



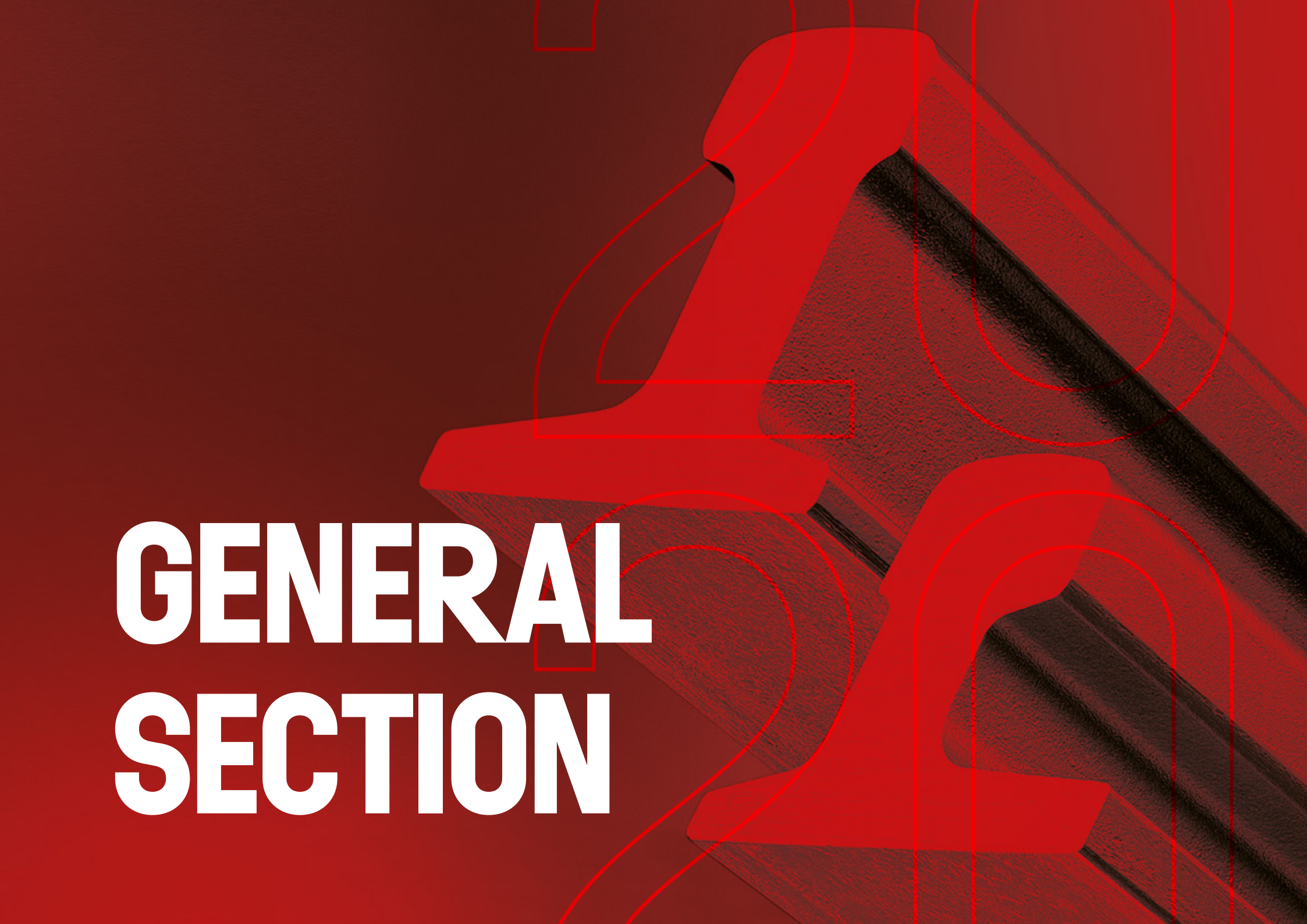
MORAVIA STEEL



ANNUAL REPORT

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GENERAL SECTION



**OPENING STATEMENT
OF THE CHAIRMAN
OF THE SUPERVISORY BOARD**

After more than a decade of favourable economic development, we have been struck by another global crisis, this time in the form of a coronavirus pandemic. Unfortunately, this global issue has not only marked 2020 economically, but still continues, so we will also have to cope with its effects and follow-up measures in the coming period.

The domestic economy fell by as much as 5.6% in 2020 due to the pandemic, so gross domestic product (GDP) fell the most since the formation of the Czech Republic, according to the Czech Statistical Office. The decline in GDP of the European Union was even greater, reaching 6.4%.

However, Czech industry as a whole was able to cope with the dramatic development of the past year, despite significant declines of as much as a quarter, especially in spring. This was mainly due to its growth in the fourth quarter, when it became a key driver of the entire domestic economy and saved it from an even more dramatic downturn.

In view of the overall development in 2020, we can therefore evaluate the financial results of the Moravia Steel (MS) Group favourably, having reported a consolidated profit of CZK 1.256 billion for this reporting period.

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



Traditionally, the long-term appropriately selected strategy, focusing on products with a higher degree of processing and creation of product chains, has been positively reflected in the financial results of the MS Group.

I would like to thank to all employees of the MS Group, its business and other corporate partners for their cooperation and I believe that it will continue also in the next difficult period to our all-round satisfaction.

Yours sincerely,



Tomáš Chrenek

CHAIRMAN OF THE SUPERVISORY BOARD
OF MORAVIA STEEL a.s.





**THE MORAVIA STEEL
GROUP'S PROFILE**

OR2

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

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

The key economic indicators of the MS Group between 2018 and 2020 prove the Group's ability to cope with less favourable periods in global economic development and in the metallurgical and steel industry.

UMS GROUP ECONOMIC INDICATORS BETWEEN 2018 – 2020

Indicator	Unit	2018	2019	2020
Sales of products, services and goods	CZK million	54 713	51 424	47 615
Operating profit or loss	CZK million	6 649	2 935	1 590
Profit or loss before taxation	CZK million	6 449	2 858	1 619
Profit or loss for the reporting period	CZK million	5 156	2 204	1 256
ROS before taxation	%	11.8	5.6	3.4
EBITDA	CZK million	8 934	5 264	4 093
EBITDA margin	%	16.3	10.2	8.6
Total assets	CZK million	58 050	57 006	59 371
Fixed assets	CZK million	27 999	29 803	30 305
Current assets	CZK million	30 052	27 204	29 066
Equity	CZK million	40 784	40 900	42 111
Liabilities	CZK million	16 631	15 445	16 572
Total debt to equity	%	28.6	27.1	27.9

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



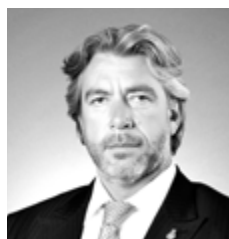


**STATUTORY BODIES
AND MANAGEMENT
OF THE COMPANY**

GRS

Supervisory Board of the Company as of 31 December 2020

Function	Name
Chairman	Tomáš Chrenek
Vice-Chairman	Evžen Bálko
Vice-Chairman	Ján Moder
Member	Mária Blašková



