

TŘINECKÉ ŽELEZÁŘNY

CONSOLIDATED ANNUAL REPORT

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GENERAL SECTION



COMPANY PROFILE

TŘINECKÉ ŽELEZÁŘNY, a. s. (hereinafter “Třinecké železářny”, “TŽ” or the “Company”), was founded in 1839 and for more than 180 years it has been a successor to the long tradition of metallurgical production in Těšín Silesia. The sole shareholder of Třinecké železářny today MORAVIA STEEL a. s. (referred to as “MS”). Třinecké železářny is the largest crude steel producer with domestic capital and since 2009, has held the largest share of domestic steel production. The corporate mission “Together for the Generations to Come” clearly describes the long-term relationship of Třinecké železářny with its surrounding region, the co-responsibility for the continuous improvement of the environment in its vicinity and the effort to improve the quality of life of its inhabitants.

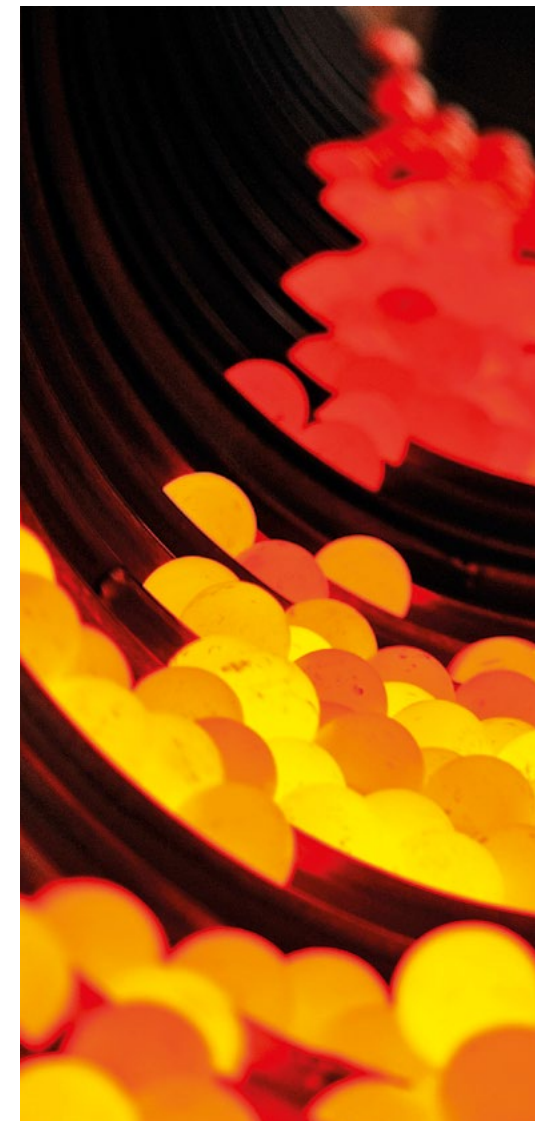
Annual production of the ironworks reaches around 2.5 million tonnes of steel and the main product portfolio consists of long rolled products – wire rod, sections, special bar steel, drawn steel, rails including railway superstructure accessories, wide steel, seamless tubes and semis. Additional products include coke and by-products resulting from production, further artificial compact aggregates and granulated slag.

Třinecké železářny is an integrated production plant that includes operations from coke production to the final hot-rolled steel product. The coke-chemical production plant includes two coke-oven batteries and a pulverised coal injection (PCI) into the blast furnace hearth. The produced coke and the pulverised coal are used in the plant’s own blast furnaces together with the sinter charge, which has been prepared in two sinter plants. More than 98% of Třinec steel is produced in the BOF converter plant, on the basis of oxygen refining of iron.

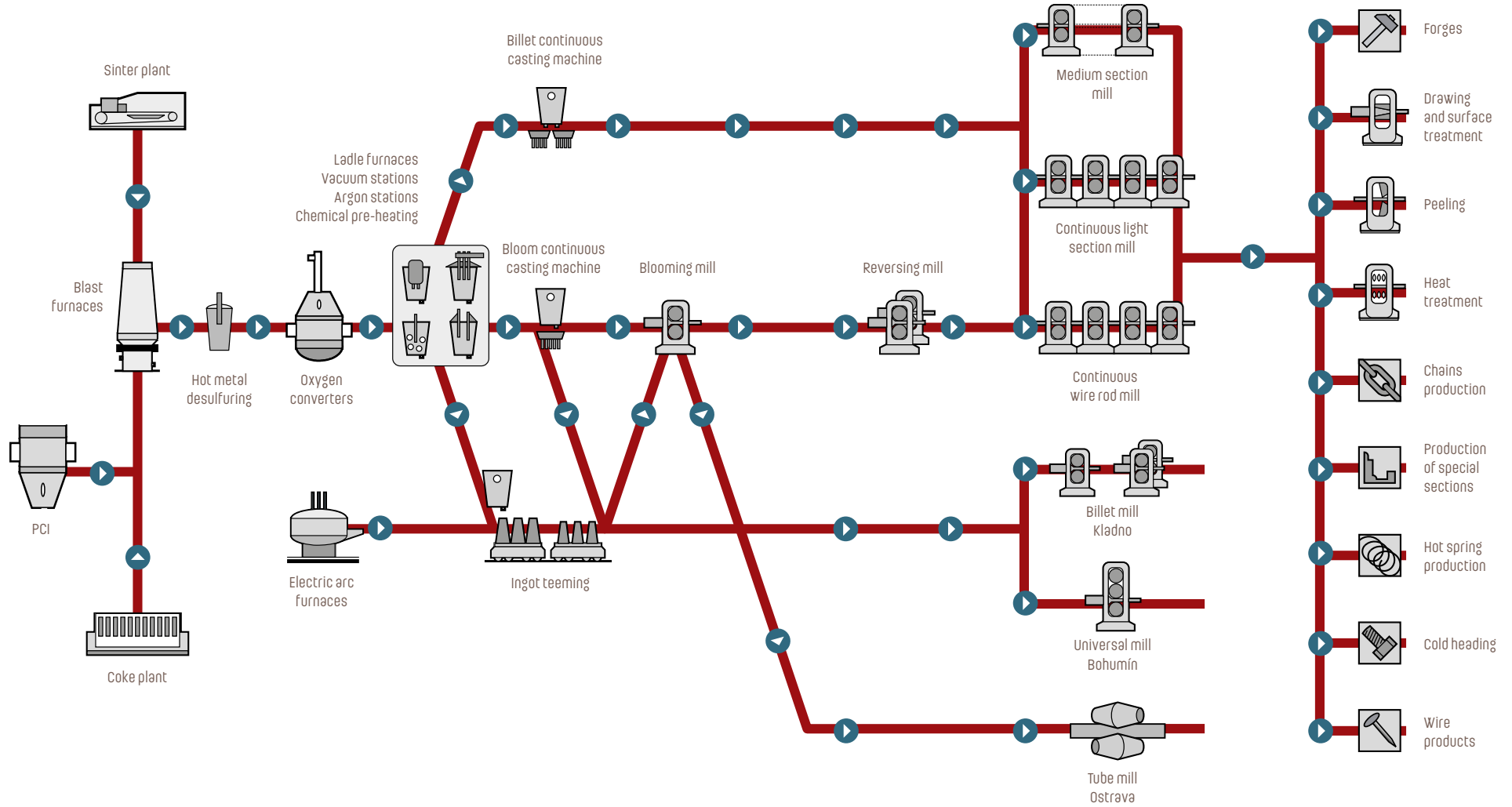
The BOF plant is equipped with complete ladle metallurgy enabling chemical and thermal homogenisation, additional alloying as well as vacuum treatment. The BOF steel is largely cast in two machines for the continuous casting of blooms and billets. Steel is also produced in the EAF steel plant. Blooms, billets and to a smaller extent ingots from steel plants form a charge for the rolling mill plants in Třinec – a rolling mill for blooms and heavy profiles, medium section mill, rolling mill for wire rod and light sections – as well as for the tube mill in Ostrava, for the universal strip mill in Bohumín, the steel drawing plant in Staré Město or for the billet mill located in Kladno. The accompanying products, resulting from metallurgical production, are processed into artificial normal weight aggregate and further construction material at the secondary raw material plant. Metalliferous waste goes back to the closed metallurgical cycle.

Throughout its history, Třinecké železářny has produced more than 180 million tonnes of steel. Our products have been placed on the domestic market as well as bought by customers all over the world. More than half of the annual production of high-quality steel products bearing the trademark of Třinecké železářny – three hammers in a circle – has been directed to customers from more than 60 countries worldwide.

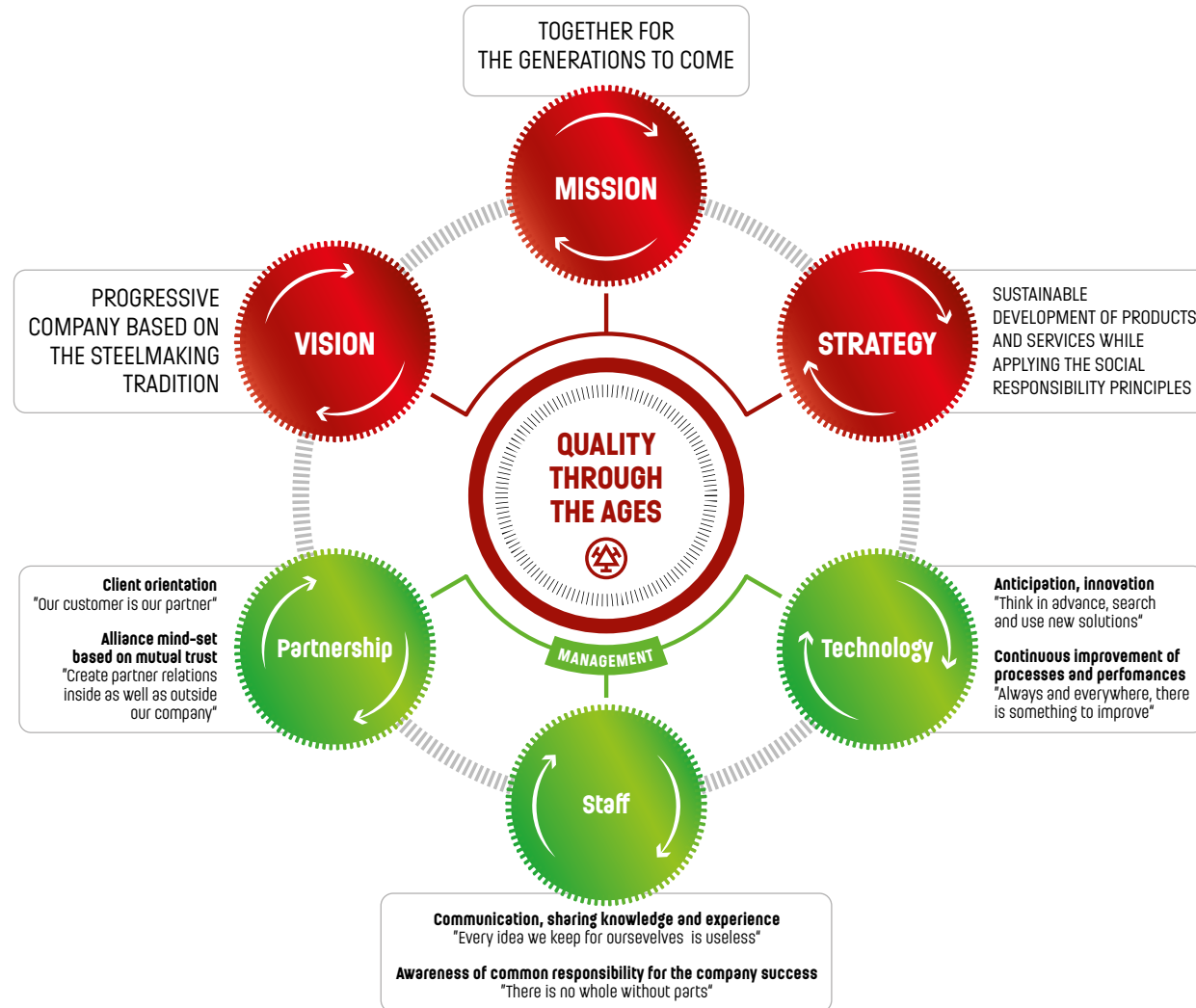
The Company's commitment to sustainable development is reflected in its social, economic and environmental responsibility and is an integral part of the company culture and strategy of Třinecké železářny. In the long term, the Company has devoted considerable efforts to improve the state of the environment in its surroundings. Extensive Modernisation investment projects aim not only to make production more efficient, but also to ecologise many production facilities.




MATERIAL FLOWS AND TECHNOLOGY



OUR STRATEGIC FRAMEWORK





PROFILE OF THE CONSOLIDATION GROUP

The consolidation group (hereinafter referred to as "TŽ Group") consists of TŘINECKÉ ŽELEZÁŘNY, a. s. together with the following subsidiaries and associated companies:

- **ENERGETIKA TŘINEC, a. s.** – supplier of the whole spectrum of energies and energy services – electricity, process steam, heat, heating gases, compressed and blown air, utility and potable water.
- **Slévárny Třinec, a. s.** – manufacturer of castings from steel, cast iron and non-ferrous metals.
- **VÚHŽ a.s.** – special metallurgical production and supply of automation technologies for the metallurgical industry.
- **Šroubárna Kyjov, spol. s r. o.** – manufacturer of fasteners – bolts, nuts, special fasteners and forgings of a similar nature.
- **Strojírny a stavby Třinec, a. s.** – custom engineering production of technological units and weldments, including machining on CNC machines; turnkey industrial and civil constructions, road construction.
- **„METALURGIA“ S. A.** – manufacturer of drawn wire, which is further treated by galvanizing and pickling.
- **„D&D“ Drótáru Zrt.** – manufacture of cold-drawn wire and strands for prestressed reinforcement for use mainly in the construction and mining industries; manufacture of steel fibres for concrete floors.

- **ŽDB DRÁTOVNA a. s.** – drawing plant for unpatented and patented wire, steel cords, rope mill, spring and wire production.
- **HŽP a. s.** – manufacturer of helical, leaf and parabolic springs.
- **SV servisní, s. r. o.** – energy services, construction and installation work.
- **Řetězárna a. s.** – production of a wide range of length chains for various applications.
- **REFRASIL, s. r. o.** – refractory materials for lining of metallurgical facilities and refractory building materials.
- **BOHEMIA RINGS s. r. o.** – precision engineering components, bearing rings for wind power plants.
- **VESUVIUS ČESKÁ REPUBLIKA, a. s.** – isostatically pressed ceramics for the control and protection of steel flow in the continuous casting process in metallurgical plants.

KEY PERFORMANCE INDICATORS 2017–2021

COMPANY INDICATORS	UNIT	2017	2018	2019	2020	2021
PIG IRON PRODUCTION	HT	2 059	2 108	2 045	2 107	1 943
CRUDE STEEL PRODUCTION	HT	2 528	2 583	2 508	2 581	2 400
OF WHICH CONTINUOUS CASTINGS	HT	2 424	2 471	2 430	2 517	2 294
SALES OF ROLLED PRODUCTS INCLUDING STEEL	HT	2 333	2 375	2 355	2 360	2 288
TOTAL REVENUES	CZK MIL.	36 807	41 750	40 786	39 352	50 953
INCOME FROM SALES OF PRODUCTS, GOODS AND SERVICES	CZK MIL.	35 859	40 496	38 405	35 114	43 715
EXPORT SHARE OF SALES OF ROLLED PRODUCTS, INCLUDING SEMI-FINISHED PRODUCTS	%	66.2	67.0	66.2	67.4	67.7
TOTAL COSTS EXCLUDING INCOME TAX	CZK MIL.	35 118	37 673	40 101	38 822	49 340
NET PROFIT OR LOSS	CZK MIL.	1 424	3 334	610	469	1 306
NET TOTAL ASSETS	CZK MIL.	35 399	38 943	39 690	39 487	41 769
GROSS TANGIBLE FIXED ASSETS	CZK MIL.	38 497	39 925	41 935	42 908	44 013
PROVISIONS AGAINST TANGIBLE FIXED ASSETS	CZK MIL.	23 118	24 241	25 442	26 573	27 469
EQUITY	CZK MIL.	25 756	27 890	28 500	28 969	30 276
CAPITAL INVESTMENTS	CZK MIL.	2 697*	1 710*	2 195*	1 275*	1 663*
OTHER CAPITAL INCLUDING OTHER LIABILITIES	CZK MIL.	9 643	11 053	11 190	10 517	11 494
EMPLOYEES – AVERAGE RECALCULATED HEADCOUNT	PERSONS	7 029	7 115	7 062	7 010	6 878
AVERAGE MONTHLY WAGE	CZK/PERSON	31 043	35 021	36 184	36 778	38 353

* WITHOUT SUBSIDIES



TŽ GROUP INDICATORS	UNIT	2017	2018	2019	2020	2021
INCOME FROM SALES OF PRODUCTS, GOODS AND SERVICES	CZK MIL.	45 319	51 820	49 809	45 700	56 727
NET TOTAL ASSETS	CZK MIL.	40 648	44 868	45 305	45 357	48 695
NET TANGIBLE FIXED ASSETS	CZK MIL.	21 922	23 543	24 413	24 259	24 205
EQUITY	CZK MIL.	27 935	30 389	30 990	31 395	33 595
CONSOLIDATED PROFIT OR LOSS EXCLUDING MINORITY INTERESTS	CZK MIL.	1 561	3 666	646	436	2 254
FOREIGN EQUITY INCLUDING ACCRUALS	CZK MIL.	12 324	14 197	14 027	13 674	14 792

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SUPERVISORY BOARD AND BOARD OF DIRECTORS

CONSOLIDATED ANNUAL REPORT 2021

SUPERVISORY BOARD

CHAIRMAN	TOMÁŠ CHRENEK
1ST VICE-CHAIRMAN	JÁN MODER
2ND VICE-CHAIRMAN	EVŽEN BALHO
MEMBER	JOZEF BLAŠKO
MEMBER	JANA KANTOROVÁ
MEMBER	MARCEL PIELESZ

BOARD OF DIRECTORS

CHAIRMAN	JAN CZUDEK
1ST VICE-CHAIRMAN	ČESLAV MAREK
2ND VICE-CHAIRMAN	IHENRYK HUCZALA
MEMBER	RADOMÍRA PEHÁRKOVÁ
MEMBER	IVO ŽIŽKA

W

INTRODUCTORY WORD OF THE SUPERVISORY BOARD CHAIRMAN

To our customers, partners and employees.

In evaluating the past year of 2021, we must also take into account the previous year, which caught us by surprise with a series of unprecedented measures caused by the SARS-CoV-2 pandemic. This has further complicated an already difficult situation in the steel industry that has persisted since 2019.

After five years of negotiations, the UK has left the European Union, leading to a series of official and logistical problems despite careful preparation by companies trading with the UK. The biggest complications are currently being experienced in Northern Ireland, which is once again becoming a neuralgic point. Fortunately, our business with the UK has not suffered any major shocks as we have continuously modified our product portfolio since the Brexit referendum result was announced.

A significant phenomenon of the past year has been the ongoing coronavirus pandemic, which has had a major impact on life and business in every country in the world. The first quarter of last year was marked by a rapid increase in illnesses, hospitalisations and, unfortunately, deaths caused by the coronavirus. Companies in the TŽ-MS Group have not been significantly affected by the pandemic, thanks in particular to a number of measures we have introduced above and beyond government regulations. In addition, we set up a company vaccination centre for our employees, which was in operation from April to August last year and then for booster dose re-vaccination from last November until this February. I would therefore like to thank the medical staff of AGEL Třinec-Podlesí Hospital, without whose help we could not have succeeded.



The global economy was hit by a chip shortage during the past year, which brought complications in the automotive industry, for example. Another negative phenomenon was the extreme increase in the prices of input materials and raw materials, which rose to several times what we were used to in previous years. All this culminated in a sharp rise in energy prices at the end of the year, due to the steep rise in the price of emission allowances, which was one of the impetuses for the start of inflation. Although we managed to

eliminate the unfavourable conditions thanks to a sophisticated business strategy, the company's performance was undoubtedly affected.

During the past year, we invested almost CZK 1.7 billion. The largest investments were made at the turn of last summer and autumn. We managed to complete the reconstruction of the Blast Furnace No. 6 several days ahead of schedule. Another important investment, the reconstruction of the Continuous Casting Machine No. 1,

enabled us to cast round blocks of the largest 600 mm diameter on all casting streams. The joy of these achievements was unfortunately dashed by the failure of the hot blast stove in the Blast Furnace No. 4, which resulted in steel production falling below planned levels at the end of the year.

Among the current events taking place on the international scene, it is necessary to mention the war conflict in Ukraine and the related persistent uncertainty regarding the supply of

raw materials, especially iron ore. We have therefore immediately started working on strengthening the spectrum of ore suppliers and have adjusted our production processes in order to react promptly to the development of the war conflict.

Dear friends,

despite the challenging conditions last year, we continued to maintain our position as the largest steel producer of steel and rolled material in the Czech Republic, with virtually every second ton of Czech steel produced in Třinec.

Furthermore, I am pleased to report that TŽ's after-tax profit reached CZK 1.306 billion. For the consolidated result, the value is CZK 2.254 billion. All of this proves that we have appropriately chosen our product chain strategy.

**Dear customers, partners
and employees,**

on behalf of the Supervisory Board and the Board of Directors of our joint-stock company, I would like to thank you for the quality cooperation, work commitment, inventiveness and loyalty, as well as for the support we received from all of you in the past financial year. We were able to cope with the difficult situation we faced during 2021 thanks to you. For this, I would like to express my sincere thanks to all of you. I believe that in the future, Třinecké železářny will continue to be one of the leading companies in the Czech Republic and our products will continue to be sought after by customers from all over the world.



Tomáš Chrenek

Chairman of the Supervisory Board



VI

BOARD OF DIRECTORS REPORT

DEVELOPMENT OF THE MACROECONOMIC ENVIRONMENT AND COMPETITION

Gross domestic product in the Czech Republic grew by 3.6% last year, driven by the mitigation of the impact of the COVID-19 pandemic in the summer period. Industrial production returned to pre-2019 numbers, but problems persist in the automotive industry, mainly due to shortages of electronic components.

Measures taken to combat the spread of a new type of coronavirus known as SARS-CoV-2 and their related effects had less impact on the domestic economy than in the previous year. This was also due to the impact of vaccination, as approximately 65% of the country's population received vaccines against COVID-19.

The overall economic situation in the Czech Republic was also affected by the situation in the financial markets, where uncertainty about future developments persisted and asset prices fell. Towards the end of the year, the Czech Republic was hit by

the energy crisis, with sharp increases in the prices of electricity, gas and oil products. This crisis was one of the causes of the Czech crown's highest inflation since 2008.

Crude steel production in the Czech Republic rose by 7.9 percent year-on-year to 4.82 million tonnes. Steel production in the EU, this time excluding the UK, which left the EU on 1 January 2021, was 152.5 million tonnes, an increase of 15.4 per cent compared to 2020. Despite the decline in crude steel production, Třinecké železářny maintained its position as the largest steel producer in the Czech Republic, a position it has held since 2009.

Total foreign trade in metallurgical products from all over the world in relation to the Czech Republic recorded an increase in imports last year. There was also a slight increase in exports of both long as well as flat products.

World crude steel production reached 1,950.5 million tonnes in 2021, with a growth of 3.7% compared to 2020.

It increased in 2021 in all regions of the world except China, Iran, Hungary, Indonesia, Qatar, Malaysia and Belarus.

Asia's annual crude steel production reached 1,375.6 million tonnes, up 0.8% from 2020. China produced 1,032.8 million tonnes, down 3.0% from the previous year. China's share of world production fell to 52.9%. India produced 118.1 million tonnes of crude steel in 2021, with an increase of 17.8% compared to 2020, maintaining its position as the world's second largest steel producer. Production in Japan reached 96.3 million tonnes in 2021, up 15.8% year-on-year. South Korea produced 70.6 million tonnes of crude steel, up 5.2% from 2020.

Crude steel production in North America reached 117.8 million tonnes in 2021, 16.6% more than in 2020. The US increased steel production to 86.0 million tonnes, 18.3% more than in 2020.

In 2021, the EU27 produced 152.5 million tonnes of crude steel, up 15.4% on 2020. The largest EU producer,

Germany, produced 40.1 million tonnes, up 12.3%, while Italy produced 24.4 million tonnes, up 19.7% year-on-year. Spain produced 14.0 million tonnes, 27.7% more than the previous year, while France produced 13.9 million tonnes of crude steel, up 20.3% year-on-year. The EU27's share of global crude steel production increased from 7.0% in 2020 to 7.8% today.

The CIS countries produced 105.6 million tonnes of crude steel in 2021, an increase of 5.6% y-o-y. Russia produced 76.0 million tonnes of crude steel, up 6.1% y-o-y. Ukraine's production progressed by 3.6% to 21.4 million tonnes.

Annual crude steel production in South America reached 45.6 million tonnes in 2021, with an increase of 17.8% relative to 2020. Brazil reported a volume figure of 36.0 million tonnes, up 14.7% over the previous year.

The Middle East produced 41.2 million tonnes in 2021, up 1.2% from the previous year. Iran recorded a 1.8% decline to 28.5 million tonnes.



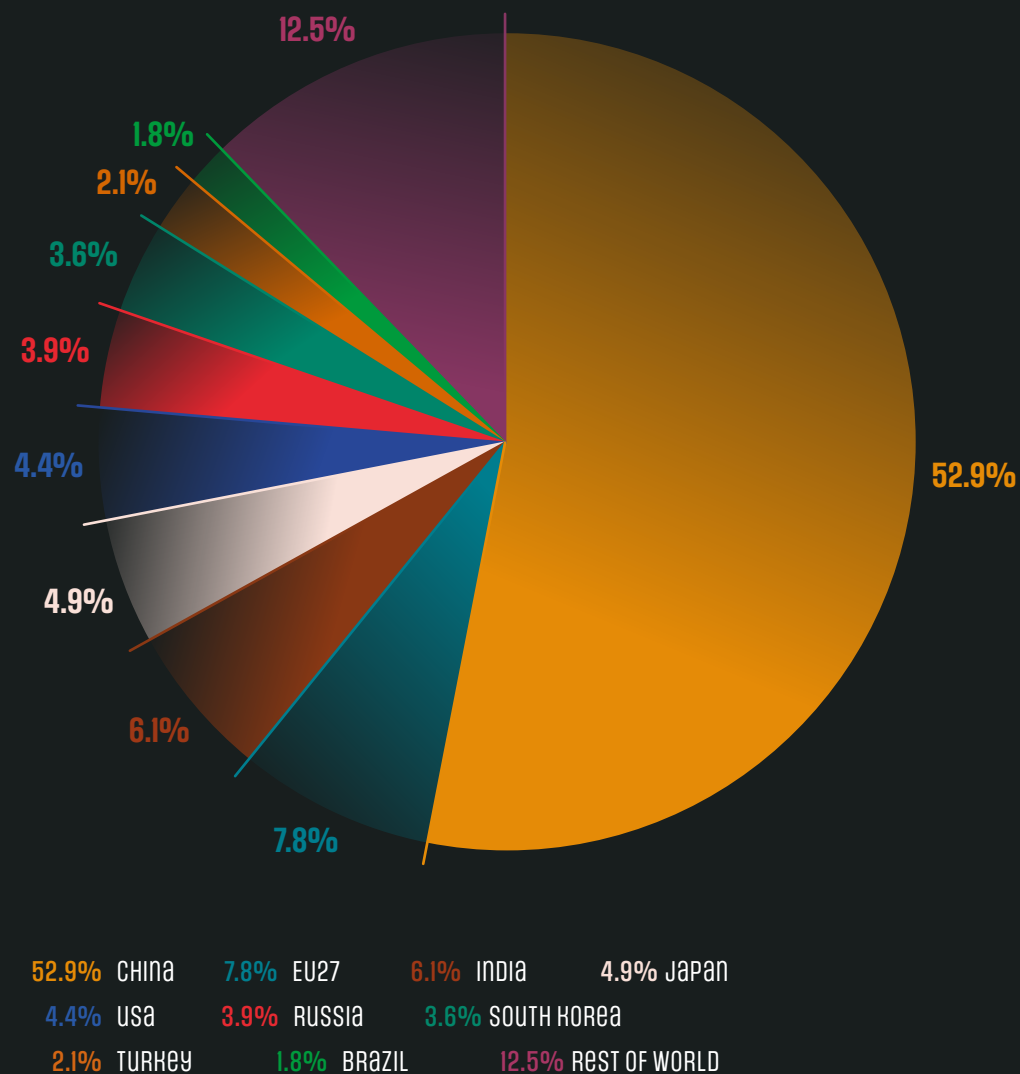
The European industry showed a recovery in production in all sectors in 2021, despite the persistence of the COVID-19 pandemic and production cutbacks in the automotive sector due to a shortage of automotive parts. Thus, automotive production showed a growth of only 2.7% compared to a fall of 20.3% in the previous year. The construction sector is one of the main pillars of steel consumption and recorded a growth of 6.7% in 2021. The engineering sector had a more progressive development of 11.4% and tube manufacturing 12.3%.

PRODUCTION AND POSITION ON THE MARKET

Despite all the adverse circumstances, the outlook for the coming years is positive, with a gradual recovery expected in all key steel-using sectors.

Output growth in the EU steel industry sectors is forecasted to reach 4.0% in 2022 and to continue to grow in 2023 (2.4%). The high price of emission allowances, the sharp increase in energy prices, the trade war between China and the European Union, and the war between Russia and Ukraine are the main risk factors.

SHARE OF GLOBAL STEEL PRODUCTION IN %



Crude steel production in the Czech Republic reached 4.82 million tonnes in 2021, up 7.9% on the previous year. The volume of pig iron production increased by 9.4% to 3.87 million tonnes. The forecast for 2022 is for production growth of up to 6%.

Třinecké železářny's share of domestic crude steel production fell to 50% in 2021. Production totalled 2.4 million tonnes of crude steel and fell by 7.0% year-on-year, mainly due to the repair of blast furnace No 6.

TŽ has modern technological equipment and is preparing an integrated transformation project based on the use of renewable energy, a change in steel production technology and the greening of primary production. The strengths of the company and its subsidiaries include the high expertise, knowledge and experience of the employees, which has long been capitalised in the entire production and technological flow of the TŽ Group. In terms of quality, TŽ ranks among the leading European producers of long steel products, especially in the

production of SBQ steel, wire rod, bright steel and finished products. The high quality of products and reliability of supply find permanent application in the European market, especially in the automotive, engineering, railway and construction industries. Třinecké železářny is the only producer of steel products in the Czech Republic that has expanded through acquisitions in the last twenty years. A number of trading companies belonging to the TŽ Group increase the value of the primary produced long steel products by their finishing in their own capacities, thus significantly extending the Group's own production chains.

The volume of sales of rolled goods and semi-finished products reached 2.288 million tonnes last year, of which 69.3% was exported and 30.7% was delivered to domestic customers. The most important export countries are Germany, Italy, Slovakia and Poland. Sales of steel products finished in TŽ subsidiaries increased by 4.8% compared to the previous year to 306 kt.





The main product is wire rod, which accounted for 42.1% of total sales in 2021. Total sales of wire rod last year amounted to 962 kt, of which 71.6% were placed on foreign markets. As a result, the drop in pig iron production associated with the shutdown of blast furnace No. 6 was reflected in the full-year decline in wire rod production. Thanks to the investment in a new drawing and phosphating line for wire production, sales of higher value-added products are increasing. TŽ subsidiaries

processed and added value to a total of 249 kt of wire rod. Rolled and further finished wire accounts for the largest share of production in the TŽ Group and represents the largest customer and product portfolio.

The sales volume in the bar and section steel range reached 536 kt, of which 62.9% was exported. The sales of bright steel increased from 80 kt to 91 kt compared to the previous year and contributed partly to the growth in

sales of higher value-added products. The volume of sales of bar and section steel processed by TŽ subsidiaries reached 35 kt. Bar and section steel is mainly recovered in the form of flexible parts used in the automotive industry.

Sales of semi-finished products fell to 320 kt last year, with lower sales related to the shutdown and modernisation of the continuous casting machine. The portfolio of semifinished products comprised 63% of cast blooms, 16% of

rolled blooms and 21% of rolled billets. Sales of ingots and rolled slabs accounted for a negligible 0.2% of semi-finished sales. Exports of 180 kt accounted for 56 % of total sales of semi-finished products. In 2021, the TŽ Group further processed 20 kt of semi-finished products, most of which were round blooms for the subsequent production of rolled steel rings. The largest volume of steel rings goes to the wind energy and engineering segments. The TŽ Group is thus partly contributing to meeting climate targets that lead to an increase in the share of electricity generated from renewable sources.

TŘINECKÉ ŽELEZÁŘNY IS THE ONLY MANUFACTURER OF RAILS AND RAILWAY ACCESSORIES IN THE CZECH REPUBLIC

Třinecké železářny is the only manufacturer of rails and railway accessories in the Czech Republic. Last year, it supplied 41 kt of these products to the domestic market. Of the total production of 235 kt, a total of 124 kt of rails and railway accessories were exported to the European Union and 70 kt to other countries. They were exported to the USA, Canada, Egypt, Israel and other export destinations. Total exports for the evaluation period reached 83%.

Sales of seamless tubes recorded a slight increase to 92.8 kt (5.6%). Seamless tube exports reached 81 kt last year, 90% of which went to the European Union market. The domestic market accounted for 12.6% of total sales. Seamless tubes are used in the construction, engineering, oil and energy industries.

Sales of the wide flat steel produced by the universal strip mill in Bohumín showed a volume of 43 kt in 2021, mainly in the range of structural steels, of which 36.4 kt was exported to EU countries. Deliveries to the domestic market amounted to 5.5 kt.



