA | CZK million | 6 792 | 10 020 | 3 543 |
| EBITDA margin | % | 11.7 | 13.3 | 5.3 |
| Total assets | CZK million | 61 788 | 71 516 | 65 346 |
| Fixed assets | CZK million | 29 169 | 33 197 | 31 688 |
| Current assets | CZK million | 32 619 | 38 318 | 33 657 |
| Equity | CZK million | 43 121 | 44 562 | 42 798 |
| Liabilities | CZK million | 17 932 | 26 576 | 22 193 |
| Total debt to equity | % | 29.0 | 37.2 | 34.0 |



STATUTORY BODIES AND MANAGEMENT OF MORAVIA STEEL A.S.

03





SUPERVISORY BOARD OF THE COMPANY

AS OF 31 DECEMBER 2023

| | |
|----------------------|----------------|
| Chairman | Tomáš Chrenek |
| Vice-Chairman | Evžen Balko |
| Vice-Chairman | Ján Moder |
| Member | Mária Blašková |

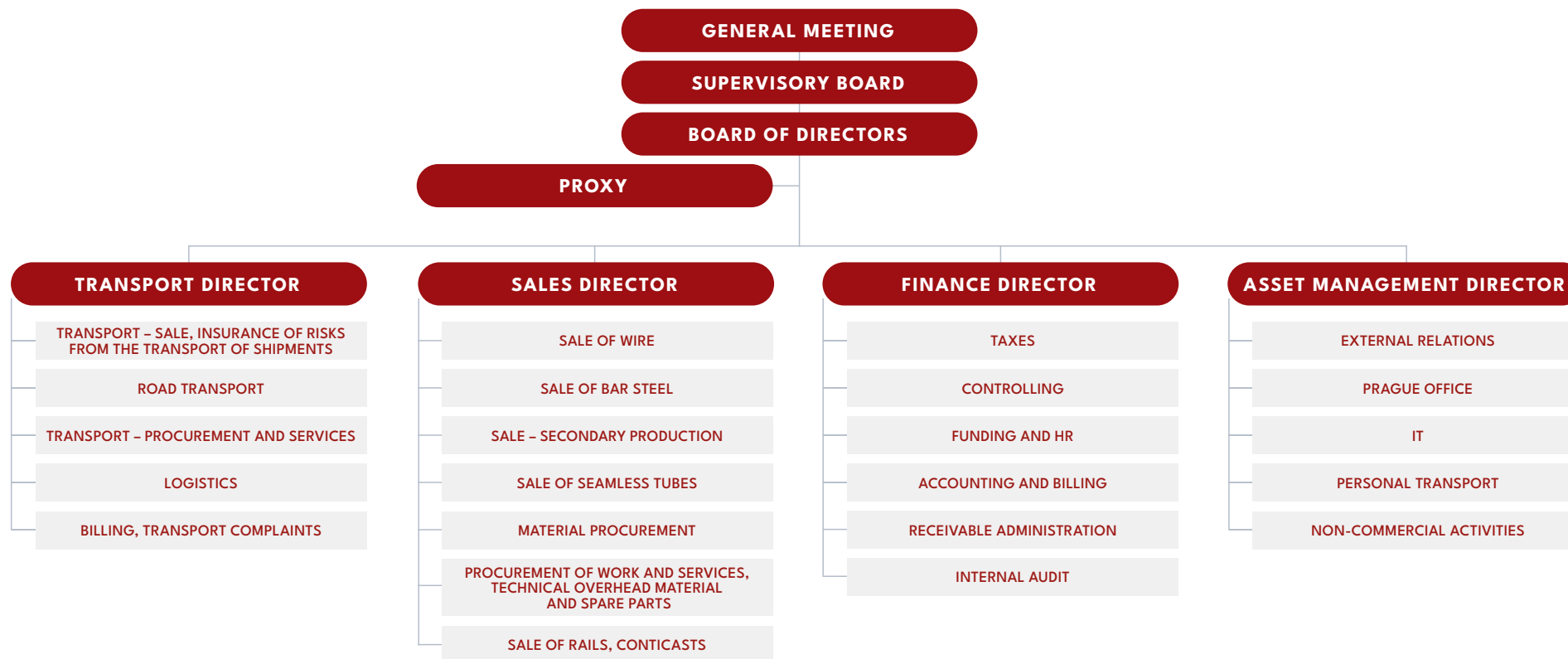
BOARD OF DIRECTORS OF THE COMPANY

AS OF 31 DECEMBER 2023

| | |
|----------------------|-------------------------|
| Chairman | Petr Popelář |
| Vice-Chairman | Krzysztof Roch Ruciński |
| Member | Mojmír Kašpříšín |
| Member | Uršula Novotná |



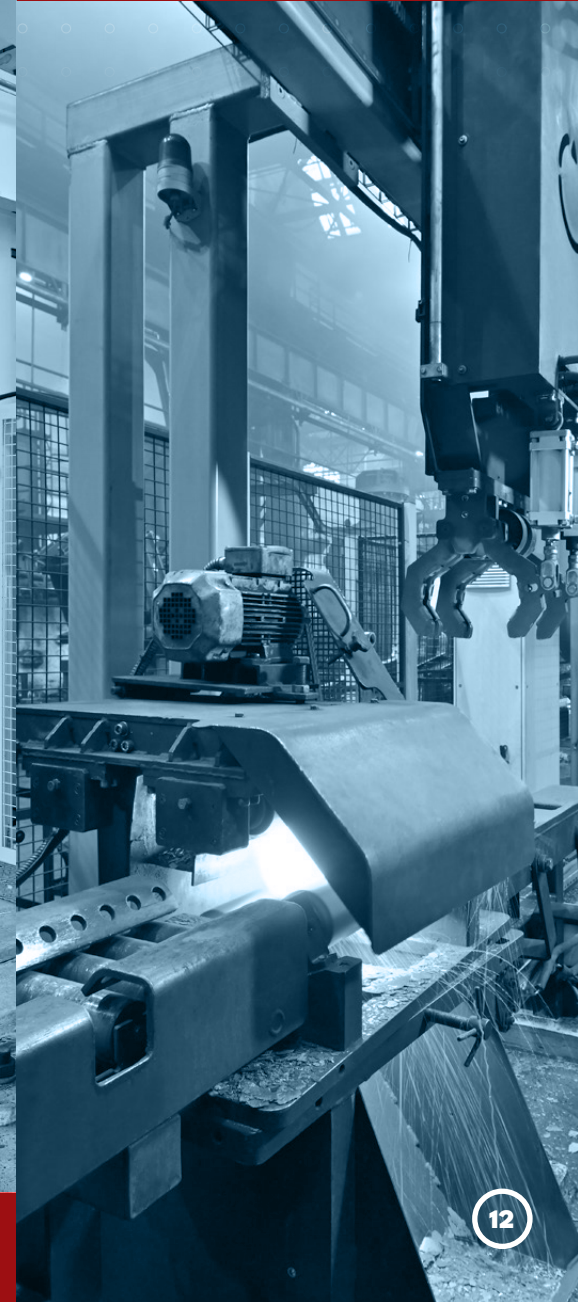
ORGANISATIONAL STRUCTURE OF MORAVIA STEEL A.S.





REPORT OF THE BOARD OF DIRECTORS

04





DEVELOPMENT OF THE CZECH ECONOMY

In 2023, the Czech economy declined by 0.2%. In the last quarter, however, it reported a year-on-year increase of 0.2% according to the Czech Statistical Office. The year-round moderate decline in the Czech economy followed two years of growth. The gross domestic product in 2021 increased by 3.5% and by 2.4% in the following year. The year-on-year growth of the economy in the fourth quarter of 2023 followed three quarters of decline, the most significant in the third quarter by 0.6%.

The slight year-round decline was significantly due to the MORAVIA STEEL Group's key production of base metals, metallurgy and foundry. The overall year-on-year decrease in the GDP was not reversed even by a noticeable recovery in the motor vehicle and other vehicle production which plays a key role in the Czech Republic.

The local sales from industrial activities in standard prices increased year-on-year by 4%. Sales from direct exports of Czech industrial companies increased by less than 2%. According to the Czech Statistical Office, the growth was predominantly fuelled by the production of motor vehicles, trailers and semi-trailers. On the other side of the range of sales from industrial activities was the production of base metals, metallurgy and foundry, reporting a year-on-year decline of almost 24%.

The value of new orders in the monitored sectors and in standard prices slightly decreased in 2023 by approximately 2%. New orders from abroad declined by 3%. The most significant share in the decrease in new orders was the production of base metals, metallurgy and foundry.

Czech economic analysts however expect a slight economic recovery in 2024 following the favourable trend from the last quarter of 2023, also thanks to increasing consumption of households. The automotive sector, which was driving the Czech economy in 2023, was already at the limit of its capacities, so a more significant pro-growth impulse cannot be expected in 2024. Further development in the Czech Republic will however strongly depend on the situation of the German economy, which is of key importance for us, and which also saw a minor stagnation in 2023. This identically applies, to a significant degree, to all the local steelmaking sectors for which the German market is of vital importance.

The entire industrial production in the EU tackled a decline. The most noticeable declines were seen in the Irish and Belgian industries; on the contrary, tangible growth was reported in Denmark and Croatia. In terms of industrial sectors, the most significant declines in the union were reported in the production of computers, electronic and optical apparatus, the most important growth was reported in the production of other vehicles and devices.



STEELMAKING SECTOR

Raw steel production in 2023 exceeded the volume of 1,888 million tonnes and remained at roughly the same level as in the prior year. The raw steel production significantly increased in India, Russia and South Africa. On the contrary, its production continues to decrease in the EU and the Americas for several years.

For a long time already, the largest steel producer worldwide is China which produced more than 1,367 million tonnes of steel. Its share in the worldwide volume is almost 54%.

The EU countries produced more than 126 million tonnes of steel in 2023, the year-on-year decline was 7.4%. The largest raw steel producer in the union continues to be Germany with the volume of 35.4 million tonnes. Compared to 2022, this however constituted a decrease of less than 4%. The share of the EU in the global steel production decreased repeatedly, to 6.7%. In 2022, it was 7.3%.

The raw steel production in the Czech Republic in 2023 decreased noticeably by almost 21% to 3.4 million tonnes. This was also due to escalating difficulties in the Liberty ironworks in Ostrava.

The local manufacturing of long products declined by one quarter as reported by the Steel Union. The production of tubes decreased by 12% in 2023. The lowest decline was in flat products – only one percent. In specific product categories, only sheet piles and heavy metal plates saw no stagnation.

Steel consumption in 2023 in the Czech Republic declined year-on-year by approximately one million tonnes, i.e. to 5.6 million tonnes. In addition, the quantity of exported steel goods from the Czech Republic decreased. Exports stopped at the volume of 3.7 million tonnes while it was approximately 4 million tonnes in 2022. However, imports also declined year-on-year, from 6.6 to 6.3 million tonnes.

Třinecké železářny, the subsidiary of MORAVIA STEEL, ended the year 2023 with approximately the same amount of produced steel as in the previous year, i.e. 2.4 million tonnes. The share of Třinecké železářny (TŽ) in the local production of raw steel however increased to 71%.



MORAVIA STEEL GROUP

In the 2023 reporting period, the MS Group reported a profit of CZK 94 million. It generated more than CZK 66 billion from the sale of products, services and goods. The total assets of the MS Group in 2023 exceeded CZK 65 billion.

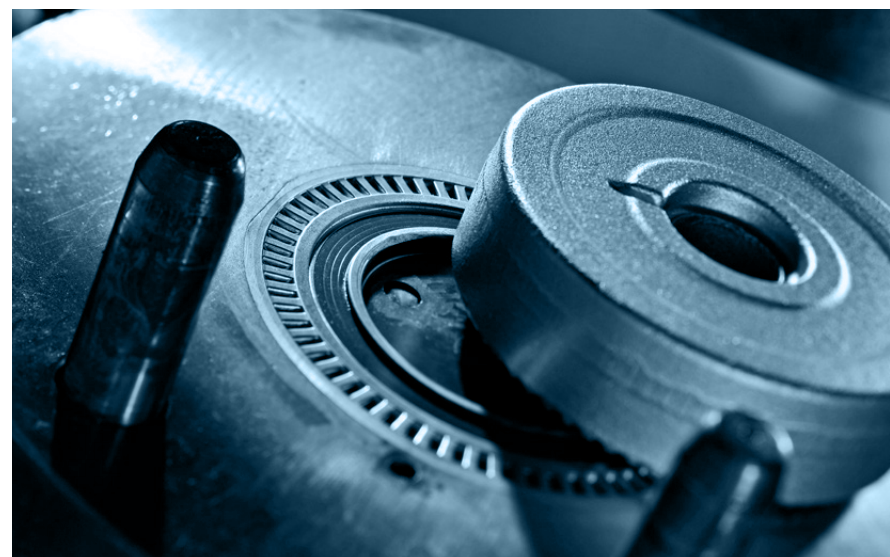
For 2023, MORAVIA STEEL a.s. reported a net profit of almost 633 million. The volume of sales of metallurgical production very slightly increased to more than 2,184 kilotonnes. Approximately 652 kilotonnes were sold on the local Czech market, and more than 1,532 kilotonnes were sold abroad. The share of exports in total sales constantly ranges on the level of 70%.

The key export territory for MORAVIA STEEL a.s. is the European Union. Its share in exports, in kilotonnes, was 89.2% in 2023. Exports to North America were at 5.7% of total exports and non-EU countries at 4.8%. A minimum quantity of exports, the remaining three tenths of a percent, headed to Asia.

In individual EU countries, our long-term most significant partner is Germany. Its share in total exports was almost 34% in 2023. Other important partner countries included Slovakia – 17%, Italy – 15.1%, Poland – 13.7%,

Hungary – 6.6%, Romania – 3.6% and Spain – 2%. Interesting non-EU markets included the United Kingdom, USA and Canada.

MORAVIA STEEL a.s. generated profit in 2023 also thanks to long-term adequately selected MS Group strategy. The strategy focuses on products with higher processing grades and the creation of product chains, with a focus on products intended for the mechanical engineering, energy and automotive industries. The group prefers the production of rolled wire for the production of screws, springs, bearings, special bar steel, steel treated in the final phase, and wide and flat tool steel.



**DEVELOPMENT IN SALES OF MORAVIA STEEL A.S. BETWEEN 2021 AND 2023**

| SUPPLIES IN TONNES | 2021 | 2022 | 2023 |
|---------------------------|------------------|------------------|------------------|
| Export | 1 595 294 | 1 497 426 | 1 532 261 |
| Domestic | 683 747 | 661 787 | 652 222 |
| TOTAL | 2 279 041 | 2 159 213 | 2 184 483 |

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

| STRUCTURE OF EXPORTS IN % | 2021 | 2022 | 2023 |
|----------------------------------|--------------|--------------|--------------|
| European Union | 90.7 | 89.9 | 89.2 |
| Other European countries | 4.4 | 4.3 | 4.8 |
| Asia | 0.4 | 0.4 | 0.3 |
| America | 4.2 | 5.4 | 5.7 |
| Australia | 0.0 | 0.0 | 0.0 |
| Africa | 0.3 | 0.0 | 0.0 |
| 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 | 2021 | 2022 | 2023 |
|---|------------------|------------------|------------------|
| Wire rod - including drawn, annealed and phosphate coated wires | 966 048 | 907 336 | 947 682 |
| Billets and continuous castings | 249 491 | 246 242 | 257 085 |
| Reinforcing steel | 6 769 | 20 809 | 2 976 |
| Rails | 229 812 | 224 244 | 219 322 |
| Products of Sochorová válcovna TŽ in Kladno | 276 246 | 266 219 | 261 126 |
| Univerzální trať TŽ Bohumín | 42 877 | 36 261 | 32 370 |
| Products – Tažírna oceli TŽ Staré Město facility | 91 373 | 93 614 | 85 757 |
| Other - bars, sections, etc. | 312 247 | 263 462 | 280 457 |
| Pipes – Válcovna trub TŽ Ostrava facility | 92 463 | 91 057 | 90 407 |
| Rail fastenings | 11 715 | 9 969 | 7 300 |
| TOTAL | 2 279 041 | 2 159 213 | 2 184 482 |



WIRE ROD, with the volume of almost 43% of the total production, is the most significant item in the production programme of TŽ in the long term. It includes the production of the Continuous Wire Rod Mill (KDT) and a portion of the production of the Continuous Fine Section Mill (KJT). In 2023, we sold approximately 939 kilotonnes (kt) of wire rod of which approximately 836.4 kt from KDT and 102.6 kt from KJT. In KDT it is a year-on-year increase of 34.7 kt and in KJT of 4.3 kt. Given an adverse situation on the market, it represents however a decrease in the sale of the wire rod by approximately 22%.

The year 2023 saw overall low demand for wire rod, together with a gradual decline in prices. This situation continued from the end of the previous year and was moreover complicated by rapid growth in electricity and gas prices. The decline in demand was noticeable in all sectors and destinations to which we supply our products.

At the end of the year, there was a certain recovery when the increase in demand was accompanied by slight growth in prices.

In terms of territories, 30.8% of the production was sold on the domestic market and 69.2 % was exported.



In terms of the quality structure of steel groups produced at KDT, medium and high-carbon steel accounts for 59.2%, low-carbon steel accounts for 15.5%, bolt steel accounts for 9.9% and electrode steel accounts for 9.8%. The remaining approximately 5.5% is attributable to other types –bearing, spring, chain and free-cutting.

At KJT, the most significant commodities are screw-type wires with a share of 42.5%, followed by carbon steel with 24%, low-carbon with 20.5% and free-cutting with 8.3%. 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 Sochorová válcovna TŽ Kladno plant. The sales of bar steel in 2023 amounted to 542 kt and was 2% higher compared to the prior year.

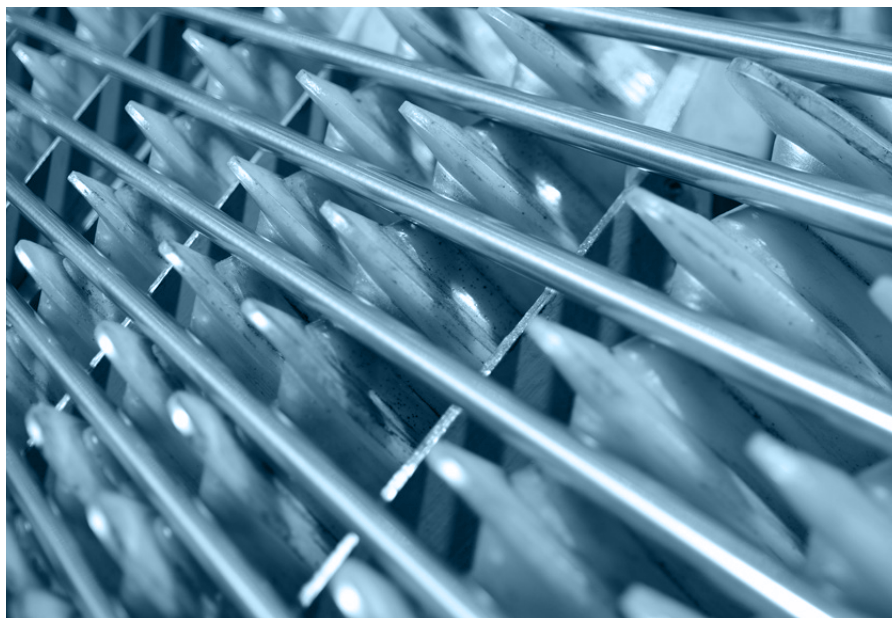
The overall situation on the market in 2023 was not favourable. The declining demand for bar steel from the second half of 2022 continued to worsen during 2023. This, in combination with a high level of inventory of material in supplier chains, increased imports from countries outside the EU and not fully used capacities of steel manufacturers resulted in an enormous pressure on price reduction. The average sale price of bar steel in 2023 was 15% lower than in 2022. The decline in sales was 13%.

The largest purchasers of bar steel were customers from the smithery sector supplying components for the automotive industry and related mechanical engineering sectors. The share in sales of bar steel to end customers increased from 57% to 63% at the expense of the distribution sector. The sale of reinforcing steel was used in the past as compensation for potentially lower demand for bar steel. However, the situation in the construction industry in 2023 was so bad that we supplied only 3 kilotonnes to the market. It accounts for 15% of sales in 2022.





The sales of **DRAWN STEEL** in 2023 were significantly impacted by a lower demand and high pressure on the price level of our products. After the prior year, defined by higher prices and high demand, 2023 was quite the opposite. Due to low demand, we increased production of goods for free storage in the latter half of 2023. With the introduced measure, we were more flexible in responses to demand, and concurrently, we increased the sold volumes.



In spite of the year-on-year decline in volumes, the demand in the automotive industry was comparable to the previous year. It was no longer so much impacted by the lack of electronic components for final assembly of road motor vehicles.

Increased flexibility in handling of warehouse goods and decrease in logistics periods were secured by the Kasto 1 and 2 stacking systems.

In 2023, the sales of drawn steel amounted to approximately 85.5 kilotonnes which was a decrease in sales of 7.8 kilotonnes compared to 2022.

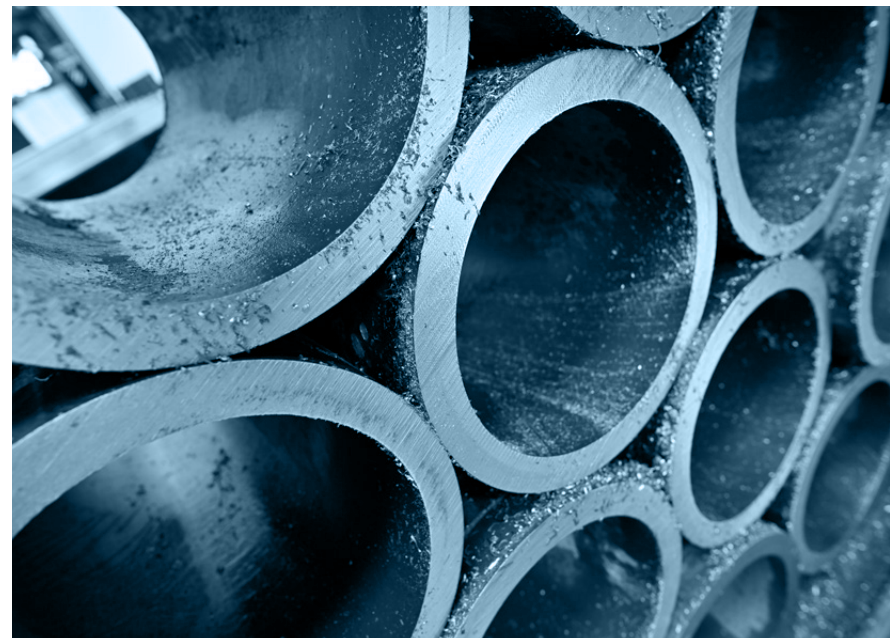
The MORAVIA STEEL Group further strengthened its position as a reliable manufacturer with a focus on high quality of supply to the domestic and European markets by the use of new production technologies at the TŽ Steel Drawing Mill in Staré Město (near Uherské Hradiště).

Sales of drawn, annealed and phosphate coated wire in coils from Staku 1 and 2 drawing lines amounted to 8.7 kt in 2023. This amount was 1.4 kt higher compared to 2022. The higher volume was also due to the start of operations of the Staku 2 drawing line already used in full operations. The sales focused mainly on customers in the automotive industry and manufacturers of bearings.



In 2023, we faced a decline in demand for **WIDE** and **FLAT STEEL** on European markets. This trend had an impact on our production from the Universal Strip Mill in Bohumín (UT). The sales of wide and flat steel from UT exceeded 32.3 kt in 2023 which is 3.9 kt less than in the previous year.

Approximately 8% of the UT production went to the local market. The exports went to European countries – mostly to Germany, Slovakia, Bulgaria, France, Denmark and Poland. A total of 75% of our supplies were intended for traders and warehouse operators and 25% for end processors. Construction quality steel was the principal part of our product range, with a share of approximately 81%.



Throughout 2023, the demand for **SEAMLESS TUBES** was reduced due to the general economic downturn. This fact negatively translated in the orders in the latter half of the year and related to mechanical engineering and the construction industry.

However, the Company sold approximately 90 kt, the key markets were Germany and Italy. On the local market, the Company managed to obtain project orders for repairs of energy facilities. In OCGT pipes, projects continued primarily for customers in the EU – geothermal drilling.



The orders for **RAILS** in 2023 were at their full potential and the production and sales corresponded to the maximum capacity which was fuelled by both railway projects in Europe and as a result of the continued war in Ukraine. It brought demand for high-strength rails and the necessity to offer this product range to eastern markets, primarily for Ukraine, but also other countries such as Turkmenistan. The demand comes from other post-Soviet states such as Kyrgyzstan, Azerbaijan and Georgia.