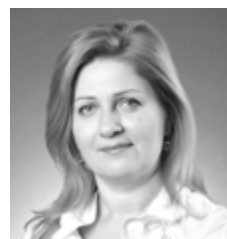
Tomáš Chrenek



Ján Moder



Evžen Bálko



Mária Blašková

Board of Directors of the Company as of 31 December 2020

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



Petr Popelář



Krzysztof Roch Ruciński

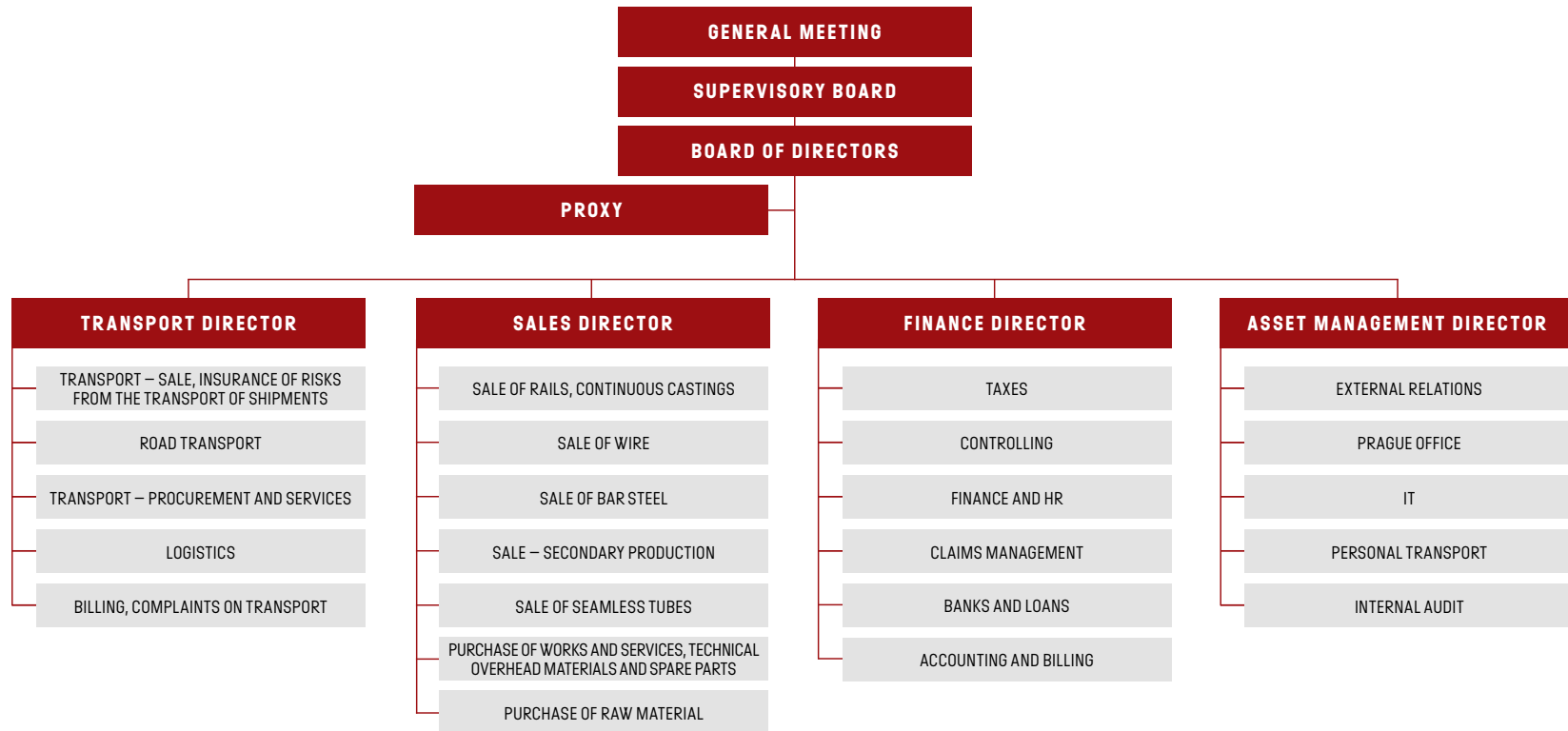


Mojmír Kašpříšín



Uršula Novotná

Organisational Structure of MORAVIA STEEL a.s.



04

**REPORT OF THE BOARD
OF DIRECTORS**

Global raw steel production fell slightly by 0.9% in 2020, marked by the global coronavirus pandemic. It thus reached a volume of 1,864 million tonnes. The decline has occurred for the first time since 2015. However, China remains the world leader, increasing production by more than 5% in 2020 to 1,053 million tonnes. Its share in world production thus increased to almost 57%.

The increase in steel prices during the year was accompanied by an increase in the price of feedstock – this included both iron ore and coking coal and scrap.

Raw steel production in the Czech Republic reached 4.46 million tonnes in 2020, representing a year-on-year decrease of 2.5%. TŘINECKÉ ŽELEZÁRNY, a. s., which is our subsidiary, produced 2.581 million tonnes of raw steel in 2020. This represented a slight increase of 3% on a year-on-year basis. The share of the

Třinec steel works in domestic raw steel production has increased to 58% and thus the company maintains its long-lasting position as the largest Czech producer. In the first half of the year, the situation in the entire Czech steel sector did not develop at all favourably, with production falling by as much as a quarter. However, the second half was already marked by a recovery in demand in key markets, accompanied by price and production growth.

Production of long products continues to dominate in the Czech Republic, despite a slight year-on-year decline to 2.9 million tonnes. The production of flat products was about 1.1 million tonnes in 2020. The remaining domestic volume was attributed to the production of tubes.

Imports of steel products into the Czech Republic fell to 6.6 million tonnes, in 2019 it was about 7 million tonnes. Exports remained virtually the same on a year-on-

year basis – increasing very slightly from 4.3 to 4.4 million tonnes.

Traditionally, EU member states have been a key market for the Czech steel industry. However, the total volume of production and trade, as well as demand in the Union, have been declining since 2018. In 2020, less than 139 million tonnes of raw steel were produced in the EU, representing a year-on-year decrease of almost 12%. In recent years, imports from China have decreased in the EU, while imports from Russia have not dropped, and Turkey has even increased its exports significantly, despite EU safeguards. The fall in European exports in the case of the US is due to the customs duties imposed by President Trump. Czech exports to the USA have decreased by two thirds since the application of customs duties, and Europe-wide exports by half. This was stated in the evaluation report of the Steel Union associating Czech and Slovak metallurgical enterprises.

According to the Steel Union, the reasons for continuing EU safeguards due to global surplus of capacity, illegal state aid, or protectionism remain. Countries such as Turkey and Russia are rapidly depleting their quarterly quotas and are ready to flood the European market with cheap steel, which is also a problem in many categories important for Czech companies. The European Commission therefore accepted the application of a group of member states, including the Czech Republic, and announced the possibility of further prolongation of safeguard measures on steel imports into the EU.

In the year ended 31 December 2020, the MS Group reported a consolidated profit of CZK 1.256 billion, with consolidated sales of products, services and goods of CZK 47.615 billion. The total consolidated assets of the MS Group amounted to CZK 59.371 billion.

MORAVIA STEEL a.s. generated a profit of CZK 756 million in the year ended 31 December 2020. Sales volume of metallurgical products amounted to almost 2,356 kilotonnes (kt). More than 1,637 kt were exported, while less than 718 kt of the products sold went to the domestic Czech market.

IN THE LONG TERM, THE MOST IMPORTANT EXPORT TERRITORY FOR MORAVIA STEEL A.S. IS THE EU COUNTRIES

In the long term, the most important export territory for MORAVIA STEEL a.s. is the EU countries. Germany has traditionally had the largest share of EU exports. In 2020, its share came close to 33%, roughly a third of the total volume going to the EU. The second most important country is Italy with 16.8% and Slovakia came third with 14.1%. Other

important partner countries are Poland (share of 11.1%) and Hungary (7.1%). In 2020, 3.4% of exports from the EU total went to the UK.

The 2020 results of MORAVIA STEEL a.s. reflect the long-term strategy of the MS Group. This strategy focuses on products with a higher processing grade and the creation of product chains, with a focus on products intended for the engineering, energy, oil or automotive industries. For this reason, the group prefers the production of rolled wire for the production of screws, springs, bearings and cords, special bar steel, steel treated in the final phase, and wide and flat tool steel.

Development in sales of metallurgical products of the MORAVIA STEEL a.s. Group between 2018 – 2020

Supplies in tons	2018	2019	2020
Export	1 616 550	1 574 912	1 637 796
Domestic	751 150	761 967	717 793
TOTAL	2 367 700	2 336 879	2 355 589

Structure of exports as a percentage of the most significant supplies of the MORAVIA STEEL a.s. Group

Structure of exports in %	2018	2019	2020
European Union – including the UK	75.6	77.2	82.6
Other European countries	0.5	0.5	0.6
Africa	0.1	0.1	0.0
Asie	1.4	0.1	0.3
America	7.8	7.0	2.9
Australia	0.0	0.0	0.0
Slovakia	14.6	15.1	13.6
TOTAL	100.0	100.0	100.0

Development in the product range structure of metallurgical product sales of the MORAVIA STEEL a.s. Group

Sales in tons	2018	2019	2020
Rolled wire (including drawn, annealed and phosphated wires)	982 156	999 180	1 023 116
Billets and continuous castings	277 194	281 943	299 784
Reinforcing steel	0	26 118	32 277
Rails	245 880	234 878	222 917
Products of TŽ in Kladno	275 158	266 050	262 593
UT Bohumín	43 672	41 932	41 684
Products of VF – TŽ Staré Město facility	92 300	75 519	79 581
Other (bars, sections, etc.)	335 725	302 156	294 855
Pipes – VT TŽ Ostrava	98 907	94 830	87 437
Rail fastenings	16 708	14 273	11 345
TOTAL	2 367 700	2 336 879	2 355 589



**IN 2020, THE MORAVIA STEEL
GROUP REPORTED A CONSOLIDATED
PROFIT OF CZK**

1.256

BILLION

Accounting for 43.2 % of the total production, **ROLLED WIRE** has been the most significant item of the production programme of our subsidiary Třinecké železářny (TŽ) in the long term.

Despite the ongoing pandemic and related decreased activity of our customers, in 2020, the Company sold over 1,017 kt of rolled wire, of which approx. 908.6 kt were produced at the Wire Rolling Mill (KDT) and approx. 108.8 kt at the Continuous Fine Rolling Mill (KJT). This represents a year-on-year increase compared to the previous year of approximately 25 kt at the KDT and the same result at the KJT as in the previous year. However, given the unfavourable situation on the market, it actually represents a decrease in sales of nearly 7.5 % at the KDT and 11% at the KJT.

In terms of the structure of individual steel groups produced at the KDT, the total volume of medium- and high-carbon steel amounted to 55.5%, i.e. it was

practically the same in comparison with the previous year. With 19.6%, the second biggest item is low-carbon steel, representing a 1.1% increase compared to 2019. The share of electrode steel decreased slightly from 12.2% to 10.8%. The share of screw types of steel amounted to 8.9% (year-on-year drop of 0.1%). The remaining approximately 5.2% is attributed to other types – spring, chain, bearing and alloy steel.

IN 2020, MORAVIA STEEL SOLD OVER 1,017 KT OF ROLLED WIRE

The most significant commodity of the KJT are screw-type wires with a share of 40.2% (decrease of 1.6 % year-on-year), followed by carbon steel with 22.7% (year-on-year increase of 2.7%), low – carbon with 20.7% (+2% year-on-year), free-cutting with 9.4% (–1.1%) and spring-type with 4.9%

(–1.1%). The rest consists of a minor amount of chain and bearing steel.

The second most important portfolio item in terms of volume is **BAR STEEL**. It includes the production of the Medium Rolling Mill and the Continuous Fine Rolling Mill in Třinec and the rolling mill at the TŽ Kladno plant. The sales of bar steel in 2020 amounted to 558 kt.