SALES OF LONG PRODUCTS 2019–2021

SALES (TONNES)	DOMESTIC			EXPORT			TOTAL		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
WIRE ROD	316 205	293 612	273 154	675 054	723 351	689 204	991 259	1 016 963	962 358
SEMIS	170 537	159 333	139 836	191 746	201 688	180 412	362 283	361 021	320 248
PROFILES & SECTIONS	204 422	181 985	198 852	318 339	360 003	337 442	522 761	541 988	536 294
RAILS*	41 527	54 618	41 158	219 468	170 935	194 044	260 995	225 553	235 202
TUBES	8 241	10 703	11 713	84 935	77 128	81 055	93 176	87 831	92 768
WIDE STEEL	4 485	4 600	5 450	37 533	37 149	37 491	42 018	41 749	42 941
DRAWN STEEL	25 190	22 529	28 946	50 328	57 052	62 427	75 518	79 581	91 373
DRAWN WIRES	3 684	2 874	2 381	3 121	2 791	4 361	6 805	5 665	6 742
TOTAL	774 291	730 254	701 490	1 580 524	1 630 097	1 586 436	2 354 815	2 360 351	2 287 926

* SALE OF RAILS INCLUDING RAILWAY SUPERSTRUCTURE ACCESSORIES

TŘINECKÉ ŽELEZÁŘNY EXPORT TERRITORIES

EXPORT STRUCTURE IN %	2019	2020	2021
EUROPEAN UNION	91.7	96.2	90.6
– OF THIS GERMANY	27.2	31.3	26.3
– OF THIS SLOVAKIA	15.1	13.7	14.9
– OF THIS ITALY	14.6	16.2	16.0
– OF THIS POLAND	11.6	10.7	12.0
REST OF EUROPE	0.5	0.6	4.3
AMERICA	7.0	2.7	4.1
AFRICA & AUSTRALIA	0.1	0.1	0.3
ASIA	0.7	0.4	0.7
TOTAL	100.0	100.0	100.0

INVESTMENTS AND MODERNISATION

The technical development project plan for 2021 is a part of the business programme of Třinecké železářny. Our investments were focused on the restoration and modernisation of existing production facilities, environmental projects, cost reduction projects of robotisation and automation of production processes.

A total of CZK 1,697 million was invested, of which CZK 34 million were subsidies for environmental projects.

In 2021, 28 running projects were ongoing. The most significant were:

- Reconstruction of Blast Furnace No. 6,
- Restoration of the guiding stool frames of the continuous casting plant 1 + 600 mm diameter,
- Modernisation of Hot Blast Stove No. 62,
- Scrap yard crane No. 1,
- New peeling line,
- STAKU line No. 2,
- Modernisation of pre-rolling and middle order of the casting line,
- Screwdriving machine,
- Reconstruction of surface defect measurement on a quadrate line,
- Quadrate line blasting machine.

A total of 25 new investment projects have been launched. The most significant of them are:

- Renewal of 270 t pouring crane converters,
- Renewal of hydraulic stations 1 and 2 of Continuous Casting Machine No. 2,
- Renewal of the stool converters of the Continuous Casting Machine No. 1,
- Blast Furnace drilling and plugging machine of Blast Furnace No. 4,
- INNOFREIGHT stationary unloading equipment,
- Renewal of ASC stools of the continuous light section mill,
- Modernisation and reconstruction of the milling cutter line,
- Heat treatment of rails,
- Automated vertical storage system- 2nd and 3rd stage,
- Quality assurance of the Great Mannesmann.

In 2021, two ecological projects were continued using grants from the State Environmental Fund of the Czech Republic and ecological action was launched within the operational program Enterprise and Innovation for Competitiveness (energy saving). In total, CZK 132 million was invested

into environmental actions in 2021, of which CZK 98 million comprised the investment funds of Třinecké železářny and CZK 34 million were from subsidies. These most significant actions are:

- De-dusting equipment for the collection and processing the mixture for blast furnace sinter production,
- Modernisation of media preheating,
- Desorbers of continuous light section mill.

INVESTMENTS AND MODERNISATION – THE TŽ GROUP COMPANIES

Each company in the TŽ Group provides a Technical Development Plan, which is an integral part of its Business Programme. The investment funds are directed mainly to the fields of further modernisation and expansion of production capacities, ecology, minimisation of manual labour by the form of robotics – automation as well as increasing the level of occupational health and safety at workplaces.

Investments of the TŽ Group companies reached CZK 633 million in 2021.

TECHNOLOGY AND RESEARCH

Technological activities in Třinecké železářny are focused on the realisation of the strategic goals of the Company leading to satisfying demanding customer requirements. It means that by controlling the technological process throughout the production flow, the require quality parameters of manufactured semi-finished products are ensured.

An important factor is the continuous monitoring of customer requirements and process parameters, validation, integration and implementation of modern technologies and procedures, which not only significantly reduce production and processing costs or the potential environmental burden, but also significantly increase the added value of final products, which make Třinecké železářny a major producer in Central Europe.

The field of technology is governed by internal technological regulations and measures. It includes the entire material production flow from pig iron and steel production and its processing



in rolling mills, to a high level of mechanical or hot final treatment of the product. The technological regulations and measures mentioned above are continuously updated with regard to modernisation of technological processes or innovation of production facilities.

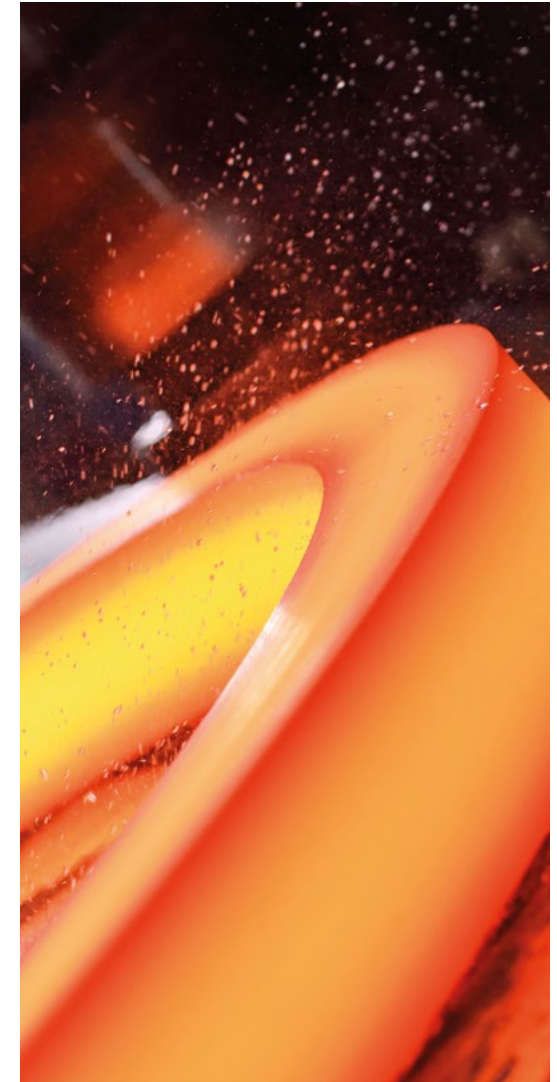
We continually guarantee to our clients the product quality through established quality management tools such as the "Quality Plan" and the "Continuous Improvement Programme" driven by the "Quality Objective". With the help of these special-purpose tools and close cooperation with the customer, not only the percentage of non-conforming production is reduced, but also the quality parameters of the final products are increased, which ultimately leads to mutual satisfaction. The close cooperation with key customers is then professionally managed by technical "Quality Services".

Technological activities are also focused on improving the quality of products and semi-finished products, also in cooperation with other

companies in the TŽ-MS Group; the aim is also new top products.

One of the key tools of permanent production quality control in conjunction with customer requirements are the principal production programs for which a comprehensive report is prepared and that are negotiated every year:

- Steel grades for Billet Mill in Kladno,
- Tube production,
- Steel grades from EAF,
- Steel bars from Continuous Light Section Mill and Medium Section Mill for the automotive industry,
- Screw steel,
- Spring steel,
- Drawn steel,
- Chain steel,
- Bearing steel,
- Continuously cast semis for direct deliveries and axle steel,
- Rails,
- Wire rod from Continuous Wire Rod Mill,
- Waste management and by-products.



Research and development in Třinecké železářny are very closely connected with production technology and focuses on continuous innovative solutions of technological processes within individual plants and facilities. The goal of individual solutions is to constantly increase the quality parameters of steel products, develop new technological processes, develop the product portfolio and increase productivity. Given to the global trend, due attention is currently being paid to environmental aspects, especially the energy intensity reduction of metallurgical production and the reduction of the carbon footprint. An important part of the research and development department activities is also the development of cooperation with universities in the form of projects, such as long-term intersectoral cooperation and the national competence centre. Long-term cooperation has been established with the subsidiary company MATERIAL AND METALLURGICAL RESEARCH s.r.o., which provides Třinecké železářny with significant assistance, e. g. in modelling metallurgical and forming processes.

In 2021, a total of 23 projects were completed, of which 3 were solved in accordance with the conditions of the IATF 16949 automotive industry. A total of 5 projects focused on the following topics were completed:

- Development of the use of metallurgical by-products,
- Development of quality indicators and product portfolio of screwdriving brands,
- Research on the formation of structural changes and micro-purity of steel along metallurgical processes.

In 2021, a total of 5 new projects were implemented.

Currently solved projects specialise in the following areas:

Rently solved projects specialise in the following areas:

- Secondary raw materials processing,
- Sinter plants productivity,
- Development of heat treatment procedures of steel products,
- Development of special steels at electric arc furnaces,
- Detection of surface defects of casting and rolling products,

- Development of coal charge evaluation methodology,
- Initiation of surface defects during the punching process,
- Implementation of the new production process of products for the automotive industry,
- Biomass utilisation during sinter plant and blast furnace processes,
- Development of alternative charging materials for blast furnaces,
- Development of technological nodes for casting new types of ingots,
- Research on the initiation of internal defects of product forming.

ENVIRONMENT

Changing and tightening environmental legislation has placed increased requirements on the TŽ Group in the evaluated year 2021 for its implementation into practice. Despite the increase of the administrative burden, the TŽ Group was able to successfully implement the new legislative requirements into its practice.

Třinecké železářny provided methodological guidance according to the needs of the individual TŽ Group companies and consultancy in the whole field of environmental protection.

Air protection

Regular monitoring of all indicators was carried out throughout the TŽ Group in the field of air protection in accordance with the requirements of legislation and valid permits.

Compared to 2020, there was a slight year-on-year decrease in emissions of solid pollutants, nitrogen oxides, sulphur dioxide and carbon monoxide. This decrease is due to a year-on-year decrease in the total volume of metallurgical production.

The TŽ Group pays great attention to the impact on climate change and the reduction of greenhouse gas emissions.

In 2021, greenhouse gas emissions amounted to 2,532,658 tonnes of carbon dioxide for the company's operations in Třinec and 43,832 tonnes of carbon dioxide for the Billet Mill in Kladno. The total amount of greenhouse gas emissions from Třinecké železářny in 2021 is 2,576,490 tonnes of carbon dioxide, which represents a year-on-year decrease of about 11% due to lower year-on-year production, especially that of pig iron.

The impact on climate change and the search for and implementation of measures to reduce or capture greenhouse gases is given great attention in

Třinecké železářny. Třinecké železářny is also an active participant in the European greenhouse gas emissions trading system, in accordance with Directive 2003/87/EC of the European Parliament and of the Council, and is certified by the World Steel Association as a contributing member in its efforts to reduce CO₂ emissions.

Since 2016, the company has implemented an energy management system in accordance with the EN ISO 50001:2011 standard. The achieved energy savings for the period 2016–2021 represent a 144,964 t saving in CO₂ emissions. Other measures to reduce greenhouse gas emissions also include, for example, the annual planting of greenery or the maintenance of extensive existing greenery, in which about

EMISSIONS IN 2021 COMPARED TO 2020

YEAR	SOLID POLLUTANTS (T/YEAR)	SULPHUR DIOXIDE (T/YEAR)	NITROGEN OXIDES (T/YEAR)	CARBON MONOXIDE (T/YEAR)	CARBON DIOXIDE (T/YEAR)
2020	152	2 978	2 176	70 613	2 888 242
2021	118	2 842	1 842	67 393	2 576 490

100,000 tonnes of CO₂ are bound in the long-term, as well as the purchase of "green" electricity or the preparation of projects for the production of electricity from renewable energy sources. A challenging steel production technology transformation project is also being prepared with the aim of further significant decrease in CO₂ emissions by 2030.

Water protection

The water purity protection is another field that required meeting demanding environmental requirements. Throughout the TŽ Group, emphasis is placed on the economic management of water and the operation of closed water circuits ensuring the recirculation of industrial water.

The amount of industrial wastewater discharged into the Olše watercourse and its quality in 2021 shows a slight increase compared to 2020. However, the state of water management at Třinecké železářny has stabilised in the long run. The level of wastewater pollution reaches a sustainable level and meets the set limits of permitted pollution.

During 2021, Třinecké železářny did not cause any emergency situation that would result in deterioration or threat to the quality of groundwater or surface water.



POLLUTION DISCHARGED INTO WATER FLOWS IN 2021 COMPARED TO 2020

Year	VOLUME OF WASTE WATER (m ³ /YEAR)	UNDISSOLVED SUBSTANCE (T/YEAR)	C ₁₀ - C ₄₀ HYDROCARBONS (T/YEAR)	DISSOLVED INORGANIC SALTS (T/YEAR)	CHEMICAL OXYGEN CONSUMPTION USING DICHROMATIC METHOD (T/YEAR)	TOTAL IRON (T/YEAR)
2020	3 761 015	29.7	0.40	2 066	64.2	3.2
2021	3 693 491	27.5	0.19	2 089	62.5	3.0

Waste management

Waste management in the TŽ Group in 2021 was also carried out in full compliance with the legislation in force. Emphasis was placed not only on the hierarchy of waste management priorities, but also on the application of the principles of circular economy.

Compared to the year 2020, which can be considered a record year in terms of long-term reduction of the amount of waste in TŽ, there was a 22% increase in the production of waste of the "Other" category in the assessed year 2021. The hazardous waste production remained at around 2020 levels.

Specifically, a total of 71,594 tonnes of waste was generated in the evaluated year in Třinecké železářny, of which 56,735 tonnes of waste in the "Other" category and 14,859 tonnes of hazardous waste.

The significant increase in waste of "Other" category is related to waste linings and refractories of the metallurgical cycle or by non-metallurgical processes. The reason of the increase regarding this waste was because of the higher rate of repairs of production units associated with their production.



VOLUME OF WASTE IN 2021 COMPARED TO 2020

YEAR	STEEL PRODUCTION (T/YEAR)	PRODUCTION OF WASTE CATEGORY "OTHERS" (T/YEAR)	PRODUCTION OF WASTE CATEGORY "HAZARDOUS" (T/YEAR)
2020	2 581 443	46 448	14 291
2021	2 399 872	56 735	14 859

Ecological investment projects

The following ecological investment projects were completed in 2021:

– **Modernisation of Hot Blast Stove No. 62**

Total costs: CZK 249 million

Environmental benefits: Reducing CO2 emissions and achieving higher heating efficiency,

– **De-dusting equipment for the collection and processing the mixture for blast furnace sinter production**

Total costs: CZK 358 million

Environmental benefit: Reduction of fugitive dust emissions,

– **Modernisation of media preheating**

Total costs: CZK 89 million

Environmental benefit: Reduction of noise pollution, reduction of coke consumption,

– **Desorbers of continuous light section mill**

Total costs: CZK 7 million

Environmental benefit: Reduce energy consumption.

The total cost of completed and ongoing environmental projects in 2021 amounted to CZK 290 million.

The following environmental projects are planned to be launched in 2022 within the investment projects of Třinecké železářny:

– **Processing of secondary de-dusting of the converter steelworks**

Planned total costs: CZK 10 million

Environmental benefit: Reduction of waste production,

– **Overburden de-dusting N4/Aumund – Sinter Plant no. 1**

Planned total costs: CZK 30 million

Environmental benefit: Dust reduction of emissions

– **De-dusting of bell-less charger of Blast Furnaces 4 and 6**

Planned total costs: CZK 38 million

Environmental benefit: Reduction of fugitive dust emissions from both blast furnaces,

– **Iron-ore briquetting line**

Planned total costs:

CZK 950 million

Environmental benefit: Blast Furnace charge cold production without CO2 emissions and other pollutants,

– **Modernisation and reconstruction of the milling line**

Planned total costs: CZK 170 million

Environmental benefit: The risk of cooling liquid and contamination of subsoil and groundwater to be eliminate,

– **Benzol station – heat exchanger II. Stage**

Planned total costs: CZK 26 million

Environmental benefit: Thermal energy savings,

– **Photovoltaics in Drawing Mill Plant**

Planned total costs: CZK 15 million

Environmental benefit: the Earth's climate protection by generating electricity from a renewable source.

Other ecological investment projects with a positive impact on the environment have been or are being implemented also in companies of the Třinecké železářny Group.

EMPLOYEES

The relationship between employees and Třinecké železářny is based on openness and mutual respect. Třinecké železářny supports the development of its employees and their career growth. The basic principles of behaviour of Třinecké železářny, including the relationship to employees, principles of corporate culture and basic principles of Corporate Social Responsibility (CSR) are set out in the Code of Conduct of TŘINECKÉ ŽELEZÁŘNY, a. s., Social Responsibility Policy. These principles are followed by the Labour Code, which regulates the obligations of employees, the Company Collective Agreement, which enshrines the legal and above-standard benefits of employees, and other internal company documentation that employees follow when performing work duties and using the benefits provided.

In order to ensure generational change and address employee turnover, as in previous years, attention was paid to the acquisition of technically qualified job seekers, not only among graduates of technical high schools

and universities. However, recruitment and promotion activities in 2021 were, unfortunately, affected by the COVID-19 pandemic. As a result of measures against the spread of the disease taken by public authorities and private entities, including Třinecké železářny, recruitment and promotion activities were reduced and many of them could not take place at all.

Graduates of the technical fields of the Secondary Vocational School of Třinecké železářny found a job in Třinecké železářny this year as well. The 19th run of the trainee program for university graduates was successfully completed already in the previous year. Considering the current staff situation of the individual departments, we decided to postpone the start of the next run of the trainee program to 2022. Cooperation with schools of all levels, which is traditionally focused primarily on the support and promotion of technology, technical and natural sciences, was also affected by the ongoing epidemiological situation and the impact of government measures on education.



As in previous years, emphasis was also placed on employee training. Corporate education is based on the principles of personnel strategy, which is focused on achieving the goals set by the overall business strategy of Třinecké železářny. With regard to demographic development, securing a prepared and highly qualified workforce will continue to play a key role in ensuring the future development of Třinecké železářny. Therefore, the education policy is also integrated into the company's personnel strategy. In this context, the mission of education is to ensure the qualification level of employees in the whole spectrum of professions. Training is an indefinite process, where employees are trained to maintain qualifications and further develop in order to deepen and expand their professional knowledge and skills, which brings the company increased efficiency and competitiveness.

Staff training in 2021 was again affected by measures taken to prevent the spread of COVID-19, which limited the number of participants in training sessions and prevented some training events from taking place at all, which

resulted in a decrease in the percentage of qualification requirements. The online form of training was used more than in previous years, but it is currently not possible to apply it to most courses in the field of vocational education.

THE PLATFORM OF CORPORATE ACADEMY ALLOWS EMPLOYEES TO SHARE KNOWLEDGE AND EXPERIENCE WITH EACH OTHER

In spite of above-mentioned limitations, the company managed draw resources from European funds for selected training courses. Within the project of the Regional Chamber of Commerce of the Moravian-Silesian Region, which Třinecké železářny joined in mid-2020, two cycles of training were implemented in 2021 to meet the qualification requirements of "Future Prosperity Manager" and "Future Prosperity Master". Support for this

project is drawn on a de minimis basis, which represents fully covered eligible training costs. The project will be completed in October 2022.

The Corporate Academy application in the Lotus (IBM) Notes environment is commonly used to provide internal training for employees (on-the-job training). The application is used by lecturers for the preparation and organisation of training, through which records of past educational events and acquired qualifications of employees are systematically stored. This platform also allows employees to share knowledge and experience with each other and discuss various topics.

The development of the planned number of employees in 2021 was influenced by minor organisational changes in order to ensure production of the required quality while continuously increasing labour productivity. On the other hand, the actual number of employees was negatively affected mainly by turnover and absence, which resulted in understaffing at some plants. In

addition, the occupancy of individual units was affected by sickness and quarantine due to the SARS-CoV-2 virus.

Thus, in 2021, Třinecké železářny achieved an actual annual recalculated headcount of 6,878 employees.

The growth in average earnings for 2021 was agreed upon in the Enterprise Collective Agreement at 1.6% of the base growth and 4.0% for meeting the projected result of the financial plan. The achievement of the 2021 financial result allowed for the fulfilment of this defined growth and actual average earnings of CZK 38,227, including on-call pay of CZK 38,353, was achieved.

In addition to the statutory health protection, Třinecké železářny also provided a number of health prevention activities in cooperation with the Czech Industrial Health Insurance Company in 2021 to support the health of employees and adhere to the principles of a healthy lifestyle. However, due to the measures taken to prevent the spread of the COVID-19 pandemic, these

activities took place to a lesser extent than planned. These were mainly rehabilitation/reconditioning stays in spas, outpatient rehabilitation and additional reconditioning/relaxation care, including physical activities, massages, relaxation procedures and nutritional counselling. Vitamin packages were provided to employees at all workplaces. Employees could also take advantage of free flu vaccinations.

Třinecké železářny Group companies, as independent legal entities, are fully responsible for their employees and for the provision of all human resources. For this purpose, they have appointed their human resources representatives. These representatives communicate with the employees of TŽ's Human Resources and Compensation Department, with whom they are able to agree on the scope of cooperation, particularly in the form of services provided by Třinecké železářny they can provide in this area. The provision of such services to a mutually agreed extent brings synergies to TŽ's subsidiaries, including savings for its own employees.



In 2021, Třinecké železářny recorded a total of 30 occupational accidents with incapacity for work longer than 3 calendar days. The frequency of accidents at work was 0.44 accidents at work per 100 employees per year. Třinecké železářny holds the "Safe Company" award, which is granted by the State Labour Inspection Office.

The health and safety management systems implemented in individual companies of the TŽ Group are in most cases identical to those in Třinecké železářny, or show the same basic principles, which stem, at the very least, from the principle of full compatibility with the requirements of Czech legislation in this area.

MANAGEMENT SYSTEM

In order to pursue a business strategy aimed at gradually increasing the share of high-grade steel products, creating and developing product chains, and intensively exploiting assets while increasing profitability, it is important that the management system is of critical importance. The efforts of all employees are focused primarily on increasing the added value of long rolled products, which form the majority of our production.

The basic management rules include a linear organisational structure, process and project management, and a call for risk analyses in all management subsystems. None of the principles is applied independently, the management is based on their thoughtful combination. A performance indicator system and regular reporting system are set up to provide the necessary feedback to define and control the fulfilment of strategic goals.

In 2021 as well, we adopted a number of measures in support of strategic goals in all sectors of the Třinecké železářny strategic framework (Partnership, Technology, People, Management).

In 2021, the management system, including information systems, did not fundamentally change. SAP, Lotus (IBM) Notes, ELVIS and Werkportal continue to be the information base in Třinecké železářny.

All trading companies in the TŽ Group have separately implemented and certified management systems, including the appointment of representatives for these systems. All companies have defended all system certificates in 2021 and confirmed the high and continuously developing level of their management systems.

In the area of quality management, in 2021 Třinecké železářny obtained an extension of its qualification for deliveries to the chains of the automotive, railway and oil industries, power engineering and to the regulated sphere in the area of construction products. Production sites in Třinec, Staré Město and Kladno were separately recertified for the automotive industry in accordance with requirements of the IATF 16949 Automotive Standard.

ALL COMPANIES IN THE TŽ GROUP HAVE SEPARATELY IMPLEMENTED AND CERTIFIED MANAGEMENT SYSTEMS

As part of the corporate social responsibility of Třinecké železářny towards the environment and stakeholders in the region, the energy management system has been recertified within the scope of EN ISO 50001 (certified by a third party) for production sites in Třinec and in remote production units in Kladno, Ostrava, and Staré Město. In the area of social responsibility, cooperation with an external company – evaluator continued in 2021, which independently evaluated the CSR level in Třinecké železářny. In this evaluation (of the Ecovadis system) Třinecké železářny achieved an improvement compared to previous years, resulting in a "silver" evaluation.

We paid increased attention to the data protection system in order to continue meeting the requirements of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive

95/46/EC (General Data Protection Regulation "GDPR"). The internal legislation, which was implemented in the company's management system in 2018, was revised in 2021 in accordance with current interpretations and practical knowledge so that the requirements of the GDPR continue to be met.

In 2021, we continued our pro-ecological activities such as cleaning the riverbed of the Olše River, planting of new greenery or support of biodiversity in the area of Třinecké železářny, where owl boxes were installed. The boxes were made by pupils of the Secondary Technical School of Třinecké železářny and were installed in the park in Třinec and at the premises of Třinecké železářny with the participation of pupils from the Slezská Primary School in Třinec. Two boxes were also donated to the Statutory City of Třinec for placement at its discretion.

In connection with the "Agreement aimed at reducing the burden on the environment", which was concluded

between the Czech Ministry of the Environment, the Moravian–Silesian Region and Třinecké železářny, curative stays for 128 children from elementary schools in Třinec took place in the Tatra Mountains in Slovakia in autumn 2021. Třinecké železářny set out an amount of CZK 1,025 thousand for these stays.

Třinecké železářny does not have a branch or other part of the business abroad.

Třinecké železářny holds ownership interests in 30 companies, whether with controlling, substantial or minority influence. Most of these companies focus on activities directly or indirectly related to the metallurgy business and this focus is in line with our long-term business strategy. These are mainly companies finishing products in the steel industry, in the machining of aluminium components or manufacturers of refractory materials. They also include trading companies providing services, in particular energy supply, design services, transport, security and asset protection and employment agencies.

FINANCIAL SITUATION

Profit before tax for 2021 reached CZK 1,613 million.

Compared to the previous year, the pre-tax profit is higher by CZK 1,083 million. This is mainly due to the favourable development of sales prices of rolled products and steel, which rose faster than the prices of raw materials. Consolidated profit before tax for 2021 amounted to CZK 2,681 million CZK.

Revenues of Třinecké železářny reached the level of CZK 43,715 million. The year-on-year increase of CZK 8,601 million is due to an increase in the average

selling price of rolled goods and also due to higher sales of other products and services. Sales of the consolidated TŽ Group in 2021 amounted to CZK 56,423 thousand and increased by 24% year-on-year.

The production consumption was higher by CZK 8,664 million compared to 2020. The most significant effect on its year-on-year increase was the increase in the prices of key input commodities and higher processing costs. Within the consolidated figures, there was an increase of CZK 10,016 million for the same reasons.

Added value reached the level of CZK 6,794 million in 2021, which is CZK 1,163 million more than in 2020; in terms of the consolidated TŽ Group, this represents an increase of CZK 2,680 million year-on-year. Labour productivity from value added per employee in 2020 amounted to CZK 988 thousand (CZK 803 thousand in 2020).

Operating profit increased by CZK 1,217million year-on-year. In terms of the consolidated TŽ Group, it is an increase of CZK 2,161 million.

The company's financial result was lower by CZK 134 million than in 2020 due to an increase of the provision for long-term financial assets, while the consolidated financial result increased by CZK 8 million year-on-year.

As of 31 December 2021, Třinecké železářny reported assets in the total amount of CZK 41,769 million, which is CZK 2,283 million more than as of 31 December 2020. Consolidated assets in 2021 total CZK 48,695 million. This is an increase of CZK 3,338 million year-on-year.

DEVELOPMENT OF REVENUES

INDICATOR (IN CZK THOUSANDS)	2020	2021
ROLLED GOODS INCLUDING STEEL	33 911	42 107
OTHER PRODUCTS	753	1 141
SALES OF OWN PRODUCTS	34 664	43 248
SALES OF SERVICES	450	467
SALES OF OWN PRODUCTS AND SERVICES	35 114	43 715
CONSOLIDATED SALES OF OWN PRODUCTS AND SERVICES	45 520	56 423

The year-on-year increase was due to a rise in current assets by CZK 3,410 million, while consolidated current assets increased by CZK 4,503 million.

The increase in the company's inventories by CZK 2,644 million was due to an increase in materials and self-produced semi-finished products in stock.

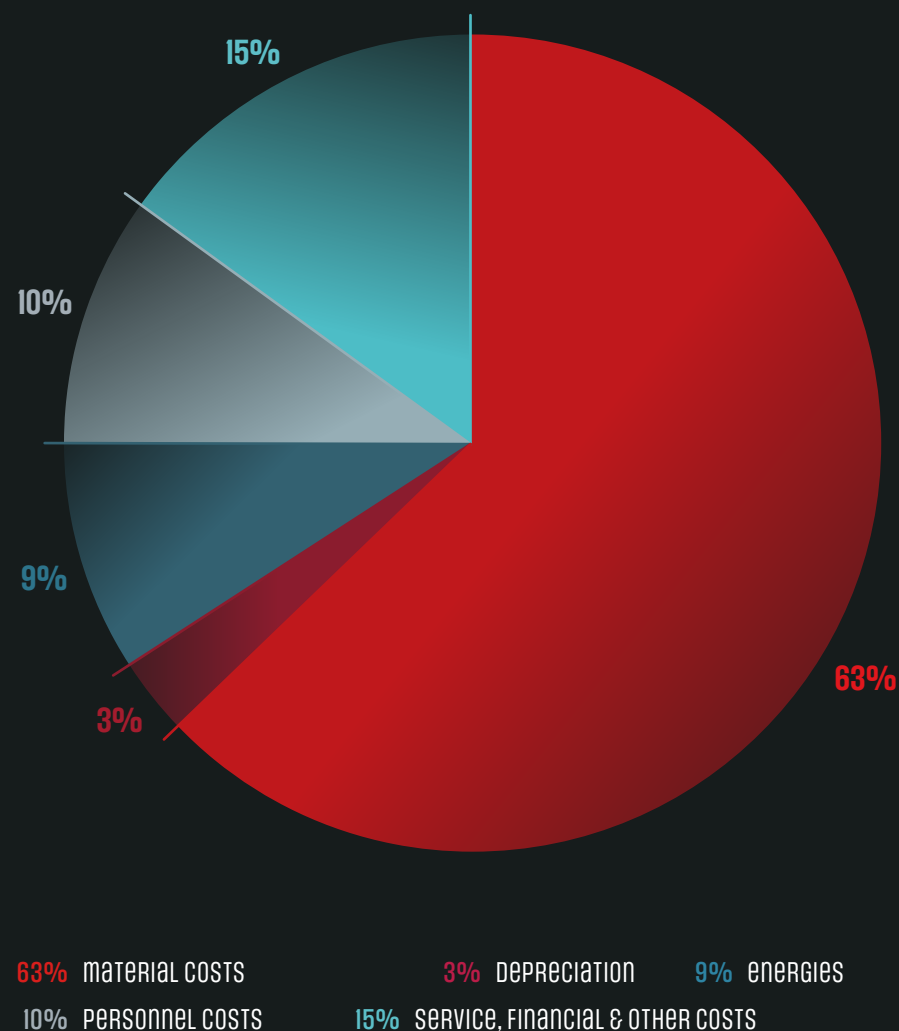
Short-term receivables of the company increased by CZK 1,399 million due to an increase in trade receivables. Cash decreased by CZK 602 million.

In the area of liabilities, equity increased by CZK 1,306 million compared to 31 December 2020. Total consolidated equity increased by CZK 2,220 million to CZK 33,595 million.

Liabilities of the company increased by CZK 976 million year-on-year (in consolidated terms, they increased by CZK 1,119 million) mainly due to an increase in trade payables, payables to credit institutions and provisions.

The company's indebtedness as of 31 December 2021 was 27.5% (26.6% at 31 December 2020).

COST STRUCTURE 2021 – TŽ



STRATEGIC OBJECTIVES

In 2021, the steel industry faced the negative impact of the COVID-19 pandemic. The recession has begun in 2019 and was gradually deepened by other threats such as Brexit, the trade war between China and the US, the fall in production in the automotive sector, the huge increase in the prices of raw materials, energy and emission allowances. These difficulties were partly eliminated by the opportunities in the form of the recovery of the steel market and the increase in demand for steel products. At the same time, the prices of steel products have been increasing. For selected long steel products, demand outweighed supply on the EU market. The recovery and stronger demand had a positive impact on the growth of global crude steel production. Nevertheless, global crude steel production in 2021 reached 1,950.5 million tonnes, which is 3.7% more than in 2020. Most countries, except for China and a few others, experienced production growth. EU countries produced 15.4% more steel in 2021 than in the previous year. We expect steel production to increase further in 2022,

driven by a recovery in demand in key steel-consuming sectors.

Thanks to timely and effective measures, Třinecké železářny has successfully managed the persistent COVID-19 pandemic and, despite the difficult conditions in supply chains, made an investment in the reconstruction of Blast Furnace No. 6 in record time. In 2021, the Continuous Casting Plant No. 1 was upgraded with the ability to cast 600 mm bars on the remaining three casting streams. In the area of product finishing, a new line for electrolytic phosphating and wire drawing, the so-called STAKU, was acquired and put into operation.

Over the last twenty years, Třinecké železářny has been expanding the capacity for the final processing of its long steel products through acquisitions. The area of processing and finishing is constantly being developed and the companies belonging to the TŽ Group are making significant investments in this area in order to create added value, expand know-how and human potential.

In 2022, the company will start the investment in the stationary unloading facility INNOFREIGHT, the implementation of which will continue in 2023. The investment of rails heat treatment will be started, while the completion is planned for 2023. In the second half of 2022, we will put into operation a new peeling line and the bright bar finishing line No. 2.

Within the primary production, the company will carry out the preparatory work for investment actions with the aim of transforming the production process leading to a significant reduction in CO2 emissions. All subsidiaries in TŽ Group have the same objective. All these steps are aimed at carbon neutrality in the long term.



FINANCIAL SECTION

W

AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
TŘINECKÉ ŽELEZÁŘNY, a. s.

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

Opinion on the Financial Statements and Consolidated Financial Statements

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

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

In our opinion:

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

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

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 3.16 to the financial statements and Note 9 to the consolidated financial statements, which describe the impact arising from the Russian-Ukrainian conflict. Our opinion is not modified in respect of this matter.

