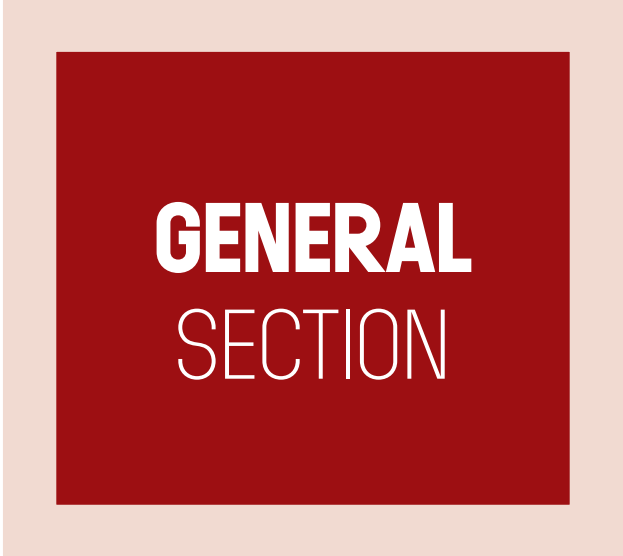


CONSOLIDATED  
ANNUAL REPORT  
2022



**TŘINECKÉ ŽELEZÁRNY**



**GENERAL**  
SECTION

# GENERAL SECTION

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## 01

COMPANY  
PROFILE

**TŘINECKÉ ŽELEZÁRNY, 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 is MORAVIA STEEL a. s. 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 company reaches around 2.5 million tonnes of steel and the main product portfolio consists of long rolled products – wire



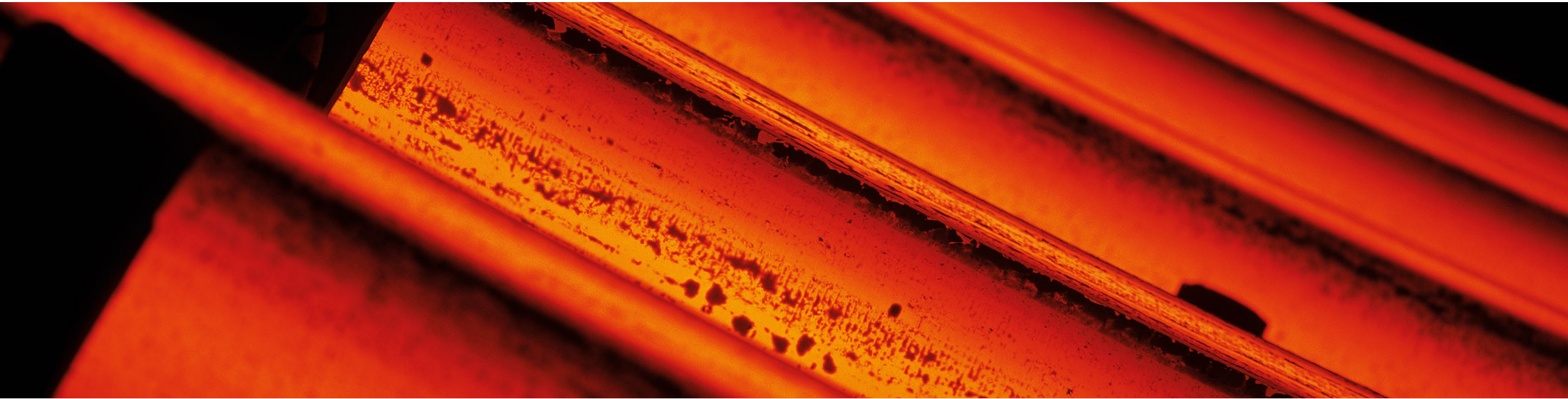
rod, sections, special bar steel, drawn steel, rails including railway superstructure accessories, wide steel, seamless tubes and semis. Additional products include coke and by-products resulting from its production, further artificial compact aggregates and granulated slag.

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 pulverized coal injection (PCI) into the blast furnace hearth. The produced coke and the pulverized 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 homogenization, 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 almost

190 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 modernization investment projects aim not only to make production more efficient, but also to ecologize many production facilities.

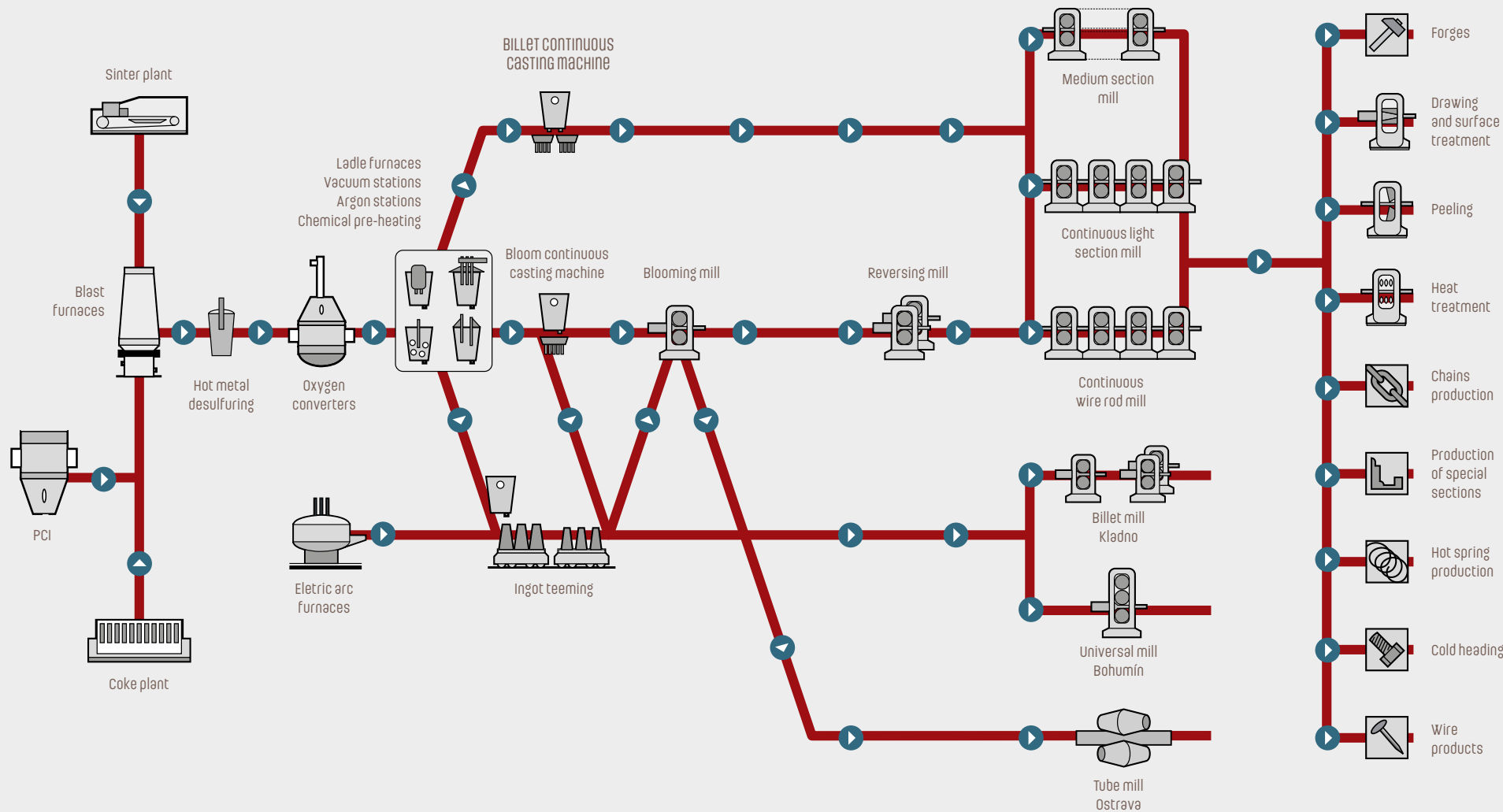


**50 000**

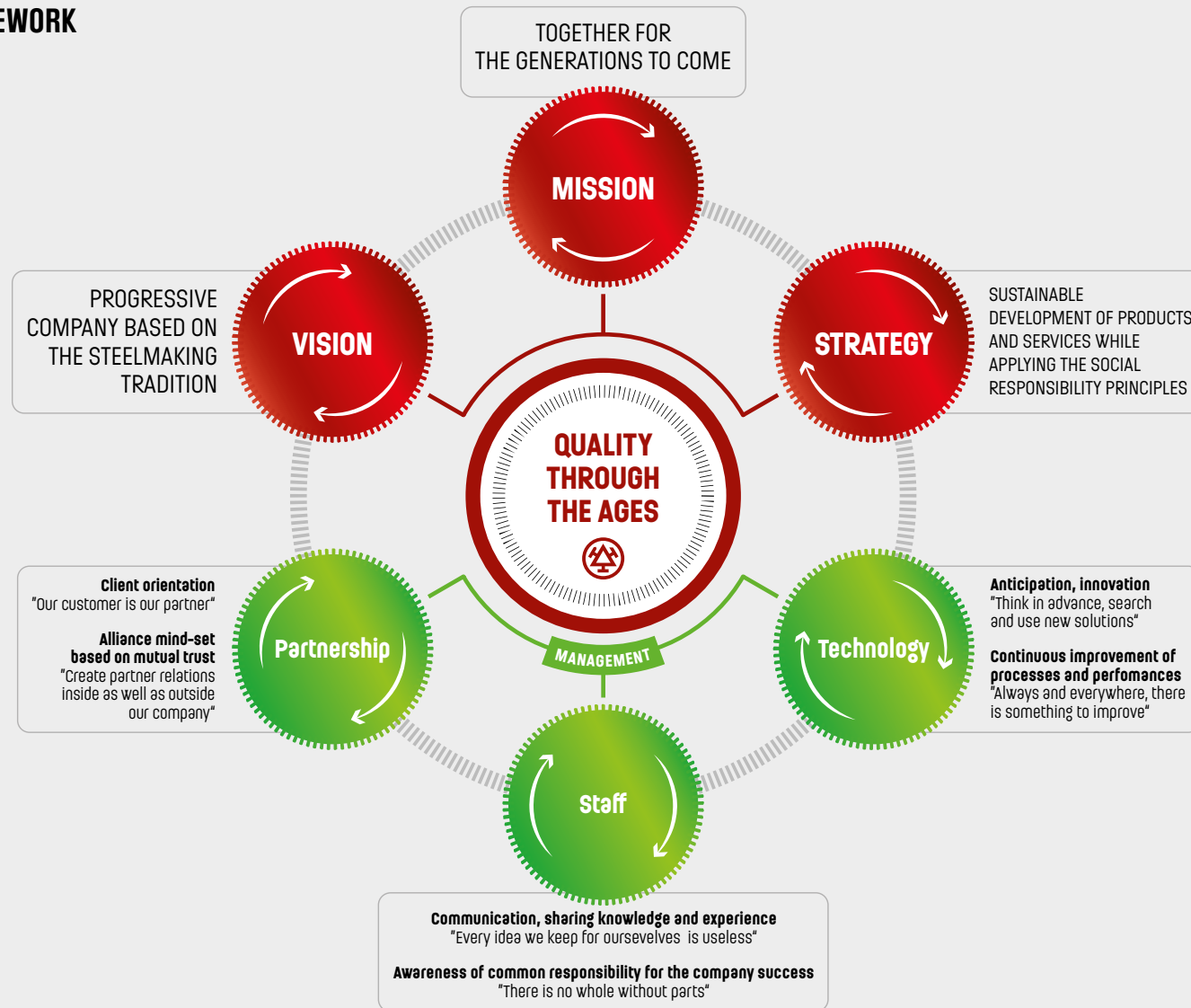
**TONNES OF STEEL PER YEAR**

WE SUPPLY TO THE WIND POWER INDUSTRY. THIS IS THE AMOUNT NEEDED TO PRODUCE 3 000 WIND TURBINES. THEIR OPERATION WILL SAVE APPROXIMATELY 12 MILLION TONNES OF CARBON DIOXIDE EMISSIONS PER YEAR.

### MATERIAL FLOWS AND TECHNOLOGY



## OUR STRATEGIC FRAMEWORK





## 02

PROFILE OF THE  
CONSOLIDATION GROUP

**The consolidation group (hereinafter referred to as “TŽ Group”) consists of TŘINECKÉ ŽELEZÁRNY, 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“ Drótaru Zrt.**

– manufacture of cold-drawn wire and strands for pre-stressed 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



500 000

**TONNES  
OF STEEL  
PER YEAR**



ARE SUPPLIED TO THE RAILWAY INDUSTRY



## 03

KEY PERFORMANCE  
INDICATORS 2018–2022

COMPANY INDICATORS	UNIT	2018	2019	2020	2021	2022
Pig iron production	kt	2 108	2 045	2 107	1 943	1 970
Crude steel production	kt	2 583	2 508	2 581	2 400	2 440
Of which continuous castings	kt	2 471	2 430	2 517	2 294	2 366
Sales of rolled products including steel	kt	2 375	2 355	2 360	2 288	2 198
Total revenues	CZK mil.	41 750	40 786	39 352	50 953	66 139
Income from sales of products, goods and services	CZK mil.	40 496	38 405	35 114	43 715	57 602
Export share of sales of rolled products, including semi-finished products	%	67.0	66.2	67.4	67.7	68.5
Total costs excluding income tax	CZK mil.	37 673	40 101	38 822	49 340	63 216
Net profit or loss	CZK mil.	3 334	610	469	1 306	2 393
Net total assets	CZK mil.	38 943	39 690	39 487	41 769	48 932
Gross tangible fixed assets	CZK mil.	39 925	41 935	42 908	44 013	45 689
Provisions against tangible fixed assets	CZK mil.	24 241	25 442	26 573	27 469	28 785
Equity	CZK mil.	27 890	28 500	28 969	30 276	31 669
Capital investments	CZK mil.	1 710*	2 195*	1 275*	1 663*	1 863*
Other capital including other liabilities	CZK mil.	11 053	11 190	10 517	11 494	17 263
Employees – average recalculated headcount	persons	7 115	7 062	7 010	6 878	6 825
Average monthly wage	CZK/person	35 021	36 184	36 778	38 353	41 559

\*without subsidies





<b>TŽ GROUP INDICATORS</b>	<b>UNIT</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Income from sales of products, goods and services</b>	CZK mil.	51 820	49 809	45 700	56 727	74 117
<b>Net total assets</b>	CZK mil.	44 868	45 305	45 357	48 695	56 686
<b>Net tangible fixed assets</b>	CZK mil.	23 543	24 413	24 259	24 205	24 477
<b>Equity</b>	CZK mil.	30 389	30 990	31 395	33 595	35 607
<b>Consolidated profit or loss excluding minority interests</b>	CZK mil.	3 666	646	436	2 254	3 105
<b>Foreign equity including accruals</b>	CZK mil.	14 197	14 027	13 674	14 792	20 745

## 04

SUPERVISORY BOARD  
AND BOARD OF DIRECTORS

## Supervisory Board

FUNCTION	NAME
Chairman	Tomáš Chrenek
1 <sup>st</sup> Vice-Chairman	Ján Moder
2 <sup>nd</sup> Vice-Chairman	Evžen Balko
Member	Jozef Blaško
Member	Jana Kantorová
Member	Marcel Pielesz

## Board of Directors

FUNCTION	NAME
Chairman	Jan Czudek
1 <sup>st</sup> Vice-Chairman	Česlav Marek
2 <sup>nd</sup> Vice-Chairman	Henryk Huczala
Member	Radomíra Pekárková
Member	Ivo Žižka



## 05

INTRODUCTORY WORD OF THE  
SUPERVISORY BOARD CHAIRMAN**To our customers, partners and employees.**

The economic environment in 2022 was marked by a number of uncertainties and unexpected twists. In particular, the ongoing problems in the automotive industry resulting from component shortages had a negative impact on market developments, accelerated by the war in Ukraine, which has left us facing an unprecedented situation in the supply of raw materials, particularly ore. This has led us to the necessary adjustment of our trade policy virtually in real time. The fact that we have succeeded is a credit to our

commitment and the viability of our long-term strategy.

The metallurgical segment is one of the industries most affected by the energy crisis, the impact of which persists well into this year.

Dear friends,

I can state that despite such a complicated situation, our profit reached CZK 2.4 billion after tax, a value that exceeded our expectations in all parameters. For the consolidated profit, the figure represents CZK 3.1 billion.

Despite persistent problems in parts of supply chains, we



managed to stabilize production. The total volume of steel produced exceeded 2.4 million tonnes, an increase of 1.7% year-on-year. Despite the complications, Třinecké

železárný's share of domestic crude steel production thus increased to 57% in 2022.

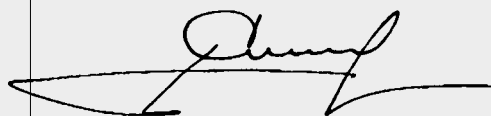
We also succeeded in maintaining the planned volume of

investments, the total amount of which exceeded CZK 1.8 billion. In terms of increasing the added value of our products, one of the most significant investments was a new peeling line for the treatment of steel bars. It is a perfect example of advancing industrial automation in a specific sector of the metallurgical industry, as well as the steadily increasing quality of products in the metallurgical segment.

The strategy of producing high value-added products will continue to drive the investment policy of our business. However, this year we will also focus on projects aimed at reducing our carbon footprint. The pursuit of sustainable business while minimising environmental impact is an important component of our business. This is exemplified by our long-term investments in greening and modernising our operations.

Dear employees, customers, and partners,

on behalf of the Supervisory Board, the Board of Directors, and the management of our Company, let me thank you for your year-long commitment and support to our joint efforts to develop the Company, which will celebrate its 185th anniversary next year. Thank you for your cooperation in addressing the challenges we have faced together over the past few years. Thanks to you, the steel from Třinec belongs to the world's leading and most sought-after products.



**Ing. Tomáš Chrenek, Ph.D.**  
Chairman





**TŘINECKÉ ŽELEZÁRNY IS  
ACTIVELY WORKING TO REDUCE  
ITS CARBON FOOTPRINT**

ALL OUR CURRENT ACTIVITIES AND  
INVESTMENT PLANS AIM TO PROGRESSIVELY  
REDUCE EMISSIONS BY 2030

**BY 55%**



## 06

BOARD OF DIRECTORS  
REPORT**DEVELOPMENT OF THE  
MACROECONOMIC  
ENVIRONMENT AND  
COMPETITION**

Gross domestic product (GDP), adjusted for price effects and seasonality, was 0.2% higher in Q4 2022 than in the same period of 2021, boosted by spending on gross capital formation and external demand. In contrast, household final consumption expenditure had a negative impact. Growth in gross value added was mainly supported by manufacturing and the trade, transport, accommodation and food services group of industries.

Industrial production fell by 1.4% in 2022. Even double-digit growth in motor vehicle manufacturing could not outweigh the decline in most other industries. Electricity, gas, heat and air-conditioned air production also contributed significantly to the decline.

The inflation rate expressed by the increase in the average consumer price index for the past year compared to the previous year was at the level of 15.1% in December 2022. Energy prices, followed by food prices and housing costs mainly contribute to inflation. This is the largest increase in inflation since the 1990s.



The overall economic condition of the Czech Republic was also reflected in the situation in the financial markets, where uncertainty regarding future developments persisted and asset prices fell. The most significant impact on the financial markets is the war in Ukraine and the consequences associated with it.

The total foreign trade in metallurgical products from all over the world in relation to the Czech Republic saw a decrease in both imports and exports in the past year.

World crude steel production reached 1,878.5 million tonnes

in 2022, down 4.2% from 2021. Crude steel production declined in all regions of the world except the Middle East in 2022. Russia, Ukraine and EU countries recorded the largest declines.

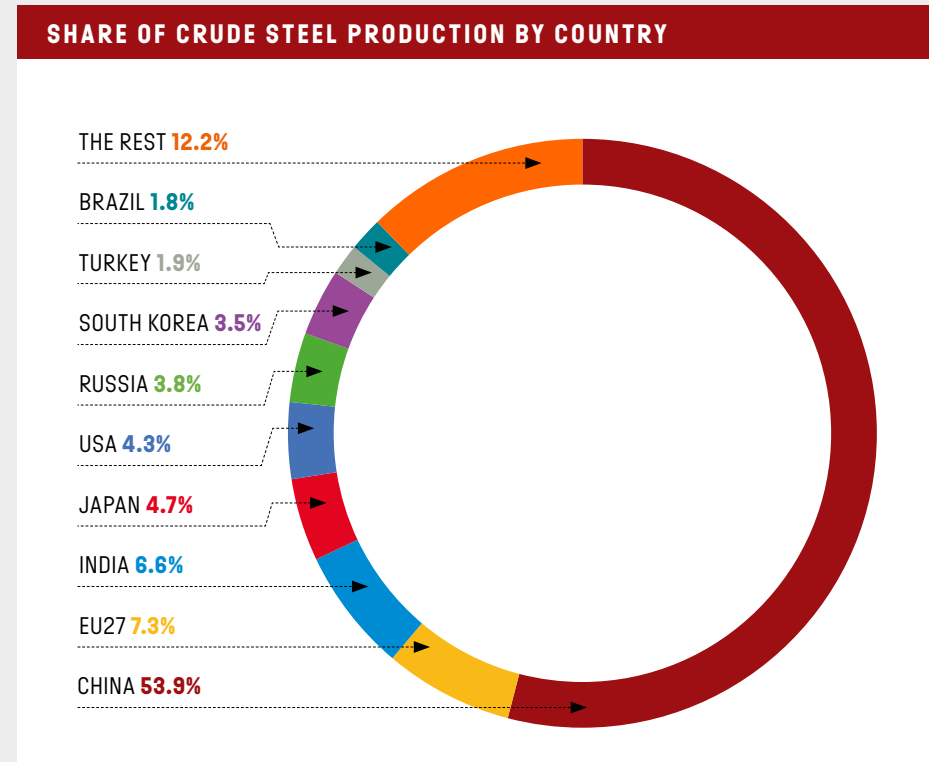
Asia's annual crude steel production was 1,351.3 million tonnes, down 2.3% from 2021. China produced 1,013 million tonnes, down 2.1% from the previous year. China's share of world production increased to 53.9%. India produced 124.7 million tonnes of crude steel in 2022, up 5.5% from 2021, maintaining its position as the world's second largest steel producer. Japan produced 89.2 million tonnes in 2022, down 7.4% year-on-year. South Korea produced 65.9 million tonnes of crude steel, down 6.5% from 2021.

Crude steel production in North America totalled 111.4 million

tonnes in 2022, 5.5% less than in 2021. The US itself reduced steel production to 80.7 million tonnes, 5.9% less than in 2021.

In 2022, the EU27 produced 136.7 million tonnes of crude steel, down 10.5% from 2021. The largest EU producer, Germany, produced 36.8 million tonnes, down 8.4%, while Italy produced 21.6 million tonnes, down 11.6% year-on-year. Spain produced 11.5 million tonnes, 19.2% less than the previous year, and France produced 12.1 million tonnes of crude steel, down 13.1% year-on-year. The EU27's share of global crude steel production fell from 7.8% in 2021 to 7.1% today.