Demand for bar steel was significantly affected by the pandemic in 2020. After the great downturn in the bar steel market in 2019, signs of recovery began to emerge at the end of the year. However, this improvement in demand lasted only a short time and was ended by restrictions associated with measures to prevent the spread of the coronavirus. In this context, carmakers and their subcontractors had started to completely stop or reduce their operations since mid-March 2020. As a result of this situation, there was a sharp reduction in the supply of bar

steel in the processing chain. The period of extremely weak demand lasted from April to August and was accompanied by constant downward pressure on prices.

The market situation improved only after the summer holidays – a slight recovery in demand from the beginning of September then turned from mid-November 2020 into a sharp increase in new orders. We also registered this exceptionally high demand at the end of 2020.

Compared to 2019, the sales of bar steel decreased by 2% in volume, or by 14.3% in revenues. As in previous years, major bar steel consumers included subcontractors to the automotive industry, blacksmith's workshops, producers of bearings, springs, screws, etc.

Lower sales of rods were partially compensated by sales of concrete steel in the volume of 32.3 kt.



The planned sale of **WIDE AND FLAT STEEL** from the Universal Rolling Mill in Bohumín (UT) amounted to 44 kt in 2020, the actual implementation then reached about 41.7 kt, mainly due to the pandemic.

ALMOST 42 KT OF WIDE AND FLAT STEEL WAS SOLD FROM THE UNIVERSAL ROLLING MILL

Lower demand for special sizes, tool and alloyed quality and enormous pressure on volumes and prices, especially during the 3rd and partly the 4th quarter, were reflected in sales and average exercise price. Sales for 2020 amounted to CZK 733 million, which represents a year-on-year decrease of about CZK 117 million. The exercise price decreased by about CZK 2,700/t year-on-year, to CZK 17,585/t.

In 2020, about 11% of UT production went to the domestic market, 89%

was exported to European countries, the German market remained key. The share of deliveries to warehouses and traders was about 70%. The main product range for UT continued to be the basic structural brands of steels, the share of which increased to about 90%.

In 2021, the Company plans to realise annual sales of wide and flat steel at the level of 42 kt.

Sales of **DRAWN STEEL** in 2020 were fundamentally affected by the pandemic, which practically stopped purchases by companies focused on products for the automotive industry, especially in the second quarter. The pandemic also did not allow production to start smoothly for newly installed technologies – and therefore the test sale of products from new technologies had to be suspended. Lower consumption in the automotive and engineering segments has already started to show since the end of March

and has had a major impact on supply logistics. Gradually, demand has been recovering since the 4th quarter.

In 2020, the implementation of the sale of drawn steel reached 79.6 kt and despite the adverse effects caused by the pandemic, the sales are 4.1 kt higher than in 2019.

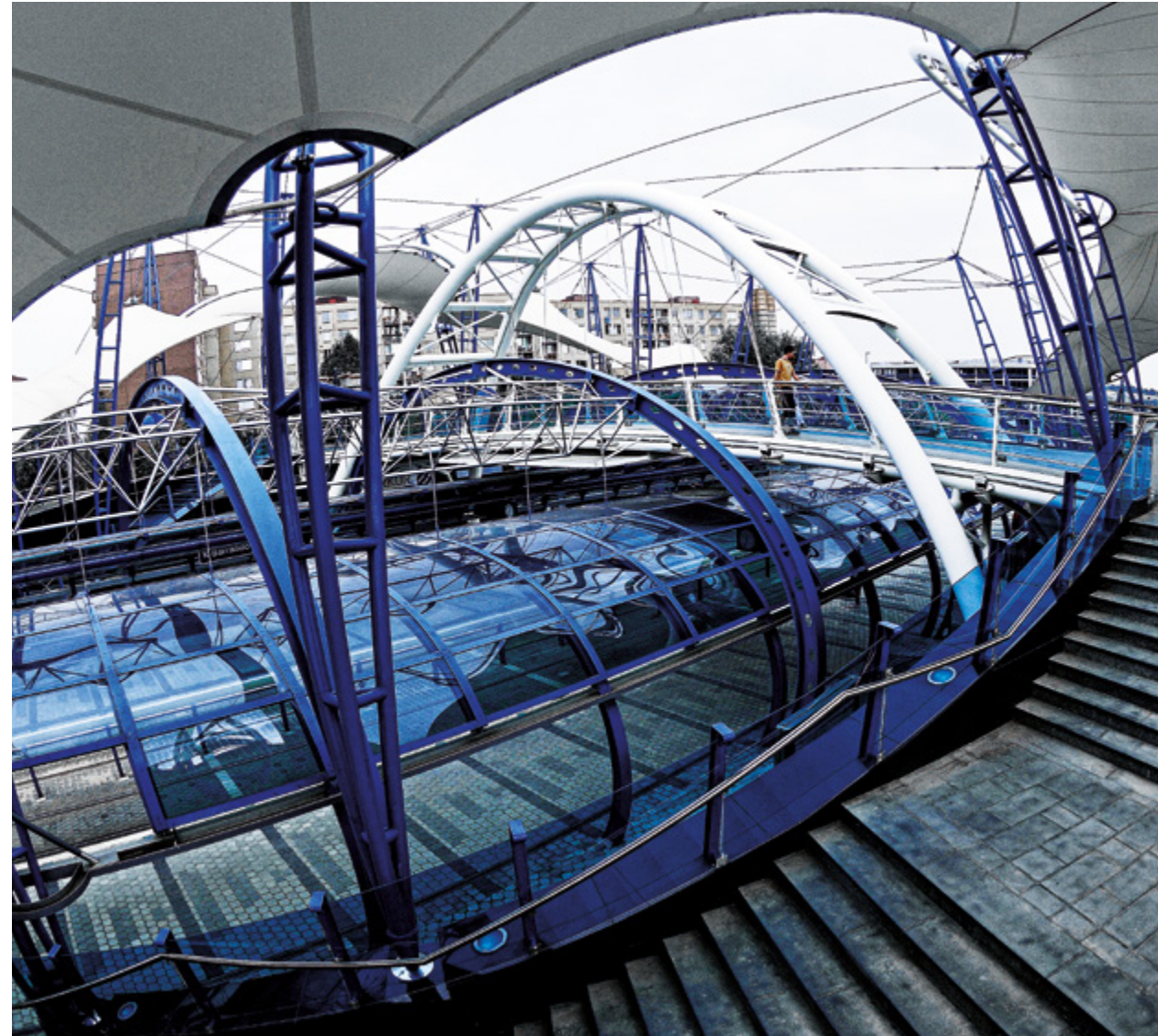
THE MORAVIA STEEL GROUP IS INTRODUCING NEW TECHNOLOGIES AT THE TŽ PLANT IN STARÉ MĚSTO

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

Sales of drawn, annealed and phosphatised wire in coils from Staku drawing line amounted to 5.66 kt in 2020. This amount was 1.14 kt lower compared to the previous year and it was primarily directed at automotive customers and bearing producers.

The main reason for the decrease in volumes was the pandemic, which significantly affected purchases and consumption of the main Staku line customers. Furthermore, it was also the high share of double-drawing implementation.

Sales of **SEAMLESS TUBES** exceeded the level of 87 kt in 2020. It was affected by the announcement of the AD investigation on imports of Line Pipe to the USA (July 2020). We have been forced to compensate for the loss of this volume (approx. 6 kt) since the 3rd quarter with mechanical tubes intended for the markets of Central and Western Europe.



This product range was mainly driven by heavy engineering, partly by construction and infrastructure projects.

RAILS ARE HISTORICALLY THE LONGEST-PRODUCED FINAL PRODUCT OF TŽ, ALMOST 223 KT OF RAILS WAS SOLD IN 2020

RAILS, as the longest-produced final product of TŽ, which has undergone increased quality demands in existing and newly acquired markets over the last two decades, experienced reduced demand after 2019, mainly in the first quarter of 2020. Subsequent implementation was already getting to the expected pace, despite the onset of the pandemic. However, this situation had an impact on the decrease in the volume of implementation by about 5% compared to 2019, i.e. to almost 223 kt. Despite this reduced im-

plementation, the financial plan is outperformed by around 6.5% due to the higher average price achieved. The effects of volume reduction can be seen especially in the increasing demands on the supply of hardened rails, as well as the constant pressure on the greater length of rails with delivery to the railway lines construction site. In the MS Group, we strive to face those requirements with our own equipment for improving hardness parameters, which, however, does not yet meet the essential parameters of the European standard or the AREMA standard. The installation of a full-fledged rail hardening device is therefore necessary in the long term to maintain the continuity of production. The total sales were mainly based on extended contracts with Deutsche Bahn (Germany) and Správa železnic (Czech Republic) and standard volume of supplies to Poland and North America. Apart from these destinations, we have also implemented a larger volume for the Danish rails Banedanmark.

Other contractual obligations include success in the new tender of Israel railways and supplies to Bulgaria.

Sales of rail fastenings were even more significantly affected by the pandemic and recorded a significantly lower order content compared to 2019, the volume difference is up to 21%. However, the achieved exercise prices partially compensated for this volume loss and the results were thus only 5% lower than the financial plan. It should be noted, however, that 2019 was one of the above-standard years in the supply of rail fastenings. The entire portfolio of customers was affected by the outage in implementation, mostly in the Czech Republic and Slovakia, compared to 2019. Total sales of rail fastenings thus decreased to about 11.3 kt. However, the end of 2020 already showed an improvement in the order content and the estimate for the first half of 2021 envisaged a significant recovery in this product range as well.