Deloitte (Česká republika) Deloitte s.r.o. (Deloitte) je členem mezinárodní sítě nezávislých členských firem, které sdílejí společné jméno "Deloitte" a jsou členy ICFR, IASB, IAASB, IFAC, IAIFI, IAIS, IAISB, IAISF, IAISG, IAISL, IAISN, IAISO, IAISU, IAISV, IAISW, IAISX, IAISY, IAISZ, IAISAA, IAISAC, IAISAD, IAISA, IAISAE, IAISAF, IAISAG, IAISAH, IAISAI, IAISAJ, IAISAK, IAISAL, IAISAM, IAISAN, IAISAO, IAISAP, IAISAQ, IAISAR, IAISAS, IAISAT, IAISAU, IAISAV, IAISAW, IAISAX, IAISAY, IAISAZ, IAISBA, IAISBB, IAISBC, IAISBD, IAISBE, IAISBF, IAISBG, IAISBH, IAISBI, IAISBJ, IAISBK, IAISBL, IAISBM, IAISBN, IAISBO, IAISBP, IAISBQ, IAISBR, IAISBS, IAISBT, IAISBV, IAISBW, IAISBX, IAISBY, IAISBZ, IAISCA, IAISCB, IAISCC, IAISCD, IAISCE, IAISCF, IAISCG, IAISCH, IAISCI, IAISCL, IAISCM, IAISCN, IAISCO, IAISCP, IAISCQ, IAISCR, IAISCS, IAISCT, IAISCV, IAISCW, IAISCX, IAISCY, IAISDZ, IAISEA, IAISEB, IAISEC, IAISED, IAISEE, IAISEF, IAISEG, IAISEH, IAISEI, IAISEJ, IAISEK, IAISEL, IAISEM, IAISEN, IAISEO, IAISEP, IAISEQ, IAISER, IAISES, IAISET, IAISEV, IAISEW, IAISEX, IAISEY, IAISEZ, IAISFA, IAISFB, IAISFC, IAISFD, IAISFE, IAISFF, IAISFG, IAISFH, IAISFI, IAISFJ, IAISFK, IAISFL, IAISFM, IAISFN, IAISFO, IAISFP, IAISFQ, IAISFR, IAISFS, IAISFT, IAISFV, IAISFW, IAISFX, IAISFY, IAISFZ, IAISGA, IAISGB, IAISGC, IAISGD, IAISGE, IAISGF, IAISGG, IAISGH, IAISGI, IAISGJ, IAISGK, IAISGL, IAISGM, IAISGN, IAISGO, IAISGP, IAISGQ, IAISGR, IAISGS, IAISGT, IAISGV, IAISGW, IAISGX, IAISGY, IAISGZ, IAISHA, IAISHB, IAISHC, IAISHD, IAISHE, IAISHF, IAISHG, IAISHH, IAISHI, IAISHJ, IAISHK, IAISHL, IAISHM, IAISHN, IAISHO, IAISHP, IAISHQ, IAISHR, IAISHS, IAISHT, IAISHV, IAISHW, IAISHX, IAISHY, IAISHZ, IAISIA, IAISIB, IAISIC, IAISID, IAISIE, IAISIF, IAISIG, IAISIH, IAISII, IAISIJ, IAISIK, IAISIL, IAISIM, IAISIN, IAISIO, IAISIP, IAISIQ, IAISIR, IAISIS, IAISIT, IAISIV, IAISIW, IAISIX, IAISIY, IAISIZ, IAISJA, IAISJB, IAISJC, IAISJD, IAISJE, IAISJF, IAISJG, IAISJH, IAISJI, IAISJJ, IAISJK, IAISJL, IAISJM, IAISJN, IAISJO, IAISJP, IAISJQ, IAISJR, IAISJS, IAISJT, IAISJV, IAISJW, IAISJX, IAISJY, IAISJZ, IAISKD, IAISKE, IAISKF, IAISKG, IAISKH, IAISKI, IAISKJ, IAISKK, IAISKL, IAISKM, IAISKN, IAISKO, IAISKP, IAISKQ, IAISKR, IAISKS, IAISKT, IAISKV, IAISKW, IAISKX, IAISKY, IAISKZ, IAISLA, IAISLB, IAISLC, IAISLD, IAISLE, IAISLF, IAISLG, IAISLH, IAISLI, IAISLJ, IAISLK, IAISLL, IAISLM, IAISLN, IAISLO, IAISLP, IAISLQ, IAISLR, IAISLS, IAISLT, IAISLV, IAISLW, IAISLX, IAISLY, IAISLZ, IAISMA, IAISMB, IAISMC, IAISMD, IAISME, IAISMF, IAISMG, IAISMH, IAISMI, IAISMJ, IAISMK, IAISML, IAISMN, IAISMO, IAISMP, IAISMQ, IAISMR, IAISMS, IAISMT, IAISMV, IAISMW, IAISMX, IAISMY, IAISMZ, IAISNA, IAISNB, IAISNC, IAISND, IAISNE, IAISNF, IAISNG, IAISNH, IAISNI, IAISNJ, IAISNK, IAISNL, IAISNM, IAISNO, IAISNP, IAISNQ, IAISNR, IAISNS, IAISNT, IAISNV, IAISNW, IAISNX, IAISNY, IAISNZ, IAISOA, IAISOB, IAISOC, IAISOD, IAISOE, IAISOF, IAISOG, IAISOH, IAISOI, IAISOJ, IAISOK, IAISOL, IAISOM, IAISON, IAISOO, IAISOP, IAISOQ, IAISOR, IAISOOS, IAISOT, IAISOV, IAISOW, IAISOX, IAISOY, IAISOZ, IAISPA, IAISPB, IAISPC, IAISPD, IAISPE, IAISPF, IAISPG, IAISPH, IAISPI, IAISPJ, IAISPK, IAISPL, IAISPM, IAISPN, IAISPO, IAISPP, IAISPP, IAISPR, IAISPS, IAISPT, IAISPV, IAISPW, IAISPX, IAISPY, IAISPZ, IAISQA, IAISQB, IAISQC, IAISQD, IAISQE, IAISQF, IAISQG, IAISQH, IAISQI, IAISQJ, IAISQK, IAISQL, IAISQM, IAISQN, IAISQO, IAISQP, IAISQQ, IAISQR, IAISQS, IAISQT, IAISQV, IAISQW, IAISQX, IAISQY, IAISQZ, IAISRK, IAISRL, IAISRM, IAISRN, IAISRO, IAISRQ, IAISRR, IAISRS, IAISRT, IAISRV, IAISRW, IAISRX, IAISRY, IAISRZ, IAISUA, IAISUB, IAISUC, IAISUD, IAISUE, IAISUF, IAISUG, IAISUH, IAISUI, IAISUJ, IAISUK, IAISUL, IAISUM, IAISUN, IAISUO, IAISUP, IAISUQ, IAISUR, IAISUS, IAISUT, IAISUV, IAISUW, IAISUX, IAISUY, IAISUZ, IAISVA, IAISVB, IAISVC, IAISVD, IAISVE, IAISVF, IAISVG, IAISVH, IAISVI, IAISVJ, IAISVK, IAISVL, IAISVM, IAISVN, IAISVO, IAISVP, IAISVQ, IAISVR, IAISVS, IAISVT, IAISVV, IAISVW, IAISVX, IAISVY, IAISVZ, IAISWA, IAISWB, IAISWC, IAISWD, IAISWE, IAISWF, IAISWG, IAISWH, IAISWI, IAISWJ, IAISWK, IAISWL, IAISWM, IAISWN, IAISWO, IAISWP, IAISWQ, IAISWR, IAISWS, IAISWT, IAISWV, IAISWW, IAISWX, IAISWY, IAISWZ, IAISXA, IAISXB, IAISXC, IAISXD, IAISXE, IAISXF, IAISXG, IAISXH, IAISXI, IAISXJ, IAISXK, IAISXL, IAISXM, IAISXN, IAISXO, IAISXP, IAISXQ, IAISXR, IAISXS, IAISXT, IAISXV, IAISXW, IAISXX, IAISXY, IAISXZ, IAISYA, IAISYB, IAISYC, IAISYD, IAISYE, IAISYF, IAISYG, IAISYH, IAISYI, IAISYJ, IAISYK, IAISYL, IAISYM, IAISYN, IAISYO, IAISYP, IAISYQ, IAISYR, IAISYS, IAISYT, IAISYV, IAISYW, IAISYX, IAISYY, IAISYZ, IAISZA, IAISZB, IAISZC, IAISZD, IAISZE, IAISZF, IAISZG, IAISZH, IAISZI, IAISZJ, IAISZK, IAISZL, IAISZM, IAISZN, IAISZO, IAISZP, IAISZQ, IAISZR, IAISZS, IAISZT, IAISZV, IAISZW, IAISZX, IAISZY, IAISZZ

Other information in the Consolidated Annual Report

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

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

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

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

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

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

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

In preparing the Financial Statements and the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and Consolidated Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements and the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements and the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements and the Consolidated Financial Statements, including the disclosures, and whether the Financial Statements and the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the Consolidated Financial Statements.

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

In Prague on 29 April 2022

Audit firm:

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



Statutory auditor:

Václav Loubek
registration no. 2037



VIII

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

NAME OF THE COMPANY:	TŘINECKÉ ŽELEZÁRNY, a. s.
REGISTERED OFFICE:	PRŮMYSLOVÁ 1000, STARÉ MĚSTO, 739 61 TŘINEC
LEGAL STATUS:	JOINT STOCK COMPANY
CORPORATE ID:	180 50 646

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 28 JANUARY 2022.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE
JAN CZUDEK CHAIRMAN OF THE BOARD OF DIRECTORS	
RADOMÍRA PEKÁRKOVÁ MEMBER OF THE BOARD OF DIRECTORS	

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2021			31.12.2020
		GROSS	ADJUSTMENT	NET	NET
	TOTAL ASSETS	70 888 271	-29 118 982	41 769 289	39 486 761
B.	FIXED ASSETS	53 018 875	-28 440 038	24 578 837	25 706 226
B.I.	INTANGIBLE FIXED ASSETS	304 795	-241 665	63 130	1 126 528
B.I.1.	DEVELOPMENT	4 553	-4 553		
B.I.2.	VALUABLE RIGHTS	288 807	-231 791	57 016	58 505
B.I.2.1.	SOFTWARE	194 253	-156 044	38 209	33 675
B.I.2.2.	OTHER VALUABLE RIGHTS	94 554	-75 747	18 807	24 830
B.I.4.	OTHER INTANGIBLE FIXED ASSETS	5 321	-5 321		1 060 463
B.I.5.	<i>PREPAYMENTS FOR INTANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS UNDER CONSTRUCTION</i>	6 114		6 114	7 560
B.I.5.2.	INTANGIBLE FIXED ASSETS UNDER CONSTRUCTION	6 114		6 114	7 560
B.II.	TANGIBLE FIXED ASSETS	44 012 879	-27 487 531	16 525 348	16 316 520
B.II.1.	LAND AND STRUCTURES	11 152 312	-5 706 299	5 446 013	5 540 546
B.II.1.1.	LAND	526 824		526 824	522 953
B.II.1.2.	STRUCTURES	10 625 488	-5 706 299	4 919 189	5 017 593
B.II.2.	TANGIBLE MOVABLE ASSETS AND SETS OF TANGIBLE MOVABLE ASSETS	32 335 807	-21 776 139	10 559 668	9 642 351
B.II.4.	OTHER TANGIBLE FIXED ASSETS	6 885		6 885	6 884
B.II.4.3.	SUNDRY TANGIBLE FIXED ASSETS	6 885		6 885	6 884
B.II.5.	<i>PREPAYMENTS FOR TANGIBLE FIXED ASSETS AND TANGIBLE FIXED ASSETS UNDER CONSTRUCTION</i>	517 875	-5 093	512 782	1 126 739
B.II.5.1.	PREPAYMENTS FOR TANGIBLE FIXED ASSETS	112 415		112 415	82 090
B.II.5.2.	TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	405 460	-5 093	400 367	1 044 649


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2021			31.12.2020
		GROSS	ADJUSTMENT	NET	NET
B.III.	NON-CURRENT FINANCIAL ASSETS	8 701 201	-710 842	7 990 359	8 263 178
B.III.1.	EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	8 648 204	-693 445	7 954 759	8 228 119
B.III.3.	EQUITY INVESTMENTS IN ASSOCIATES	50 995	-17 397	33 598	33 057
B.III.5.	OTHER NON-CURRENT SECURITIES AND INVESTMENTS	2 002		2 002	2 002
C.	CURRENT ASSETS	17 869 396	-678 944	17 190 452	13 780 535
C.I.	INVENTORIES	13 808 122	-644 114	13 164 008	10 520 489
C.I.1.	MATERIAL	6 368 739	-402 951	5 965 788	4 579 026
C.I.2.	WORK IN PROGRESS AND SEMIFINISHED GOODS	4 522 942	-169 473	4 353 469	3 536 543
C.I.3.	<i>PRODUCTS AND GOODS</i>	2 911 807	-71 690	2 840 117	2 402 847
C.I.3.1.	PRODUCTS	2 911 792	-71 690	2 840 102	2 402 835
C.I.3.2.	GOODS	15		15	12
C.I.5.	PREPAYMENTS FOR INVENTORIES	4 634		4 634	2 073
C.II.	RECEIVABLES	3 803 689	-31 796	3 771 893	2 403 749
C.II.1.	LONG-TERM RECEIVABLES	14 708		14 708	17 110
C.II.1.5.	<i>RECEIVABLES – OTHER</i>	14 708		14 708	17 110
C.II.1.5.2.	LONG-TERM PREPAYMENTS MADE	652		652	652
C.II.1.5.4.	SUNDRY RECEIVABLES	14 056		14 056	16 458
C.II.2.	SHORT-TERM RECEIVABLES	3 647 016	-31 796	3 615 220	2 216 031
C.II.2.1.	TRADE RECEIVABLES	3 255 259	-12 126	3 243 133	1 730 164

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2021		31.12.2020	
		GROSS	ADJUSTMENT	NET	NET
C.II.2.2.	RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY	13 185		13 185	8 016
C.II.2.4.	<i>RECEIVABLES – OTHER</i>	378 572	-19 670	358 902	477 851
C.II.2.4.3.	STATE – TAX RECEIVABLES	262 062		262 062	429 449
C.II.2.4.4.	SHORT-TERM PREPAYMENTS MADE	4 345		4 345	2 232
C.II.2.4.5.	ESTIMATED RECEIVABLES	59 229		59 229	23 455
C.II.2.4.6.	SUNDRY RECEIVABLES	52 936	-19 670	33 266	22 715
C.II.3.	OTHER ASSETS	141 965		141 965	170 608
C.II.3.1.	DEFERRED EXPENSES	50 841		50 841	50 083
C.II.3.2.	COMPLEX DEFERRED EXPENSES	90 719		90 719	115 952
C.II.3.3.	ACCRUED INCOME	405		405	4 573
C.III.	CURRENT FINANCIAL ASSETS	3 034	-3 034		
C.III.2.	OTHER CURRENT FINANCIAL ASSETS	3 034	-3 034		
C.IV.	CASH	254 551		254 551	856 297
C.IV.1.	CASH ON HAND	1 427		1 427	1 689
C.IV.2.	CASH AT BANK	253 124		253 124	854 608

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

		31.12.2021	31.12.2020
	TOTAL LIABILITIES & EQUITY	41 769 289	39 486 761
A.	EQUITY	30 275 505	28 969 425
A.I.	SHARE CAPITAL	8 109 863	8 109 863
A.I.I.	SHARE CAPITAL	8 109 863	8 109 863
A.II.	SHARE PREMIUM AND CAPITAL FUNDS	103 743	103 743
A.II.2.	CAPITAL FUNDS	103 743	103 743
A.II.2.1.	OTHER CAPITAL FUNDS	103 787	103 787
A.II.2.2.	GAINS OR LOSSES FROM THE REVALUATION OF ASSETS AND LIABILITIES (+/-)	-44	-44
A.III.	FUNDS FROM PROFIT	2 858 219	2 858 219
A.III.1.	OTHER RESERVE FUNDS	2 858 219	2 858 219
A.IV.	RETAINED EARNINGS (+/-)	17 897 600	17 428 277
A.IV.1.	ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD (+/-)	17 897 600	17 428 277
A.V.	PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)	1 306 080	469 323
B.+C.	LIABILITIES	11 493 784	10 517 336
B.	RESERVES	575 421	321 607
B.III.	RESERVES UNDER SPECIAL LEGISLATION	1 123	1 117
B.IV.	OTHER RESERVES	574 298	320 490
C.	PAYABLES	10 918 363	10 195 729
C.I.	LONG-TERM PAYABLES	3 704 554	3 289 304
C.I.2.	PAYABLES TO CREDIT INSTITUTIONS	2 447 946	2 094 582
C.I.4.	TRADE PAYABLES	37 522	30 260
C.I.8.	DEFERRED TAX LIABILITY	1 219 086	1 164 462


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

		31.12.2021	31.12.2020
C.II.	SHORT-TERM PAYABLES	7 211 281	6 905 172
C.II.2.	PAYABLES TO CREDIT INSTITUTIONS	1 285 370	1 027 204
C.II.3.	SHORT-TERM PREPAYMENTS RECEIVED	77	
C.II.4.	TRADE PAYABLES	4 855 747	4 037 908
C.II.8.	OTHER PAYABLES	1 070 087	1 840 060
C.II.8.3.	PAYABLES TO EMPLOYEES	445 845	422 024
C.II.8.4.	SOCIAL SECURITY AND HEALTH INSURANCE PAYABLES	145 595	145 471
C.II.8.5.	STATE – TAX PAYABLES AND SUBSIDIES	199 352	1 105 028
C.II.8.6.	ESTIMATED PAYABLES	215 434	121 223
C.II.8.7.	SUNDRY PAYABLES	63 861	46 314
C.III.	OTHER LIABILITIES	2 528	1 253
C.III.1.	ACCRUED EXPENSES	2 527	1 253
C.III.2.	DEFERRED INCOME	1	

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

		YEAR ENDED 31.12.2021	YEAR ENDED 31.12.2020
I.	SALES OF PRODUCTS AND SERVICES	43 715 225	35 114 272
II.	SALES OF GOODS	17	25
A.	PURCHASED CONSUMABLES AND SERVICES	38 805 572	30 141 328
A.1.	COSTS OF GOODS SOLD	15	22
A.2.	CONSUMED MATERIAL AND ENERGY	35 631 024	27 435 745
A.3.	SERVICES	3 174 533	2 705 561
B.	CHANGE IN INTERNALLY PRODUCED INVENTORY (+/-)	-1 072 582	-188 225
C.	OWN WORK CAPITALISED (-)	-811 972	-469 533
D.	STAFF COSTS	4 792 690	4 617 117
D.1.	PAYROLL COSTS	3 368 489	3 233 765
D.2.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS AND OTHER CHARGES	1 424 201	1 383 352
D.2.1.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS	1 257 158	1 214 182
D.2.2.	OTHER CHARGES	167 043	169 170
E.	ADJUSTMENTS TO VALUES IN OPERATING ACTIVITIES	1 312 709	1 403 777
E.1.	<i>ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS</i>	1 449 333	1 426 171
E.1.1.	ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS - PERMANENT	1 448 193	1 427 476
E.1.2.	ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS - TEMPORARY	1 140	-1 305
E.2.	ADJUSTMENTS TO VALUES OF INVENTORIES	-135 467	-22 429
E.3.	ADJUSTMENTS TO VALUES OF RECEIVABLES	-1157	35
III.	OTHER OPERATING INCOME	6 788 865	3 883 570
III.1.	SALES OF FIXED ASSETS	62 565	15 896
III.2.	SALES OF MATERIAL	134 130	81 007
III.3.	SUNDRY OPERATING INCOME	6 592 170	3 786 667


 TABLE CONTINUES ON THE FOLLOWING PAGE

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

		YEAR ENDED 31.12.2021	YEAR ENDED 31.12.2020
F.	OTHER OPERATING EXPENSES	5 939 472	3 172 241
F.1.	NET BOOK VALUE OF SOLD FIXED ASSETS	9 077	7 090
F.2.	MATERIAL SOLD	123 151	73 598
F.3.	TAXES AND CHARGES	28 725	41 176
F.4.	RESERVES RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES	278 933	61 807
F.5.	SUNDRY OPERATING EXPENSES	5 499 586	2 988 570
*	OPERATING PROFIT OR LOSS (+/-)	1 538 218	321 162
IV.	INCOME FROM NON-CURRENT FINANCIAL ASSETS – EQUITY INVESTMENTS	341 510	308 529
IV.1.	INCOME FROM EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	309 327	292 673
IV.2.	OTHER INCOME FROM EQUITY INVESTMENTS	32 183	15 856
VI.	INTEREST INCOME AND SIMILAR INCOME	76	116
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*	FINANCIAL PROFIT OR LOSS (+/-)	74 707	208 441
**	PROFIT OR LOSS BEFORE TAX (+/-)	1 612 925	529 603
L.	INCOME TAX	306 845	60 280
L.1.	DUE INCOME TAX	252 221	23 568
L.2.	DEFERRED INCOME TAX (+/-)	54 624	36 712
**	PROFIT OR LOSS NET OF TAX (+/-)	1 306 080	469 323
***	PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)	1 306 080	469 323
*	NET TURNOVER FOR THE CURRENT PERIOD	50 952 520	39 351 904

STATEMENT OF CHANGES IN EQUITY

(IN CZK THOUSAND)

	SHARE CAPITAL	CAPITAL FUNDS	FUNDS FROM PROFIT, RESERVE FUND	ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD	PROFIT OR LOSS FOR THE CURRENT PERIOD	TOTAL EQUITY
Balance at 31 December 2019	8 109 863	103 743	2 858 219	16 818 334	609 943	28 500 102
DISTRIBUTION OF PROFIT OR LOSS				609 943	-609 943	
PROFIT OR LOSS FOR THE CURRENT PERIOD					469 323	469 323
Balance at 31 December 2020	8 109 863	103 743	2 858 219	17 428 277	469 323	28 969 425
DISTRIBUTION OF PROFIT OR LOSS				469 323	-469 323	
PROFIT OR LOSS FOR THE CURRENT PERIOD					1 306 080	1 306 080
Balance at 31 December 2021	8 109 863	103 743	2 858 219	17 897 600	1 306 080	30 275 505

CASH FLOW STATEMENT

(IN CZK THOUSAND)

		YEAR ENDED 31.12.2021	YEAR ENDED 31.12.2020
P.	OPENING BALANCE OF CASH AND CASH EQUIVALENTS	852 265	202 065
	<i>CASH FLOWS FROM ORDINARY ACTIVITIES (OPERATING ACTIVITIES)</i>		
Z.	PROFIT OR LOSS BEFORE TAX	1 612 925	529 603
A.1.	ADJUSTMENTS FOR NON-CASH TRANSACTIONS	1 464 951	1 244 517
A.1.1.	DEPRECIATION OF FIXED ASSETS	1 448 193	1 427 476
A.1.2.	CHANGE IN PROVISIONS AND RESERVES	456 439	93 718
A.1.3.	PROFIT/(LOSS) ON THE SALE OF FIXED ASSETS	-53 488	-8 806
A.1.4.	REVENUES FROM PROFIT SHARES	-341 510	-308 529
A.1.5.	INTEREST EXPENSE AND INTEREST INCOME	25 235	40 588
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A.*	NET OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL	3 077 876	1 774 120
A.2.	CHANGE IN WORKING CAPITAL	-3 131 830	403 507
A.2.1.	CHANGE IN OPERATING RECEIVABLES AND OTHER ASSETS	-1 552 464	170 047
A.2.2.	CHANGE IN OPERATING PAYABLES AND OTHER LIABILITIES	928 533	438 571
A.2.3.	CHANGE IN INVENTORIES	-2 508 102	-204 988
A.2.4.	CHANGE IN CURRENT FINANCIAL ASSETS	203	-123
A.**	NET CASH FLOW FROM OPERATIONS BEFORE TAX	-53 954	2 177 627
A.3.	INTEREST PAID	-25 060	-40 946
A.4.	INTEREST RECEIVED	71	169
A.5.	INCOME TAX PAID FROM ORDINARY OPERATIONS	70 915	64 282
A.6.	RECEIVED PROFIT SHARES	341 510	308 529


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CASH FLOW STATEMENT

(IN CZK THOUSAND)

		YEAR ENDED 31.12.2021	YEAR ENDED 31.12.2020
A.***	NET OPERATING CASH FLOWS	333 482	2 509 661
	<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
B.1.	FIXED ASSETS EXPENDITURES	-1 685 819	-1 436 779
B.2.	PROCEEDS FROM FIXED ASSETS SOLD	67 039	23 630
B.3.	LOANS AND BORROWINGS TO RELATED PARTIES	-5 164	1 000
B.***	NET INVESTMENT CASH FLOWS	-1 623 944	-1 412 149
	<i>CASH FLOW FROM FINANCIAL ACTIVITIES</i>		
C.1.	CHANGE IN PAYABLES FROM FINANCING	688 919	-447 312
C.***	NET FINANCIAL CASH FLOWS	688 919	-447 312
F.	NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS	-601 543	650 200
R.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	250 722	852 265

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

TŘINECKÉ ŽELEZÁŘNY, a. s. (hereinafter the “Company”) was formed by the National Property Fund of the Czech Republic and was incorporated following its registration in the Register of Companies of the Regional Court in Ostrava on 21 March 1991. The Company is primarily engaged in metallurgy with a closed metallurgical cycle. In addition to the production of coke, pig iron and steel, the range of principal products provided by the Company involves the products of rolling mills, namely blooms, slabs, billets, wires, and thin, medium and heavy sections, rails including the production of plates, clamps and jumpers for rails, steel tubes and drawing-quality steel.

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

The Company’s issued share capital is CZK 8,109,863 thousand.

The sole shareholder of the Company is MORAVIA STEEL a.s.

1.2. ORGANISATIONAL STRUCTURE OF THE COMPANY

Bodies of the Company are as follows:

- General Meeting;
- Supervisory Board; and
- Board of Directors.

The Company’s organisational structure is divided into individual levels, specifically the Chief Executive Officer and professional directors including HR and External Relations Director, Finance Director, Production Director, Technical Director and Director for Investments. Each professional director’s division is further structured into professional sections and departments.

There were no significant organisational changes during 2021.

1.3. GROUP IDENTIFICATION

For the purposes of these notes to the financial statements, the Group includes (i) the Company, (ii) the entity controlling the Company (hereinafter the “controlling entity”) or entity holding an equity investment in the Company that is treated as part of ‘Equity investments in associates’, (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 in associates’.

In the year ended 31 December 2021, the Company was controlled by MORAVIA STEEL a.s., having its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, as the sole shareholder.

MORAVIA STEEL a.s. prepares the consolidated financial statements for the broadest group of reporting entities. These financial statements can be obtained at MORAVIA STEEL a.s.’s registered office.

The Company prepares the consolidated financial statements of the narrowest group of reporting entities. These financial statements can be obtained at the Company’s registered office.

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

	POSITION	Name
BOARD OF DIRECTORS	CHAIRMAN	JAN CZUDEK
	1ST VICE CHAIRMAN	ČESLAV MAREK
	2ND VICE CHAIRMAN	HENRYK HUCZALA
	MEMBER	IVO ŽIŽKA
	MEMBER	RADOMÍRA PEKÁRHOVÁ
SUPERVISORY BOARD	CHAIRMAN	TOMÁŠ CHRENEK
	1ST VICE CHAIRMAN	JÁN MODER
	2ND VICE CHAIRMAN	EVŽEN BALKO
	MEMBER	JOZEF BLAŠKO
	MEMBER	JANA KANTOROVÁ
	MEMBER	MARCEL PIELESZ

During 2021, no changes were made in the composition of the Company’s Board of Directors and Supervisory Board.

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., 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.

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.

The financial statements were prepared on 28 January 2022. These financial statements are presented in thousands of Czech crowns ("CZK").

2.1. REPORTING PERIOD

The Company's financial statements as of 31 December 2021 have been prepared as follows:

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

2.2. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

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

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

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

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

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

Starting from the reporting period beginning on 1 January 2022:

- Tangible and intangible fixed assets will include assets with a cost greater than CZK 80 thousand on an individual basis and an estimated useful life greater than one year; and
- The cost of tangible and intangible fixed asset improvements exceeding CZK 80 thousand on an individual basis will increase the cost of the related fixed asset for the fiscal period.

Purchased tangible and intangible fixed assets are valued at cost. 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 to the production period. Production overheads also comprise costs for engineering activities. Costs of sale 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 Foundation Deed.

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 books as fully depreciated. Replacement cost is determined by an expert appraiser or through an estimate performed under the Company's internal regulations.

The intangible results of the Company's research and development activities, if designed for trading or resale, are recognised through the balance sheet line 'Development'. Development results designed for internal purposes are not classified as intangible fixed assets for financial reporting purposes and are held in off balance sheet records at internal costs of production.

Greenhouse emission allowances (hereinafter the "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 balance sheet date as a minimum, depending upon the level of greenhouse emissions produced by the Company in the relevant calendar year. Any difference arising during the verification of emissions by a verifier is accounted for in the reporting period in which the verification is performed. 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 recorded as a component of 'Other operating income' in the profit or loss account. In case of sale of purchased allowances, such sale is recorded as a component of 'Sales of fixed assets' in the profit or loss account. The exchange of CER credits for allowances is recognised as a component of 'Other intangible fixed assets' against 'Sundry operating expenses' and 'Sundry operating income'.

As of the 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 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 allowances. If there is a lack of allowances at the balance sheet date, the Company recognises a reserve presented in the balance sheet as part of 'Other reserves' and in the profit and loss account as part of 'Reserves and provisions relating to operating activities and complex deferred expenses'. 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.

Due to the mergers completed in prior reporting periods, emission allowances are reported on standalone ETS Registry accounts depending on the locally-defined operation facility. For the purposes of reporting, the EUA allowances are recorded in a single sub-ledger account; in reporting the disposal of emission allowances, the FIFO valuation method is applied.

Depreciation for Accounting Purposes

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

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

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

If the inventory count indicates that the estimated useful life of assets has changed, the Company 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 machinery and equipment is 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 fixed assets are recognised in circumstances where their 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/expected proceeds from the intended sale.

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).

2.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments in controlled entities, equity investments in associates, 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 balance sheet date, the Company records:

Equity investments are measured at cost less any provisions.

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 fair value is not practicable, the securities are valued at their cost.

At the balance sheet date, changes in the fair value of available-for-sale securities are recorded through balance sheet lines 'Other securities and investments' and 'Gains or losses from the revaluation of assets and liabilities'. A deferred tax is determined in respect of the revaluation difference where the value of available-for-sale securities increases, and is recorded through accounts 'Gains or losses from the revaluation of assets and liabilities' and 'Deferred tax liability'.

Upon sale or any other disposal, securities of the same type are valued on the basis of the weighted average of acquisition costs.

Investments in enterprises in which the Company has the power to govern the financial and operating processes 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 processes 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 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 entity's anticipated cash flows and the results of the entity's operations and reflects its interest in the entity's equity.

2.4. CURRENT FINANCIAL ASSETS AND CASH

Current financial assets principally consist of short-term debt securities with a maturity of less than one year and other securities available for sale.

Current financial assets are carried at cost upon acquisition.

Cash consists of cash on hand and cash at bank.

2.5. 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 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 the 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.

2.6. RECEIVABLES

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

Provisioning

The Company recognises provisions against receivables, the recoverability of which is doubtful.

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

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

- a) Receivables past due by 1 year and more are provisioned in full; and
- b) Receivables past due over six months but less than one year are provisioned at 50%.

In addition, provisions are recognised against receivables based on an individual assessment of their collectability.

The Company 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.

2.7. PAYABLES

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

2.8. 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 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.

2.9. RESERVES

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

2.10. ACCRUALS AND DEFERRALS

Accrual and deferral accounts include deferred and accrued income and expenses. Deferred expenses include deferrals of only such items which are very likely, or certain, to bring a specific measurable effect in the form of income or other economic benefits in the following years over which they are deferred. Immaterial and regular expenses or income of less than CZK 20 thousand are not deferred. Comprehensive deferred expenses include the costs of research and development and implementation of projects relating to software acquisition.

2.11. FOREIGN CURRENCY TRANSLATIONS

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

During the period, 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 the assets were recorded.

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

Prepayments for tangible and intangible fixed assets received after 31 December 2020, if such prepayments are non-refundable, are considered as part of the purchase price of the specific fixed asset at the balance sheet date and are not translated at the Czech National Bank's exchange rate as of the balance sheet date. Prepayments for fixed assets received before 1 January 2021, reported in a foreign currency at the balance sheet date, are translated at the Czech National Bank's exchange rate applicable at the balance sheet date.

Exchange rate differences on provisions for newly created foreign currency receivables exceeding CZK 1 million are recognised individually through financial profit or loss (account 563 foreign exchange losses or 663 foreign exchange gains). Below this amount, foreign exchange gains or losses on provisions for foreign currency receivables continue to be reported in the operating profit or loss as the recognition or a release of the provision for receivables.

2.12. TAXATION

2.12.1. 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 in the Tube Rolling Mill (the VT operation), VZ – Billet Rolling Mill, and the Universal Track and Track Fastenings Plant which are depreciated using the straight line and accelerated methods.

2.12.2. 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 Company's liability for current tax is calculated using the tax rate that has been enacted by the balance sheet date.

2.12.3. 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.

2.13. BORROWING COSTS

Borrowing costs arising from payables to credit institutions are directly expensed regardless of the purpose for which the loans were drawn.

2.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

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 (‘Other expenses’ 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’.

2.15. 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.

Profit share income is recognised when the Company’s General Meeting, i.e. the sole shareholder acting in the capacity thereof, adopts a decision on profit distribution.

Insurance claims received are credited to income of the reporting period in which the amount of the claim is recognised by the insurer. If the claim has not been recognised, an estimated receivable for claims received is made only for the actual expenses incurred to recover the consequences of the claim in the relevant reporting period.

2.16. USE OF ESTIMATES

The presentation of financial statements requires making estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. 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.

2.17. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is capitalised as part of the cost and posted to the acquisition of tangible or intangible fixed assets if the research and development projects result in fixed assets (tangible and intangible). The output of a research and development project is capitalised on the basis of the results of opponent proceedings. A detailed analysis of the projects in progress is undertaken at the 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 posted directly to expenses, taking into account repeatability and materiality. The materiality criterion is defined as follows: “If the expenses on permanent development for the relevant reporting period do not exceed on average more than 50% of the expenses on permanent development for the previous 2 reporting periods, all such expenses are posted to expenses in the relevant reporting period. If the abovementioned threshold is exceeded, the entity will select the projects responsible for the materiality threshold being exceeded and, after analysis, capitalises them in the complex deferred expenses”.

2.18. SUBSIDIES

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

In accordance with Government Regulation No. 565/2020 Coll., on Conditions for the Provision of Compensations for Indirect Costs for Industrial Sectors in which a Significant Risk of Carbon Leakage was Identified, as a Result of the Effect of the Costs relating to Greenhouse Gas Emissions on Electricity Prices, these compensations are recognised in the reporting period in which the Ministry of Industry and Trade issues a resolution regarding the provision of compensation.

Subsidies to fund the acquisition of fixed assets reduce the cost of the related assets.

2.19. 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 at bank except for deposits with maturity longer than three months, and current liquid assets easily convertible into cash in an amount agreed in advance where no significant changes in the value of these assets are expected over time.