The existing portfolio of customers buying our rails is thus expanded by these countries to which we offered rails with increased strength and resistance. In this year, a significant part of the production and supplies of rails was made based on a repeated success in the tender of German railways, contract with local Správa železnic s.o., continued supplies for Canadian and American customers. The customer portfolio additionally includes traditional customers in Poland and Israel.

The sales in 2023 amounted to approximately 220 kt. The volume of dispatched products was limited only by the performance of the rail rolling mill following the product range structure. It included a wide range of rail profiles with various production efficiency. The following period is the continued favourable period for the implementation of railway projects in Europe and in eastern countries, including Ukraine.

The planned introduction of thermally treated rails is supposed to improve our ability to take part in tenders with requirements for high-resistance rails on both existing markets and in new territories.





RAILWAY ACCESSORIES experience stagnation primarily due to focus on new projects, without the use of standard rail baseplates and clamps of our type. However, the product range manufactured by us is necessary for maintenance and replacements on regional and secondary tracks; concurrently, these components are important for rail switch manufacturers. The announced investments in railway renewal are therefore a promise of continued use of these products. In 2023, the supplies of track fittings and fastenings exceeded 7 kt. The reasons can be identified in zero consumption in Poland and other countries such as Hungary and Slovakia. At the same time, there is an impact of the increasing competition and its price level. In the following period, we modernise the baseplate production line which is supposed to bring an increased quality and significantly higher flexibility in including orders of small scale in production. Our stable customers include the Czech Republic, Poland, Hungary, Switzerland, France and Benelux countries. Rail switch manufacturers are usually allocated to these countries. The expansion of this portfolio could include Ukraine and potentially other eastern countries that have already announced their demands.





CONTINUOUS CASTINGS and **BILLETS** saw a continued low demand primarily in the sector of wind power plants and their components. The market continues to be impacted by strong competition and imports from China and South Korea. In 2023, approximately 257 kt of continuous castings and billets were sold. This product range has been impacted in recent years primarily by the consumption of the railway sector; for this reason, the key orders include continuous castings and rolled semi-finished products for the manufacturing of railway wheelsets, wheels, tires and semi-axes. To a lesser extent, compared to the previous period, continuous castings are supplied to manufacturers of wind turbine rings and components. Another area with promising development is mechanical engineering as well as supplies of semi-finished products for manufacturers of rail switches and crossings. The customer portfolio for this product range is stable; however, we notice demands from newly interested parties in rolled slabs and sections from railway switch manufacturers. The final customers of continuous castings and billets come, as a standard, from the Czech Republic, Germany, Italy, Spain, Poland and France.



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.

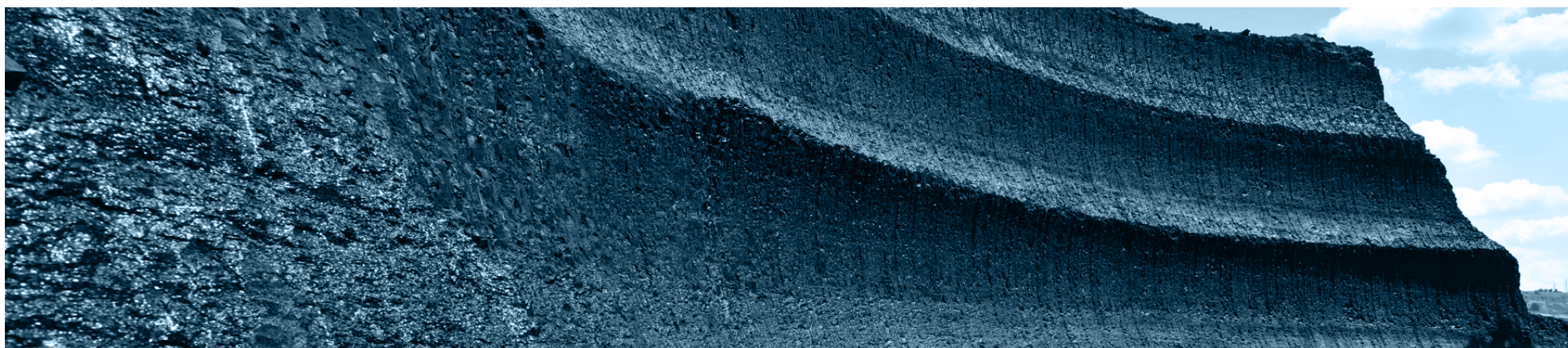
MORAVIA STEEL a.s. procures the essential raw materials with respect to availability, required quality and optimum acquisition costs.

Out of the current developments on the international scene, it is necessary to mention the war conflict in Ukraine and relating continued uncertainty arising from supplies of raw materials, predominantly iron ore. Bearing in mind these facts, alternative sources of iron ores were

tested, and manufacturing processes were set to make it possible to respond to the development in the war conflict promptly.

Together with the EU's increasing pressures to transform steel production using green technologies, the demand for scrap metal is increasing. This reduces its availability, and the price of this raw material remains to be high.

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.





LOGISTICS, FREIGHT TRANSPORTATION

Overall, the year 2023 saw an economic downturn which had an impact on the transport market.

MORAVIA STEEL maintained its position as a significant transporter and provider of transport services.

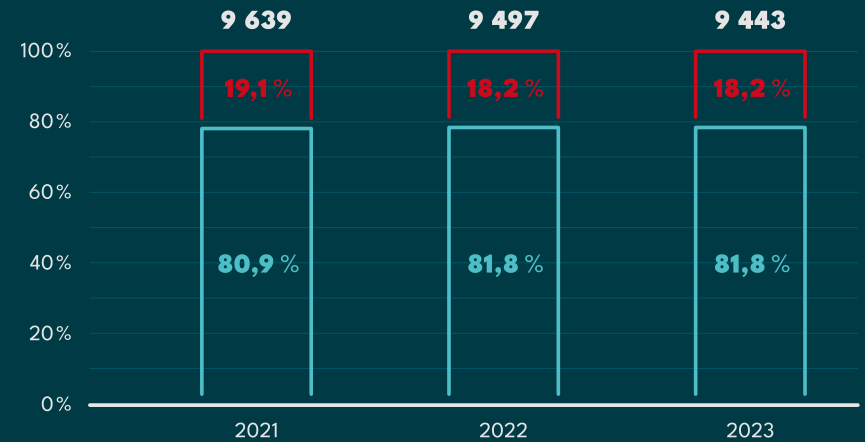
Primarily in railway transport, we faced track closures with significant negative impacts on the track throughput on main tracks in the Czech Republic and abroad.

The MS Group strengthened its role in long-term, strategic planning of freight transport, including the introduction of digital technologies.

In the supplier-customer chain, it paid increased attention to implementing ESG measures and standards for calculations, inventory taking and emission reduction.

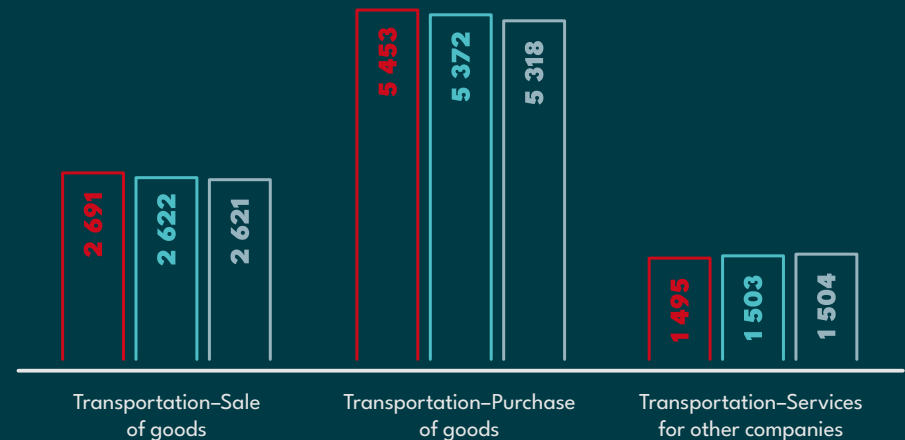
Transport requirements, including consignment insurance for carriage, were provided by 190 contractual suppliers.

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



Road Railway The data include intermodal and combined transport of goods.

TRANSPORT VOLUME STRUCTURE (kt)



Year 2021 Year 2022 Year 2023



MANAGEMENT SYSTEM AND HUMAN RESOURCES

The MORAVIA STEEL Group's approach towards employees is based on openness and mutual respect. During 2023, 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 and 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, for example 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 2023 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.

The Group places a great emphasis on safety and protection of health of all employees in the workplace, by observing all strict hygiene rules together with the setting of organisational measures and appropriate communication at all levels within the Company as well as the MS Group.

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 2023, 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 2023, 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.



FINANCIAL SECTION

AUDITOR'S REPORT

05

Deloitte.

Deloitte Audit s.r.o.
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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 at 31 December 2023, 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 material accounting policy information.

We have audited the accompanying consolidated financial statements of 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 at 31 December 2023, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow 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 2023, 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 2023, 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.

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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"), DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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 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 21 May 2024

Audit firm:

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



Statutory auditor:

Václav Lyubek
registration no. 2037



FINANCIAL PART I.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

| | |
|---|--|
| NAME OF THE COMPANY: | MORAVIA STEEL a.s. |
| REGISTERED OFFICE: | Průmyslová 1000, Staré Město, 739 61 Třinec |
| LEGAL STATUS: | Joint Stock Company |
| CORPORATE ID: | 634 74 808 |
| RECORD IN THE REGISTER OF COMPANIES: | Recorded in File 1297, 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 19 February 2024.

| STATUTORY BODY OF THE REPORTING ENTITY: | SIGNATURE |
|---|-----------|
|---|-----------|

Petr Popelář
Chairman of the Board



Mojmír Kašpříš
Member of the Board




BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

| | | 31. 12. 2023 | | 31. 12. 2022 | |
|---|--|-------------------|----------------|-------------------|-------------------|
| | | Gross | Adjustment | Net | Net |
| TOTAL ASSETS | | 21 594 015 | 896 816 | 20 697 199 | 23 859 196 |
| B. Fixed assets | | 10 637 958 | 641 142 | 9 996 816 | 9 852 885 |
| <i>B.I. Intangible fixed assets</i> | | 202 880 | 24 577 | 178 303 | 125 192 |
| B.I.1. Development | | 72 | 72 | | |
| B.I.2. Valuable rights | | 133 222 | 23 805 | 109 417 | |
| B.I.2.1. Software | | 1 315 | 1 315 | | |
| B.I.2.2. Other valuable rights | | 131 907 | 22 490 | 109 417 | |
| B.I.4. Other intangible fixed assets | | 700 | 700 | | |
| B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction | | 68 886 | | 68 886 | 125 192 |
| B.I.5.1. Prepayments for intangible fixed assets | | 68 886 | | 68 886 | |
| B.I.5.2. Intangible fixed assets under construction | | | | | 125 192 |
| <i>B.II. Tangible fixed assets</i> | | 94 152 | 76 815 | 17 337 | 14 140 |
| B.II.1. Land and structures | | 907 | 74 | 833 | 851 |
| B.II.1.2. Structures | | 907 | 74 | 833 | 851 |
| B.II.2. Tangible movable assets and sets of tangible movable assets | | 93 245 | 76 741 | 16 504 | 13 289 |
| <i>B.III. Non-current financial assets</i> | | 10 340 926 | 539 750 | 9 801 176 | 9 713 553 |
| B.III.1. Equity investments – controlled or controlling entity | | 10 337 455 | 539 750 | 9 797 705 | 9 709 869 |
| B.III.7. Other non-current financial assets | | 3 471 | | 3 471 | 3 684 |
| B.III.7.2. Prepayments for non-current financial assets | | 3 471 | | 3 471 | 3 684 |

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

| | | 31. 12. 2023 | | 31. 12. 2022 | |
|----------------|--|-------------------|----------------|-------------------|-------------------|
| | | Gross | Adjustment | Net | Net |
| C. | Current assets | 10 956 057 | 255 674 | 10 700 383 | 14 006 311 |
| <i>C.I.</i> | Inventories | 1 004 175 | | 1 004 175 | 1 167 495 |
| C.I.1. | Material | 2 112 | | 2 112 | 2 039 |
| C.I.3. | <i>Products and goods</i> | 1 002 063 | | 1 002 063 | 1 165 456 |
| C.I.3.2. | Goods | 1 002 063 | | 1 002 063 | 1 165 456 |
| <i>C.II.</i> | Receivables | 9 808 246 | 255 674 | 9 552 572 | 12 546 089 |
| C.II.1. | Long-term receivables | 12 023 | | 12 023 | 6 390 |
| C.II.1.4. | Deferred tax asset | 12 023 | | 12 023 | 6 390 |
| <i>C.II.2.</i> | Short-term receivables | 9 771 388 | 255 674 | 9 515 714 | 12 519 027 |
| C.II.2.1. | Trade receivables | 9 296 299 | 240 942 | 9 055 357 | 12 217 978 |
| C.II.2.2. | Receivables – controlled or controlling entity | 52 202 | 12 642 | 39 560 | |
| C.II.2.4. | <i>Receivables – other</i> | 422 887 | 2 090 | 420 797 | 301 049 |
| C.II.2.4.3. | State – tax receivables | 208 038 | | 208 038 | 106 391 |
| C.II.2.4.4. | Short-term prepayments made | 7 285 | | 7 285 | 6 960 |
| C.II.2.4.5. | Estimated receivables | 159 357 | | 159 357 | 131 628 |
| C.II.2.4.6. | Sundry receivables | 48 207 | 2 090 | 46 117 | 56 070 |
| <i>C.II.3.</i> | Other assets | 24 835 | | 24 835 | 20 672 |
| C.II.3.1. | Deferred expenses | 5 222 | | 5 222 | 6 523 |
| C.II.3.3. | Accrued income | 19 613 | | 19 613 | 14 149 |
| <i>C.IV.</i> | Cash | 143 636 | | 143 636 | 292 727 |
| C.IV.1. | Cash on hand | 571 | | 571 | 440 |
| C.IV.2. | Cash at bank | 143 065 | | 143 065 | 292 287 |

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

| | 31. 12. 2023 | 31. 12. 2022 |
|---|-------------------|-------------------|
| TOTAL LIABILITIES & EQUITY | 20 697 199 | 23 859 196 |
| A. Equity | 12 970 284 | 14 337 916 |
| <i>A.I. Share capital</i> | 3 159 000 | 3 159 000 |
| A.I.1. Share capital | 3 159 000 | 3 159 000 |
| <i>A.III. Funds from profit</i> | 631 400 | 631 400 |
| A.III.1. Other reserve funds | 631 400 | 631 400 |
| <i>A.IV. Retained earnings (+/-)</i> | 8 547 237 | 7 489 572 |
| A.IV.1. Accumulated profits or losses brought forward (+/-) | 8 547 237 | 7 489 572 |
| <i>A.V. Profit or loss for the current period (+/-)</i> | 632 647 | 3 057 944 |
| B.+C. Liabilities | 7 726 915 | 9 521 280 |
| B. Reserves | 2 093 | 2 135 |
| B.IV. Other reserves | 2 093 | 2 135 |

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

| | 31. 12. 2023 | 31. 12. 2022 |
|---|------------------|------------------|
| C. Payables | 7 724 822 | 9 519 145 |
| C.I. Long-term payables | 264 245 | 186 637 |
| C.I.2. Payables to credit institutions | 252 245 | 166 637 |
| C.I.9. Payables – other | 12 000 | 20 000 |
| C.I.9.3. Sundry payables | 12 000 | 20 000 |
| C.II. Short-term payables | 7 439 717 | 9 317 438 |
| C.II.2. Payables to credit institutions | 1 533 705 | 2 451 939 |
| C.II.3. Short-term prepayments received | 259 322 | 207 136 |
| C.II.4. Trade payables | 5 377 883 | 5 985 816 |
| C.II.8. Other payables | 268 807 | 672 547 |
| C.II.8.3. Payables to employees | 10 109 | 9 825 |
| C.II.8.4. Social security and health insurance payables | 5 478 | 5 271 |
| C.II.8.5. State – tax payables and subsidies | 1 365 | 294 038 |
| C.II.8.6. Estimated payables | 241 309 | 361 745 |
| C.II.8.7. Sundry payables | 10 546 | 1 668 |
| C.III. Other liabilities | 20 860 | 15 070 |
| C.III.1. Accrued expenses | 20 773 | 14 178 |
| C.III.2. Deferred income | 87 | 892 |

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

| | 31. 12. 2023 | 31. 12. 2022 |
|--|-------------------|-------------------|
| I. Sales of products and services | 724 573 | 754 125 |
| II. Sales of goods | 77 633 222 | 95 742 910 |
| A. Purchased consumables and services | 77 405 030 | 93 480 412 |
| A.1. Costs of goods sold | 75 545 658 | 91 709 978 |
| A.2. Consumed material and energy | 6 802 | 6 895 |
| A.3. Services | 1 852 570 | 1 763 539 |
| D. Staff costs | 353 472 | 392 789 |
| D.1. Payroll costs | 270 033 | 306 866 |
| D.2. Social security and health insurance costs and other charges | 83 439 | 85 923 |
| D.2.1. Social security and health insurance costs | 78 852 | 82 213 |
| D.2.2. Other charges | 4 587 | 3 710 |
| E. Adjustments to values in operating activities | 48 873 | 12 270 |
| E.1. <i>Adjustments to values of intangible and tangible fixed assets</i> | 19 391 | 22 089 |
| E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent | 19 391 | 22 089 |
| E.3. Adjustments to values of receivables | 29 482 | -9 819 |
| III. Other operating income | 22 057 | 91 740 |
| III.1. Sales of fixed assets | 2 885 | 71 927 |
| III.2. Sales of material | 8 234 | 6 363 |
| III.3. Sundry operating income | 10 938 | 13 450 |

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

| | | 31. 12. 2023 | 31. 12. 2022 |
|-------|---|----------------|------------------|
| F. | Other operating expenses | 86 149 | 133 363 |
| F.1. | Net book value of sold fixed assets | 1 836 | 42 986 |
| F.2. | Material sold | 7 490 | 4 667 |
| F.3. | Taxes and charges | 397 | 275 |
| F.4. | Reserves relating to operating activities and complex deferred expenses | -42 | 555 |
| F.5. | Sundry operating expenses | 76 468 | 84 880 |
| * | Operating profit or loss (+/-) | 486 328 | 2 569 941 |
| IV. | Income from non-current financial assets – equity investments | 171 702 | 1 128 182 |
| IV.1. | Income from equity investments – controlled or controlling entity | 171 702 | 1 128 182 |
| VI. | Interest income and similar income | 42 676 | 11 318 |
| VI.1. | Interest income and similar income – controlled or controlling entity | 335 | 339 |
| VI.2. | Other interest income and similar income | 42 341 | 10 979 |
| I. | Adjustments to values and reserves relating to financial activities | -83 061 | -203 |
| J. | Interest expenses and similar expenses | 40 171 | 12 479 |
| J.2. | Other interest expenses and similar expenses | 40 171 | 12 479 |
| VII. | Other financial income | 799 004 | 880 074 |
| K. | Other financial expenses | 810 379 | 1 047 137 |
| * | Financial profit or loss (+/-) | 245 893 | 960 161 |
| ** | Profit or loss before tax (+/-) | 732 221 | 3 530 102 |
| L. | Income tax | 99 574 | 472 158 |
| L.1. | Due income tax | 105 207 | 482 469 |
| L.2. | Deferred income tax (+/-) | -5 633 | -10 311 |
| ** | Profit or loss net of tax (+/-) | 632 647 | 3 057 944 |
| *** | Profit or loss for the current period (+/-) | 632 647 | 3 057 944 |
| * | Net turnover for the current period | 79 393 234 | 98 608 349 |

STATEMENT OF CHANGES IN EQUITY

(IN CZK THOUSAND)

| | Share capital | Funds from profit, reserve fund | Accumulated profits or losses brought forward | Profit or loss for the current period | TOTAL EQUITY |
|---------------------------------------|------------------|---------------------------------|---|---------------------------------------|-------------------|
| Balance at 31 December 2021 | 3 159 000 | 631 400 | 10 500 909 | 988 273 | 15 279 582 |
| Profit shares/dividends declared | | | -3 011 337 | -988 273 | -3 999 610 |
| Profit or loss for the current period | | | | 3 057 944 | 3 057 944 |
| Balance at 31 December 2022 | 3 159 000 | 631 400 | 7 489 572 | 3 057 944 | 14 337 916 |
| Distribution of profit or loss | | | 1 057 665 | -1 057 665 | |
| Profit shares/dividends declared | | | | -2 000 279 | -2 000 279 |
| Profit or loss for the current period | | | | 632 647 | 632 647 |
| Balance at 31 December 2023 | 3 159 000 | 631 400 | 8 547 237 | 632 647 | 12 970 284 |

CASH FLOW STATEMENT

(IN CZK THOUSAND)

| | 31. 12. 2023 | 31. 12. 2022 |
|--|------------------|------------------|
| P. Opening balance of cash and cash equivalents | 292 727 | 2 074 258 |
| Cash flows from ordinary activities (operating activities) | | |
| Z. Profit or loss before tax | 732 221 | 3 530 102 |
| A.1. Adjustments for non-cash transactions | -265 763 | -1 204 203 |
| A.1.1. Depreciation of fixed assets | 19 391 | 22 089 |
| A.1.2. Change in provisions and reserves | -53 621 | -9 467 |
| A.1.3. Profit/(loss) on the sale of fixed assets | -1 049 | -28 941 |
| A.1.4. Revenues from profit shares | -171 702 | -1 128 182 |
| A.1.5. Interest expense and interest income | -2 505 | 1 161 |
| A.1.6. Adjustments for other non-cash transactions | -56 277 | -60 863 |
| A.* Net operating cash flow before changes in working capital | 466 458 | 2 325 899 |
| A.2. Change in working capital | 2 663 274 | -2 679 046 |
| A.2.1. Change in operating receivables and other assets | 3 275 578 | -1 680 677 |
| A.2.2. Change in operating payables and other liabilities | -775 625 | -244 200 |
| A.2.3. Change in inventories | 163 320 | -754 169 |
| A.** Net cash flow from operations before tax | 3 129 732 | -353 147 |
| A.3. Interest paid | -40 171 | -12 479 |
| A.4. Interest received | 42 676 | 11 318 |
| A.5. Income tax paid from ordinary operations | -532 913 | -225 786 |
| A.6. Received profit shares | 171 702 | 1 128 182 |
| A.*** Net operating cash flows | 2 771 026 | 548 088 |

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CASH FLOW STATEMENT

(IN CZK THOUSAND)

| | 31. 12. 2023 | 31. 12. 2022 | |
|--|--|-------------------|-------------------|
| <i>Cash flows from investing activities</i> | | | |
| B.1. | Fixed assets expenditures | -90 097 | -573 871 |
| B.2. | Proceeds from fixed assets sold | 2 885 | 71 927 |
| B.*** | Net investment cash flows | -87 212 | -501 944 |
| <i>Cash flow from financial activities</i> | | | |
| C.1. | Change in payables from financing | -832 626 | 2 171 935 |
| C.2. | Impact of changes in equity | -2 000 279 | -3 999 610 |
| C.2.6. | Profit shares/dividends paid | -2 000 279 | -3 999 610 |
| C.*** | Net financial cash flows | -2 832 905 | -1 827 675 |
| F. | Net increase or decrease in cash and cash equivalents | -149 091 | -1 781 531 |
| R. | Closing balance of cash and cash equivalents | 143 636 | 292 727 |

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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 2023, 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 2023.