Despite the difficult market situation in 2020, supplies of **CONTINUOUS CASTINGS** and **BILLETS** continued the growing trend of 2019. Realised sales increased by about 6% and reached almost 300 kt. Similarly, due to the increase in the volume of implementation, the financial plan was exceeded by 6.5%. The main share of this volume was attributed to the producers of railway wheelsets and axle shafts, both traditional domestic customers and consumers in Germany, Spain and France. Further increases in consumption were also observed in forge plants in the Czech Republic, Italy and Spain, which are active in wind energy.

REALISED SALES OF CONTINUOUS CASTINGS AND BILLETS INCREASED BY ABOUT 6% AND REACHED ALMOST 300 KT

However, the increased volume of supplies of continuous castings and

billets also brought strong pressure on exercise prices. This situation only started to improve at the very end of 2020, when we started to experience a surplus of demand. The announced increased needs concern both market segments to which our continuous castings are directed. In the following year, however, due to the overhaul of the blast furnace and the reconstruction of the continuous casting in TŽ, we will be forced to reallocate the implementation plan mainly according to framework agreements and the strongest market needs.

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

MORAVIA STEEL a.s. procures the essential raw materials with respect to

availability, required quality and optimum acquisition costs.

During 2020, there were significant increases in iron ore prices, triggered by global demand for this commodity.

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

Coking coal, in view of the changes caused by OKD's gradual production dampening, also creates the need to replace these supplies from other sources, including imports of coking coal from overseas.

Logistics, freight transportation

Logistics and the transport of goods represent an important part of the product portfolio of MORAVIA STEEL a.s.

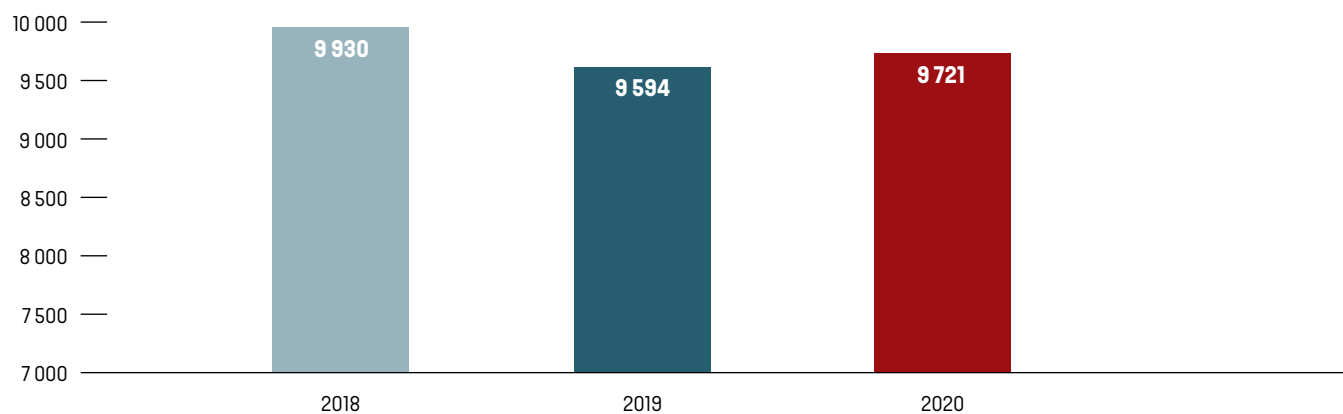
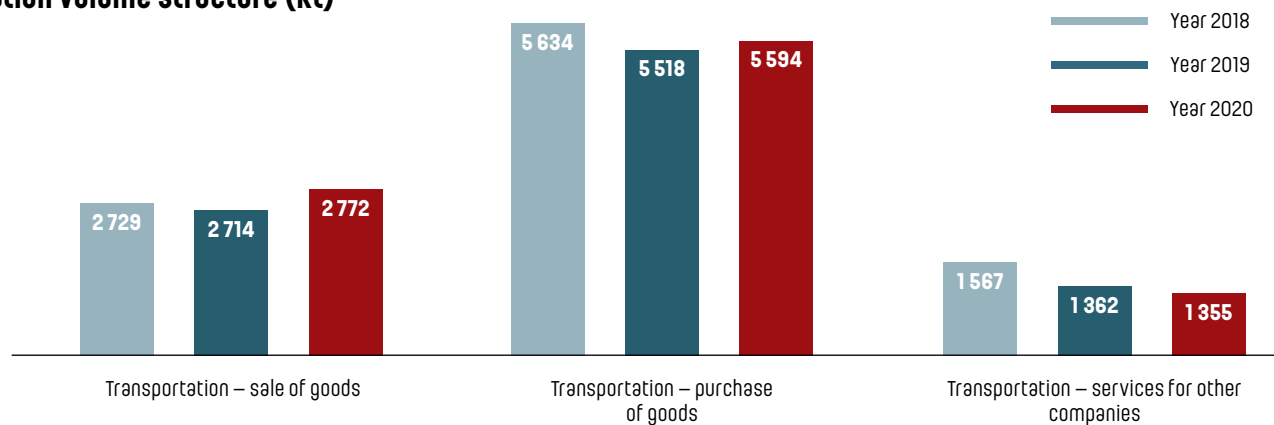
Logistics have been significantly affected by the global Covid-19 pandemic over the past year. While health and safety has always been a priority for the sector, the pandemic-induced situation has forced the intensification of measures to prevent further spread of the disease, not only in the form of measures taken by national governments, but also at the initiative of individual economic operators. These measures were then reflected to a significant extent in the reduction of traffic flows, cross-border mobility and the entire logistics chain.

The element of unpredictability became the dominant factor and complexity of planning processes was characteristic for this period. Not only due to various measures to reduce the effects of the pandemic, there were fluctuations in demand and supply worldwide, especially at the end of the year, when a noticeable recovery in transport logistics faced a lack of capacity and personnel resources.

Despite these circumstances, transport requirements were successfully ensured in their entirety.

Logistics in 2020 confirmed the importance of innovation and accelerated the digitisation process throughout its chain.



Development of the total transportation volume of MORAVIA STEEL a.S. (kt)**Transportation volume structure (kt)**

Project activities primarily focused on the following areas:

RISK MANAGEMENT

- Minimising the impact of COVID-19 on the MS Group's supply chain (restrictive hygiene measures, cross-border restrictions/suspensions of the activities of entities in the most affected areas);
- Higher segmentation and differentiation of supply chains;
- Elimination of the impact of large-scale investments in harbour and transport infrastructure;
- Legislative influences – EU road package;
- Eliminating the risks of long-term outages in supply chains;
- Decarbonising the economy (decline in coal mining in the Czech Republic);
- Availability, ordering rolling stock;
- Cyber risks, traffic fraud; and
- US customs import measures; Brexit.



PROCESS AND CAPACITY OPTIMISATION

- Storage – automation, robotics, control systems;
- Material preparation – preparation and assembly operations;
- Road transportation of goods – infrastructure for the movement of road vehicles in manipulation areas, contactless processing of shipments, assessment of trends in the use of autonomous vehicles;
- Railway transportation – railway siding operation;
- Logistics of the “last mile” – method and time of final delivery of shipments;
- Modernisation of carrier technology – compatibility of information systems;
- Real-time information on the position of shipments – distribution planning;
- Administration of documents related to shipments – computerisation of service billing and accompanying documents; and
- Sustainable logistics – reducing the carbon footprint (Green Deal for Europe).

INCREASE IN LOGISTICS PERFORMANCE

- Reorganisation of infrastructure – transportation with respect to future capacity needs of manufacturers, use of elements critical for capacity in the infrastructure on railways and at stations;
- Business optimisation with the use of digital technology;
- Railway logistics – continuing in the trend of innovative cargo units and handling systems;
- Shortening of supply cycles – intermediate warehouses; and
- Reverse product logistics.

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

During 2020, intensive cooperation continued with manufacturers of the MS Group in the following strategic areas:

- Monitoring and preparation of reports on the implementation of EU legislation;
- Progressive sector studies;
- Professional advisory, education support.

DUE TO THE GLOBAL PANDEMIC MEASURES WERE REFLECTED TO A SIGNIFICANT EXTENT IN THE REDUCTION OF TRAFFIC FLOWS, CROSS-BORDER MOBILITY AND THE ENTIRE LOGISTICS CHAIN

Management system, human resources

The MS Group's approach towards employees is based on openness and mutual respect. During 2020, no significant changes were made in the HR strategy, where there is an ongoing process of improvement and increasing efficiency in the area of HR management.

The MS Group supports the education and professional development of its employees on an ongoing basis, primarily in the form of specialised training courses, workshops, language and IT courses.

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



The basic principles of the MS Group's conduct, including its relation to employees, corporate culture and corporate social responsibility, are set out in the "Company's Code of Conduct", with which all employees have been made duly familiar.

In relation to the EU personal data protection regulation, the Company places a great emphasis on ensuring compliance with the General Regulation (Regulation of the EP and the EU Council No. 2016/679), so-called "GDPR", in processing the personal data of all its employees, along with a constant control and updates of the related individual areas.

Due to the difficult situation in connection with the COVID-19 pandemic in the Czech Republic and worldwide, great emphasis is placed on the safety and health of all employees in the workplace, by observing all strict hygiene rules together with the setting of organisational measures by the

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

DUE TO THE SITUATION IN CONNECTION WITH THE COVID-19 PANDEMIC IN THE CZECH REPUBLIC AND WORLDWIDE, GREAT EMPHASIS IS PLACED ON THE SAFETY AND HEALTH OF ALL EMPLOYEES

In 2020, environmental activities, support of biodiversity in the premises of Třinecké železářny and its surroundings and

assistance of the MS group employees to non-profit organisations continued within the MS Group.