Cash and cash equivalents can be analysed as follows:

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
CASH ON HAND	1 427	1 689
CASH AT BANK	253 124	854 608
OTHER CURRENT FINANCIAL ASSETS	3 034	3 034
PROVISIONS AGAINST OTHER CURRENT FINANCIAL ASSETS	-3 034	-3 034
TOTAL CURRENT FINANCIAL ASSETS AND CASH	254 551	856 297
CASH AND CASH EQUIVALENTS NOT INCLUDED IN THE CASH FLOW	-3 829	-4 032
TOTAL CASH AND CASH EQUIVALENTS	250 722	852 265

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

3. ADDITIONAL INFORMATION

3.1. FIXED ASSETS

3.1.1. INTANGIBLE FIXED ASSETS

Cost (CZK THOUSAND)

	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	Balance at 31 Dec 2021
DEVELOPMENT	4 553	0	0	4 553
VALUABLE RIGHTS	274 921	13 886	0	288 807
OTHER INTANGIBLE FA	1 065 784	74 135	1 134 598	5 321
INTANGIBLE FA UNDER CONSTRUCTION	7 560	12 667	14 113	6 114
TOTAL	1 352 818	100 688	1 148 711	304 795

Accumulated Amortisation (CZK THOUSAND)

	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	Balance at 31 Dec 2021
DEVELOPMENT	4 553	0	0	4 553
VALUABLE RIGHTS	216 416	15 375	0	231 791
OTHER INTANGIBLE FA	5 321	0	0	5 321
TOTAL	226 290	15 375	0	241 665

Net Book Value (CZK THOUSAND)

	Balance at 31 Dec 2020	Balance at 31 Dec 2021
VALUABLE RIGHTS	58 505	57 016
OTHER INTANGIBLE FA	1 060 463	0
INTANGIBLE FA UNDER CONSTRUCTION	7 560	6 114
TOTAL	1 126 528	63 130

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 15,375 thousand and CZK 12,671 thousand as of 31 December 2021 and 2020, respectively.

Other intangible fixed assets primarily include emission allowances.

In 2021, the Company acquired 38,934 allowances for 2021 in the amount of CZK 61,767 thousand free of charge. At the same time, the Company acquired 10,750 CER credits in the amount of CZK 227 thousand and exchanged this volume of CER credits for EUA allowances. At the balance sheet date, the Company recognised the use of allowances for 2020 in the amount of CZK 299 thousand and the use of allowances for 2021 in the amount of CZK 4,128,680 thousand.

As of 31 December 2021, the total volume of allowances for 2021 has not been allocated to the Company. In April 2022 at the latest, the Company expects to receive another 3,375,076 free allowances for 2021 based on the approval of the European Commission and the subsequent decision of the Ministry of the Environment of the Czech Republic. For this reason, the Company does not create a reserve for the missing allowances as of 31 December 2021. The Company reported the use of allowances and the use of subsidy for the missing allowances in the amount of CZK 3,645,754 thousand in the corresponding account of other operating expenses and other operating income based on estimated amounts only in the profit and loss account.

The Company sold 1,090,000 allowances in 2021. The effect of the sale of the allowances was CZK 1,490,081 thousand.

In the year ended 31 December 2020, the Company acquired 3,404,499 emission allowances for 2020 in the amount of CZK 2,033,785 thousand free of charge. As of the balance sheet date of 31 December 2020, based on the performed verification, the Company recognised a disposal of emission allowances for 2019 of CZK 2 thousand and a disposal of emission allowances for 2020 of CZK 1,658,786 thousand.

In 2020, the Company sold 1,726,000 allowances. The effect of the sale of the allowances was CZK 1,121,362 thousand.

Aggregate Balance of Low Value Intangible Assets not Reported on the Face of the Balance Sheet

The aggregate cost of low value intangible assets not reported on the face of the balance sheet was CZK 29,769 thousand and CZK 26,440 thousand as of 31 December 2021 and 2020, respectively.

3.1.2. TANGIBLE FIXED ASSETS

Cost (CZK THOUSAND)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
LAND	522 953	4 838	967	526 824
STRUCTURES	10 490 176	155 080	19 768	10 625 488
TANGIBLE MOVABLE ASSETS AND SETS THEREOF	30 758 255	2 101 480	523 928	32 335 807
OTHER TANGIBLE FA	6 884	1	0	6 885
PREPAYMENTS FOR TANGIBLE FA	82 090	99 060	68 735	112 415
TANGIBLE FA UNDER CONSTRUCTION	1 047 318	1 619 808	2 261 666	405 460
TOTAL	42 907 676	3 980 267	2 875 064	44 012 879

Accumulated Depreciation (CZK THOUSAND)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
STRUCTURES	5 458 781	254 497	19 767	5 693 511
TANGIBLE MOVABLE ASSETS AND SETS THEREOF	21 114 715	1 184 433	523 928	21 775 220
TOTAL	26 573 496	1 438 930	543 695	27 468 731

Provisions (CZK THOUSAND)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
STRUCTURES	13 802	0	1 014	12 788
TANGIBLE MOVABLE ASSETS AND SETS THEREOF	1 189	0	270	919
TANGIBLE FA UNDER CONSTRUCTION	2 669	4 013	1 589	5 093
TOTAL	17 660	4 013	2 873	18 800

Net Book Value

(CZK THOUSAND)

	BALANCE AT 31 DEC 2020	BALANCE AT 31 DEC 2021
LAND	522 953	526 824
STRUCTURES	5 017 593	4 919 189
TANGIBLE MOVABLE ASSETS AND SETS THEREOF	9 642 351	10 559 668
OTHER TANGIBLE FA	6 884	6 885
PREPAYMENTS FOR TANGIBLE FA	82 090	112 415
TANGIBLE FA UNDER CONSTRUCTION	1 044 649	400 367
TOTAL	16 316 520	16 525 348

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

(CZK THOUSAND)

RECONSTRUCTION OF BLAST FURNACE NO. 6	563 477
RESTORATION OF ZPO I	275 201
HOT BLAST RECUPERATOR NO. 62 FOR BLAST FURNACE NO. 6	249 166

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

(CZK THOUSAND)

NEW PEELING LINE IN THE VJ – WIRES AND THIN SECTIONS ROLLING MILL PLANT	68 671
DEVICE FOR MEASURING RAIL DIMENSIONS WHEN COLD	12 491
STATIONARY UNLOADING EQUIPMENT INNOFREIGHT	10 123

During the year ended 31 December 2021, the disposals of tangible fixed assets included assets with an aggregate net book value of CZK 32,582 thousand. Major disposals principally comprised partial liquidation of blast furnace no. 6 due to reconstruction, complete liquidation of preheating of combustion of air and gas and partial liquidation of the automated management system of blast furnace no. 6 due to reconstruction.

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,432,818 thousand and CZK 1,414,805 thousand as of 31 December 2021 and 2020, respectively.

Aggregate Balance of Low Value Tangible Assets not Reported on the Face of the Balance Sheet

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 620,528 thousand and CZK 596,179 thousand as of 31 December 2021 and 2020, respectively.

3.1.3. ASSETS HELD UNDER OPERATING LEASE AGREEMENTS

In the years ended 31 December 2021 and 2020, the Company made lease payments of CZK 56,981 thousand and CZK 56,145 thousand, respectively.

3.1.4. PLEDGED FIXED ASSETS

31 December 2021

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	PLEDGE/CREDITOR
TANGIBLE FA	546 578	LOAN FROM ČESKÁ SPOŘITELNA, a.s.
BUILDINGS	108 891	
LAND	3 458	
TANGIBLE FA	2 058	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
LAND	39 986	
TANGIBLE FA	629 944	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
TANGIBLE FA	713 296	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
TANGIBLE FA	446 908	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
LAND	96 223	
TANGIBLE FA	423 718	LOAN FROM ING BANK N. V.
LAND	11 988	
TANGIBLE FA	143 603	LOAN FROM ING BANK N. V.
TANGIBLE FA	1 194 887	LOAN FROM RAIFFEISENBANK a.s.
LAND	18 538	
TOTAL	4 380 076	

31 December 2020

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	PLEDGE/CREDITOR
TANGIBLE FA	556 192	LOAN FROM ČESKÁ SPOŘITELNA, a.s.
BUILDINGS	118 323	
LAND	3 458	
TANGIBLE FA	2 194	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
LAND	39 986	
TANGIBLE FA	692 199	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
TANGIBLE FA	764 853	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
TANGIBLE FA	513 658	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.
LAND	106 893	
TANGIBLE FA	464 716	LOAN FROM ING BANK N. V.
LAND	10 465	
TOTAL	3 272 937	

3.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK THOUSAND)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	8 608 034	40 170	0	8 648 204
EQUITY INVESTMENTS – ASSOCIATES	50 995	0	0	50 995
OTHER NON-CURRENT SECURITIES AND EQUITY INVESTMENTS	2 002	0	0	2 002
TOTAL	8 661 031	40 170	0	8 701 201

Provisions

(CZK THOUSAND)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021
EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	379 915	313 530	0	693 445
EQUITY INVESTMENTS – ASSOCIATES	17 938	0	541	17 397
TOTAL	397 853	313 530	541	710 842

3.2.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY

31 December 2021

(CZK THOUSAND)

COMPANY NAME AND REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT/LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
ŽDB DRÁTOVNA a.s., PUDLOV, BOHUMÍN	100.00	2 247 571	188 500	0	43 000
STROJÍRNÝ A STAVBY TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	639 493	43 238	0	32 000
ENERGETIKA TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	2 732 256	49 437	0	9 500
SLÉVÁRNÝ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	565 590	-20 951	-185 069	0
ŠROUBÁRNA KYJOV, SPOL. S R.O., KYJOV	100.00	685 774	24 665	-198 866	24 000
HŽP a.s., PROSTĚJOV	100.00	620 496	44 549	0	30 000
„D&D“ DRÓTÁRU ZRT., 3527 MISHOLC, SAJÓSZIGETI UTCA 4 (HUN)	100.00	586 746	249 916	-195 532	0
„METALURGIA“ SPÓŁKA AKCYJNA, RADOMSKO (POL)	100.00	301 638	91 258	0	0
VÚHŽ a.s., DOBRÁ	100.00	411 363	48 603	0	45 000
ŘETĚZÁRNA a.s., ČESKÁ VES	51.00	628 419	46 697	0	5 100
REFRASIL, S.R.O., KONŠHÁ, TŘINEC	100.00	233 872	8 087	0	18 000
TŘINEČHÉ GASTROSLUŽBY, S.R.O., STARÉ MĚSTO, TŘINEC	100.00	40 773	-1 887	0	0
DOPRAVA TŽ, a.s., TŘINEC-STARÉ MĚSTO	100.00	47 067	3 206	0	10 000
TRIALFA, S.R.O., TŘINEC – KANADA	100.00	21 089	461	0	0
MORAVIA SECURITY, a.s., KONŠHÁ, TŘINEC	100.00	40 727	2 571	0	5 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O., VÍTHOVICE, OSTRAVA	90.00	50 276	1 455	0	0
TŘINECKÁ PROJEKCE, a.s., KANADA, TŘINEC	84.54	32 223	2 702	0	1 727
„ZAMECZEK BŁOGOCICE“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, CIESZYN (POL)	88.00	42 303	370	-12 522	0
TRISIA, a.s., LYŽBICE, TŘINEC	66.00	40 164	534	-15 785	0
IMOPRA S.R.O., NIVNICE	100.00	113 636	4810	-85 671	6 000
BOHEMIA RINGS S.R.O., ZÁMRSH	100.00	916 881	55 579	0	80 000
EKOSTROJÍRENSTVÍ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	20 940	-9 642	0	0
ENEZA, S.R.O., STARÉ MĚSTO, TŘINEC*	52.50	92 174	14 227	0	0
TOTAL				-693 445	309 327

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

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

31 December 2020

(CZK THOUSAND)

COMPANY NAME AND REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT/LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
ŽDB DRÁTOVNA a.s., PUDLOV, BOHUMÍN	100.00	2 102 070	46 888	0	15 000
STROJÍRNÝ A STAVBY TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	628 255	35 375	0	35 000
ENERGETIKA TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	2 692 318	9 557	0	50 000
SLÉVÁRNÝ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	586 540	-33 651	-42 196	0
ŠROUBÁRNA KYJOV, SPOL. S R.O., KYJOV	100.00	685 109	25 547	0	35 000
HŽP a.s., PROSTĚJOV	100.00	605 947	38 286	0	29 500
„D&D“ DRÓTÁRU ZRT., 3527 MISKOLC, SAJÓSZIGETI UTCA 4 (HUN)	100.00	376 471	17 036	-290 860	0
„METALURGIA“ SPÓŁKA AKCYJNA, RADOMSKO (POL)	100.00	227 526	23 000	0	0
VÚHŽ a.s., DOBRÁ	100.00	407 760	46 255	0	40 000
ŘETĚŽÁRNA a.s., ČESKÁ VES	51.00	589 222	18 632	0	9 180
REFRASIL, S.R.O., KONŠKÁ, TŘINEC	100.00	243 785	13 147	0	25 000
TŘINECHÉ GASTROSLUŽBY, S.R.O., STARÉ MĚSTO, TŘINEC	100.00	42 660	-14 787	0	0
DOPRAVA TŽ, a.s., TŘINEC-STARÉ MĚSTO	100.00	53 861	2 311	0	0
TRIALFA, S.R.O., TŘINEC - KANADA	100.00	20 629	683	0	0
MORAVIA SECURITY, a.s., KONŠKÁ, TŘINEC	100.00	43 430	2 603	0	1 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O., VÍTHOVICE, OSTRAVA	90.00	48 820	1 098	0	0
TŘINECKÁ PROJEKCE, a.s., KANADA, TŘINEC	84.54	31 563	2 043	0	2 993
„ZAMECZEK BŁOGOCICE“ SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, CIESZYŃ (POL)	88.00	44 645	495	-10 547	0
TRISIA, a.s., LYŽBICE, TŘINEC	66.00	39 630	-15 323	-15 658	0
IMOPRA S.R.O., NIVNICE	100.00	114 826	4 851	-20 654	0
BOHEMIA RINGS S.R.O., ZÁMRŠH	100.00	941 302	109 426	0	50 000
EKOSTROJÍRENSTVÍ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	30 583	-19 417	0	0
TOTAL				-379 915	292 673

3.2.2. EQUITY INVESTMENTS – ASSOCIATES

31 December 2021

(CZK THOUSAND)

COMPANY NAME, REGISTERED OFFICE	EQUITY INVESTMENT IN %	EQUITY	PROFIT/LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
VESUVIUS ČESKÁ REPUBLIKA, a.s., KONSKÁ, TŘINEC	40.00	436 160	107 178	0	32 183
OCELÁŘSKÁ UNIE a.s., NOVÉ MĚSTO, PRAHA I	39.94	42 875	-919	-17 397	0
HRAT, S.R.O., STARÉ MĚSTO, TŘINEC*	23.26	3 693	1 533	0	0
TOTAL				-17 397	32 183

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

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

31 December 2020

(CZK THOUSAND)

COMPANY NAME, REGISTERED OFFICE	EQUITY INVESTMENT IN %	EQUITY	PROFIT/LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
VESUVIUS ČESKÁ REPUBLIKA, a.s., KONSKÁ, TŘINEC	40.00	409 440	80 458	0	15 856
OCELÁŘSKÁ UNIE a.s., NOVÉ MĚSTO, PRAHA I	39.94	43 171	-684	-17 938	0
HRAT, S.R.O., STARÉ MĚSTO, TŘINEC*	23.26	2 159	761	0	0
TOTAL				-17 938	15 856

Note: * economic results for the period from 1 April 2020 – 31 March 2021

3.2.3. NON-CURRENT FINANCIAL ASSETS PLEDGED AS COLLATERAL

As of 31 December 2021 and 2020, the Company had non-current financial assets pledged as collateral in the nominal value of CZK 1,144,302 thousand and CZK 1,144,302 thousand, respectively.

3.3. RECEIVABLES

3.3.1. SHORT-TERM RECEIVABLES

As of 31 December 2021 and 2020, the Company recorded short-term trade receivables past their due dates in the gross amount of CZK 38,943 thousand and CZK 30,012 thousand (net CZK 26,409 thousand and CZK 16,503 thousand), respectively.

Other Receivables

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

As of 31 December 2021, State – tax receivables predominantly included a receivable arising from value added tax and prepayments for fees under Act No. 201/2012 Coll., the Air Protection Act.

As of 31 December 2020, this item predominantly included a receivable arising from value added tax, prepayments for the corporate income tax and prepayments for fees under Act No. 201/2012 Coll., the Air Protection Act.

As of 31 December 2021, sundry receivables principally include a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from an unused donation and a receivable from a contribution under the employment protection programme “Antivirus”. As of 31 December 2020, this item principally included a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from the group registration for VAT and a receivable from a contribution under the employment protection programme “Antivirus”.

As of 31 December 2021 and 2020, estimated receivables principally included amounts due from anticipated insurance proceeds, from utilising an operating subsidy and from the refund of the value added tax paid abroad.

Receivables typically mature within 30 days.

3.3.2. INTERCOMPANY RECEIVABLES

Short-Term Receivables

(CZK THOUSAND)

COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
• TRADE RECEIVABLES			
DOPRAVA TŽ, a.s.	CONTROLLED ENTITY	3 329	2 256
ENERGETIKA TŘINEC, a.s.	CONTROLLED ENTITY	208 893	17 240
ŠROUBÁRNA KYJOV, SPOL. S R.O.	CONTROLLED ENTITY	672	444
STROJÍRNY A STAVBY TŘINEC, a.s.	CONTROLLED ENTITY	16 757	8 689
MORAVIA STEEL a.s.	CONTROLLED ENTITY	2 837 635	1 590 712
REFRASIL, S.R.O.	CONTROLLED ENTITY	56	544
ŘETĚZÁRNA a.s.	CONTROLLED ENTITY	644	0
SLÉVÁRNY TŘINEC, a.s.	CONTROLLED ENTITY	84 032	47 915
TRIALFA, S.R.O.	CONTROLLED ENTITY	6 119	1 008
TŘINECKÁ PROJEKCE, a.s.	CONTROLLED ENTITY	94	87
TŘINECHÉ GASTROSLUŽBY, S.R.O.	CONTROLLED ENTITY	998	811
TRISIA, a.s.	CONTROLLED ENTITY	107	65
VESUVIUS ČESKÁ REPUBLIKA, a.s.	ASSOCIATE	455	401
BESHYDSKÁ GOLFOVÁ, a.s.	FELLOW SUBSIDIARY	10	13
VÚHŽ a.s.	CONTROLLED ENTITY	383	1 323
MORAVIA SECURITY, a.s.	CONTROLLED ENTITY	77	66
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O.	CONTROLLED ENTITY	12	10
MORAVSHOSLEZSHÝ KOVOŠROT, a.s.	FELLOW SUBSIDIARY	217	139
„METALURGIA“ SPÓŁKA AKCYJNA	CONTROLLED ENTITY	577	532
HŽP a.s.	CONTROLLED ENTITY	424	225
M STEEL PROJECTS a.s.	FELLOW SUBSIDIARY	8	15
„NEOMET“ SP. Z O.O.	FELLOW SUBSIDIARY	29	18

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COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
ŽDB DRÁTOVNA a.s.	CONTROLLED ENTITY	1 648	1 425
BARRANDOV STUDIO a.s.	FELLOW SUBSIDIARY	230	242
KOVÁRNA VIVA a.s.	FELLOW SUBSIDIARY	88	86
BOHEMIA RINGS S.R.O.	CONTROLLED ENTITY	2 038	2 197
SECURITY MORAVA S.R.O.	CONTROLLED ENTITY	2	12
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	CONTROLLED ENTITY	68	48
MINERFIN, a.s.	RELATED PARTY	1	1
ENEZA, S.R.O.	CONTROLLED ENTITY	283	0
TOTAL		3 165 886	1 676 524
• RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY			
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	CONTROLLED ENTITY	5 666	0
TŘINECHÉ GASTROSLUŽBY, S.R.O	CONTROLLED ENTITY	7 518	8 016
TOTAL		13 184	8 016
• OTHER RECEIVABLES			
ENERGETIKA TŘINEC, a.s.	CONTROLLED ENTITY	0	3 312
MORAVIA STEEL a.s.	CONTROLLING ENTITY	40	0
TOTAL		40	3 312
• ACCRUED INCOME			
ENERGETIKA TŘINEC, a.s.	CONTROLLED ENTITY	0	4 474
TOTAL		0	4 474
TOTAL SHORT-TERM INTERCOMPANY RECEIVABLES		3 179 110	1 692 326
OTHER THAN INTERCOMPANY RECEIVABLES		436 110	523 705
TOTAL SHORT-TERM RECEIVABLES		3 615 220	2 216 031

As of the balance sheet date, the Company records no long-term receivables past their due dates by more than 5 years.

As of 31 December 2021, the Company records no receivables secured with material guarantees.

3.4. EQUITY

Valuation differences include profit/loss from the revaluation of securities available for sale net of a deferred tax liability.

The sole shareholder of the Company decided to distribute the net profit after tax generated by the Company in 2020 in the amount of CZK 469,323 thousand as follows: the entire amount was transferred to retained earnings brought forward.

3.4.1. SHARE CAPITAL

The Company's share capital is composed of 8,109,863 ordinary registered shares in the certificate form, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share.

3.4.2. PROPOSAL FOR THE ALLOCATION OF PROFIT FOR 2021

In 2021, the Company generated net profit after tax of CZK 1,306,080 thousand. It is proposed to be distributed as follows:

- Share of profit assigned to the sole shareholder: CZK 500,000 thousand,
- Retained earnings brought forward: CZK 806,080 thousand.

3.5. RESERVES

Other reserves principally consist of reserves for employee bonuses and risks arising from business relations, including warranty claims.

3.6. PAYABLES

3.6.1. LONG-TERM PAYABLES

Long-term trade payables as of 31 December 2021 include payables arising from retentions from suppliers under concluded contracts.

As of 31 December 2021, the Company records no long-term payables secured with material guarantees.

As of 31 December 2021, the Company records long-term trade payables with maturity longer than five years in the amount of CZK 750 thousand. As of 31 December 2020, the Company did not record trade payables with maturity longer than five years.

3.6.2. DEFERRED INCOME TAX

The deferred tax liability is analysed as follows:

(CZK THOUSAND)

DEFERRED TAX ARISING FROM	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
DIFFERENCE BETWEEN TAX AND ACCOUNTING CARRYING VALUES OF FIXED ASSETS	-7 869 125	-7 361 460
REVALUATION OF AVAILABLE-FOR-SALE SECURITIES	54	54
ACCOUNTING RESERVES	574 243	320 435
PROVISIONS	662 961	799 433
EXPENSES THAT ARE TAX DEDUCTIBLE IN THE FOLLOWING PERIODS	215 624	112 792
TOTAL	-6 416 243	-6 128 746
TAX RATE (IN %)	19	19
DEFERRED TAX LIABILITY	-1 219 086	-1 164 462

(CZK THOUSAND)

ANALYSIS OF MOVEMENTS

31 DEC 2020	-1 164 462
CURRENT CHANGES CHARGED AGAINST THE PROFIT AND LOSS ACCOUNT	-54 624
31 DEC 2021	-1 219 086

3.6.3. INCOME TAX

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
PROFIT BEFORE TAX	1 612 925	529 603
TAX AT THE DOMESTIC INCOME TAX RATE OF 19%	306 456	100 625
TAX EFFECT OF EXPENSES THAT ARE NOT DEDUCTIBLE IN DETERMINING TAXABLE PROFIT	389	-40 345
TOTAL INCOME TAX FOR THE PERIOD – RECOGNISED IN DEFERRED TAX AND INCOME TAX PAYABLE	306 845	60 280

3.6.4. SHORT-TERM PAYABLES

As of 31 December 2021, the Company records no short-term trade payables past their due dates. As of 31 December 2020, the Company recorded short-term trade payables past their due dates of CZK 483 thousand.

Payables typically fall due for settlement within 60 days.

Other Payables

In the year ended 2021, the category 'State – tax payables and subsidies' principally comprised a payable arising from corporate and personal income tax. In the year ended 31 December 2020, the category principally comprised received subsidies for emission allowances and a payable arising from personal income tax.

In 2021 and 2020, estimated payables mainly consisted of an estimated payable intended to cover all so far unrecognised payments relating to staff costs, an estimated payable for fees under Act No. 201/2012 Coll., on Air Protection, and an estimated payable arising from unbilled inventory including services.

As of 31 December 2021 and 31 December 2020, sundry payables primarily include payables arising from the group registration for value added tax and contributions to employees.

3.6.5. INTERCOMPANY PAYABLES

Long-Term Payables

(CZK THOUSAND)

COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
LONG-TERM PAYABLES			
· TRADE PAYABLES			
STROJÍRNY A STAVBY TŘINEC, A.S.	CONTROLLED ENTITY	966	404
TOTAL		966	404
TOTAL LONG-TERM INTERCOMPANY PAYABLES		966	404
OTHER THAN INTERCOMPANY PAYABLES		3 703 588	3 288 900
TOTAL LONG-TERM PAYABLES		3 704 554	3 289 304

Other than intercompany long-term payables as of 31 December 2021 and 2020 primarily included a deferred tax liability of CZK 1,219,086 thousand and CZK 1,164,462 thousand, respectively, and payables to credit institutions of CZK 2,447,946 thousand and CZK 2,094,582 thousand, respectively.

Short-Term Payables

(CZK THOUSAND)

COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
• TRADE PAYABLES			
DOPRAVA TŽ, a.s.	CONTROLLED ENTITY	12 256	13 041
ENERGETIKA TŘINEC, a.s.	CONTROLLED ENTITY	853 446	462 465
OCELÁŘSKÁ UNIE a.s.	ASSOCIATE	835	832
ŠROUBÁRNA KYJOV, SPOL. S R.O.	CONTROLLED ENTITY	3 813	2 191
MORAVIA STEEL a.s.	CONTROLLING ENTITY	2 226 500	1 959 169
REFRASIL, S.R.O.	CONTROLLED ENTITY	12 073	21 276
ŘETĚZÁRNA a.s.	CONTROLLED ENTITY	811	403
SLÉVÁRNÝ TŘINEC, a.s.	CONTROLLED ENTITY	3 768	1 476
TRIALFA, S.R.O.	CONTROLLED ENTITY	13 955	16 721
TRISIA, a.s.	CONTROLLED ENTITY	384	1 067
TŘINECKÁ PROJEKCE, a.s.	CONTROLLED ENTITY	3 234	2 929
TŘINECHÉ GASTROSLUŽBY, S.R.O.	CONTROLLED ENTITY	6 998	9 372
VESUVIUS ČESKÁ REPUBLIKA, a.s.	ASSOCIATE	8 196	19 395
BESHYDSHÁ GOLFOVÁ, a.s.	FELLOW SUBSIDIARY	3 630	4 598
STROJÍRNÝ A STAVBY TŘINEC, a.s.	CONTROLLED ENTITY	128 133	118 084
VÚHŽ a.s.	CONTROLLED ENTITY	60	559
MORAVIA SECURITY, a.s.	CONTROLLED ENTITY	9 056	9 161
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O.	CONTROLLED ENTITY	170	1 773
MORAVSHOSLEZSHÝ KOVOŠROT, a.s.	FELLOW SUBSIDIARY	161 700	139 125
„ZAMECZEK BŁOGOCICE“ SP. Z O.O.	CONTROLLED ENTITY	91	97
ŽDB DRÁTOVNA a.s.	CONTROLLED ENTITY	1 714	2 204
“D&D” DRÓTÁRU ZRT.	CONTROLLED ENTITY	0	2 348
“METALURGIA” SPÓŁKA AKCYJNA	CONTROLLED ENTITY	0	105

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
"NEOMET" SP. Z O.O.	FELLOW SUBSIDIARY	94 400	98 240
SECURITY MORAVA, S.R.O.	CONTROLLED ENTITY	1 508	1 498
BOHEMIA RINGS S.R.O.	CONTROLLED ENTITY	6 190	4 053
ENEZA, S.R.O.	CONTROLLED ENTITY	2 300	0
TOTAL		3 555 221	2 892 182
• ACCRUED EXPENSES			
MORAVIA STEEL A.S.	CONTROLLING ENTITY	1 373	0
TOTAL		1 373	0
• ESTIMATED PAYABLES			
MORAVIA STEEL A.S.	CONTROLLING ENTITY	260	2 720
TOTAL		260	2 720
• SUNDRY PAYABLES			
ENERGETIKA TŘINEC, A.S.	CONTROLLED ENTITY	6 019	0
MORAVIA STEEL A.S.	CONTROLLING ENTITY	45 375	33 691
TOTAL		51 394	33 691
TOTAL SHORT-TERM INTERCOMPANY PAYABLES		3 608 248	2 928 593
OTHER THAN INTERCOMPANY PAYABLES		3 603 033	3 976 579
TOTAL SHORT-TERM PAYABLES		7 211 281	6 905 172

Other than intercompany short-term payables as of 31 December 2021 and 2020 predominantly include payables to credit institutions of CZK 1,285,370 thousand and CZK 1,027,204 thousand, respectively, and tax payables and subsidies of CZK 199,352 thousand and CZK 1,105,028 thousand, respectively.

3.6.6. PAYABLES TO CREDIT INSTITUTIONS

Long-Term Payables to Credit Institutions

(CZK THOUSAND)

TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AT 31 DEC 2021
INVESTMENT	EUR	7 952	25 184	HERMES GUARANTEE INSURER
INVESTMENT	EUR	0	14 544	ODL GUARANTEE INSURER
INVESTMENT	CZK	60 000	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
INVESTMENT	CZK	400 000	628 571	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
INVESTMENT	EUR	775 694	880 091	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES
INVESTMENT	CZK	1 080 000	0	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
ACQUISITION	EUR	124 300	306 192	SECURITIES, PROMISSORY NOTE
TOTAL		2 447 946	2 094 582	

The Company records repayments of long-term payables to credit institutions over five years in the amount of CZK 120,000 thousand.

Short-Term Payables to Credit Institutions

(CZK THOUSAND)

TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AT 31 DEC 2021
INVESTMENT	EUR	15 904	16 790	HERMES GUARANTEE INSURER
INVESTMENT	EUR	13 776	29 087	ODL GUARANTEE INSURER
INVESTMENT	CZK	0	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
INVESTMENT	CZK	180 000	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
INVESTMENT	CZK	228 571	228 572	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
INVESTMENT	EUR	221 627	97 788	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES
INVESTMENT	CZK	120 000	0	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
ACQUISITION	EUR	165 733	174 967	SECURITIES, PROMISSORY NOTE

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AT 31 DEC 2021
OVERDRAFT	CZK	65 937	0	PROMISSORY NOTE
OVERDRAFT	CZK	65 805	0	WITHOUT GUARANTEE
OVERDRAFT	CZK	66 124	0	PROMISSORY NOTE
OVERDRAFT	CZK	71 043	0	PROMISSORY NOTE
OVERDRAFT	CZK	70 841	0	PROMISSORY NOTE
OVERDRAFT	CZK	0	0	PROMISSORY NOTE
SHORT-TERM LOAN	CZK	9	0	NO COLLATERAL
TOTAL		1 285 370	1 027 204	

3.7. DETAILS OF INCOME FROM ORDINARY ACTIVITIES

(CZK THOUSAND)

	31 DEC 2021	31 DEC 2020
PROCEEDS OF THE SALE OF GOODS	17	25
PROCEEDS OF THE SALE OF PRODUCTS AND SERVICES	43 715 225	35 114 272
- PRODUCTS	43 248 222	34 664 240
- SERVICES	467 003	450 032
TOTAL SALES OF GOODS, PRODUCTS AND SERVICES	43 715 242	35 114 297

99.77% of the Company's sales of goods, products and services are generated in the Czech Republic.

3.8. OTHER EXPENSES AND INCOME

As of 31 December 2021, other operating income of the Company mainly involves the use of the subsidy related to emission allowances, including the income from the sale of allowances, of CZK 6,270,205 thousand (2020: CZK 3,747,733 thousand)

Other financial income as of 31 December 2021 and 2020 predominantly included foreign exchange rate gains of CZK 106,827 thousand and CZK 45,390 thousand, respectively.

As of 31 December 2021, other operating expenses primarily reflect the use of emission allowances, including the costs of the sale of allowances, of CZK 4,780,352 thousand; as of 31 December 2020, in the amount of CZK 2,626,373 thousand.

Other financial expenses as of 31 December 2021 predominantly include foreign exchange rate losses of CZK 31,980 thousand (2020: CZK 46,443 thousand).

Financial gifts are reported in operating expenses. The total amount of gifts provided in 2021 amounted to CZK 19,641 thousand (2020: CZK 26,561 thousand).

In the year ended 31 December 2021, the Company received and reported the compensation for the indirect costs associated with greenhouse gas emissions reflected in the price of electricity for the calendar year of 2020 in the amount of CZK 203,891 thousand.

In the year ended 31 December 2021, the Company drew a contribution under the “Antivirus” employment protection programme as a partial compensation for payroll costs in the amount of CZK 10,728 thousand (2020: CZK 4,579 thousand).

In the year ended 31 December 2021, the Company drew a contribution under the self-sampling COVID-19 test programme in the amount of CZK 5,356 thousand.

3.9. SUBSIDIES

Subsidies for operating purposes of CZK 5,703 thousand utilised for the year ended 31 December 2021 (2020: CZK 4,273) include subsidies for research and development, a subsidy for museum operations, and a subsidy for environmental projects.

In the year ended 31 December 2021, the Company drew a subsidy for the acquisition of environmental and other investments of CZK 34,002 thousand.

In the year ended 31 December 2020, the Company drew a subsidy for the acquisition of environmental and other investments of CZK 145,969 thousand.

3.10. RESEARCH AND DEVELOPMENT COSTS

(CZK THOUSAND)

	31 DEC 2021	31 DEC 2020
RESEARCH AND DEVELOPMENT COSTS (NET OF SUBSIDIES)	18 758	15 655

3.II. RELATED PARTY TRANSACTIONS

3.II.1. INCOME GENERATED WITH RELATED PARTIES

Income from intercompany transactions amounted to CZK 44,505,758 thousand and CZK 35,843,393 thousand in the years ended 31 December 2021 and 2020, respectively. All intercompany transactions were at arm's length.

The following table shows the income generated with the controlling entity and other entities in the consolidation group for the year ended 31 December 2021:

(CZK THOUSAND)

ENTITY	RELATION TO THE COMPANY	FIXED ASSETS	INVENTORY OF MATERIAL, PRODUCTS AND GOODS	SERVICES	OTHER INCOME	TOTAL
MORAVIA STEEL a.S.	CONTROLLING ENTITY	0	41 861 764	173 963	356	42 036 083
ENERGETIKA TŘINEC, a.S.	CONTROLLED ENTITY	*1 490 081	174 739	43 357	55	1 708 232
REFRASIL, S.R.O.	CONTROLLED ENTITY	0	1 930	5 723	16	7 669
ŘETĚZÁRNA a.S.	CONTROLLED ENTITY	0	364	46	0	410
SLÉVÁRNÝ TŘINEC, a.S.	CONTROLLED ENTITY	0	328 209	20 648	52	348 909
VESUVIUS ČESKÁ REPUBLIKA, a.S.	ASSOCIATE	0	7	9 029	5	9 041
ŠROUBÁRNA KYJOV, SPOL. S R.O.	CONTROLLED ENTITY	0	652	5 202	0	5 854
STROJÍRNÝ A STAVBY TŘINEC, a.S.	CONTROLLED ENTITY	0	189 968	40 798	56	230 822
VÚHŽ a.S.	CONTROLLED ENTITY	0	5 564	2 102	1	7 667
HŽP a.S.	CONTROLLED ENTITY	0	0	3 055	0	3 055
„METALURGIA“ SPÓŁKA AKCYJNA	CONTROLLED ENTITY	0	0	2 316	0	2 316
ŽDB DRÁTOVNA a.S.	CONTROLLED ENTITY	0	27	16 132	10	16 169
BOHEMIA RINGS S.R.O.	CONTROLLED ENTITY	0	94	1 856	5	1 955
TOTAL		1 490 081	42 563 318	324 227	556	44 378 182

Note: * including the sale of allowances

The income arising from intercompany profit shares for the year ended 31 December 2021 is disclosed in Note 3.2.