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 99.08% 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

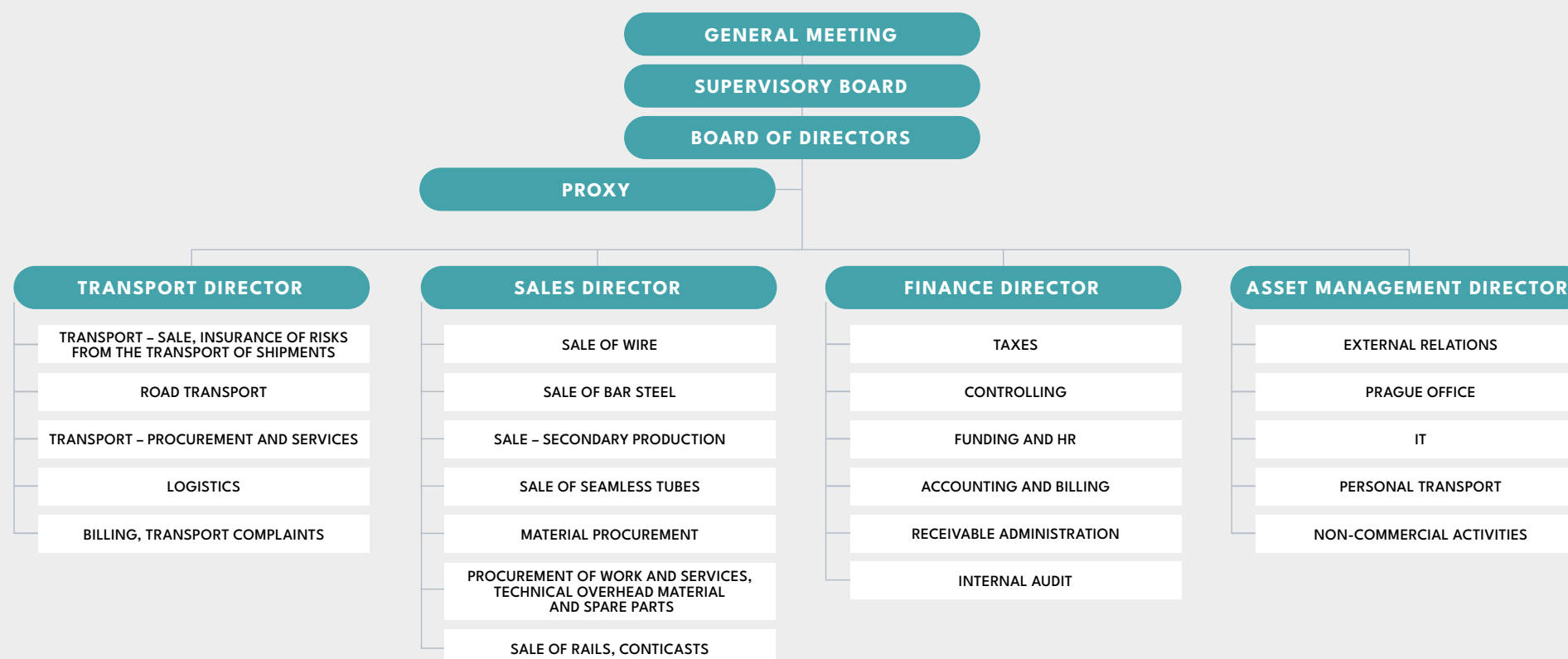
In the year ended 31 December 2023, no changes were made to the Register of Companies.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2023

| | Position | Name |
|---------------------------|---------------|-------------------------|
| Board of Directors | Chairman | Petr Popelář |
| | Vice Chairman | Krzysztof Roch Ruciński |
| | Member | Mojmír Kašpříšín |
| | Member | Uršula Novotná |

| | Position | Name |
|--------------------------|---------------|----------------|
| Supervisory Board | Chairman | Tomáš Chrenek |
| | Vice Chairman | Ján Moder |
| | Vice Chairman | Evžen Balko |
| | Member | Mária Blašková |

1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2023



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 2023.

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 80 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 2023.

The cost of fixed asset improvements exceeding CZK 80 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 2023.

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 80 thousand on an individual basis.

Purchased intangible fixed assets are stated at cost.

The cost of fixed asset improvements exceeding CZK 80 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 2023.

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 2010 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:

| | (IN CZK THOUSAND) | |
|--|-------------------|----------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| Cash on hand | 571 | 440 |
| Cash at bank and cash in transit | 143 065 | 292 287 |
| Total current financial assets | 143 636 | 292 727 |
| Total cash and cash equivalents | 143 636 | 292 727 |

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 2023.

4. Additional information on the balance sheet and profit and loss account

4.1. FIXED ASSETS

4.1.1. INTANGIBLE FIXED ASSETS

Cost

(IN CZK THOUSAND)

| | Balance at 31 Dec 2021 | Additions | Disposals | Balance at 31 Dec 2022 | Additions | Disposals | Balance at 31 Dec 2023 |
|--|---------------------------|----------------|----------------|---------------------------|----------------|----------------|---------------------------|
| Development | 72 | 0 | 0 | 72 | 0 | 0 | 72 |
| Software | 1 678 | 0 | 0 | 1 678 | 0 | 363 | 1 315 |
| Valuable rights | 182 604 | 0 | 172 271 | 10 333 | 121 574 | 0 | 131 907 |
| Other intangible FA | 700 | 0 | 0 | 700 | 0 | 0 | 700 |
| Intangible FA under construction | 0 | 125 192 | 0 | 125 192 | 121 471 | 246 663 | 0 |
| Prepayments and advances for intangible FA | 0 | 0 | 0 | 0 | 68 886 | 0 | 68 886 |
| Total | 185 054 | 125 192 | 172 271 | 137 975 | 311 931 | 247 026 | 202 880 |

Accumulated Amortisation

(IN CZK THOUSAND)

| | Balance at 31 Dec 2021 | Additions | Disposals | Balance at 31 Dec 2022 | Additions | Disposals | Balance at 31 Dec 2023 |
|---------------------|---------------------------|---------------|----------------|---------------------------|---------------|------------|---------------------------|
| Development | 72 | 0 | 0 | 72 | 0 | 0 | 72 |
| Software | 1 678 | 0 | 0 | 1 678 | 0 | 363 | 1 315 |
| Valuable rights | 123 827 | 15 791 | 129 285 | 10 333 | 12 157 | 0 | 22 490 |
| Other intangible FA | 700 | 0 | 0 | 700 | 0 | 0 | 700 |
| Total | 126 277 | 15 791 | 129 285 | 12 783 | 12 157 | 363 | 24 577 |

Net Book Value

(IN CZK THOUSAND)

| | Balance at 31 Dec 2022 | Balance at 31 Dec 2023 |
|--|---------------------------|---------------------------|
| Development | 0 | 0 |
| Software | 0 | 0 |
| Valuable rights | 0 | 109 417 |
| Other intangible FA | 0 | 0 |
| Intangible FA under construction | 125 192 | 0 |
| Prepayments and advances for intangible FA | 0 | 68 886 |
| Total | 125 192 | 178 303 |

Amortisation of intangible fixed assets was CZK 12,157 thousand and CZK 15,791 thousand as of 31 December 2023 and 31 December 2022, respectively.

4.1.2. TANGIBLE FIXED ASSETS**Cost**

(IN CZK THOUSAND)

| | Balance at 31 Dec 2021 | Additions | Disposals | Balance at 31 Dec 2022 | Additions | Disposals | Balance at 31 Dec 2023 |
|--------------------------------|---------------------------|---------------|---------------|---------------------------|---------------|---------------|---------------------------|
| Structures | 907 | 0 | 0 | 907 | 0 | 0 | 907 |
| Tangible movable assets | 90 161 | 7 032 | 4 483 | 92 710 | 12 265 | 11 730 | 93 245 |
| – Machines and equipment | 11 677 | 478 | 69 | 12 086 | 119 | 2 049 | 10 156 |
| – Vehicles | 75 304 | 6 554 | 4 366 | 77 492 | 12 146 | 9 681 | 79 957 |
| – Furniture and fixtures | 3 180 | 0 | 48 | 3 132 | 0 | 0 | 3 132 |
| Artworks and collections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tangible FA under construction | 565 | 6 263 | 6 828 | 0 | 11 634 | 11 634 | 0 |
| Prepayments for tangible FA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 91 633 | 13 295 | 11 311 | 93 617 | 23 899 | 23 364 | 94 152 |

Accumulated Depreciation

(IN CZK THOUSAND)

| | Balance at 31 Dec 2021 | Additions | Disposals | Balance at 31 Dec 2022 | Additions | Disposals | Balance at 31 Dec 2023 |
|--------------------------|---------------------------|--------------|--------------|---------------------------|--------------|--------------|---------------------------|
| Structures | 38 | 18 | 0 | 56 | 18 | 0 | 74 |
| Tangible movable assets | 77 625 | 6 279 | 4 483 | 79 421 | 7 215 | 9 895 | 76 741 |
| – Machines and equipment | 10 871 | 332 | 69 | 11 134 | 385 | 2 049 | 9 470 |
| – Vehicles | 63 641 | 5 935 | 4 366 | 65 210 | 6 818 | 7 846 | 64 182 |
| – Furniture and fixtures | 3 113 | 12 | 48 | 3 077 | 12 | 0 | 3 089 |
| Total | 77 663 | 6 297 | 4 483 | 79 477 | 7 233 | 9 895 | 76 815 |

Net Book Value

(IN CZK THOUSAND)

| | Balance at 31 Dec 2022 | Balance at 31 Dec 2023 |
|--------------------------------|---------------------------|---------------------------|
| Structures | 851 | 833 |
| Tangible movable assets | 13 289 | 16 504 |
| – Machines and equipment | 952 | 686 |
| – Vehicles | 12 281 | 15 775 |
| – Furniture and fixtures | 56 | 43 |
| Tangible FA under construction | 0 | 0 |
| Prepayments for tangible FA | 0 | 0 |
| Total | 14 140 | 17 337 |

The Company principally acquired cars in 2022 and 2023.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,015 thousand and CZK 940 thousand for the years ended 31 December 2023 and 2022, 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 7,233 thousand and CZK 6,298 thousand as of 31 December 2023 and 31 December 2022, respectively.

4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(IN CZK THOUSAND)

| | Balance at 31 Dec 2021 | Additions | Disposals | Balance at 31 Dec 2022 | Additions | Disposals | Balance at 31 Dec 2023 |
|---|---------------------------|----------------|------------|---------------------------|---------------|---------------|---------------------------|
| Equity investments – controlled or controlling entities | 9 870 149 | 462 531 | 0 | 10 332 680 | 43 236 | 38 461 | 10 337 455 |
| Equity investments – associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments for non-current financial assets | 4 004 | 0 | 320 | 3 684 | 0 | 213 | 3 471 |
| Total | 9 874 153 | 462 531 | 320 | 10 336 364 | 43 236 | 38 674 | 10 340 926 |

4.2.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITIES

2023

| Name | Registered office | Cost | Nominal value | Ownership % | Equity | Profit/ loss | Provision | Dividend income for the period |
|---------------------------------|-------------------|-------------------|------------------|----------------|-------------------|-----------------|----------------|-----------------------------------|
| TŘINECKÉ ŽELEZÁRNY, a.s. | Třinec | 7 182 388 167 | 8 109 863 | 100 | 31 743 654 | 44 369 | | |
| Barrandov Studio a.s. | Prague | 746 439 | 197 112 | 99,85 | 1 199 366 | 79 336 | 313 597 | |
| Moravia Steel Slovenija, d.o.o. | Celje | 1 573 | 867 | 51 | 14 989 | 582 | | |
| Moravia Steel Italia, srl *) | Milano | 2 580 | 2 075 | 66 | *) | *) | | |
| Moravia Steel Ibéria, s.a. | Lisbon | 10 850 | 2 533 | 99,33 | 19 603 | 5 038 | | 2 802 |
| MS – Slovensko s.r.o. | Bratislava | 161 | 160 | 100 | 13 251 | -71 | | |
| Beskydská golfová, a.s. | Ropice | 274 342 | 230 000 | 100 | 225 653 | 968 | 150 000 | |
| Moravskoslezský kovošrot, a.s. | Ostrava | 202 209 | 2 000 | 100 | 275 608 | 56 878 | | 50 000 |
| M Steel Projects a.s. | Třinec | 10 000 | 10 000 | 100 | 46 501 | -790 | | |
| Moravia Steel UK Ltd | Cheshire | 1 449 | 728 | 100 | 35 357 | 10 013 | | |
| Moravia Steel Deutschland GmbH | Kürten | 113 140 | 1 625 | 100 | 149 393 | 115 781 | 73 000 | 118 900 |
| NEOMET Sp. z o.o.**) | Radomsko | 33 972 | 34 701 | 100 | 264 776 | 25 598 | | |
| Moravia Mining Plc*) | Addis Ababa | 3 153 | 3 157 | 76 | *) | *) | 3 153 | |
| Kovárna VIVA a.s. | Zlín | 867 722 | 50 000 | 100 | 1 354 823 | 101 799 | | |
| MSV Metal Studénka, a.s. | Studénka | 886 430 | 69 300 | 100 | 640 795 | 91 099 | | |
| Total | | 10 337 455 | 8 714 121 | | 35 983 769 | 530 600 | 539 750 | 171 702 |

*) Figures not available.

**) Preliminary, unaudited figures

2022

(IN CZK THOUSAND)

| Name | Registered office | Cost | Nominal value | Ownership % | Equity | Profit/loss | Provision | Dividend income for the period |
|---------------------------------|-------------------|-------------------|------------------|-------------|-------------------|------------------|----------------|--------------------------------|
| TŘINECKÉ ŽELEZÁRNY, a.s. | Třinec | 7 178 055 | 8 109 863 | 100 | 31 668 529 | 2 393 024 | 0 | 1 000 000 |
| Barrandov Studio a.s. | Prague | 746 439 | 197 112 | 99,85 | 1 120 031 | 71 606 | 363 597 | 0 |
| Moravia Steel Slovenija, d.o.o. | Celje | 1 573 | 867 | 51 | 14 035 | 1 400 | 0 | 0 |
| Moravia Steel Italia, srl | Milano | 2 580 | 2 075 | 66 | 121 331 | 67 464 | 0 | 16 117 |
| Moravia Steel Ibéria, s.a. | Lisbon | 10 850 | 2 533 | 99,33 | 16 948 | 3 849 | 0 | 3 671 |
| MS – Slovensko s.r.o. | Bratislava | 161 | 160 | 100 | 12 995 | 396 | 0 | 0 |
| Moravia Steel Israel Ltd.**) | Petach Tikva | 605 | 466 | 100 | **) | **) | 0 | 0 |
| Beskydská golfová, a.s. | Ropice | 274 342 | 230 000 | 100 | 224 685 | -2 110 | 150 000 | 0 |
| Moravskoslezský kovošrot, a.s. | Ostrava | 202 209 | 2 000 | 100 | 268 730 | 69 316 | 0 | 30 000 |
| M Steel Projects a.s. | Třinec | 10 000 | 10 000 | 100 | 40 523 | -1 825 | 0 | 0 |
| Moravia Steel UK Ltd | Cheshire | 1 449 | 728 | 100 | 23 940 | 14 864 | 0 | 2 819 |
| Moravia Steel Deutschland GmbH | Kürten | 113 140 | 1 625 | 100 | 149 980 | 133 591 | 73 000 | 60 725 |
| NEOMET Sp. Z o.o. | Radomsko | 33 972 | 34 701 | 100 | 214 640 | 23 130 | 0 | 0 |
| Moravia Mining Plc**) | Addis Ababa | 3 153 | 3 157 | 76 | **) | **) | 3 153 | 0 |
| Kovárna VIVA a.s. | Zlín | 867 722 | 50 000 | 100 | 1 220 838 | 101 789 | 33 061 | 14 850 |
| MSV Metal Studénka, a.s. | Studénka | 886 430 | 69 300 | 100 | 549 414 | 55 985 | 0 | 0 |
| Total | | 10 332 680 | 8 714 587 | | 35 646 619 | 2 931 687 | 622 811 | 1 128 182 |

**) Figures not available.

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

In 2023 and 2022, shares of MSV Metal Studénka, a.s. were pledged, see Note 4.6.7.

4.3. INVENTORY

(IN CZK THOUSAND)

| | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|------------------------------------|------------------------|------------------------|
| Material | 2 112 | 2 039 |
| Inventory – raw material | 8 980 | 409 086 |
| Inventory – metallurgical products | 993 083 | 756 370 |
| Total | 1 004 175 | 1 167 495 |

In the year ended 31 December 2023, 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 2023 and 2022, the Company records no long-term receivables with maturity exceeding 5 years.

4.4.2. TRADE RECEIVABLES

(IN CZK THOUSAND)

| | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|--|------------------------|------------------------|
| Short-term | | |
| – Customers | 9 292 955 | 12 424 549 |
| – Bills of exchange to be collected | 3 344 | 3 344 |
| – Provisions – customers | –237 598 | –206 571 |
| – Provisions – bills of exchange to be collected | –3 344 | –3 344 |
| Total | 9 055 357 | 12 217 978 |

4.4.3. AGING OF RECEIVABLES FROM CUSTOMERS

(IN CZK THOUSAND)

| Balance at | Category | Before due date | Past due date | Total |
|-------------|------------|-----------------|---------------|-------------------|
| 31 Dec 2023 | Gross | 8 345 092 | 947 863 | 9 292 955 |
| | Provisions | 335 | 237 263 | 237 598 |
| 31 Dec 2022 | Gross | 10 968 342 | 1 456 207 | 12 424 549 |
| | Provisions | 339 | 206 232 | 206 571 |

Receivables typically mature within 30 days.

Past due receivables:

(IN CZK THOUSAND)

| Year ended | Local | Cross-border | Total |
|-------------|---------|--------------|------------------|
| 31 Dec 2023 | 182 753 | 765 110 | 947 863 |
| 31 Dec 2022 | 286 994 | 1 169 213 | 1 456 207 |

4.4.4. INTERCOMPANY TRADE RECEIVABLES

(IN CZK THOUSAND)

| Name of the entity | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|------------------------|------------------------|
| Short-term trade receivables | | |
| TŘINECKÉ ŽELEZÁRNY, a.s. | 1 855 944 | 2 740 462 |
| Strojírny a stavby Třinec, a.s. | 38 | 0 |
| ENERGETIKA TŘINEC, a.s. | 93 130 | 70 745 |
| Slévárny Třinec, a.s. | 34 091 | 47 012 |
| Moravia Steel Deutschland GmbH, Německo | 0 | 0 |
| Řetězárna a.s. | 14 929 | 32 962 |
| HŽP a.s. | 54 990 | 70 813 |
| Moravia Mining Plc | 2 060 | 1 744 |
| „METALURGIA“ Spółka akcyjna | 11 776 | 17 834 |
| DOPRAVA TŽ, a.s. | 0 | 1 877 |
| Beskydská golfová, a.s. | 61 | 61 |
| VÚHŽ, a.s. | 5 886 | 2 802 |
| Šroubárna Kyjov spol. s r.o. | 30 805 | 31 776 |
| Kovárna VIVA a.s. | 175 260 | 215 282 |
| M STEEL PROJECTS a.s. | 242 | 121 |
| ŽDB DRÁTOVNA a.s. | 313 372 | 390 393 |
| „NEOMET“ sp.z o.o. | 1 468 | 1 267 |
| „D&D“ DRÓTÁRU IPARI ÉS | 114 324 | 327 235 |
| Moravskoslezský kovošrot, a.s. | -172 | 140 |
| BOHEMIA RINGS s.r.o. | 79 073 | 165 190 |
| MSV METAL Studénka, a.s. | 73 889 | 72 705 |
| Total short-term intercompany receivables | 2 861 166 | 4 190 421 |
| Receivables outside the Group | 6 435 133 | 8 237 472 |
| Total short term trade receivables - gross | 9 296 299 | 12 427 893 |

4.4.5. STATE - TAX RECEIVABLES

State – tax receivables principally comprise a receivable arising from VAT of CZK 72,994 thousand as of 31 December 2023 (as of 31 December 2022: a receivable arising from VAT of CZK 106,391 thousand) and corporate income tax receivables in the amount of CZK 135,044 thousand (as of 31 December 2022: CZK 292,661 thousand recorded under State – tax payables).

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 2023 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 19 June 2023, the profit of CZK 3,057,944 thousand for the year ended 31 December 2022 was allocated as follows:

- CZK 2,000,279 thousand - payment of a dividend from the current period profit; and
- CZK 1,057,665 thousand – was transferred to retained earnings brought forward.

The expected allocation of profit of CZK 632,647 thousand for the year ended 31 December 2023 is the transfer of the amount to retained earnings brought forward.

4.6. PAYABLES

4.6.1. LONG-TERM PAYABLES

The Company records other long-term payables with maturities exceeding five years as of 31 December 2023 arising from the purchase of shares of Kovárna Viva a.s. in the amount of CZK 12,000 thousand (as of 31 December 2022: CZK 20,000 thousand).

4.6.2. AGING OF PAYABLES TO SUPPLIERS

(IN CZK THOUSAND)

| Balance at | Category | Before due date | Past due date | Total |
|-------------|------------|-----------------|---------------|-----------|
| 31 Dec 2023 | Short-term | 5 386 326 | -8 443 | 5 377 883 |
| 31 Dec 2022 | Short-term | 5 987 421 | -1 605 | 5 985 816 |

Payables typically mature within 45 days.

4.6.3. INTERCOMPANY PAYABLES

(IN CZK THOUSAND)

| Name of the entity | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|------------------------|------------------------|
| Short-term trade payables | | |
| TŘINECKÉ ŽELEZÁRNY, a.s. | 2 207 327 | 1 785 633 |
| Strojírny a stavby Třinec, a.s. | 5 | 5 |
| REFRASIL, s.r.o. | 9 025 | 10 757 |
| TRISIA, a.s. | 51 | 15 |
| Moravia Steel Italia, srl | 0 | 27 992 |
| Moravia Steel Ibéria, s.a. | 0 | 1 234 |
| Moravia Steel Slovenija, d.o.o. | 3 879 | 6 476 |
| DOPRAVA TŽ, a.s. | 0 | 11 |
| VESUVIUS ČESKÁ REPUBLIKA, a.s. | 21 740 | 27 379 |
| ŽDB DRÁTOVNA a.s. | 56 | 10 |
| Beskydská golfová a.s. | 0 | 14 |
| Třinecké gastroslužby, s.r.o. | 397 | 423 |
| Minerfín a.s. | 738 260 | 879 076 |
| Moravia Steel Deutschland GmbH | 37 205 | 45 047 |
| Moravia Steel UK Ltd | 12 909 | 17 136 |
| Kovárna VIVA a.s. | 10 | 4 |
| BOHEMIA RINGS s.r.o. | 5 | 0 |
| MSV METAL Studénka, a.s. | 6 | 0 |
| Total intercompany short-term payables | 3 030 875 | 2 801 212 |
| Payables to other than Group companies | 2 347 008 | 3 184 604 |
| Total short-term trade payables | 5 377 883 | 5 985 816 |

4.6.4. ESTIMATED PAYABLES

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 141,418 thousand (2022: CZK 144,104 thousand), unbilled supplies of work and services amounting to CZK 93,345 thousand (2022: CZK 91,514 thousand), an estimated payable for staff costs in the amount of CZK 6,546 thousand (2022: CZK 5,626 thousand) and an estimated payable arising from the acquisition of fixed assets of CZK 0 thousand (2022: CZK 120,501 thousand).

4.6.5. DUE AMOUNTS FROM SOCIAL SECURITY AND HEALTH INSURANCE

As of 31 December 2023, the aggregate amount of due amounts related to social security, state employment policy and health insurance contributions was CZK 5,478 thousand (2022: CZK 5,271 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 2023 principally comprise a payable arising from personal income tax amounting to CZK 1,365 thousand (2022: CZK 1,377 thousand). As of 31 December 2022, a significant portion of State – tax payables primarily comprised of a payable arising from corporate income tax in the amount of CZK 292,661 thousand.

4.6.7. BANK LOANS

2023

| Purpose | Currency | Balance at 31 Dec 2023 in CZK thousand | Collateral |
|--|----------|--|--|
| Long-term loans | | | |
| 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 | 201 558 | Securities Pledge Agreement |
| Refinancing of maximum 80% of the total acquisition cost for the transfer of 34% shares in the Company according to Share purchase agreement – due on 31 Dec 2027 | CZK | 308 939 | Securities Pledge Agreement |
| Total | CZK | 510 497 | |
| Short-term part of long-term loans | | -258 252 | |
| Total long-term loans | | 252 245 | |
| Current bank loans | | | |
| Overdrafts | CZK | 1 275 453 | Bianco promissory notes issued by MORAVIA STEEL a.s. |
| Total | | 1 275 453 | |
| Short-term part of long-term loans | | 258 252 | |
| Total short-term loans | | 1 533 705 | |
| Total | | 1 785 950 | |

2022

| Purpose | Currency | Balance at 31 Dec 2022 in CZK thousand | Collateral |
|--|----------|--|--|
| Long-term loans | | | |
| 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 | 299 947 | Securities Pledge Agreement |
| Total | | | |
| Short-term part of long-term loans | | -133 310 | |
| Total long-term loans | | 166 637 | |
| Current bank loans | | | |
| Overdrafts | CZK | 1 402 259 | Bianco promissory notes issued by MORAVIA STEEL a.s. |
| Financing of operations | CZK | 458 185 | No collateral |
| Financing of operations | CZK | 458 185 | No collateral |
| Total | | 2 318 629 | |
| Short-term part of long-term loans | | 133 310 | |
| Total short-term loans | | 2 451 939 | |
| Total | | 2 618 576 | |

4.6.8. SHORT-TERM PREPAYMENTS RECEIVED

In the year ended 31 December 2023, the Company recorded short-term prepayments received of CZK 259,322 thousand (2022: CZK 207,136 thousand).

4.6.9. ACCRUED EXPENSES

Accrued expenses largely comprise costs related to the year ended 31 December 2023 for transportation and other services paid in 2024 in the amount of CZK 16,277 thousand (2022: CZK 11,315 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 4,496 thousand (2022: CZK 2,863 thousand).