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

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

In the year ended 31 December 2020, MORAVIA STEEL a.s. was not a controlled entity within the meaning of Section 74 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, since in the relevant reporting period, no person had the opportunity to directly or indirectly exercise controlling influence over MORAVIA STEEL a.s. and thus become its controlling entity. For this reason, MORAVIA STEEL a.s. was also not obliged to prepare a report on relations pursuant to Section 82 and et seq. of the above-mentioned Act.



**REPORT
OF THE SUPERVISORY
BOARD**

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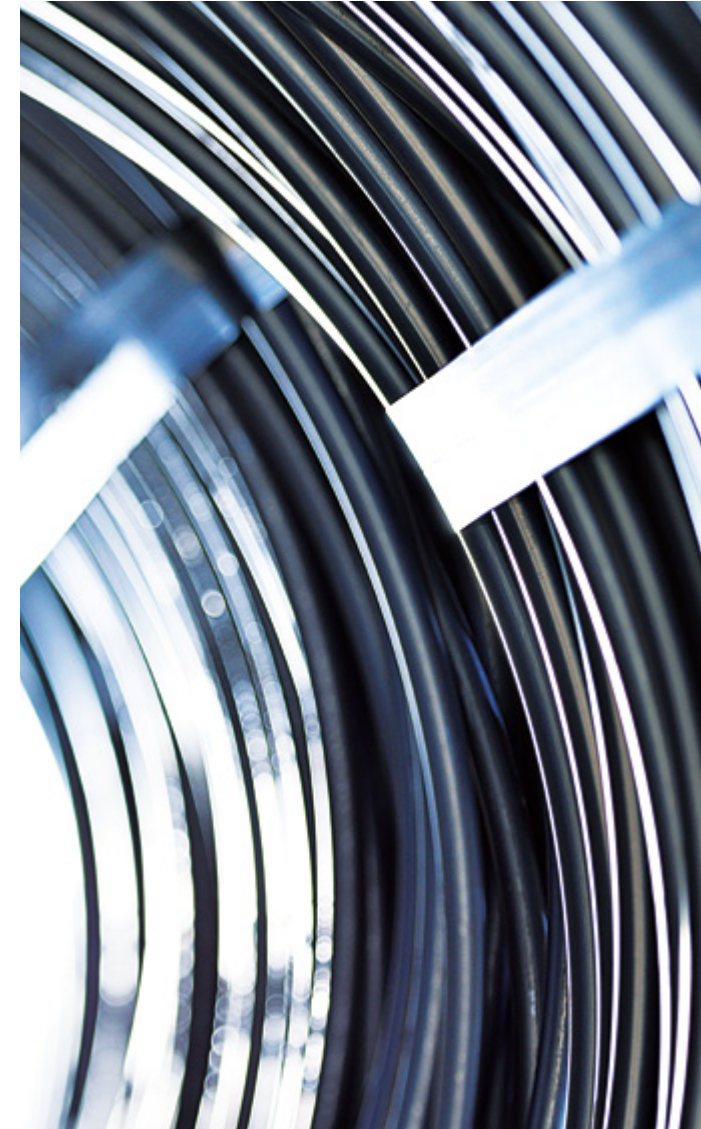
The Supervisory Board of MORAVIA STEEL a.s. reviewed the general-purpose financial statements, the general-purpose consolidated financial statements and the annual report of MORAVIA STEEL a.s. for the year ended 31 December 2020 based on the presented documents discussed by the Board of Directors of MORAVIA STEEL a.s. and discussed the proposed allocation of profit for 2020.

Based on the audit of the annual report of MORAVIA STEEL a.s. as of 31 December 2020 performed by Deloitte Audit s.r.o. and their Report, which includes unqualified opinions, the Supervisory Board recommends that the above document, including the proposal of the Board of Directors for the allocation of profit for 2020, be approved by the general meeting.



Tomáš Chrenek

CHAIRMAN OF THE SUPERVISORY BOARD
OF MORAVIA STEEL a.s.



**AUDITOR'S
REPORT**



Deloitte.

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

INDEPENDENT AUDITOR'S REPORT To the Shareholder of MORAVIA STEEL a.s.

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

Opinion

We have audited the accompanying financial statements of MORAVIA STEEL a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We have audited the accompanying consolidated financial statements of the MORAVIA STEEL a.s. consolidation group (hereinafter also the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as of 31 December 2020, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion:

The accompanying financial statements give a true and fair view of the financial position of MORAVIA STEEL a.s. as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the MORAVIA STEEL a.s. consolidation group as of 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the consolidated financial statements, including the disclosures, and whether the financial statements and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

In Prague on 17 May 2021

Audit firm:

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



Statutory auditor:

Václav Loubek
registration no. 2037





FINANCIAL PART



FINANCIAL PART I. FINANCIAL STATEMENTS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NAME OF THE COMPANY:	MORAVIA STEEL a.s.
REGISTERED OFFICE:	Průmyslová 1000, Staré Město, 739 61 Třinec, CZ
LEGAL STATUS:	Joint Stock Company
CORPORATE ID:	63474808
RECORD IN THE REGISTER OF COMPANIES:	Recorded in File 1297, Section B of the Register of Companies held by the Regional Court in Ostrava

Components of the Financial Statements:

Balance Sheet
 Profit and Loss Account
 Statement of Changes in Equity
 Cash Flow Statement
 Notes to the Financial Statements

These financial statements were prepared on 5 March 2021.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE
Petr Popelář, MBA Chairman of the Board	
Mojmír Kašpříšín Member of the Board	

BALANCE SHEET FULL VERSION – ASSETS

(CZK THOUSAND)

	31.12.2020			31.12.2019
	Gross	Adjustment	Net	Net
TOTAL ASSETS	22 844 816	923 128	21 921 688	19 743 496
B. Fixed assets	10 133 040	655 116	9 477 924	8 623 947
B.I. Intangible fixed assets	185 054	109 050	76 004	94 898
B.I.1. Development	72	72	0	0
B.I.2. Valuable rights	184 282	108 278	76 004	94 898
B.I.2.1. Software	1 678	1 678	0	0
B.I.2.2. Other valuable rights	182 604	106 600	76 004	94 898
B.I.4. Other intangible fixed assets	700	700	0	0
B.II. Tangible fixed assets	90 738	72 914	17 824	26 957
B.II.1. Land and structures	907	20	887	905
B.II.1.2. Structures	907	20	887	905
B.II.2. Tangible movable assets and sets of tangible movable assets	89 831	72 894	16 937	26 052
B.III. Non-current financial assets	9 857 248	473 152	9 384 096	8 502 092
B.III.1. Equity investments – controlled or controlling entity	9 849 352	473 152	9 376 200	8 496 968
B.III.3. Equity investments in associates	2 886	0	2 886	2 886
B.III.7. Other non-current financial assets	5 010	0	5 010	2 238
B.III.7.2. Prepayments for non-current financial assets	5 010	0	5 010	2 238

TABLE CONTINUES ON THE FOLLOWING PAGE

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BALANCE SHEET FULL VERSION – ASSETS

(CZK THOUSAND)

		31.12.2020		31.12.2019	
		Gross	Adjustment	Net	Net
C.	Current assets	12 711 776	268 012	12 443 764	11 119 549
C.I.	Inventories	730 872	0	730 872	631 414
C.I.1.	Material	2 055	0	2 055	1 783
C.I.3.	Products and goods	728 817	0	728 817	629 631
C.I.3.2.	Goods	728 817	0	728 817	629 631
C.II.	Receivables	8 896 389	268 012	8 628 377	7 917 257
C.II.1.	Long-term receivables	2	0	2	3
C.II.1.5.	Receivables – other	2	0	2	3
C.II.1.5.2.	Long-term prepayments made	2	0	2	3
C.II.2.	Short-term receivables	8 877 507	268 012	8 609 495	7 895 536
C.II.2.1.	Trade receivables	8 501 200	253 890	8 247 310	7 445 058
C.II.2.2.	Receivables – controlled or controlling entity	12 084	12 084	0	0
C.II.2.4.	Receivables – other	364 223	2 038	362 185	450 478
C.II.2.4.3.	State – tax receivables	152 050	0	152 050	162 000
C.II.2.4.4.	Short-term prepayments made	12 254	0	12 254	12 459
C.II.2.4.5.	Estimated receivables	114 119	0	114 119	122 673
C.II.2.4.6.	Sundry receivables	85 800	2 038	83 762	153 346
C.II.3.	Other assets	18 880	0	18 880	21 718
C.II.3.1.	Deferred expenses	7 557	0	7 557	4 156
C.II.3.3.	Accrued income	11 323	0	11 323	17 562
C.IV.	Cash	3 084 515	0	3 084 515	2 570 878
C.IV.1.	Cash on hand	442	0	442	356
C.IV.2.	Cash at bank	3 084 073	0	3 084 073	2 570 522

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(CZK THOUSAND)