The following table shows the income generated with the controlling entity and other entities in the consolidation group for the year ended 31 December 2020:

(CZK THOUSAND)

ENTITY	RELATION TO THE COMPANY	FIXED ASSETS	INVENTORY OF MATERIAL, PRODUCTS AND GOODS	SERVICES	OTHER INCOME	TOTAL
MORAVIA STEEL a.s.	CONTROLLING ENTITY	0	33 806 585	171 174	487	33 978 246
ENERGETIKA TŘINEC, a.s.	CONTROLLED ENTITY	*1125 835	180 847	40 737	47	1 347 466
REFRASIL, S.R.O.	CONTROLLED ENTITY	0	1 335	5 353	26	6 714
ŘETĚZÁRNA a.s.	CONTROLLED ENTITY	0	0	10	0	10
SLÉVÁRNÝ TŘINEC, a.s.	CONTROLLED ENTITY	0	218 829	19 936	27	238 792
VESUVIUS ČESKÁ REPUBLIKA, a.s.	ASSOCIATE	0	7	8 479	0	8 486
ŠROUBÁRNA KYJOV, SPOL. S R.O.	CONTROLLED ENTITY	0	0	4 515	0	4 515
STROJÍRNA A STAVBY TŘINEC, a.s.	CONTROLLED ENTITY	0	132 108	39 883	30	172 021
VÚHŽ a.s.	CONTROLLED ENTITY	0	3 888	1 982	1	5 871
HŽP a.s.	CONTROLLED ENTITY	0	0	2 875	0	2 875
„METALURGIA“ SPÓŁKA AKCYJNA	CONTROLLED ENTITY	0	0	2 137	0	2 137
ŽDB DRÁTOVNA a.s.	CONTROLLED ENTITY	0	63	14 886	6	14 955
BOHEMIA RINGS S.R.O.	CONTROLLED ENTITY	0	22	2 137	2	2 161
TOTAL		1 125 835	34 343 684	314 104	626	35 784 249

Note: * including the sale of allowances

The income arising from intercompany profit shares for the year ended 31 December 2020 is disclosed in Note 3.2.

3.11.2. PURCHASES FROM RELATED PARTIES

Total purchases from related parties amounted to CZK 34,385,770 thousand and CZK 25,280,199 thousand in the years ended 31 December 2021 and 2020. All related party transactions were at arm's length.

The following table shows purchases from the controlling entity and other entities included in the consolidation group in the year ended 31 December 2021:

(CZK THOUSAND)

ENTITY	TYPE OF ENTITY	FIXED ASSETS	INVENTORY OF MATERIAL, PRODUCTS AND GOODS	SERVICES	OTHER EXPENSES	TOTAL
MORAVIA STEEL a.s.	CONTROLLING ENTITY	258	24 980 320	233 780	110	25 214 468
ENERGETIKA TŘINEC, a.s.	CONTROLLED ENTITY	364	3 152 440	85 288	569 293	3 807 385
REFRASIL, S.R.O.	CONTROLLED ENTITY	0	1 135	141 086	0	142 221
ŘETĚŽÁRNA a.s.	CONTROLLED ENTITY	0	10 172		0	10 172
SLÉVÁRNY TŘINEC, a.s.	CONTROLLED ENTITY	5 356	106 994	783	0	113 133
VESUVIUS ČESKÁ REPUBLIKA, a.s.	ASSOCIATE	0	0	90 116	0	90 116
ŠROUBÁRNA KYJOV, SPOL. S R.O.	CONTROLLED ENTITY	0	23 405	0	0	23 405
STROJÍRNY A STAVBY TŘINEC, a.s.	CONTROLLED ENTITY	139 150	343 304	540 893	4 819	1 028 166
VÚHŽ a.s.	CONTROLLED ENTITY	7 243	1 293	3 048		11 584
„METALURGIA“ SPÓŁKA AKCYJNA	CONTROLLED ENTITY	0	43	0	0	43
„D&D“ DRÓTÁRU ZRT. *	CONTROLLED ENTITY	0	12 474	0	0	12 474
ŽDB DRÁTOVNA a.s.	CONTROLLED ENTITY	0	5 324	5 954	0	11 278
BOHEMIA RINGS S.R.O.	CONTROLLED ENTITY	0	30 997	0	0	30 997
TOTAL		152 371	28 667 901	1 100 948	574 222	30 495 442

Note: * The translation was made using the average value of the foreign exchange rate

The following table shows purchases from the controlling entity and other entities included in the consolidation group in the year ended 31 December 2020:

(CZK THOUSAND)

ENTITY	TYPE OF ENTITY	FIXED ASSETS	INVENTORY OF MATERIAL, PRODUCTS AND GOODS	SERVICES	OTHER EXPENSES	TOTAL
MORAVIA STEEL a.s.	CONTROLLING ENTITY	91	18 617 591	226 391	321	18 844 394
ENERGETIKA TŘINEC, a.s.	CONTROLLED ENTITY	0	2 367 338	86 418	233 847	2 687 603
REFRASIL, S.R.O.	CONTROLLED ENTITY	0	786	159 694	0	160 480
ŘETĚZÁRNA a.s.	CONTROLLED ENTITY	0	6 700	0	0	6 700
SLÉVÁŘNY TŘINEC, a.s.	CONTROLLED ENTITY	4 260	69 945	818	0	75 023
VESUVIUS ČESKÁ REPUBLIKA, a.s.	ASSOCIATE	0	40	91 440	0	91 480
ŠROUBÁRNA KYJOV, SPOL. S R.O.	CONTROLLED ENTITY	0	13 076	0	0	13 076
STROJÍRNY A STAVBY TŘINEC, a.s.	CONTROLLED ENTITY	60 771	313 426	487 553	0	861 750
VÚHŽ a.s.	CONTROLLED ENTITY	0	4 924	954	0	5 878
„METALURGIA“ SPÓŁKA AKCYJNA	CONTROLLED ENTITY	0	105	0	0	105
„D&D“ DRÓTÁRU ZRT. *	CONTROLLED ENTITY	0	12 687	0	0	12 687
ŽDB DRÁTOVNA a.s.	CONTROLLED ENTITY	0	6 758	4 494	0	11 252
BOHEMIA RINGS S.R.O.	CONTROLLED ENTITY	0	17 152	0	0	17 152
TOTAL		65 122	21 430 528	1 057 762	234 168	22 787 580

Note: * The translation was made using the average value of the foreign exchange rate

3.12. COVID-19

When preparing the financial statements as of 31 December 2021, the Company considered the impact of the coronavirus (SARS-CoV-2). The impact is not significant and does not pose a threat to the Company's going concern.

3.13. EMPLOYEES, MANAGEMENT AND SUPERVISORY BOARD

Staff Costs and Number of Employees

31 December 2021

(CZK THOUSAND)

	NUMBER	TOTAL STAFF COSTS
EMPLOYEES	6 851	4 628 909
MANAGEMENT	38	163 781
TOTAL	6 889	4 792 690

31 December 2020

(CZK THOUSAND)

	NUMBER	TOTAL STAFF COSTS
EMPLOYEES	6 983	4 530 502
MANAGEMENT	38	86 615
TOTAL	7 021	4 617 117

For the purposes of these financial statements, the category of management includes the members of the Supervisory Board, the members of the Board of Directors, the Investment Director, managers of operations and specialised units and the plant director.

The number of employees is based on the average recalculated headcount during the reporting period.

3.14. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

31 December 2021

(CZK THOUSAND)

	management
COMPANY CARS USED FOR BOTH BUSINESS AND PRIVATE PURPOSES (THE FIGURE INCREASES THE TAX BASE OF EMPLOYEES)	3 553
LIABILITY INSURANCE	536

31 December 2020

(CZK THOUSAND)

	management
COMPANY CARS USED FOR BOTH BUSINESS AND PRIVATE PURPOSES (THE FIGURE INCREASES THE TAX BASE OF EMPLOYEES)	3 506
LIABILITY INSURANCE	548

3.15. CONTINGENT LIABILITIES AND ASSETS AND OFF BALANCE SHEET COMMITMENTS, LEGAL DISPUTES

Provided Guarantees

31 December 2021

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

31 December 2020

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

Received Guarantees

31 December 2021

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

31 December 2020

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

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

As of 31 December 2021, the Company records in its favour a pledge on receivables as a means of collateralising financial debts under the Credit Agreement.

Legal Disputes

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

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

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

Environmental Liabilities

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

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

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

Other

In 2021 and 2020, the Company was involved in the project of the Regional Economic Chamber of the Moravian-Silesian Region through which employee education courses are provided. The support in this project is used in the de minimis mode.

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

3.16. POST BALANCE SHEET EVENTS

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

The Company is assessing and trying to anticipate, as far as possible, the impact of the Russian-Ukrainian conflict, particularly in the area of iron ore supplies from Ukraine and gas. The Company is aware of a threat in this area, with the possibility of a complete disruption of such supplies and is therefore working to expand the range of iron ore suppliers.

In view of the rapid development of the situation, the Company continuously analyses these impacts, i.e., also at the time of preparing these financial statements, and takes measures to eliminate the risks arising from these developments, including possible limitations on the Company’s production. However, as of the balance sheet date, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

IX

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

NAME OF THE COMPANY:	TŘINECKÉ ŽELEZÁŘNY, a. s.
REGISTERED OFFICE:	PRŮMYSLOVÁ 1000, STARÉ MĚSTO, 739 61 TŘINEC
LEGAL STATUS:	JOINT STOCK COMPANY
CORPORATE ID:	180 50 646

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 1 MARCH 2022.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE
JAN CZUDEK CHAIRMAN OF THE BOARD OF DIRECTORS	
RADOMÍRA PEKÁRKOVÁ MEMBER OF THE BOARD OF DIRECTORS	

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2021		31.12.2020
		GROSS	ADJUSTMENT	NET
	TOTAL ASSETS	91 716 686	-43 021 259	48 695 427
B.	FIXED ASSETS	67 357 067	-42 136 694	25 220 373
B.I.	INTANGIBLE FIXED ASSETS	593 559	-405 208	188 351
B.I.1.	RESEARCH AND DEVELOPMENT	4 553	-4 553	
B.I.2.	<i>VALUABLE RIGHTS</i>	511 495	-384 834	126 661
B.I.2.1.	SOFTWARE	316 545	-256 499	60 046
B.I.2.2.	OTHER VALUABLE RIGHTS	194 950	-128 335	66 615
B.I.3.	GOODWILL	315	-315	
B.I.4.	OTHER INTANGIBLE FIXED ASSETS	69 753	-15 506	54 247
B.I.5.	<i>PREPAYMENTS FOR INTANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS UNDER CONSTRUCTION</i>	7 443		7 443
B.I.5.2.	INTANGIBLE FIXED ASSETS UNDER CONSTRUCTION	7 443		7 443
B.II.	TANGIBLE FIXED ASSETS	65 732 550	-41 527 376	24 205 174
B.II.1.	<i>LAND AND STRUCTURES</i>	17 369 294	-8 846 234	8 523 060
B.II.1.1.	LAND	798 130		798 130
B.II.1.2.	STRUCTURES	16 571 164	-8 846 234	7 724 930
B.II.2.	TANGIBLE MOVABLE ASSETS AND SETS OF TANGIBLE MOVABLE ASSETS	47 362 088	-32 594 818	14 767 270
B.II.4.	<i>OTHER TANGIBLE FIXED ASSETS</i>	101 214	-78 679	22 535
B.II.4.3.	SUNDRY TANGIBLE FIXED ASSETS	101 214	-78 679	22 535
B.II.5.	<i>PREPAYMENTS FOR TANGIBLE FIXED ASSETS AND TANGIBLE FIXED ASSETS UNDER CONSTRUCTION</i>	899 954	-7 645	892 309
B.II.5.1.	PREPAYMENTS FOR TANGIBLE FIXED ASSETS	236 552		236 552
B.II.5.2.	TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	663 402	-7 645	655 757

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2021		31.12.2020	
		GROSS	ADJUSTMENT	NET	NET
B.III.	NON-CURRENT FINANCIAL ASSETS	489 471	-131 718	357 753	381 867
B.III.1.	EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	461 268	-113 978	347 290	371 739
B.III.3.	EQUITY INVESTMENTS IN ASSOCIATES	26 202	-17 740	8 462	8 127
B.III.5.	OTHER NON-CURRENT SECURITIES AND INVESTMENTS	2 001		2 001	2 001
B.IV.	GOODWILL ON CONSOLIDATION	367 023	-72 392	294 631	284 665
B.IV.1.	POSITIVE GOODWILL ON CONSOLIDATION	381 589	-74 820	306 769	297 531
B.IV.2.	NEGATIVE GOODWILL ON CONSOLIDATION	-14 566	2 428	-12 138	-12 866
B.V.	SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING	174 464		174 464	163 776
C.	CURRENT ASSETS	24 359 619	-884 565	23 475 054	18 971 821
C.I.	INVENTORIES	17 403 933	-805 880	16 598 053	13 129 606
C.I.1.	MATERIAL	8 393 171	-514 116	7 879 055	5 949 893
C.I.2.	WORK IN PROGRESS AND SEMIFINISHED GOODS	5 326 297	-185 739	5 140 558	4 162 257
C.I.3.	PRODUCTS AND GOODS	3 673 892	-106 025	3 567 867	3 012 128
C.I.3.1.	PRODUCTS	3 603 905	-104 126	3 499 779	2 942 434
C.I.3.2.	GOODS	69 987	-1 899	68 088	69 694
C.I.5.	PREPAYMENTS FOR INVENTORIES	10 573		10 573	5 328
C.II.	RECEIVABLES	5 850 571	-75 651	5 774 920	3 995 927
C.II.1.	LONG-TERM RECEIVABLES	35 934		35 934	41 476
C.II.1.1.	TRADE RECEIVABLES	17 218		17 218	20 568
C.II.1.5.	RECEIVABLES – OTHER	18 716		18 716	20 908
C.II.1.5.2.	LONG-TERM PREPAYMENTS MADE	1 195		1 195	1 205

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2021		31.12.2020	
		GROSS	ADJUSTMENT	NET	NET
C.II.1.5.4.	SUNDRY RECEIVABLES	17 521		17 521	19 703
C.II.2.	SHORT-TERM RECEIVABLES	5 649 024	-75 651	5 573 373	3 763 744
C.II.2.1.	TRADE RECEIVABLES	5 143 958	-54 422	5 089 536	3 164 091
C.II.2.2.	RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY	13 184		13 184	8 016
C.II.2.4.	RECEIVABLES – OTHER	491 882	-21 229	470 653	591 637
C.II.2.4.1.	RECEIVABLES FROM PARTNERS				6 792
C.II.2.4.3.	STATE – TAX RECEIVABLES	342 883		342 883	510 574
C.II.2.4.4.	SHORT-TERM PREPAYMENTS MADE	17 392		17 392	9 703
C.II.2.4.5.	ESTIMATED RECEIVABLES	64 653		64 653	34 386
C.II.2.4.6.	SUNDRY RECEIVABLES	66 954	-21 229	45 725	30 182
C.II.3.	OTHER ASSETS	165 613		165 613	190 707
C.II.3.1.	DEFERRED EXPENSES	74 252		74 252	71 104
C.II.3.2.	COMPLEX DEFERRED EXPENSES	90 719		90 719	115 952
C.II.3.3.	ACCRUED INCOME	642		642	3 651
C.III.	CURRENT FINANCIAL ASSETS	3 034	-3 034		
C.III.2.	OTHER CURRENT FINANCIAL ASSETS	3 034	-3 034		
C.IV.	CASH	1 102 081		1 102 081	1 846 288
C.IV.1.	CASH ON HAND	4 245		4 245	4 220
C.IV.2.	CASH AT BANK	1 097 836		1 097 836	1 842 068

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

		31.12.2021	31.12.2020
	TOTAL LIABILITIES & EQUITY	48 695 427	45 357 204
A.	EQUITY	33 595 087	31 394 648
A.I.	SHARE CAPITAL	8 109 863	8 109 863
A.I.I.	SHARE CAPITAL	8 109 863	8 109 863
A.II.	SHARE PREMIUM AND CAPITAL FUNDS	-102 015	43 466
A.II.2.	CAPITAL FUNDS	-102 015	43 466
A.II.2.1.	OTHER CAPITAL FUNDS	113 444	113 444
A.II.2.2.	GAINS OR LOSSES FROM THE REVALUATION OF ASSETS AND LIABILITIES (+/-)	-215 459	-69 978
A.III.	FUNDS FROM PROFIT	3 312 852	3 312 852
A.III.1.	OTHER RESERVE FUNDS	3 312 852	3 312 852
A.IV.	RETAINED EARNINGS (+/-)	19 340 509	18 845 478
A.IV.1.	ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD	19 340 509	18 845 478
A.V.	PROFIT OR LOSS FOR THE CURRENT PERIOD NET OF MINORITY INTERESTS	2 254 357	435 652
A.V.1.	PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)	2 211 486	403 469
A.V.2.	SHARE OF INCOME FROM ASSOCIATES	42 871	32 183
A.VII.	CONSOLIDATION RESERVE FUND	679 521	647 337
B.+C.	LIABILITIES	14 792 393	13 673 837
B.	RESERVES	683 846	418 103
B.1.	RESERVES FOR PENSIONS AND SIMILAR LIABILITIES	4 505	6 207
B.3.	RESERVES UNDER SPECIAL LEGISLATION	9 915	4 750
B.4.	OTHER RESERVES	669 426	407 146
C.	PAYABLES	14 108 547	13 255 734
C.I.	LONG-TERM PAYABLES	4 688 321	4 456 055
C.I.2.	PAYABLES TO CREDIT INSTITUTIONS	2 861 157	2 680 662


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CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

		31.12.2021	31.12.2020
C.I.4.	TRADE PAYABLES	41 739	36 815
C.I.8.	DEFERRED TAX LIABILITY	1 784 830	1 737 783
C.I.9.	PAYABLES – OTHER	595	795
C.I.9.3.	SUNDRY PAYABLES	595	795
C.II.	SHORT-TERM PAYABLES	9 384 271	8 769 749
C.II.2.	PAYABLES TO CREDIT INSTITUTIONS	1 995 596	1 459 965
C.II.3.	SHORT-TERM PREPAYMENTS RECEIVED	34 363	39 933
C.II.4.	TRADE PAYABLES	5 794 680	5 050 046
C.II.8.	OTHER PAYABLES	1 559 632	2 219 805
C.II.8.1.	PAYABLES TO PARTNERS		4 145
C.II.8.2.	SHORT-TERM FINANCIAL BORROWINGS	139	23
C.II.8.3.	PAYABLES TO EMPLOYEES	601 201	563 392
C.II.8.4.	SOCIAL SECURITY AND HEALTH INSURANCE PAYABLES	234 242	232 644
C.II.8.5.	STATE – TAX PAYABLES AND SUBSIDIES	382 813	1 204 788
C.II.8.6.	ESTIMATED PAYABLES	274 075	159 483
C.II.8.7.	SUNDRY PAYABLES	67 162	55 330
C.III.	OTHER LIABILITIES	35 955	29 930
C.III.1.	ACCRUED EXPENSES	25 015	21 174
C.III.2.	DEFERRED INCOME	10 940	8 756
D.	MINORITY EQUITY	307 947	288 719
D.1.	MINORITY SHARE CAPITAL	58 800	58 800
D.2.	MINORITY CAPITAL FUNDS	6 874	5 648
D.3.	MINORITY PROFIT FUNDS INCLUDING ACCUMULATED PROFITS AND LOSSES BROUGHT FORWARD	219 370	215 141
D.5.	MINORITY PROFIT OR LOSS FOR THE CURRENT PERIOD	22 903	9 130

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		Year ended 31.12.2021	Year ended 31.12.2020
I.	SALES OF PRODUCTS AND SERVICES	56 423 204	45 519 599
II.	SALES OF GOODS	303 996	180 767
A.	PURCHASED CONSUMABLES AND SERVICES	46 319 068	36 303 323
A.1.	COSTS OF GOODS SOLD	243 629	147 431
A.2.	CONSUMED MATERIAL AND ENERGY	41 854 704	32 744 971
A.3.	SERVICES	4 220 735	3 410 921
B.	CHANGE IN INTERNALLY PRODUCED INVENTORY (+/-)	-1 378 154	-190 151
C.	OWN WORK CAPITALISED (-)	-1 311 683	-830 490
D.	STAFF COSTS	7 720 006	7 380 087
D.1.	PAYROLL COSTS	5 428 266	5 205 676
D.2.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS AND OTHER CHARGES	2 291 740	2 174 411
D.2.1.	SOCIAL SECURITY AND HEALTH INSURANCE COSTS	1 991 400	1 919 151
D.2.2.	OTHER CHARGES	300 340	255 260
E.	ADJUSTMENTS TO VALUES IN OPERATING ACTIVITIES	2 162 858	2 203 430
E.1.	<i>ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS</i>	2 308 844	2 224 527
E.1.1.	ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS - PERMANENT	2 257 263	2 211 600
E.1.A.	RELEASE OF POSITIVE CONSOLIDATION DIFFERENCE (GOODWILL)	22 758	17 429
E.1.B.	RELEASE OF NEGATIVE CONSOLIDATION DIFFERENCE (GOODWILL)	-728	-730
E.1.2.	ADJUSTMENTS TO VALUES OF INTANGIBLE AND TANGIBLE FIXED ASSETS - TEMPORARY	29 551	-3 772
E.2.	ADJUSTMENTS TO VALUES OF INVENTORIES	-133 919	-18 573
E.3.	ADJUSTMENTS TO VALUES OF RECEIVABLES	-12 067	-2 524


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

		Year ended 31.12.2021	Year ended 31.12.2020
III.	OTHER OPERATING INCOME	5 781 887	2 762 099
III.1.	SALES OF FIXED ASSETS	71 083	18 256
III.2.	SALES OF MATERIAL	207 940	115 559
III.3.	SUNDRY OPERATING INCOME	5 502 864	2 628 284
F.	OTHER OPERATING EXPENSES	6 259 775	3 019 566
F.1.	NET BOOK VALUE OF SOLD FIXED ASSETS	11 770	5 089
F.2.	NET BOOK VALUE OF SOLD MATERIAL	180 417	113 699
F.3.	TAXES AND CHARGES	66 786	72 349
F.4.	RESERVES RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES	290 450	75 602
F.5.	SUNDRY OPERATING EXPENSES	5 710 352	2 752 827
*	OPERATING PROFIT OR LOSS (+/-)	2 737 217	576 700
IV.	INCOME FROM NON-CURRENT FINANCIAL ASSETS – EQUITY INVESTMENTS	27 733	9 267
IV.1.	INCOME FROM EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	27 733	9 267
VI.	INTEREST INCOME AND SIMILAR INCOME	393	1 105
VI.1.	INTEREST INCOME AND SIMILAR INCOME – CONTROLLED OR CONTROLLING ENTITY	75	77
VI.2.	OTHER INTEREST INCOME AND SIMILAR INCOME	318	1 028
I.	ADJUSTMENTS TO VALUES AND RESERVES RELATING TO FINANCIAL ACTIVITIES	66 785	19 674
J.	INTEREST EXPENSES AND SIMILAR EXPENSES	37 448	54 055
J.2.	OTHER INTEREST EXPENSES AND SIMILAR EXPENSES	37 448	54 055
VII.	OTHER FINANCIAL INCOME	205 129	252 035
K.	OTHER FINANCIAL EXPENSES	184 919	252 814
*	FINANCIAL PROFIT OR LOSS (+/-)	-55 897	-64 136

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2021	YEAR ENDED 31.12.2020	
**	PROFIT OR LOSS BEFORE TAX (+/-)	2 681 320	512 564
L.	INCOME TAX	446 931	99 965
L.1.	DUE INCOME TAX	431 423	71 446
L.2.	DEFERRED INCOME TAX (+/-)	15 508	28 519
**	PROFIT OR LOSS NET OF TAX (+/-)	2 234 389	412 599
**	CONSOLIDATED PROFIT OR LOSS NET OF SHARE OF INCOME FROM ASSOCIATES	2 234 389	412 599
	CONSOLIDATED PROFIT OR LOSS NET OF MINORITY INTERESTS	2 211 486	403 469
	MINORITY PROFIT OR LOSS	22 903	9 130
*	SHARE OF INCOME FROM ASSOCIATES	42 871	32 183
	PROFIT OR LOSS FOR THE CURRENT PERIOD (+/-)	2 277 260	444 782
***	PROFIT OR LOSS FOR THE CURRENT PERIOD NET OF MINORITY INTERESTS (+/-)	2 254 357	435 652
*	NET TURNOVER FOR THE CURRENT PERIOD	62 742 342	48 724 872

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IN CZK THOUSAND)

	SHARE CAPITAL	CAPITAL FUNDS	FUNDS FROM PROFIT, OTHER RESERVE FUNDS	Retained earnings	PROFIT OR LOSS FOR THE CURRENT PERIOD	CONSOLIDATION RESERVE FUND	SHARE OF INCOME FROM ASSOCIATES	TOTAL EQUITY
Balance at 31 December 2019	8 109 863	74 585	3 312 852	18 215 435	630 043	631 481	15 856	30 990 115
PROFIT FOR THE CURRENT PERIOD					403 469		32 183	435 652
DISTRIBUTION OF PROFIT OR LOSS				630 043	-630 043	15 856	-15 856	
REVALUATION OF ASSETS		-31 119						-31 119
Balance at 31 December 2020	8 109 863	43 466	3 312 852	18 845 478	403 469	647 337	32 183	31 394 648
PROFIT FOR THE CURRENT PERIOD					2 211 486		42 871	2 254 357
DISTRIBUTION OF PROFIT OR LOSS				403 469	-403 469	32 183	-32 183	
RECLASSIFICATION/USE OF FUNDS		-89 294		89 294				
REVALUATION OF ASSETS		-56 187						-56 187
OTHER				2 268		1		2 269
Balance at 31 December 2021	8 109 863	-102 015	3 312 852	19 340 509	2 211 486	679 521	42 871	33 595 087

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

		YEAR ENDED 31.12.2021	YEAR ENDED 31.12.2020
P.	OPENING BALANCE OF CASH AND CASH EQUIVALENTS	1 837 585	1 009 782
	<i>CASH FLOWS FROM ORDINARY ACTIVITIES (OPERATING ACTIVITIES)</i>		
Z.	PROFIT OR LOSS FROM ORDINARY ACTIVITIES BEFORE TAX	2 681 320	512 564
A.1.	ADJUSTMENTS FOR NON-CASH TRANSACTIONS	2 756 473	2 413 402
A.1.1.	DEPRECIATION OF FIXED ASSETS EXCLUDING NET BOOK VALUE OF FIXED ASSETS SOLD, AMORTISATION OF THE VALUATION DIFFERENCE ON ACQUIRED ASSETS AND GOODWILL AND GOODWILL ON CONSOLIDATION	2 279 293	2 228 299
A.1.2.	CHANGE IN PROVISIONS AND RESERVES	240 800	70 407
A.1.3.	PROFIT/(LOSS) ON THE SALE OF FIXED ASSETS	-59 313	-13 167
A.1.4.	REVENUES FROM PROFIT SHARES, EXCEPT FOR THOSE PAID FROM CONSOLIDATION ENTITIES	-27 733	-9 267
A.1.5.	INTEREST EXPENSE AND INTEREST INCOME	37 055	52 950
A.1.6.	ADJUSTMENTS FOR OTHER NON-CASH TRANSACTIONS	-53 832	84 180
A.1.7.	COSTS OF EMISSION ALLOWANCE CONSUMPTION	340 203	
A.*	NET OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL	5 437 793	2 925 966
A.2.	CHANGE IN WORKING CAPITAL	-4 408 714	683 132
A.2.1.	CHANGE IN OPERATING RECEIVABLES AND OTHER ASSETS	-2 031 055	270 407
A.2.2.	CHANGE IN OPERATING PAYABLES AND OTHER LIABILITIES	995 474	677 260
A.2.3.	CHANGE IN INVENTORIES	-3 373 336	-264 412
A.2.4.	CHANGE IN CURRENT FINANCIAL ASSETS	203	-123
A.**	NET CASH FLOW FROM OPERATIONS BEFORE TAX	1 029 079	3 609 098
A.3.	INTEREST PAID	-37 193	-54 298
A.4.	INTEREST RECEIVED	388	1 152
A.5.	INCOME TAX PAID FROM ORDINARY OPERATIONS	2 034	40 944
A.6.	RECEIVED PROFIT SHARES	59 916	25 124
A.***	NET OPERATING CASH FLOWS	1 054 224	3 622 020


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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

		YEAR ENDED 31.12.2021	YEAR ENDED 31.12.2020
CASH FLOWS FROM INVESTING ACTIVITIES			
B.1.	FIXED ASSETS EXPENDITURES	-2 323 063	-2 372 959
B.2.	PROCEEDS FROM FIXED ASSETS SOLD	76 064	30 464
B.3.	LOANS AND BORROWINGS TO RELATED PARTIES	-5 164	1 000
B.7.	EMISSION ALLOWANCE EXPENDITURES	-340 203	
B.***	NET INVESTMENT CASH FLOWS	-2 592 366	-2 341 495
CASH FLOW FROM FINANCIAL ACTIVITIES			
C.1.	CHANGE IN PAYABLES FROM FINANCING	800 980	-443 902
C.2.	IMPACT OF CHANGES IN EQUITY	-4 900	-8 820
C.2.6.	PROFIT SHARES PAID EXCEPT FOR THOSE PAID BETWEEN CONSOLIDATION ENTITIES	-4 900	-8 820
C.***	NET FINANCIAL CASH FLOWS	796 080	-452 722
F.	NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS	-742 062	827 803
R.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1 095 523	1 837 585

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

TŘINECKÉ ŽELEZÁŘNY, a. s. (hereinafter the “Company”), was formed by the National Property Fund of the Czech Republic and was incorporated following its registration in the Register of Companies of the Regional Court in Ostrava on 21 March 1991. The Company is primarily engaged in metallurgy with a closed metallurgical cycle. In addition to the production of coke, pig iron and steel, the range of principal products provided by the Company involves the products of rolling mills, namely blooms, slabs, billets, rods, reinforcing bars and thin, medium and heavy sections, rails including the production of plates, clamps and jumpers for rails, steel tubes and drawing-quality steel.

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

The Company’s issued share capital is CZK 8,109,863 thousand.

The sole shareholder of the Company is MORAVIA STEEL a.s.

1.2. GROUP IDENTIFICATION

For the purposes of these notes to the consolidated financial statements, the Group includes (i) the Company, (ii) entity controlling the Company (hereinafter the “controlling entity”) or entity holding an equity investment in the Company that is treated as part of “Equity investments in associates”, (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 at least as part of “Equity investments in associates” (hereinafter “associates”).

In the year ended 31 December 2021, the Company was controlled by MORAVIA STEEL a.s., having its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, as the sole shareholder.

MORAVIA STEEL a.s. prepares the consolidated financial statements for the broadest group of reporting entities. These financial statements can be obtained at the MORAVIA STEEL a.s.’s registered office.

The Company prepares the consolidated financial statements for the narrowest group of reporting entities. These financial statements can be obtained at the Company’s registered office.

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

	POSITION	Name
BOARD OF DIRECTORS	CHAIRMAN	JAN CZUDEK
	1ST VICE CHAIRMAN	ČESLAV MAREK
	2ND VICE CHAIRMAN	HENRYK HUCZALA
	MEMBER	IVO ŽIŽKA
	MEMBER	RADOMÍRA PEKÁRKOVÁ

	POSITION	Name
SUPERVISORY BOARD	CHAIRMAN	TOMÁŠ CHRENEK
	1ST VICE CHAIRMAN	JÁN MODER
	2ND VICE CHAIRMAN	EVŽEN BALHO
	MEMBER	JOZEF BLAŠKO
	MEMBER	JANA KANTOROVÁ
MEMBER	MARCEL PIELESZ	

During 2021, no changes were made in the composition of the Company's Board of Directors and the Supervisory Board.

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

2.1. ORGANISATIONAL STRUCTURE

The bodies of the Company are as follows:

- General Meeting;
- Supervisory Board; and
- Board of Directors.

The Company's organisational structure is divided into individual levels, specifically the Chief Executive Officer and professional directors including HR and External Relations Director, Finance Director, Production Director, Technical Director and Director for Investments and Strategy. Each professional director's division is further structured into professional sections and departments.

During 2021, no significant organisational changes were made.

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

The following companies were included in the consolidated group for the year ended 31 December 2021:

Subsidiaries:

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY INVESTMENT AT 31 DEC 2021
ENERGETIKA TŘINEC, a.s.	PRŮMYSLOVÁ 1024, STARÉ MĚSTO, 739 61 TŘINEC	PRODUCTION AND DISTRIBUTION OF HEAT AND ELECTRICITY	100.00%
SLÉVÁRNY TŘINEC, a.s.	PRŮMYSLOVÁ 1001, STARÉ MĚSTO, 739 61 TŘINEC	FOUNDRY INDUSTRY	100.00%
VÚHŽ a.s.	Č.P. 240, 739 51 DOBRÁ	PRODUCTION, INSTALLATION AND REPAIRS OF ELECTRONIC EQUIPMENT, FOUNDRY INDUSTRY, MODELLING	100.00%
ŠROUBÁRNA KYJOV, SPOL. S R.O.	JIRÁŠKOVA 987/50, 697 01 KYJOV	RAILWAY ROUTE OPERATION, LOCKSMITHING, TOOL ENGINEERING, METALWORKING	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%
„METALURGIA“ SPÓŁKA AKCYJNA	ULICA ŚWIĘTEJ ROZALII NR 10, LOK. 12, 97-500 RADOMSKO, POLAND	PRODUCTION OF NAILS, WIRE AND WIRE PRODUCTS	100.00%
„D&D” DRÓTÁRU IPARI ÉS KERESKEDELMI ZÁRTHÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG*	3527 MISHOLC, SAJÓSZIGETI UTCA 4., HUNGARY	PRODUCTION OF WIRE PRODUCTS	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%
HŽP a.s.	DOLNÍ 3137/100, 796 01 PROSTĚJOV	PRODUCTION OF LEAF AND HELICAL SPRINGS FOR THE AUTOMOTIVE AND RAILWAY INDUSTRIES	100.00%
SV SERVISNÍ, S.R.O.	DOLNÍ 3137/100, 796 01 PROSTĚJOV	ELECTRICITY TRADING AND DISTRIBUTION, GAS TRADING AND DISTRIBUTION	100.00%
REFRASIL, S.R.O.	PRŮMYSLOVÁ 720, KONŠHÁ, 739 61 TŘINEC	PRODUCTION OF BUILDING MATERIALS, PORCELAIN, CERAMIC AND PLASTER PRODUCTS	100.00%
BOHEMIA RINGS S.R.O.	Č.P. 10, 565 43 ZÁMRŠK	SMITHERY AND METALWORKING	100.00%
ŘETĚŽÁRNA a.s.	POLSHÁ 48, 790 81 ČESKÁ VES	PRODUCTION OF CHAINS, CHAIN PRODUCTS AND DRAWN WIRE	51.00%

Note: * hereinafter also “D&D” Drótáru Zrt.