The CIS countries produced 85.2 million tonnes of crude steel in 2022, down 20.2% year-on-year. Russia produced 71.5 million tonnes of crude



steel, down 7.2% from 2021. Ukraine saw production fall from 21.4 million tonnes to 6.3 million tonnes, a drop of 70.7%.

South America's annual crude steel production in 2022 was 43.3 million tonnes, down 5%

from 2021. Brazil produced 34 million tonnes, down 5.8% from the previous year.

The Middle East produced 44 million tonnes in 2022, up 7.1% from the previous year. Iran saw an increase of 8% to 30.6 million tonnes.

## PRODUCTION AND POSITION ON THE MARKET

European industry has seen positive developments in construction, engineering and transport on the one hand, and a decline in the household appliances sector on the other, despite persistent supply chain problems. It was particularly affected by the automotive industry and the war in Ukraine, which further increased the rise in raw material and energy prices.

Thus, automotive production, after recovering by 3.3% in 2021, recorded a moderate growth of 2.7% in 2022. Construction is one of the main pillars of steel consumption and recorded a growth of 4.4% in 2022. Engineering grew by 6.5% and tube production by 1.9%. Overall, the European industry recorded a cumulative growth of 2.1% compared to 2021.

As a result of the likely continuation of negative factors, a reduction in growth rates in all key steel-using sectors can be expected for 2023.

Output in the EU steel industry sectors is forecast to further decline by 1.9% in 2023. A moderate recovery and a 1.6% improvement in steel demand is forecast for 2024. The war in Ukraine, energy prices and high inflation remain risk factors for the steel market.

Crude steel production in the Czech Republic reached 4.3 million tonnes in 2022, down 11% from the previous year. The volume of pig iron production decreased by 12.6% to 3.39 million tonnes. The outlook for 2023 foresees a stagnation of production at current volumes.

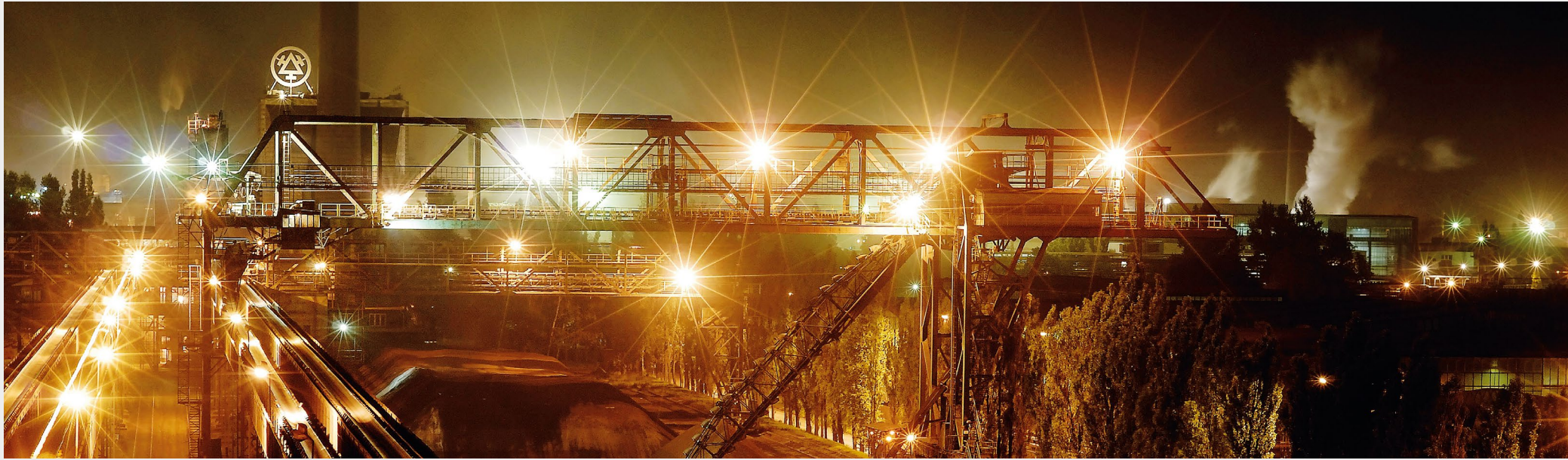
The share of TŽ in domestic crude steel production



increased to 57% in 2022. Production totalled 2.444 million tonnes of crude steel and increased by 1.7% year-on-year. Třinecké železárny 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 capitalized 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 grades, wire rod, bright steel





and finished products. The high quality of products and reliability of supply find permanent application on 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 over the last twenty years through acquisitions and transformed into a new structure in the form of the TŽ Group.

The TŽ Group capitalizes on the primary production of long steel products by finalising them in its subsidiary companies and thus effectively extending its own production chains.

The volume of sales of rolled goods and semi-finished products reached 2.198 million tonnes last year, of which 69.1% was exported and 30.9% was destined for domestic customers. The most important export

countries are Germany, Italy, Slovakia and Poland. The sales of finished steel products by the TŽ Group companies decreased by 8.2% compared to the previous year to 281 kt.

The leading product is wire rod, which accounted for 41.1% of total sales in 2022. Total sales of wire rod in the previous year amounted to 904 kt, of which 70.6% were made on foreign markets. Thanks to the invest-

ment in a new wire drawing and phosphating line, sales of higher value-added products are increasing. The TŽ Group processed and added value to 225 kt of wire rod in its subsidiaries. Wire rod and further finished wire accounts for the largest share of production in the TŽ Group and forms the largest customer and product portfolio.



The sales volume of bar and section steel reached 511 kt, of which 65.3% was exported. The sales of bright steel increased from 91 kt to 94 kt compared to the previous year and contributed in part to the growth in sales of higher value-added products. The volume of sales of bar and section steel processed by TŽ Group companies reached 30 kt. Bar

and section steel is mainly finalized in the form of flexible parts used in the automotive industry.

Sales of semi-finished products dropped to 306 kt last year. The share of semi-finished products from CCM was 65%, rolled blooms 18% and rolled billets 16%. Sales of ingots and rolled slabs accounted for a negligible

share of semi-finished product sales (0.2%). Exports of 150 kt accounted for 49% of total sales of semi-finished products. In 2022, the TŽ Group further processed 29 kt of semi-finished products, most of which were contour ingots for the subsequent production of rolled steel rings. The largest volumes of steel rings are destined for the wind power generation 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. Last year, it supplied nearly 32 kt of rails including railway superstructure accessories to the domestic market. Out of the total sales volume of 248 kt, 138 kt of

rails and rail accessories were exported to the European Union countries and another 79 kt of rails went to the USA, Canada, Israel and other export destinations. Total exports for the period under review reached 87%.

Sales of seamless tubes amounted to 91 kt. Seamless tube exports reached 79 kt last year, 87% of which went to the European Union market. The domestic market accounted for 12.9% of total sales. Seamless tubes are used in the construction, engineering, oil and energy industries.

Sales of wide flat steel produced by the Bohumín universal line reached 36 kt in 2022, mainly in the structural steel range, of which 30 kt was exported to European Union countries. Deliveries to the domestic market amounted to 4.5 kt.

## Sales of long products 2021–2022

SALES (TONNES)	DOMESTIC		EXPORT		TOTAL	
	2021	2022	2021	2022	2021	2022
Wire rod	273 154	265 944	689 204	638 220	962 358	904 164
Semis	139 836	155 755	180 412	150 207	320 248	305 962
Bars and sections	198 852	177 214	337 442	334 125	536 294	511 339
Rails <sup>1</sup>	41 158	31 597	194 044	216 780	235 202	248 377
Tubes	11 713	11 655	81 055	78 975	92 768	90 630
Wide steel	5 450	4 524	37 491	31 826	42 941	36 350
Drawn steel	28 946	29 612	62 427	64 002	91 373	93 614
Drawn wire	2 381	2 474	4 361	4 826	6 742	7 300
<b>TOTAL</b>	<b>701 490</b>	<b>678 775</b>	<b>1 586 436</b>	<b>1 518 961</b>	<b>2 287 926</b>	<b>2 197 736</b>

<sup>1</sup> sales of rails including railway superstructure accessories

## Export territories of TŽ

EXPORT STRUCTURE IN %	2021	2022
European Union	90.6	89.2
– of which Germany	26.3	29.5
– of which Slovakia	14.9	15.2
– of which Italy	16.0	14.0
– of which Poland	12.0	11.0
Rest of Europe	4.3	4.5
America	4.1	5.4
Africa + Australia	0.3	0.0
Asia	0.7	0.9
<b>TOTAL</b>	<b>100,0</b>	<b>100,0</b>



## INVESTMENTS AND MODERNIZATIONS

The Technical Development Action Plan is part of the TŽ Business Programme. Investments in 2022 were focused on modernization actions, environmental projects, activities aimed at reducing operating costs, actions in the field of renewal of existing production equipment and projects of robotization and automation of production processes.

A total of CZK 1,878 million was invested, of which CZK 15 million were subsidies for environmental projects.

In 2022, 31 investment projects under construction continued to be implemented. The most significant were:

- Modernization of the slag mill,
- Heat treatment of rails,
- Modernization of hot blast stove No. 62,

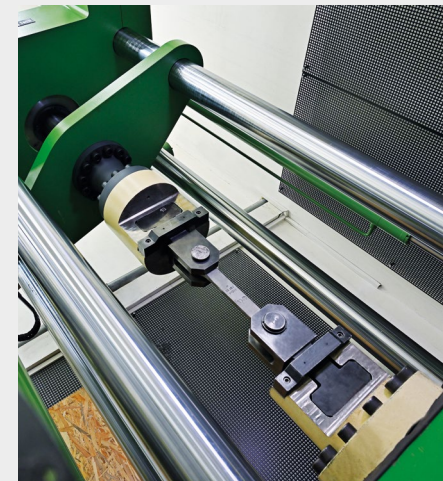
- Exchange of high voltage section No. 1 at the BOF steel plant,
- Drill and plugging machine at blast furnace No. 4,
- New peeling line,
- Modernization of the drive of preparatory and intermediate stands at the wire rod mill,
- Binding centre line No. 1 and 2 at the black bar treatment shop,
- Fourteen-stand calibre of small Mannesmann,
- Automation of the chamfering machine at the round bar line at Billet Mill in Kladno.

34 new investment projects were launched. The most important ones include:

- Building hot blast stove No. 42,
- Reconstruction of hot blast stove No. 43,
- INNOFREIGHT stationary unloading equipment,
- Modernization and decarbonization of steel production,

- Finishing field at strip hall No. 2 – stage I,
- Smokestacks of old soaking pits – stage III,
- Renewal of the converters of the black bar finishing shop at the continuous light section mill,
- Modernization of the calibration stand,
- Automation of hot billet marking at the Kladno plant,
- Modernization of the locomotive of the 740 series to the line 723.7.

In 2022, the implementation of four ecological actions from the subsidies of the OP ŽP and OP PIK continued and the implementation of two ecological actions within the OP PIK subsidy programme (Energy Saving) was launched. In total, CZK 66 million was invested in 2022 within the framework of TŽ subsidy actions, of this CZK 51 million



were TŽ investment funds and CZK 15 million were subsidies.

These actions were:

- Reconstruction of fabric filter No. 3 at the sinter plant,
- Dedusting of the blast furnace bell-less charging,
- Iron ore briquetting line,
- Photovoltaic systems on the steel drawing plant building,
- Energy-saving measures in the process for the production of base plates,
- Benzol station - Heat Exchangers Phase II.



### Investments and modernization – Companies in the TŽ Group

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

### TECHNOLOGY AND RESEARCH

The process of technology management is focused on the implementation of the company's strategic objectives leading to the satisfaction of demanding customer requirements. By controlling the technological process, the required quality parameters of manufactured semi-finished products are ensured throughout the entire production flow. An important factor of the process is the continuous monitoring of customer requirements and

process parameters, validation, integration and implementation of modern, cutting-edge technologies and procedures that not only significantly reduce production and processing costs or environmental burden, but also significantly increase the added value of final products, which puts Třinecké železářny in the position of a major steel producer in Central Europe.

Třinecké železářny consistently guarantees the quality of its products to all customers 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 is the percentage of non-conforming production reduced, but 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 the technical “Quality Services”.

Technological activities are also focused on improving the quality of products and semi-finished products in cooperation with other companies in the TŽ Group. Within the framework of very close and active cooperation, production technologies or innovations are optimized and connected and new top products are developed.

One of the key tools of permanent production quality control in conjunction with customer requirements are the principal production programs 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 (R&D) at TŽ are closely linked to production technology and focuses on continuous innovative solutions of technological processes within individual plants and plants, which also have a significant impact on the development of subsidiaries such as BOHEMIA RINGS s.r.o.

or Řetězárna a.s. In view of the global trend, due attention is paid to environmental aspects. These are mainly the reduction of energy consumption of metallurgical production and the reduction of the carbon footprint. In 2022, issues related to the war conflict in Ukraine were also addressed, where it was necessary to replace some raw material sources with new ones with unpredictable impacts, especially on primary metallurgical production. An important part of R&D activities in 2022 was also the development of cooperation with universities in the form of projects such as the Long-term Intersectoral Cooperation and the National Competence Centre. Long-term cooperation with other research organizations is then pursued. These include the company MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. in Ostrava, which provides TŽ with significant assistance, typically

in modelling metallurgical and forming processes.

In 2022, a total of 25 projects at various stages were completed, of which 4 were solved in accordance with the conditions of the IATF 16949 automotive industry. 8 projects focused on the following topics were completed:

- Sinter plants productivity increasing,
- Development of the new heat treatment procedures,
- Increasing the quality parameters of steel bars by applying new special tools (phased array, triangulation),
- Development of procedures for coal charge verification,
- Development of special steel grades and new technological procedures of steel processing at the EAF,
- Development of a detection system for the inspection of surface defects of wire rod.

At the same time, 7 new projects were established in 2022, one of which complies with IATF 16949.

The current projects specialize in the following areas:

- Secondary raw materials processing,
- Development of heat treatment procedures for steel products,
- Initiation of surface defects during the punching process,
- Biomass utilization during sinter plant and blast furnace processes,
- Development of alternative charging materials for blast furnaces,
- Development of technological nodes for teeming new types of ingots,
- Research on the initiation of internal defects of product forming,
- Development of the new chain steel grades.

**THE EMISSION INTENSITY OF  
STEEL PRODUCTION IN TŽ IS AT  
THE LEVEL OF**

**1.52 T CO<sub>2</sub>**

**PER TONNE OF STEEL**

**WE ARE AMONG THE EUROPEAN LEADERS  
COMPARED TO OUR COMPETITORS**



## ENVIRONMENT

The TŽ Group continuously monitors the development of environmental legislation and successfully implements new requirements and changes into its practice.

According to the needs of individual TŽ Group companies, TŽ provided methodological guidance 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 area of air protection in accordance with the requirements of legislation and valid permits.

Compared to 2021, there was a year-on-year decrease in nitrogen oxides, sulphur dioxide and carbon monoxide in TŽ. This decrease is mainly due to the year-on-year reduction in sinter production.

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

In 2022, TŽ's greenhouse gas emissions amounted to 2,488,863 t of carbon dioxide for the Třinec operations and 43,475 t of carbon dioxide for the Billet mill in Kladno. TŽ's total greenhouse gas

emissions for 2022 are 2,532,338 t of carbon dioxide, representing a year-on-year decrease of approximately 2% due to lower year-on-year sinter production.

Efforts to reduce greenhouse gas emissions are part of TŽ's policy. We are also an active participant in the European Greenhouse Gas Emission Trading Scheme in accordance with Directive 2003/87/EC of the European Parliament and of the Council of Europe and a certified member of the World Steel Association as a contributing member to the efforts to reduce CO<sub>2</sub> emissions.

Since 2016, TŽ has implemented an energy management system in accordance with EN ISO 50001:2011. The energy savings achieved for the period 2016-2022 represent CO<sub>2</sub> savings of 172,116 t CO<sub>2</sub>. Other measures to reduce greenhouse gas emissions include, for example, the annual planting of new greenery, the maintenance of extensive existing greenery in which approximately 100,000 t of CO<sub>2</sub> is bound in the long term, the purchase of "green" electricity, and the preparation of projects to generate electricity from renewable sources. A challenging project

### Emissions in tonnes

YEAR	SOLID POLLUTANTS (t/year)	SULPHUR DIOXIDE (t/year)	NITROGEN OXIDES (t/year)	CARBON MONOXIDE (t/year)	CARBON DIOXIDE (t/year)
2021	118	2 842	1 842	67 393	2 576 490
2022	119	2 525	1 482	60 961	2 532 338



is also underway to transform steel production technology with the aim of significantly reducing CO<sub>2</sub> emissions by 2030.

### Water protection

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

The quantity of industrial wastewater discharged by TŽ into the Olše watercourse and its quality shows a slight reduction in 2022 compared to 2021. In the long term, the water management status of TŽ is stable. The level of wastewater pollution is at a sustainable level with regard to the fulfilment of the established limits of permitted pollution.

During 2022, no emergencies have been caused by TŽ resulting in deterioration or endangerment of groundwater or surface water quality.



### Pollution discharged into the water flows

YEAR	VOLUME OF WASTE WATER (m <sup>3</sup> /year)	UNDISSOLVED SUBSTANCE (t/year)	C10 – C40 HYDROCARBONS (t/year)	DISSOLVED INORGANIC SALTS (t/year)	CHEMICAL OXYGEN CONSUMPTION USING DICHROMATIC METHOD (t/year)	TOTAL IRON (t/year)
2021	3 693 491	27.5	0.19	2 089	62.5	3.0
2022	3 311 703	25.6	0.11	1 864	44.7	3.0

### Waste management

The production of steel and its finishing into long rolled products cannot be carried out without the generation of a number of by-products such as slags, scale, metal bearing sludge, various types of metallic grinding waste, returnable technological scrap, etc.

In accordance with the principles of the circular economy, TŽ aims to use these by-products as much as possible in metallurgical production or to process them into certified products

such as artificial metallurgical aggregates, which in many cases fully replace natural aggregates.

Only by-products that cannot be reused or processed in TŽ are transferred as waste to other contractual customers for recovery or disposal. When selecting waste buyers, TŽ emphasises the hierarchy of waste management priorities, giving preference to buyers who can make meaningful use of and further process the waste they receive. Last in the ranking is the disposal of waste by landfill.

Taking the above into account, the total waste generated in TŽ in 2022 is 54,429 t, which is 17,165 t less compared to 2021. The main reason for this is the lower production of waste in the "Other" category compared to the previous year, namely waste from slags, linings and refractories from metallurgical and non-metallurgical processes. The lower incidence of these wastes is related to the successful efforts to increase their recovery in metallurgical production and to a higher proportion of their recovery in the form of certified products.

The generation of hazardous waste remained at around the 2021 level. Specifically, 39,395 t of other waste and 15,034 t of hazardous waste were generated in TŽ in the year under review. The indicator of the amount of waste per tonne of steel produced in 2022 was 22.3 kg/tonne of steel (a decrease of 25% compared to 2021). The above figures are assessed as a positive trend in TŽ's waste production.

### Volume of waste

YEAR	STEEL PRODUCTION	PRODUCTION OF WASTE CATEGORY "OTHER"	PRODUCTION OF WASTE CATEGORY "HAZARDOUS"
	kt/year		
2021	2 399 872	56 735	14 859
2022	2 440 214	39 395	15 034

**Ecological investment projects**

The following ecological investment projects were completed in 2022:

**Photovoltaic systems on the steel drawing plant building**

*Actual cost: CZK 6.62 million*

Environmental benefit: reduction of carbon footprint by generating electricity from own renewable energy source

**Noise control measures for the No. 1 ladle furnace (Iron and steel production)**

*Actual cost: CZK 1.22 million*

Environmental benefit: reduction of noise pollution in and around the steelworks

The total cost of completed environmental investment actions in 2022 amounted to CZK 7.84 million.

In 2023, Třinecké železářny will continue the following environmental projects:

**Reconstruction of fabric filter No. 3 at the sinter plant**

Environmental benefit: reduction of dust emissions from the outdoor agglomerate overflow at agglomeration 1. The current de-dusting of this overburden is underperforming and is causing dust to escape into the surrounding area.

**Dedusting of the blast furnace bell-less charging**

Environmental benefit: reduction of dust emissions at both blast furnaces

**Iron ore briquetting line (Iron and steel production)**

Environmental benefit: production of cold blast furnace blast furnace charge without CO<sub>2</sub> emissions

**Energy-saving measures in the process for the production of base plates (Rolling mill of billets and heavy sections)**

Environmental benefit: reduction of energy consumption in the production of base plates and increased security against coolant leaks. The line is designed so that all coolant leaks are captured in a catch basin.

**Benzol station – Heat Exchangers Phase II (Coke Plant and Secondary Raw Materials)**

Environmental benefit: thermal energy savings

The following environmental projects are planned to be launched in 2023 as part of the investment actions:

**Modernization and decarbonization of steel production (Iron and Steel Production)****Connection of the EOP to the electrical transmission system (Iron and Steel Production)****External landfill for ferrous scrap (Iron and Steel Production)**

Environmental benefits of the above projects: the low carbon steel production projects involve a change in steel production technology that aims to reduce CO<sub>2</sub> and other greenhouse gas emissions (reducing the carbon footprint by at least 35% in 2030 compared to 2020) and also increase energy efficiency.

Other green investment actions with a positive impact on the environment have been or are being implemented in the subsidiaries within the TŽ Group.

# NEW

## BRIQUETTING LINE

REPLACEMENT OF THE EXISTING  
IRON ORE SINTERING TECHNOLOGY  
BY AN EMISSION-FREE PROCESS  
OF COLD BRIQUETTING OF  
METAL-BEARING MATERIALS

**BENEFITS:** REDUCTION OF CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> AND  
SOLID POLLUTANTS AS WELL AS ENERGY  
CONSUMPTION, CIRCULAR ECONOMY





## EMPLOYEES

Employees of Třinecké železárny can rely on the support of their employer, who cares about the development of its employees and their career growth. The basic principles of Třinecké železárny's behaviour, 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 ŽELEZÁRNY, a. s., Corporate Social Responsibility Policy (Code of Conduct). These principles are followed by the Labour Code, which regulates the obligations of employees, the Company's Collective Agreement, which stipulates legal and above-standard employee benefits, and other internal company documentation that employees follow when performing their work duties and using the benefits provided.

In order to ensure generational renewal and voluntary employee turnover, which has increased slightly in 2022, we have focused on attracting job candidates, especially technically qualified ones. After the covid period, a wide range of recruitment and promotion activities were gradually restored.

Graduates of technical disciplines from the Secondary Vocational School of Třinecké železárny found a job in metallurgical plants this year as well. After a one-year break caused by the current needs of individual departments, the 21st run of the trainee program was launched. We have also resumed cooperation with schools of all levels of technical and natural science disciplines.



As in previous years, emphasis was also placed on employee training. Corporate education is based on the principles of personnel strategy following the overall business strategy of Třinecké železárny. With regard to demographic development, the company's HR strategy also includes a policy of further education.

Likewise in 2021, staff training in the 1<sup>st</sup> half of 2022 was again affected by epidemiological developments in the Czech Republic, 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.

Within the project of the Regional Chamber of Commerce of the Moravian-Silesian Region, which Třinecké železárny joined in mid-2020, we used selected (soft skills, legal courses and general IT courses) training courses whose costs were fully covered by the Chamber.