	31.12.2020	31.12.2019
TOTAL LIABILITIES & EQUITY	21 921 688	19 743 496
A. Equity	16 291 587	15 535 591
A.I. Share capital	3 159 000	3 159 000
A.I.1. Share capital	3 159 000	3 159 000
A.III. Funds from profit	631 400	631 400
A.III.1. Other reserve funds	631 400	631 400
A.IV. Retained earnings (+/-)	11 745 191	10 601 976
A.IV.1. Accumulated profits or losses brought forward (+/-)	11 745 191	10 601 976
A.V. Profit or loss for the current period (+/-)	755 996	1 143 215
B.+C. Liabilities	5 630 101	4 207 905
B. Reserves	5 202	975
B.IV. Other reserves	5 202	975
C. Payables	5 624 899	4 206 930
C.I. Long-term payables	477 270	2 178
C.I.2. Payables to credit institutions	471 525	0
C.I.8. Deferred tax liability	5 745	2 178
C.II. Short-term payables	5 137 001	4 175 450
C.II.2. Payables to credit institutions	145 085	0
C.II.3. Short-term prepayments received	244 341	227 224
C.II.4. Trade payables	4 637 011	3 766 311
C.II.8. Other payables	110 564	181 915
C.II.8.3. Payables to employees	11 081	11 110
C.II.8.4. Social security and health insurance payables	5 780	5 243
C.II.8.5. State – tax payables and subsidies	2 244	2 261
C.II.8.6. Estimated payables	91 457	163 218
C.II.8.7. Sundry payables	2	83
C.III. Other liabilities	10 628	29 302
C.III.1. Accrued expenses	10 388	28 907
C.III.2. Deferred income	240	395

PROFIT AND LOSS ACCOUNT

(CZK THOUSAND)

	Year ended 31.12.2020	31.12.2019
I. Sales of products and services	585 468	606 568
II. Sales of goods	56 416 072	61 773 062
A. Purchased consumables and services	56 019 890	60 510 456
A.1. Costs of goods sold	54 514 853	59 032 109
A.2. Consumed material and energy	5 276	10 229
A.3. Services	1 499 761	1 468 118
D. Staff costs	265 599	371 565
D.1. Payroll costs	198 490	289 599
D.2. Social security and health insurance costs and other charges	67 109	81 966
D.2.1. Social security and health insurance costs	64 240	78 877
D.2.2. Other charges	2 869	3 089
E. Adjustments to values in operating activities	43 262	45 363
E.1. Adjustments to values of intangible and tangible fixed assets	28 027	33 903
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	28 027	33 903
E.3. Adjustments to values of receivables	15 235	11 460
III. Other operating income	19 441	19 872
III.1. Sales of fixed assets	47	1 489
III.2. Sales of material	3 493	3 995
III.3. Sundry operating income	15 901	14 388
F. Other operating expenses	125 135	140 840
F.1. Net book value of sold fixed assets	0	202
F.2. Material sold	3 244	3 770
F.3. Taxes and charges	12 125	680
F.4. Reserves relating to operating activities and complex deferred expenses	4 227	8
F.5. Sundry operating expenses	105 539	136 180
* Operating profit or loss (+/-)	567 095	1 331 278

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PROFIT AND LOSS ACCOUNT

(CZK THOUSAND)

	Year ended 31.12.2020	31.12.2019
IV. Income from non-current financial assets – equity investments	217 007	114 410
IV.1. Income from equity investments – controlled or controlling entity	217 007	114 410
VI. Interest income and similar income	4 466	8 780
VI.1. Interest income and similar income – controlled or controlling entity	320	790
VI.2. Other interest income and similar income	4 146	7 990
I. Adjustments to values and reserves relating to financial activities	-11	-11 328
J. Interest expenses and similar expenses	4 290	0
J.2. Other interest expenses and similar expenses	4 290	0
VII. Other financial income	1 173 826	355 528
K. Other financial expenses	1 057 489	403 331
* Financial profit or loss (+/-)	333 531	86 715
** Profit or loss before tax (+/-)	900 626	1 417 993
L. Income tax	144 630	274 778
L.1. Due income tax	141 063	273 150
L.2. Deferred income tax (+/-)	3 567	1 628
** Profit or loss net of tax (+/-)	755 996	1 143 215
*** Profit or loss for the current period (+/-)	755 996	1 143 215
* Net turnover for the current period	58 416 280	62 878 220

STATEMENT OF CHANGES IN EQUITY

(CZK THOUSAND)

	Share capital	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2018	3 159 000	631 400	9 802 840	2 773 328	16 366 568
Impact of the transformation	0	0	2 901 627	-2 773 238	128 389
Balance at 1 January 2019 – Opening balance sheet	3 159 000	631 400	12 704 467	0	16 494 867
Profit shares paid	0	0	-2 102 490	0	-2 102 490
Rounding	0	0	-1	0	-1
Profit or loss for the current period	0	0	0	1 143 215	1 143 215
Balance at 31 December 2019	3 159 000	631 400	10 601 976	1 143 215	15 535 591
Distribution of profit or loss	0	0	1 143 215	-1 143 215	0
Profit or loss for the current period	0	0	0	755 996	755 996
Balance at 31 December 2020	3 159 000	631 400	11 745 191	755 996	16 291 587

CASH FLOW STATEMENT

(CZK THOUSAND)

	Year ended 31.12.2020	Year ended 31.12.2019
P.		
Opening balance of cash and cash equivalents	2 570 878	3 117 947
Cash and cash equivalents acquired through transformation	0	175 929
Opening balance of cash and cash equivalents after transformation	0	3 293 876
Z.		
Profit or loss before tax	900 626	1 417 993
A.1.		
Adjustments for non-cash transactions	-150 906	-88 165
A.1.1.		
Depreciation of fixed assets	28 027	33 903
A.1.2.		
Change in provisions and reserves	19 451	138
A.1.3.		
Profit/(loss) on the sale of fixed assets	-47	-1 489
A.1.4.		
Revenues from profit shares	-217 007	-114 410
A.1.5.		
Interest expense and interest income	-176	-8 780
A.1.6.		
Adjustments for other non-cash transactions	18 846	2 473
A.*		
Net operating cash flow before changes in working capital	749 720	1 329 828
A.2.		
Change in working capital	112 217	296 681
A.2.1.		
Change in operating receivables and other assets	-736 852	1 868 276
A.2.2.		
Change in operating payables and other liabilities	948 526	-1 749 528
A.2.3.		
Change in inventories	-99 458	177 933
A.**		
Net cash flow from operations before tax	861 936	1 626 509
A.3.		
Interest paid	-4 290	0
A.4.		
Interest received	4 466	8 780
A.5.		
Income tax paid from ordinary operations	-155 061	-468 207
A.6.		
Received profit shares	217 007	114 410
A.***		
Net operating cash flows	924 058	1 281 492
B.1.		
Fixed assets expenditures	-881 993	-112 368
B.2.		
Proceeds from fixed assets sold	47	1 493
B.3.		
Loans and borrowings to related parties	0	208 875
B.***		
Net investment cash flows	-881 946	98 000
C.1.		
Change in payables from financing	471 525	0
C.2.		
Impact of changes in equity	0	-2 102 490
C.2.6.		
Profit shares/ dividends paid	0	-2 102 490
C.***		
Net financial cash flows	471 525	-2 102 490
F.		
Net increase or decrease in cash and cash equivalents	513 637	-722 998
R.		
Closing balance of cash and cash equivalents	3 084 515	2 570 878

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

As of 31 December 2020, the Company's issued share capital is CZK 3,159,000 thousand.

The Company's financial statements have been prepared as of and for the year ended 31 December 2020.

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

SHAREHOLDER	Ownership percentage
MINERFIN, a.s., Námestie Ludovíta Štúra 2, 811 02 Bratislava, Slovakia	48.57%
Total	48.57%

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 98.97% of its revenues. The Company is additionally involved in providing domestic and international shipping services.

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

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

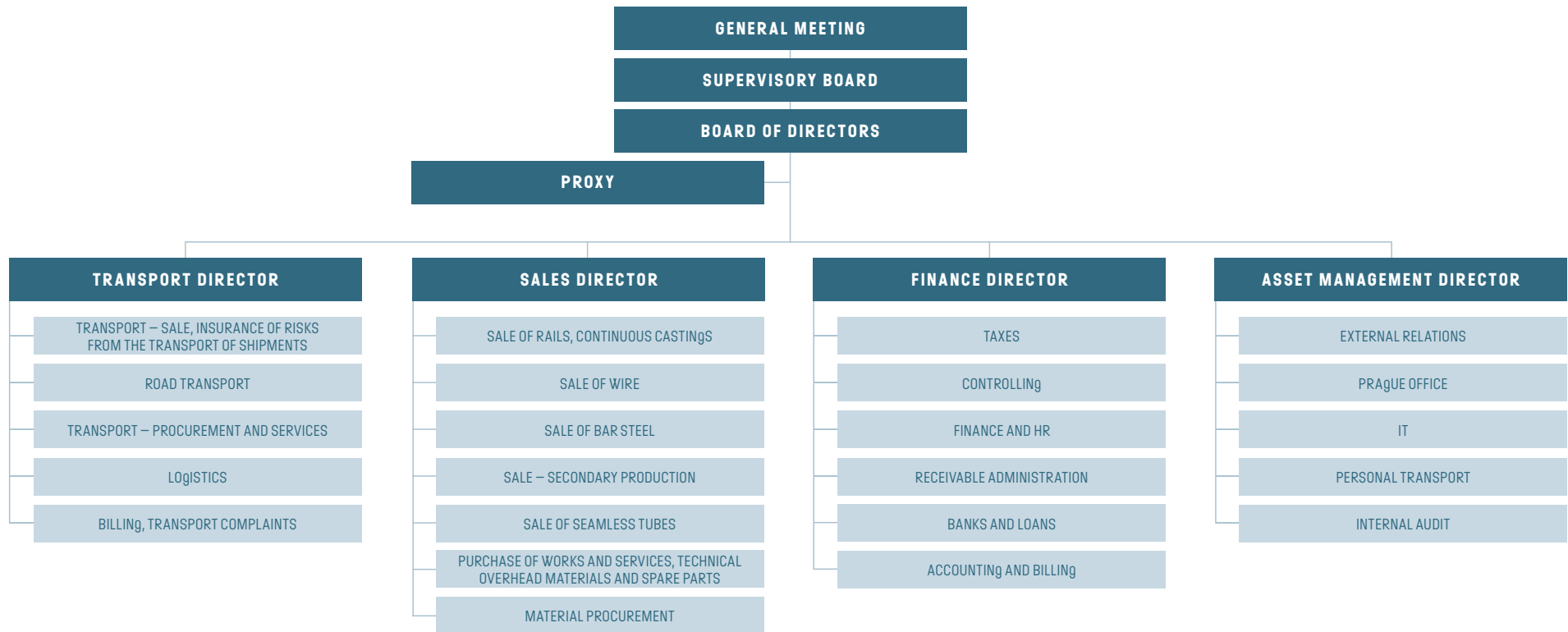
1.2. CHANGES AND AMENDMENTS TO THE REGISTER OF COMPANIES

In the year ended 31 December 2020, no changes were made to the Register of Companies.