Associate:

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY INVESTMENT AT 31 DEC 2021
VEUVIUS ČESKÁ REPUBLIKA, a.s.	PRŮMYSLOVÁ 726, KONŠKÁ, 739 61 TŘINEC	PRODUCTION OF ISOSTATICALLY PRESSED HEAT-RESISTING PRODUCTS FOR CONTINUOUS STEEL CASTING	40.00%

No changes were made in the consolidation group in 2021.

The following companies were included in the consolidated group for the year ended 31 December 2020:
Subsidiaries:

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY INVESTMENT AT 31 DEC 2020
ENERGETIKA TŘINEC, a.s.	PRŮMYSLOVÁ 1024, STARÉ MĚSTO, 739 61 TŘINEC	PRODUCTION AND DISTRIBUTION OF HEAT AND ELECTRICITY	100.00 %
SLÉVÁŘNY TŘINEC, a.s.	PRŮMYSLOVÁ 1001, STARÉ MĚSTO, 739 61 TŘINEC	FOUNDRY INDUSTRY	100.00 %
VÚHŽ a.s.	Č.P. 240, 739 51 DOBRÁ	PRODUCTION, INSTALLATION AND REPAIRS OF ELECTRONIC EQUIPMENT, FOUNDRY INDUSTRY, MODELLING	100.00 %
ŠROUBÁRNA KYJOV, SPOL. S R.O.	JIRÁŠKOVA 987/50, 697 01 KYJOV	RAILWAY ROUTE OPERATION, LOCKSMITHING, TOOL ENGINEERING, METALWORKING	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 %
„METALURGIA“ SPÓŁKA AKCYJNA	ULICA ŚWIĘTEJ ROZALII NR 10, LOK. 12, 97-500 RĄDOMSKO, POLAND	PRODUCTION OF NAILS, WIRE AND WIRE PRODUCTS	100.00 %
„D&D” DRÓTÁRU IPARI ÉS KERESKEDELMI ZÁRTHŐRŐEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG*	3527 MISHOLC, SAJÓSZIGETI UTCA 4., HUNGARY	PRODUCTION OF WIRE PRODUCTS	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 %
HŽP a.s.	DOLNÍ 3137/100, 796 01 PROSTĚJOV	PRODUCTION OF LEAF AND HELICAL SPRINGS FOR THE AUTOMOTIVE AND RAILWAY INDUSTRIES	100.00 %
SV SERVISNÍ, S.R.O.	DOLNÍ 3137/100, 796 01 PROSTĚJOV	ELECTRICITY TRADING AND DISTRIBUTION, GAS TRADING AND DISTRIBUTION	100.00 %
REFRASIL, S.R.O.	PRŮMYSLOVÁ 720, KONŠKÁ, 739 61 TŘINEC	PRODUCTION OF BUILDING MATERIALS, PORCELAIN, CERAMIC AND PLASTER PRODUCTS	100.00 %
BOHEMIA RINGS S.R.O.	Č.P. 10, 565 43 ZÁMRŠK	SMITHERY AND METALWORKING	100.00 %
ŘETĚZÁRNA a.s.	POLSKÁ 48, 790 81 ČESKÁ VES	PRODUCTION OF CHAINS, CHAIN PRODUCTS AND DRAWN WIRE	51.00 %

Note: * hereinafter also “D&D” Drótáru Zrt.

Associate:

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY INVESTMENT AT 31 DEC 2020
VESUVIUS ČESKÁ REPUBLIKA, a.s.	PRŮMYSLOVÁ 726, KOŇSKÁ, 739 61 TŘINEC	PRODUCTION OF ISOSTATICALLY PRESSED HEAT-RESISTING PRODUCTS FOR CONTINUOUS STEEL CASTING	40.00 %

No changes were made in the consolidation group in 2020.

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.

2.3. THE BALANCE SHEET DATES AND REGISTERED OFFICES OF THE ENTITIES INCLUDED IN THE CONSOLIDATED GROUP

The financial statements of the companies included in the consolidated group were prepared as of and for the years ended 31 December 2021 and 2020. “METALURGIA” SPÓŁKA AKCYJNA is based in Poland, “D&D” Drótáru Zrt. in Hungary, and other companies in the consolidation group are based in the Czech Republic.

2.4. COMPANIES EXCLUDED FROM CONSOLIDATION

Entities in which the Company has control or substantial influence 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 consolidated assets of such subsidiary or associate in the total recalculated consolidated assets of the Company, subsidiaries and associates is less than 1.5 percent, and the value of consolidated assets is recalculated using the percentage of the interest in the entity which is owned by the Company;
- The share of the recalculated consolidated equity of such subsidiary or associate in the total recalculated consolidated equity of the Company, subsidiaries, associates is less than 1.5 percent, and the value of consolidated equity is recalculated using the percentage of the interest in the entity which is owned by the Company; and
- The share in the recalculated consolidated net turnover (revenues of account class 6) of such subsidiary or associate in the total recalculated consolidated net turnover of the Company, subsidiaries, associates is less than 1.5 percent, and the value of the consolidated net turnover is recalculated using the percentage of the interest in the entity which is owned by the Company.

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 consolidated assets of this whole in the total recalculated consolidated assets of the Company, subsidiaries, associates less than 1.5 percent, while the value of consolidated assets for these purposes is recalculated using the percentage of the ownership share held by the Company (ii) the share of recalculated consolidated equity in total recalculated consolidated equity of the Company, subsidiaries, associates less than 1.5 percent, while the value of consolidated equity for these purposes is recalculated using the percentage of the ownership share held by the Company, and (iii) share of the recalculated consolidated net turnover (revenues of account class 6) in total recalculated consolidated net turnover of the Company, subsidiaries, associates less than 1.5 percent, while the value of the consolidated net turnover for these purposes is recalculated using the percentage of the ownership share held by the Company.

For calculating materiality levels, the Company, subsidiaries and associates with the exception of subsidiaries or associates in bankruptcy or liquidation 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.

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 purpose of preparing the consolidated financial statements of the Company, accounting principles and policies used within the Group were brought into line. Significant accounting principles and policies as they are used by individual companies are set out below.

The consolidated financial statements were prepared on 1 March 2022. These consolidated financial statements are presented in thousands of Czech crowns ('CZK').

3.1. FINANCIAL REPORTING PERIOD

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

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

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

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

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

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

Starting from the reporting period beginning on 1 January 2022

- tangible and intangible fixed assets will include assets with the valuation exceeding CZK 80 thousand on an individual basis and useful life exceeding one year;
- technical improvements on tangible and intangible assets, if exceeding CZK 80 thousand in individual assets in total for the reporting period, increases the acquisition cost of fixed assets.

Purchased tangible and intangible fixed assets are valued at cost. 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 to the production period. Production overheads also comprise costs for engineering activities. Costs of sale 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 Foundation Deed.

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 the Group's internal regulations.

The results of the research and development activities, if designed for trading or resale, are recognised through the balance sheet line 'Development'. 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 also referred to as the "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 balance sheet date as a minimum, depending on the quantity of emissions of the entities included in the consolidation group in the relevant calendar year; a difference, if any, arising from the verification of emissions by a verifier is recognised in the reporting period in which the verification was made. 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 recorded as a component of 'Other operating income' in the profit or loss account. In case of sale of purchased allowances, such sale is recorded as a component of 'Sales of fixed assets' in the profit or loss account. The exchange of CER credits for allowances is recognised as a component of 'Other intangible fixed assets' against 'Sundry operating expenses' and 'Sundry operating income'.

As of the consolidated balance sheet date, emission allowances are valued according to the EUROPEAN ENERGY EXCHANGE rate. The decrease in the valuation of 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'. An upward revaluation of the allowances is not recognised. If there is a lack of allowances at the consolidated balance sheet date, a reserve is presented in the balance sheet as part of 'Other reserves' and in the profit and loss account as part of 'Reserves and provisions relating to operating activities and complex deferred expenses'. 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.

Due to the mergers completed in prior reporting periods, emission allowances are reported on standalone ETS Registry accounts depending on the locally-defined operation facility. For the purposes of reporting, the EUA allowances are recorded in a single sub-ledger account; in reporting the disposal of emission allowances, the FIFO valuation method is applied.

Depreciation for Accounting Purposes

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

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

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

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

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 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 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).

4.2. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments in controlled entities, equity investments in associates, 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 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 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 through balance sheet accounts 'Other non-current securities and equity investments' and 'Gains and losses from the revaluation of assets and liabilities'. A deferred tax is determined in respect of the revaluation difference where the value of available-for-sale securities increases, and is recorded through accounts 'Gains and losses from the revaluation of assets and liabilities' and 'Deferred tax liability'.

Upon sale or any other disposal, they are valued on the basis of the weighted average of the costs.

Investments in enterprises in which entities consolidated using the full 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 entities consolidated using the full 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 a non-current financial asset 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, the results of its operations and reflects its interest in the entity's equity.

4.3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are designated as either trading or hedging. The criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, a decision was made regarding hedged items and hedging instruments, risks to be hedged, the approach to establishing and documenting whether the hedge is effective;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis, the effectiveness is assessed at the derivative trade date and subsequently 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 financial instruments are concluded for the contracted transaction volume. Derivative financial instruments are carried at fair value at the consolidated balance sheet date. In determining the fair value, the Company has referred to the market value.

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, or 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 principally consist of short-term debt securities with a maturity of less than one year and other securities available for sale.

Current financial assets are carried at cost upon acquisition.

Cash consists of 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 custom 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 the 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

The Group recognises provisions against receivables, the recoverability of which is doubtful.

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

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

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

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

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

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 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. ACCRUALS AND DEFERRALS

Accrual and deferral accounts include deferred and accrued income and expenses. Deferred expenses include deferrals of only such items which are very likely, or certain, to bring a specific measurable effect in the form of income or other economic benefits in the following years over which they are deferred. Immaterial and regular expenses or income are not deferred. Comprehensive deferred expenses include the costs of research and development and implementation of projects relating to software acquisition.

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

Prepayments for tangible and intangible fixed assets received after 31 December 2020, if such prepayments are non-refundable, are considered as part of the purchase price of the specific fixed asset at the consolidated balance sheet date and are not translated at the Czech National Bank's exchange rate as of the consolidated balance sheet date. Prepayments for fixed assets received before 1 January 2021, reported in a foreign currency at the consolidated balance sheet date, are translated at the Czech National Bank's exchange rate applicable at the consolidated balance sheet date.

Exchange rate differences on provisions for newly created foreign currency receivables exceeding CZK 1 million are recognised individually through financial profit or loss (account 563 foreign exchange losses or 663 foreign exchange gains). Below this amount, foreign exchange gains or losses on provisions for foreign currency receivables continue to be reported in the operating profit or loss as the recognition or a release of the provision for receivables.

4.12. TAXATION

4.12.1. 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 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 straightline method for the calculation of depreciation for tax purposes.

4.12.2. 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 Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

4.12.3. 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 by the Group is the sum of deferred tax assets/liabilities of individual companies of the consolidation group that are reported by companies in their separate financial statements.

4.13. BORROWING COSTS

Borrowing costs arising from payables to credit institutions are included directly in expenses regardless of the purpose for which they were drawn.

4.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

The staff costs of employees hired through an employment agency who are temporarily assigned to perform work under an agreement with the employment agency (agency employees) are reported as part of social costs ('Other expenses' 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'.

4.15. 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.

Profit share income is recognised when the Company's General Meeting, i.e. the sole shareholder acting in the capacity thereof, adopts a decision on profit distribution.

Insurance claims received are credited to income of the reporting period in which the amount of the claim is recognised by the insurer. If the claim has not been recognised, an estimated receivable for claims received is made only for the actual expenses incurred to recover the consequences of the claim in the relevant reporting period.

4.16. USE OF ESTIMATES

The presentation of consolidated financial statements requires making estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. 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.

4.17. 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 and intangible). The output of a research and development 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 posted directly to expenses, taking into account repeatability and materiality. The materiality criterion is defined as follows: "If the expenses on permanent development for the relevant reporting period do not exceed on average more than 50% of the expenses on permanent development for the previous 2 reporting periods, all such expenses are posted to expenses in the relevant reporting period. If the abovementioned threshold is exceeded, the entity will select the projects responsible for the materiality threshold being exceeded and, after analysis, capitalises them in the complex deferred expenses".

4.18. SUBSIDIES

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

In accordance with Government Regulation no. 565/2020 Coll., on Conditions for the Provision of Compensations for Indirect Costs for Industrial Sectors in which a Significant Risk of Carbon Leakage was Identified, as a Result of the Effect of the Costs relating to Greenhouse Gas Emissions on Electricity Prices, these compensations are recognised in the reporting period in which the Ministry of Industry and Trade issues a resolution regarding the provision of compensation.

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

4.19. 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 at bank except for deposits with maturity longer than three months, and current liquid assets easily convertible into cash in an amount agreed in advance where no significant changes in the value of these assets are expected over time.

Cash and cash equivalents can be analysed as follows:

(CZK THOUSAND)

	31 DEC 2021	31 DEC 2020
CASH ON HAND	4 245	4 220
CASH AT BANK	1 097 836	1 842 068
OTHER CURRENT FINANCIAL ASSETS	3 034	3 034
PROVISIONS AGAINST OTHER CURRENT FINANCIAL ASSETS	-3 034	-3 034
TOTAL CURRENT FINANCIAL ASSETS AND CASH	1 102 081	1 846 288
CASH AND CASH EQUIVALENTS NOT INCLUDED IN THE CASH FLOW	-6 558	-8 703
TOTAL CASH AND CASH EQUIVALENTS	1 095 523	1 837 585

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

4.20. 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 Company. Furthermore, financial investments of the 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 Company were eliminated from the balance sheet against acquired equity. The assets in the consolidated balance sheet include the item 'Securities and equity interests under equity accounting', whose balance 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 include the item 'Share of income from associates' which represents the Company's share in the current period's results of associates, 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 of investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated entity.

From the reporting period beginning on 1 January 2018 onwards, the Company has amortised goodwill arising on consolidation reported in the consolidated financial statements as of 31 December 2017 over 20 years on a straight-line basis in compliance 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 the 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 direct consolidation method.

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

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

5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

5.1. CONSOLIDATED PROFIT/LOSS FOR 2021

5.1.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2021

(CZK THOUSAND)

PROFIT/(LOSS) OF THE CURRENT PERIOD – TŘINECKÉ ŽELEZÁŘNY, a. s.	1 306 080
PROFIT/(LOSS) OF THE CURRENT PERIOD – ENERGETIKA TŘINEC, a.s.	49 437
PROFIT/(LOSS) OF THE CURRENT PERIOD – SLÉVÁŘNY TŘINEC, a.s.	-21 512
PROFIT/(LOSS) OF THE CURRENT PERIOD – ŠROUBÁRNA KYJOV, SPOL. S R.O.	24 665
PROFIT/(LOSS) OF THE CURRENT PERIOD – STROJÍŘNY A STAVBY TŘINEC, a.s.	43 238
PROFIT/(LOSS) OF THE CURRENT PERIOD – VÚHŽ a.s.	48 821
PROFIT/(LOSS) OF THE CURRENT PERIOD – “METALURGIA” SPÓŁKA AKCYJNA	91 258
PROFIT/(LOSS) OF THE CURRENT PERIOD – “D&D” DRÓTÁRU ZRT.	254 124
PROFIT/(LOSS) OF THE CURRENT PERIOD – ŽDB DRÁTOVNA a.s.	188 502
PROFIT/(LOSS) OF THE CURRENT PERIOD – HŽP a.s.	44 549
PROFIT/(LOSS) OF THE CURRENT PERIOD – SV SERVISNÍ, S.R.O.	12 187
PROFIT/(LOSS) OF THE CURRENT PERIOD – BOHEMIA RINGS S.R.O.	55 579
PROFIT/(LOSS) OF THE CURRENT PERIOD – REFRASIL, S.R.O.	8 087
SHARE IN PROFIT OF THE CURRENT PERIOD ŘETĚZÁRNA a.s.	23 838
SHARE IN PROFIT OF THE CURRENT PERIOD UNDER THE EQUITY METHOD	42 871
ADJUSTMENTS WITHIN THE FULL METHOD OF CONSOLIDATION (SEE BELOW)	114 817
ADJUSTMENTS WITHIN THE EQUITY METHOD OF CONSOLIDATION (SEE BELOW)	-32 184
CONSOLIDATED PROFIT	2 254 357

5.1.2. ADJUSTMENTS WITHIN FULL CONSOLIDATION FOR 2021

(CZK THOUSAND)

ELIMINATION OF PROFITS AND LOSSES FROM UNREALISED INVENTORY FROM INTERCOMPANY SALES OF INVENTORY IN THE CONSOLIDATED GROUP, INCLUDING THE DEFERRED TAX IMPACT	-30 084
WRITE-OFF OF THE REVALUATION OF ASSETS AT FAIR VALUE	13 091
WRITE-OFFS OF THE MARGIN FROM THE SALE OF ASSETS VALUE INCLUDING THE DEFERRED TAX IMPACT	-3 792
ELIMINATION OF THE PROFIT FROM THE SALE OF EMISSION ALLOWANCES	50 964
ELIMINATION OF DECLARED PROFIT SHARES OF THE CONSOLIDATED GROUP ENTITIES	-292 600
ELIMINATION OF PROVISIONING AGAINST "D&D" DRÓTÁRU ZRT.	-95 328
ELIMINATION OF PROVISIONING AGAINST SLÉVÁŘNY TŘINEC, a.s.	142 872
ELIMINATION OF PROVISIONING AGAINST ŠROUBÁRNA KYJOV, SPOL. S R.O.	198 866
WRITE-OFF OF POSITIVE GOODWILL ARISING ON CONSOLIDATION OF ŽDB DRÁTOVNA a.s.	-14 920
WRITE-OFF OF POSITIVE GOODWILL ARISING ON CONSOLIDATION OF BOHEMIA RINGS S.R.O.	-7 838
WRITE-OFF OF NEGATIVE GOODWILL ARISING ON CONSOLIDATION OF REFRASIL, S.R.O.	728
ELIMINATION OF THE RESERVE FOR EMISSION ALLOWANCES INCLUDING THE DEFERRED TAX IMPACT	152 858
TOTAL ADJUSTMENTS	114 817

5.1.3. ADJUSTMENTS TO THE PROFIT OR LOSS WITHIN THE EQUITY METHOD FOR 2021

(CZK THOUSAND)

ELIMINATION OF PAID PROFIT SHARES OF VESUVIUS ČESKÁ REPUBLIKA, a.s.	-32 184
TOTAL ADJUSTMENTS	-32 184

5.2. CONSOLIDATED PROFIT/LOSS FOR 2020

5.2.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2020

(CZK THOUSAND)

PROFIT/(LOSS) OF THE CURRENT PERIOD – TŘINECKÉ ŽELEZÁŘNY, a. S.	469 323
PROFIT/(LOSS) OF THE CURRENT PERIOD – ENERGETIKA TŘINEC, a.S.	9 557
PROFIT/(LOSS) OF THE CURRENT PERIOD – SLÉVÁŘNY TŘINEC, a.S.	-33 651
PROFIT/(LOSS) OF THE CURRENT PERIOD – ŠROUBÁRNA KYJOV, SPOL. S R.O.	25 548
PROFIT/(LOSS) OF THE CURRENT PERIOD – STROJÍŘNY A STAVBY TŘINEC, a.S.	35 375
PROFIT/(LOSS) OF THE CURRENT PERIOD – VÚHŽ a.S.	46 255
PROFIT/(LOSS) OF THE CURRENT PERIOD – “METALURGIA” SPÓŁKA AKCYJNA	23 000
PROFIT/(LOSS) OF THE CURRENT PERIOD – “D&D” DRÓTÁŘU ZRT.	17 036
PROFIT/(LOSS) OF THE CURRENT PERIOD – ŽDB DRÁTOVNA a.S.	46 888
PROFIT/(LOSS) OF THE CURRENT PERIOD – HŽP a.S.	38 286
PROFIT/(LOSS) OF THE CURRENT PERIOD – SV SERVISNÍ, S.R.O.	8 307
PROFIT/(LOSS) OF THE CURRENT PERIOD – BOHEMIA RINGS S.R.O.	109 426
PROFIT/(LOSS) OF THE CURRENT PERIOD – REFRASIL, S.R.O.	13 147
SHARE IN PROFIT OF THE CURRENT PERIOD – ŘETĚŽÁRNA a.S.	9 502
SHARE IN PROFIT OF THE CURRENT PERIOD UNDER THE EQUITY METHOD	32 183
ADJUSTMENTS WITHIN THE FULL METHOD OF CONSOLIDATION (SEE BELOW)	-398 674
ADJUSTMENTS WITHIN THE EQUITY METHOD OF CONSOLIDATION (SEE BELOW)	-15 856
CONSOLIDATED PROFIT	435 652

5.2.2. ADJUSTMENTS WITHIN FULL CONSOLIDATION FOR 2020

(CZK THOUSAND)

ELIMINATION OF PROFITS AND LOSSES FROM UNREALISED INVENTORY FROM INTERCOMPANY SALES OF INVENTORY IN THE CONSOLIDATED GROUP, INCLUDING THE DEFERRED TAX IMPACT	-1 236
WRITE-OFF OF THE REVALUATION OF ASSETS AT FAIR VALUE	-28 371
WRITE-OFFS OF THE MARGIN FROM THE SALE OF ASSETS VALUE INCLUDING THE DEFERRED TAX IMPACT	31 854
ELIMINATION OF THE PROFIT FROM THE SALE OF EMISSION ALLOWANCES	-50 964
ELIMINATION OF DECLARED PROFIT SHARES OF THE CONSOLIDATED GROUP ENTITIES	-295 180
ELIMINATION OF PROVISIONING AGAINST "D&D" DRÓTÁRU ZRT.	-6 260
ELIMINATION OF PROVISIONING AGAINST SLÉVÁŘNY TŘINEC, a.s.	42 196
WRITE-OFF OF POSITIVE GOODWILL ARISING ON CONSOLIDATION OF ŽDB DRÁTOVNA a.s.	-12 447
WRITE-OFF OF POSITIVE GOODWILL ARISING ON CONSOLIDATION OF BOHEMIA RINGS S.R.O.	-4 982
WRITE-OFF OF NEGATIVE GOODWILL ARISING ON CONSOLIDATION OF REFRASIL, S.R.O.	730
ELIMINATION OF THE RESERVE FOR EMISSION ALLOWANCES INCLUDING THE DEFERRED TAX IMPACT	-74 014
TOTAL ADJUSTMENTS	-398 674

5.2.3. ADJUSTMENTS TO THE PROFIT OR LOSS WITHIN THE EQUITY METHOD FOR 2020

(CZK THOUSAND)

ELIMINATION OF PAID PROFIT SHARES OF VESUVIUS ČESKÁ REPUBLIKA, a.s.	-15 856
TOTAL ADJUSTMENTS	-15 856

6. ADDITIONAL CONSOLIDATED BALANCE SHEET INFORMATION

6.1. INTANGIBLE FIXED ASSETS

Cost (CZK THOUSAND)

	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	Balance at 31 Dec 2021
DEVELOPMENT	4 553	0	0	0	4 553
VALUABLE RIGHTS	496 889	20 063	4 683	-774	511 495
GOODWILL	336	0	0	-21	315
OTHER INTANGIBLE FA	1 168 183	523 506	1 621 936	0	69 753
INTANGIBLE FA UNDER CONSTRUCTION	10 022	359 556	362 101	-34	7 443
PREPAYMENTS MADE FOR INTANGIBLE FA	0	0	0	0	0
TOTAL	1 679 983	903 125	1 988 720	-829	593 559

Accumulated Amortisation (CZK THOUSAND)

	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	Balance at 31 Dec 2021
DEVELOPMENT	4 553	0	0	0	4 553
VALUABLE RIGHTS	363 735	26 335	4 698	-538	384 834
GOODWILL	336	0	0	-21	315
OTHER INTANGIBLE FA	14 872	553	0	81	15 506
TOTAL	383 496	26 888	4 698	-478	405 208

Net Book Value

(CZK THOUSAND)

	BALANCE AT 31 DEC 2020	BALANCE AT 31 DEC 2021
DEVELOPMENT	0	0
VALUABLE RIGHTS	133 154	126 661
GOODWILL	0	0
OTHER INTANGIBLE FA	1 153 311	54 247
INTANGIBLE FA UNDER CONSTRUCTION	10 022	7 443
TOTAL	1 296 487	188 351

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 26,646 thousand and CZK 22,506 thousand as of 31 December 2021 and 2020, respectively.

Other intangible assets primarily include allowances.

In 2021, 103,906 allowances for 2021 in the amount of CZK 164,211 thousand were acquired free of charge. At the balance sheet date, the use of allowances for 2020 in the amount of CZK 299 thousand and the use of allowances for 2021 in the amount of CZK 5,452,290 thousand were recognised.

As of 31 December 2021, the total volume of allowances for 2021 has not been allocated to the Company. In April 2022 at the latest, the Company expects to receive another 3,375,076 free allowances for 2021 based on the approval of the European Commission and the subsequent decision of the Ministry of the Environment of the Czech Republic. For this reason, the Company does not create a reserve for the missing allowances as of 31 December 2021. The Company reported the use of allowances and the use of subsidy for the missing allowances in the amount of CZK 3,645,754 thousand in the corresponding account of other operating expenses and other operating income based on estimated amounts only in the profit and loss account.

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

As of the consolidated balance sheet date of 31 December 2020, the Company additionally recognised the use of emission allowances for 2019 of CZK 1,602 thousand following a performed verification. As of the consolidated balance sheet date of 31 December 2020, the Company recognised the use of emission allowances for 2020 of CZK 2,527,283 thousand.

Aggregate Balance of Low Value Intangible Assets not Reported on the Balance Sheet

The aggregate cost of low value intangible assets not reported on the face of the balance sheet was CZK 38,893 thousand and CZK 35,962 thousand as of 31 December 2021 and 2020, respectively.

6.2. TANGIBLE FIXED ASSETS

Cost (CZK THOUSAND)

	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	Balance at 31 Dec 2021
LAND	795 068	5 094	967	-1 065	798 130
STRUCTURES	16 184 937	430 247	24 232	-19 788	16 571 164
TANGIBLE MOVABLE ASSETS AND THEIR SETS	45 582 479	2 475 484	641 061	-54 814	47 362 088
OTHER TANGIBLE FA	103 050	3 489	3 183	-2 142	101 214
PREPAYMENTS FOR TANGIBLE FA	165 999	250 123	179 531	-39	236 552
TANGIBLE FA UNDER CONSTRUCTION	1 402 652	2 184 059	2 920 261	-3 048	663 402
TOTAL	64 234 185	5 348 496	3 769 235	-80 896	65 732 550

Accumulated Depreciation (CZK THOUSAND)

	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	Balance at 31 Dec 2021
STRUCTURES	8 404 537	426 892	23 676	-10 335	8 797 418
TANGIBLE MOVABLE ASSETS AND THEIR SETS	31 427 083	1 812 915	641 525	-41 109	32 557 364
OTHER TANGIBLE FA	79 581	3 477	3 132	-1 280	78 646
TOTAL	39 911 201	2 243 284	668 333	-52 724	41 433 428

Provisions (CZK THOUSAND)

	Balance at 31 Dec 2020	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	Balance at 31 Dec 2021
STRUCTURES	53 200	0	4 384	0	48 816
TANGIBLE MOVABLE ASSETS AND THEIR SETS	6 289	35 141	3 976	0	37 454
OTHER TANGIBLE FA	33	0	0	0	33
TANGIBLE FA UNDER CONSTRUCTION	4 874	4 360	1 589	0	7 645
TOTAL	64 396	39 501	9 949	0	93 948

Net Book Value

(CZK THOUSAND)

NET BOOK VALUE	BALANCE AT 31 DEC 2020	BALANCE AT 31 DEC 2021
LAND	795 068	798 130
STRUCTURES	7 727 200	7 724 930
TANGIBLE MOVABLE ASSETS AND THEIR SETS	14 149 107	14 767 270
OTHER TANGIBLE FA	23 436	22 535
PREPAYMENTS FOR TANGIBLE FA	165 999	236 552
TANGIBLE FA UNDER CONSTRUCTION	1 397 778	655 757
TOTAL	24 258 588	24 205 174

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

(CZK THOUSAND)

RECONSTRUCTION OF BLAST FURNACE NO. 6	563 477
RESTORATION OF ZPO I	275 201
HOT BLAST RECUPERATOR NO. 62 FOR BLAST FURNACE NO. 6	249 166
NEW PIPELINE KOP DN1200 (FROM BOREK TO SS JIH)	81 315
TECHNICAL IMPROVEMENTS ON MECHANICAL WORKSHOP BUILDING	51 426
KER/KEH 4.2 PRODUCTION LINE	26 801
TECHNICAL IMPROVEMENTS ON CENTRAL LOCKER ROOMS FOR 900 PEOPLE	24 817
MACHINE TOOL CNC 20C	21 443
MACHINE TOOL CNC 20A	20 949
MACHINE TOOL ELHA E	19 674
WINDER FOR SCREW WIRES MD900 M.F.L.	16 216
ROOFING OF PART OF E3 COAL STORAGE	10 740
SUBSTATION NULT2 6KV	10 508

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

(CZK THOUSAND)

NEW PEELING LINE IN THE VJ – VÁLCOVNA DRÁTŮ A JEMNÝCH PROFILŮ PLANT	68 671
AKS 63 – H4 PRESS	19 906
DEVICE FOR MEASURING RAIL DIMENSIONS WHEN COLD	12 491
K19 MACHINE MODERNISATION	10 835
STATIONARY UNLOADING EQUIPMENT INNOFREIGHT	10 123
RAW MATERIALS STORAGE SILOS	5 614

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 2,230,617 thousand and CZK 2,189,094 thousand as of 31 December 2021 and 2020, respectively.

Aggregate Balance of Low Value Tangible Assets Not Reported on the Balance Sheet

The aggregate costs of low value tangible fixed assets not reported on the face of the balance sheet were CZK 952,722 thousand and CZK 921,935 thousand as of 31 December 2021 and 2020, respectively.

6.3. ASSETS HELD UNDER OPERATING LEASE AGREEMENTS

Operating Lease

Lease payments of CZK 69,127 thousand and CZK 71,392 thousand were made in the years ended 31 December 2021 and 2020, respectively.

6.4. PLEDGED FIXED ASSETS

2021

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TANGIBLE FIXED ASSETS	546 578	LOAN FROM ČESKÁ SPOŘITELNA, a.s.
STRUCTURES	108 891	
LAND	3 458	
TANGIBLE FIXED ASSETS	2 058	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
LAND	39 986	
TANGIBLE FIXED ASSETS	629 944	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
TANGIBLE FIXED ASSETS	713 296	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
TANGIBLE FIXED ASSETS	446 908	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
LAND	96 223	
TANGIBLE FIXED ASSETS	423 718	LOAN FROM ING BANK N. V.
LAND	11 988	
TANGIBLE FIXED ASSETS	143 603	LOAN FROM ING BANK N. V.
TANGIBLE FIXED ASSETS	1 194 887	LOAN FROM RAIFFEISENBANK a.s.
LAND	18 538	
TANGIBLE FIXED ASSETS	69 587	COLLATERAL FOR AN INVESTMENT BANK LOAN WITH UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, a.s.
TECHNOLOGIES	55 301	RAIFFEISENBANK a.s. – PLEDGE FOR THE LONG-TERM BANK LOAN FOR FUNDING THE MORE T4 – 110KV DISTRIBUTION POINT
TANGIBLE FIXED ASSETS	57 495	INVESTMENT LOAN FROM ING BANK N.V.
TANGIBLE FIXED ASSETS*	105 456	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA, COLLATERALISED BY MACHINERY OF UP TO PLN 19,500 THOUSAND
TANGIBLE FIXED ASSETS*	7 301	LOAN FROM BNP PARIBAS BANK POLSKA S.A., COLLATERALISED BY MACHINERY OF UP TO PLN 1,350 THOUSAND
TANGIBLE FIXED ASSETS*	21 632	LOAN FROM BNP PARIBAS BANK POLSKA S.A., COLLATERALISED BY MACHINERY OF UP TO PLN 4,000 THOUSAND
TANGIBLE FIXED ASSETS*	80 009	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA, COLLATERALISED BY MACHINERY OF UP TO PLN 14,795 THOUSAND
TANGIBLE FIXED ASSETS, LAND	890	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	1 255	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TANGIBLE FIXED ASSETS, LAND	642	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS, LAND	12 887	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS, LAND	1 123	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS, LAND	1 473	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS, LAND	743	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS, LAND	6 613	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS, LAND	353	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	2 895	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	976	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	1 527	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	35 268	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	7 975	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	4 789	INVESTMENT LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	253 376	LOAN FROM CITIBANK EUROPE PLC.
LAND	4 166	
TECHNOLOGIES	197 007	
TANGIBLE FIXED ASSETS*	43 130	INVESTMENT LOAN FROM ERSTE BANK HUNGARY ZRT.
TANGIBLE FIXED ASSETS*	18 990	INVESTMENT LOAN FROM K&H BANK ZRT.
TANGIBLE FIXED ASSETS*	34 025	INVESTMENT LOAN FROM K&H BANK ZRT.
LAND	4 772	LOAN FROM RAIFFEISENBANK A.S.
TANGIBLE FIXED ASSETS	231 760	
LAND	283	LOAN FROM ČESKÁ SPOŘITELNA, A.S.
TANGIBLE FIXED ASSETS	43 247	
TANGIBLE FIXED ASSETS	38 241	LONG-TERM BANK LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A. S.
TOTAL	5 725 263	

Note:* translated using the Czech National Bank's exchange rate as of 31 December 2021

2020

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TANGIBLE FIXED ASSETS	556 192	LOAN FROM ČESKÁ SPOŘITELNA, a.s.
STRUCTURES	118 323	
LAND	3 458	
TANGIBLE FIXED ASSETS	2 194	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
LAND	39 986	
TANGIBLE FIXED ASSETS	692 199	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
TANGIBLE FIXED ASSETS	764 853	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
TANGIBLE FIXED ASSETS	513 658	LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. s.
LAND	106 893	
TANGIBLE FIXED ASSETS	464 716	LOAN FROM ING BANK N. V.
LAND	10 465	
TANGIBLE FIXED ASSETS	74 232	COLLATERAL FOR AN INVESTMENT BANK LOAN WITH UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, a.s.
TECHNOLOGIES	60 142	RAIFFEISENBANK a.s. – PLEDGE FOR THE LONG-TERM BANK LOAN FOR FUNDING THE MORE T4 – 110KV DISTRIBUTION POINT
TANGIBLE FIXED ASSETS	71 092	INVESTMENT LOAN FROM ING BANK N.V.
TANGIBLE FIXED ASSETS*	86 325	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁHA AKCYJNA, COLLATERALISED BY MACHINERY OF UP TO PLN 15,000 THOUSAND
TANGIBLE FIXED ASSETS*	54 132	LOAN FROM BNP PARIBAS BANK POLSKA S.A., COLLATERALISED BY MACHINERY OF UP TO PLN 9,406 THOUSAND
TANGIBLE FIXED ASSETS*	85 143	LOAN FROM BANK POLSKA KASA OPIEKI SPÓŁHA AKCYJNA, COLLATERALISED BY MACHINERY OF UP TO PLN 14,795 THOUSAND
TANGIBLE FIXED ASSETS, LAND	32	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	949	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	1 330	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	422	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	12 922	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	1 557	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	1 387	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.
TANGIBLE FIXED ASSETS, LAND	826	INVESTMENT LOAN FROM RAIFFEISENBANK a.s.