4.6.10. DEFERRED TAXATION

The deferred tax asset/liability is analysed as follows:

Deferred Tax Arising from

(IN CZK THOUSAND)

| | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|------------------------|------------------------|
| Accumulated depreciation and amortisation of fixed assets | -1 084 | -892 |
| Estimated payable arising from outstanding vacation days | 1 375 | 1 069 |
| Unpaid penalties | 1 065 | 939 |
| Provisions - receivables | 11 771 | 6 258 |
| Unpaid (un-received) penalty | -1 104 | -984 |
| Reserves | 0 | 0 |
| Total recognised tax asset (+) / liability (-) | 12 023 | 6 390 |

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:

(IN CZK THOUSAND)

| | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|--|------------------------|------------------------|
| Profit before tax | 732 221 | 3 530 102 |
| Tax at the domestic income tax rate of 19% | 139 122 | 670 719 |
| Tax effect of permanent differences | -44 930 | -209 065 |
| Deferred tax liability | -5 633 | -10 311 |
| Additional taxes of prior years | -251 | 193 |
| Total income tax on ordinary activities | 99 574 | 472 158 |

4.8. INCOME FROM ORDINARY ACTIVITIES

(IN CZK THOUSAND)

| | 2023 | | | 2022 | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Local | Cross-border | Total | Local | Cross-border | Total |
| Goods – raw material | 26 750 986 | 0 | 26 750 986 | 35 804 782 | 0 | 35 804 782 |
| Goods – metallurgical products | 15 029 074 | 35 853 162 | 50 882 236 | 18 300 998 | 41 637 130 | 59 938 128 |
| Sales of goods | 41 780 060 | 35 853 162 | 77 633 222 | 54 105 780 | 41 637 130 | 95 742 910 |
| Sales of services | 637 762 | 86 811 | 724 573 | 672 137 | 81 988 | 754 125 |
| Total sales of own products and services | 42 417 822 | 35 939 973 | 78 357 795 | 54 777 917 | 41 719 118 | 96 497 035 |

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 572,836 thousand for the year ended 31 December 2023 (2022: CZK 566,592 thousand). The sales of services also comprise revenues arising from remuneration and commissions based on mandatory contracts.

4.9. COSTS OF GOODS SOLD

(IN CZK THOUSAND)

| | Year ended 31 Dec 2023 | Year ended 31 Dec 2022 |
|---|------------------------|------------------------|
| Purchase of goods – raw materials | 26 362 995 | 34 744 231 |
| Purchase of goods – metallurgical products | 47 204 311 | 55 056 473 |
| Costs for transport of goods – metallurgical products | 1 978 352 | 1 909 274 |
| Total costs of goods sold | 75 545 658 | 91 709 978 |

4.10. SERVICES

(IN CZK THOUSAND)

| | Year ended 31 Dec 2023 | Year ended 31 Dec 2022 |
|--|------------------------|------------------------|
| Transportation costs – services | 617 123 | 664 325 |
| Lease of trademark | 247 555 | 123 000 |
| Commissions | 424 063 | 452 375 |
| Advertising | 121 689 | 117 342 |
| Rental fees | 13 113 | 12 701 |
| Telecommunications | 8 351 | 8 932 |
| Legal advisory and auditing activities | 52 509 | 34 459 |
| Other services | 368 167 | 350 405 |
| Total | 1 852 570 | 1 763 539 |

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

(IN CZK THOUSAND)

| | Year ended 31 Dec 2023 | Year ended 31 Dec 2022 |
|---|------------------------|------------------------|
| Change in reserves | -42 | 555 |
| Reserves relating to operating activities and complex deferred expenses | -42 | 555 |
| Changes in provisions under special legislation | 6 986 | 3 786 |
| - provisions against receivables | 6 986 | 3 786 |
| Changes in tax non-deductible provisions: | 22 496 | -13 605 |
| - provisions against receivables | 22 496 | -13 605 |
| Changes in receivables | 29 482 | -9 819 |
| Total | 29 440 | -9 264 |

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 1,321 thousand (2022: CZK 3,929 thousand) and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 56,917 thousand (2022: CZK 53,767 thousand). Sundry operating income primarily includes supplies of insurance companies arising from insurance of receivables of CZK 10,545 thousand (2022: CZK 10,898 thousand).

4.13. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 799,004 thousand (2022: CZK 880,074 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 803,219 thousand (2022: CZK 1,042,822 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 7,160 thousand (2022: CZK 4,315 thousand).

4.14. RELATED PARTY TRANSACTIONS

4.14.1. INCOME GENERATED WITH RELATED PARTIES

2023

(IN CZK THOUSAND)

| Entity | Relation to the Company | Goods | Services | Other income | Fin. income | Total |
|--------------------------------|----------------------------|-------------------|----------------|--------------|-------------|-------------------|
| TŘINECKÉ ŽELEZÁRNY, a.s. | Subsidiary | 25 670 098 | 416 696 | 5 260 | 0 | 26 092 054 |
| Beskydská golfová, a.s. | Subsidiary | 0 | 600 | 0 | 0 | 600 |
| HŽP a.s. | Subsidiary of a subsidiary | 334 826 | 3 995 | 0 | 0 | 338 821 |
| Moravia Steel Italia s.r.l. | Subsidiary | 0 | 58 | 0 | 0 | 58 |
| Moravia Steel Ibéria, s.a. | Subsidiary | 0 | 59 | 0 | 0 | 59 |
| Moravia Steel UK Ltd | Subsidiary | 0 | 43 | 0 | 0 | 43 |
| Kovárna VIVA a.s. | Subsidiary | 819 591 | 3 386 | 0 | 0 | 822 977 |
| M STEEL PROJECTS a.s. | Subsidiary | 51 843 | 1 202 | 0 | 0 | 53 045 |
| Strojírny a stavby Třinec, a.s | Subsidiary of a subsidiary | 0 | 229 | 0 | 0 | 229 |
| ENERGETIKA TŘINEC, a.s. | Subsidiary of a subsidiary | 887 464 | 4 042 | 0 | 0 | 891 506 |
| Slévárny Třinec, a.s. | Subsidiary of a subsidiary | 200 659 | 7 797 | 0 | 0 | 208 456 |
| REFRASIL, s.r.o. | Subsidiary of a subsidiary | 0 | 0 | 0 | 0 | 0 |
| Řetězárna a.s. | Subsidiary of a subsidiary | 231 086 | 0 | 0 | 0 | 231 086 |
| Moravia Steel Deutschland GmbH | Subsidiary | 0 | 205 | 0 | 0 | 205 |
| VÚHŽ, a.s. | Subsidiary of a subsidiary | 41 227 | 3 046 | 14 | 0 | 44 287 |
| Šroubárna Kyjov, spol. s r.o. | Subsidiary of a subsidiary | 455 112 | 10 074 | 105 | 0 | 465 291 |
| ŽDB DRÁTOVNÁ a.s. | Subsidiary of a subsidiary | 1 958 614 | 119 593 | 0 | 0 | 2 078 207 |
| NEOMET Sp. Z o.o. | Subsidiary | 0 | 17 130 | 0 | 0 | 17 130 |
| Minerfin a.s. | Group entity | 85 349 | 0 | 58 | 0 | 85 407 |
| „Metalurgia“ Spółka akcyjna | Subsidiary of a subsidiary | 59 611 | 0 | 0 | 0 | 59 611 |
| „D&D“ Drótáru | Subsidiary of a subsidiary | 1 033 215 | 0 | 846 | 0 | 1 034 061 |
| Moravskoslezský kovošrot, a.s. | Subsidiary | 0 | 3 556 | 0 | 0 | 3 556 |
| Moravia Mining | Subsidiary | 0 | 0 | 0 | 335 | 335 |
| BOHEMIA RINGS s.r.o. | Subsidiary of a subsidiary | 349 663 | 7 329 | 0 | 0 | 356 992 |
| MSV METAL Studénka, a.s. | Subsidiary | 381 331 | 15 442 | 0 | 0 | 396 773 |
| Total | | 32 559 689 | 614 482 | 6 283 | 335 | 33 180 789 |

2022

(IN CZK THOUSAND)

| Entity | Relation to the Company | Goods | Services | Other income | Fin. income | Total |
|---------------------------------|----------------------------|-------------------|----------------|---------------|-------------|-------------------|
| TŘINECKÉ ŽELEZÁRNY, a.s. | Subsidiary | 34 971 997 | 414 443 | 16 972 | 0 | 35 403 412 |
| Beskydská golfová, a.s. | Subsidiary | 0 | 600 | 0 | 0 | 600 |
| HŽP a.s. | Subsidiary of a subsidiary | 359 908 | 4 556 | 0 | 0 | 364 464 |
| Moravia Steel Italia s.r.l. | Subsidiary | 0 | 0 | 93 | 0 | 93 |
| Moravia Steel Ibéria, s.a. | Subsidiary | 0 | 0 | 29 | 0 | 29 |
| Moravia Steel UK Ltd | Subsidiary | 0 | 0 | 9 | 0 | 9 |
| Kovárna VIVA a.s. | Subsidiary | 827 331 | 951 | 5 | 0 | 828 287 |
| M STEEL PROJECTS a.s. | Subsidiary | 98 252 | 1 202 | 0 | 0 | 99 454 |
| Strojírny a stavby Třinec, a.s. | Subsidiary of a subsidiary | 0 | 236 | 0 | 0 | 236 |
| ENERGETIKA TŘINEC, a.s. | Subsidiary of a subsidiary | 612 166 | 3 282 | 0 | 0 | 615 448 |
| Slévárny Třinec, a.s. | Subsidiary of a subsidiary | 219 780 | 9 400 | 7 | 0 | 229 187 |
| REFRASIL, s.r.o. | Subsidiary of a subsidiary | 0 | 0 | 0 | 0 | 0 |
| Řetězárna a.s. | Subsidiary of a subsidiary | 319 461 | 0 | 0 | 0 | 319 461 |
| DOPRAVA TŽ, a.s. | Subsidiary of a subsidiary | 0 | 13 771 | 0 | 0 | 13 771 |
| Moravia Steel Deutschland GmbH | Subsidiary | 0 | 0 | 57 | 0 | 57 |
| VÚHŽ, a.s. | Subsidiary of a subsidiary | 24 223 | 1 891 | 0 | 0 | 26 114 |
| Šroubárna Kyjov, spol. s r.o. | Subsidiary of a subsidiary | 646 377 | 11 722 | 142 | 0 | 658 241 |
| ŽDB DRÁTOVNA a.s. | Subsidiary of a subsidiary | 2 677 393 | 132 251 | 26 | 0 | 2 809 670 |
| NEOMET Sp. Z o.o. | Subsidiary | 0 | 11 704 | 0 | 0 | 11 704 |
| Minerfin a.s. | Group entity | 1 861 | 56 | 0 | 0 | 1 917 |
| „Metalurgia“ Spółka akcyjna | Subsidiary of a subsidiary | 149 261 | 0 | 0 | 0 | 149 261 |
| „D&D“ Drótáru | Subsidiary of a subsidiary | 2 049 185 | 0 | 0 | 0 | 2 049 185 |
| Moravskoslezský kovošrot, a.s. | Subsidiary | 1 330 | 3 368 | 0 | 0 | 4 698 |
| Moravia Mining | Subsidiary | 0 | 0 | 0 | 339 | 339 |
| BOHEMIA RINGS s.r.o. | Subsidiary of a subsidiary | 548 056 | 18 252 | 0 | 0 | 566 308 |
| MSV METAL Studénka, a.s. | Subsidiary | 372 685 | 15 892 | 0 | 0 | 388 577 |
| Total | | 43 879 266 | 643 577 | 17 340 | 339 | 44 540 522 |

4.14.2. PURCHASES FROM RELATED PARTIES

2023

(IN CZK THOUSAND)

| Entity | Relation to the Company | Goods | Material | Services | Other expenses | Extra-ordinary expenses | Total |
|---------------------------------|----------------------------|-------------------|-----------|----------------|----------------|-------------------------|-------------------|
| TŘINECKÉ ŽELEZÁRNY, a.s. | Subsidiary | 47 254 978 | 23 | 300 553 | 7 | 0 | 47 555 561 |
| Moravia Steel Italia, s.r.l. | Subsidiary | 0 | 0 | 118 172 | 0 | 0 | 118 172 |
| Moravia Steel Ibéria, s.a. | Subsidiary | 0 | 0 | 11 980 | 0 | 0 | 11 980 |
| Moravia Steel Slovenija, d.o.o. | Subsidiary | 0 | 0 | 15 392 | 0 | 0 | 15 392 |
| Moravia Steel Deutschland GmbH | Subsidiary | 0 | 0 | 232 293 | 0 | 0 | 232 293 |
| Moravia Steel UK Ltd. | Subsidiary | 0 | 0 | 39 476 | 0 | 0 | 39 476 |
| Beskydská golfová, a.s. | Subsidiary | 0 | 0 | 11 517 | 25 | 0 | 11 542 |
| HŽP a.s. | Subsidiary of a subsidiary | 0 | 0 | 0 | 0 | 0 | 0 |
| Strojírny a stavby Třinec, a.s. | Subsidiary of a subsidiary | 0 | 0 | 51 | 0 | 0 | 51 |
| REFRASIL, s.r.o. | Subsidiary of a subsidiary | 94 353 | 0 | 0 | 0 | 0 | 94 353 |
| TRISIA, a.s. | Subsidiary of a subsidiary | 0 | 0 | 1 712 | 88 | 0 | 1 800 |
| Třinecké gastroslužby, s.r.o. | Subsidiary of a subsidiary | 0 | 0 | 1 207 | 5 120 | 0 | 6 327 |
| VESUVIUS ČESKÁ REPUBLIKA, a.s. | Subsidiary of a subsidiary | 118 721 | 0 | 0 | 0 | 0 | 118 721 |
| Minerfín a.s. | Group entity | 6 067 942 | 0 | 0 | 791 | 0 | 6 068 733 |
| 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 | 12 | 0 | 12 |
| MSV METAL Studénka, a.s. | Subsidiary | 0 | 0 | 18 | 129 | 0 | 147 |
| Total | | 53 535 994 | 23 | 732 371 | 6 172 | 0 | 54 274 560 |

2022

(IN CZK THOUSAND)

| Entity | Relation to the Company | Goods | Material | Services | Other expenses | Extra-ordinary expenses | Total |
|---------------------------------|----------------------------|-------------------|------------|----------------|----------------|-------------------------|-------------------|
| TŘINECKÉ ŽELEZÁRNY, a.s. | Subsidiary | 55 227 444 | 152 | 175 779 | 125 | 0 | 55 403 500 |
| Moravia Steel Italia, s.r.l. | Subsidiary | 0 | 0 | 120 696 | 0 | 0 | 120 696 |
| Moravia Steel Ibéria, s.a. | Subsidiary | 0 | 0 | 13 757 | 0 | 0 | 13 757 |
| Moravia Steel Slovenija, d.o.o. | Subsidiary | 0 | 0 | 21 185 | 0 | 0 | 21 185 |
| Moravia Steel Deutschland GmbH | Subsidiary | 0 | 0 | 240 734 | 0 | 0 | 240 734 |
| Moravia Steel UK Ltd. | Subsidiary | 0 | 0 | 47 858 | 0 | 0 | 47 858 |
| Beskydská golfová, a.s. | Subsidiary | 12 | 0 | 8 931 | 10 | 0 | 8 953 |
| HŽP a.s. | Subsidiary of a subsidiary | 0 | 0 | 0 | 1 | 0 | 1 |
| Strojírny a stavby Třinec, a.s. | Subsidiary of a subsidiary | 0 | 0 | 90 | 0 | 0 | 90 |
| REFRASIL, s.r.o. | Subsidiary of a subsidiary | 100 370 | 0 | 0 | 0 | 0 | 100 370 |
| DOPRAVA TŽ, a.s. | Subsidiary of a subsidiary | 201 | 0 | 404 | 0 | 0 | 605 |
| TRISIA, a.s. | Subsidiary of a subsidiary | 0 | 0 | 2 108 | 148 | 0 | 2 256 |
| Třinecké gastroslužby, s.r.o. | Subsidiary of a subsidiary | 0 | 0 | 607 | 4 393 | 0 | 5 000 |
| VESUVIUS ČESKÁ REPUBLIKA, a.s. | Subsidiary of a subsidiary | 129 194 | 0 | 0 | 0 | 0 | 129 194 |
| Minerfín a.s. | Group entity | 4 785 345 | 0 | 0 | 4 990 | 0 | 4 790 335 |
| 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 | 7 | 0 | 7 |
| MSV METAL Studénka, a.s. | Subsidiary | 0 | 0 | 18 | 6 | 0 | 24 |
| Total | | 60 242 566 | 152 | 632 167 | 9 680 | 0 | 60 884 565 |

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 2023 and 2022 are as follows:

2023

(IN CZK THOUSAND)

| | Number | Payroll costs | Social security and health insurance | Other costs | Total staff costs |
|--------------|------------|----------------|--------------------------------------|--------------|-------------------|
| Employees | 266 | 162 626 | 60 176 | 4 433 | 227 235 |
| Management | 31 | 107 407 | 18 676 | 154 | 126 237 |
| Total | 297 | 270 033 | 78 852 | 4 587 | 353 472 |

2022

(IN CZK THOUSAND)

| | Number | Payroll costs | Social security and health insurance | Other costs | Total staff costs |
|--------------|------------|----------------|--------------------------------------|--------------|-------------------|
| Employees | 270 | 161 448 | 55 971 | 3 567 | 220 986 |
| Management | 33 | 145 418 | 26 242 | 143 | 171 803 |
| Total | 303 | 306 866 | 82 213 | 3 710 | 392 789 |

The number of employees is based on the average recalculated headcount. As of 31 December 2023, 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):

(IN CZK THOUSAND)

| | 2023 | 2022 |
|------------------------------|--------------|--------------|
| Board of Directors | 1 285 | 1 196 |
| Supervisory Board | 0 | 0 |
| Members of management bodies | 2 541 | 2 709 |
| Total | 3 826 | 3 905 |

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 2023 for all members of the Board of Directors and the Supervisory Board totalled CZK 1,080 thousand (2022: CZK 1,158 thousand).

6. Contingent liabilities and off balance sheet commitments, legal disputes and other matters

As of 31 December 2023, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2023, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 271,437 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 26,430 thousand as well as interest as of 31 December 2023 in the amount of CZK 5,789 thousand.

In connection with the above dispute, court proceedings were still pending regarding the disputed amount of statutory default interest on the consideration awarded. The Regional Court in Ostrava partially upheld the claim of the two former minority shareholders, and this ruling was upheld by the High Court in Olomouc in its ruling of 26 May 2022 and became final. MORAVIA STEEL a.s. subsequently filed an appeal to the Supreme Court of the Czech Republic, which, however, dismissed the appeal by its ruling of 19 October 2023. On 4 January 2024, MORAVIA STEEL a.s. filed a constitutional complaint against the ruling of the Supreme Court of the Czech Republic, which has not yet been resolved.

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 the subsidiary Moravia Steel Deutschland GmbH.

According to the most recent information, the legal action was dismissed as it is time barred, following a ruling of the State Court in Frankfurt am Main of 3 August 2022. However, the plaintiffs appealed the dismissal and the case has not yet been ruled on by the court of second instance.

Inasmuch as the MORAVIA STEEL a.s.'s management considers the above legal action 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 dispute can presently be made.

The Company has considered the impact of the ongoing military operation in Ukraine and the related sanctions against the Russian Federation. Although management cannot reliably estimate future impacts at this time, as of the date of the financial statements the impacts are not material and do not threaten the Company's going concern.

7. Post balance sheet events

The Company did not record any post balance sheet events that would require an amendment to the financial statements for the year ended 31 December 2023.

FINANCIAL PART II. CONSOLIDATED FINANCIAL STATEMENTS

07

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

| | |
|---|--|
| NAME OF THE COMPANY: | MORAVIA STEEL a.s. |
| REGISTERED OFFICE: | Průmyslová 1000, Staré Město, 739 61 Třinec |
| LEGAL STATUS: | Joint Stock Company |
| CORPORATE ID: | 634 74 808 |
| RECORD IN THE REGISTER OF COMPANIES: | Recorded in File 1297, 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

Consolidated Notes to the Financial Statements

These consolidated financial statements were prepared on 18 March 2024.

| | |
|---|-----------|
| STATUTORY BODY OF THE REPORTING ENTITY: | SIGNATURE |
|---|-----------|

Petr Popelář

Chairman of the Board



Mojmír Kašpříš

Member of the Board



CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

| | | 31. 12. 2023 | | 31. 12. 2022 | |
|-------------------------------------|---|--------------------|-------------------|-------------------|-------------------|
| | | Gross | Adjustment | Net | Net |
| TOTAL ASSETS | | 117 677 979 | 52 332 222 | 65 345 757 | 71 515 749 |
| B. Fixed assets | | 81 824 619 | 50 136 271 | 31 688 348 | 33 197 355 |
| <i>B.I. Intangible fixed assets</i> | | 3 787 795 | 962 366 | 2 825 429 | 3 964 486 |
| B.I.1. | Development | 4 824 | 4 824 | | |
| B.I.2. | <i>Valuable rights</i> | 1 158 200 | 923 502 | 234 698 | 145 111 |
| B.I.2.1. | Software | 436 385 | 374 348 | 62 037 | 76 741 |
| B.I.2.2. | Other valuable rights | 721 815 | 549 154 | 172 661 | 68 370 |
| B.I.3. | Goodwill | 23 625 | 6 155 | 17 470 | 16 861 |
| B.I.4. | Other intangible fixed assets | 2 496 862 | 27 575 | 2 469 287 | 3 651 783 |
| B.I.5. | <i>Prepayments for intangible fixed assets and intangible fixed assets under construction</i> | 104 284 | 310 | 103 974 | 150 731 |
| B.I.5.1. | Prepayments for intangible fixed assets | 68 886 | | 68 886 | 77 |
| B.I.5.2. | Intangible fixed assets under construction | 35 398 | 310 | 35 088 | 150 654 |
| <i>B.II. Tangible fixed assets</i> | | 76 664 257 | 48 752 212 | 27 912 045 | 28 243 395 |
| B.II.1. | <i>Land and structures</i> | 21 748 451 | 10 658 434 | 11 090 017 | 10 917 041 |
| B.II.1.1. | Land | 1 407 356 | 2 394 | 1 404 962 | 1 417 988 |
| B.II.1.2. | Structures | 20 341 095 | 10 656 040 | 9 685 055 | 9 499 053 |
| B.II.2. | Tangible movable assets and sets of tangible movable assets | 52 893 387 | 37 636 975 | 15 256 412 | 15 433 544 |
| B.II.4. | <i>Other tangible fixed assets</i> | 517 848 | 451 034 | 66 814 | 61 672 |
| B.II.4.3. | Other tangible fixed assets | 517 848 | 451 034 | 66 814 | 61 672 |
| B.II.5. | <i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i> | 1 504 571 | 5 769 | 1 498 802 | 1 831 138 |
| B.II.5.1. | Prepayments for tangible fixed assets | 181 042 | | 181 042 | 190 695 |
| B.II.5.2. | Tangible fixed assets under construction | 1 323 529 | 5 769 | 1 317 760 | 1 640 443 |

 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. 2023 | | 31. 12. 2022 | |
|---------------|--|-------------------|------------------|-------------------|-------------------|
| | | Gross | Adjustment | Net | Net |
| B.III. | Non-current financial assets | 480 518 | 91 818 | 388 700 | 320 538 |
| B.III.1. | Equity investments - controlled or controlling entity | 434 304 | 73 282 | 361 022 | 311 255 |
| B.III.3. | Equity investments in associates | 26 202 | 18 536 | 7 666 | 7 271 |
| B.III.5. | Other non-current securities and investments | 12 | | 12 | 2 012 |
| B.III.7. | <i>Other non-current financial assets</i> | 20 000 | | 20 000 | |
| B.III.7.1. | Sundry non-current financial assets | 20 000 | | 20 000 | |
| B.IV. | Goodwill arising on consolidation | 735 108 | 329 875 | 405 233 | 524 909 |
| B.IV.1. | Positive goodwill | 749 673 | 333 759 | 415 914 | 536 319 |
| B.IV.2. | Negative goodwill | -14 565 | -3 884 | -10 681 | -11 410 |
| B.V. | Securities and equity investments under equity accounting | 156 941 | | 156 941 | 144 027 |
| C. | Current assets | 35 853 360 | 2 195 951 | 33 657 409 | 38 318 394 |
| C.I. | Inventories | 20 877 937 | 1 739 345 | 19 138 592 | 22 195 227 |
| C.I.1. | Material | 8 536 972 | 451 412 | 8 085 560 | 10 027 908 |
| C.I.2. | Work in progress and semifinished goods | 6 761 795 | 782 156 | 5 979 639 | 6 692 564 |
| C.I.3. | <i>Products and goods</i> | 5 562 007 | 505 777 | 5 056 230 | 5 433 550 |
| C.I.3.1. | Products | 5 471 701 | 502 727 | 4 968 974 | 5 353 725 |
| C.I.3.2. | Goods | 90 306 | 3 050 | 87 256 | 79 825 |
| C.I.5. | Prepayments for inventories | 17 163 | | 17 163 | 41 205 |
| C.II. | Receivables | 12 991 487 | 456 606 | 12 534 881 | 13 645 238 |
| C.II.1. | Long-term receivables | 90 472 | 4 096 | 86 376 | 150 743 |
| C.II.1.1. | Trade receivables | 12 219 | 791 | 11 428 | 11 566 |
| C.II.1.4. | Deferred tax asset | 38 705 | | 38 705 | 103 865 |