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2020

	Position	Name
BOARD OF DIRECTORS	Chairman	Petr Popelář
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříšín
	Member	Uršula Novotná
SUPERVISORY BOARD	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Bálko
	Member	Mária Blašková

1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2020



2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

The Company's financial statements are prepared as of 31 December 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. TANGIBLE FIXED ASSETS

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

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. The Company carried no internally developed tangible fixed assets during the year ended 31 December 2020.

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

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

CATEGORY OF ASSETS	Number of years
Machinery and equipment	3 – 12
Vehicles	4 – 5
Furniture and fixtures	6 – 15

Provisioning

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

The Company recorded no provisions against tangible and intangible fixed assets in the year ended 31 December 2020.

3.2. INTANGIBLE FIXED ASSETS

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

Purchased intangible fixed assets are stated at cost.

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

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

	Number of years
Software	4
Valuable rights	4 – 10
Other intangible fixed assets	4 – 5

3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

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

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

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

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

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

Provisioning

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

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

3.4. INVENTORY

Valuation

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

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

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

Provisions

No provisions were recognised in respect of inventory in 2020.

3.5. CURRENT FINANCIAL ASSETS

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

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

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

3.6. RECEIVABLES

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

Provisioning

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

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

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

3.7. TRADE PAYABLES

Trade payables are stated at their nominal value.

3.8. LOANS

Loans are stated at nominal value.

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

3.9. FOREIGN CURRENCY TRANSLATION

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

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

3.10. RESERVES

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

3.11. FINANCE LEASES

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

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

3.12. TAXATION

3.12.1. Tax Depreciation of Fixed Assets

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

3.12.2. Current Tax Payable

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

3.12.3. Deferred Tax

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

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

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

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

3.13. IMPAIRMENT

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

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

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

3.14. USE OF ESTIMATES

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

3.15. REVENUE RECOGNITION

Revenues are recognised when supplier terms under INCOTERMS 2010 are fulfilled or when services are rendered and are reported net of discounts and VAT.

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

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

3.16. CASH FLOW STATEMENT

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

	(CZK THOUSAND)	
	31 Dec 2020	31 Dec 2019
Cash on hand	442	356
Cash at bank and cash in transit	3 084 073	2 570 522
Total current financial assets	3 084 515	2 570 878
Total cash and cash equivalents	3 084 515	2 570 878

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

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

No changes in the classification or designation of balance sheet and profit and loss account items were made in 2020.

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

4.1. FIXED ASSETS

4.1.1. Intangible Fixed Assets

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Development	72	0	0	72	0	0	72
Software	1 678	0	0	1 678	0	0	1 678
Valuable rights	182 604	0	0	182 604	0	0	182 604
Other intangible FA	700	0	0	700	0	0	700
Intangible FA under construction	0	0	0	0	0	0	0
Prepayments and advances for intangible FA	0	0	0	0	0	0	0
Total	185 054	0	0	185 054	0	0	185 054

Accumulated Amortisation

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Development	72	0	0	72	0	0	72
Software	1 623	55	0	1 678	0	0	1 678
Valuable rights	63 812	23 894	0	87 706	18 894	0	106 600
Other intangible FA	700	0	0	700	0	0	700
Total	66 207	23 949	0	90 156	18 894	0	109 050

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Development	0	0
Software	0	0
Valuable rights	94 898	76 004
Other intangible FA	0	0
Intangible FA under construction	0	0
Prepayments and advances for intangible FA	0	0
Total	94 898	76 004

Amortisation of intangible fixed assets was CZK 18,894 thousand and CZK 23,949 thousand as of 31 December 2020 and 31 December 2019, respectively.

4.1.2. Tangible Fixed Assets

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2018	Impact of the merger	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Structures	0	0	907	0	907	0	0	907
Tangible movable assets	89 212	1 962	10 834	11 600	90 408	0	577	89 831
– Machines and equipment	12 902	0	847	2 518	11 231	0	210	11 021
– Vehicles	72 253	1 962	9 915	8 193	75 937	0	307	75 630
– Furniture and fixtures	4 057	0	72	889	3 240	0	60	3 180
Works of art and collections	0	136	0	136	0	0	0	0
Tangible FA under construction	0	0	13 294	13 294	0	0	0	0
Prepayments for tangible FA	0	0	0	0	0	0	0	0
Total	89 212	2 098	25 035	25 030	91 315	0	577	90 738

Accumulated Depreciation

(CZK THOUSAND)

	Balance at 31 Dec 2018	Impact of the merger	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Structures	0	0	2	0	2	18	0	20
Tangible movable assets	65 937	1 962	9 952	13 495	64 356	9 115	577	72 894
– Machines and equipment	12 614	0	298	2 500	10 412	315	210	10 517
– Vehicles	49 320	1 962	9 638	10 106	50 814	8 778	307	59 285
– Furniture and fixtures	4 003	0	16	889	3 130	22	60	3 092
Total	65 937	1 962	9 954	13 495	64 358	9 133	577	72 914

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Structures	905	887
Tangible movable assets	26 052	16 937
– Machines and equipment	819	504
– Vehicles	25 123	16 345
– Furniture and fixtures	110	88
Tangible FA under construction	0	0
Prepayments for tangible FA	0	0
Total	26 957	17 824

The Company principally acquired cars in 2019 and 2020.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 1,601 thousand and CZK 5,383 thousand for the years ended 31 December 2020 and 2019, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are directly expensed on a one-off basis.

Depreciation of tangible fixed assets amounted to CZK 9,133 thousand and CZK 9,954 thousand as of 31 December 2020 and 31 December 2019, respectively.

4.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Equity investments – controlled or controlling entities	9 051 308	32 774	208 875	8 875 207	942 097	0	9 817 304
Equity investments – associates	2 886	0	0	2 886	0	0	2 886
Acquisition of non-current financial assets	28 831	98 868	32 774	94 925	879 221	942 097	32 049
Prepayments for non-current financial assets	2 238	0	0	2 238	60 000	57 229	5 009
Total	9 085 263	131 642	241 649	8 975 256	1 881 318	999 326	9 857 248

4.2.1. Equity Investments – Controlled or Controlling Entities

2020

(CZK THOUSAND)

NAME	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/ loss	Provision	Dividend income for the period
TŘINECKÉ ŽELEZÁRNY, a. s. *)	Třinec	7 164 783	8 109 863	100	28 969 425	469 323	0	0
Barrandov Studio a.s.	Prague	746 439	197 112	99,85	976 448	25 673	150 000	0
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	12 308	582	0	0
Moravia Steel Italia, srl	Milano	2 580	2 075	66	65 687	17 817	0	8 927
Moravia Steel Ibéria, s.a.	Lisabon	10 850	2 533	99,33	15 747	4 175	0	2 113
MS – Slovensko s.r.o.	Bratislava	161	160	100	14 989	-427	0	0
Moravia Steel Israel Ltd.	Petach Tikva	605	466	100	0	0	0	0
Beskydská golfová, a.s.	Ropice	254 342	230 000	100	204 131	1 096	170 000	0
Moravskoslezský kovošrot, a.s.	Ostrava	202 209	2 000	100	233 814	28 816	37 000	50 000
M Steel Projects a.s.	Třinec	10 000	10 000	100	97 424	71 391	0	100 000
Moravia Steel UK Ltd	Cheshire	1 449	728	100	12 713	863	0	5 918
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	81 965	65 384	113 000	50 050
NEOMET Sp. z o.o.	Radomsko	33 972	4 856	100	180 590	15 693	0	0
Moravia Mining Plc	Addis Ababa	3 153	3 157	76	0	0	3 153	0
Kovárna VIVA a.s.	Zlín	417 667	33 000	66	1 082 342	66 255	0	0
MSV Metal Studénka, a.s. **)	Studénka	886 430	69 300	100	419 026	100 543	0	0
Total		9 849 353	8 697 587		32 366 609	867 183	473 153	217 008

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

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

2019

(CZK THOUSAND)