 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TANGIBLE FIXED ASSETS, LAND	7 004	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS, LAND	406	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	3 088	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	1 124	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	1 742	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	34 367	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	8 989	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	6 539	INVESTMENT LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	162 726	LOAN FROM CITIBANK EUROPE PLC.
LAND	4 166	
TECHNOLOGIES	217 180	
TANGIBLE FIXED ASSETS*	48 417	INVESTMENT LOAN FROM ERSTE BANK HUNGARY ZRT.
TANGIBLE FIXED ASSETS*	21 267	INVESTMENT LOAN FROM K&H BANK ZRT.
LAND	4 772	LOAN FROM RAIFFEISENBANK a.S.
TANGIBLE FIXED ASSETS	240 756	
LAND	283	LOAN FROM ČESKÁ SPOŘITELNA, a.S.
TANGIBLE FIXED ASSETS	43 590	
TANGIBLE FIXED ASSETS	41 183	LONG-TERM BANK LOAN FROM ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a. S.
TOTAL	4 571 027	

Note: * translated using the Czech National Bank's exchange rate as of 31 December 2020

6.5. NON-CURRENT FINANCIAL ASSETS

Cost (CZK THOUSAND)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	REVALUATION	IMPACT OF EXCHANGE RATE GAINS OR LOSSES	BALANCE AT 31 DEC 2021
EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	418 598	40 170	0	2 500	0	461 268
EQUITY INVESTMENTS IN ASSOCIATES	26 202	0	0	0	0	26 202
OTHER NON-CURRENT SECURITIES AND EQUITY INVESTMENTS	2 001	0	0	0	0	2 001
TOTAL	446 801	40 170	0	2 500	0	489 471

Provisions (CZK THOUSAND)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	REVALUATION	IMPACT OF EXCHANGE RATE GAINS OR LOSSES	BALANCE AT 31 DEC 2021
EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY	46 859	67 119	0	0	0	113 978
EQUITY INVESTMENTS IN ASSOCIATES	18 075	206	541	0	0	17 740
OTHER NON-CURRENT SECURITIES AND EQUITY INVESTMENTS	0	0	0	0	0	0
TOTAL	64 934	67 325	541	0	0	131 718

6.6. SUMMARY OF UNCONSOLIDATED FINANCIAL INVESTMENTS

6.6.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY

31 December 2021

(CZK THOUSAND)

NAME OF THE ENTITY, REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
TŘINECHÉ GASTROSLUŽBY, S.R.O., STARÉ MĚSTO, TŘINEC	100.00	40 773	-1 887	0	0
DOPRAVA TŽ, a.s., TŘINEC-STARÉ MĚSTO	100.00	47 067	3 206	0	10 000
TRIALFA, S.R.O., TŘINEC – KANADA	100.00	21 089	461	0	0
MORAVIA SECURITY, a.s., KONSKÁ, TŘINEC	100.00	40 727	2 571	0	5 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O., VÍTHOVICE, OSTRAVA	90.00	50 276	1 455	0	0
TŘINECKÁ PROJEKCE, a.s., KANADA, TŘINEC	84.54	32 223	2 702	0	1 727
“ZAMECZEK BŁOGOCICE” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, CIESZYŃ (POL)	88.00	42 303	370	-12 522	0
TRISIA, a.s., LYŽBICE, TŘINEC	66.00	40 164	534	-15 785	0
REŤAZE SLOVAKIA S.R.O., ŠHALICA (SK)	80.00	12 578	3 134	0	1 626
JUBO JESENÍK S. R. O., JESENÍK	80.00	6 070	2 732	0	480
ŘETĚŽÁRNA SERVIS S.R.O., JESENÍK	100.00	5 103	3 288	0	2 900
IMOPRA S.R.O., NIVNICE	100.00	113 636	4 810	-85 671	6 000
EKOSTROJÍRENSTVÍ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	20 940	-9 642	0	0
ENEZA, S.R.O., STARÉ MĚSTO, TŘINEC*	52.50	92 174	14 227	0	0
TOTAL				-113 978	27 733

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

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

31 December 2020

(CZK THOUSAND)

NAME OF THE ENTITY, REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
TŘINECHÉ GASTROSLUŽBY, S.R.O., STARÉ MĚSTO, TŘINEC	100.00	42 660	-14 787	0	0
DOPRAVA TŽ, a.s., TŘINEC-STARÉ MĚSTO	100.00	53 861	2 311	0	0
TRIALFA, S.R.O., TŘINEC – KANADA	100.00	20 629	683	0	0
MORAVIA SECURITY, a.s., KONSKÁ, TŘINEC	100.00	43 430	2 603	0	1 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O., VÍTHOVICE, OSTRAVA	90.00	48 820	1 098	0	0
TŘINECKÁ PROJEKCE, a.s., KANADA, TŘINEC	84.54	31 563	2 043	0	2 993
“ZAMECZEK BŁOGOCICE” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, CIESZYŃ (POL)	88.00	44 645	495	-10 547	0
TRISIA, a.s., LYŽBICE, TŘINEC	66.00	39 630	-15 323	-15 658	0
REŤAZE SLOVAKIA S.R.O., ŠHALICA (SK)	80.00	12 069	2 201	0	2 900
JUBO JESENÍK S. R. O., JESENÍK	80.00	3 938	732	0	640
ŘETĚZÁRNA SERVIS S.R.O., JESENÍK	100.00	4 715	3 076	0	1 734
IMOPRA S.R.O., NIVNICE	100.00	114 826	4 851	-20 654	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s., STARÉ MĚSTO, TŘINEC	100.00	30 583	-19 417	0	0
TOTAL				-46 859	9 267

6.6.2. EQUITY INVESTMENTS – ASSOCIATES
31 December 2021

(CZK THOUSAND)

NAME OF THE ENTITY, REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
OCELÁŘSKÁ UNIE a.s., NOVÉ MĚSTO, PRAHA I	40.44	<i>42 875</i>	<i>-919</i>	-17 740	0
HRAT, S.R.O., STARÉ MĚSTO, TŘINEC*	23.26	<i>3 693</i>	<i>1 533</i>	0	0
TOTAL				-17 740	

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

* profit or loss for the period from 1 April 2021 to 31 December 2021 (period from 1 April 2021 to 31 March 2022)

31 December 2020

(CZK THOUSAND)

NAME OF THE ENTITY, REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
OCELÁŘSKÁ UNIE a.s., NOVÉ MĚSTO, PRAHA I	40.44	43 171	-684	-18 075	0
HRAT, S.R.O., STARÉ MĚSTO, TŘINEC*	23.26	2 159	761	0	0
TOTAL				-18 075	0

Note: * profit or loss for the period from 1 April 2020 to 31 March 2021

6.7. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2021

(CZK THOUSAND)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EQUITY	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME
POSITIVE GOODWILL ARISING ON CONSOLIDATION						
ŽDB DRÁTOVNA a.s.	261 780	-52 356	209 424	0	14 920	0
BOHEMIA RINGS S.R.O.	119 809	-22 464	97 345	0	7 838	0
TOTAL	381 589	-74 820	306 769	0	22 758	0
NEGATIVE GOODWILL ARISING ON CONSOLIDATION						
REFRASIL, S.R.O.	-14 566	2 428	-12 138	0	0	728
TOTAL	-14 566	2 428	-12 138	0	0	728

The gross value of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. amounts to CZK 261,780 thousand as of 31 December 2021, which, starting from the 2021 reporting period, includes the overall deferred tax arising from the difference from the revaluation of assets and liabilities at the acquisition date in the amount of CZK 20,703 thousand.

In 2021, the Company recognised a write-off of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. of CZK 14,920 thousand.

The gross value of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. amounts to CZK 119,809 thousand as of 31 December 2021, which, starting from the 2021 reporting period, includes the overall deferred tax arising from the difference from the revaluation of assets and liabilities at the acquisition date in the amount of CZK 45,256 thousand.

In 2021, the Company recognised a write-off of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. of CZK 7,838 thousand.

As of 31 December 2021, the gross amount of the negative goodwill arising on consolidation of REFRASIL, s.r.o. amounts to CZK 14,566 thousand.

In 2021, the Company recognised a write-off of the negative goodwill arising on consolidation of REFRASIL, s.r.o. of CZK 728 thousand.

2020

(CZK THOUSAND)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EQUITY	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME
POSITIVE GOODWILL ARISING ON CONSOLIDATION						
ŽDB DRÁTOVNA a.s.	249 039	-37 436	211 603	0	12 447	0
BOHEMIA RINGS S.R.O.	100 554	-14 626	85 928	0	4 982	0
TOTAL	349 593	-52 062	297 531	0	17 429	0
NEGATIVE GOODWILL ARISING ON CONSOLIDATION						
REFRASIL, S.R.O.	-14 566	1 700	-12 866	0	0	730
TOTAL	-14 566	1 700	-12 866	0	0	730

The gross value of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. amounts to CZK 249,039 thousand as of 31 December 2020. The positive goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities. In 2020, the Company recognised a year-on-year change in this deferred tax of CZK 570 thousand. Total deferred tax in 2020 amounts to CZK 7,962 thousand.

In 2020, the Company recognised a write-off of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. of CZK 12,447 thousand.

The gross value of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. amounts to CZK 100,554 thousand as of 31 December 2020. The positive goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities. In 2020, the Company recognised a year-on-year change in this deferred tax of CZK 6,704 thousand. Total deferred tax in 2020 amounts to CZK 26,001 thousand.

In 2020, the Company recognised a write-off of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. of CZK 4,982 thousand.

As of 31 December 2020, the gross amount of the negative goodwill arising on consolidation of REFRASIL, s.r.o. amounts to CZK 14,566 thousand.

In 2020, the Company recognised a write-off of the negative goodwill arising on consolidation of REFRASIL, s.r.o. of CZK 730 thousand.

6.8. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK THOUSAND)

SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING	2021	2020
VESUVIUS ČESKÁ REPUBLIKA, a.s.	174 464	163 776
TOTAL	174 464	163 776

6.9. PLEDGED NON-CURRENT FINANCIAL ASSETS

As of 31 December 2021 and 2020, the consolidated Group has non-current financial assets pledged as collateral in the nominal value of CZK 1,144,302 thousand and CZK 1,144,302 thousand, respectively.

6.10. INVENTORY

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

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

6.11. RECEIVABLES

6.11.1. LONG-TERM RECEIVABLES

Long-term trade receivables generally include retained receivables from customers during guarantee periods.

As of 31 December 2021, the Company recorded long-term receivables with maturity period greater than five years of CZK 581 thousand (2020: CZK 89 thousand).

6.11.2. SHORT-TERM RECEIVABLES

As of 31 December 2021 and 2020, gross short-term trade receivables past their due dates amounted to CZK 345,417 thousand (net CZK 290,589 thousand) and CZK 273,543 thousand (net CZK 203,060 thousand), respectively.

Other Receivables

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

As of 31 December 2021, State – tax receivables predominantly included a receivable arising from value added tax and prepayments for fees under Act No. 201/2012 Coll., the Air Protection Act.

As of 31 December 2020, this item predominantly included a receivable arising from value added tax, prepayments for the corporate income tax and prepayments for fees under Act No. 201/2012 Coll., the Air Protection Act.

As of 31 December 2021, sundry receivables principally include a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from an unused donation and a receivable from a contribution under the employment protection programme “Antivirus”. As of 31 December 2020, this item principally included a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from the group registration for VAT and a receivable from a contribution under the employment protection programme “Antivirus”.

As of 31 December 2021 and 2020, estimated receivables principally included amounts due from anticipated insurance proceeds, from utilising an operating subsidy and from the refund of the value added tax paid abroad.

Receivables typically mature within 30 days.

6.II.3. PLEDGED RECEIVABLES

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

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

6.II.4. INTERCOMPANY RECEIVABLES

Short-term Receivables

(CZK THOUSAND)

NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
• TRADE RECEIVABLES			
DOPRAVA TŽ, a.s.	CONTROLLED ENTITY	3 551	2 401
JUBO JESENÍK S. R. O.	CONTROLLED ENTITY	4 732	5 999
MORAVIA SECURITY, a.s.	CONTROLLED ENTITY	146	102
MORAVIA STEEL a.s.	CONTROLLING ENTITY	2 847 744	1 603 557
TRIALFA, S.R.O.	CONTROLLED ENTITY	6 224	1 092
TŘINECKÁ PROJEKCE, a.s.	CONTROLLED ENTITY	157	164
TŘINECHÉ GASTROSLUŽBY, S.R.O.	CONTROLLED ENTITY	2 076	1 735
TRISIA, a.s.	CONTROLLED ENTITY	107	65
VESUVIUS ČESKÁ REPUBLIKA, a.s.	ASSOCIATE	5 780	6 612
BESHYDSHÁ GOLFOVÁ, a.s.	FELLOW SUBSIDIARY	10	13
NEOMET SP. Z O.O.	FELLOW SUBSIDIARY	29	24
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM S.R.O.	CONTROLLED ENTITY	12	10

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
M STEEL PROJECTS a.S.	FELLOW SUBSIDIARY	8	15
SECURITY MORAVA, S.R.O.	CONTROLLED ENTITY	9	19
MORAVSKOSLEZSKÝ KOVOŠROT, a.S.	FELLOW SUBSIDIARY	1 940	1 286
KOVÁRNA VIVA a.S.	FELLOW SUBSIDIARY	504	506
MINERFIN a.S.	GROUP ENTITY	1	1
BARRANDOV STUDIO a.S.	FELLOW SUBSIDIARY	230	242
REŤAZE SLOVAKIA, S.R.O.	CONTROLLED ENTITY	0	1 253
ŘETĚZÁRNA SERVIS S.R.O.	CONTROLLED ENTITY	0	31
IMOPRA S.R.O.	CONTROLLED ENTITY	0	1
EKOSTROJÍRENSTVÍ TŘINEC, a.S.	CONTROLLED ENTITY	625	1 538
MSV METAL STUDĚNKA, a.S.	FELLOW SUBSIDIARY	376	48
ENEZA, S.R.O.	CONTROLLED ENTITY	1 276	0
TOTAL		2 875 537	1 626 714
• RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY			
TŘINECHÉ GASTROSLUŽBY, S.R.O.	CONTROLLED ENTITY	7 518	8 016
EKOSTROJÍRENSTVÍ TŘINEC, a.S.	CONTROLLED ENTITY	5 666	0
TOTAL		13 184	8 016
• SUNDRY RECEIVABLES			
MORAVIA STEEL a.S.	CONTROLLING ENTITY	40	0
TOTAL		40	0
TOTAL SHORT-TERM INTERCOMPANY RECEIVABLES		2 888 761	1 634 730
OTHER THAN INTERCOMPANY RECEIVABLES		2 684 612	2 129 014
TOTAL SHORT-TERM RECEIVABLES		5 573 373	3 763 744

As of 31 December 2021, no long-term intercompany receivables were recorded.

6.12. 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.

The sole shareholder of the Company decided to distribute the net profit of the Company after tax generated by the Company in 2020 in the amount of CZK 469,323 thousand as follows: the entire amount was transferred to retained earnings brought forward.

Share Capital

The Company's share capital is composed of 8,109,863 ordinary registered shares in the certificate form, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share.

Proposal for the Allocation of Profit for 2021

In 2021, the Company generated net profit after tax of CZK 1,306,080 thousand. It is proposed to be allocated as follows:

- Share of profit assigned to the sole shareholder: CZK 500,000 thousand,
- Retained earnings brought forward: CZK 806,080 thousand.

6.13. RESERVES

Other reserves principally consist of reserves for employee bonuses, risks arising from business relations, including warranty claims.

6.14. PAYABLES

6.14.1. LONG-TERM PAYABLES

Long-term trade payables as of 31 December 2021 primarily include payables arising from retention fees from suppliers according to concluded contracts.

As of 31 December 2021 and 31 December 2020, the Company recorded long-term trade payables with maturities exceeding 5 years in the amounts of CZK 810 thousand and 2,073 thousand, respectively.

6.14.2. SHORT-TERM TRADE PAYABLES

As of 31 December 2021, short-term trade payables past their due dates amount to CZK 55,781 thousand (2020: CZK 49,354 thousand).

Payables typically fall due for settlement within 60 days.

6.14.3. OTHER PAYABLES

In the year ended 2021, the category 'State – tax payables and subsidies' principally comprised a payable arising from corporate and personal income tax. In the year ended 31 December 2020, the category principally comprised received subsidies for emission allowances and a payable arising from personal income tax.

As of 31 December 2021 and 31 December 2020, estimated payables mainly consist of an estimated payable intended to cover all so far unrecognised payments relating to staff costs, an estimated payable for fees under Act No. 201/2012 Coll., on Air Protection, and an estimated payable arising from unbilled inventory including services.

As of 31 December 2021 and 31 December 2020, sundry payables primarily include payables arising from the Group's registration for value added tax and contributions to employees.

6.14.4. INTERCOMPANY PAYABLES

Long-Term Payables

As of 31 December 2021, the Consolidated Group recorded no long-term intercompany payables.

Other than intercompany long-term payables as of 31 December 2021 and 2020 primarily include a deferred tax liability of CZK 1,784,830 thousand and CZK 1,737,783 thousand, respectively, and payables to credit institutions of CZK 2,861,157 thousand and CZK 2,680,662 thousand, respectively.

Short-term Payables

(CZK THOUSAND)

NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
• TRADE PAYABLES			
REŤAZE SLOVAKIA, S.R.O.	CONTROLLED ENTITY	0	88
ŘETĚŽÁRNA SERVIS S.R.O.	CONTROLLED ENTITY	2 613	3 056
DOPRAVA TŽ, a.S.	CONTROLLED ENTITY	13 156	13 865
OCELÁŘSKÁ UNIE, a.S.	ASSOCIATE	835	832
MORAVIA STEEL a.S.	CONTROLLING ENTITY	3 226 017	2 807 718
MORAVIA SECURITY, a.S.	CONTROLLED ENTITY	11 395	10 005
SECURITY MORAVA, S.R.O.	CONTROLLED ENTITY	1 980	1 928
TRIALFA, S.R.O.	CONTROLLED ENTITY	15 809	16 978
TRISIA, a.S.	CONTROLLED ENTITY	463	1 135
TŘINECKÁ PROJEKCE, a.S.	CONTROLLED ENTITY	5 961	3 267
TŘINECHÉ GASTROSLUŽBY, S.R.O.	CONTROLLED ENTITY	9 854	12 186
VESUVIUS ČESKA REPUBLIKA, a.S.	ASSOCIATE	8 196	19 395
BESKYDSKÁ GOLFOVÁ, a.S.	FELLOW SUBSIDIARY	3 630	4 598
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM S.R.O.	CONTROLLED ENTITY	225	1 773
„ZAMECZEK BŁOGOCICE“ SP. Z O.O.	CONTROLLED ENTITY	91	97
MORAVSHOSLEZSHÝ KOVOŠROT, a.S.	FELLOW SUBSIDIARY	179 916	152 286

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
HRAT, S.R.O.	ASSOCIATE	0	1
MORAVIA STEEL SLOVENIJA D.O.O.	FELLOW SUBSIDIARY	587	325
MORAVIA STEEL IBÉRIA, S.A.	FELLOW SUBSIDIARY	477	479
MORAVIA STEEL UK LIMITED	FELLOW SUBSIDIARY	133	1221
MORAVIA STEEL DEUTSCHLAND GMBH	FELLOW SUBSIDIARY	1 302	137
NEOMET SP. Z O.O.	FELLOW SUBSIDIARY	94 400	98 240
MSV METAL STUDÉNKA, a.s.	FELLOW SUBSIDIARY	983	0
ENEZA, S.R.O.	CONTROLLED ENTITY	11 024	0
TOTAL		3 589 047	3 149 610
• ACCRUED EXPENSES			
MORAVIA STEEL a.s.	CONTROLLING ENTITY	2 887	0
MORAVIA STEEL IBÉRIA, S.A.	FELLOW SUBSIDIARY	338	0
MORAVIA STEEL SLOVENIJA D.O.O.	FELLOW SUBSIDIARY	16	0
TOTAL		3 241	0
• ESTIMATED PAYABLES			
MORAVIA STEEL a.s.	CONTROLLING ENTITY	479	4 269
MORAVIA STEEL ITALIA S.R.L.	FELLOW SUBSIDIARY	251	58
MORAVIA STEEL SLOVENIJA D.O.O.	FELLOW SUBSIDIARY	0	347
MORAVIA STEEL IBÉRIA, S.A.	FELLOW SUBSIDIARY	68	28
TOTAL		798	4 702
• OTHER PAYABLES			
MORAVIA STEEL a.s.	CONTROLLING ENTITY	45 375	33 691
TOTAL		45 375	33 691
TOTAL SHORT-TERM INTERCOMPANY PAYABLES		3 638 461	3 188 003
OTHER THAN INTERCOMPANY PAYABLES		5 745 810	5 581 746
TOTAL SHORT-TERM PAYABLES		9 384 271	8 769 749

Short-term payables outside of the group as of 31 December 2021 and 2020 predominantly include payables to credit institutions of CZK 1,995,596 thousand and CZK 1,459,965 thousand, respectively, and tax payables and subsidies of CZK 382,813 thousand and CZK 1,204,788 thousand as of 31 December 2021 and 2020, respectively.

6.15. DEFERRED INCOME TAX

6.15.1. DEFERRED TAX LIABILITY

In determining the deferred tax liability amount, the Group used the tax rate in line with the legislation of each state for the period in which the deferred tax liability is anticipated to be realised.

(CZK THOUSAND)

DEFERRED TAX BASIS	TAX RATE IN %	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020
DIFFERENCE BETWEEN TAX AND ACCOUNTING NET BOOK VALUE OF FIXED ASSETS	19	-11 208 346	-10 662 598
DIFFERENCE BETWEEN TAX AND ACCOUNTING NET BOOK VALUE OF FIXED ASSETS	9	-65 302	-57 505
REMEASUREMENT OF SECURITIES AVAILABLE FOR SALE	19	54	54
REMEASUREMENT OF ASSETS TO FAIR VALUE CHARGED AGAINST EQUITY	19	-232 596	-101 180
REMEASUREMENT OF ASSETS TO FAIR VALUE CHARGED AGAINST EQUITY	9	-30 317	-31 742
REMEASUREMENT OF ASSETS TO FAIR VALUE CHARGED AGAINST THE GOODWILL ARISING ON CONSOLIDATION	19	0	-178 753
ACCOUNTING RESERVES	19	832 010	384 385
PROVISIONS	19	835 965	947 063
PROVISIONS	9	0	-5 909
EXPENSES TO BE ALLOWABLE IN SUBSEQUENT PERIODS	19	237 456	133 992
UTILISABLE TAX LOSS	19	93 795	72 859
UNREALISED GAINS ON THE INTRAGROUP SALE OF INVENTORY	19	48 691	11 550
UNREALISED GAINS ON INTRAGROUP SALES OF TANGIBLE AND INTANGIBLE FIXED ASSETS	19	44 591	291 544
UNREALISED GAINS ON INTRAGROUP SALES OF TANGIBLE AND INTANGIBLE FIXED ASSETS (EQUITY)	19	-169	-71
TOTAL TAX BASE		-9 444 168	-9 196 311
DEFERRED TAX LIABILITY		-1 784 830	-1 737 783

ANALYSIS OF MOVEMENTS

31 DEC 2020	-1737 783
CURRENT CHANGES CHARGED TO THE PROFIT AND LOSS ACCOUNT	-15 508
CURRENT CHANGES RECOGNISED IN EQUITY	457
RECOGNITION AGAINST THE GOODWILL ARISING ON CONSOLIDATION	-31 996
31 DEC 2021	-1784 830

6.16. PAYABLES TO CREDIT INSTITUTIONS

Long-Term Payables to Credit Institutions

(CZK THOUSAND)

TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AS OF 31 DECEMBER 2021
Investment loan	CZK	60 000	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Investment loan	EUR	7 952	25 184	HERMES GUARANTEE INSURER
Investment loan	EUR	-	14 544	ODL GUARANTEE INSURER
Investment loan	CZK	1 080 000	-	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
ACQUISITION LOAN	EUR	124 300	306 192	SECURITIES, PROMISSORY NOTE
Investment loan	EUR	775 694	880 091	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES
Investment loan	CZK	400 000	628 571	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Investment loan	CZK	3 865	6 307	PLEDGE OF REAL ESTATE AND MOVABLE ASSETS
Investment loan	EUR	13 429	23 132	PLEDGE OF REAL ESTATE AND MOVABLE ASSETS
Investment loan	CZK	6 650	2 827	NO COLLATERAL
Investment loan	CZK	52 803	79 167	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AS OF 31 DECEMBER 2021
Investment loan	CZK	47 333	65 333	BLANK PROMISSORY NOTE
Investment loan	CZK	11 400	26 600	PLEDGE OF ASSETS, BLANK PROMISSORY NOTE
one-time investment loan	EUR	-	21 753	MOVABLE AND IMMOVABLE ASSETS
one-time investment loan*	EUR	-	25 668	MOVABLE AND IMMOVABLE ASSETS
one-time investment loan	EUR	78 132	109 979	MOVABLE AND IMMOVABLE ASSETS
Investment loan	EUR	-	10 733	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
Investment loan	EUR	17 105	29 649	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
SPECIAL PURPOSE LOAN	CZK	25 000	45 000	PLEDGE OF MOVABLE ASSETS
Investment loan	EUR	-	6 561	BLANK PROMISSORY NOTE
Investment loan	EUR	11 585	-	BLANK PROMISSORY NOTE
Investment loan	CZK	10 561	26 403	2 X BLANK PROMISSORY NOTE
Investment loan	EUR	2 486	6 561	PLEDGE OF IMMOVABLE ASSETS, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET
Investment loan	EUR	3 551	7 498	PLEDGE OF IMMOVABLE ASSETS, BLANK PROMISSORY NOTE, PLEDGE OF RECEIVABLES ARISING FROM INSURANCE
Investment loan	EUR	33 622	48 402	BLANK PROMISSORY NOTE
Investment loan	EUR	51 709	-	BLANK PROMISSORY NOTE
Investment loan	EUR	7 966	15 143	MORTGAGE, INSURANCE SECURITY
Investment loan	EUR	5 338	8 876	MORTGAGE, INSURANCE SECURITY
Investment loan	EUR	12 569	18 099	MORTGAGE, INSURANCE SECURITY
Investment loan	PLN	-	2 389	PLEDGE – MACHINERY AND EQUIPMENT
Investment loan	PLN	14 894	-	COLLATERALISED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) ALONG WITH INSURANCE
Investment loan	PLN	3 213	-	COLLATERALISED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) ALONG WITH INSURANCE
TOTAL		2 861 157	2 680 662	

Note: * translated from CZK to EUR as of 30 September 2019

Short-Term Payables to Credit Institutions

(CZK THOUSAND)

TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AT 31 DEC 2021
Investment loan	EUR	15 904	16 790	HERMES GUARANTEE INSURER
Investment loan	EUR	6 215	6 561	BLANK PROMISSORY NOTE
Investment loan	EUR	5 817	-	BLANK PROMISSORY NOTE
Overdraft	PLN	44 035	29 454	PLEDGE - GOODS, MATERIAL, PRODUCTS AND INSURANCE
Investment loan	PLN	-	3 033	SECURED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) AND INSURANCE
Overdraft	PLN	54 006	33 969	PLEDGE - MACHINERY, EQUIPMENT, INCLUDING INSURANCE, ASSIGNMENT OF TRADE RECEIVABLES
Investment loan	PLN	2 245	4 696	PLEDGE - MACHINERY AND EQUIPMENT
Investment loan	PLN	4 255	-	COLLATERALISED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) ALONG WITH INSURANCE
Investment loan	PLN	2 268	-	COLLATERALISED WITH TANGIBLE ASSETS (MACHINERY, EQUIPMENT) ALONG WITH INSURANCE
One-time investment loan	EUR	20 605	21 753	MOVABLE AND IMMOVABLE ASSETS
Overdraft - CREDIT CARDS	CZK	46	6	NO COLLATERAL
One-time investment loan *	EUR	24 313	25 668	MOVABLE AND IMMOVABLE ASSETS
One-time investment loan	EUR	26 044	27 495	MOVABLE AND IMMOVABLE ASSETS
Investment loan	CZK	-	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Investment loan	EUR	13 776	29 087	ODL GUARANTEE INSURER
Investment loan	EUR	221 627	97 788	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES
Investment loan	CZK	180 000	240 000	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, BLANK PROMISSORY NOTE
Acquisition loan	EUR	165 733	174 967	SECURITIES, PROMISSORY NOTE
Investment loan	CZK	228 571	228 572	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Investment loan	CZK	120 000	-	IMMOVABLE AND MOVABLE ASSETS, INSURANCE RECEIVABLES, PROMISSORY NOTE
Overdraft	CZK	65 937	-	PROMISSORY NOTE
Overdraft	CZK	65 805	-	NO COLLATERAL
Overdraft	CZK	66 124	-	PROMISSORY NOTE
Overdraft	CZK	71 043	-	PROMISSORY NOTE
Overdraft	CZK	70 841	-	PROMISSORY NOTE
Short-term loan	CZK	9	-	NO COLLATERAL
Investment loan	CZK	2 441	2 441	PLEDGE OF REAL ESTATE AND MOVABLE ASSETS


 TABLE CONTINUES ON THE FOLLOWING PAGE


 CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2020	FORM OF COLLATERAL AT 31 DEC 2021
INVESTMENT LOAN	EUR	8 482	8 954	PLEDGE OF REAL ESTATE AND MOVABLE ASSETS
INVESTMENT LOAN	CZK	1 900	314	NO COLLATERAL
INVESTMENT LOAN	CZK	15 200	15 200	PLEDGE OF ASSETS, BLANK PROMISSORY NOTE
CREDIT CARDS	CZK	6	1	NO COLLATERAL
SPECIAL PURPOSE LOAN	CZK	10 000	-	PLEDGE - MOVABLE ASSETS
INVESTMENT LOAN	CZK	26 364	26 364	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
INVESTMENT LOAN	CZK	18 000	18 000	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	10 166	14 310	BLANK PROMISSORY NOTE, PLEDGE OF MOVABLE ASSETS
OVERDRAFT	CZK	39 562	2 799	NO COLLATERAL
OVERDRAFT	CZK	44 570	16 577	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	10 980	-	BLANK PROMISSORY NOTE, PLEDGE - MOVABLE ASSETS
OVERDRAFT	CZK	70 494	-	NO COLLATERAL
INVESTMENT LOAN	CZK	15 842	15 842	2 X BLANK PROMISSORY NOTE
OPERATING LOAN	CZK	14 638	27 183	PLEDGE OF IMMOVABLE ASSETS, TRANSFER OF OWNERSHIP TITLE TO MOVABLE ASSETS AS SECURITY, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET
INVESTMENT LOAN	EUR	-	20 340	PLEDGE OF IMMOVABLE ASSETS, TRANSFER OF OWNERSHIP TITLE TO MOVABLE ASSETS AS SECURITY, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET
INVESTMENT LOAN	EUR	3 729	3 937	PLEDGE OF REAL ESTATE, BLANK PROMISSORY NOTE, RESTRICTION OF THE RIGHT OF DISPOSAL OF IMMOVABLE ASSET
INVESTMENT LOAN	EUR	3 552	3 749	PLEDGE OF REAL ESTATE, BLANK PROMISSORY NOTE, PLEDGE OF RECEIVABLES ARISING FROM INSURANCE
OPERATING LOAN	CZK	187 026	76 412	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	12 227	12 908	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	11 187	-	BLANK PROMISSORY NOTE
INVESTMENT LOAN	EUR	6 373	6 730	MORTGAGE, INSURANCE SECURITY
INVESTMENT LOAN	EUR	3 067	3 239	MORTGAGE, INSURANCE SECURITY
INVESTMENT LOAN	EUR	4 571	4 826	MORTGAGE, INSURANCE SECURITY
TOTAL		1 995 596	1 459 965	

Note: * translated from CZK to EUR as of 30 September 2019

Repayments of long-term payables to credit institutions with maturities exceeding five years amount to CZK 120,000 thousand.

6.17. OFF BALANCE SHEET ASSETS AND LIABILITIES AND LEGAL DISPUTES

TŘINECKÉ ŽELEZÁŘNY, a. s.

Provided Guarantees

31 December 2021

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

31 December 2020

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

Received Guarantees

31 December 2021

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

31 December 2020

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

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

As of 31 December 2021, the Company records in its favour a pledge on receivables as a means of collateralising financial debts under the Credit Agreement.

Legal Disputes

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

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

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

Environmental Liabilities

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

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

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

Other

In 2021 and 2020, the Company was involved in the project of the Regional Economic Chamber of the Moravian-Silesian Region through which employee education courses are provided. The support in this project is used in the de minimis mode.

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

Other entities included in the consolidation group

ENERGETIKA TŘINEC, a.s.

Collateral for payables

(CZK THOUSAND)

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

Other payables and receivables not discussed in the accounting and legal disputes of entities included in the consolidation group are described in detail in separate financial statements of these entities. These payables, receivables and legal disputes are not significant from the group's perspective.

6.18. COVID-19

When preparing the consolidated financial statements as of 31 December 2021, the Company considered the impact of the coronavirus (SARS-CoV-2). The impact is not significant and does not pose a threat to the Company's going concern.