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 organization 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.

Thus, in 2022, Třinecké železárny achieved an actual annual recalculated headcount of 6,825 employees.

The growth in average earnings for 2022 was agreed upon in the Enterprise Collective Agreement at 4.3% of the base growth and 2.5% for meeting the projected result of the financial plan. The achievement of the 2022 financial result allowed for the fulfilment of this defined growth and actual average earnings of CZK 40,642, including on-call pay of CZK 41,559, was achieved.

In addition to the statutory health protection, Třinecké železárny also provided a number of health prevention activities in cooperation with the Czech Industrial Health Insurance Company to support the health of employees and adhere to the principles of

a healthy lifestyle. 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 železárny 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 železárny 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 2022, Třinecké železárny recorded a total of 25 occupational accidents with incapacity for work longer than 3 calendar days. The frequency of accidents at work was 0.37 accidents at work per 100 employees per year.

Prevention of occupational health risks is carried out in accordance with the legislation of the Czech Republic and the conditions of the "Safe Enterprise" award, which is granted to Třinecké železárny in 2022 by the State Labour Inspection Office and is valid for three years.

## 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 organizational 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 2022 as well, we adopted a number of measures in support of strategic goals in all sectors of the Třinecké železárny strategic framework (Partnership, Technology, People, Management).

In 2022, the management system, including information systems, did not fundamentally change. SAP, Lotus (IBM) Notes, ELVIS and newly created internal information platform called Werkportal continue to be the information base in Třinecké železárny.

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 2022 and confirmed the high and continuously developing level of their management systems.

In the area of quality management, in 2022 Třinecké železárny 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 the requirements of the IATF 16949 Automotive Standard. Třinecké železárny has been newly accredited by TPG (Transportation and Power Generation) in 2022 for the supply of semis for components for wind power plants.

As part of the corporate social responsibility of Třinecké železárny 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 železárny. In this evaluation (of the Ecovadis system) Třinecké železárny achieved an improvement compared to previous years, resulting in a “SILVER” evaluation.



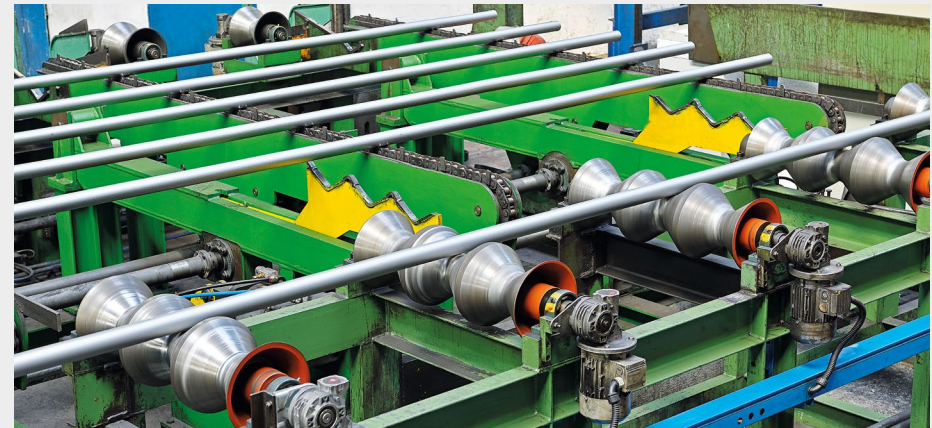
In 2022, we continued our pro-ecological activities such as cleaning the riverbed of the Olše River, planting new greenery or supporting biodiversity in the area of Třinecké železářny, where we planted fruit tree alley on the reclaimed part of the Neboranka landfill. The flowers and fruits of the planted trees will serve as food for wildlife. The employees and students of the Secondary Technical School of Třinecké železářny participated in these events as part of Volunteer Day.

Other ecological investment events with a positive impact on the environment have been or are being implemented in other TŽ Group companies.

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 222 children from elementary schools in Třinec took place in the Tatra Mountains in Slovakia in autumn 2022. Třinecké železářny set out an amount of CZK 1,991 thousand for these stays.

In 2022, 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.

Třinecké železářny holds ownership interests in 29 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.

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



## FINANCIAL SITUATION

Profit before tax for 2022 reached CZK 2,923 million.

Compared to the previous year 2021, the pre-tax profit is higher by CZK 1,310 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 2022 amounted to CZK 3,835 million.



Revenues of Třinecké železářny reached the level of CZK 57,602 million. The year-on-year increase of CZK 13,887 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 (mainly coke products and hot

metal). Sales of the consolidated TŽ Group in 2022 amounted to CZK 73,895 thousand and increased by 31% year-on-year.

The production consumption was higher by CZK 13,897 million compared to 2021. 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 16,869 million for the same reasons.

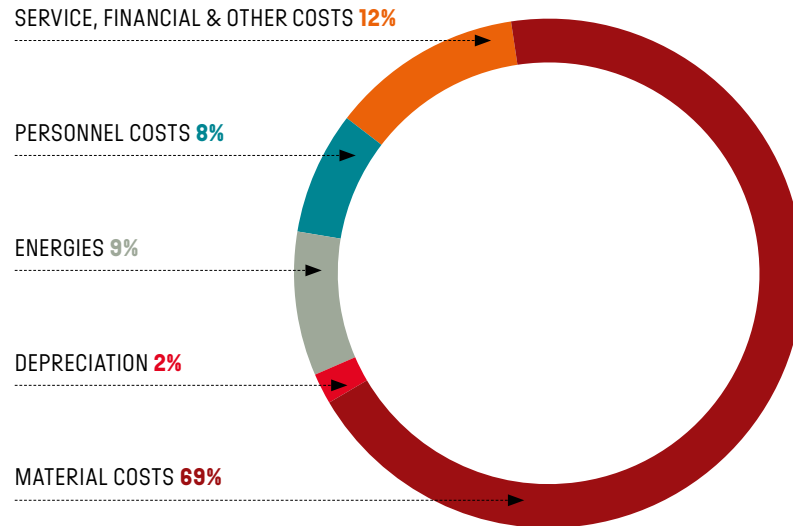
Added value reached the level of CZK 9,166 million in 2022, which is CZK 2,372 million more than in 2021; in terms of the consolidated TŽ Group, this represents an increase of CZK 2,998 million year-on-year. Labour productivity from value added per employee in 2022 amounted to CZK 1,343 thousand (CZK 988 thousand in 2021).

Operating profit increased by CZK 1,241 million year-on-year. In terms of the consolidated TŽ Group, it is an increase of CZK 1,289 million.

## Development of revenues

INDICATOR (in CZK thousands)	2021	2022
Rolled goods included steel	42 107	55 469
Other products	1 141	1 636
Sales of own products	43 248	57 105
Sales of services	467	497
Sales of own products and services	43 715	57 602
Consolidated sales of own products and services	56 423	73 895

## COST STRUCTURE 2022



The company's financial result was higher by CZK 69 million than in 2021 due to a decrease in the provision for long-term financial assets, while the consolidated financial result decreased by CZK 135 million year-on-year.

As of 31 December 2022, Třinecké železářny reported assets in the total amount of CZK 48,932 million, which is CZK 7,163 million more than as of 31 December 2021. Consolidated assets in 2022 total CZK 56,686 million. This is an increase of CZK 7,990 million year-on-year.

The year-on-year increase was due to a rise in fixed assets by CZK 4,037 million. Consolidated fixed assets increased by CZK 3,746 million and current assets increased by CZK 3,126 million. Consolidated current assets increased by CZK 4,224 million.

The increase in fixed assets was due to an increase in intangible fixed assets (allocation of emission allowances was higher than consumption and sales). In contrast, non-current financial assets decreased due to the creation of a provision on non-current financial assets.

The increase in current assets is due to an increase in inventories. The increase in inventories by CZK 3,321 million was due to an increase in the stock of materials and own production.

Receivables decreased by CZK 151 million due to a decrease in trade receivables. Cash decreased by CZK 44 million.

In the area of liabilities, equity increased by CZK 1,393 million compared to 31 December 2021. Total consolidated equity increased by CZK 2,011 million to CZK 35,607 million.

Liabilities increased by CZK 5,770 million year-on-year (in consolidated terms, they increased by CZK 5,953 million) mainly due to an increase in state payables (emission allowances), trade payables, payables to credit institutions and short-term prepayments received. In contrast, reserves decreased.

The company's indebtedness as of 31 December 2022 was 35.3% (27.5% as of 31 December 2021).

## STRATEGIC OBJECTIVES

2022 will be remembered as the year of the Russian invasion of Ukraine, which further deepened the effects of the post-covid era in the form of the energy crisis, high inflation and rising interest rates. Furthermore, China's slowing economy and the ongoing efforts of Europe to reduce greenhouse gas emissions have reduced demand for steel products, leading to lower production.

Global crude steel production has fallen due to the uncertainties surrounding the development of the war in Ukraine. It will amount to 1,878.5 million tonnes in 2022, which is 4.2% less than in 2021. Steel production will increase only in India. EU countries produced 10.5% less steel in 2022 than last year. In 2023, steel production is expected to decrease further by around 1.9% due to continued

lower demand from steel-consuming sectors.

Thanks to the timely and effective measures taken, Třinecké železářny was able to successfully overcome the market turbulence and achieve a positive economic result, while maintaining the planned volume of investments. The most significant development investment was the construction of a new peeling line for steel bar processing and the modernization of the slag mill line, which will increase the efficiency of secondary raw material processing.

Over the past twenty years, the TŽ Group has increased its finishing capacity for processing long steel products through acquisitions. The focus on processing and finishing is still high. The TŽ Group is making significant investments here to



further increase the added value of its products and to expand its know-how and human potential.

In 2023, TŽ will complete the investment in the INNOFREIGHT stationary unloading facility. It will also continue the project of heat treatment technology for rails and dedusting of the blast furnace bell-less chambers. The start of preparatory works for the project of an iron ore briquetting line and automation of hot marking of billets at the Kladno Billet Mill can be mentioned as a new significant investment.

An important environmental and development project to be implemented in 2023 is to modernize and automate the process of producing base plates.

Preparatory work is being carried out on investment measures to change the production process in primary production, which will lead to a significant reduction in CO2 emissions. All TŽ Group trading companies have the same goal. In 2022, we have put into operation photovoltaic power plants on the roofs of the production premises of the trading company ENEZA, s.r.o. at the steelworks premises and the steelworks in Staré Město. TŽ and its subsidiaries are preparing further projects aimed at sustainable production, including, in the case of TŽ, photovoltaic power plant projects on the rolling mill halls in Ostrava and Kladno.



**FINANCIAL**  
SECTION

## 07

AUDITORS'  
REPORT**Deloitte.**

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**INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of  
TŘINECKÉ ŽELEZÁRNY, a.s.

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

Opinion on the Financial Statements and the Consolidated Financial Statements

We have audited the accompanying financial statements of TŘINECKÉ ŽELEZÁRNY, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2022, 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 ŽELEZÁRNY, a.s. consolidation group (hereinafter also the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as at 31 December 2022, 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 ŽELEZÁRNY, a.s. as at 31 December 2022, 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 ŽELEZÁRNY, a.s. consolidation group as at 31 December 2022, 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 the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information in the Consolidated Annual Report**

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

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



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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 31 March 2023

Audit firm:

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

Statutory auditor:

Václav Loubek  
registration no. 2037

## 08

FINANCIAL PART I.  
FINANCIAL STATEMENTS**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>Name of the Company:</b>	TŘINECKÉ ŽELEZÁRNY, a. s.
<b>Registered Office:</b>	Průmyslová 1000, Staré Město, 739 61 Třinec
<b>Legal Status:</b>	Joint Stock Company
<b>Corporate ID:</b>	180 50 646

**Components of the Financial Statements:**

Balance Sheet


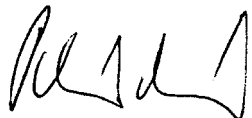
Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 27 January 2023.

Statutory body of the reporting entity:	Signature
<b>Jan Czudek</b> Chairman of the Board of Directors	
<b>Radomíra Pekárková</b> Member of the Board of Directors	

## Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
<b>TOTAL ASSETS</b>		<b>80 070 623</b>	<b>-31 138 649</b>	<b>48 931 974</b>	<b>41 769 289</b>
<b>B.</b>	<b>Fixed assets</b>	<b>58 484 349</b>	<b>-29 868 508</b>	<b>28 615 841</b>	<b>24 578 837</b>
B.I.	<b>Intangible fixed assets</b>	<b>4 112 274</b>	<b>-258 053</b>	<b>3 854 221</b>	<b>63 130</b>
B.I.1.	Research and development	4 553	-4 553		
B.I.2.	Valuable rights	<b>293 530</b>	<b>-248 500</b>	<b>45 030</b>	<b>57 016</b>
B.I.2.1.	Software	196 858	-167 088	29 770	38 209
B.I.2.2.	Other valuable rights	96 672	-81 412	15 260	18 807
B.I.4.	Other intangible fixed assets	3 807 031	-5 000	3 802 031	
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction	<b>7 160</b>		<b>7 160</b>	<b>6 114</b>
B.I.5.1.	Prepayments for intangible fixed assets	76		76	
B.I.5.2.	Intangible fixed assets under construction	7 084		7 084	6 114
B.II.	<b>Tangible fixed assets</b>	<b>45 689 335</b>	<b>-28 798 234</b>	<b>16 891 101</b>	<b>16 525 348</b>
B.II.1.	Land and structures	<b>11 472 508</b>	<b>-5 940 607</b>	<b>5 531 901</b>	<b>5 446 013</b>
B.II.1.1.	Land	527 096		527 096	526 824
B.II.1.2.	Structures	10 945 412	-5 940 607	5 004 805	4 919 189
B.II.2.	Tangible movable assets and sets of tangible movable assets	33 032 500	-22 856 867	10 175 633	10 559 668
B.II.4.	Other tangible fixed assets	<b>6 895</b>		<b>6 895</b>	<b>6 885</b>
B.II.4.3.	Sundry tangible fixed assets	6 895		6 895	6 885
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	<b>1 177 432</b>	<b>-760</b>	<b>1 176 672</b>	<b>512 782</b>
B.II.5.1.	Prepayments for tangible fixed assets	107 709		107 709	112 415
B.II.5.2.	Tangible fixed assets under construction	1 069 723	-760	1 068 963	400 367
B.III.	<b>Non-current financial assets</b>	<b>8 682 740</b>	<b>-812 221</b>	<b>7 870 519</b>	<b>7 990 359</b>
B.III.1.	Equity investments – controlled or controlling entity	8 629 743	-793 633	7 836 110	7 954 759
B.III.3.	Equity investments in associates	50 995	-18 588	32 407	33 598
B.III.5.	Other non-current securities and investments	2 002		2 002	2 002

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
<b>C.</b>	<b>Current assets</b>	<b>21 586 274</b>	<b>-1 270 141</b>	<b>20 316 133</b>	<b>17 190 452</b>
C.I.	<b>Inventories</b>	<b>17 651 970</b>	<b>-1 167 106</b>	<b>16 484 864</b>	<b>13 164 008</b>
C.I.1.	Material	7 576 449	-310 276	7 266 173	5 965 788
C.I.2.	Work in progress and semifinished goods	6 116 586	-611 732	5 504 854	4 353 469
C.I.3.	<i>Products and goods</i>	<b>3 954 121</b>	<b>-245 098</b>	<b>3 709 023</b>	<b>2 840 117</b>
C.I.3.1.	Products	3 954 111	-245 098	3 709 013	2 840 102
C.I.3.2.	Goods	10		10	15
C.I.5.	Prepayments for inventories	4 814		4 814	4 634
C.II.	<b>Receivables</b>	<b>3 721 212</b>	<b>-100 001</b>	<b>3 621 211</b>	<b>3 771 893</b>
C.II.1.	<b>Long-term receivables</b>	<b>84 386</b>	<b>-67 123</b>	<b>17 263</b>	<b>14 708</b>
C.II.1.2.	Receivables – controlled or controlling entity	67 123	-67 123		
C.II.1.5.	<i>Receivables – other</i>	<b>17 263</b>		<b>17 263</b>	<b>14 708</b>
C.II.1.5.2.	Long-term prepayments made	652		652	652
C.II.1.5.4.	Sundry receivables	16 611		16 611	14 056
C.II.2.	<b>Short-term receivables</b>	<b>3 468 112</b>	<b>-32 878</b>	<b>3 435 234</b>	<b>3 615 220</b>
C.II.2.1.	Trade receivables	2 037 344	-13 029	2 024 315	3 243 133
C.II.2.2.	Receivables – controlled or controlling entity	8 500		8 500	13 185
C.II.2.4.	<i>Receivables – other</i>	<b>1 422 268</b>	<b>-19 849</b>	<b>1 402 419</b>	<b>358 902</b>
C.II.2.4.3.	State – tax receivables	367 730		367 730	262 062
C.II.2.4.4.	Short-term prepayments made	38 884		38 884	4 345
C.II.2.4.5.	Estimated receivables	979 696		979 696	59 229
C.II.2.4.6.	Sundry receivables	35 958	-19 849	16 109	33 266
C.II.3.	<b>Other assets</b>	<b>168 714</b>		<b>168 714</b>	<b>141 965</b>
C.II.3.1.	Deferred expenses	80 355		80 355	50 841
C.II.3.2.	Complex deferred expenses	86 950		86 950	90 719
C.II.3.3.	Accrued income	1 409		1 409	405
C.III.	<b>Current financial assets</b>	<b>3 034</b>	<b>-3 034</b>		
C.III.2.	Other current financial assets	3 034	-3 034		
C.IV.	<b>Cash</b>	<b>210 058</b>		<b>210 058</b>	<b>254 551</b>
C.IV.1.	Cash on hand	2 265		2 265	1 427
C.IV.2.	Cash at bank	207 793		207 793	253 124

## Balance Sheet full version – Liabilities &amp; Equity

(IN CZK THOUSAND)

	31.12.2022	31.12.2021
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>48 931 974</b>	<b>41 769 289</b>
<b>A. Equity</b>	<b>31 668 529</b>	<b>30 275 505</b>
A.I. <b>Share capital</b>	<b>8 109 863</b>	<b>8 109 863</b>
A.I.1. Share capital	8 109 863	8 109 863
A.II. <b>Share premium and capital funds</b>	<b>103 743</b>	<b>103 743</b>
A.II.2. <i>Capital funds</i>	<b>103 743</b>	<b>103 743</b>
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. <b>Funds from profit</b>	<b>2 858 219</b>	<b>2 858 219</b>
A.III.1. Other reserve funds	2 858 219	2 858 219
A.IV. <b>Retained earnings (+/-)</b>	<b>18 203 680</b>	<b>17 897 600</b>
A.IV.1. Accumulated profits or losses brought forward (+/-)	18 203 680	17 897 600
A.V. <b>Profit or loss for the current period (+/-)</b>	<b>2 393 024</b>	<b>1 306 080</b>
<b>B.+C. Liabilities</b>	<b>17 263 445</b>	<b>11 493 784</b>
<b>B. Reserves</b>	<b>438 820</b>	<b>575 421</b>
B.III. Reserves under special legislation	1 125	1 123
B.IV. Other reserves	437 695	574 298

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Balance Sheet full version – Liabilities & Equity

(in CZK thousand)

	31.12.2022	31.12.2021
<b>C. Payables</b>	<b>16 824 625</b>	<b>10 918 363</b>
C.I. <b>Long-term payables</b>	<b>3 726 215</b>	<b>3 704 554</b>
C.I.2. Payables to credit institutions	2 488 171	2 447 946
C.I.4. Trade payables	24 720	37 522
C.I.8. Deferred tax liability	1 213 324	1 219 086
C.II. <b>Short-term payables</b>	<b>13 085 084</b>	<b>7 211 281</b>
C.II.2. Payables to credit institutions	1 930 340	1 285 370
C.II.3. Short-term prepayments received	500 158	77
C.II.4. Trade payables	5 771 403	4 855 747
C.II.8. <b>Other payables</b>	<b>4 883 183</b>	<b>1 070 087</b>
C.II.8.3. Payables to employees	481 722	445 845
C.II.8.4. Social security and health insurance payables	165 631	145 595
C.II.8.5. State – tax payables and subsidies	4 007 854	199 352
C.II.8.6. Estimated payables	130 752	215 434
C.II.8.7. Sundry payables	97 224	63 861
C.III. <b>Other liabilities</b>	<b>13 326</b>	<b>2 528</b>
C.III.1. Accrued expenses	13 326	2 527
C.III.2. Deferred income		1

## Profit and Loss Account Structured by the Nature of Expense Method

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
I. Sales of products and services	57 602 034	43 715 225
II. Sales of goods	22	17
A. Purchased consumables and services	<b>52 702 477</b>	<b>38 805 572</b>
A.1. Costs of goods sold	18	15
A.2. Consumed material and energy	49 465 226	35 631 024
A.3. Services	3 237 233	3 174 533
B. Change in internally produced inventory (+/–)	–2 635 962	–1 072 582
C. Own work capitalised (–)	–1 630 894	–811 972
D. Staff costs	<b>4 920 881</b>	<b>4 792 690</b>
D.1. Payroll costs	3 508 142	3 368 489
D.2. Social security and health insurance costs and other charges	<b>1 412 739</b>	<b>1 424 201</b>
D.2.1. Social security and health insurance costs	1 147 147	1 257 158
D.2.2. Other charges	265 592	167 043
E. Adjustments to values in operating activities	<b>2 094 866</b>	<b>1 312 709</b>
E.1. <i>Adjustments to values of intangible and tangible fixed assets</i>	<b>1 503 669</b>	<b>1 449 333</b>
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	1 509 515	1 448 193
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	–5 846	1 140
E.2. Adjustments to values of inventories	522 992	–135 467
E.3. Adjustments to values of receivables	68 205	–1 157
III. Other operating income	<b>8 038 566</b>	<b>6 788 865</b>
III.1. Sales of fixed assets	1 653	62 565
III.2. Sales of material	170 339	134 130
III.3. Sundry operating income	7 866 574	6 592 170

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Profit and Loss Account Structured by the Nature of Expense Method

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
F. Other operating expenses	<b>7 409 770</b>	<b>5 939 472</b>
F.1. Net book value of sold fixed assets	107	9 077
F.2. Sold material	154 940	123 151
F.3. Taxes and charges	39 678	28 725
F.4. Reserves relating to operating activities and complex deferred expenses	-132 831	278 933
F.5. Sundry operating expenses	7 347 876	5 499 586
<b>* Operating profit or loss (+/-)</b>	<b>2 779 484</b>	<b>1 538 218</b>
IV. Income from non-current financial assets – equity investments	<b>400 448</b>	<b>341 510</b>
IV.1. Income from equity investments – controlled or controlling entity	357 576	309 327
IV.2. Other income from equity investments	42 872	32 183
G. Costs of equity investments sold	18 461	
VI. Interest income and similar income	<b>3 182</b>	<b>76</b>
VI.1. Interest income and similar income – controlled or controlling entity	2 936	76
VI.2. Other interest income and similar income	246	
I. Adjustments to values and reserves relating to financial activities	101 379	312 990
J. Interest expenses and similar expenses	<b>194 962</b>	<b>25 311</b>
J.2. Other interest expenses and similar expenses	194 962	25 311
VII. Other financial income	94 450	106 827
K. Other financial expenses	39 997	35 405
<b>* Financial profit or loss (+/-)</b>	<b>143 281</b>	<b>74 707</b>
<b>** Profit or loss before tax (+/-)</b>	<b>2 922 765</b>	<b>1 612 925</b>
L. Income tax	<b>529 741</b>	<b>306 845</b>
L.1. Due income tax	535 503	252 221
L.2. Deferred income tax (+/-)	-5 762	54 624
<b>** Profit or loss net of tax (+/-)</b>	<b>2 393 024</b>	<b>1 306 080</b>
<b>*** Profit or loss for the current period (+/-)</b>	<b>2 393 024</b>	<b>1 306 080</b>
* Net turnover for the current period	<b>66 138 702</b>	<b>50 952 520</b>