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. 2023 | | 31. 12. 2022 | |
|----------------|--|-------------------|----------------|-------------------|-------------------|
| | | Gross | Adjustment | Net | Net |
| C.II.1.5. | <i>Receivables - other</i> | 39 548 | 3 305 | 36 243 | 35 312 |
| C.II.1.5.2. | Long-term prepayments made | 317 | | 317 | 998 |
| C.II.1.5.4. | Sundry receivables | 39 231 | 3 305 | 35 926 | 34 314 |
| C.II.2. | Short-term receivables | 12 647 541 | 452 510 | 12 195 031 | 13 220 461 |
| C.II.2.1. | Trade receivables | 9 363 801 | 339 193 | 9 024 608 | 11 205 772 |
| C.II.2.2. | Receivables - controlled or controlling entity | 79 766 | 79 766 | | 8 500 |
| C.II.2.4. | <i>Receivables - other</i> | 3 203 974 | 33 551 | 3 170 423 | 2 006 189 |
| C.II.2.4.1. | Receivables from partners | | | | 4 572 |
| C.II.2.4.2. | Social security and health insurance contributions | | | | 66 |
| C.II.2.4.3. | State - tax receivables | 977 794 | | 977 794 | 723 190 |
| C.II.2.4.4. | Short-term prepayments made | 30 896 | | 30 896 | 88 974 |
| C.II.2.4.5. | Estimated receivables | 2 115 129 | | 2 115 129 | 1 142 396 |
| C.II.2.4.6. | Sundry receivables | 80 155 | 33 551 | 46 604 | 46 991 |
| C.II.3. | Other assets | 253 474 | | 253 474 | 274 034 |
| C.II.3.1. | Deferred expenses | 161 488 | | 161 488 | 143 233 |
| C.II.3.2. | Complex deferred expenses | 82 023 | | 82 023 | 88 073 |
| C.II.3.3. | Accrued income | 9 963 | | 9 963 | 42 728 |
| C.III. | Current financial assets | 17 234 | | 17 234 | 16 809 |
| C.III.2. | Other current financial assets | 17 234 | | 17 234 | 16 809 |
| C.IV. | Cash | 1 966 702 | | 1 966 702 | 2 461 120 |
| C.IV.1. | Cash on hand | 6 900 | | 6 900 | 6 443 |
| C.IV.2. | Cash at bank | 1 959 802 | | 1 959 802 | 2 454 677 |

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

| | 31. 12. 2023 | 31. 12. 2022 |
|--|-------------------|-------------------|
| TOTAL LIABILITIES & EQUITY | 65 345 757 | 71 515 749 |
| A. Equity | 42 797 672 | 44 562 373 |
| A.I. Share capital | 3 159 000 | 3 159 000 |
| A.I.1. Share capital | 3 159 000 | 3 159 000 |
| A.II. Share premium and capital funds | -315 837 | -430 219 |
| A.II.2. Capital funds | -315 837 | -430 219 |
| A.II.2.1. Other capital funds | 42 935 | 42 935 |
| A.II.2.2. Gains or losses from the revaluation of assets and liabilities (+/-) | -358 772 | -473 154 |
| A.III. Funds from profit | 1 801 707 | 1 801 544 |
| A.III.1. Other reserve funds | 1 802 533 | 1 802 533 |
| A.III.2. Statutory and other funds | -826 | -989 |
| A.IV. Retained earnings (+/-) | 37 491 804 | 33 908 031 |
| A.IV.1. Accumulated profits or losses brought forward (+/-) | 37 491 804 | 33 908 031 |
| A.V. Profit or loss for the current period (+/-) | 93 846 | 5 569 298 |
| A.VI. Profit share prepayments declared (-) | 68 498 | 5 556 864 |
| A.V.2. Share in profit or loss under equity accounting | 25 348 | 12 434 |
| VII. Consolidation reserve fund | 567 152 | 554 719 |
| B.+C. Liabilities | 22 193 014 | 26 576 349 |
| B. Reserves | 665 789 | 1 002 801 |
| B.I. Reserve for pensions and similar liabilities | 16 543 | 17 256 |
| B.II. Income tax reserve | 22 009 | 35 784 |
| B.III. Reserves under special legislation | 1 139 | 11 666 |
| B.IV. Other reserves | 626 098 | 938 095 |
| C. Payables | 21 527 225 | 25 573 548 |
| C.I. Long-term payables | 5 423 506 | 5 504 016 |
| C.I.2. Payables to credit institutions | 3 535 159 | 3 416 146 |

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

| | 31. 12. 2023 | 31. 12. 2022 |
|--|-------------------|-------------------|
| C.I.4. Trade payables | 20 565 | 25 446 |
| C.I.8. Deferred tax liability | 1 846 985 | 2 039 088 |
| C.I.9. <i>Payables - other</i> | 20 797 | 23 336 |
| C.I.9.3. Sundry payables | 20 797 | 23 336 |
| C.II. Short-term payables | 15 933 736 | 19 999 652 |
| C.II.2. Payables to credit institutions | 3 972 652 | 5 658 760 |
| C.II.3. Short-term prepayments received | 1 674 754 | 788 913 |
| C.II.4. Trade payables | 6 219 128 | 7 681 269 |
| C.II.6. Payables - controlled or controlling entity | -39 560 | |
| C.II.8. <i>Other payables</i> | 4 106 762 | 5 870 710 |
| C.II.8.1. Payables to partners | 39 654 | 908 |
| C.II.8.2. Short-term financial borrowings | 83 | 213 |
| C.II.8.3. Payables to employees | 723 997 | 707 198 |
| C.II.8.4. Social security and health insurance payables | 300 558 | 291 305 |
| C.II.8.5. State - tax payables and subsidies | 2 583 759 | 4 264 825 |
| C.II.8.6. Estimated payables | 384 978 | 522 060 |
| C.II.8.7. Sundry payables | 73 733 | 84 201 |
| C.III. Other liabilities | 169 983 | 69 880 |
| C.III.1. Accrued expenses | 161 916 | 41 829 |
| C.III.2. Deferred income | 8 067 | 28 051 |
| E. Minority equity | 355 071 | 377 027 |
| E.I.1. Minority share capital | 59 898 | 59 898 |
| E.I.2. Minority capital funds | -1 800 | 4 738 |
| E.I.3. Minority profit funds incl. accumulated profits or losses brought forward | 303 081 | 207 286 |
| E.V. Minority profit or loss for the current period | -6 108 | 105 105 |

CONSOLIDATED PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

| | 12/31/2023 | 12/31/2022 |
|--|-------------------|-------------------|
| I. Sales of products and services | 66 091 094 | 75 005 532 |
| II. Sales of goods | 493 574 | 412 283 |
| A. Purchased consumables and services | 55 381 481 | 59 978 902 |
| A.1. Costs of goods sold | 432 821 | 354 815 |
| A.2. Consumed material and energy | 48 862 670 | 53 490 915 |
| A.3. Services | 6 085 990 | 6 133 172 |
| B. Change in internally produced inventory (+/-) | 727 789 | -3 388 869 |
| C. Own work capitalised (-) | -1 976 071 | -2 311 901 |
| D. Staff costs | 9 540 160 | 9 430 532 |
| D.1. Payroll costs | 6 809 223 | 6 775 771 |
| D.2. Social security and health insurance costs and other charges | 2 730 937 | 2 654 761 |
| D.2.1. Social security and health insurance costs | 2 204 717 | 2 163 087 |
| D.2.2. Other charges | 526 220 | 491 674 |
| E. Adjustments to values in operating activities | 3 227 424 | 3 256 939 |
| E.1. <i>Adjustments to values of intangible and tangible fixed assets</i> | 2 827 432 | 2 624 059 |
| E.1.1. Adjustments to values of intangible and tangible fixed assets - permanent | 2 676 129 | 2 608 601 |
| E.1.A. Accounting for positive goodwill arising on consolidation | 35 040 | 34 224 |
| 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 | 116 991 | -18 038 |
| E.2. Adjustments to values of inventories | 358 506 | 565 804 |
| E.3. Adjustments to values of receivables | 41 486 | 67 076 |
| III. Other operating income | 10 731 825 | 8 024 437 |
| III.1. Sales of fixed assets | 92 816 | 82 103 |
| III.2. Sales of material | 220 479 | 313 983 |

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

| | | 12/31/2023 | 12/31/2022 |
|--------|---|------------------|------------------|
| III.3. | Sundry operating income | 10 418 530 | 7 628 351 |
| F. | Other operating expenses | 9 549 041 | 9 065 395 |
| F.1. | Net book value of sold fixed assets | 46 473 | 44 713 |
| F.2. | Material sold | 141 822 | 193 694 |
| F.3. | Taxes and charges | 84 899 | 93 835 |
| F.4. | Reserves relating to operating activities and complex deferred expenses | -311 178 | -122 390 |
| F.5. | Sundry operating expenses | 9 587 025 | 8 855 543 |
| * | Operating profit or loss (+/-) | 866 669 | 7 411 254 |
| IV. | Income from non-current financial assets - equity investments | 25 377 | 56 525 |
| IV.1. | Income from equity investments - controlled or controlling entity | 25 371 | 56 525 |
| IV.2. | Other income from equity investments | 6 | |
| G. | Costs of equity investments sold | | 18 461 |
| V. | Income from other non-current financial assets | 1 137 | |
| V.2. | Other income from other non-current financial assets | 1 137 | |
| H. | Costs of other non-current financial assets | 293 | |
| VI. | Interest income and similar income | 81 366 | 24 618 |
| VI.1. | Interest income and similar income - controlled or controlling entity | 5 645 | 3 275 |
| VI.2. | Other interest income and similar income | 75 721 | 21 343 |
| I. | Adjustments to values and reserves relating to financial activities | -86 538 | 37 840 |
| J. | Interest expenses and similar expenses | 431 409 | 305 410 |
| J.1. | Interest expenses and similar expenses - controlled or controlling entity | 932 | |
| J.2. | Other interest expenses and similar expenses | 430 477 | 305 410 |
| VII. | Other financial income | 1 177 967 | 1 312 616 |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

| | | 12/31/2023 | 12/31/2022 |
|------|--|-------------------|-------------------|
| K. | Other financial expenses | 1 314 577 | 1 438 074 |
| * | Financial profit or loss (+/-) | -373 894 | -406 026 |
| ** | Profit or loss before tax (+/-) | 492 775 | 7 005 228 |
| L. | Income tax | 430 385 | 1 343 259 |
| L.1. | Due income tax | 557 482 | 1 322 790 |
| L.2. | Deferred income tax (+/-) | -127 097 | 20 469 |
| ** | Profit or loss net of tax (+/-) | 62 390 | 5 661 969 |
| ** | Consolidated profit or loss excluding equity accounted investments | 62 390 | 5 661 969 |
| | Consolidated profit or loss excluding minority interests | 68 498 | 5 556 864 |
| | Minority interest in profit or loss | -6 108 | 105 105 |
| ** | Profit or loss under equity accounting | 25 348 | 12 434 |
| *** | Profit or loss for the current period (+/-) | 87 738 | 5 674 403 |
| *** | Profit or loss for the current period excluding minority interests (+/-) | 93 846 | 5 569 298 |
| *** | Profit or loss for the current period including minority interests (+/-) | 87 738 | 5 674 403 |
| *** | Profit or loss for the current period excluding minority interests before tax (+/-) | 524 231 | 6 912 557 |
| * | Net turnover for the current period | 78 602 340 | 84 836 011 |

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 from prior years | Profit or loss for the current period | Consolidation reserve fund | Profit or loss under equity accounting | TOTAL EQUITY |
|---------------------------------------|------------------|-----------------|---------------------------------|---|---------------------------------------|---------------------------------------|----------------------------|--|-------------------|
| 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 |
| Distribution of profit or loss | | 21 968 | 726 | 1 981 462 | -53 | -2 005 923 | 42 871 | -42 871 | -1 820 |
| Profit shares paid | | | | -3 011 337 | | -988 273 | | | -3 999 610 |
| Reclassification/utilisation of funds | | -54 477 | -1 125 | 43 334 | | | | | -12 268 |
| Revaluation of assets and liabilities | | -115 060 | | 1 141 | | | | | -113 919 |
| Profit or loss for the current period | | | | | | 5 556 864 | | 12 434 | 5 569 298 |
| Profit or loss for the current period | | -3 033 | -18 | 2 380 | | | 1 | | -670 |
| Balance at 31 December 2022 | 3 159 000 | -430 219 | 1 801 544 | 33 908 031 | | 5 556 864 | 554 719 | 12 434 | 44 562 373 |
| Distribution of profit or loss | | | 1 700 | 3 554 887 | | -3 556 587 | 12 434 | -12 434 | |
| Profit shares paid | | | | | | -2 000 279 | | | -2 000 279 |
| Reclassification/utilisation of funds | | | -1 537 | -3 450 | | | | | -4 987 |
| Revaluation of assets and liabilities | | 114 700 | | | | | | | 114 700 |
| Profit or loss for the current period | | | | | | 68 500 | | 25 348 | 93 848 |
| Profit or loss for the current period | | -318 | | 32 336 | | | -1 | | 32 017 |
| Balance at 31 December 2023 | 3 159 000 | -315 837 | 1 801 707 | 37 491 804 | | 68 498 | 567 152 | 25 348 | 42 797 672 |

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

| | 12/31/2023 | 12/31/2022 |
|--|------------------|-------------------|
| P. Opening balance of cash and cash equivalents | 2 470 900 | 4 016 633 |
| <i>Cash flows from ordinary activities (operating activities)</i> | | |
| Z. Profit or loss before tax | 492 775 | 7 005 227 |
| A.1. Adjustments for non-cash transactions | 3 996 075 | 5 172 337 |
| A.1.1. Depreciation of fixed assets | 2 710 442 | 2 642 097 |
| A.1.2. Change in provisions and reserves | 119 267 | 530 292 |
| A.1.3. Profit/(loss) on the sale of fixed assets | -46 349 | -18 930 |
| A.1.4. Revenues from profit shares | -25 377 | -56 524 |
| A.1.5. Interest expense and interest income | 350 044 | 280 792 |
| A.1.6. Adjustments for other non-cash transactions | 888 109 | -116 447 |
| A.1.7. Costs arising from the use of purchased emission allowances | -61 | 1 911 057 |
| A.* Net operating cash flow before changes in working capital | 4 488 850 | 12 177 564 |
| A.2. Change in working capital | 3 660 203 | -5 817 269 |
| A.2.1. Change in operating receivables and other assets | 1 566 366 | -2 598 860 |
| A.2.2. Change in operating payables and other liabilities | -613 379 | 2 027 121 |
| A.2.3. Change in inventories | 2 709 865 | -5 244 163 |
| A.2.4. Change in current financial assets | -2 649 | -1 367 |
| A.** Net cash flow from operations before tax | 8 149 053 | 6 360 295 |
| A.3. Interest paid | -427 088 | -300 225 |
| A.4. Interest received | 81 399 | 23 294 |
| A.5. Income tax paid from ordinary operations | -1 431 065 | -1 141 947 |
| A.6. Received profit shares | 37 804 | 99 396 |
| A.*** Net operating cash flows | 6 410 103 | 5 040 813 |

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

| | 12/31/2023 | 12/31/2022 |
|--|-------------------|-------------------|
| <i>Cash flows from investing activities</i> | | |
| B.1. Fixed assets expenditures | -3 460 703 | -3 007 428 |
| B.2. Proceeds from fixed assets sold | 66 607 | 118 858 |
| B.3. Loans and borrowings to related parties | 8 500 | -62 459 |
| B.4. Cash flows from the acquisition of a business or part of a business | 28 915 | -450 056 |
| B.7. Emission allowance expenditures | | -1 911 057 |
| B.*** Net investment cash flows | -3 356 681 | -5 312 142 |
| <i>Cash flow from financial activities</i> | | |
| C.1. Change in payables from financing | -1 536 221 | 2 753 569 |
| C.2. Impact of changes in equity | -2 011 125 | -4 027 973 |
| C.2.5. Payments from capital funds | -1 537 | -1 704 |
| C.2.6. Profit shares paid | -2 009 588 | -4 026 269 |
| C.*** Net financial cash flows | -3 547 346 | -1 274 404 |
| F. Net increase or decrease in cash and cash equivalents | -493 924 | -1 545 733 |
| R. Closing balance of cash and cash equivalents | 1 976 976 | 2 470 900 |

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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. GROUP IDENTIFICATION

For the purposes of these notes to the consolidated financial statements, the Group includes (i) the Company, (ii) the entity controlling the Company (hereinafter the “controlling entity”) or the entity holding an equity investment in the Company that is treated as part of “Equity investments in associates”, and (iii) entities in which the controlling entity, the Company or other entities controlled by them have an equity investment that is treated as part of “Equity investments – controlled or controlling entity” (hereinafter “subsidiaries”) or as part of “Equity investments in associates” (hereinafter “associates”).

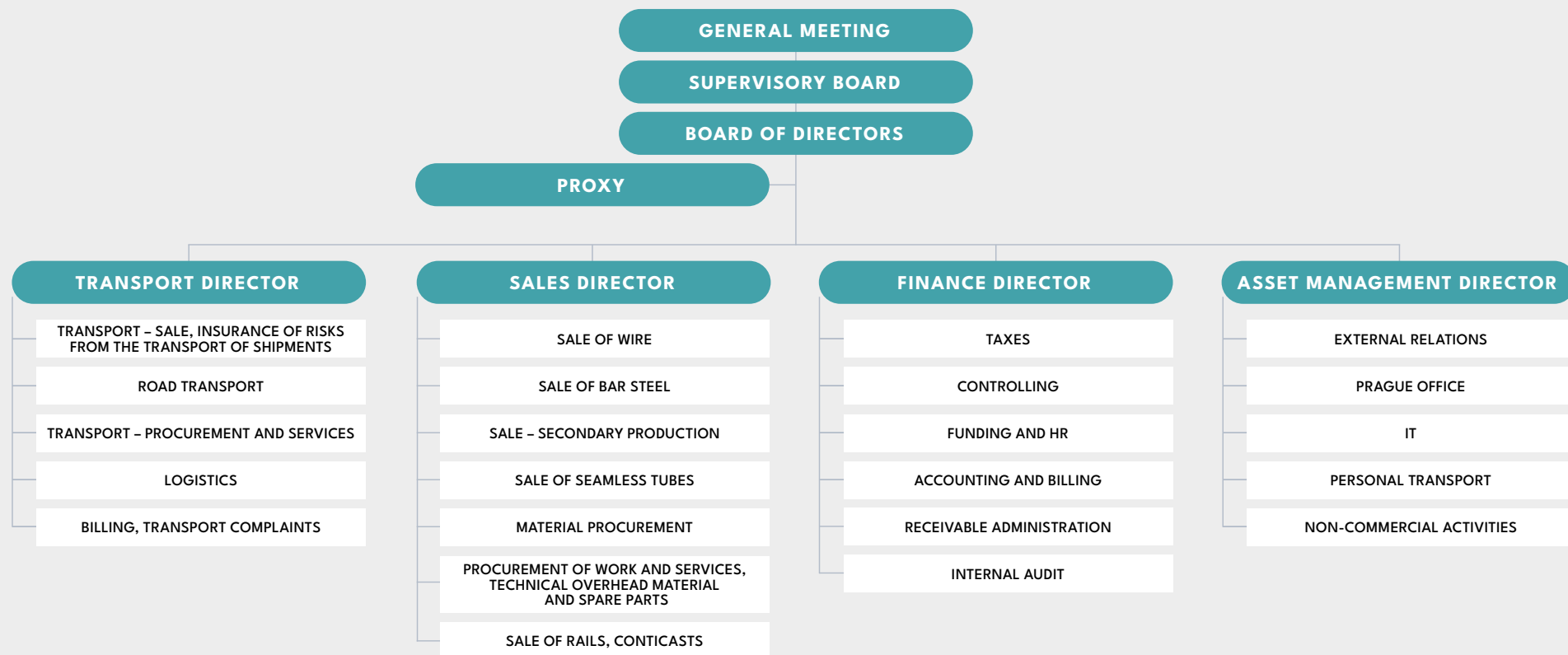
In the year ended 31 December 2023, MORAVIA STEEL a.s. was not a controlled entity under Section 74 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as no entity had the possibility to directly or indirectly exercise decisive influence in MORAVIA STEEL a.s. in the reporting period and consequently become its controlling entity. For this reason, no obligation arose for MORAVIA STEEL a.s. to prepare the report on related parties under Section 82 et seq. of the Act on Business Corporations and Cooperatives.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2023

| | Position | Name | | Position | Name |
|---------------------------|---------------|-------------------------|--------------------------|---------------|----------------|
| Board of Directors | Chairman | Petr Popelář | Supervisory Board | Chairman | Tomáš Chrenek |
| | Vice Chairman | Krzysztof Roch Ruciński | | Vice Chairman | Ján Moder |
| | Member | Mojmír Kašpříšín | | Vice Chairman | Evžen Balko |
| | Member | Uršula Novotná | | Member | Mária Blašková |

During the year ended 31 December 2023, no changes were made in the composition of the Company's Board of Directors and the Supervisory Board.

1.4. 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 2023 | Share of share capital at 31 Dec 2022 |
|--------------------------------|--|--|---------------------------------------|---------------------------------------|
| 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, Hlubočepy, Kříženeckého 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% |
| Beskydská golfová, a.s. | Ropice 415, 739 56 | Provision of sport services | 100.00% | 100.00% |
| MS – Slovensko 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% |
| Moravia Steel Deutschland GmbH | Cliev 19, 51515 Kürten-Herweg, Germany | Distribution of metallurgical products | 100.00% | 100.00% |
| MORAVIA STEEL UK LIMITED | 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, United Kingdom | Distribution of metallurgical products | 100.00% | 100.00% |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Subsidiaries

| Name of the company | Registered office | Business activities | Share of share capital at 31 Dec 2023 | Share of share capital at 31 Dec 2022 |
|--|--|--|---------------------------------------|---------------------------------------|
| "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% |
| Slévárny 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% |
| Strojírny 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 Świątej Rozalii nr 10/12, 97-500, Radomsko, Poland | Production of nails, wire and wire products | 100.00% | 100.00% |
| "D&D" Drótáru Zrt. | 3527 Miskolc, Sajósziget 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 Zámorsk | 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% |
| REFRASIL, s.r.o. | Průmyslová 720, Konská, 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, Vavrečkova 5333, 76001 | Blacksmithing, farriering, machining, bookkeeping, tax record keeping | 100.00% | 100.00% |
| ALPER a.s. | Prostějov, Vrahovická 4530, 796 01 | Blacksmithing, farriering, locksmithing, tool-making, machining, | 100.00% | 100.00% |
| MSV Metal Studénka, a.s. | R. Tomáška 859, Studénka, 42 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, Poland | Blacksmithing, farriering, tool-making | 100.00% | 100.00% |

Associates

| Name of the company | Registered office | Business activities | Equity share at 31 Dec 2023 | Equity share at 31 Dec 2022 |
|-----------------------------------|---------------------------------------|--|--------------------------------|--------------------------------|
| VESUVIUS ČESKÁ REPUBLIKA, a.s. | Průmyslová 715, Kanská, 739 61 Třinec | Production of isostatically pressed heat-resisting products for continuous steel casting | 40.00% | 40.00% |

In 2023, there were no significant changes in the consolidation group. In 2022, a 34% equity investment in Kovárna VIVA a.s. was additionally purchased within the consolidated group as of 13 December 2022.

The consolidation methods were used in compliance with the consolidation rules of the consolidated group – full consolidation was applied in the case of subsidiaries, consolidation under the equity method was used for associates.

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

The financial statements of the companies included in the consolidation Group were prepared as of and for the years ended 31 December 2023 and 2022. The companies included in the consolidation 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 4.11.).

The consolidated financial statements of the Group for the year ended 31 December 2023 were prepared as follows:

- The balance sheet comprises comparative balances as of 31 December 2022;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2022;
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2022; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2022.

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 80 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 80 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 80 thousand and CZK 80 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 80 thousand and less are expensed through the account "Services" upon acquisition.