7. ADDITIONAL CONSOLIDATED PROFIT AND LOSS ACCOUNT INFORMATION

7.1. INCOME FROM ORDINARY ACTIVITIES AND SOLD GOODS

7.1.1. THE GROUP'S INCOME FROM ORDINARY ACTIVITIES AND SALE OF GOODS FOR 2021

(CZK THOUSAND)

ACTIVITIES	IN-COUNTRY	CROSS-BORDER	TOTAL
METALLURGIC PRODUCTION	43 407 627	5 822 064	49 229 691
OTHER PRODUCTION	1 986 114	4 290 034	6 276 148
SALE OF GOODS	43 036	260 960	303 996
SERVICES	773 069	144 296	917 365
TOTAL	46 209 846	10 517 354	56 727 200

7.1.2. THE GROUP'S INCOME FROM ORDINARY ACTIVITIES AND SALE OF GOODS FOR 2020

(CZK THOUSAND)

ACTIVITIES	IN-COUNTRY	CROSS-BORDER	TOTAL
METALLURGIC PRODUCTION	34 824 857	4 357 370	39 182 227
OTHER PRODUCTION	1 708 157	3 729 314	5 437 471
SALE OF GOODS	24 343	156 424	180 767
SERVICES	730 835	169 066	899 901
TOTAL	37 288 192	8 412 174	45 700 366

7.2. GRANTS AND SUBSIDIES

In the year ended 31 December 2021, the Company drew a subsidy for the acquisition of environmental and other investments of CZK 34,002 thousand.

In the year ended 31 December 2020, the Company drew a subsidy for the acquisition of environmental and other investments of CZK 145,969 thousand.

In 2020, ENERGETIKA TŘINEC, a.s., received a subsidy for the Replacement of Compressed Air Source – Vodárna 1 project of CZK 9,300 thousand.

In 2021, Strojírny a stavby Třinec, a.s. continued to draw a subsidy for the acquisition of fixed assets under the Enterprise and Innovations for Competitiveness Operational Programme in the Energy Savings project in Strojírny a stavby Třinec, a.s. in the amount of CZK 444 thousand.

In 2020, Strojírny a stavby Třinec, a.s. received a subsidy for the acquisition of fixed assets in the Enterprise and Innovations for Competitiveness Operational Programme in the Energy Savings project in Strojírny a stavby Třinec, a.s. of CZK 21,836 thousand.

In 2021, BOHEMIA RINGS, s.r.o. received an investment subsidy in the amount of CZK 321 thousand for the purchase of new energy-efficient lighting in production halls.

In 2020, BOHEMIA RINGS s.r.o. received an investment subsidy of CZK 837 thousand for the acquisition of a new economical heating in production halls.

Subsidies for operating purposes and allowances amounting to CZK 27,188 thousand utilised in the year ended 31 December 2021 include subsidies for research and development, a subsidy for operations of the museum, a subsidy for environmental projects, a subsidy under the “Antivirus” employment support programme – an allowance aimed to partially compensate for payroll costs, an allowance for self-sampling COVID-19 testing.

Subsidies for operating purposes of CZK 22,733 thousand utilised in the year ended 31 December 2020 include subsidies for development, a subsidy for operations of the museum, a subsidy for environmental projects, subsidies for professional education and the “Antivirus” employment support – an allowance aimed to partially compensate for payroll costs.

7.3. TOTAL REMUNERATION CHARGED BY THE AUDITOR

(CZK THOUSAND)

	YEAR ENDED 31 DECEMBER 2021	YEAR ENDED 31 DECEMBER 2020
OBLIGATORY AUDIT OF THE FINANCIAL STATEMENTS	9 943	10 110
OTHER ASSURANCE SERVICES	301	236
TAX ADVISORY	23	56
OTHER NON-AUDIT SERVICES	321	289
TOTAL	10 588	10 691

7.4. OTHER EXPENSES AND INCOME

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

Other financial income in 2021 and 2020 predominantly includes foreign exchange gains of CZK 200,608 thousand and CZK 251,254 thousand, respectively.

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

Other financial expenses as of 31 December 2021 and 2020 predominantly include foreign exchange losses of CZK 174,009 thousand and CZK 237,932 thousand, respectively.

Financial gifts are reported in operating expenses. The total amount of the gifts provided in 2021 was CZK 26,503 thousand (2020: CZK 33,151 thousand).

In the year ended 31 December 2021, the Company received and reported the compensation for indirect costs associated with greenhouse gas emissions reflected in the price of electricity for the calendar year of 2020 in the amount of CZK 203,891 thousand.

7.5. TOTAL RESEARCH AND DEVELOPMENT COSTS

(CZK THOUSAND)

	31 DEC 2021	31 DEC 2020
DEVELOPMENT COSTS (LESS SUBSIDIES)	38 043	34 029

7.6. RELATED PARTY TRANSACTIONS

7.6.1. INCOME GENERATED WITH RELATED PARTIES

The income generated with related parties amounted to CZK 42,426,203 thousand in the year ended 31 December 2021 of which income generated with MORAVIA STEEL a.s. amounted to CZK 42,138,625 thousand (2020: CZK 33,975,956 thousand of which CZK 33,882,903 thousand with MORAVIA STEEL a.s.). All intragroup transactions were under arm's length basis.

The income generated from profit shares received from entities in the group in the years ended 31 December 2021 and 2020 is disclosed in Note 6.6.

7.6.2. PURCHASES FROM RELATED PARTIES

Total purchases from related parties amounted to CZK 35,375,712 thousand for the year ended 31 December 2021 of which CZK 31,181,115 thousand from MORAVIA STEEL a. s. (2020: CZK 26,101,530 thousand of which CZK 23,381,215 thousand from MORAVIA STEEL a.s.). All intragroup transactions were under arm's length basis.

8. EMPLOYEES, MANAGEMENT AND SUPERVISORY BOARDS OF ENTITIES IN THE CONSOLIDATION GROUP

8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

31 December 2021

(CZK THOUSAND)

	NUMBER	TOTAL STAFF COSTS
EMPLOYEES	11 805	7 398 976
MANAGEMENT	140	321 030
TOTAL	11 945	7 720 006

31 December 2020

(CZK THOUSAND)

	NUMBER	TOTAL STAFF COSTS
EMPLOYEES	12 063	7 142 927
MANAGEMENT	140	237 160
TOTAL	12 203	7 380 087

The number of employees and company management members is based on the average recalculated number of employees and company management members.

For the purposes of these notes to the consolidated financial statements, the category of management includes the members of the Supervisory Board, the members of the Board of Directors and professional directors. In respect of the Company, they also include managers of operations and specialised units, plant director.

8.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

The amount of other supplies provided to managers and members of the Supervisory Boards:

(CZK THOUSAND)

	2021	2020
USE OF MANAGEMENT CARS (THE FIGURE INCREASES THE TAX BASE OF EMPLOYEES)	11 185	10 149
CONTRIBUTION FOR LIFE INSURANCE	247	256
LIABILITY INSURANCE	747	647

9. POST BALANCE SHEET EVENTS

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

The Company is assessing and trying to anticipate, as far as possible, the impact of the Russian-Ukrainian conflict, particularly in the area of iron ore supplies from Ukraine and gas. The Company is aware of a threat in this area, with the possibility of a complete disruption of such supplies and is therefore working to expand the range of iron ore suppliers.

In view of the rapid development of the situation, the Company continuously analyses these impacts, i.e., also at the time of preparing these consolidated financial statements, and takes measures to eliminate the risks arising from these developments. However, as of the balance sheet date, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.



REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR 2021

This Related Party Transactions Report between TŘINECKÉ ŽELEZÁRNY, a. s., with its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, corporate ID: 18050646, recorded in File B, Insert 146 of the Register of Companies held by the Regional Court in Ostrava (hereinafter “TŽ” or the “Company”) and the controlling entity, and between TŽ and entities controlled by the same controlling entity has been prepared in line with Section 82 of Act No. 90/2012 Coll., on Business Companies and Cooperatives (hereinafter the “Act on Business Corporations”) for the 2021 reporting period (hereinafter the “reporting period”).

I. DEFINITION OF THE CONTROLLING ENTITY AND CONTROLLED ENTITIES AND THE STRUCTURE OF THE RELATIONS BETWEEN THESE ENTITIES

A. CONTROLLING ENTITY

MORAVIA STEEL a.s., registered office: Průmyslová 1000, Staré Město, 739 61 Třinec, Corporate ID: 63474808

Relation: In the reporting period, MORAVIA STEEL a.s. was in the position of the controlling entity of TŽ.

B. ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

Moravskoslezský kovošrot, a.s., registered office: Božkova 936/73, Přívoz, 702 00 Ostrava, Corporate ID: 26855097

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

M Steel Projects a.s., registered office: Průmyslová 1000, Staré Město, 739 61 Třinec, Corporate ID: 28602331

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

Barrandov Studio a.s., registered office: Prague 5 – Hlubočepy, Kříženeckého nám. 322/5, 152 00, Corporate ID: 28172469

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

Beskydská golfová, a.s., registered office: no. 415, 739 61 Ropice; Corporate ID: 25352920

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MS – Slovensko s.r.o., registered office: Námestie Ľudovíta Štúra 2, Bratislava 811 02, Slovakia, Corporate ID: 35900601

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MORAVIA STEEL IBÉRIA, S.A., registered office: Campo Grande, 35 – 9. A, P-1700 Lisbon, Portugal

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MORAVIA STEEL ITALIA s.r.l., registered office: Corso Sempione 39, 20145 Milano, Italy,

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MORAVIA STEEL SLOVENIJA d.o.o., registered office: Valvazorjeva 14, 3000 Celje, Slovenia

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

Moravia Steel Deutschland GmbH, registered office: Cliev 19, 51515 Kürten-Herweg, Germany

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MORAVIA STEEL UK LIMITED, registered office: 5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, UK

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MORAVIA STEEL ISRAEL Ltd., registered office: 23 Efal St., Petach Tikva 49 511, P.O.B. 3286 Israel

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

Moravia Steel Middle East FZCO, registered office: Jebel Ali Free Zone, Jafza 17, office no. 325, P.O. Box: 263224, Dubai, United Arab Emirates

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. pursuant to Section 75 (2) of the Act on Business Corporations (until 10 November 2021).

“NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered office: UL. BATALIÓNOW CHŁÓPSKICH 2, 42-680 TARNOWSKIE GÓRY, Poland

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MORAVIA MINING PLC, registered office: Addis Ababa, Bole 03, 5/001 – 405 A, Ethiopia

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

Kovárna VIVA a.s., registered office: Vavrečkova 5333, 760 01 Zlín Corporate ID: 46978496

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL.

MSV Metal Studénka, a.s., registered office: R. Tomáška 859, 742 13 Studénka, Corporate ID: 47675942,
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

M Steel Projects, s.r.o registered office: Na Bráne 8665/4, Žilina 010 01, Slovakia, previously at Vojtecha Tvrdého 793/21, Žilina 010 01, Slovakia,
Corporate ID: 46685570
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

AHP HYDRAULIKA, a.s., registered office: Vojtecha Tvrdého 793/21, Žilina 010 01, Slovakia, Corporate ID: 31563104
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MSProjects International s.r.o., registered office at nám. Svobody 526, Lyžbice, 739 61 Třinec, Corporate ID: 03587649
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

Barrandov Productions s.r.o., registered office: Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5, Corporate ID: 25621025
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

FILMOVÁ NADACE, registered office: Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5, Corporate ID: 27437213
Relation: The sole founder of the entity is Barrandov Studio a.s. which was controlled by MORAVIA STEEL a.s. in the reporting period.

“MSK POLSKA” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, “in liquidation”, registered office: BATALIONÓW CHŁOPSKICH 2,
42-680 TARNOWSKIE GÓRY, Poland
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. (until 2 November 2021).

Hotel Golf Ropice a.s., registered office: no. 415, 739 61 Ropice, Corporate ID: 27844919
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. (until 27 August 2021 when it was dissolved due to a merger by amalgamation with Beskydská golfová, a.s., as the successor company.

Moravia Steel Nepremičnine d.o.o., registered office: Ljubljanska cesta 3A, 3000 Celje, Slovenia
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

ALPER a.s., registered office: Vrahovická 4530, 796 01 Prostějov, Corporate ID: 27126226
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

MSV Servis s.r.o., registered office: R. Tomáška 859, 742 13 Studénka, Corporate ID: 28607767
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

KUŹNIA OSTRÓW WIELKOPOLSKI SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ registered office: WROCŁAWSKA 93, 63-400, Ostrów Wielkopolski, Poland,

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s.

B.A. Zlín, s.r.o., registered office: Vavrečkova 5333, 760 01 Zlín, Corporate ID: 26301687

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. (from 22 September 2021).

C. ENTITIES CONTROLLED BY TŽ

ENERGETIKA TŘINEC, a.s., registered office: Průmyslová 1024, Staré Město, 739 61 Třinec, Corporate ID: 47675896

Relation: In the reporting period, the entity was controlled by TŽ.

Slévárny Třinec, a.s., registered office: Průmyslová 1001, Staré Město, 739 61 Třinec, Corporate ID: 25830716

Relation: In the reporting period, the entity was controlled by TŽ.

Třinecké gastroslužby, s.r.o., registered office: Průmyslová 1035, Staré Město, 739 61 Třinec, Corporate ID: 25838148

Relation: In the reporting period, the entity was controlled by TŽ.

Doprava TŽ, a.s., registered office: Třinec-Staré Město, Průmyslová 1008, 73965, Corporate ID: 25398083

Relation: In the reporting period, the entity was controlled by TŽ.

TRIALFA, s.r.o., registered office: Třinec-Kanada, ul. Míru 272, 73965, Corporate ID: 25839888

Relation: In the reporting period, the entity was controlled by TŽ.

Řetězárna a.s., registered office: Polská 48, 790 81 Česká Ves, Corporate ID: 47672081

Relation: In the reporting period, the entity was controlled by TŽ.

Řetaze Slovakia, s.r.o., registered office: Nádražná 30, 909 01 Skalica, Slovakia, Corporate ID: 34143483,

Relation: In the reporting period, the entity was controlled by TŽ.

JuBo Jeseník s. r. o., registered office: U Jatek 600/2, 790 01 Jeseník, Corporate ID: 48391514

Relation: In the reporting period, the entity was controlled by TŽ.

Řetězárna servis s.r.o. registered office: U Jatek 600/2, 790 01 Jeseník, Corporate ID: 05644267

Relation: In the reporting period, the entity was controlled by TŽ.

TRISIA, a.s., registered office: nám. Svobody 526, Lyžbice, 739 61 Třinec, Corporate ID: 64610152

Relation: In the reporting period, the entity was controlled by TŽ.

REFRASIL, s.r.o., registered office: Průmyslová 720, Kanská, 739 61 Třinec, Corporate ID: 48395862

Relation: In the reporting period, the entity was controlled by TŽ.

VÚHŽ a.s., registered office: Dobrá 240, 739 51 Dobrá, Corporate ID: 27768953

Relation: In the reporting period, the entity was controlled by TŽ.

MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., registered office: Pohraniční 693/31, Vítkovice, 703 00 Ostrava, Corporate ID: 25870807

Relation: In the reporting period, the entity was controlled by TŽ.

Šroubárna Kyjov, spol. s r.o., registered office: Jiráskova 987/50, 697 01 Kyjov, Corporate ID: 42293588

Relation: In the reporting period, the entity was controlled by TŽ.

Moravia Security, a.s., registered office: Průmyslová 725, Kanská, 739 61 Třinec, Corporate ID: 27835481

Relation: In the reporting period, the entity was controlled by TŽ.

Security Morava, s.r.o., registered office: Jiráskova 987, 697 01 Kyjov, Corporate ID: 28346262

Relation: In the reporting period, the entity was controlled by TŽ.

Strojírny a stavby Třinec, a.s., registered office: Průmyslová 1038, Staré Město, 739 61 Třinec, Corporate ID: 47674539

Relation: In the reporting period, the entity was controlled by TŽ.

“METALURGIA” SPÓŁKA AKCYJNA, registered office: ŚWIĘTEJ ROZALII 10/12, 97-500 Radomsko, Poland

Relation: In the reporting period, the entity was controlled by TŽ.

“ZAMECZEK BŁOGOCICE” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered office: Stefana ZEROMSKIEGO 1, 43-400 Cieszyn, Poland

Relation: In the reporting period, the entity was controlled by TŽ.

“D&D” Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság, registered office: Sajószigeti utca 4, 3527 Miskolc, Hungary

Relation: In the reporting period, the entity was controlled by TŽ.

TŘINECKÁ PROJEKCE, a.s., registered office: Míru 274, Kanada, 739 61 Třinec, Corporate ID: 47677741

Relation: In the reporting period, the entity was controlled by TŽ.

ŽDB DRÁTOVNA a.s., registered office: Jeremenkova 66, Pudlov, 735 51 Bohumín, Corporate ID: 29400066

Relation: In the reporting period, the entity was controlled by TŽ.

HŽP, a.s., registered office: Dolní 3137/100, 796 01 Prostějov, Corporate ID: 26955342

Relation: In the reporting period the entity was controlled by TŽ.

SV servisní, s.r.o., registered office: Dolní 3137/100, 796 01 Prostějov, Corporate ID: 60725974

Relation: In the reporting period the entity was controlled by TŽ.

IMOPRA s.r.o., registered office: U Dvora 217, 687 51 Nivnice, Corporate ID: 26277697

Relation: In the reporting period the entity was controlled by TŽ

BOHEMIA RINGS s.r.o., registered office: 10, 565 43 Zámorsk, Corporate ID: 49685643

Relation: In the reporting period the entity was controlled by TŽ.

ELEKTROSTROJÍRENSTVÍ TŘINEC, a.s., registered office: Průmyslová 1038, Staré Město, 739 61 Třinec Corporate ID: 08730377

Relation: In the reporting period the entity was controlled by TŽ.

ENEZA, s.r.o., registered office: Průmyslová 1021, Staré Město, 739 61 Třinec Corporate ID: 25855344

Relation: In the reporting period, the entity was controlled by TŽ (from 24 May 2021).

The registered office addresses disclosed in Chapter I have been outlined in accordance with the status as of 31 December 2021.

II. ROLE OF TŽ AND THE METHODS AND MEANS OF CONTROL

In line with Chapter I, TŽ's role in the structure of transactions with its related parties involves acting as a manufacturing company, the principal business activities of which comprise the production of metallurgical products.

TŽ is directly controlled by MORAVIA STEEL a.s. (hereinafter also "MS"). In the reporting period, MS was the controlling entity of TŽ and its sole shareholder with a 100% equity investment and 100% of TŽ's voting rights. MS exercised controlling influence over TŽ in its role as the sole shareholder acting in the capacity of the General Meeting of TŽ.

TŽ acts as a controlling entity in relation to a part of a business group which primarily includes other manufacturing companies. TŽ exercised controlling influence over these entities that are directly controlled by TŽ in its role as the majority shareholder under Sections 73 and 74 (3) of the Act on Business Corporations, in that it used its shareholding in the voting rights of the controlled entities at their General Meetings, or that it exercised its role as the sole owner or the sole shareholder acting in the capacity as the General Meeting of the relevant controlled entities.

III. LIST OF ACTS AND CONTRACTS

A. LIST OF ACTS AND MUTUAL CONTRACTS BETWEEN TŽ AND THE CONTROLLING ENTITY AND BETWEEN TŽ AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY:

a) In the reporting period, TŽ recorded no acts at the initiative or in the interest of the controlling entity or entities controlled by the controlling entity that would relate to assets exceeding 10% of the equity of TŽ identified according to the financial statements for the year ended 31 December 2020 in accordance with Section 82 (2) d) of the Act on Business Corporations.

b) The list of mutual contracts for the reporting period between TŽ and the controlling entity and between TŽ and entities controlled by the same controlling entity in accordance with Section 82 (2) e) of the Act on Business Corporations, except for entities controlled by TŽ under Section C Chap. I., is listed below in Sections B. through J. of this Chapter, i.e. a list of such contracts between TŽ and

- MS is given in part B.;
- Beskydská golfová, a.s., in part C.;
- Moravskoslezský kovošrot, a.s., in part D.;
- M Steel Projects a.s. in part E.;
- “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ in part F.;
- Barrandov Studio a.s. in part G.;
- MSProjects International s.r.o. in part H.;
- Kovárna VIVA a.s. in part I. and
- MSV Metal Studénka, a.s., in part J.

c) Relations defined by Section 82 (2) d) and e) of the Act on Business Corporations that may have arisen in the reporting period between TŽ and entities controlled by TŽ according to part C. of Chapter I., are subject to the reports on related party transactions of these entities.

d) In part C. of this Chapter, the Related Party Transactions Report also reports on any relations to Hotel Golf Ropice a.s. that was dissolved on 27 August 2021 due to a merger by amalgamation with Beskydská golfová, a.s., as the successor company, with the effective date of 1 January 2021.

B. LIST OF CONTRACTS BETWEEN TŽ AND MS

B.1. PURCHASE AND SALE OF METALLURGICAL PRODUCTS, MATERIALS AND RAW MATERIALS

In the reporting period, the business relations between TŽ and MS concerning the purchase and sale of metallurgical products, materials and raw materials were amended under:

- Master contract for the supply of metallurgical products of 21 December 2020; and
- Master contract for the supply of raw materials and input materials of 21 December 2020.

The individual performances are presented in the partial purchase contracts executed pursuant to the above contracts for a particular product, amount, shape and type, the agreed upon price and performance deadline.

The agreed upon prices respect the specific features of purchases and sales in the metallurgic industry and take into account the elimination of foreign exchange risks, the adjustment of payment conditions, and business risks.

B.2. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF MS

1. Master contract for the supply of metallurgical products of 21 December 2020 and partial contracts of purchase under this Master contract – the sale of metallurgical products.
2. Licence contract for using the trademark “Three hammers in a circle” of 30 June 2002.
3. Service level agreement of 29 June 2018 – provision of security and asset guards, fire protection, filing office, documenting and archiving services, forwarding and customs clearance, IT services, pricing services, payroll and HR services, dispatching management, selected technical services, environmental protection and selected accounting services.
4. Lease contract of 9 March 2000 – lease of yielded premises, movable assets and lease of parking places in the area of TŽ in Třinec.
5. Lease contract of 1 January 2004 – lease of offices in the administration building in Buštěhrad and lease of movable assets – office equipment.
6. Contracts for lease of non-residential premises of 23 January 1997 – lease of garage parking in the area of TŽ in Třinec.
7. Contract for lease of non-residential premises of 22 July 2002 – lease of non-residential premises and the parking place in the area of TŽ in Bohumín.
8. Lease contract of 1 January 2011 – lease of non-residential premises and movable assets in the area of TŽ in Ostrava – Vítkovice.
9. Contract for the placement of equipment of 1 April 2011 – placement of the technology equipment for the transfer of data within the telecommunications building in the area of TŽ in Třinec.
10. Contract for lease of non-residential premises of 20 December 2011 – lease of non-residential premises in a building located in Staré Město.
11. Accommodation contract of 28 April 2005 – accommodation in a building of TŽ in Prague 4 – Nusle, accommodation unit no. S4.
12. Framework accommodation contract of 20 August 2018 – accommodation of employees on business trips in a building of TŽ in Prague – Nusle.
13. Contract on the provision of telecommunication services of 31 December 1998.
14. Contract on Internet connection via the network of TŘINECKÉ ŽELEZÁŘNY, a.s., of 20 July 1999.

15. Consignment agreement of 13 August 2007 on representing the committer in customs proceedings – customs proceedings services.
16. Consignment agreement of 3 January 2005 on representing the committer in customs proceedings – customs proceedings services.
17. Contract on transport of employees in 2021 of 18 January 2021.
18. Contract on business cooperation in the supplies of rails for Dopravní podnik hl.m. Prahy, a.s., of 7 April 2016.
19. Master purchase contract of 30 January 2008 and partial purchase contracts concluded pursuant to this master contract – sale of goods from inventory.
20. Master purchase contract of 17 June 2020 and partial purchase contracts concluded pursuant to this master contract – sale of goods from inventory.
21. Contract on the provision of services of 11 August 2003 – services related to smart cards.
22. Assignment contract on representation in customs proceedings of 19 July 2017.
23. Contract on business cooperation in the supplies for the public tender “Rail supplies – R260 steel class for investment events (CNM II)” of 10 October 2018.
24. Contract of mandate of 29 June 2011 – dealing with issues related to the supervision of the transfer of goods between the EU Member States.
25. Contract on business cooperation in the supplies for the public tender “Rolled track fastenings 2019-2021” for Správa železniční dopravní cesty, state organisation, of 10 June 2019.
26. Contract on business cooperation in the supplies for the public tender “Flat steel spliced bars 2019” for Správa železniční dopravní cesty, state organisation, of 10 June 2019.
27. Contract on business cooperation in the supplies for the public tender “Flat steel spliced bars 2021” for Správa železnic, state organisation, of 1 April 2021.
28. Contract on business cooperation in the supplies for the public tender “Rail supplies – R260 steel class” for Správa železniční dopravní cesty, state organisation, of 27 February 2019.
29. Contract on business cooperation in the supplies for the public tender “Rail supplies – R260 steel class” for Správa železnic, state organisation, of 6 April 2021.
30. Contract on business cooperation in the supplies of track fastenings for Železnice Slovenské republiky of 6 April 2021.
31. Contract on the supply of the Třinecký hutník weekly in 2021 of 19 January 2021.
32. Contract on securing bus transport for convalescence stays of 10 September 2021.
33. Contract on project counselling of 28 June 2019.
34. Contract on receipt of products of 11 February 2021.
35. Contract on supply of fire extinguishers of 10 September 2021.
36. Contracts of 4 December 2020 and 26 November 2021 – technical norms and related services.
37. Contracts of 21 December 2020 and 7 December 2021 – Hospodářské noviny and other press.
38. Contracts of 4 December 2020 and 13 December 2021 – services related to the handling of the postal agenda.
39. Contracts of 29 March 2021 and 25 March 2021 – supplies of material.

B.3. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY MS IN FAVOUR OF TŽ

1. Master contract on the supply of raw and input materials of 21 December 2020 and partial purchase contracts based on this master contract – purchase of raw materials and materials.
2. Master contract on the conditions of the freight transportation of goods of 8 August 2019 and partial contracts concluded based on this master contract – securing the transportation of goods and acts necessary for such transportation.
3. Contracts of mandate of 8 August 2019 – handling business affairs related to the purchase of work and services, technical and overhead material, spare parts, metallic waste and fuel.
4. Master purchase contract of 6 January 2014 and partial purchase contracts concluded in line with this master contract – supplies of advertising items.
5. Contract for the provision of invoicing services of 1 January 2017.
6. Framework agreement on conditions for the settlement of selected costs of 8 June 2018 and partial contracts based on this master contract.
7. Contract on the conditions of cooperation for the re-sale of packaging material of 4 September 2018.
8. Contracts on securing samples transfer of 29 January 2021 and 27 May 2021.
9. Contracts on securing transfer of 9 December 2020 and 8 February 2021.
10. Mandate contract of 16 June 2020 – purchase of fluidised lime.

B.4. OTHER CONTRACTS

1. Agreement on the method of payment of trade payables dated 17 December 2008.
2. Agreement on publishing contracts pursuant to Act No. 340/2015 Coll., of 9 May 2017.
3. Agreement on mutual rights and obligations of VAT Group members of 3 January 2017.
4. Agreement on electronic approval and conclusion of contracts of 28 February 2018.
5. Approval of concluding contracts on electronic invoicing of 1 April 2019.

C. LIST OF CONTRACTS BETWEEN TŽ AND BESKYDSKÁ GOLFOVÁ, a.s.

C.1. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF BESKYDSKÁ GOLFOVÁ, a.s.

1. Contract on the maintenance of network and telecommunication devices of 5 January 2021.
2. Contract on the provision of services of 29 June 2018 – filing office, IT and HR services.
3. Contract on the provision of access to Internet services via the network of TRINECKÉ ŽELEZÁŘNY, a.s. of 31 July 2009.
4. Master purchase contract on the supply of goods from inventory of 27 October 2020 and partial purchase contracts based on this master contract.
5. Contract of 25 January 2021 – recipient's card for receiving postal items.
6. Contract on the provision of services of 29 June 2018 – filing office. On 27 August 2021, the rights and obligations under this contract were transferred from Hotel Golf Ropice a.s. to Beskydská golfová, a.s. due to a merger by amalgamation.

C.2. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY BESKYDSKÁ GOLFOVÁ, a.S. IN FAVOUR OF TŽ

1. Advertising contract for 2021 of 28 December 2020.
2. Lease contract of 31 May 2006 – lease of an apartment in the clubhouse located at the golf course Ropice.

C.3. OTHER CONTRACTS

1. Memorandum of understanding of 27 March 2020.
2. Agreement on the electronic approval and conclusion of contracts of 28 February 2018.
3. Agreement on electronic invoicing of 20 March 2019.
4. Agreement on the electronic approval and conclusion of contracts of 28 February 2018. On 27 August 2021, the rights and obligations under this contract were transferred from Hotel Golf Ropice a.s. to Beskydská golfová, a.s. due to a merger by amalgamation.

D. LIST OF CONTRACTS BETWEEN TŽ AND MORAVSKOSLEZSKÝ KOVOŠROT, a.S.

D.1. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF MORAVSKOSLEZSKÝ KOVOŠROT, a.S.

1. Lease contract of 10 June 2013 – lease of scrap yard and non-residential premises in a building in Třinec.
2. Master contract of 4 January 2010 and partial contracts concluded pursuant to this master contract – sale of waste.
3. Contract on takeover, utilisation or removal of waste of 11 January 2021 – iron metal filings and chips.
4. Contract on takeover, utilisation or removal of waste of 11 January 2021 – iron and steel.
5. Contracts on services related to the supply of scrap – verification of the chemical composition, transfer, weighing and placement of vehicles based on the master contract on the supplies of metal waste of 7 January 2015.
6. Contract on the provision of access to Internet network services of 18 October 2018.
7. Service level agreement of 10 October 2018.

D.2. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY MORAVSKOSLEZSKÝ KOVOŠROT, a.S. IN FAVOUR OF TŽ

1. Master contract on the supplies of metal waste of 7 January 2015 and partial purchase contracts concluded pursuant to this master contract.

D.3. OTHER CONTRACTS

1. Agreement on electronic invoicing of 29 April 2014 – invoices issued by Moravskoslezský kovošrot, a.s.
2. Agreement on electronic invoicing of 28 June 2021 – invoices issued by TŽ.

E. LIST OF CONTRACTS BETWEEN TŽ AND M STEEL PROJECTS a.S.

E.1. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF M STEEL PROJECTS a.S.

1. Lease contract of 1 October 2010 – lease of non-residential premises and movable assets in the area of TŽ in Třinec.
2. Contract on the provision of services of 29 June 2018 – filing office services, IT services, asset security and protection and road maintenance.
3. Contract on postal services in 2021 of 11 January 2021.
4. Mandate contract of 30 December 2009 – procurement of matters related to customs clearance.
5. Contract on the provision of access to internet services through the computer network of TŘINECKÉ ŽELEZÁŘNY, a.s., of 15 March 2016.
6. Framework accommodation agreement of 25 July 2018.
7. Consignment agreement on representation in customs proceedings of 9 July 2021.

E.2. OTHER CONTRACTS

1. Agreement on the electronic approval on conclusion of contracts of 28 February 2018.
2. Agreement on electronic invoicing of 11 May 2021.

F. LIST OF CONTRACTS BETWEEN TŽ AND “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ

F.1. CONTRACT THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ

1. Contracts on services related to the supply of scrap – verification of the chemical composition, transfer, weighing and placement of vehicles based on the master contract on the supplies of metal waste of 7 January 2015.

F.2. CONTRACT THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ IN FAVOUR OF TŽ

1. Master contract on the conditions of supplies of scrap waste dated 7 January 2015 and other partial contracts concluded pursuant to this master contract.

F.3. OTHER CONTRACTS

1. Agreement on electronic invoicing of 17 June 2014.

G. LIST OF CONTRACTS BETWEEN TŽ AND BARRANDOV STUDIO a.S.

G.I. CONTRACT THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF BARRANDOV STUDIO a.S.

1. Contract on the provision of services of 29 June 2018 – IT services.

H. LIST OF CONTRACTS BETWEEN TŽ AND MSPROJECTS INTERNATIONAL S.R.O.

H.I. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF MSPROJECTS INTERNATIONAL S.R.O.

1. Contract on the provision of services of 29 June 2018 – filing office services.
2. Contract on the provision of services – recipient's card for 2021.

H.2. OTHER CONTRACTS

1. Agreement on the electronic approval on conclusion of contracts of 28 February 2018.
2. Agreement on electronic invoicing of 11 May 2021.

I. LIST OF CONTRACTS BETWEEN TŽ AND KOVÁRNA VIVA a.S.

I.I. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF KOVÁRNA VIVA a.S.

1. Contract on the provision of access to the Internet network services of 23 July 2018.
2. Service level agreement of 1 October 2018.
3. Contracts on the provision of services of 28 January 2021, 7 May 2021, 26 May 2021, 25 June 2021, 30 November 2021 – verification of the chemical composition and diagnostic measurement.
4. Contract on the provision of software of 23 December 2019.

J. LIST OF CONTRACTS BETWEEN TŽ AND MSV METAL STUDÉNKA, a.S.

J.I. CONTRACTS THE SUBJECT OF WHICH RELATES TO THE PROVISION OF PRODUCTS AND/OR SERVICES BY TŽ IN FAVOUR OF MSV METAL STUDÉNKA, a.S.

1. Contract of 1 September 2021 – monitoring of employees on sick leave.
2. Contract of 16 December 2020 – supply of material.

IV. ASSESSMENT OF RELATIONS

This Related Party Transactions Report lists all significant facts that are requirements of the Related Party Transactions Report, covering the relations between TŽ and the entity that controls it, and between TŽ and entities controlled by the same controlling entity in accordance with Section 82 of the Act on Business Corporations.

Performances and counter-performances received and provided by TŽ on the basis of contracts listed in parts B. through J. of Part III. of this Related Party Transactions Report, were provided under standard business conditions.

The prices agreed between TŽ and the controlling entity and between TŽ and entities controlled by the same controlling entity do not differ from prices that would be agreed by independent entities; the transactions between TŽ and the controlling entity and between TŽ and entities controlled by the same controlling entity are conducted under the arm's length principle.

TŽ considers the relations with the controlling entity and entities controlled by the same controlling entity as beneficial and TŽ faces no other risks than standard market risks arising from business in relevant sectors due to these relations.

TŽ incurred no detriment from relations with the controlling entity and entities controlled by the same controlling entity in the reporting period.

In Třinec on 1 March 2022



.....
Jan Czudek

Chairman of the Board of Directors
TŘINECKÉ ŽELEZÁRNY, a. s.



.....
Radomíra Pekárková

Member of the Board of Directors
TŘINECKÉ ŽELEZÁRNY, a. s.