## Statement of Changes in Equity

(IN CZK THOUSAND)

	SHARE CAPITAL	CAPITAL FUNDS	FUNDS FROM PROFIT, OTHER RESERVE FUNDS	ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD	PROFIT OR LOSS FOR THE CURRENT PERIOD	TOTAL EQUITY
<b>Balance at 31 December 2020</b>	<b>8 109 863</b>	<b>103 743</b>	<b>2 858 219</b>	<b>17 428 277</b>	<b>469 323</b>	<b>28 969 425</b>
Distribution of profit or loss				469 323	-469 323	
Profit or loss for the current period					1 306 080	1 306 080
<b>Balance at 31 December 2021</b>	<b>8 109 863</b>	<b>103 743</b>	<b>2 858 219</b>	<b>17 897 600</b>	<b>1 306 080</b>	<b>30 275 505</b>
Distribution of profit or loss				306 080	-306 080	
Profit shares paid					-1 000 000	-1 000 000
Profit or loss for the current period					2 393 024	2 393 024
<b>Balance at 31 December 2022</b>	<b>8 109 863</b>	<b>103 743</b>	<b>2 858 219</b>	<b>18 203 680</b>	<b>2 393 024</b>	<b>31 668 529</b>



## Cash Flow Statement

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
<b>P.</b>		
<b>Opening balance of cash and cash equivalents</b>	<b>250 722</b>	<b>852 265</b>
<b>Cash flows from ordinary activities (operating activities)</b>		
Z.		
Profit or loss before tax	2 922 765	1 612 925
A.1.		
Adjustments for non-cash transactions	1 815 988	1 464 951
A.1.1.		
Depreciation of fixed assets	1 509 515	1 448 193
A.1.2.		
Change in provisions and reserves	553 899	456 439
A.1.3.		
Profit/(loss) on the sale of fixed assets	-18 086	-53 488
A.1.4.		
Revenues from profit shares	-400 448	-341 510
A.1.5.		
Interest expense and interest income	191 780	25 235
A.1.6.		
Adjustments for other non-cash transactions	-20 672	-69 918
<b>A.*</b>	<b>4 738 753</b>	<b>3 077 876</b>
<b>Net operating cash flow before changes in working capital</b>		
A.2.		
Change in working capital	-2 507 725	-3 131 830
A.2.1.		
Change in operating receivables and other assets	142 707	-1 552 464
A.2.2.		
Change in operating payables and other liabilities	1 193 316	928 533
A.2.3.		
Change in inventories	-3 843 858	-2 508 102
A.2.4.		
Change in current financial assets	110	203
<b>A.**</b>	<b>2 231 028</b>	<b>-53 954</b>
<b>Net cash flow from operations before tax</b>		
A.3.		
Interest paid	-189 781	-25 060
A.4.		
Interest received	1 861	71
A.5.		
Income tax paid from ordinary operations	-539 447	70 915
A.6.		
Received profit shares	400 448	341 510
<b>A.***</b>	<b>1 904 109</b>	<b>333 482</b>
<b>Net operating cash flows</b>		

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Cash Flow Statement

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021	
<b>Cash flows from investing activities</b>			
B.1.	Fixed assets expenditures	-1 617 740	-1 685 819
B.2.	Proceeds from fixed assets sold	36 654	67 039
B.3.	Loans and borrowings to related parties	-62 459	-5 164
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-1 643 545</b>	<b>-1 623 944</b>
<b>Cash flow from financial activities</b>			
C.1.	Change in payables from financing	695 053	688 919
C.2.	Impact of changes in equity	-1 000 000	
C.2.6.	Profit shares paid	-1 000 000	
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-304 947</b>	<b>688 919</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-44 383</b>	<b>-601 543</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>206 339</b>	<b>250 722</b>

## NOTES TO THE FINANCIAL STATEMENT

# 1. GENERAL INFORMATION

### 1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

TŘINECKÉ ŽELEZÁRNY, 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 2022.

### 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 at least as part of ‘Equity investments in associates’.

In the year ended 31 December 2022, 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 2022

	POSITION	NAME
<b>Board of Directors</b>	Chairman	Jan Czudek
	1 <sup>st</sup> Vice Chairman	Česlav Marek
	2 <sup>nd</sup> Vice Chairman	Henryk Huczala
	Member	Ivo Žižka
	Member	Radomíra Pekárková
<b>Supervisory Board</b>	Chairman	Tomáš Chrenek
	1 <sup>st</sup> Vice Chairman	Ján Moder
	2 <sup>nd</sup> Vice Chairman	Evžen Balco
	Member	Jozef Blaško
	Member	Jana Kantorová
	Member	Marcel Pielesz

During 2022, 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. (the "Accounting Act"), 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 27 January 2023. These financial statements are presented in thousands of Czech crowns ("CZK").

### 2.1. REPORTING PERIOD

The Company's financial statements as of 31 December 2022 have been prepared as follows:

- The balance sheet includes comparative figures as of 31 December 2021;
- The profit and loss account includes comparative figures for the year ended 31 December 2021;
- The statement of changes in equity includes comparative figures as of 31 December 2021; and
- The cash flow statement includes comparative figures as of 31 December 2021.

### 2.2. TANGIBLE AND INTANGIBLE FIXED ASSETS

#### Valuation

Tangible fixed assets include assets with a cost greater than CZK 80 thousand on an individual basis and an estimated useful life greater than one year.

Intangible fixed assets include assets (such as software, valuable rights, and intangible results of research and development) with a cost greater than CZK 80 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 80 thousand are not treated as fixed assets. Such tangible assets are accounted for as inventory and when brought into use they are charged to 'Consumed material and energy' in the profit and loss account. Intangible assets costing CZK 80 thousand and less are expensed through the account 'Services' upon acquisition.

The cost of tangible and intangible fixed asset improvements exceeding CZK 80 thousand on an individual basis increases the cost of the related fixed asset for the fiscal period.

Before the end of the year ended 31 December 2021, tangible fixed assets included 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 included assets with an acquisition cost greater than CZK 60 thousand on an individual basis and an estimated useful life greater than one year.

The cost of tangible fixed asset improvements exceeding CZK 40 thousand on an individual basis increased 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 increased the cost of the related intangible 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 the Company's 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 'Sundry 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 estimated useful life of the fixed assets taking into account operational conditions.

The recommended depreciation and amortisation period is set in the depreciation and amortisation plan:

CATEGORY OF ASSETS	DEPRECIATION/AMORTISATION PERIOD IN YEARS
Structures	20 – 40
Machines and equipment	2 – 20
Vehicles	5 – 20
Furniture and fixtures	5 – 15
Software	3 – 5

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 Section 27 of the Accounting Act 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

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 Act No. 541/2020 Coll., on Waste.

## 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 up to CZK 20 thousand relating to several reporting periods 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 foreign currency receivables exceeding CZK 1 million newly created after 31 December 2020 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 their value are expected over time.

Cash and cash equivalents can be analysed as follows:

	(CZK THOUSAND)	
	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Cash on hand	2 265	1 427
Cash at bank	207 793	253 124
Other current financial assets	3 034	3 034
Provisions against other current financial assets	-3 034	-3 034
<b>Total current financial assets and cash</b>	<b>210 058</b>	<b>254 551</b>
Cash and cash equivalents not included in the cash flow	-3 719	-3 829
<b>Total cash and cash equivalents</b>	<b>206 339</b>	<b>250 722</b>

The difference between cash and cash equivalents as of 31 December 2022 and 2021 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.



## 2.20. CHANGES IN ACCOUNTING PROCEDURES

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

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

## 3. ADDITIONAL INFORMATION

### 3.1. FIXED ASSETS

#### 3.1.1. INTANGIBLE FIXED ASSETS

##### Cost

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Development	4 553	0	0	4 553
Valuable rights	288 807	4 723	0	293 530
Other intangible FA	5 321	13 544 855	9 743 145	3 807 031
Prepayments made for intangible FA	0	1 299	1 223	76
Intangible FA under construction	6 114	5 693	4 723	7 084
<b>Total</b>	<b>304 795</b>	<b>13 556 570</b>	<b>9 749 091</b>	<b>4 112 274</b>

##### Accumulated Amortisation

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Development	4 553	0	0	4 553
Valuable rights	231 791	16 709	0	248 500
Other intangible FA	5 321	0	321	5 000
<b>Total</b>	<b>241 665</b>	<b>16 709</b>	<b>321</b>	<b>258 053</b>

##### Net Book Value

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2022
Valuable rights	57 016	45 030
Other intangible FA	0	3 802 031
Prepayments made for intangible FA	0	76
Intangible FA under construction	6 114	7 084
<b>Total</b>	<b>63 130</b>	<b>3 854 221</b>

### **Amortisation of Intangible Fixed Assets Charged to Expenses**

Amortisation of intangible fixed assets amounted to CZK 16,709 thousand and CZK 15,375 thousand as of 31 December 2022 and 2021, respectively.

Other intangible fixed assets primarily include emission allowances.

In 2022, the Company acquired 3,361,596 allowances free of charge for 2022 in the amount of CZK 6,762,566 thousand and 3,375,076 allowances for 2021 in the amount of CZK 6,782,289 thousand. As of the financial statements date on 31 December 2022, it settled the use of allowances for 2021 in the amount of CZK 63,394 thousand as a difference between the exchange rate of the estimated reported use of allowances in 2021 and the exchange rate of the recognition of missing allowances for 2021 in 2022 and the use of allowances for 2022 in the amount of CZK 5,088,744 thousand. In addition, a revaluation – decrease in the valuation of allowances was recognised as of the financial statements date in the amount of CZK 121,028 thousand between Other intangible fixed assets and State – tax payables and subsidies.

In 2022, the Company sold 410,000 allowances. The effect of the sale of the allowances on profit or loss was CZK 795,258 thousand.

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 of 31 December 2021, 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 expected 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 did 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.

### **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 29,987 thousand and CZK 29,769 thousand as of 31 December 2022 and 2021, respectively.

### 3.1.2. TANGIBLE FIXED ASSETS

#### Cost

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Land	526 824	290	18	527 096
Structures	10 625 488	334 788	14 864	10 945 412
Tangible movable assets and sets thereof	32 335 807	871 711	175 018	33 032 500
Other tangible FA	6 885	10	0	6 895
Prepayments for tangible FA	112 415	185 482	190 188	107 709
Tangible FA under construction	405 460	1 861 954	1 197 691	1 069 723
<b>Total</b>	<b>44 012 879</b>	<b>3 254 235</b>	<b>1 577 779</b>	<b>45 689 335</b>

#### Accumulated Depreciation

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Structures	5 693 511	250 416	14 864	5 929 063
Tangible movable assets and sets thereof	21 775 220	1 256 014	175 018	22 856 216
<b>Total</b>	<b>27 468 731</b>	<b>1 506 430</b>	<b>189 882</b>	<b>28 785 279</b>

#### Provisions

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Structures	12 788	0	1 244	11 544
Tangible movable assets and sets thereof	919	0	268	651
Tangible FA under construction	5 093	0	4 333	760
<b>Total</b>	<b>18 800</b>	<b>0</b>	<b>5 845</b>	<b>12 955</b>

**Net Book Value**

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2022
Land	526 824	527 096
Structures	4 919 189	5 004 805
Tangible movable assets and sets thereof	10 559 668	10 175 633
Other tangible FA	6 885	6 895
Prepayments for tangible FA	112 415	107 709
Tangible FA under construction	400 367	1 068 963
<b>Total</b>	<b>16 525 348</b>	<b>16 891 101</b>

Principal additions to tangible fixed assets for the year ended 31 December 2022 were as follows:

(CZK THOUSAND)

Acquisition of the peeling line	268 504
Acquisition of the peeling line hall	189 748
Technical improvements on the preparation of raw materials for the slag mill	45 292

Principal additions to tangible fixed assets under construction for the year ended 31 December 2022 were as follows:

(CZK THOUSAND)

Stationary unloading INNOFREIGHT facility	260 320
Construction of the wind heater no. 42	337 961
Thermal treatment of rails	183 372

During the year ended 31 December 2022, the disposals of tangible fixed assets included assets with an aggregate net book value of CZK 4,713 thousand. Major disposals principally comprised total liquidation of a stopper, total liquidation of a facility for cold measuring of rail sizes and total liquidation of measurement and regulation of continuous casting facility no. 2.

**Depreciation of Tangible Fixed Assets Charged to Expenses**

Depreciation of tangible fixed assets amounted to CZK 1,492,806 thousand and CZK 1,432,818 thousand as of 31 December 2022 and 2021, 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 636,453 thousand and CZK 620,528 thousand as of 31 December 2022 and 2021, respectively.



### 3.1.3. ASSETS HELD UNDER OPERATING LEASE AGREEMENTS

In the years ended 31 December 2022 and 2021, the Company made lease payments of CZK 55,321 thousand and CZK 56,981 thousand, respectively.

### 3.1.4. PLEDGED FIXED ASSETS

31 December 2022

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	PLEDGE/CREDITOR
Tangible FA	533 534	
Buildings	99 185	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible FA	379 999	
Land	96 223	Loan from Československá obchodní banka, a.s.
Tangible FA	520 379	
Land	11 988	Loan from ING BANK N. V.
Tangible FA	1 895 179	
Land	42 678	Loan from ING BANK N. V.
Tangible FA	1 124 127	
Land	18 538	Loan from Raiffeisenbank a.s.
<b>Total</b>	<b>4 725 288</b>	

**31 December 2021**

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	PLEDGE/CREDITOR
Tangible FA Buildings Land	546 578 108 891 3 458	Loan from Česká spořitelna, a.s.
Tangible FA Land	2 058 39 986	Loan from Československá obchodní banka, a.s.
Tangible FA	629 944	Loan from Československá obchodní banka, a.s.
Tangible FA	713 296	Loan from Československá obchodní banka, a.s.
Tangible FA Land	446 908 96 223	Loan from Československá obchodní banka, a.s.
Tangible FA Land	423 718 11 988	Loan from ING BANK N. V.
Tangible FA	143 603	Loan from ING BANK N. V.
Tangible FA Land	1 194 887 18 538	Loan from Raiffeisenbank a.s.
<b>Total</b>	<b>4 380 076</b>	

**3.2. NON-CURRENT FINANCIAL ASSETS****Cost**

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Equity investments – controlled or controlling entity	8 648 204	0	18 461	8 629 743
Equity investments – associates	50 995	0	0	50 995
Other non-current securities and equity investments	2 002	0	0	2 002
<b>Total</b>	<b>8 701 201</b>	<b>0</b>	<b>18 461</b>	<b>8 682 740</b>

**Provisions**

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Equity investments – controlled or controlling entity	693 445	100 188	0	793 633
Equity investments – associates	17 397	1 191	0	18 588
<b>Total</b>	<b>710 842</b>	<b>101 379</b>	<b>0</b>	<b>812 221</b>

## 3.2.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY

31 December 2022

(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	2 289 201	121 630	0	80 000
Strojírny a stavby Třinec, a.s., Staré Město, Třinec	100.00	650 422	42 929	-34 637	32 000
ENERGETIKA TŘINEC, a.s., Staré Město, Třinec	100.00	2 848 983	136 727	0	20 000
Slévárny Třinec, a.s., Staré Město, Třinec	100.00	621 604	56 577	0	0
Šroubárna Kyjov, spol. s r.o., Kyjov	100.00	714 304	46 530	-272 452	18 000
HŽP a.s., Prostějov	100.00	640 383	47 887	0	28 000
„D&D“ Drótaru Zrt., 3527 Miskolc, Sajósziget utca 4 (HUN)	100.00	866 696	384 167	0	29 882
„METALURGIA“ SPÓŁKA AKCYJNA, Radomsko (POL)	100.00	318 866	30 078	0	0
VÚHŽ a.s., Dobrá	100.00	424 052	47 677	0	35 000
Řetězárna a.s., Česká Ves	51.00	681 915	74 262	0	10 710
REFRASIL, s.r.o., Kanská, Třinec	100.00	242 039	21 167	0	13 000
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	37 242	2 896	0	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	48 091	4 024	0	3 000
TRIALFA, s.r.o., Třinec-Kanada	100.00	21 805	716	0	0
Moravia Security, a.s., Kanská, Třinec	100.00	41 815	3 388	0	2 300
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	33 452	3 931	0	2 285
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	40 009	-238	-14 593	0
TRISIA, a.s., Lyžbice, Třinec	66.00	40 879	715	-14 988	0
IMOPRA s.r.o., Nivnice	100.00	110 949	1 536	-70 909	3 400
BOHEMIA RINGS s.r.o., Zámrsk	100.00	875 722	3 841	-336 054	45 000
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	-58 090	-79 030	-50 000	0
ENEZA, s.r.o, Staré Město, Třinec*	52.50	93 474	9 706	0	0
<b>Total</b>				<b>-793 633</b>	<b>322 576</b>

Note: *italics* - preliminary results as of 31 December 2022

\*profit or loss for the period from 1 April 2022 to 31 December 2022

## 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
Strojírny 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
Slévárny Třinec, a.s., Staré Město, Třinec	100.00	565 027	-21 513	-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“ Dróttáru Zrt., 3527 Miskolc, Sajósziget utca 4 (HUN)	100.00	590 706	254 124	-195 532	0
„METALURGIA“ SPÓŁKA AKCYJNA, Radomsko (POL)	100.00	303 697	91 258	0	0
VÚHŽ a.s., Dobrá	100.00	411 581	48 821	0	45 000
Řetězárna a.s., Česká Ves	51.00	628 463	46 741	0	5 100
REFRASIL, s.r.o., Kanská, Třinec	100.00	233 872	8 087	0	18 000
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	34 347	-8 313	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., Kanská, Třinec	100.00	40 727	2 571	0	5 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, 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	112 812	3 986	-85 671	6 000
BOHEMIA RINGS s.r.o., Zámrsk	100.00	916 881	55 580	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	83 768	5 821	0	0
<b>TOTAL</b>				<b>-693 445</b>	<b>309 327</b>

Note: \*profit or loss for the period from 1 April 2021 to 31 March 2022

### 3.2.2. EQUITY INVESTMENTS – ASSOCIATES

#### 31 December 2022

(CZK THOUSAND)

COMPANY NAME, REGISTERED OFFICE	EQUITY INVESTMENT IN %	EQUITY	PROFIT/LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME FROM PROFIT SHARE
VESUVIUS ČESKÁ REPUBLIKA, a.s., Kónská, Třinec	40.00	360 067	31 084	0	42 872
Ocelářská unie a.s., Nové Město, Praha 1	39.94	41 335	-544	-18 588	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	4 506	1 714	0	0
<b>TOTAL</b>				<b>-18 588</b>	<b>42 872</b>

Note: *italics – preliminary results as of 31 December 2022*

\*profit or loss for the period from 1 April 2022 to 31 December 2022 (fiscal year from 1 April 2022 to 31 March 2023)

#### 31 December 2021

(CZK THOUSAND)

COMPANY NAME, REGISTERED OFFICE	EQUITY INVESTMENT IN %	EQUITY	PROFIT/LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME FROM PROFIT SHARE
VESUVIUS ČESKÁ REPUBLIKA, a.s., Kónská, Třinec	40.00	436 160	107 178	0	32 183
Ocelářská unie a.s., Nové Město, Prague 1	39.94	42 403	-1 130	-17 397	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	2 792	632	0	0
<b>TOTAL</b>				<b>-17 397</b>	<b>32 183</b>

Note: \*profit or loss for the period from 1 April 2021 to 31 December 2022

### 3.2.3. NON-CURRENT FINANCIAL ASSETS PLEDGED AS COLLATERAL

As of 31 December 2022 and 2021, 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 2022 and 2021, the Company recorded short-term trade receivables past their due dates in the gross amount of CZK 15,878 thousand and CZK 38,943 thousand (net CZK 2,849 thousand and CZK 26,409 thousand), respectively.

##### **Other Receivables**

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

As of 31 December 2022 and 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 2022, sundry receivables principally include a receivable arising from an indisputable claim for a subsidy and receivables from individuals. As of 31 December 2021, this item principally included a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from a not fully used provided donation and a receivable from a contribution under the employment protection programme “Antivirus”.

As of 31 December 2022, estimated receivables principally include an estimated receivable for expected insurance claims relating to an accident of the wind heater and refund of the VAT paid abroad. As of 31 December 2021, this item principally included a receivable arising from expected insurance claims, use of an operating subsidy and refund of the VAT paid abroad.

Receivables typically mature within 30 days.

#### 3.3.2. INTERCOMPANY RECEIVABLES

Long-term receivables from the controlled or controlling entity as of 31 December 2022 include a receivable under the Revolving Loan Contract with EKOSTROJÍRENSTVÍ TŘINEC, a.s., amounting to CZK 67,123 thousand which was provisioned in full.

## Short-Term Receivables

(CZK THOUSAND)

COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Trade receivables			
Doprava TŽ, a.s.	Controlled entity	3 360	3 329
ENERGETIKA TŘINEC, a.s.	Controlled entity	36 784	208 893
Šroubárna Kyjov, spol. s r.o.	Controlled entity	601	672
Strojírny a stavby Třinec, a.s.	Controlled entity	12 884	16 757
MORAVIA STEEL a.s.	Controlling entity	1 785 633	2 837 635
REFRASIL, s.r.o.	Controlled entity	714	56
Řetězárna a.s.	Controlled entity	1	644
Slévárny Třinec, a.s.	Controlled entity	64 197	84 032
TRIALFA, s.r.o.	Controlled entity	3 713	6 119
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	83	94
Třinecké gastroslužby, s.r.o.	Controlled entity	1 149	998
TRISIA, a.s.	Controlled entity	98	107
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	1 955	455
Beskydská golfová, a.s.	Fellow subsidiary	12	10
VÚHŽ a.s.	Controlled entity	524	383
Moravia Security, a.s.	Controlled entity	93	77
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.*	Controlled entity	0	12
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	187	217
„METALURGIA“ SPÓŁKA AKCYJNA	Controlled entity	701	577
HŽP a.s.	Controlled entity	240	424
M Steel Projects a.s.	Fellow subsidiary	8	8
„NEOMET“ Sp. z o.o.	Fellow subsidiary	85	29
ŽDB DRÁTOVNA a.s.	Controlled entity	1 968	1 648
Barrandov Studio a.s.	Fellow subsidiary	230	230
Kovárna VIVA a.s.	Fellow subsidiary	140	88

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COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
BOHEMIA RINGS s.r.o.	Controlled entity	2 118	2 038
Security Morava s.r.o.	Controlled entity	4	2
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	91	68
MINERFIN, a.s.	Group entity	1	1
ENEZA, s.r.o.	Controlled entity	124	283
<b>Total</b>		<b>1 917 698</b>	<b>3 165 886</b>
Short-term prepayments made			
TRISIA, a.s.	Controlled entity	1	0
<b>Total</b>		<b>1</b>	<b>0</b>
Receivables – controlled or controlling entity			
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	0	5 666
Třinecké gastroslužby, s.r.o.	Controlled entity	8 500	7 518
<b>Total</b>		<b>8 500</b>	<b>13 184</b>
Other receivables			
ENERGETIKA TŘINEC, a.s.	Controlled entity	8 657	0
MORAVIA STEEL a.s.	Controlling entity	0	40
<b>Total</b>		<b>8 657</b>	<b>40</b>
Accrued income			
Třinecké gastroslužby, s.r.o.	Controlled entity	167	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	1 173	
<b>Total</b>		<b>1 340</b>	<b>0</b>
<b>Total short-term intercompany receivables including accruals</b>		<b>1 936 196</b>	<b>3 179 110</b>
Other than intercompany receivables		1 667 752	578 075
<b>Total short-term receivables including accruals</b>		<b>3 603 948</b>	<b>3 757 185</b>

\* MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. was a controlled entity before 15 February 2022

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 2022, 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 of the Company after tax generated by the Company in 2021 in the amount of CZK 1,306,080 thousand as follows:

– Profit share assigned to the sole shareholder	CZK 1,000,000 thousand
– Retained earnings brought forward	CZK 306,080 thousand.