The cost of tangible fixed asset improvements exceeding CZK 80 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 80 thousand on an individual basis in the taxation period increases the acquisition cost of the related 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 | 20 - 40 |
| Machinery and equipment | 2 - 20 |
| Vehicles | 5 - 20 |
| Furniture and fixtures | 5 - 15 |
| Software | 3 - 5 |

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:

- Receivables past due for 1 year and more are provisioned in full; and
- 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 foreign currency receivables exceeding CZK 1 million newly arising after 31 December 2020 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 STUDÉNKA, 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 accrual 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:

(IN CZK THOUSAND)

| | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|--|------------------------|------------------------|
| Cash at hand | 6 900 | 6 443 |
| Current accounts | 1 959 802 | 2 454 677 |
| Current accounts with restricted handling of the balance | 0 | 0 |
| Term deposits | 0 | 0 |
| Short-term securities | 17 234 | 19 843 |
| Total current financial assets (gross) | 1 983 936 | 2 480 963 |
| Cash and cash equivalents not included in the cash flow | - 6 965 | -7 029 |
| Provision against short-term securities and investments | 0 | -3 034 |
| Total cash and cash equivalents | 1 976 971 | 2 470 900 |

The difference between cash and cash equivalents as of 31 December 2023 and 2022 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. CHANGES IN ACCOUNTING PROCEDURES

Starting in the year ended 1 January 2023, foreign currency prepayments received or made after 31 December 2022, provided these prepayments are non-refundable, will be treated as part of the acquisition cost of an asset as of the consolidated balance sheet date and will not be translated as of the consolidated balance sheet date using the Czech National Bank exchange rate. Prepayments received or made before 31 December 2022, reported in foreign currencies as of the consolidated balance sheet date, are translated using the Czech National Bank exchange rate applicable as of the date as of which the consolidated financial statements are prepared. Prepayments in foreign currencies that are treated as refundable, are translated as of the consolidated balance sheet date using the Czech National Bank exchange rate.

Starting by the reporting period beginning on 1 January 2023, foreign currency gains or losses relating to provisions for newly originated receivables in foreign currencies are recognised in financial profit or loss (account 563 foreign exchange rate losses or account 663 foreign exchange rate gains). Foreign exchange rate losses or gains relating to provisions for receivables in foreign currencies exceeding CZK 1 million originated after 31 December 2020 are recognised on an individual basis in the financial profit or loss. Foreign exchange rate gains or losses relating to provisions for receivables in foreign currencies lower than CZK 1 million originated before 1 January 2023 continue to be reported in operating profit or loss as recognition or release of provisions for receivables.

4.22. 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.

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 2023 and 2022 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 Company.

The consolidation rules for 2023 and 2022 (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 Company.

5. Analysis of impacts on profit/loss

5.1. CONSOLIDATED PROFIT/LOSS FOR 2023

5.1.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2023

(IN CZK THOUSAND)

| | |
|---|---------------|
| Current year's profit/loss made by MORAVIA STEEL a.s. | 632 647 |
| Current year's profit/loss made by M Steel Projects a.s. | -790 |
| Current year's profit/loss made by M Steel Projects s.r.o. | -755 |
| Current year's profit/loss made by Beskydská golfová, a.s. | 968 |
| Share in current year's profit/loss made by Barrandov Studio a.s. | 74 759 |
| Share in current year's profit/loss made by MORAVIA STEEL ITALIA S.R.L. | -28 298 |
| Current year's profit/loss made by Moravia Steel Deutschland, GmbH | 115 779 |
| Current year's profit/loss made by Moravia Steel UK Ltd. | 10 013 |
| Share in current year's profit/loss made by Kovárna VIVA a.s. | 101 799 |
| Share in current year's profit/loss made by ALPER a.s. | 5 260 |
| Current year's profit/loss made by the consolidation group of TŽ, a.s. | -1 248 189 |
| Current year's profit/loss made by MS - Slovensko s.r.o. | -71 |
| Current year's profit/loss made by Moravskoslezský kovošrot a.s. | 56 878 |
| Current year's profit/loss made by NEOMET sp.z o.o. | 26 169 |
| Current year's profit/loss made by MSV Metal Studénka, a.s. | 86 252 |
| Current year's profit/loss made by Kuźnia Ostrow Wielkoposki sp.z o.o. | 21 572 |
| Share in current year's profit/loss of equity accounted investments | 25 348 |
| Adjustments under full consolidation (See Note 5.1.2.) | 214 505 |
| Adjustments under the equity method of consolidation (See Note 5.1.3.) | 0 |
| Consolidated profit/loss | 93 846 |

5.1.2. PROFIT/(LOSS) ADJUSTMENTS UNDER FULL CONSOLIDATION FOR 2023

(IN CZK THOUSAND)

| | |
|--|----------------|
| Elimination of profit from unrealised inventory from intercompany sale, including the deferred tax impact and elimination of minority profit or loss | 556 647 |
| Elimination of the provision against financial investments and inventory, including the deferred tax impact | -113 979 |
| Other consolidation adjustments | -40 417 |
| Adjustments to differences in statements of MSI 2023 | -21 311 |
| Adjustment additional costs relating to the purchase of an equity investment in Kovárna VIVA and ALPER | -1 047 |
| Adjustments in the minority profit or loss | 9 512 |
| Elimination of dividends paid by MSK, MSD, ALPER | -174 900 |
| Total adjustments | 214 505 |

5.1.3. ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2023

No adjustments were made under the equity method.

5.2. CONSOLIDATED PROFIT/LOSS FOR 2022**5.2.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2022**

(IN CZK THOUSAND)

| | |
|---|-----------|
| Current year's profit/loss made by MORAVIA STEEL a.s. | 3 057 944 |
| Current year's profit/loss made by M Steel Projects a.s. | -1 824 |
| Current year's profit/loss made by M Steel Projects s.r.o. | -2 198 |
| Current year's profit/loss made by Beskydská golfová, a.s. | -2 110 |
| Share in current year's profit/loss made by Barrandov Studio a.s. | 71 606 |
| Share in current year's profit/loss made by MORAVIA STEEL ITALIA S.R.L. | 67 464 |
| Current year's profit/loss made Moravia Steel Deutschland, GmbH | 133 591 |
| Current year's profit/loss made Moravia Steel UK Ltd. | 14 865 |
| Share in current year's profit/loss made by Kovárna VIVA a.s. | 101 789 |
| Share in current year's profit/loss made by ALPER a.s. | 15 553 |

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5.2.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2022

(IN CZK THOUSAND)

| | |
|--|------------------|
| Current year's profit/loss made by the consolidation group of TŽ, a.s. | 3 092 189 |
| Current year's profit/loss made by MS - Slovensko s.r.o. | -397 |
| Current year's profit/loss made by Moravskoslezský kovošrot a.s. | 69 316 |
| Current year's profit/loss made by NEOMET sp.z o.o. | 23 130 |
| Current year's profit/loss made by MSV Metal Studénka, a.s. | 55 985 |
| Current year's profit/loss made by Kuźnia Ostrow Wielkoposki sp.z o.o. | 15 496 |
| Share in current year's profit/loss of equity accounted investments | 12 434 |
| Adjustments under full consolidation (See Note 5.1.2.) | -1 155 535 |
| Adjustments under the equity method of consolidation (See Note 5.1.3.) | 0 |
| Consolidated profit/loss | 5 569 298 |

5.2.2. PROFIT/(LOSS) ADJUSTMENTS UNDER FULL CONSOLIDATION FOR 2022

(IN CZK THOUSAND)

| | |
|--|-------------------|
| Elimination of profit from unrealised inventory from intercompany sale, including the deferred tax impact and elimination of minority profit or loss | 80 725 |
| Elimination of the provision against financial investments and inventory, including the deferred tax impact | 9 185 |
| Other consolidation adjustments | -45 218 |
| Elimination of dividends paid by TRINECKÉ ŽELEZÁRNY, MS ITALIA, Kovárna VIVA, MSK, MS UK, MSD, Alper | -1 131 511 |
| Adjustments in the minority profit or loss | -68 716 |
| Total adjustments | -1 155 535 |

5.2.3. ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2022

No adjustments were made within the equity method because MS Middle East FZCO was deconsolidated in 2021.

6. Additional information on the balance sheet

6.1. INTANGIBLE FIXED ASSETS

Cost

(IN CZK THOUSAND)

| | Balance at 1 Jan 2022 | New acquisition | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2022 |
|----------------------------------|-----------------------|-----------------|-------------------|-------------------|--------------------------|------------------------|
| Development | 6 405 | 0 | 0 | 0 | 0 | 6 405 |
| Start-up costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 22 439 | 0 | 0 | 0 | -1 062 | 21 377 |
| Software | 443 647 | 0 | 7 903 | 2 992 | -452 | 448 106 |
| Valuable rights | 776 982 | 0 | 2 283 | 177 583 | -809 | 600 873 |
| Other intangible FA | 89 663 | 0 | 15 593 647 | 12 002 991 | -867 | 3 679 452 |
| Intangible FA under construction | 15 900 | 0 | 2 056 453 | 1 921 379 | -10 | 150 964 |
| Prepayments for intangible FA | 0 | 0 | 1 300 | 1 223 | 0 | 77 |
| Total | 1 355 036 | 0 | 17 661 586 | 14 106 168 | -3 200 | 4 907 254 |

(IN CZK THOUSAND)

| | Balance at 1 Jan 2023 | New acquisition | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2023 |
|----------------------------------|-----------------------|-----------------|------------------|------------------|--------------------------|------------------------|
| Development | 6 405 | 0 | 0 | 1 581 | 0 | 4 824 |
| Start-up costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 21 377 | 0 | 0 | 0 | 2 248 | 23 625 |
| Software | 448 106 | 0 | 6 938 | 19 061 | 402 | 436 385 |
| Valuable rights | 600 873 | 0 | 123 724 | 3 289 | 507 | 721 815 |
| Other intangible FA | 3 679 452 | 0 | 7 572 434 | 8 756 106 | 1 082 | 2 496 862 |
| Intangible FA under construction | 150 964 | 0 | 139 721 | 255 287 | 0 | 35 398 |
| Prepayments for intangible FA | 77 | 0 | 68 886 | 77 | 0 | 68 886 |
| Total | 4 907 254 | 0 | 7 911 703 | 9 035 401 | 4 239 | 3 787 795 |

Accumulated Amortisation and Provisions

(IN CZK THOUSAND)

| | Balance at 1 Jan 2022 | New acquisition | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2022 |
|----------------------------------|--------------------------|-----------------|---------------|----------------|-----------------------------|---------------------------|
| Development | 6 405 | 0 | 0 | 0 | 0 | 6 405 |
| Start-up costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 3 634 | 0 | 1 053 | 0 | -171 | 4 516 |
| Software | 350 784 | 0 | 24 025 | 2 992 | -452 | 371 365 |
| Valuable rights | 636 966 | 0 | 26 769 | 130 794 | -438 | 532 503 |
| Other intangible FA | 32 087 | 0 | 2 194 | 6 017 | -595 | 27 669 |
| Intangible FA under construction | 310 | 0 | 0 | 0 | 0 | 310 |
| Total | 1 030 186 | 0 | 54 041 | 139 803 | -1 656 | 942 768 |

(IN CZK THOUSAND)

| | Balance at 1 Jan 2023 | Effect of the merger | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2023 |
|----------------------------------|--------------------------|----------------------|---------------|---------------|-----------------------------|---------------------------|
| Development | 6 405 | 0 | 0 | 1 581 | 0 | 4 824 |
| Start-up costs | 0 | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 4 516 | 0 | 1 165 | 0 | 474 | 6 155 |
| Software | 371 365 | 0 | 21 645 | 19 033 | 371 | 374 348 |
| Valuable rights | 532 503 | 0 | 18 735 | 2 397 | 313 | 549 154 |
| Other intangible FA | 27 669 | 0 | 1 188 | 2 419 | 1 137 | 27 575 |
| Intangible FA under construction | 310 | 0 | 0 | 0 | 0 | 310 |
| Total | 942 768 | 0 | 42 733 | 25 430 | 2 295 | 962 366 |

Net Book Value

(IN CZK THOUSAND)

| | Balance at 31 Dec 2022 | Balance at 31 Dec 2023 |
|----------------------------------|------------------------|------------------------|
| Development | 0 | 0 |
| Start-up costs | 0 | 0 |
| Software | 76 741 | 62 037 |
| Valuable rights | 68 370 | 172 661 |
| Goodwill | 16 861 | 17 470 |
| Other intangible FA | 3 651 783 | 2 469 287 |
| Intangible FA under construction | 150 654 | 35 088 |
| Prepayments for intangible FA | 77 | 68 886 |
| Total | 3 964 486 | 2 825 429 |

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

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets charged to expenses amounted to CZK 40,141 thousand and CZK 51,530 thousand for the years ended 31 December 2023 and 2022, respectively.

Other intangible assets include greenhouse gas emission allowances.

In the year ended 31 December 2023, the Company acquired 3,428,073 emission allowances for 2023 free of charge in the amount of CZK 7,608,803 thousand. As of the date of the financial statements for the year ended 31 December 2023, the Company recognised the use of emission allowances for 2022 in the amount of CZK 703 thousand and the use of emission allowances for 2023 in the amount of CZK 8,605,086 thousand. Concurrently, revaluation – decrease in the valuation of emission allowances of CZK 306,177 thousand was recognised as of the date of the financial statements.

In the year ended 31 December 2022, the Company acquired 3,425,551 emission allowances for 2022 free of charge in the amount of CZK 6,899,607 thousand and 3,375,273 of emission allowances for 2021 in the amount of CZK 6,782,685 thousand. As of the date of the consolidated financial statements for the year ended 31 December 2022, the Company settled the use of emission allowances for 2021 in the amount of CZK 263,856 thousand and the use of emission allowances for 2022 in the amount of CZK 7,965,176 thousand. Concurrently, revaluation – decrease in the valuation of emission allowances of CZK 114,112 thousand was recognised as of the financial statements date between Other intangible fixed assets and State – tax payables and subsidies.

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 42,070 thousand and CZK 40,720 thousand as of 31 December 2023 and 2022, respectively.

6.2. TANGIBLE FIXED ASSETS

Cost

(IN CZK THOUSAND)

| | Balance at 31 Dec 2022 | New acquisition | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2022 |
|------------------------------------|---------------------------|-----------------|------------------|------------------|-----------------------------|---------------------------|
| Land | 1 421 366 | 0 | 2 447 | 18 | -2 717 | 1 421 078 |
| Structures | 19 114 785 | 0 | 608 672 | 21 992 | -26 240 | 19 675 225 |
| Individual tangible movable assets | 49 937 259 | 0 | 1 723 954 | 316 312 | -72 385 | 51 272 516 |
| Other tangible FA | 467 524 | 0 | 33 173 | 7 244 | -5 687 | 487 766 |
| Tangible FA under construction | 846 708 | 0 | 3 194 981 | 2 394 278 | -1 339 | 1 646 072 |
| Prepayments | 272 579 | 0 | 805 865 | 886 423 | -1 326 | 190 695 |
| Total | 72 060 221 | 0 | 6 369 092 | 3 626 267 | -109 694 | 74 693 352 |

(IN CZK THOUSAND)

| | Balance at 1 Jan 2023 | New acquisition | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2023 |
|------------------------------------|--------------------------|-----------------|------------------|------------------|-----------------------------|---------------------------|
| Land | 1 421 078 | 0 | 927 | 17 705 | 3 056 | 1 407 356 |
| Structures | 19 675 225 | 323 | 704 794 | 73 785 | 34 538 | 20 341 095 |
| Individual tangible movable assets | 51 272 516 | 100 416 | 1 923 409 | 498 620 | 95 666 | 52 893 387 |
| Other tangible FA | 487 766 | 993 | 29 373 | 8 533 | 8 249 | 517 848 |
| Tangible FA under construction | 1 646 072 | 0 | 2 358 719 | 2 689 923 | 8 661 | 1 323 529 |
| Prepayments | 190 695 | 0 | 479 931 | 490 571 | 987 | 181 042 |
| Total | 74 693 352 | 101 732 | 5 497 153 | 3 779 137 | 151 157 | 76 664 257 |

Accumulated Depreciation and Provisions

(IN CZK THOUSAND)

| | Balance at 31 Dec 2022 | New acquisition | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2022 |
|---|---------------------------|-----------------|------------------|----------------|-----------------------------|---------------------------|
| Land | 2 924 | 0 | 282 | 0 | -116 | 3 090 |
| Structures | 9 705 679 | 0 | 507 778 | 26 551 | -10 734 | 10 176 172 |
| Individual tangible movable assets | 34 178 354 | 0 | 2 069 002 | 358 434 | -49 950 | 35 838 972 |
| Other tangible FA | 413 043 | 0 | 24 151 | 6 974 | -4 126 | 426 094 |
| Tangible FA under construction | 7 645 | 0 | 2 532 | 4 548 | 0 | 5 629 |
| Prepayments | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation difference on acquired assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 44 307 645 | 0 | 2 603 745 | 396 507 | -64 926 | 46 449 957 |

(IN CZK THOUSAND)

| | Balance at 1 Jan 2023 | New acquisition | Additions | Disposals | Impact of FX differences | Balance at 31 Dec 2023 |
|---|--------------------------|-----------------|------------------|----------------|-----------------------------|---------------------------|
| Land | 3 090 | 0 | 312 | 1 236 | 228 | 2 394 |
| Structures | 10 176 172 | 181 | 541 479 | 79 831 | 18 039 | 10 656 040 |
| Individual tangible movable assets | 35 838 972 | 84 412 | 2 159 102 | 512 207 | 66 696 | 37 636 975 |
| Other tangible FA | 426 094 | 666 | 25 349 | 7 170 | 6 095 | 451 034 |
| Tangible FA under construction | 5 629 | 0 | 141 | 1 | 0 | 5 769 |
| Prepayments | 0 | 0 | 0 | 0 | 0 | 0 |
| Valuation difference on acquired assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 46 449 957 | 85 259 | 2 726 383 | 600 445 | 91 058 | 48 752 212 |

Net Book Value

(IN CZK THOUSAND)

| Net book value | Balance at 31 Dec 2022 | Balance at 31 Dec 2023 |
|---|------------------------|------------------------|
| Land | 1 417 988 | 1 404 962 |
| Structures | 9 499 054 | 9 685 055 |
| Individual tangible movable assets | 15 433 545 | 15 256 412 |
| Other tangible FA | 61 671 | 66 814 |
| Tangible FA under construction | 1 640 443 | 1 317 760 |
| Prepayments for tangible FA | 190 695 | 181 042 |
| Valuation difference on acquired assets | 0 | 0 |
| Total | 28 243 395 | 27 912 045 |

Principal additions to tangible fixed assets for the year ended 31 December 2023 were as follows:

(IN CZK THOUSAND)

| | |
|--|---------|
| Acquisition of the VP4 no. 42 air heater | 451 054 |
| Acquisition of the Innofreight tilter | 137 916 |
| Acquisition of a milling line | 134 279 |
| Renovation involving strengthening of the rope section of the KOP pipeline route | 46 338 |
| TZM-200000021-landscape and planting works 2nd stage, BG | 46 228 |
| 2003-017 TZ project lvh , kso Kovárna VIVA | 29 579 |
| Gas-fired steam boiler TPD – technological part | 22 613 |
| Gas-fired steam boiler TND – technological part | 21 544 |
| Renovation of collectors in BS | 18 956 |
| Wire drawing machine S560/1-S500/12+coil winding machine BU100 sk.15 | 16 733 |
| CNC 20B | 16 004 |
| Improvements on office buildings no. 66 office worker gatehouse | 15 253 |
| Improvements on the building of a new steeldraft | 13 378 |
| Scissors for scrap CNS 400K - ŽĎAS | 10 200 |

Principal additions to tangible fixed assets under construction for the year ended 31 December 2023 were as follows: (IN CZK THOUSAND)

| | |
|--|---------|
| Heat treatment of rails | 270 265 |
| Replacement of natural gas by coke oven gas at VO | 55 264 |
| CNC 40C | 44 613 |
| MoRe vacuum filtration station | 40 792 |
| Zinc-plating and galvanising line L804 and patent galvanising line L801 at TPD | 32 872 |
| New Klondike BS halls | 32 076 |
| Rail disc punch | 31 343 |
| Production of steam and hot water for TPD and TND operations | 28 926 |
| Renovation of the Annealing furnace no. 1 at SC | 20 700 |
| EIRICH mixer | 13 902 |
| Partial payment for the LZK 1000P machine | 11 500 |

Principal additions to tangible fixed assets for the year ended 31 December 2022 were as follows: (IN CZK THOUSAND)

| | |
|--|---------|
| Acquisition of the peeling line | 268 504 |
| Acquisition of the peeling line hall | 189 748 |
| 2022-047 Building 85 | 127 407 |
| 2022-038 Forging line (L17) | 122 035 |
| Technical improvements on the preparation of raw materials for the slag mill | 45 292 |
| KEH/KER 5.2. manufacturing line | 34 457 |
| Heating walking beam furnace BG winding | 32 324 |
| AKS 63 (H4) press | 25 582 |
| MAZAK B | 24 677 |
| MAZAK A | 21 482 |
| Renovation of the PC2 distribution room | 17 857 |
| 2022-034 - CADDY 140/2 scissors | 17 238 |
| 2022-013 LZK 1000 forging press | 14 679 |
| 2022-039 robot-operated line | 11 078 |

Principal additions to tangible fixed assets under construction for the year ended 31 December 2022 were as follows: (IN CZK THOUSAND)

| | |
|--|---------|
| Construction of the wind heater no. 42 | 337 961 |
| Stationary unloading INNOFREIGHT facility | 260 320 |
| Thermal treatment of rails | 183 372 |
| 3000080-TZM-20000021-Construction of 3/9-pit 19-27 | 17 870 |

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 2,606,058 thousand and CZK 2,524,044 thousand for the years ended 31 December 2023 and 2022, 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 1,047,913 thousand and CZK 1,069,385 thousand as of 31 December 2023 and 2022, respectively.

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS**Finance Leases**

(IN CZK THOUSAND)

| 31 December 2023 | Passenger cars | Machinery and equipment | Balance at 31 Dec 2023 |
|--|----------------|-------------------------|------------------------|
| Total estimated sum of lease instalments | 2 664 | 425 | 3 089 |
| Payments made as of 31 Dec 2023 | 3 766 | 474 | 4 240 |
| Due in the following years | 2 140 | 425 | 2 565 |

(IN CZK THOUSAND)

| 31 December 2022 | Passenger cars | Machinery and equipment | Balance at 31 Dec 2022 |
|--|----------------|-------------------------|------------------------|
| Total estimated sum of lease instalments | 1 188 | 856 | 2 044 |
| Payments made as of 31 Dec 2022 | 1 353 | 478 | 1 831 |
| Due in the following years | 2 062 | 856 | 2 918 |

Operating Leases

In the years ended 31 December 2023 and 2022, rental amounted to CZK 80,686 thousand and CZK 69,646 thousand, respectively.