#### 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 2022

In 2022, the Company generated net profit after tax of CZK 2,393,024 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 1,893,024 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 2022 include payables arising from retentions from suppliers under concluded contracts.

As of 31 December 2022, the Company records no long-term payables secured with material guarantees.

As of 31 December 2022, the Company did not record trade payables with maturity longer than five years. As of 31 December 2021, the Company recorded long-term trade payables with maturity longer than five years in the amount of CZK 750 thousand.

### 3.6.2. DEFERRED INCOME TAX

The deferred tax liability is analysed as follows:

	(CZK THOUSAND)	
DEFERRED TAX ARISING FROM	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Difference between tax and accounting carrying values of fixed assets	-8 121 771	-7 869 125
Revaluation of available-for-sale securities	54	54
Accounting reserves	437 641	574 243
Provisions	1 184 587	662 961
Expenses that are tax deductible in the following periods	113 574	215 624
<b>Total</b>	<b>-6 385 915</b>	<b>-6 416 243</b>
Tax rate (in %)	19	19
<b>Deferred tax liability</b>	<b>-1 213 324</b>	<b>-1 219 086</b>

	(CZK THOUSAND)
ANALYSIS OF MOVEMENTS	
<b>31 Dec 2021</b>	<b>-1 219 086</b>
Current changes charged against the profit and loss account	5 762
<b>31 Dec 2022</b>	<b>-1 213 324</b>

### 3.6.3. INCOME TAX

	(CZK THOUSAND)	
	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Profit before tax	2 922 765	1 612 925
Tax at the domestic income tax rate of 19%	555 325	306 456
Tax effect of expenses that are not deductible in determining taxable profit	-25 584	389
<b>Total income tax for the period – recognised in deferred tax and income tax payable</b>	<b>529 741</b>	<b>306 845</b>

### 3.6.4. SHORT-TERM PAYABLES

As of 31 December 2022 and 2021, the Company records no short-term trade payables past their due dates.

Payables typically fall due for settlement within 60 days.

#### Other Payables

In the year ended 2022, the category 'State – tax payables and subsidies' principally comprised received subsidies for emission allowances a payable arising from corporate and personal income tax. In the year ended 31 December 2021, the category principally comprised received a payable arising from corporate and personal income tax.

As of 31 December 2022, 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, an estimated payable arising from unbilled inventory including services, and an estimated payable for an acquisition of fixed assets. As of 31 December 2021, 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 2022 and 31 December 2021, 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 2022	BALANCE AT 31 DEC 2021
<b>Long-term payables</b>			
Trade payables			
Strojírny a stavby Třinec, a.s.	Controlled entity	3 245	966
<b>Total</b>			<b>966</b>
<b>Total long-term intercompany payables</b>		<b>3 245</b>	<b>966</b>
Other than intercompany payables		3 722 970	3 703 588
<b>Total long-term payables</b>		<b>3 726 215</b>	<b>3 704 554</b>

Other than intercompany long-term payables as of 31 December 2022 and 2021 primarily included a deferred tax liability of CZK 1,213,324 thousand and CZK 1,219,086 thousand, respectively, and payables to credit institutions of CZK 2,488,171 thousand and CZK 2,447,946 thousand, respectively.



**Short-Term Payables**

(CZK THOUSAND)

COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Trade payables			
Doprava TŽ, a.s.	Controlled entity	13 052	12 256
ENERGETIKA TŘINEC, a.s.	Controlled entity	700 592	853 446
Ocelářská unie a.s.	Associate	926	835
Šroubárna Kyjov, spol. s r.o.	Controlled entity	2 011	3 813
MORAVIA STEEL a.s.	Controlling entity	2 740 462	2 226 500
REFRASIL, s.r.o.	Controlled entity	14 641	12 073
Řetězárna a.s.	Controlled entity	1 579	811
Slévárny Třinec, a.s.	Controlled entity	2 005	3 768
TRIALFA, s.r.o.	Controlled entity	16 031	13 955
TRISIA, a.s.	Controlled entity	1 205	384
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	4 694	3 234
Třinecké gastroslužby, s.r.o.	Controlled entity	8 959	6 998
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	9 210	8 196
Beskydská golfová, a.s.	Fellow subsidiary	0	3 630
Strojírny a stavby Třinec, a.s.	Controlled entity	195 597	128 133
VÚHŽ a.s.	Controlled entity	649	60
Moravia Security, a.s.	Controlled entity	10 783	9 056
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.*	Controlled entity	0	170
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	113 169	161 700
„ZAMECZEK BŁOGOCICE” Sp. z o.o.	Controlled entity	87	91
ŽDB DRÁTOVNA a.s.	Controlled entity	1 373	1 714
„NEOMET” Sp. z o.o.	Fellow subsidiary	71 145	94 400
Security Morava, s.r.o.	Controlled entity	1 524	1 508
BOHEMIA RINGS s.r.o.	Controlled entity	3 702	6 190

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COMPANY NAME	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
ENEZA, s.r.o.	Controlled entity	1 805	2 300
MSV Metal Studénka a.s.	Fellow subsidiary	213	0
<b>Total</b>		<b>3 915 414</b>	<b>3 555 221</b>
Accrued expenses			
MORAVIA STEEL a.s.	Controlling entity	2 967	1 373
ENERGETIKA TŘINEC, a.s.	Controlled entity	45	0
<b>Total</b>		<b>3 012</b>	<b>1 373</b>
Estimated payables			
MORAVIA STEEL a.s.	Controlling entity	69	260
Strojírny a stavby Třinec, a.s.	Controlled entity	123	0
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	39	0
<b>Total</b>		<b>231</b>	<b>260</b>
Other payables			
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	6 019
MORAVIA STEEL a.s.	Controlling entity	55 961	45 375
<b>Total</b>		<b>55 961</b>	<b>51 394</b>
<b>Total short-term intercompany payables including accruals</b>		<b>3 974 618</b>	<b>3 608 248</b>
Other than intercompany payables		9 123 792	3 605 561
<b>Total short-term payables including accruals</b>		<b>13 098 410</b>	<b>7 213 809</b>

\*MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o. was a controlled entity before 15 February 2022

Other than intercompany short-term payables as of 31 December 2022 and 2021 predominantly include payables to credit institutions of CZK 1,930,340 thousand and CZK 1,285,370 thousand, respectively, and tax payables and subsidies of CZK 4,007,854 thousand and CZK 199,352 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 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Investment	EUR	0	7 952	Hermes guarantee insurer
Investment	EUR	0	0	ODL guarantee insurer
Investment	CZK	0	60 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	171 429	400 000	Immovable and movable assets, insurance receivables, promissory note
Investment	EUR	537 463	775 694	Immovable and movable assets, insurance receivables
Investment	CZK	840 000	1 080 000	Immovable and movable assets, insurance receivables, promissory note
Investment	EUR	939 279	0	Immovable and movable assets, insurance receivables, promissory note
Acquisition	EUR	0	124 300	Securities, promissory note
<b>Total</b>		<b>2 488 171</b>	<b>2 447 946</b>	

The Company records repayments of long-term payables to credit institutions over five years in the amount of CZK 148,307 thousand.

**Short-Term Payables to Credit Institutions**

(CZK THOUSAND)

TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Investment	EUR	7 713	15 904	Hermes guarantee insurer
Investment	EUR	0	13 776	ODL guarantee insurer
Investment	CZK	60 000	180 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	228 571	228 571	Immovable and movable assets, insurance receivables, promissory note
Investment	EUR	214 985	221 627	Immovable and movable assets, insurance receivables
Investment	CZK	240 000	120 000	Immovable and movable assets, insurance receivables, promissory note
Investment	EUR	49 436	0	Immovable and movable assets, insurance receivables, promissory note
Acquisition	EUR	120 575	165 733	Securities, promissory note
Overdraft	CZK	156 371	65 937	Promissory note
Overdraft	CZK	157 366	65 805	No collateral
Overdraft	CZK	159 780	66 124	Promissory note
Overdraft	CZK	158 593	71 043	Promissory note
Overdraft	CZK	173 210	70 841	Promissory note
Overdraft	CZK	203 731	0	Promissory note
Short-term loan	CZK	9	9	No collateral
<b>Total</b>		<b>1 930 340</b>	<b>1 285 370</b>	

**3.7. DETAILS OF INCOME FROM ORDINARY ACTIVITIES**

(CZK THOUSAND)

	31 DEC 2022	31 DEC 2021
Proceeds of the sale of goods	22	17
Proceeds of the sale of products and services	57 602 034	43 715 225
– Products	57 105 525	43 248 222
– Services	496 509	467 003
<b>Total sales of goods, products and services</b>	<b>57 602 056</b>	<b>43 715 242</b>

99.53% 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 2022, 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 6,771,300 thousand (2021: CZK 6,270,205 thousand) and expected insurance benefits related to an accident of the wind heater of CZK 917,991 thousand (2021: CZK 55,737 thousand).

Other financial income as of 31 December 2022 and 2021 predominantly included foreign exchange rate profits of CZK 94,450 thousand and CZK 106,827 thousand, respectively.

As of 31 December 2022, other operating expenses primarily reflect the use of emission allowances, including the costs of the sale of allowances, of CZK 5,976,042 thousand (2021: CZK 4,780,352 thousand).

Other financial expenses as of 31 December 2022 predominantly include foreign exchange rate losses of CZK 36,706 thousand (2021: CZK 31,980 thousand).

Financial gifts are reported in operating expenses. The total amount of gifts provided in 2022 amounted to CZK 51,522 thousand (2021: CZK 19,641 thousand).

In the year ended 31 December 2022, the Company received and reported the compensation for the indirect costs for industries identified as having a significant risk of carbon leakage due to the reflection of the costs associated with greenhouse gas emissions in the price of electricity for the calendar year of 2021 in the amount of CZK 154,511 thousand.

In the year ended 31 December 2021, the Company received and reported the compensation for indirect costs for industries identified as having a significant risk of carbon leakage due to the reflection of the costs associated with greenhouse gas emissions 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 2022, the Company drew a contribution under the “Antivirus” employment protection programme as a partial compensation for payroll costs in the amount of CZK 5,851 thousand (2021: CZK 10,728 thousand). Additionally, the Company drew a contribution under the self-sampling COVID-19 test programme in the amount of CZK 2,067 thousand (2021: CZK 5,356 thousand).

### 3.9. SUBSIDIES

Subsidies for operating purposes of CZK 1,112 thousand used in 2022 include subsidies for research and development and a subsidy for museum operations.

Subsidies for operating purposes of CZK 5,703 thousand used in 2021 include subsidies for research and development, a subsidy for museum operations, and a subsidy for environmental projects.

In the year ended 31 December 2022, the Company drew a subsidy for the acquisition of environmental and other investments of CZK 14,923 thousand.

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.

### 3.10. RESEARCH AND DEVELOPMENT COSTS

(CZK THOUSAND)

	31 DEC 2022	31 DEC 2021
Research and development costs (net of subsidies)	14 781	18 758

### 3.11. RELATED PARTY TRANSACTIONS

#### 3.11.1. INCOME GENERATED WITH RELATED PARTIES

Income from intercompany transactions amounted to CZK 57,411,694 thousand and CZK 44,505,758 thousand in the years ended 31 December 2022 and 2021, 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 2022:

(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	55 227 886	175 333	721	55 403 940
ENERGETIKA TŘINEC, a.s.	Controlled entity	*795 258	200 617	46 912	0	1 042 787
REFRASIL, s.r.o.	Controlled entity	0	2 527	6 260	35	8 822
Řetězárna a.s.	Controlled entity	0	94	14	0	108
Slévárny Třinec, a.s.	Controlled entity	0	442 527	21 061	50	463 638
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	7	9 478	0	9 485
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	0	5 382	0	5 382
Strojírny a stavby Třinec, a.s.	Controlled entity	0	270 971	45 390	56	316 417
VÚHŽ a.s.	Controlled entity	0	8 021	2 595	1	10 617
HŽP a.s.	Controlled entity	0	0	3 285	0	3 285
„METALURGIJA“ Spółka Akcyjna	Controlled entity	0	0	2 920	0	2 920
ŽDB DRÁTOVNA a.s.	Controlled entity	0	121	14 941	12	15 074
BOHEMIA RINGS s.r.o.	Controlled entity	0	0	1 890	0	1 890
<b>Total</b>		<b>795 258</b>	<b>56 152 771</b>	<b>335 461</b>	<b>875</b>	<b>57 284 365</b>

Note: \*including the sale of allowances

The income arising from intercompany profit shares for the year ended 31 December 2022 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 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
Slévárny 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
Strojírny 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
<b>Total</b>		<b>1 490 081</b>	<b>42 563 318</b>	<b>324 227</b>	<b>556</b>	<b>44 378 182</b>

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.

### 3.11.2. PURCHASES FROM RELATED PARTIES

Total purchases from related parties amounted to CZK 46,412,798 thousand and CZK 34,385,770 thousand in the years ended 31 December 2022 and 2021. 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 2022:

(CZK THOUSAND)						
ENTITY	TYPE OF ENTITY	FIXED ASSETS	INVENTORY OF MATERIAL, PRODUCTS AND GOODS	SERVICES	OTHER EXPENSES	TOTAL
MORAVIA STEEL a.s.	Controlling entity	215	35 137 829	260 431	4 771	35 403 246
ENERGETIKA TŘINEC, a.s.	Controlled entity	450	4 116 421	89 207	1 074 653	5 280 731
REFRASIL, s.r.o.	Controlled entity	418	748	169 568	0	170 734
Řetězárna a.s.	Controlled entity	0	11 908	0	0	11 908
Slévárny Třinec, a.s.	Controlled entity	5 342	92 549	755	0	98 646
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	0	106 002	0	106 002
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	29 020	0	0	29 020
Strojírny a stavby Třinec, a.s.	Controlled entity	244 010	418 997	599 674	4 750	1 267 431
VÚHŽ a.s.	Controlled entity	49	2 156	3 640	0	5 845
„D&D“ Drátáru Zrt.*	Controlled entity	0	19 135	0	0	19 135
ŽDB DRÁTOVNA a.s.	Controlled entity	0	5 667	2 358	0	8 025
BOHEMIA RINGS s.r.o.	Controlled entity	0	32 494	0	0	32 494
<b>Total</b>		<b>250 484</b>	<b>39 866 924</b>	<b>1 231 635</b>	<b>1 084 174</b>	<b>42 433 217</b>

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 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	
Řetězárna 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	
„METALURGIJA“ Spółka Akcyjna	Controlled entity	0	43	0	0	43	
„D&D“ Drótaru 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	
<b>Total</b>		<b>152 371</b>	<b>28 667 901</b>	<b>1 100 948</b>	<b>574 222</b>	<b>30 495 442</b>	

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

## 3.12. EMPLOYEES AND MANAGEMENT

### Staff Costs and Number of Employees

#### 31 December 2022

	(CZK THOUSAND)	
	NUMBER	TOTAL STAFF COSTS
Employees	6 798	4 712 384
Management	38	208 497
<b>Total</b>	<b>6 836</b>	<b>4 920 881</b>

#### 31 December 2021

	(CZK THOUSAND)	
	NUMBER	TOTAL STAFF COSTS
Employees	6 851	4 628 909
Management	38	163 781
<b>Total</b>	<b>6 889</b>	<b>4 792 690</b>

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 and management members is based on the average recalculated number of employees and management members during the reporting period.

## 3.13. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

#### 31 December 2022

	(CZK THOUSAND)
	MANAGEMENT
Company cars used for both business and private purposes (the figure increases the tax base of employees)	3 667
Liability insurance	535

#### 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

### 3.14. CONTINGENT LIABILITIES AND ASSETS AND OFF BALANCE SHEET COMMITMENTS, LEGAL DISPUTES AND OTHER MATTERS

#### Provided Guarantees

##### 31 December 2022

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2022
<b>Guarantees</b> To other entities	EUR 3,249 thousand	CZK 78,356 thousand

##### 31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<b>Guarantees</b> To other entities	EUR 3,449 thousand	CZK 85,749 thousand

#### Received Guarantees

##### 31 December 2022

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2022
<b>Guarantees</b> From other entities	USD 52 thousand	CZK 1,166 thousand
	EUR 5,255 thousand	CZK 126,721 thousand
	CZK 90,170 thousand	CZK 90,170 thousand

##### 31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<b>Guarantees</b> 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

As of 31 December 2022, 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.

### 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 was 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 ruling on 11 September 2019 in an appeal proceeding and the ruling is final and conclusive. The Supreme Court rejected the appeal. The constitutional complaint was rejected by the Constitutional Court.

Dispute initiated by the insolvency trustee of the debtor VÍTKOVICE GEARWORKS a.s., regarding the ineffectiveness of the agreement on the extinguishment of mutual obligations concluded between the Company, Strojírny a stavby Třinec, a.s., and this debtor, based on which the Company's obligation to pay an amount to this debtor, the settlement of which is now being sought by the plaintiff, ceased to exist. The Regional Court in Ostrava rejected the lawsuit. On 23 May 2018, the High Court in Olomouc revoked the ruling of the Regional Court in Ostrava and referred the matter back to the court for additional proceedings. Following the completion of the debtor's restructuring, the dispute was 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 Supreme Court rejected the appeal.

### 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 2022, the Company used up funds in the amount of CZK 543,021 thousand (2021: CZK 541,615 thousand).



### Other Matters

In 2022 and 2021, 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.

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

### 3.15. POST BALANCE SHEET EVENTS

On 24 March 2023, the Board of Directors approved the project of an intrastate merger of dissolving Doprava TŽ, a.s., with the successor entity TŘINECKÉ ŽELEZÁRNY, a. s., as the sole shareholder of the dissolving entity.

## 09

FINANCIAL PART II.  
CONSOLIDATED FINANCIAL STATEMENTS**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>Name of the Company:</b>	TŘINECKÉ ŽELEZÁRNY, a. s.
<b>Registered Office:</b>	Průmyslová 1000, Staré Město, 739 61 Třinec
<b>Legal Status:</b>	Joint Stock Company
<b>Corporate ID:</b>	180 50 646

**Components of the Consolidated Financial Statements:**

Consolidated Balance Sheet


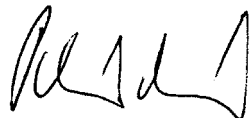
Consolidated Profit and Loss Account

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 2023.

Statutory body of the reporting entity:	Signature
<b>Jan Czudek</b> Chairman of the Board of Directors	
<b>Radomíra Pekárková</b> Member of the Board of Directors	

## Consolidated Balance Sheet full version – Assets

(IN CZK THOUSAND)

	31.12.2022		31.12.2021	
	Gross	Adjustment	Net	Net
<b>TOTAL ASSETS</b>	<b>102 323 603</b>	<b>-45 637 763</b>	<b>56 685 840</b>	<b>48 695 427</b>
<b>B. Fixed assets</b>	<b>73 079 286</b>	<b>-44 112 920</b>	<b>28 966 366</b>	<b>25 220 373</b>
B.I. <b>Intangible fixed assets</b>	<b>4 195 355</b>	<b>-428 325</b>	<b>3 767 030</b>	<b>188 351</b>
B.I.1. Development	4 553	-4 553		
B.I.2. Valuable rights	<b>516 375</b>	<b>-407 653</b>	<b>108 722</b>	<b>126 661</b>
B.I.2.1. Software	320 015	-272 207	47 808	60 046
B.I.2.2. Other valuable rights	196 360	-135 446	60 914	66 615
B.I.3. Goodwill	301	-301		
B.I.4. Other intangible fixed assets	3 666 966	-15 818	3 651 148	54 247
B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction	<b>7 160</b>		<b>7 160</b>	<b>7 443</b>
B.I.5.1. Prepayments for intangible fixed assets	76		76	
B.I.5.2. Intangible fixed assets under construction	7 084		7 084	7 443
B.II. <b>Tangible fixed assets</b>	<b>67 901 679</b>	<b>-43 424 430</b>	<b>24 477 249</b>	<b>24 205 174</b>
B.II.1. Land and structures	<b>17 763 593</b>	<b>-9 237 752</b>	<b>8 525 841</b>	<b>8 523 060</b>
B.II.1.1. Land	799 023		799 023	798 130
B.II.1.2. Structures	16 964 570	-9 237 752	7 726 818	7 724 930
B.II.2. Tangible movable assets and sets of tangible movable assets	48 396 778	-34 105 506	14 291 272	14 767 270
B.II.4. Other tangible fixed assets	<b>113 319</b>	<b>-78 075</b>	<b>35 244</b>	<b>22 535</b>
B.II.4.3. Sundry tangible fixed assets	113 319	-78 075	35 244	22 535
B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction	<b>1 627 989</b>	<b>-3 097</b>	<b>1 624 892</b>	<b>892 309</b>
B.II.5.1. Prepayments for tangible fixed assets	162 691		162 691	236 552
B.II.5.2. Tangible fixed assets under construction	1 465 298	-3 097	1 462 201	655 757

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Consolidated Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
B.III.	<b>Non-current financial assets</b>	<b>471 202</b>	<b>-169 422</b>	<b>301 780</b>	<b>357 753</b>
B.III.1.	Equity investments – controlled or controlling entity	442 998	-150 491	292 507	347 290
B.III.3.	Equity investments in associates	26 202	-18 931	7 271	8 462
B.III.5.	Other non-current securities and investments	2 002		2 002	2 001
B.IV.	<b>Goodwill on consolidation</b>	<b>367 023</b>	<b>-90 743</b>	<b>276 280</b>	<b>294 631</b>
B.IV.1.	Positive goodwill on consolidation	381 589	-93 899	287 690	306 769
B.IV.2.	Negative goodwill on consolidation	-14 566	3 156	-11 410	-12 138
B.V.	<b>Securities and equity investments under equity accounting</b>	<b>144 027</b>		<b>144 027</b>	<b>174 464</b>
<b>C.</b>	<b>Current assets</b>	<b>29 244 317</b>	<b>-1 524 843</b>	<b>27 719 474</b>	<b>23 475 054</b>
C.I.	<b>Inventories</b>	<b>21 703 326</b>	<b>-1 364 628</b>	<b>20 338 698</b>	<b>16 598 053</b>
C.I.1.	Material	9 756 968	-434 255	9 322 713	7 879 055
C.I.2.	Work in progress and semifinished goods	7 062 609	-638 458	6 424 151	5 140 558
C.I.3.	<b>Products and goods</b>	<b>4 850 161</b>	<b>-291 915</b>	<b>4 558 246</b>	<b>3 567 867</b>
C.I.3.1.	Products	4 770 620	-289 942	4 480 678	3 499 779
C.I.3.2.	Goods	79 541	-1 973	77 568	68 088
C.I.5.	Prepayments for inventories	33 588		33 588	10 573
C.II.	<b>Receivables</b>	<b>6 393 174</b>	<b>-157 181</b>	<b>6 235 993</b>	<b>5 774 920</b>
C.II.1.	<b>Long-term receivables</b>	<b>121 560</b>	<b>-75 117</b>	<b>46 443</b>	<b>35 934</b>
C.II.1.1.	Trade receivables	12 196	-771	11 425	17 218
C.II.1.2.	Receivables – controlled or controlling entity	67 123	-67 123		
C.II.1.5.	<b>Receivables – other</b>	<b>42 241</b>	<b>-7 223</b>	<b>35 018</b>	<b>18 716</b>
C.II.1.5.2.	Long-term prepayments made	986		986	1 195
C.II.1.5.4.	Sundry receivables	41 255	-7 223	34 032	17 521

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Consolidated Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
C.II.2.	<b>Short-term receivables</b>	<b>6 054 833</b>	<b>-82 064</b>	<b>5 972 769</b>	<b>5 573 373</b>
C.II.2.1.	Trade receivables	4 420 504	-61 180	4 359 324	5 089 536
C.II.2.2.	Receivables – controlled or controlling entity	8 500		8 500	13 184
C.II.2.4.	<i>Receivables – other</i>	<b>1 625 829</b>	<b>-20 884</b>	<b>1 604 945</b>	<b>470 653</b>
C.II.2.4.1.	Receivables from partners	4 572		4 572	
C.II.2.4.3.	State – tax receivables	489 647		489 647	342 883
C.II.2.4.4.	Short-term prepayments made	70 475		70 475	17 392
C.II.2.4.5.	Estimated receivables	1 003 833		1 003 833	64 653
C.II.2.4.6.	Sundry receivables	57 302	-20 884	36 418	45 725
C.II.3.	<b>Other assets</b>	<b>216 781</b>		<b>216 781</b>	<b>165 613</b>
C.II.3.1.	Deferred expenses	121 688		121 688	74 252
C.II.3.2.	Complex deferred expenses	87 190		87 190	90 719
C.II.3.3.	Accrued income	7 903		7 903	642
C.III.	<b>Current financial assets</b>	<b>3 034</b>	<b>-3 034</b>		
C.III.2.	Other current financial assets	3 034	-3 034		
C.IV.	<b>Cash</b>	<b>1 144 783</b>		<b>1 144 783</b>	<b>1 102 081</b>
C.IV.1.	Cash on hand	4 323		4 323	4 245
C.IV.2.	Cash at bank	1 140 460		1 140 460	1 097 836

## Consolidated Balance Sheet full version – Liabilities &amp; Equity

(IN CZK THOUSAND)

	31.12.2022	31.12.2021
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>56 685 840</b>	<b>48 695 427</b>
<b>A. Equity</b>	<b>35 606 567</b>	<b>33 595 087</b>
A.I. <b>Share capital</b>	<b>8 109 863</b>	<b>8 109 863</b>
A.I.1. Share capital	8 109 863	8 109 863
A.II. <b>Share premium and capital funds</b>	<b>-174 333</b>	<b>-102 015</b>
A.II.2. <i>Capital funds</i>	<b>-174 333</b>	<b>-102 015</b>
A.II.2.1. Other capital funds	135 415	113 444
A.II.2.2. Gains or losses from the revaluation of assets and liabilities (+/-)	-309 748	-215 459
A.III. <b>Funds from profit</b>	<b>3 312 852</b>	<b>3 312 852</b>
A.III.1. Other reserve funds	3 312 852	3 312 852
A.IV. <b>Retained earnings (+/-)</b>	<b>20 531 168</b>	<b>19 340 509</b>
A.IV.1. Accumulated profits or losses brought forward (+/-)	20 531 168	19 340 509
A.V. <b>Profit or loss for the current period net of minority interests</b>	<b>3 104 625</b>	<b>2 254 357</b>
A.V.1. Profit or loss for the current period (+/-)	3 092 191	2 211 486
A.V.2. Share of income from associates	12 434	42 871
A.VII. <b>Consolidation reserve fund</b>	<b>722 392</b>	<b>679 521</b>
<b>B.+C. Liabilities</b>	<b>20 745 135</b>	<b>14 792 393</b>
<b>B. Reserves</b>	<b>553 776</b>	<b>683 846</b>
B.1. Reserves for pensions and similar liabilities	3 812	4 505
B.3. Reserves under special legislation	11 666	9 915
B.4. Other reserves	538 298	669 426

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Consolidated Balance Sheet full version – Liabilities & Equity

(IN CZK THOUSAND)

	31.12.2022	31.12.2021
<b>C. Payables</b>	<b>20 191 359</b>	<b>14 108 547</b>
C.I. <b>Long-term payables</b>	<b>4 593 401</b>	<b>4 688 321</b>
C.I.2. Payables to credit institutions	2 788 219	2 861 157
C.I.4. Trade payables	24 888	41 739
C.I.8. Deferred tax liability	1 780 294	1 784 830
C.I.9. Payables – other		<b>595</b>
C.I.9.3. Sundry payables		595
C.II. <b>Short-term payables</b>	<b>15 548 425</b>	<b>9 384 271</b>
C.II.2. Payables to credit institutions	2 567 100	1 995 596
C.II.3. Short-term prepayments received	577 484	34 363
C.II.4. Trade payables	7 264 097	5 794 680
C.II.8. <i>Other payables</i>	<b>5 139 774</b>	<b>1 559 632</b>
C.II.8.1. Payables to partners	907	
C.II.8.2. Short-term financial borrowings	213	139
C.II.8.3. Payables to employees	639 686	601 201
C.II.8.4. Social security and health insurance payables	265 073	234 242
C.II.8.5. State – tax payables and subsidies	3 922 283	382 813
C.II.8.6. Estimated payables	180 842	274 075
C.II.8.7. Sundry payables	130 740	67 162
C.III. <b>Other liabilities</b>	<b>49 533</b>	<b>35 955</b>
C.III.1. Accrued expenses	30 992	25 015
C.III.2. Deferred income	18 541	10 940
<b>D. Minority equity</b>	<b>334 138</b>	<b>307 947</b>
D.1. Minority share capital	58 800	58 800
D.2. Minority capital funds	6 967	6 874
D.3. Minority profit funds including accumulated profits and losses brought forward	231 983	219 370
D.5. Minority profit or loss for the current period	36 388	22 903



## Consolidated Profit and Loss Account Structured by the Nature of Expense Method

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
I. Sales of products and services	73 894 747	56 423 204
II. Sales of goods	222 606	303 996
A. Purchased consumables and services	<b>63 187 619</b>	<b>46 319 068</b>
A.1. Costs of goods sold	182 693	243 629
A.2. Consumed material and energy	58 363 433	41 854 704
A.3. Services	4 641 493	4 220 735
B. Change in internally produced inventory (+/-)	-2 927 978	-1 378 154
C. Own work capitalised (-)	-2 237 994	-1 311 683
D. Staff costs	<b>8 039 060</b>	<b>7 720 006</b>
D.1. Payroll costs	5 729 424	5 428 266
D.2. Social security and health insurance costs and other charges	<b>2 309 636</b>	<b>2 291 740</b>
D.2.1. Social security and health insurance costs	1 860 765	1 991 400
D.2.2. Other charges	448 871	300 340
E. Adjustments to values in operating activities	<b>2 935 080</b>	<b>2 162 858</b>
E.1. Adjustments to values of intangible and tangible fixed assets	<b>2 299 567</b>	<b>2 308 844</b>
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	2 293 714	2 257 263
E.1.A. Recognition of positive goodwill on consolidation	19 079	22 758
E.1.B. Recognition of negative goodwill on consolidation	-728	-728
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	-12 498	29 551
E.2. Adjustments to values of inventories	561 715	-133 919
E.3. Adjustments to values of receivables	73 798	-12 067
III. Other operating income	<b>7 719 234</b>	<b>5 781 887</b>
III.1. Sales of fixed assets	4 729	71 083
III.2. Sales of material	219 509	207 940
III.3. Sundry operating income	7 494 996	5 502 864
F. Other operating expenses	<b>8 814 769</b>	<b>6 259 775</b>
F.1. Net book value of sold fixed assets	115	11 770
F.2. Sold material	190 841	180 417

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Consolidated Profit and Loss Account Structured by the Nature of Expense Method

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
F.3. Taxes and charges	82 151	66 786
F.4. Reserves relating to operating activities and complex deferred expenses	-126 810	290 450
F.5. Sundry operating expenses	8 668 472	5 710 352
<b>* Operating profit or loss (+/-)</b>	<b>4 026 031</b>	<b>2 737 217</b>
IV. Income from non-current financial assets – equity investments	<b>52 854</b>	<b>27 733</b>
IV.1. Income from equity investments – controlled or controlling entity	52 854	27 733
G. Costs of equity investments sold	18 461	
VI. Interest income and similar income	<b>11 642</b>	<b>393</b>
VI.1. Interest income and similar income – controlled or controlling entity	2 936	75
VI.2. Other interest income and similar income	8 706	318
I. Adjustments to values and reserves relating to financial activities	37 840	66 785
J. Interest expenses and similar expenses	<b>245 955</b>	<b>37 448</b>
J.2. Other interest expenses and similar expenses	245 955	37 448
VII. Other financial income	363 255	205 129
K. Other financial expenses	316 405	184 919
<b>* Financial profit or loss (+/-)</b>	<b>-190 910</b>	<b>-55 897</b>
<b>** Profit or loss before tax (+/-)</b>	<b>3 835 121</b>	<b>2 681 320</b>
L. Income tax	<b>706 542</b>	<b>446 931</b>
L.1. Due income tax	710 394	431 423
L.2. Deferred income tax (+/-)	-3 852	15 508
<b>** Profit or loss net of tax (+/-)</b>	<b>3 128 579</b>	<b>2 234 389</b>
<b>** Consolidated profit or loss net of share of income from associates</b>	3 128 579	2 234 389
Consolidated profit or loss net of minority interests	3 092 191	2 211 486
Minority profit or loss	36 388	22 903
<b>* Share of income from associates</b>	12 434	42 871
Profit or loss for the current period (+/-)	3 141 013	2 277 260
<b>*** Profit or loss for the current period net of minority interests (+/-)</b>	<b>3 104 625</b>	<b>2 254 357</b>
<b>* Net turnover for the current period</b>	<b>82 264 338</b>	<b>62 742 342</b>

## 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
<b>Balance at 31 December 2020</b>	<b>8 109 863</b>	<b>43 466</b>	<b>3 312 852</b>	<b>18 845 478</b>	<b>403 469</b>	<b>647 337</b>	<b>32 183</b>	<b>31 394 648</b>
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
<b>Balance at 31 December 2021</b>	<b>8 109 863</b>	<b>-102 015</b>	<b>3 312 852</b>	<b>19 340 509</b>	<b>2 211 486</b>	<b>679 521</b>	<b>42 871</b>	<b>33 595 087</b>
Profit for the current period					3 092 191		12 434	3 104 625
Distribution of profit or loss		21 968		1 189 518	-1 211 486	42 871	-42 871	
Profit shares paid		-3 036			-1 000 000			-1 003 036
Revaluation of assets		-91 250		1 141				-90 109
<b>Balance at 31 December 2022</b>	<b>8 109 863</b>	<b>-174 333</b>	<b>3 312 852</b>	<b>20 531 168</b>	<b>3 092 191</b>	<b>722 392</b>	<b>12 434</b>	<b>35 606 567</b>



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Consolidated Cash Flow Statement

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021	
<b>Cash flows from investing activities</b>			
B.1.	Fixed assets expenditures	-2 352 464	-2 323 063
B.2.	Proceeds from fixed assets sold	40 589	76 064
B.3.	Loans and borrowings to related parties	-62 459	-5 164
B.7.	Emission allowance expenditures	-1 911 057	-340 203
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-4 285 391</b>	<b>-2 592 366</b>
<b>Cash flow from financial activities</b>			
C.1.	Change in payables from financing	518 060	800 980
C.2.	Impact of changes in equity	-1 010 290	-4 900
C.2.6.	Profit shares paid except for those paid between consolidation entities	-1 010 290	-4 900
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-492 230</b>	<b>796 080</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>42 230</b>	<b>-742 062</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>1 137 753</b>	<b>1 095 523</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

# 1. GENERAL INFORMATION

### 1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

TŘINECKÉ ŽELEZÁRNY, 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 as part of “Equity investments in associates” (hereinafter “associates”).

In the year ended 31 December 2022, 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 2022

	POSITION	NAME
<b>Board of Directors</b>	Chairman	Jan Czudek
	1 <sup>st</sup> Vice Chairman	Česlav Marek
	2 <sup>nd</sup> Vice Chairman	Henryk Huczalá
	Member	Ivo Žižka
	Member	Radomíra Pekárková

	POSITION	NAME
<b>Supervisory Board</b>	Chairman	Tomáš Chrenek
	1 <sup>st</sup> Vice Chairman	Ján Moder
	2 <sup>nd</sup> Vice Chairman	Evžen Balko
	Member	Jozef Blaško
	Member	Jana Kantorová
Member	Marcel Pielesz	

During 2022, 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 2022, 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 2022:

### Subsidiaries:

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY INVESTMENT AT 31 DEC 2022
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.	Jiráskova 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	Świętej Rozalii 10/12, 97-500 Radomsko, Poland	Production of nails, wire and wire products	100.00%
„D&D“ Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság*	3527 Miskolc, Sajószijegi 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, Kanská, 739 61 Třinec	Production of building materials, porcelain, ceramic and plaster products	100.00%
BOHEMIA RINGS s.r.o.	č.p. 10, 565 43 Zámrsk	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 2022
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 726, Kanská, 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 2022.

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.	Jiráskova 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	Świętej Rozalii 10/12, 97-500 Radomsko, Poland	Production of nails, wire and wire products	100.00%
„D&D“ Dróttáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság*	3527 Miskolc, Sajósziget 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, Kanská, 739 61 Třinec	Production of building materials, porcelain, ceramic and plaster products	100.00%
BOHEMIA RINGS s.r.o.	č.p. 10, 565 43 Zámorsk	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” Dróttáru Zrt.

#### Associate:

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY INVESTMENT AT 31 DEC 2021
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 726, Kanská, 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 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 2022 and 2021. "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. (“Accounting Act”); 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 2023. 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 2022 were prepared as follows:

- The balance sheet contains comparative amounts as of 31 December 2021;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2021;
- The statement of changes in equity contains comparative amounts as of 31 December 2021; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2021.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

#### Valuation

Tangible fixed assets include assets with an acquisition cost greater than CZK 80 thousand on an individual basis and an estimated useful life greater than one year.

Intangible fixed assets include assets (such as software, valuable rights, research and development) with an acquisition cost greater than CZK 80 thousand on an individual basis and an estimated useful life greater than one year.

Tangible and intangible assets with an estimated useful life greater than one year and an acquisition cost equal to or lower than CZK 80 thousand are not treated as fixed assets. Such tangible assets are accounted for as inventory and when brought into use they are charged to 'Consumed material and energy' in the profit and loss account. Intangible assets costing CZK 80 thousand and less are expensed through the account 'Services' in the year of acquisition.

The cost of tangible and intangible fixed asset improvements exceeding CZK 80 thousand on an individual basis increases the cost of the related tangible and intangible fixed asset for the fiscal period.

Before the end of the year ended 31 December 2021, tangible fixed assets included 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 included assets with an acquisition cost greater than CZK 60 thousand on an individual basis and an estimated useful life greater than one year.

The cost of tangible fixed asset improvements exceeding CZK 40 thousand on an individual basis increased 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 increased the cost of the related intangible 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 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 'Sundry 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 estimated useful life of the fixed assets taking into account operational conditions.

The recommended depreciation and amortisation period is set in the depreciation and amortisation plan:

CATEGORY OF ASSETS	DEPRECIATION/AMORTISATION PERIOD IN YEARS
Structures	20 – 40
Machines and equipment	2 – 20
Vehicles	5 – 20
Furniture and fixtures	5 – 15
Software	3 – 5

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 Section 27 of the Accounting Act 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 always 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 Act No. 541/2020 Coll., on Waste.

#### **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 up to CZK 20 thousand relating to several reporting periods 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 foreign currency receivables exceeding CZK 1 million newly created after 31 December 2020 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 straight line 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 consolidated 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 their value are expected over time.



**Cash and cash equivalents can be analysed as follows:**

	(CZK THOUSAND)	
	31 DEC 2022	31 DEC 2021
Cash on hand	4 323	4 245
Cash at bank	1 140 460	1 097 836
Other current financial assets	3 034	3 034
Provisions against other current financial assets	-3 034	-3 034
<b>Total current financial assets and cash</b>	<b>1 144 783</b>	<b>1 102 081</b>
Cash and cash equivalents not included in the cash flow	-7 029	-6 558
<b>Total cash and cash equivalents</b>	<b>1 137 754</b>	<b>1 095 523</b>

The difference between cash and cash equivalents as of 31 December 2022 and 2021 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. CHANGES IN ACCOUNTING PROCEDURES**

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

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

## 4.21. CONSOLIDATION RULES

The individual items of the balance sheets and the profit and loss accounts of subsidiaries consolidated under the full consolidation method were added up in total amounts with the balance sheet and the profit and loss account of the 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 2022 and 2021 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 2022 and 2021 (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 2022

### 5.1.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2022

	(CZK THOUSAND)
Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a. s.	2 393 024
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	136 727
Profit/(loss) of the current period – Slévárny Třinec, a.s.	56 577
Profit/(loss) of the current period – Šroubárna Kyjov, spol. s r.o.	46 530
Profit/(loss) of the current period – Strojírny a stavby Třinec, a.s.	42 929
Profit/(loss) of the current period – VÚHŽ a.s.	48 051
Profit/(loss) of the current period – „METALURGIA“ SPÓLKA AKCYJNA	30 080
Profit/(loss) of the current period – „D&D“ Drátáru Zrt.	384 167
Profit/(loss) of the current period – ŽDB DRÁTOVNA a.s.	121 630
Profit/(loss) of the current period – HŽP a.s.	47 887
Profit/(loss) of the current period – SV servisní, s.r.o.	12 297
Profit/(loss) of the current period – BOHEMIA RINGS s.r.o.	3 639
Profit/(loss) of the current period – REFRASIL, s.r.o.	21 167
Share in profit of the current period Řetězárna a.s.	37 873
Share in profit of the current period under the equity method	12 434
Adjustments within the full method of consolidation (see below)	-247 516
Adjustments within the equity method of consolidation (see below)	-42 871
<b>Consolidated profit</b>	<b>3 104 625</b>

**5.1.2. ADJUSTMENTS WITHIN FULL CONSOLIDATION FOR 2022**

(CZK THOUSAND)

Elimination of profits and losses from unrealised inventory from intercompany sales of inventory in the consolidated group, including the deferred tax impact	5 014
Write-off of the revaluation of assets at fair value	-11 510
Write-offs of the margin from the sale of assets value including the deferred tax impact	8 485
Elimination of declared profit shares of the consolidated group entities	-317 592
Elimination of provisioning against „D&D“ Drótáru Zrt.	-195 532
Elimination of provisioning against Slévárny Třinec, a.s	-185 069
Elimination of provisioning against Šroubárna Kyjov, spol. s r.o.	73 586
Elimination of provisioning against Strojírny a stavby Třinec, a.s.	34 637
Elimination of provisioning against BOHEMIA RINGS s.r.o.	336 054
Recognition of a provision for Ocelářská unie a.s.	-343
Write-off of positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s.	-13 089
Write-off of positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o.	-5 990
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	23 105
<b>Total adjustments</b>	<b>-247 516</b>

**5.1.3. ADJUSTMENTS TO THE PROFIT OR LOSS WITHIN THE EQUITY METHOD FOR 2022**

(CZK THOUSAND)

Elimination of paid profit shares of VESUVIUS ČESKÁ REPUBLIKA, a.s.	-42 871
<b>Total adjustments</b>	<b>-42 871</b>

## 5.2. CONSOLIDATED PROFIT/LOSS FOR 2021

### 5.2.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2021

	(CZK THOUSAND)
Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a. s.	1 306 080
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	49 437
Profit/(loss) of the current period – Slévárny 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 – Strojírny 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" Drótaru 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
<b>Consolidated profit</b>	<b>2 254 357</b>

**5.2.2. 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 Slévárny 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
<b>Total adjustments</b>	<b>114 817</b>

**5.2.3. 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
<b>Total adjustments</b>	<b>-32 184</b>

# 6. ADDITIONAL CONSOLIDATED BALANCE SHEET INFORMATION

## 6.1. INTANGIBLE FIXED ASSETS

### Cost

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	BALANCE AT 31 DEC 2022
Development	4 553	0	0	0	4 553
Valuable rights	511 495	6 854	824	-1 150	516 375
Goodwill	315	0	0	-14	301
Other intangible FA	69 753	15 593 349	11 996 136	0	3 666 966
Prepayments made for intangible FA	0	1 299	1 223	0	76
Intangible FA under construction	7 443	1 917 950	1 918 300	-9	7 084
<b>Total</b>	<b>593 559</b>	<b>17 519 452</b>	<b>13 916 483</b>	<b>-1 173</b>	<b>4 195 355</b>

### Accumulated Amortisation

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	BALANCE AT 31 DEC 2022
Development	4 553	0	0	0	4 553
Valuable rights	384 834	24 422	825	-778	407 653
Goodwill	315	0	0	-14	301
Other intangible FA	15 506	516	322	118	15 818
<b>Total</b>	<b>405 208</b>	<b>24 938</b>	<b>1 147</b>	<b>-674</b>	<b>428 325</b>



**Net Book Value**

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2022
Development	0	0
Valuable rights	126 661	108 722
Goodwill	0	0
Other intangible FA	54 247	3 651 148
Prepayments made for intangible FA	0	76
Intangible FA under construction	7 443	7 084
<b>Total</b>	<b>188 351</b>	<b>3 767 030</b>

**Amortisation of Intangible Fixed Assets Charged to Expenses**

Amortisation of intangible fixed assets amounted to CZK 24,938 thousand and CZK 26,646 thousand as of 31 December 2022 and 2021, respectively.

Other intangible assets primarily include allowances.

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

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 6,116,358 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 expected 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 did 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.

**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 38,356 thousand and CZK 38,893 thousand as of 31 December 2022 and 2021, respectively.