6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2023

(IN CZK THOUSAND)

| Description of assets | Net book value | Description, scope and purpose of pledge/lien |
|-----------------------|----------------|---|
| TFA | 312 487 | Loan from Československá obchodní banka, a. s. |
| Land | 96 223 | |
| TFA | 354 652 | Loan from ING Bank N.V. |
| TFA | 116 966 | |
| Land | 11 988 | |
| TFA | 357 157 | Loan from ING Bank N.V |
| TFA | 1 390 100 | |
| Land | 42 678 | |
| TFA | 1 084 756 | Loan from Raiffeisenbank a.s. |
| Land | 18 538 | |
| TFA | 68 502 | Collateral for an investment bank loan from UniCredit Bank Czech Republic and Slovakia, a.s. |
| Technology | 47 760 | Raiffeisenbank a.s. – security for a long-term bank loan for financing the MoRe distribution point T4 – 110kV |
| TFA* | 136 656 | Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 24,000 thousand |
| TFA* | 7 687 | Loan from BNP Paribas Bank Polska S.A., secured with machinery up to PLN 1,350 thousand |
| TFA* | 22 776 | Loan from BNP Paribas Bank Polska S.A., secured with machinery up to PLN 4,000 thousand |
| TFA* | 111 033 | Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 19,500 thousand |
| TFA* | 25 623 | Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 4,500 thousand |
| TFA, land | 772 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 1 107 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 335 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 12 657 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 1 306 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 595 | Investment loan from Raiffeisenbank a.s. |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

31 December 2023

(IN CZK THOUSAND)

| Description of assets | Net book value | Description, scope and purpose of pledge/lien |
|-----------------------|----------------|--|
| TFA, land | 578 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 5 832 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 247 | Investment loan from Raiffeisenbank a.s. |
| TFA | 2 509 | Investment loan from Raiffeisenbank a.s. |
| TFA | 679 | Investment loan from Raiffeisenbank a.s. |
| TFA | 1 099 | Investment loan from Raiffeisenbank a.s. |
| TFA | 35 481 | Investment loan from Raiffeisenbank a.s. |
| TFA | 5 948 | Investment loan from Raiffeisenbank a.s. |
| TFA | 2 082 | Investment loan from Raiffeisenbank a.s. |
| TFA | 144 944 | Loan from Citibank Europe plc |
| Land | 2 384 | |
| Technology | 32 806 | |
| TFA* | 37 347 | Investment loan from ERSTE Bank Hungary Zrt. |
| TFA* | 16 534 | Investment loan from K&H Bank Zrt |
| TFA* | 29 727 | Investment loan from K&H Bank Zrt |
| TFA* | 28 118 | Investment loan from K&H Bank Zrt |
| Land | 4 772 | Loan from Raiffeisenbank a.s. |
| TFA | 191 555 | |
| Land | 283 | Loan from Česká spořitelna, a.s. |
| TFA | 43 096 | |
| TFA | 32 358 | Long-term bank loan from Československá obchodní banka, a. s |
| TFA | 157 693 | ČSOB and ČS |
| Land | 23 202 | ČSOB and ČS |
| Technology | 233 368 | ČSOB and ČS |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

31 December 2023

(IN CZK THOUSAND)

| Description of assets | Net book value | Description, scope and purpose of pledge/lien |
|-----------------------|----------------|---|
| TFA | 70 546 | ČSOB |
| Land | 4 836 | |
| Technology | 48 873 | |
| TFA | 189 689 | ČSOB |
| TFA | 77 703 | PKO BP S.A. |
| Land | 2 096 | Unicredit Bank Czech Republic |
| Land | 2 250 | Raiffeisenbank a.s. |
| Structures | 91 038 | Raiffeisenbank a.s. |
| Structures | 139 083 | Unicredit Bank Czech Republic |
| Total | 5 881 110 | |

* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2023

31 December 2022

(IN CZK THOUSAND)

| Description of assets | Net book value | Description, scope and purpose of pledge/lien |
|-----------------------|----------------|--|
| TFA | 533 534 | Loan from Česká spořitelna, a.s. |
| Structures | 99 185 | |
| Land | 3 458 | |
| TFA | 379 999 | Loan from Československá obchodní banka, a. s. |
| Land | 96 223 | |
| TFA | 520 379 | Loan from ING Bank N.V. |
| Land | 11 988 | Loan from ING Bank N.V. |
| TFA | 1 895 179 | Loan from ING Bank N.V. |
| Land | 42 678 | |
| TFA | 1 124 127 | Loan from Raiffeisenbank a.s. |
| Land | 18 538 | |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

31 December 2022

(IN CZK THOUSAND)

| | | |
|------------|---------|---|
| TFA | 71 456 | Collateral for an investment bank loan from UniCredit Bank Czech Republic and Slovakia, a.s. |
| Technology | 51 088 | Raiffeisenbank a.s. – security for a long-term bank loan for financing the MoRe distribution point T4 – 110kV |
| TFA | 44 360 | Investment loan from ING Bank N.V. |
| TFA* | 123 648 | Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 24,000 thousand |
| TFA* | 6 955 | Loan from BNP Paribas Polska S.A., secured with machinery up to PLN 1,350 thousand |
| TFA* | 20 608 | Loan from BNP Paribas Polska S.A., secured with machinery up to PLN 4,000 thousand |
| TFA* | 77 280 | Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 15,000 thousand |
| TFA, land | 831 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 1 181 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 489 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 13 265 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 859 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 1 390 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 660 | Investment loan from Raiffeisenbank a.s. |
| TFA, land | 6 223 | Investment loan from Raiffeisenbank a.s. |
| TFA | 300 | Investment loan from Raiffeisenbank a.s. |
| TFA | 2 702 | Investment loan from Raiffeisenbank a.s. |
| TFA | 828 | Investment loan from Raiffeisenbank a.s. |
| TFA | 1 313 | Investment loan from Raiffeisenbank a.s. |
| TFA | 38 603 | Investment loan from Raiffeisenbank a.s. |
| TFA | 6 962 | Investment loan from Raiffeisenbank a.s. |
| TFA | 4 290 | Investment loan from Raiffeisenbank a.s. |
| TFA | 290 660 | Loan from Citibank Europe plc |
| Land | 4 166 | |
| Technology | 177 170 | |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

31 December 2022

(IN CZK THOUSAND)

| | | |
|------------|-----------|---|
| TFA* | 36 663 | Investment loan from ERSTE Bank Hungary Zrt. |
| TFA* | 16 184 | Investment loan from K&H Bank Zrt |
| TFA* | 29 047 | Investment loan from K&H Bank Zrt |
| TFA* | 27 344 | Investment loan from K&H Bank Zrt |
| Land | 4 772 | Loan from Raiffeisenbank a.s. |
| TFA | 214 298 | |
| Land | 283 | Loan from Česká spořitelna, a.s. |
| TFA | 43 041 | |
| TFA | 35 300 | Long-term loan from Československá obchodní banka, a. s |
| TFA | 24 200 | ČSOB |
| Land | 23 202 | ČSOB and ČS |
| Technology | 173 801 | ČSOB and ČS |
| TFA | 71 475 | ČSOB |
| Land | 4 836 | |
| Technology | 104 953 | |
| TFA | 246 121 | ČSOB |
| TFA | 69 775 | PKO BP S.A. |
| Land | 2 096 | Unicredit Bank Czech Republic |
| Land | 2 250 | Raiffeisenbank a.s. |
| Structures | 98 040 | Raiffeisenbank a.s. |
| Structures | 144 415 | Unicredit Bank Czech Republic |
| Total | 7 044 671 | |

* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2022

As of 31 December 2023, no assets were encumbered by a lien. Non-current financial assets encumbered by a lien had a nominal value of CZK 1,144,302 thousand as of 31 December 2022.

6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

6.5.1. SUMMARY OF UNCONSOLIDATED INVESTMENTS IN 2023

Balance at 31 December 2023

(IN CZK THOUSAND)

| Company name, registered office | Share in % | Equity | Profit or loss for the period | Provision |
|--|------------|----------------|-------------------------------|----------------|
| Moravia Steel Slovenija, d.o.o. | 51 | 14 989 | 582 | 0 |
| Moravia Steel Ibéria,s.a. | 99.33 | 19 603 | 5 038 | 0 |
| AHP HYDRAULIK A, a.s. | 50.11 | -14 943 | -2 | 0 |
| Barrandov Productions s.r.o. | 100 | 2 345 | 1 | 0 |
| FILMOVÁ NADACE **) | 100 | 1 433 | -670 | 0 |
| Moravia Mining Plc ***) | 76 | ***) | ***) | -3 153 |
| MSPProjects International s.r.o. | 100 | 4 511 | -824 | 0 |
| B.A.Zlín, s.r.o. | 80 | 3 226 | -72 | 0 |
| Třinecké gastroslužby, s.r.o., Staré Město, Třinec | 100 | 42 682 | 5 440 | 0 |
| TRIALFA, s.r.o., Třinec – Kanada | 100 | 22 515 | 710 | 0 |
| Moravia Security, a.s., Kanská, Třinec | 100 | 39 414 | 2 119 | 0 |
| TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec | 84.54 | 31 452 | 1 931 | 0 |
| „ZAMECZEK BŁOGOCICE” Spółka z ograniczoną odpowiedzialnością,Cieszyn (POL) | 88 | 44 365 | 165 | -10 727 |
| TRISIA, a.s., Lyžbice, Třinec | 66 | 41 161 | 282 | -9 403 |
| Reťaze Slovakia s.r.o., Skalica (SK) | 80 | 12 572 | 2 623 | 0 |
| JuBo Jeseník s. r. o., Jeseník | 80 | 6 782 | 2 243 | 0 |
| Řetězárna servis s.r.o., Jeseník | 100 | 6 708 | 4 580 | 0 |
| IMOPRA s.r.o., Nivnice | 100 | 114 127 | 6 345 | 0 |
| EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec | 100 | -59 800 | 1 029 | -50 000 |
| ENEZA, s.r.o., Staré Město, Třinec *) | 52.5 | 96 700 | 6 926 | 0 |
| Total | | 429 842 | 38 506 | -73 283 |

*) financial results for the period 1 April 2023–31 December 2023 (financial year from 1 April 2023 to 31 March 2024)

***) financial results for the period 1 March 2023–31 December 2023 (financial year from 1 March 2023 to 29 February 2024)

***) data not available

Note: in italics preliminary results as of 31 December 2023

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2023.

6.5.2. SUMMARY OF UNCONSOLIDATED INVESTMENTS IN 2022

Balance at 31 December 2022

(IN CZK THOUSAND)

| Company name | Share in % | Equity | Profit or loss for the period | Provision |
|--|------------|----------------|-------------------------------|-----------------|
| Moravia Steel Slovenija, d.o.o. | 51 | 14 035 | 1 400 | 0 |
| Moravia Steel Ibéria,s.a. | 99.33 | 16 948 | 3 849 | 0 |
| AHP HYDRAULIK A, a.s. | 50.11 | -14 572 | -49 | 0 |
| Moravia Steel Israel Ltd. ***) | 100 | ***) | ***) | 0 |
| Barrandov Productions s.r.o. | 100 | 2 344 | -13 | 0 |
| FILMOVÁ NADACE **) | 100 | 1 309 | -435 | 0 |
| Moravia Mining Plc ***) | 76 | ***) | ***) | -3 153 |
| MSPProjects International s.r.o. | 100 | 4 869 | -427 | 0 |
| MSV Servis s.r.o. | 100 | 20 | -21 | 0 |
| B.A.Zlín, s.r.o. | 80 | 3 315 | -239 | 0 |
| Třinecké gastroslužby, s.r.o., Staré Město, Třinec | 100 | 37 342 | 2 896 | 0 |
| Doprava TŽ, a.s., Třinec-Staré Město | 100 | 48 091 | 4 024 | 0 |
| TRIALFA, s.r.o., Třinec – Kanada | 100 | 21 805 | 716 | 0 |
| Moravia Security, a.s., Kanská, Třinec | 100 | 41 815 | 3 388 | 0 |
| TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec | 84.54 | 33 452 | 3 931 | 0 |
| „ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością,Cieszyn (POL) | 88 | 40 009 | -238 | -14 594 |
| TRISIA, a.s., Lyžbice, Třinec | 66 | 40 879 | 715 | -14 988 |
| Reťaze Slovakia s.r.o., Skalica (SK) | 80 | 11 391 | 1 843 | 0 |
| JuBo Jeseník s. r. o., Jeseník | 80 | 6 339 | 2 269 | 0 |
| Řetězárna servis s.r.o., Jeseník | 100 | 6 028 | 4 025 | 0 |
| IMOPRA s.r.o., Nivnice | 100 | 110 949 | 1 536 | -70 909 |
| EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec | 100 | -58 090 | -79 030 | -50 000 |
| ENEZA, s.r.o., Staré Město, Třinec *) | 52.5 | 92 773 | 9 005 | 0 |
| Total | | 461 051 | -40 855 | -153 644 |

*) financial results for the period 1 April 2022–31 December 2022 (financial year from 1 April 2022 to 31 March 2023)

***) financial results for the period 1 March 2022–31 December 2022 (financial year from 1 March 2022 to 28 February 2023)

***) data not available

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2022.

6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2023

(IN CZK THOUSAND)

| | Gross | Adjustment | Net | Recognition in expenses | Recognition in income | Recognition in equity |
|---|----------------|-----------------|----------------|-------------------------|-----------------------|-----------------------|
| Positive goodwill arising on consolidation | | | | | | |
| ŽDB DRÁTOVNA a.s. | 261 780 | -78 534 | 183 246 | 13 089 | 0 | 0 |
| BOHEMIA RINGS s.r.o. | 119 809 | -119 809 | 0 | 91 355 | 0 | 0 |
| MS UK | 1 234 | -370 | 864 | -62 | 0 | 0 |
| HŽP a.s. | 130 509 | -49 304 | 81 205 | -5 800 | 0 | 0 |
| Kovárna VIVA | 182 720 | -47 689 | 135 031 | -9 136 | 0 | 0 |
| MSV Metal Studénka, a.s. | 19 260 | -3 692 | 15 568 | -963 | 0 | 0 |
| Barrandov Studio a.s | 34 362 | -34 362 | 0 | 0 | 0 | 0 |
| Total | 749 674 | -333 760 | 415 914 | 88 483 | 0 | 0 |
| Negative goodwill arising on consolidation | | | | | | |
| REFRASIL, s.r.o. | -14 566 | 3 885 | -10 681 | 0 | 728 | 0 |
| Total | -14 566 | 3 885 | -10 681 | 0 | 728 | 0 |

2022

(IN CZK THOUSAND)

| | Gross | Adjustment | Net | Recognition in expenses | Recognition in income | Recognition in equity |
|---|----------------|-----------------|----------------|-------------------------|-----------------------|-----------------------|
| Positive goodwill arising on consolidation | | | | | | |
| ŽDB DRÁTOVNA a.s. | 261 780 | -65 445 | 196 335 | 13 089 | 0 | 0 |
| BOHEMIA RINGS s.r.o. | 119 809 | -28 454 | 91 355 | 5 990 | 0 | 0 |
| MS UK | 1 234 | -309 | 925 | 62 | 0 | 0 |
| HŽP a.s. | 130 509 | -43 504 | 87 005 | 5 801 | 0 | 0 |
| Kovárna VIVA | 182 720 | -38 552 | 144 168 | 8 319 | 0 | 0 |
| Barrandov Studio a.s. | 34 362 | -34 362 | 0 | 0 | 0 | 0 |
| MSV Metal Studénka, a.s. | 19 260 | -2 729 | 16 531 | 963 | 0 | 0 |
| Total | 749 674 | -213 355 | 536 319 | 34 224 | 0 | 0 |
| Negative goodwill arising on consolidation | | | | | | |
| REFRASIL, s.r.o. | -14 566 | 3 156 | -11 410 | 0 | 728 | 0 |
| Total | -14 566 | 3 156 | -11 410 | 0 | 728 | 0 |

The gross amount of goodwill arising on consolidation of Kovárna VIVA a.s. as of 31 December 2022 amounted to CZK 182,720 thousand. In 2022 it was increased from 1 December 2022 by the goodwill arising on consolidation after the purchase of the 34% equity investment amounting to CZK 17,812 thousand, write-off of the positive goodwill arising on consolidation of Kovárna VIVA a.s. was increased by CZK 74 thousand and the total write-off of the goodwill arising on consolidation amounts to CZK 8,319 thousand as of 31 December 2022.

In 2023, the Company recognised a write-off of a positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. in the amount of CZK 5,990 thousand and a provision for the positive goodwill arising on consolidation of CZK 85,365 thousand.

6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(IN CZK THOUSAND)

| Securities and equity investments under equity accounting | 2023 | 2022 |
|---|----------------|----------------|
| VESUVIUS ČESKÁ REPUBLIKA, a.s. | 156 941 | 144 027 |
| Total | 156 941 | 144 027 |

6.8. INVENTORY

As of 31 December 2023, "METALURGIA" SPÓŁKA AKCYJNA has pledged inventory up to PLN 19,500 thousand (CZK 111,033 thousand) with BNP Paribas Bank Polska S.A. in relation to the loan drawn and inventory up to PLN 19,500 thousand (CZK 111,033 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna in relation to the loan drawn.

As of 31 December 2022, "METALURGIA" SPÓŁKA AKCYJNA has pledged inventory up to PLN 19,500 thousand (CZK 100,464 thousand) with BNP Paribas Bank Polska S.A. in relation to the loan drawn and inventory up to PLN 19,500 thousand (CZK 100,464 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 2023, gross short-term trade receivables past their due dates amounted to CZK 1,454,129 thousand (net CZK 1,124,596 thousand). As of 31 December 2022, gross short-term trade receivables past their due dates amounted to CZK 1,975,529 thousand (net CZK 1,679,666 thousand).

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

State – tax receivables as of 31 December 2023 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. 2022, this item mainly represented a receivable arising from value added tax and prepayments for fees pursuant to Act No. 201/2012 Coll., on Air Protection.

Sundry receivables as of 31 December 2023 predominantly include a receivable arising from an unquestionable entitlement to a subsidy and receivables from individuals. As of 31 December 2022, this item predominantly included a receivable arising from an unquestionable entitlement to a subsidy and receivables from individuals.

Estimated receivables as of 31 December 2023 and 31 December 2022, 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 2023, "METALURGIA" SPÓŁKA AKCYJNA records pledged receivables of PLN 5,857 thousand (CZK 33,348 thousand) with BNP Paribas Faktoring Sp. z o. o. and pledged receivables of PLN 1,660 thousand (CZK 9,454 thousand) with Pekao Faktoring Sp. z o.o. As of 31 December 2022, the pledged receivables amounted to PLN 10,248 thousand (CZK 52,798 thousand) with BNP Paribas Faktoring Sp. z o. o. and PLN 4,026 thousand (CZK 20,739 thousand) with Pekao Faktoring Sp. z o.o.

As of 31 December 2023, "D&D" Drótáru Zrt. records pledged receivables of HUF 583,737 thousand (CZK 37,680 thousand) with Tryg Garanti. As of 31 December 2022, "D&D" Drótáru Zrt. records pledged receivables of HUF 157,752 thousand (CZK 9,489 thousand) with Tryg Garanti and pledged receivables of HUF 17,650 thousand (CZK 1,062 thousand) with CEC Bank S.A. Bucharest.

Kuźnia Ostrów Wielkopolski Sp. z o.o. 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 2023 | Balance at 31 Dec 2023 |
|--------------------------------|------------------------|------------------------|
| DOPRAVA TŽ, a.s. | 0 | 5 463 |
| Moravia Security, a.s. | 213 | 138 |
| Security Morava, s.r.o. | 18 | 99 |
| TRIALFA, s.r.o. | 1 010 | 3 883 |
| TRISIA, a.s. | 108 | 98 |
| TŘINECKÁ PROJEKCE, a.s. | 240 | 160 |
| Třinecké gastroslužby, s.r.o. | 3 936 | 2 407 |
| VESUVIUS ČESKA REPUBLIKA, a.s. | 2 139 | 10 271 |
| MINERFIN a.s. | 1 567 | 1 620 |
| IMOPRA s.r.o. | 2 | 0 |
| JuBo Jeseník s.r.o. | 3 393 | 5 356 |
| Reťaze Slovakia, s.r.o. | 2 208 | 2 307 |
| Řetězárna servis s.r.o. | 5 | 7 |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Short-Term Receivables

(IN CZK THOUSAND)

| Entity | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|------------------------|------------------------|
| Moravia Mining Plc | 2 059 | 1 744 |
| AHP HYDRAULIKA, a.s. | 9 924 | 9 679 |
| ENEZA, s.r.o. | 1 366 | 1 109 |
| EKOSTROJÍRENSTVÍ TŘINEC, a.s. | 108 | 148 |
| FILMOVÁ NADACE | 11 | 0 |
| MSV Servis s.r.o. | 0 | 7 |
| Total short-term intercompany receivables | 28 307 | 44 496 |
| • Receivables – controlled or controlling entity | | |
| Třinecké gastroslužby, s.r.o. | 8 500 | 8 500 |
| Total | 8 500 | 8 500 |
| • Short-term prepayments made | | |
| EKOSTROJÍRENSTVÍ TŘINEC, a.s. | 0 | 15 404 |
| TRISIA, a.s. | 0 | 1 |
| Total | 0 | 15 405 |
| • Accrued income | | |
| Třinecké gastroslužby, s.r.o. | 0 | 167 |
| EKOSTROJÍRENSTVÍ TŘINEC, a.s. | 1 269 | 1 173 |
| Total | 1 269 | 1 340 |
| Total short-term intercompany receivables including accruals | 38 076 | 69 741 |
| Other than intercompany receivables | 12 410 429 | 13 424 754 |
| Total short-term receivables including accruals | 12 448 505 | 13 494 495 |

Long-Term Receivables

As of 31 December 2023, the Group records long-term receivables with due dates of more than 5 years of CZK 358 thousand; as of 31 December 2022, the Group recorded long-term receivables with due dates of more than 5 years of CZK 562 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 2023, dividends in the amount of CZK 2,000,279 thousand were declared and paid out.

In the year ended 31 December 2022, dividends in the amount of CZK 3,999,610 thousand were declared and paid out.

Proposal for the allocation of profit for 2023

In 2023, the consolidation group generated net profit after tax of CZK 62,390 thousand. The expected profit allocation for 2023 is its transfer to retained earnings.

6.10.2. SHARE CAPITAL

As of 31 December 2023, 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 2023 and 2022, primarily payables arising from retention fees to suppliers according to concluded contracts are reported under long-term trade payables. As of 31 December 2023, the Company recorded no long-term payables covered by material guarantees.

6.12.2. SHORT-TERM TRADE PAYABLES

As of 31 December 2023, short-term trade payables past their due dates amount to CZK 37,717 thousand (2022: CZK 32,104 thousand).

The usual maturity of payables is 60 days.

6.12.3. OTHER PAYABLES

As of 31 December 2023 and 2022, due amounts arising from social security and state employment policy contributions and public health insurance amounted to CZK 300,558 thousand and CZK 291,305 thousand, respectively. These payables were duly settled as of the balance sheet date.

As of 31 December 2023, state – tax payables and subsidies predominantly include the corporate and individual income tax payable. As of 31 December 2022, this item mainly included a corporate and individual income tax payable.

As of 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022 predominantly include payables arising from a group registration for value added tax and contributions to employees.

6.12.4. INTERCOMPANY PAYABLES

Short-Term Payables

(IN CZK THOUSAND)

| Entity | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|--------------------------------|------------------------|------------------------|
| Doprava TŽ, a.s. | 0 | 14 130 |
| Ocelářská unie, a.s. | 923 | 926 |
| JuBo Jeseník s.r.o. | 22 | 0 |
| Moravia Security, a.s. | 19 659 | 21 157 |
| Třinecké gastroslužby, s.r.o. | 14 880 | 13 354 |
| VESUVIUS ČESKÁ REPUBLIKA, a.s. | 32 615 | 36 589 |
| Moravia Steel Ibéria, s.a. | 12 | 1 731 |
| MORAVIA STEEL SLOVENIJA d.o.o. | 4 270 | 6 984 |
| EKOSTROJÍRENSTVÍ TŘINEC, a.s. | 2 144 | 1 128 |
| Řetězárna servis s.r.o. | 1 828 | 2 113 |
| TRIALFA,s.r.o. | 13 470 | 18 039 |
| TRISIA,a.s. | 1 790 | 1 501 |

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Short-Term Payables

(IN CZK THOUSAND)

| Entity | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|------------------------|------------------------|
| TŘINECKÁ PROJEKCE, a.s. | 7 034 | 7 074 |
| „ZAMECZEK BŁOGOCICE“ Sp.z.o.o. | 96 | 87 |
| MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. | 0 | 134 |
| ENEZA, s.r.o. | 24 090 | 15 916 |
| Security Morava, s.r.o. | 2 024 | 2028 |
| MINERFIN,a.s. | 738 260 | 879 076 |
| Total | 863 117 | 1 021 967 |
| Accrued expenses | | |
| Moravia Steel Ibéria, s.a. | 126 | 286 |
| MORAVIA STEEL SLOVENIJA, d.o.o. | 18 | 6 |
| Total | 144 | 292 |
| Estimated payables | | |
| TŘINECKÁ PROJEKCE, a.s. | 0 | 39 |
| MSV Metal Studénka, a.s | 1 | 0 |
| Total | 1 | 39 |
| Total short-term intercompany payables, including accruals | 863 262 | 1 022 298 |
| Other than intercompany payables | 15 240 457 | 19 047 234 |
| Total short-term payables, including accruals | 16 103 719 | 20 069 532 |

Note: * MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. was the controlled entity before 15 February 2022

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.