## 6.2. TANGIBLE FIXED ASSETS

### Cost

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	BALANCE AT 31 DEC 2022
Land	798 130	2 449	18	-1 538	799 023
Structures	16 571 164	437 861	21 591	-22 864	16 964 570
Tangible movable assets and their sets	47 362 088	1 395 825	296 707	-64 428	48 396 778
Other tangible FA	101 214	17 963	2 475	-3 383	113 319
Prepayments for tangible FA	236 552	399 434	472 610	-685	162 691
Tangible FA under construction	663 402	2 668 126	1 865 328	-902	1 465 298
<b>Total</b>	<b>65 732 550</b>	<b>4 921 658</b>	<b>2 658 729</b>	<b>-93 800</b>	<b>67 901 679</b>

### Accumulated Depreciation

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	BALANCE AT 31 DEC 2022
Structures	8 797 418	424 970	21 591	-9 219	9 191 578
Tangible movable assets and their sets	32 557 364	1 857 914	296 854	-45 064	34 073 360
Other tangible FA	78 646	3 828	2 371	-2 061	78 042
<b>Total</b>	<b>41 433 428</b>	<b>2 286 712</b>	<b>320 816</b>	<b>-56 344</b>	<b>43 342 980</b>

### Provisions

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	IMPACT OF FOREIGN EXCHANGE DIFFERENCES	BALANCE AT 31 DEC 2022
Structures	48 816	0	2 642	0	46 174
Tangible movable assets and their sets	37 454	30 532	35 840	0	32 146
Other tangible FA	33	0	0	0	33
Tangible FA under construction	7 645	0	4 548	0	3 097
<b>Total</b>	<b>93 948</b>	<b>30 532</b>	<b>43 030</b>	<b>0</b>	<b>81 450</b>

**Net Book Value**

(CZK THOUSAND)

NET BOOK VALUE	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2022
Land	798 130	799 023
Structures	7 724 930	7 726 818
Tangible movable assets and their sets	14 767 270	14 291 272
Other tangible FA	22 535	35 244
Prepayments for tangible FA	236 552	162 691
Tangible FA under construction	655 757	1 462 201
<b>Total</b>	<b>24 205 174</b>	<b>24 477 249</b>

**Principal additions to tangible fixed assets for the year ended 31 December 2022 were as follows:**

(CZK THOUSAND)

Acquisition of the peeling line	268 504
Acquisition of the peeling line hall	189 748
Technical improvements on the preparation of raw materials for the slag mill	45 292
KEH/KER 5.2. manufacturing line	34 457
Heating walking beam furnace BG winding	32 324
AKS 63 (H4) press	25 852
MAZAK B	24 677
MAZAK A	21 482

**Principal additions to tangible fixed assets under construction for the year ended 31 December 2022 were as follows:**

(CZK THOUSAND)

Construction of the wind heater no. 42	337 961
Stationary unloading INNOFREIGHT facility	260 320
Thermal treatment of rails	183 372

**Depreciation of Tangible Fixed Assets Charged to Expenses**

Depreciation of tangible fixed assets amounted to CZK 2,268,776 thousand and CZK 2,230,617 thousand as of 31 December 2022 and 2021, 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 979,649 thousand and CZK 952,722 thousand as of 31 December 2022 and 2021, respectively.

### 6.3. ASSETS HELD UNDER OPERATING LEASE AGREEMENTS

#### Operating Lease

Lease payments of CZK 68,029 thousand and CZK 69,127 thousand were made in the years ended 31 December 2022 and 2021, respectively.

### 6.4. PLEDGED FIXED ASSETS

2022

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
Tangible fixed assets	533 534	
Structures	99 185	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible fixed assets	379 999	
Land	96 223	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	520 379	
Land	11 988	Loan from ING Bank N.V.
Tangible fixed assets	1 895 179	
Land	42 678	Loan from ING Bank N.V.
Tangible fixed assets	1 124 127	
Land	18 538	Loan from Raiffeisenbank a.s.
Tangible fixed assets	71 456	Collateral for an investment bank loan with UniCredit Bank Czech Republic and Slovakia, a.s.
Technologies	51 088	Raiffeisenbank a.s – pledge for the long-term bank loan for funding the MoRe T4 – 110kV distribution point
Tangible fixed assets	44 360	Investment loan from ING Bank N.V.
Tangible fixed assets*	123 648	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, collateralised by machinery of up to PLN 24,000 thousand
Tangible fixed assets*	6 955	Loan from BNP Paribas Bank Polska S.A., collateralised by machinery of up to PLN 1,350 thousand
Tangible fixed assets *	20 608	Loan from BNP Paribas Bank Polska S.A., collateralised by machinery of up to PLN 4,000 thousand
Tangible fixed assets *	77 280	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, collateralised by machinery of up to PLN 15,000 thousand
Tangible fixed assets, land	831	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 181	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	489	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	13 265	Investment loan from Raiffeisenbank a.s.

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DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
Tangible fixed assets, land	859	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 390	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	660	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	6 223	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	300	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	2 702	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	828	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	1 313	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	38 603	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	6 962	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	4 290	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	290 660	
Land	4 166	
Technologies	177 170	Loan from Citibank Europe plc.
Tangible fixed assets*	36 663	Investment loan from ERSTE Bank Hungary Zrt.
Tangible fixed assets*	16 184	Investment loan from K&H Bank Zrt.
Tangible fixed assets*	29 047	Investment loan from K&H Bank Zrt.
Tangible fixed assets*	27 344	Investment loan from K&H Bank Zrt.
Land	4 772	
Tangible fixed assets	214 298	Loan from Raiffeisenbank a.s.
Land	283	
Tangible fixed assets	43 041	Loan from Česká spořitelna, a.s.
Tangible fixed assets	35 300	Long-term bank loan from Československá obchodní banka, a. s.
<b>Total</b>	<b>6 079 507</b>	

Note: \*translated using the Czech National Bank's exchange rate as of 31 December 2022

2021

(CZK THOUSAND)

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
Tangible fixed assets	546 578	
Structures	108 891	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible fixed assets	2 058	
Land	39 986	Loan from Československá obchodní banka, a. s.
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	
Land	96 223	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	423 718	
Land	11 988	Loan from ING BANK N. V.
Tangible fixed assets	143 603	Loan from ING BANK N. V.
Tangible fixed assets	1 194 887	
Land	18 538	Loan from Raiffeisenbank a.s.
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.
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.

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DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
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	
Land	4 166	
Technologies	197 007	Loan from Citibank Europe plc.
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	
Tangible fixed assets	231 760	Loan from Raiffeisenbank a.s.
Land	283	
Tangible fixed assets	43 247	Loan from Česká spořitelna, a.s.
Tangible fixed assets	38 241	Long-term bank loan from Československá obchodní banka, a. s.
<b>Total</b>	<b>5 725 263</b>	

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

## 6.5. NON-CURRENT FINANCIAL ASSETS

### Cost

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	REVALUATION	IMPACT OF EXCHANGE RATE GAINS OR LOSSES	BALANCE AT 31 DEC 2022
Equity investments – controlled or controlling entity	461 268	0	18 461	191	0	442 998
Equity investments in associates	26 202	0	0	0	0	26 202
Other non-current securities and equity investments	2 001	1	0	0	0	2 002
<b>Total</b>	<b>489 471</b>	<b>1</b>	<b>18 461</b>	<b>191</b>	<b>0</b>	<b>471 202</b>

### Provisions

(CZK THOUSAND)

	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	REVALUATION	IMPACT OF EXCHANGE RATE GAINS OR LOSSES	BALANCE AT 31 DEC 2022
Equity investments – controlled or controlling entity	113 978	36 513	0	0	0	150 491
Equity investments in associates	17 740	1 191	0	0	0	18 931
Other non-current securities and equity investments	0	0	0	0	0	0
<b>Total</b>	<b>131 718</b>	<b>37 704</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>169 422</b>



## 6.6. SUMMARY OF UNCONSOLIDATED FINANCIAL INVESTMENTS

### 6.6.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITY

31 December 2022

(CZK THOUSAND)

NAME OF THE ENTITY, REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	37 242	2 896	0	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	48 091	4 024	0	3 000
TRIALFA, s.r.o., Třinec-Kanada	100.00	21 805	716	0	0
Moravia Security, a.s., Kanská, Třinec	100.00	41 815	3 388	0	2 300
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	33 452	3 931	0	2 285
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	40 009	-238	-14 594	0
TRISIA, a.s., Lyžbice, Třinec	66.00	40 879	715	-14 988	0
Reťaze Slovakia s.r.o., Skalica (SK)	80.00	11 391	1 843	0	2 169
JuBo Jeseník s. r. o., Jeseník	80.00	6 339	2 269	0	1 600
Řetězárna servis s.r.o., Jeseník	100.00	6 028	4 025	0	3 100
IMOPRA s.r.o., Nivnice	100.00	110 949	1 536	-70 909	3 400
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	-58 090	-79 030	-50 000	0
ENEZA, s.r.o., Staré Město, Třinec*	52.50	93 474	9 706	0	0
<b>Total</b>				<b>-150 491</b>	<b>17 854</b>

Note: *italics* – preliminary results as of 31 December 2022

\*economic results for the period from 1 April 2022 to 31 December 2022

## 31 December 2021

(CZK THOUSAND)

NAME OF THE ENTITY, REGISTERED OFFICE	EQUITY INVESTMENT %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION	FINANCIAL INCOME
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	34 347	-8 313	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., Kanská, Třinec	100.00	40 727	2 571	0	5 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, 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
Reťaze Slovakia s.r.o., Skalica (SK)	80.00	12 578	3 134	0	1 626
JuBo Jeseník s. r. o., Jeseník	80.00	6 070	2 732	0	480
Řetězárna servis s.r.o., Jeseník	100.00	5 103	3 288	0	2 900
IMOPRA s.r.o., Nivnice	100.00	112 812	3 986	-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	83 768	5 821	0	0
<b>Total</b>				<b>-113 978</b>	<b>27 733</b>

Note: \*economic results for the period from 1 April 2021 to 31 March 2022

## 6.6.2. EQUITY INVESTMENTS – ASSOCIATES

### 31 December 2022

(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 1	40.44**	41 335	-544	-18 931	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	4 506	1 714	0	0
<b>Total</b>				<b>-18 931</b>	<b>0</b>

Note: *italics* – preliminary results as of 31 December 2022

\*profit or loss for the period from 1 April 2022 to 31 December 2022 (period from 1 April 2022 to 31 March 2023)

\*\*equity investments of the Company and the VÚHŽ a.s. subsidiary

### 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 1	40.44	42 403	-1 130	-17 740	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	2 792	632	0	0
<b>Total</b>				<b>-17 740</b>	<b>0</b>

Note: \*profit or loss for the period from 1 April 2021 to 31 March 2022

\*\*equity investments of the Company and the VÚHŽ a.s. subsidiary

## 6.7. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2022

(CZK THOUSAND)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EQUITY	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME
<b>Positive goodwill arising on consolidation</b>						
ŽDB DRÁTOVNA a.s.	261 780	-65 445	196 335	0	13 089	0
BOHEMIA RINGS s.r.o.	119 809	-28 454	91 355	0	5 990	0
<b>Total</b>	<b>381 589</b>	<b>-93 899</b>	<b>287 690</b>	<b>0</b>	<b>19 079</b>	<b>0</b>
<b>Negative goodwill arising on consolidation</b>						
REFRASIL, s.r.o.	-14 566	3 156	-11 410	0	0	728
<b>Total</b>	<b>-14 566</b>	<b>3 156</b>	<b>-11 410</b>	<b>0</b>	<b>0</b>	<b>728</b>

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 2022, 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 2022, the Company recognised a write-off of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. of CZK 13,089 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 2022, 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 2022, the Company recognised a write-off of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. of CZK 5,990 thousand.

As of 31 December 2022, the gross amount of the negative goodwill arising on consolidation of REFRASIL, s.r.o. amounts to CZK 14,566 thousand.

In 2022, the Company recognised a write-off of the negative goodwill arising on consolidation of REFRASIL, s.r.o. of CZK 728 thousand.

## 2021

(CZK THOUSAND)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EQUITY	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME
<b>Positive goodwill arising on consolidation</b>						
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
<b>Total</b>	<b>381 589</b>	<b>-74 820</b>	<b>306 769</b>	<b>0</b>	<b>22 758</b>	<b>0</b>
<b>Negative goodwill arising on consolidation</b>						
REFRASIL, s.r.o.	-14 566	2 428	-12 138	0	0	728
<b>Total</b>	<b>-14 566</b>	<b>2 428</b>	<b>-12 138</b>	<b>0</b>	<b>0</b>	<b>728</b>

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.

## 6.8. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK THOUSAND)

SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING	2022	2021
VESUVIUS ČESKÁ REPUBLIKA, a.s.	144 027	174 464
<b>Total</b>	<b>144 027</b>	<b>174 464</b>

## 6.9. PLEDGED NON-CURRENT FINANCIAL ASSETS

As of 31 December 2022 and 2021, 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 2022, "METALURGIA" SPÓŁKA AKCYJNA AKCYJNA has pledged the inventory of up to PLN 19,500 thousand (CZK 100,464 thousand) with BNP Paribas Bank Polska S.A. in relation to the drawn loan and inventory of up to PLN 19,500 thousand (CZK 100,464 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna in relation to the drawn loan.

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.

## 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 2022, the Company recorded long-term receivables with maturity period greater than five years of CZK 562 thousand (2021: CZK 581 thousand).

### 6.11.2. SHORT-TERM RECEIVABLES

As of 31 December 2022 and 2021, gross short-term trade receivables past their due dates amounted to CZK 454,363 thousand (net CZK 394,619 thousand) and CZK 345,417 thousand (net CZK 290,589 thousand), respectively.

### Other Receivables

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

As of 31 December 2022 and 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 2022, sundry receivables principally include a receivable arising from an indisputable claim for a subsidy and receivables from individuals. As of 31 December 2021, this item principally included a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from a not fully used provided donation and a receivable from a contribution under the employment protection programme “Antivirus”.

As of 31 December 2022, estimated receivables principally include an estimated receivable for expected insurance claims relating to an accident of the wind heater and refund of the VAT paid abroad. As of 31 December 2021, this item principally included a receivable arising from expected insurance claims, use of an operating subsidy and refund of the VAT paid abroad.

Receivables typically mature within 30 days.

#### 6.11.3. PLEDGED RECEIVABLES

As of 31 December 2022, “METALURGIA” SPÓŁKA AKCYJNA records pledged receivables of PLN 10,248 thousand (CZK 52,798 thousand) with BNP Paribas Faktoring Sp. z o. o. and pledged receivables of PLN 4,026 thousand (CZK 20,739 thousand) with Pekao Faktoring Sp. z o.o. As of 31 December 2021, pledged receivables amounted to PLN 11,222 thousand (CZK 60,686 thousand) with BNP Paribas Faktoring Sp. z o. o. and PLN 3,209 thousand (CZK 17,355 thousand) with Pekao Faktoring Sp. z o.o.

As of 31 December 2022, “D&D” Drótáru Zrt. records pledged receivables of HUF 157,752 thousand (CZK 9,489 thousand) with Tryg Garanti and pledged receivables of HUF 17,650 thousand (CZK 1,062 thousand) with CEC Bank S.A. Bucharest. As of 31 December 2021, “D&D” Drótáru Zrt. recorded 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.

#### 6.11.4. INTERCOMPANY RECEIVABLES

Long-term receivables from the controlled or controlling entity as of 31 December 2022 include a receivable under the Revolving Loan Contract with EKOSTROJÍRENSTVÍ TŘINEC, a.s., amounting to CZK 67,123 thousand which was provisioned in full.

## Short-term Receivables

(CZK THOUSAND)

NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
• Trade receivables			
Doprava TŽ, a.s.	Controlled entity	3 586	3 551
JuBo Jeseník s. r. o.	Controlled entity	5 356	4 732
Moravia Security, a.s.	Controlled entity	100	146
MORAVIA STEEL a.s.	Controlling entity	1 796 406	2 847 744
TRIALFA, s.r.o.	Controlled entity	3 883	6 224
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	160	157
Třinecké gastroslužby, s.r.o.	Controlled entity	2 242	2 076
TRISIA, a.s.	Controlled entity	98	107
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Subsidiary	10 271	5 780
Beskydská golfová, a.s.	Fellow subsidiary	13	10
NEOMET Sp. z o.o.	Fellow subsidiary	85	29
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM s.r.o.*	Controlled entity	0	12
M Steel Projects a.s.	Fellow subsidiary	8	8
Security Morava, s.r.o.	Controlled entity	99	9
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	1 324	1 940
Kovárna VIVA a.s.	Fellow subsidiary	218	504
MINERFIN a.s.	Group entity	1 620	1
Barrandov Studio a.s.	Fellow subsidiary	230	230
Reťaze Slovakia, s.r.o.	Controlled entity	2 307	0
Řetězárna servis s.r.o.	Controlled entity	7	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	148	625
MSV Metal Studénka, a.s.	Fellow subsidiary	258	376
KUŹNIA OSTRÓW WIELKOPOLSKI SP. Z O.O.	Fellow subsidiary	706	0
ALPER a.s.	Fellow subsidiary	17	0

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NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
ENEZA, s.r.o.	Controlled entity	1 109	1 276
<b>Total</b>		<b>1 830 251</b>	<b>2 875 537</b>
• Short-term prepayments made			
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	15 404	0
TRISIA, a.s.	Controlled entity	1	0
<b>Total</b>		<b>15 405</b>	<b>0</b>
• Receivables – controlled or controlling entity			
Třinecké gastroslužby, s.r.o.	Controlled entity	8 500	7 518
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	0	5 666
<b>Total</b>		<b>8 500</b>	<b>13 184</b>
• Accrued income			
Třinecké gastroslužby, s.r.o.	Controlled entity	167	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	1 173	0
<b>Total</b>		<b>1 340</b>	<b>0</b>
• Other receivables			
MORAVIA STEEL a.s.	Controlling entity	0	40
<b>Total</b>		<b>0</b>	<b>40</b>
<b>Total short-term intercompany receivables including accruals</b>		<b>1 855 496</b>	<b>2 888 761</b>
Other than intercompany receivables		4 334 054	2 850 225
<b>Total short-term receivables including accruals</b>		<b>6 189 550</b>	<b>5 738 986</b>

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

As of 31 December 2022, 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 2021 in the amount of CZK 1,306,080 thousand as follows:

- |   |                         |
|---|-------------------------|
| – Profit share assigned to the sole shareholder | CZK 1,000,000 thousand, |
| – Retained earnings brought forward             | CZK 306,080 thousand.   |

### 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 2022

In 2022, the Company generated net profit after tax of CZK 2,393,024 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 1,893,024 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 2022 primarily include payables arising from retention fees from suppliers according to concluded contracts.

As of 31 December 2022, the Company recorded long-term payables covered by material guarantees.

As of 31 December 2022 and 2021, the Company recorded long-term trade payables with maturities exceeding 5 years in the amounts of CZK 0 and 810 thousand, respectively.

### 6.14.2. SHORT-TERM TRADE PAYABLES

As of 31 December 2022, short-term trade payables past their due dates amount to CZK 15,826 thousand (2021: CZK 55,781 thousand).

Payables typically fall due for settlement within 60 days.

### 6.14.3. OTHER PAYABLES

In the year ended 2022, the category 'State – tax payables and subsidies' principally comprised received subsidies for emission allowances and a payable arising from corporate and personal income tax. In the year ended 31 December 2021, the category principally comprised a payable arising from corporate and personal income tax.

As of 31 December 2022, 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, an estimated payable arising from unbilled inventory including services, and an estimated payable for an acquisition of fixed assets. As of 31 December 2021, 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 2022 and 31 December 2021, 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 2022, the consolidated group recorded no long-term intercompany payables.

Other than intercompany long-term payables as of 31 December 2022 and 2021 primarily include a deferred tax liability of CZK 1,780,294 thousand and CZK 1,784,830 thousand, respectively, and payables to credit institutions of CZK 2,788,219 thousand and CZK 2,861,157 thousand, respectively.

## Short- term Payables

(CZK THOUSAND)

NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
• Trade payables			
Řetězárna servis s.r.o.	Controlled entity	2 113	2 613
Doprava TŽ, a.s.	Controlled entity	14 119	13 156
Ocelářská unie, a.s.	Associate	926	835
MORAVIA STEEL a.s.	Controlling entity	3 900 215	3 226 017
Moravia Security, a.s.	Controlled entity	13 142	11 395
Security Morava, s.r.o.	Controlled entity	2 028	1 980
TRIALFA, s.r.o.	Controlled entity	18 039	15 809
TRISIA, a.s.	Controlled entity	1 469	463
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	7 015	5 961
Třinecké gastroslužby, s.r.o.	Controlled entity	12 549	9 854
VESUVIUS ČESKA REPUBLIKA, a.s.	Associate	9 210	8 196
Beskydská golfová, a.s.	Fellow subsidiary	0	3 630
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.*	Controlled entity	133	225
„ZAMECZEK BŁOGOCICE“ Sp. z o.o.	Controlled entity	87	91
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	125 363	179 916
MORAVIA STEEL ITALIA s.r.l.	Fellow subsidiary	104	0
MORAVIA STEEL SLOVENIJA d.o.o.	Fellow subsidiary	508	587
MORAVIA STEEL IBÉRIA, S.A.	Fellow subsidiary	497	477
MORAVIA STEEL UK LIMITED	Fellow subsidiary	66	133
Moravia Steel Deutschland GmbH	Fellow subsidiary	3 264	1 302
NEOMET Sp. z o.o.	Fellow subsidiary	71 145	94 400
MSV Metal Studénka, a.s.	Fellow subsidiary	213	983
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	1 128	0
ENEZA, s.r.o.	Controlled entity	15 915	11 024
<b>Total</b>		<b>4 199 248</b>	<b>3 589 047</b>

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NAME OF THE ENTITY	RELATION TO THE COMPANY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
• Accrued expenses			
MORAVIA STEEL a.s.	Controlling entity	4 161	2 887
MORAVIA STEEL IBÉRIA, S.A.	Fellow subsidiary	286	338
MORAVIA STEEL SLOVENIJA d.o.o.	Fellow subsidiary	6	16
<b>Total</b>		<b>4 453</b>	<b>3 241</b>
• Estimated payables			
MORAVIA STEEL a.s.	Controlling entity	985	479
MORAVIA STEEL ITALIA s.r.l.	Fellow subsidiary	0	251
MORAVIA STEEL IBÉRIA, S.A.	Fellow subsidiary	0	68
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	39	0
<b>Total</b>		<b>1 024</b>	<b>798</b>
• Other payables			
MORAVIA STEEL a.s.	Controlling entity	55 961	45 375
<b>Total</b>		<b>55 961</b>	<b>45 375</b>
<b>Total short-term intercompany payables including accruals</b>		<b>4 260 686</b>	<b>3 638 461</b>
Other than intercompany payables		11 337 272	5 781 765
<b>Total short-term payables including accruals</b>		<b>15 597 958</b>	<b>9 420 226</b>

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

Short-term payables outside of the group as of 31 December 2022 and 2021 predominantly include payables to credit institutions of CZK 2,567,100 thousand and CZK 1,995,596 thousand, respectively, and tax payables and subsidies of CZK 3,922,283 thousand and CZK 382,813 thousand as of 31 December 2022 and 2021, 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 2022	BALANCE AT 31 DEC 2021
Difference between tax and accounting net book value of fixed assets	19	-11 470 364	-11 208 346
Difference between tax and accounting net book value of fixed assets	9	-66 979	-65 302
Remeasurement of securities available for sale	19	54	54
Remeasurement of assets to fair value	19	-193 765	-232 596
Remeasurement of assets to fair value	9	-28 941	-30 317
Accounting reserves	19	729 368	832 010
Provisions	19	1 385 646	835 965
Expenses to be allowable in subsequent periods	19	166 309	237 456
Utilisable tax loss	19	10 353	93 795
Unrealised gains on the intragroup sale of inventory	19	42 500	48 691
Unrealised gains on intragroup sales of tangible and intangible fixed assets	19	5 594	44 591
Unrealised gains on intragroup sales of tangible and intangible fixed assets (equity)	19	-229	-169
<b>Total tax base</b>		<b>-9 420 454</b>	<b>-9 444 168</b>
<b>Deferred tax liability</b>		<b>-1 780 294</b>	<b>-1 784 830</b>

(CZK THOUSAND)	
ANALYSIS OF MOVEMENTS	
<b>31 Dec 2021</b>	<b>-1 784 830</b>
Current changes charged to the profit and loss account	3 852
Current changes recognised in equity	683
Other	1
<b>31 Dec 2022</b>	<b>-1 780 294</b>

## 6.16. PAYABLES TO CREDIT INSTITUTIONS

### Long-Term Payables to Credit Institutions

(CZK THOUSAND)

TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AS OF 31 DECEMBER 2022
Investment loan	CZK	0	60 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	0	7 952	Hermes guarantee insurer
Investment loan	EUR	0	0	ODL guarantee insurer
Investment loan	CZK	840 000	1 080 000	Immovable and movable assets, insurance receivables, promissory note
Acquisition loan	EUR	0	124 300	Securities, promissory note
Investment loan	EUR	537 463	775 694	Immovable and movable assets, insurance receivables
Investment loan	CZK	171 429	400 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	939 279	0	Immovable and movable assets, insurance receivables, promissory note
Investment loan	CZK	1 424	3 865	Pledge of real estate and movable assets
Investment loan	EUR	4 800	13 429	Pledge of real estate and movable assets
Investment loan	CZK	4 750	6 650	No collateral
Investment loan	CZK	26 440	52 803	Blank promissory note, pledge of movable assets
Investment loan	CZK	29 333	47 333	Blank promissory note
Investment loan	CZK	0	11 400	Pledge of assets, blank promissory note
One-time investment loan	EUR	0	0	Movable and immovable assets
One-time investment loan *	EUR	0	0	Movable and immovable assets
One-time investment loan	EUR	50 527	78 132	Movable and immovable assets
Investment loan	EUR	0	0	Blank promissory note, pledge of movable assets
Investment loan	EUR	39 048	17 105	Blank promissory note, pledge of movable assets
Special purpose loan	CZK	15 000	25 000	Pledge of movable assets
Investment loan	EUR	0	0	Blank promissory note
Investment loan	EUR	5 627	11 585	Blank promissory note
Investment loan	EUR	12 661	0	Blank promissory note
Investment loan	CZK	0	10 561	2 x blank promissory note
Investment loan	EUR	0	2 486	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset

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TYPE OF PAYABLE	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AS OF 31 DECEMBER 2022
Investment loan	EUR	0	3 551	Pledge of immovable assets, blank promissory note, pledge of receivables arising from insurance
Investment loan	EUR	20 754	33 622	Blank promissory note
Investment loan	EUR	47 024	51 709	Blank promissory note
Investment loan	EUR	1 541	7 966	Mortgage, insurance security
Investment loan	EUR	2 196	5 338	Mortgage, insurance security
Investment loan	EUR	7 734	12 569	Mortgage, insurance security
Investment loan	EUR	11 478	0	Mortgage, insurance security
Investment loan	PLN	0	0	Pledge – machinery and equipment
Investment loan	PLN	10 135	14 894	Collateralised with tangible assets (machinery, equipment) along with insurance
Investment loan	PLN	900	3 213	Collateralised with tangible assets (machinery, equipment) along with insurance
Investment loan	EUR	8 676	0	Collateralised with tangible assets (machinery, equipment) along with insurance
<b>Total</b>		<b>2 788 219</b>	<b>2 861 157</b>	

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 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Investment loan	EUR	7 713	15 904	Hermes guarantee insurer
Investment loan	EUR	0	6 215	Blank promissory note
Investment loan	EUR	5 627	5 817	Blank promissory note
Investment loan	EUR	4 220	0	Blank promissory note
Overdraft	PLN	16 764	44 035	Pledge – goods, material, products and insurance
Investment loan	PLN	0	0	Collateralised with tangible assets (machinery, equipment) along with insurance
Overdraft	PLN	25 719	54 006	Pledge – machinery, equipment, including insurance, assignment of trade receivables
Investment loan	PLN	0	2 245	Pledge – machinery and equipment
Investment loan	PLN	4 054	4 255	Collateralised with tangible assets (machinery, equipment) along with insurance
Investment loan	PLN	2 161	2 268	Collateralised with tangible assets (machinery, equipment) along with insurance
Investment loan	EUR	2 214	0	Collateralised with tangible assets (machinery, equipment) along with insurance

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TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
One-time investment loan	EUR	0	20 605	Movable and immovable assets
Overdraft – credit cards	CZK	73	46	No collateral
One-time investment loan *	EUR	0	24 313	Movable and immovable assets
One-time investment loan	EUR	25 276	26 044	Movable and immovable assets
Revolving loan	EUR	72 345	0	Receivables
Overdraft	EUR	38 208	0	Receivables
Investment loan	EUR	0	13 776	ODL guarantee insurer
Investment loan	EUR	214 985	221 627	Immovable and movable assets, insurance receivables
Investment loan	CZK	60 000	180 000	Immovable and movable assets, insurance receivables, blank promissory note
Acquisition loan	EUR	120 575	165 733	Securities, promissory note
Investment loan	CZK	228 571	228 571	Immovable and movable assets, insurance receivables, blank promissory note
Investment loan	EUR	49 436	0	Immovable and movable assets, insurance receivables, blank promissory note
Investment loan	CZK	240 000	120 000	Immovable and movable assets, insurance receivables, blank promissory note
Overdraft	CZK	156 371	65 937	Blank promissory note
Overdraft	CZK	157 366	65 805	No collateral
Overdraft	CZK	159 780	66 124	Blank promissory note
Overdraft	CZK	158 593	71 043	Blank promissory note
Overdraft	CZK	173 210	70 841	Blank promissory note
Overdraft	CZK	203 731	0	Blank promissory note
Short-term loan	CZK	9	9	No collateral
Investment loan	CZK	2 441	2 441	Pledged movable and immovable assets
Investment loan	EUR	8 227	8 482	Pledged movable and immovable assets
Investment loan	CZK	1 900	1 900	No collateral
Investment loan	CZK	11 400	15 200	Pledged assets, blank promissory note
Credit cards	CZK	40	6	No collateral
Overdraft	CZK	3 451	0	Blank promissory note
ŠkoFin	CZK	199	0	Transfer of ownership right
Special-purpose loan	CZK	10 000	10 000	Pledged movable asset

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TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
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	0	10 166	Blank promissory note, pledged movable assets
Overdraft	CZK	5 318	39 562	Blank promissory note
Overdraft	CZK	12 985	44 570	Blank promissory note
Overdraft	EUR	4 188	0	Blank promissory note
Investment loan	EUR	14 204	10 980	Blank promissory note, pledged movable assets
Overdraft	CZK	105 513	70 494	No collateral
Investment loan	CZK	10 561	15 842	2 x blank promissory note
Operating loan	CZK	34 357	14 638	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
Operating loan	EUR	22 297	0	Blank promissory note
Investment loan	EUR	2 412	3 729	Pledged real estate, blank promissory note, restriction of the right of disposal of immovable asset
Investment loan	EUR	3 732	3 552	Pledged real estate, blank promissory note, pledged receivables from insurance
Operating loan	CZK	99 352	187 026	Blank promissory note
Investment loan	EUR	11 860	12 227	Blank promissory note
Investment loan	EUR	14 469	11 187	Blank promissory note
Investment loan	EUR	6 163	6 373	Mortgage, insurance security
Investment loan	EUR	2 966	3 067	Mortgage, insurance security
Investment loan	EUR	4 420	4 571	Mortgage, insurance security
Investment loan	EUR	3 280	0	Mortgage, insurance security
<b>Total</b>		<b>2 567 100</b>	<b>1 995 596</b>	

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 148,307 thousand.

## 6.17. OFF BALANCE SHEET ASSETS AND LIABILITIES, LEGAL DISPUTES AND OTHER MATTERS

### TŘINECKÉ ŽELEZÁRNY, a. s.

#### Provided Guarantees

31 December 2022

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2022
<b>Guarantees</b> – to other entities	EUR 3,249 thousand	CZK 78,356 thousand

31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<b>Guarantees</b> – to other entities	EUR 3,449 thousand	CZK 85,749 thousand

#### Received Guarantees

31 December 2022

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2022
<b>Guarantees</b> – from other entities	USD 52 thousand	CZK 1,166 thousand
	EUR 5,255 thousand	CZK 126,721 thousand
	CZK 90,170 thousand	CZK 90,170 thousand

31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<b>Guarantees</b> – 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

As of 31 December 2022, 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.

## 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 was 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 ruling on 11 September 2019 in an appeal proceedings and the ruling is final and conclusive. The Supreme Court rejected the appeal. The constitutional complaint was rejected by the Constitutional Court.

Dispute initiated by the insolvency trustee of the debtor VÍTKOVICE GEARWORKS a.s., regarding the ineffectiveness of the agreement on the extinguishment of mutual obligations concluded between the Company, Strojírny a stavby Třinec, a.s., and this debtor, based on which the Company's obligation to pay an amount to this debtor, the settlement of which is now being sought by the 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 was 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 repeatedly. The High Court in Olomouc confirmed the above ruling on 29 June 2021 and the ruling is final and conclusive. The Supreme Court rejected the appeal.

## 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 2022, the Company used up funds in the amount of CZK 543,021 thousand (2021: CZK 541,615 thousand).

### Other matters

In 2022 and 2021, 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.

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

### Other entities included in the consolidation group

#### Energetika Třinec, a.s.

#### Collateral for payables

(CZK THOUSAND)

TYPE OF LIABILITY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Blank promissory notes – collateral for own overdrafts	450 000	450 000
Blank promissory notes – collateral for own long-term loans	235 000	235 000
<b>Total</b>	<b>685 000</b>	<b>685 000</b>

#### Strojírny a stavby Třinec, a.s.

#### Provided guarantees

31 December 2022

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2022
<b>Guarantees</b> – to other entities	CZK 34,441 thousand	CZK 34,441 thousand

31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<b>Guarantees</b> – to other entities	CZK 15 536 thousand	CZK 15 536 thousand

**Received guarantees**

31 December 2022

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2022
<b>Guarantees</b> – from other entities	CZK 10,759 thousand	CZK 10,759 thousand

31 December 2021

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<b>Guarantees</b> – from other entities	CZK 10,759 thousand	CZK 10,759 thousand

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.

# 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 2022

(CZK THOUSAND)

ACTIVITIES	IN-COUNTRY	CROSS-BORDER	TOTAL
Metallurgic production	57143768	7501446	64645214
Other production	2717638	5387393	8105031
Sale of goods	43107	179499	222606
Services	947158	197344	1144502
<b>Total</b>	<b>60851671</b>	<b>13265682</b>	<b>74117353</b>

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

(CZK THOUSAND)

ACTIVITIES	IN-COUNTRY	CROSS-BORDER	TOTAL
Metallurgic production	43407627	5822064	49229691
Other production	1986114	4290034	6276148
Sale of goods	43036	260960	303996
Services	773069	144286	917365
<b>Total</b>	<b>46209846</b>	<b>10517354</b>	<b>56727200</b>

## 7.2. GRANTS AND SUBSIDIES

In the year ended 31 December 2022, the Company drew a subsidy for the acquisition of environmental and other investments of CZK 14,923 thousand.

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 2022, SV servisní, s.r.o., received a subsidy for the modernisation of LDS – switching station of CZK 5,196 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 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.

Subsidies for operating purposes and allowances amounting to CZK 12,534 thousand utilised in the year ended 31 December 2022 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 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.

## 7.3. TOTAL REMUNERATION CHARGED BY THE AUDITOR

(CZK THOUSAND)

	YEAR ENDED 31 DECEMBER 2022	YEAR ENDED 31 DECEMBER 2021
Obligatory audit of the financial statements	10 856	9 943
Other assurance services	577	301
Tax advisory	0	23
Other non-audit services	356	321
<b>Total</b>	<b>11 789</b>	<b>10 588</b>



## 7.4. OTHER EXPENSES AND INCOME

Other operating income as of 31 December 2022 and 2021 predominantly includes the drawing of the grant for allowances of CZK 6,315,735 thousand and CZK 5,114,072 thousand, respectively, and expected insurance benefits related to an accident of the wind heater of CZK 917,991 thousand (2021: CZK 55,737 thousand).

Other financial income in 2022 and 2021 predominantly includes foreign exchange gains of CZK 322,385 thousand and CZK 200,608 thousand, respectively.

Other operating expenses as of 31 December 2022 and 2021 predominantly include the use of emission allowances of CZK 8,229,032 thousand and CZK 5,451,864 thousand, respectively.

Other financial expenses as of 31 December 2022 and 2021 predominantly include foreign exchange losses of CZK 295,187 thousand and CZK 174,009 thousand, respectively.

Financial gifts are reported in operating expenses. The total amount of the gifts provided in 2022 was CZK 58,371 thousand (2021: CZK 26,503 thousand).

In the year ended 31 December 2022, the Company received and reported the compensation for indirect costs for industries identified as having a significant risk of carbon leakage due to the reflection of the costs associated with greenhouse gas emissions in the price of electricity for the calendar year of 2021 in the amount of CZK 154,511 thousand.

In the year ended 31 December 2021, the Company received and reported the compensation for indirect costs for industries identified as having a significant risk of carbon leakage due to the reflection of the costs associated with greenhouse gas emissions 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 2022	31 DEC 2021
Development costs (less subsidies)	34 425	38 043

## 7.6. RELATED PARTY TRANSACTIONS

### 7.6.1. INCOME GENERATED WITH RELATED PARTIES

The income generated with related parties amounted to CZK 55,857,423 thousand in the year ended 31 December 2022 of which income generated with MORAVIA STEEL a.s. amounted to CZK 55,504,423 thousand (2021: CZK 42,138,625 thousand of which CZK 42,138,625 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 2022 and 2021 is disclosed in Note 6.6.

### 7.6.2. PURCHASES FROM RELATED PARTIES

Total purchases from related parties amounted to CZK 47,551,414 thousand for the year ended 31 December 2022 of which CZK 43,189,545 thousand from MORAVIA STEEL a. s. (2021: CZK 35,375,712 thousand of which CZK 31,181,115 thousand from MORAVIA STEEL a.s.). All intragroup transactions were under arm's length basis.

# 8. EMPLOYEES AND MANAGEMENT OF ENTITIES IN THE CONSOLIDATION GROUP

## 8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

31 December 2022

	(CZK THOUSAND)	
	NUMBER	TOTAL STAFF COSTS
Employees	11 672	7 651 160
Management	140	387 900
<b>Total</b>	<b>11 812</b>	<b>8 039 060</b>

31 December 2021

	(CZK THOUSAND)	
	NUMBER	TOTAL STAFF COSTS
Employees	11 805	7 398 976
Management	140	321 030
<b>Total</b>	<b>11 945</b>	<b>7 720 006</b>

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 Boards, the members of the Board of Directors, statutory executives and professional directors. In respect of the Company, they also include managers of operations and specialised units, and the plant director.

## 8.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

The amount of other supplies provided to managers:

	(CZK THOUSAND)	
	2022	2021
Use of management cars (the figure increases the tax base of employees)	11 309	11 185
Contribution for life insurance	191	247
Liability insurance	735	747

## 9. POST BALANCE SHEET EVENTS

On 24 March 2023, the Board of Directors approved the project of an intrastate merger of dissolving Doprava TŽ, a.s., with the successor entity TŘINECKÉ ŽELEZÁRNY, a. s., as the sole shareholder of the dissolving entity.

## 10

REPORT ON RELATED PARTY  
TRANSACTIONS FOR THE YEAR 2022

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 2022 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.

**“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 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 ODPOWIEDZIALNOŚCI W UPADŁOŚCI LIKWIDACYJNEJ**, 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 28 March 2022).

On 2 November 2021, the District Court in Gliwice issued a resolution terminating the insolvency proceedings of the company “MSK POLSKA” Sp. z o.o.

On 28 March 2022, this company was dissolved by removal from the Register of Companies.

**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., “v likvidaci”**, 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.

### 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.

**Retáže 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, until 15 February 2022.

**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: 269 55 342

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: 607 25 974

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: 262 77 697

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

**BOHEMIA RINGS s.r.o.**, registered office: 10, 565 43 Zámorsk, corporate ID: 496 85 643

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: 087 30 377

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.

The registered office addresses disclosed in Chapter I have been outlined in accordance with the status as of 31 December 2022.

## 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 the provisions of 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 2021 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.;
  - 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.

## B. List of Contracts between TŽ and MS

### B1. 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.

### B2. 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 premises, movable assets and lease of parking places in the area of TŽ in Třinec.
5. Contracts for lease of non-residential premises of 23 January 1997 – lease of garage parking in the area of TŽ in Třinec.
6. 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.
7. Lease contract of 1 January 2011 – lease of non-residential premises and movable assets in the area of TŽ in Ostrava – Vítkovice.
8. 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.
9. Contract for lease of non-residential premises of 20 December 2011 – lease of non-residential premises in a building located in Staré Město.
10. Accommodation contract of 28 April 2005 – accommodation in a building of TŽ in Prague 4 – Nusle, accommodation unit no. S4.
11. Framework accommodation contract of 20 August 2018 – accommodation of employees on business trips in a building of TŽ in Prague – Nusle.
12. Contract on the provision of telecommunication services of 31 December 1998.

13. Contract on Internet connection via the network of TŘINECKÉ ŽELEZÁRNY, a.s., of 20 July 1999.
14. Consignment agreement of 13 August 2007 on representing the committer in customs proceedings – customs proceedings services.
15. Consignment agreement of 3 January 2005 on representing the committer in customs proceedings – customs proceedings services.
16. Contract on transport of employees in 2022 of 31 January 2022.
17. Framework Purchase Contract of 30 January 2008 and partial purchase contracts concluded under this framework contract – sale of goods from stock.
18. Master purchase contract of 17 June 2020 and partial purchase contracts concluded pursuant to this framework contract – sale of goods from inventory.
19. Contract on the provision of services of 11 August 2003 – services related to smart cards.
20. Assignment contract on representation in customs proceedings of 19 July 2017.
21. 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.
22. Contract of mandate of 29 June 2011 – dealing with issues related to the supervision of the transfer of goods between the EU Member States.
23. 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.
24. Contract on business cooperation in the supplies for the public tender “Flat steel spliced bars 2021” for Správa železnic, státní organizace, of 1 April 2021.
25. Contract on business cooperation in the supplies for the public tender “Rail supplies – for tram and metro lines” for Dopravní podnik hl. m. Prahy, akciová společnost, of 16 March 2022.
26. Contract on business cooperation in the supply of broad-gauge rails for Železnice Slovenské republiky of 15 September 2022.
27. Contract on business cooperation in the supplies for the public tender of “Fine Rolled Rail 2022” of 7 November 2022.
28. Contract on business cooperation in the supply of fastening and fixing material for railway superstructure 2022 for Správa železnic, státní organizace, of 5 August 2022.
29. Contract on the supply of the Třinecký hutník weekly in 2022 of 19 January 2022.
30. Contract on securing bus transport for convalescence stays of 6 June 2022.
31. Contract on project counselling of 28 June 2019.
32. Contract on receipt of products of 24 February 2022.
33. Contract of 26 November 2021 – technical norms and related services.
34. Contract of 5 December 2020 – delivery of newspapers and magazines.
35. Contracts of 13 December 2021 and 12 December 2022 – services related to the handling of the postal agenda.
36. Contract dated 9 May 2022 – tickets for the event “Hutnický den” (Metallurgy Day).
37. Contracts of 11 May 2022, 31 May 2022, 25 August 2022, 10 October 2022 – services related to the delivery of products.
38. Contract dated 15 December 2016 – installation and configuration of telephone equipment.

**B3. 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. Mandate contract of 16 June 2020 – purchase of fluidised lime.
9. Framework contract for the provision of services related to the organisation and realisation of the events “Královna ocel“ (Queen of Steel) and „Hutnický den 2022“ (Metallurgy Day) of 22 August 2022.
10. Contract of 9 March 2022 – provision of air transport of samples.
11. Contract of 14 November 2022 – provision of accommodation.

**B4. 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.****C1. 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 whole year maintenance of network and telecommunication devices of 6 January 2022.
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 TŘINECKÉ ŽELEZÁRNY, 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 15 February 2022 – recipient's card for receiving postal items.

**C2. 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 2022 of 28 December 2021.
2. Lease contract of 31 May 2006 – lease of an apartment in the clubhouse located at the golf course Ropice.

**C3. 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.

**D. List of Contracts between TŽ and Moravskoslezský kovošrot, a.s.****D1. 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. 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.
4. Contract on the provision of access to Internet network services of 18 October 2018.
5. Service level agreement of 10 October 2018 – IT services.
6. Contract on waste acceptance, recovery or disposal of 12 January 2022 – steel chips.
7. Contract on waste acceptance, recovery or disposal of 12 January 2022 – scrap metal.
8. Contract on waste acceptance, recovery or disposal of 7 February 2022 – scrap metal cylinders.
9. Contract on waste acceptance, recovery or disposal of 14 September 2022 – scrap metal cylinders.

**D2. 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.

**D3. 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.**

### **E1. 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 2022 of 12 January 2022.
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 ŽELEZÁRNY, 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.

### **E2. 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**

### **F1. 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.

### **F2. 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.

### **F3. Other contracts**

1. Agreement on electronic invoicing of 17 June 2014.

## **G. List of Contracts between TŽ and Barrandov Studio a.s.**

### **G1. 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.**

### **H1. 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.

### **H2. 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.**

### **I1. 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 – IT services.
3. Contracts of 4 March 2022 – 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.**

### **J1. 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 29 April 2022 – monitoring of employees on sick leave.
2. Contract of 16 December 2020 – supply of material

### **J2. Contract for which the provision of goods and/or services by MSV Metal Studénka, a.s. for the benefit of TŽ Company is decisive**

1. Contract of 26 April 2022 – scrap metal.
2. Contract of 21 October 2022 – scrap metal.
3. Contract of 16 November 2022 – scrap metal.
4. Contract of 19 September 2022 – scrap metal.
5. Contract of 4 November 2021 – loco-block.

#### 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. 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 20 February 2023



**Jan Czudek**

Chairman of the Board of Directors  
TŘINECKÉ ŽELEZÁRNY, a. s.



**Radomíra Pekárková**

Member of the Board of Directors  
TŘINECKÉ ŽELEZÁRNY, a. s.