(IN CZK THOUSAND)

| Deferred tax arising from | Tax rate in % | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|---------------|------------------------|------------------------|
| Difference between the tax and accounting carrying values of fixed assets | 21 | 11 042 651 | 0 |
| Difference between the tax and accounting carrying values of fixed assets | 19 | 0 | 12 250 488 |
| Difference between the tax and accounting carrying values of fixed assets | 9 | 100 030 | 66 979 |
| Revaluation of securities available for sale | 21 | -2 054 | 0 |
| Revaluation of securities available for sale | 19 | 0 | -54 |
| Revaluation of assets to fair value charged to equity | 21 | 689 959 | 0 |
| Revaluation of assets to fair value charged to equity | 19 | 17 347 | 813 276 |
| Revaluation of assets to fair value charged to equity | 9 | 27 565 | 28 941 |
| Revaluation of assets to fair value charged to consolidation goodwill | 19 | 0 | 0 |
| Accounting reserves | 21 | -189 508 | 0 |
| Accounting reserves | 19 | 0 | -762 604 |
| Provisions | 21 | -1 775 472 | 0 |
| Provisions | 19 | 0 | -1 399 235 |
| Provisions | 9 | 0 | 0 |
| Provision for positive goodwill on consolidation | 21 | -85 361 | 0 |
| Outstanding default interest | 21 | -8 302 | 0 |
| Expenses deductible for tax purposes in the following years | 21 | -117 748 | 0 |
| Expenses deductible for tax purposes in the following years | 19 | 0 | -166 309 |
| Utilisable tax loss | 21 | -102 232 | 0 |

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

| Deferred tax arising from | Tax rate in % | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|---------------|------------------------|------------------------|
| Utilisable tax loss | 19 | 0 | -10 353 |
| Unrealised profit on the sale of inventory within the Group | 21 | 180 015 | 0 |
| Unrealised profit on the sale of inventory within the Group | 19 | 0 | -42 500 |
| Unrealised profit on the sale of tangible FA within the Group | 21 | -906 520 | 0 |
| Unrealised profit on the sale of tangible FA within the Group | 19 | -854 | 3 664 |
| Unrealised profit on the sale of tangible and intangible FA within the Group (equity) | 19 | 153 | 229 |
| Total temporary differences | | 8 869 668 | 10 782 521 |
| Deferred tax liability | | 1 846 985 | 2 039 088 |

(IN CZK THOUSAND)

| Analysis of movements | |
|--|------------------|
| 1 Jan 2022 | 2 031 474 |
| Current changes charged to the profit and loss account | 8 298 |
| Current changes charged to equity | -683 |
| Charge against positive goodwill on consolidation | 0 |
| Other | -1 |
| 31 Dec 2022 | 2 039 088 |
| Effect of the merger | 1 326 |
| Current changes charged to the profit and loss account | -193 500 |
| Current changes charged to equity | 71 |
| Charge against positive goodwill on consolidation | 0 |
| Other | 0 |
| 31 Dec 2023 | 1 846 985 |

6.13.2. DEFERRED TAX ASSET

(IN CZK THOUSAND)

| | Tax rate (%) | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|--|--------------|------------------------|------------------------|
| Difference between the tax and accounting net book value of fixed assets | 21 | -5 162 | 0 |
| Difference between the tax and accounting net book value of fixed assets | 19 | -44 577 | 470 |
| Accounting reserves | 21 | 6 548 | 0 |
| Accounting reserves | 19 | 37 298 | 16 214 |
| Provisions | 21 | 77 148 | 0 |
| Provisions | 19 | 26 504 | 47 041 |
| Unrealised profit on the sale of inventory and assets within the Group | 21 | 3 667 | 0 |
| Unrealised profit on the sale of inventory and assets within the Group | 19 | 0 | 483 168 |
| Unpaid (not received) penalty | 21 | -186 | 0 |
| Unpaid (not received) penalty | 19 | 0 | -237 |
| Tax loss that can be carried back | 19 | 93 838 | 0 |
| Deferred expenses | 19 | 0 | 0 |
| Total temporary differences | | 195 078 | 546 656 |
| Deferred tax asset | | 38 705 | 103 865 |

(IN CZK THOUSAND)

| Analysis of movements | |
|--|----------------|
| 1 Jan 2022 | 115 185 |
| Current changes charged to the profit and loss account | -11 320 |
| Current changes charged to equity | |
| 31 Dec 2022 | 103 865 |
| Current changes charged to the profit and loss account | -66 275 |
| Current changes charged to equity | 1 115 |
| 31 Dec 2023 | 38 705 |

6.14. BANK LOANS AND BORROWINGS

Long-Term Bank Loans

(IN CZK THOUSAND)

| Type of loan | Currency | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 | Form of collateral at 31 Dec 2023 |
|--------------------------|----------|------------------------|------------------------|---|
| Term loan | CZK | 600 000 | 840 000 | Immovable and movable assets, receivables from insurance, promissory note |
| Investment loan | EUR | 330 635 | 537 463 | Immovable and movable assets, receivables from insurance |
| Investment loan | CZK | 0 | 171 429 | Immovable and movable assets, receivables from insurance, promissory note |
| Investment loan | EUR | 760 294 | 939 279 | Immovable and movable assets, receivables from insurance, promissory note |
| Investment loan | EUR | 834 469 | 0 | No collateral |
| Investment loan | EUR | 0 | 1 424 | Pledge of real estate |
| Investment loan | EUR | 0 | 4 800 | Pledge of real estate |
| Investment loan | CZK | 2 850 | 4 750 | No collateral |
| Investment loan | EUR | 7 692 | 0 | No collateral |
| Investment loan | CZK | 0 | 26 440 | Blank promissory note, pledge of movable assets |
| Investment loan | CZK | 18 000 | 29 333 | Blank promissory note |
| Investment loan | CZK | 1 958 | 0 | Promissory note |
| One-time investment loan | EUR | 25 902 | 50 527 | Movable and immovable assets |
| Purpose loan | EUR | 186 921 | 0 | Receivables |
| Investment loan | EUR | 25 477 | 39 048 | Blank promissory note, pledge of movable assets |
| Purpose loan | CZK | 5 000 | 15 000 | Pledge of a movable asset |
| Investment loan | EUR | 1 443 | 5 627 | Blank promissory note |
| Investment loan | EUR | 7 212 | 12 661 | Blank promissory note |
| Investment loan | EUR | 9 119 | 20 754 | Blank promissory note |
| Investment loan | EUR | 33 379 | 47 024 | Blank promissory note |
| Investment loan | EUR | 48 681 | 0 | Blank promissory note |
| Investment loan | EUR | 0 | 1 541 | Mortgage, insurance pledge |

TABLE CONTINUES ON THE FOLLOWING PAGE

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Long-Term Bank Loans

(IN CZK THOUSAND)

| Type of loan | Currency | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 | Form of collateral at 31 Dec 2023 |
|------------------|----------|------------------------|------------------------|---|
| Investment loan | EUR | 0 | 2 196 | Mortgage, insurance pledge |
| Investment loan | EUR | 3 402 | 7 734 | Mortgage, insurance pledge |
| Investment loan | EUR | 8 415 | 11 478 | Mortgage, insurance pledge |
| Investment loan | PLN | 0 | 10 135 | Secured with tangible assets (machinery, equipment) and insurance |
| Investment loan | PLN | 0 | 900 | Secured with tangible assets (machinery, equipment) and insurance |
| Investment loan | EUR | 0 | 8 676 | Secured with tangible assets (machinery, equipment) and insurance |
| Investment loan | CZK | 16 260 | 49 140 | Pledge of real estate |
| Investment loan | EUR | 6 332 | 12 351 | Real estate, manufacturing equipment |
| Investment loan | EUR | 55 351 | 73 617 | Technology |
| Investment loan | CZK | 32 055 | 42 740 | Technology |
| Investment loan | EUR | 111 263 | 130 221 | Technology |
| Investment loan | CZK | 26 368 | 31 736 | Real estate and technology |
| Investment loan | EUR | 6 774 | 8 641 | Real estate and technology |
| Investment loan | EUR | 12 869 | 15 505 | Real estate and technology |
| Acquisition loan | CZK | 252 245 | 166 637 | Blank promissory note |
| Investment loan | EUR | 20 567 | 40 118 | Pledge of a movable asset established no later than on 31 December 2022 |
| Investment loan | EUR | 10 829 | 15 844 | Pledge of a movable asset |
| Investment loan | EUR | 5 132 | 7 509 | Pledge of a movable asset |
| Investment loan | EUR | 3 907 | 5 715 | Pledge of a movable asset |
| Investment loan | EUR | 11 510 | 14 970 | Mortgage, insurance pledge |
| Investment loan | PLN | 2 010 | 5 455 | Mortgage, insurance pledge |
| Investment loan | EUR | 38 710 | 0 | Mortgage, insurance pledge |
| Investment loan | PLN | 6 434 | 0 | Mortgage, insurance pledge |
| Investment loan | PLN | 5 694 | 7 728 | Mortgage, insurance pledge |
| Total | | 3 535 159 | 3 416 146 | |

Short-Term Bank Loans

(IN CZK THOUSAND)

| Type of loan | Currency | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 | Form of collateral at 31 Dec 2023 |
|--------------------------|----------|------------------------|------------------------|---|
| Investment loan | EUR | 0 | 7 713 | Hermes guarantee insurer |
| Investment loan | EUR | 4 327 | 5 627 | Blank promissory note |
| Investment loan | EUR | 5 769 | 4 220 | Blank promissory note |
| Overdraft | PLN | 18 072 | 16 764 | Pledge |
| Overdraft | PLN | 18 491 | 25 719 | Pledge – machinery, equipment, receivables |
| Investment loan | PLN | 11 202 | 4 054 | Pledge – machinery and equipment |
| Investment loan | PLN | 995 | 2 161 | Pledge – machinery and equipment |
| Investment loan | EUR | 9 079 | 2 214 | Secured with tangible assets (machinery, equipment) and insurance |
| Overdraft – credit cards | CZK | 194 | 73 | No collateral |
| One-time investment loan | EUR | 25 902 | 25 276 | Movable and immovable assets |
| Revolving loan | EUR | 0 | 72 345 | Receivables |
| Overdraft | EUR | 1 754 | 38 208 | Receivables |
| Purpose loan | EUR | 20 769 | 0 | Receivables |
| Investment loan | EUR | 220 423 | 214 985 | Immovable and movable assets, receivables from insurance |
| Investment loan | CZK | 0 | 60 000 | Immovable and movable assets, receivables from insurance, promissory note |
| Acquisition loan | EUR | 0 | 120 575 | Securities, promissory note |
| Investment loan | CZK | 171 428 | 228 571 | Immovable and movable assets, receivables from insurance, promissory note |
| Investment loan | CZK | 240 000 | 240 000 | Immovable and movable assets, receivables from insurance, promissory note |
| Investment loan | EUR | 202 745 | 49 436 | Immovable and movable assets, receivables from insurance, promissory note |
| Overdraft | CZK | 49 160 | 156 371 | Promissory note |
| Overdraft | CZK | 57 309 | 157 366 | No collateral |
| Overdraft | CZK | 53 139 | 159 780 | Promissory note |
| Overdraft | CZK | 55 155 | 158 593 | Promissory note |
| Overdraft | CZK | 49 520 | 173 210 | Promissory note |
| Overdraft | CZK | 67 092 | 203 731 | Promissory note |

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Short-Term Bank Loans

(IN CZK THOUSAND)

| Type of loan | Currency | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 | Form of collateral at 31 Dec 2023 |
|-----------------|----------|------------------------|------------------------|---|
| Overdraft | CZK | 4 | 9 | No collateral |
| Investment loan | EUR | 92 719 | 0 | |
| Investment loan | CZK | 1 424 | 2 441 | Pledge of real estate |
| Investment loan | EUR | 4 921 | 8 227 | Pledge of real estate |
| Investment loan | CZK | 1 900 | 1 900 | No collateral |
| Investment loan | EUR | 1 923 | 0 | |
| Investment loan | CZK | 0 | 11 400 | Pledge of assets, blank promissory note |
| Purpose loan | CZK | 42 | 40 | No collateral |
| | CZK | 10 000 | 10 000 | Pledge of a movable asset |
| Overdraft | CZK | 18 280 | 3 451 | Blank promissory note |
| ŠkoFin | CZK | 0 | 199 | Blank promissory note, pledge of movable assets |
| Investment loan | CZK | 19 773 | 26 364 | Blank promissory note, pledge of movable assets |
| Investment loan | CZK | 18 000 | 18 000 | Blank promissory note |
| Overdraft | CZK | 165 078 | 0 | Blank promissory note |
| Overdraft | CZK | 69 371 | 0 | Blank promissory note |
| Overdraft | CZK | 93 129 | 0 | Blank promissory note |
| Overdraft | CZK | 9 988 | 5 318 | No collateral |
| Overdraft | CZK | 27 218 | 12 985 | Blank promissory note |
| Overdraft | EUR | 2 085 | 4 188 | Blank promissory note |
| Overdraft | CZK | 0 | 105 513 | No collateral |
| Overdraft | EUR | 12 182 | 0 | Blank promissory note |
| Investment loan | CZK | 0 | 10 561 | 2x blank promissory note |
| Investment loan | EUR | 14 563 | 14 204 | Blank promissory note, pledge of movable assets |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Short-Term Bank Loans

(IN CZK THOUSAND)

| Type of loan | Currency | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 | Form of collateral at 31 Dec 2023 |
|--------------------------------|----------|------------------------|------------------------|---|
| Operating loan | CZK | 5 083 | 34 357 | 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 |
| Operating loan | EUR | 56 491 | 22 297 | Blank promissory note |
| Operating loan | EUR | 3 096 | 0 | Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance |
| Investment loan | EUR | 0 | 2 412 | Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance |
| Investment loan | EUR | 294 | 3 732 | Pledge of immovable assets, blank promissory note, pledge of receivables from insurance |
| Operating loan | CZK | 19 951 | 99 352 | Blank promissory note |
| Investment loan | EUR | 12 160 | 11 860 | Blank promissory note |
| Investment loan | EUR | 14 835 | 14 469 | Blank promissory note |
| Investment loan | EUR | 14 063 | 0 | Blank promissory note |
| Investment loan | EUR | 1 581 | 6 163 | Mortgage, insurance pledge |
| Investment loan | EUR | 3 014 | 2 966 | Mortgage, insurance pledge |
| Investment loan | EUR | 5 670 | 4 420 | Mortgage, insurance pledge |
| Investment loan | EUR | 4 207 | 3 280 | Mortgage, insurance pledge |
| Overdraft | EUR | 41 892 | 0 | No collateral |
| Acquisition loan | CZK | 258 252 | 133 310 | Blank promissory note |
| Overdraft | CZK | 1 275 453 | 1 402 259 | Blank promissory notes issued by MORAVIA STEEL a.s. |
| Financing of operational needs | CZK | 0 | 458 185 | No collateral |
| Financing of operational needs | CZK | 0 | 458 185 | Pledge of real estate |
| Investment loan | CZK | 32 880 | 32 880 | Pledge of real estate |
| Investment loan | EUR | 24 107 | 21 704 | Technology, real estate |
| Operating loan | EUR | 10 685 | 9 386 | Receivables |

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Short-Term Bank Loans

(IN CZK THOUSAND)

| Type of loan | Currency | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 | Form of collateral at 31 Dec 2023 |
|------------------|----------|------------------------|------------------------|-----------------------------------|
| Operating loan | CZK | 0 | 24 830 | Receivables |
| Investment loan | EUR | 6 332 | 6 175 | Real estate technology |
| Investment loan | EUR | 20 128 | 19 631 | Expansion of production |
| | CZK | 0 | 56 368 | Receivables |
| | EUR | 0 | 20 785 | Receivables |
| | CZK | 0 | 9 863 | Real estate technology |
| Operating loan | EUR | 5 819 | 0 | Receivables |
| Overdraft | PLN | 111 387 | 125 288 | Pledge of receivables |
| Investment loan | CZK | 5 368 | 5 368 | Real estate, technology |
| Investment loan | EUR | 2 086 | 2 034 | Expansion of production |
| Investment loan | EUR | 3 028 | 2 461 | Real estate, technology |
| Operating loan | CZK | 5 797 | 0 | Receivables |
| Revolving loan | CZK | 0 | 70 135 | Pledge of receivables |
| Revolving loan | CZK | 0 | 64 202 | Pledge of receivables |
| Investment loan | CZK | 0 | 25 000 | Pledge of receivables |
| Refinancing loan | CZK | 0 | 25 000 | Pledge of receivables |
| Overdraft | EUR | 36 897 | 0 | Pledge of receivables |
| Overdraft | EUR | 17 729 | 0 | Pledge of receivables |
| Investment loan | EUR | 44 015 | 33 491 | Capital expenditure |
| Operating loan | PLN | 85 227 | 85 121 | Mortgage for real estate |
| Total | | 3 972 652 | 5 658 760 | |

Short-Term Financial Borrowings

(IN CZK THOUSAND)

| Purpose | Currency | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 | Provider |
|--------------|----------|------------------------|------------------------|--------------|
| Short-term | PLN | 83 | 213 | MSA Radomsko |
| Total | | 83 | 213 | |

6.15. OTHER OFF-BALANCE SHEET LIABILITIES, LEGAL DISPUTES

MORAVIA STEEL a.s.

As of 31 December 2023, the Company participated in no legal dispute, the ruling of which would have had a material impact on the Company.

As of 31 December 2023, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 271,437 thousand (31 December 2022: CZK 151,505 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 26,430 thousand as well as interest as of 31 December 2023 in the amount of CZK 5,789 thousand.

In relation to the above legal dispute, there were legal proceedings regarding the disputed amount of the statutory default interest arising from granted counter-performance. The Regional Court in Ostrava partially satisfied the legal action of two former minority shareholders, and this ruling was confirmed by the judgement of the appellate High Court in Olomouc of 26 May 2022 and became final and conclusive. MORAVIA STEEL a.s. subsequently filed an appellate review to the Supreme Court of the Czech Republic, which, however, rejected the appellate review by its ruling of 19 October 2023. On 4 January 2024, MORAVIA STEEL a.s. filed a constitutional complaint against the ruling of the Supreme Court of the Czech Republic, which has not yet been decided.

Moravia Steel Deutschland GmbH

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 its subsidiary Moravia Steel Deutschland GmbH.

According to the most recent information, the legal action was rejected as it is time barred, following a ruling of the State Court in Frankfurt am Main of 3 August 2022. However, the plaintiffs filed an appeal against the negative ruling. No decision has yet been made on the case by the court of the second instance.

The Company records a reserve for this legal dispute in the amount of CZK 387,215 thousand.

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

TŘINECKÉ ŽELEZÁRNY, a. s.

Provided Guarantees

31 December 2023

| Type | Total amount | Balance at 31 Dec 2023 |
|--|---------------------|------------------------|
| Guarantees to other entities | EUR 3,249 thousand | CZK 80,338 thousand |
| | CZK 40,000 thousand | CZK 40,000 thousand |

31 December 2022

| Type | Total amount | Balance at 31 Dec 2022 |
|--|--------------------|------------------------|
| Guarantees to other entities | EUR 3,249 thousand | CZK 78,356 thousand |

Received Guarantees

31 December 2023

| Type | Total amount | Balance at 31 Dec 2023 |
|--|---------------------|------------------------|
| Guarantees to other entities | EUR 5,574 thousand | CZK 137,814 thousand |
| | CZK 46,037 thousand | CZK 46,037 thousand |

31 December 2022

| Type | Total amount | Balance at 31 Dec 2022 |
|--|---------------------|------------------------|
| Guarantees to other entities | USD 52 thousand | CZK 1,166 thousand |
| | EUR 5,255 thousand | CZK 126,721 thousand |
| | CZK 90,170 thousand | CZK 90,170 thousand |

As of 31 December 2023, 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.

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 2023, the Company used up funds in the amount of CZK 548,947 thousand (2022: CZK 543,021 thousand).

Other

In 2023 and 2022, 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.

The Company considered the impact of the ongoing military operation in Ukraine and relating sanctions against the Russian Federation. Although the Company's management is currently not able to make a reliable estimate of the future impacts, they are not material as of the balance sheet date and pose no threat to the going concern.

Other entities included in the MS consolidation group

Energetika Třinec, a.s.

Security for liabilities

(IN CZK THOUSAND)

| Liability type | Balance at 31 Dec 2023 | Balance at 31 Dec 2022 |
|---|------------------------|------------------------|
| Blank promissory notes - security for own overdrafts | 550 000 | 450 000 |
| Blank promissory notes - security for own long-term loans | 235 000 | 235 000 |
| Total | 785 000 | 685 000 |

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.

7. Additional information on the CONSOLIDATED profit and loss account

7.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

2023

(IN CZK THOUSAND)

| Activities | Inland | Cross-Border | Total |
|------------------------|-------------------|-------------------|-------------------|
| Metallurgic production | 12 773 803 | 43 451 241 | 56 225 044 |
| Other production | 2 866 758 | 4 740 903 | 7 607 661 |
| Sale of goods | 113 693 | 379 881 | 493 574 |
| Services | 2 007 159 | 251 230 | 2 258 389 |
| Total | 17 761 413 | 48 823 255 | 66 584 668 |

2022

(IN CZK THOUSAND)

| Activities | Inland | Cross-Border | Total |
|------------------------|-------------------|-------------------|-------------------|
| Metallurgic production | 14 771 417 | 48 855 682 | 63 627 099 |
| Other production | 2 885 398 | 6 746 487 | 9 631 885 |
| Sale of goods | 81 651 | 330 632 | 412 283 |
| Services | 1 435 053 | 311 495 | 1 746 548 |
| Total | 19 173 519 | 56 244 296 | 75 417 815 |

7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 68,986 thousand and CZK 53,280 thousand as of 31 December 2023 and 2022, respectively.

Other operating income as of 31 December 2023 and 2022 predominantly included the use of the grant for allowances in the amounts of CZK 8,605,789 thousand and CZK 6,315,735 thousand, respectively, and anticipated insurance benefits relating to the accident of the wind heater in the amount of CZK 535,015 thousand (2022: CZK 917,991 thousand).

Other operating expenses as of 31 December 2023 and 2022 predominantly included the use of allowances in the amounts of CZK 8,605,789 thousand and CZK 8,229,032 thousand, respectively.

Financial donations are reported under operating expenses. The total amount of donations provided in 2023 was CZK 40,315 thousand (2022: CZK 76,256 thousand).

Other financial income and expenses in the years ended 31 December 2023 and 2022 predominantly included foreign exchange rate gains and losses.

In the year ended 31 December 2023, the Company received and reported the compensation for indirect costs in respect of sectors identified as having a significant risk of carbon leakage as a result of greenhouse gas emissions reflected in the price of electricity for the calendar year of 2022 in the amount of CZK 308,021 thousand.

In the year ended 31 December 2022, the Company received and reported the compensation for indirect costs in respect of sectors identified as having a significant risk of carbon leakage as a result of greenhouse gas emissions reflected in the price of electricity for the calendar year of 2021 in the amount of CZK 154,511 thousand.

7.3. GRANTS AND SUBSIDIES

In the year ended 31 December 2023, TŘINECKÉ ŽELEZÁRNY, a. s. received a subsidy for the acquisition of environmental and other investments of CZK 60,449 thousand.

In the year ended 31 December 2022, TŘINECKÉ ŽELEZÁRNY, a. s. received a subsidy for the acquisition of environmental and other investments of CZK 14,923 thousand.

In the year ended 31 December 2023, Slévárny Třinec, a.s. used a subsidy for the Renovation of the thermal energy distribution at the Wood workshop operation of CZK 1,720 thousand.

In the year ended 31 December 2022, SV servisní, s.r.o., received a subsidy for Modernisation of LDS – switching station of CZK 5,196 thousand.

The subsidy for operating purposes of CZK 4,868 thousand used in 2023 includes a subsidy for research and development, subsidy for the

operations of the Třinecké železářny and Třinec town museum and subsidies for education.

Subsidies for operating purposes and contributions relating to companies of the TŽ consolidation group in the amount of CZK 12,534 thousand used in 2022 include subsidies for research and development, a subsidy for the museum operation, a subsidy for education, 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 67,575 thousand in the year ended 31 December 2023 (2022: CZK 14,422 thousand).

7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

(IN CZK THOUSAND)

| | 31 Dec 2023 | 31 Dec 2022 |
|--|-------------|-------------|
| Research and development expenditure (net of grants) | 36 143 | 42 647 |

7.5. RELATED PARTY TRANSACTIONS

7.5.1. INCOME GENERATED WITH RELATED PARTIES

Income generated with related parties amounted to CZK 356,353 thousand in 2023. All related party transactions took place under arm’s length conditions (2022: CZK 263,703 thousand).

Income from profit shares from related parties for 2023 and 2022 is disclosed in Note 6.5.

7.5.2. PURCHASES FROM RELATED PARTIES

Total purchases from related parties amounted to CZK 6,903,153 thousand (2022: CZK 5,511,286 thousand).

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 2023 was 13,330, of which 248 managers.

The number of employees as of 31 December 2022 was 13,482, of which 251 managers.

The staff costs of employees in the year ended 31 December 2023 amounted to CZK 9,540,160 thousand, of which staff costs of managers amounted to CZK 585,198 thousand. The staff costs of employees in the year ended 31 December 2022 amounted to CZK 9,430,532 thousand, of which staff costs of managers amounted to CZK 699,359 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:

(IN CZK THOUSAND)

| | 2023 | 2022 |
|---|---------------|---------------|
| Use of management cars (the figure increases the tax base of employees) | 20 087 | 18 834 |
| Contribution for supplementary pension scheme and life insurance | 921 | 783 |
| Liability insurance | 1 932 | 1 929 |
| Total | 22 940 | 21 546 |

9. Post balance sheet events

Subsequent to the consolidated balance sheet date, no events occurred that would have a material impact on the consolidated financial statements as of 31 December 2023.