NAME	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Třinecké železářny, a. s. *)	Třinec	7 163 300	8 109 863	100	28 500 102	609 943	0	0
Barrandov Studio a.s.	Prague	746 439	197 112	99,85	950 774	88 753	150 000	0
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	11 358	683	0	0
Moravia Steel Italia, srl	Milano	2 580	2 075	66	67 089	24 202	0	13 601
Moravia Steel Ibéria, s.a.	Lisabon	10 850	2 533	99,33	13 213	3 440	0	1 285
MS – Slovensko s.r.o.	Bratislava	161	160	100	14 950	121	0	0
Moravia Steel Israel Ltd.	Petach Tikva	605	466	100	0	0	0	0
Beskydská golfová, a.s	Ropice	254 342	230 000	100	203 062	1 226	100 000	0
Moravskoslezský kovošrot, a.s.	Ostrava	202 209	2 000	100	254 997	48 423	120 011	30 000
M Steel Projects a.s.**)	Třinec	10 000	10 000	100	132 831	-12 100	0	0
Moravia Steel UK Ltd	Cheshire	1 449	728	100	18 114	5 928	0	14 229
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	67 350	52 318	100 000	25 595
NEOMET Sp. z o.o.***)	Radomsko	33 972	4 856	100	171 602	13 992	0	0
Moravia Mining Plc	Addis Ababa	3 153	3 157	76	-2 931	-377	3 153	0
Kovárna VIVA a.s.	Zlín	417 667	33 000	66	1 016 556	103 964	0	29 700
MSV Metal Studénka, a.s. ****)	Studénka	8 692	0	0	0	0	0	0
Total		8 970 132	8 598 442	0	31 419 067	940 516	473 164	114 410

*) During 2019, the investment increased by CZK 2,930 thousand consisting court fees related to the conclusion of a legal dispute on the correct valuation of the shares of Třinecké železářny, a. s., based on the ruling of the High Court in Olomouc of 11 September 2019. The amount also includes the amount of CZK 86,233 thousand, which will be paid to minority shareholders based on the court ruling.

**) In the course of 2019, the contribution above and beyond the share capital balance of Steel Projects a.s. in the amount of CZK 208,875 thousand was refunded.

***) Share capital increased in 2019.

****) Prepayment for the acquisition of MSV Metal Studénka, a.s.

4.2.2. Equity Investments – Associates

2020

(CZK THOUSAND)

NAME	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Moravia Steel Middle East FZCO	Dubai	2 886	2 841	40	304 085	7 914	0	0
Total		2 886	2 841		304 085	7 914	0	0

2019

(CZK THOUSAND)

NAME	Registered office	Cost	Nominal value	Ownership %	Equity	Profit/loss	Provision	Dividend income for the period
Moravia Steel Middle East FZCO	Dubai	2 886	2 841	40	315 281	-25 771	0	0
Total		2 886	2 841		315 281	-25 771	0	0

4.2.3. Pledged Non-Current Financial Assets and Current Equity Securities

In 2020, shares of MSV Metal Studénka, a.s. were pledged, see Note 4.6.7. None of the Company's non-current financial assets or current equity securities were pledged in 2019.

4.3. INVENTORY

(CZK THOUSAND)

	Balance at 31 Dec 2020	Balance at 31 Dec 2019
– Material	2 055	1 783
– Inventory – raw material	247 755	30 751
– Inventory – metallurgical products	481 062	598 880
Total	730 872	631 414

In the year ended 31 December 2020, the Company recognised no provision against inventory.

No prepayments for inventory were provided in the reporting periods.

4.4. RECEIVABLES

4.4.1. Long-Term Receivables

As of 31 December 2020, the Company reports long-term receivables of CZK 2 thousand.

As of 31 December 2020 and 2019, the Company records no long-term receivables with maturity exceeding 5 years.

4.4.2. Trade Receivables

(CZK THOUSAND)

	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Short-term		
– Customers	8 497 856	7 679 695
– Bills of exchange to be collected	3 344	3 344
– Provisions – customers	–250 546	–234 637
– Provisions – bills of exchange to be collected	–3 344	–3 344
Total	8 247 310	7 445 058

4.4.3. Aging of Receivables from Customers

(CZK THOUSAND)

BALANCE AT	Category	Before due date	Past due date	Total
31 Dec 2020	Gross	7 299 308	1 198 548	8 497 856
	Provisions	5 111	245 435	250 546
31 Dec 2019	Gross	6 838 335	841 360	7 679 695
	Provisions	341	234 295	234 637

Receivables typically mature within 30 days.

Past due receivables:

(CZK THOUSAND)

YEAR ENDED	Local	Cross-border	Total
31 Dec 2020	160 085	1 038 463	1 198 548
31 Dec 2019	136 584	704 776	841 360

4.4.4. Intercompany Trade Receivables

(CZK THOUSAND)

NAME OF THE ENTITY	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Short-term trade receivables		
Třinecké železářny, a. s.	1 959 169	1 573 653
Strojírny a stavby Třinec, a.s.	77	38
ENERGETIKA TŘINEC, a.s.	48 746	54 698
Slévárny Třinec, a.s.	49 515	21 762
Moravia Steel Deutschland GmbH, Německo	12	0
Řetězárna a.s.	23 580	10 562
HŽP a.s.	38 893	34 531
Moravia Steel UK Ltd	40	0
Moravia Steel Italia, srl.	112	0
DOPRAVA TŽ, a.s.	343	0
Beskydská golfová, a.s.	61	60
VÚHŽ, a.s.	4 773	4 455
Šroubárna Kyjov spol. s r.o.	31 458	13 499
Kovárna VIVA a.s.	102 851	80 345
M STEEL PROJECTS a.s.	242	121
ŽDB DRÁTOVNA a.s.	361 863	256 640
„NEOMET“ sp.z o.o.	475	0
BOHEMIA RINGS s.r.o.	63 546	16 440
MSV METAL Studénka, a.s.	37 267	0
Total short-term intercompany receivables	2 723 023	2 066 804
Receivables outside the Group	5 778 177	5 616 235
Receivables outside the Group	8 501 200	7 683 039

4.4.5. State – Tax Receivables

State – tax receivables principally comprise a receivable arising from VAT of CZK 60,269 thousand as of 31 December 2020 (2019: a receivable arising from VAT of CZK 83,923 thousand) as well as a receivable arising from corporate income tax of CZK 91,417 thousand.

4.5. SHAREHOLDERS' EQUITY

4.5.1. Share Capital

The Company's share capital in the aggregate amount of CZK 3,159,000 thousand as of 31 December 2020 is composed of 315,900 registered shares in book-entry form with a nominal value of CZK 10,000 each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's General Meeting.

4.5.2. Changes in Equity

Based on the decision of the General Meeting of Shareholders held on 29 June 2020, the profit of CZK 1,143,215 thousand for the year ended 31 December 2019 was allocated as follows:

- CZK 1,143,215 thousand was transferred to retained earnings;

The expected allocation of profit of CZK 755,996 thousand is the payment of dividends of CZK 2,000,279 thousand as follows:

- CZK 755,996 thousand – payment of a dividend from the current period profit;
- CZK 1,244,283 thousand – additional payment of a dividend from retained earnings.

4.6. PAYABLES

4.6.1. Long-Term Payables

The Company records no long-term trade payables with maturities exceeding five years as of 31 December 2020.

4.6.2. Aging of Payables to Suppliers

(CZK THOUSAND)

BALANCE AT	Category	Before due date	Past due date	Total
31 Dec 2020	Short-term	4 601 238	35 773	4 637 011
31 Dec 2019	Short-term	3 764 430	1 881	3 766 311

Payables typically mature within 45 days.

4.6.3. Intercompany Payables

(CZK THOUSAND)

NAME OF THE ENTITY	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Short-term trade payables		
Třinecké železářny, a. s.	1 590 712	1 547 141
Strojírny a stavby Třinec, a.s.	16	24
Řetězárna a.s.	0	0
REFRASIL, s.r.o.	12 808	13 493
FINITRADING, a.s.	0	0
Moravia Steel Italia, srl	35 393	15 814
Moravia Steel Ibéria, s.a.	0	1 744
Moravia Steel Slovenija, d.o.o.	4 627	3 676
DOPRAVA TŽ, a.s.	27	17
VESUVIUS ČESKÁ REPUBLIKA, a.s.	19 176	23 248
ŽDB DRÁTOVNA a.s.	0	0
Beskydská golfová a.s.	10	1 455
Třinecké gastroslužby, s.r.o.	191	755
Minerfin a.s.	786 065	259 723
Moravia Steel Deutschland GmbH	14 162	11 075
Moravia Steel UK Ltd	11 984	14 629
Kovárna VIVA a.s.	1	1
MSV METAL Studénka. a.s.	4	0
Total intercompany short-term payables	2 475 176	1 892 795
Payables to other than Group companies	2 161 835	1 873 516
Total short-term trade payables	4 637 011	3 766 311

4.6.4. Estimated Payables

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 20,356 thousand (2019: CZK 30,816 thousand), unbilled supplies of work and services amounting to CZK 71,087 thousand (2019: CZK 126,419 thousand) and an estimated payable for staff costs in the amount of CZK 14 thousand (2019: CZK 5,983 thousand).

4.6.5. Due Amounts from Social Security and Health Insurance

As of 31 December 2020, the aggregate amount of due amounts related to social security, state employment policy and health insurance contributions was CZK 5,780 thousand (2019: CZK 5,243 thousand). These payables were fully settled as of the balance sheet date.

4.6.6. State – Tax Payables

State – tax payables as of 31 December 2020 principally comprise a payable arising from personal income tax amounting to CZK 2,239 thousand (2019: CZK 2,218 thousand)

4.6.7. Bank Loans

During the years ended 31 December 2020, the Company used a long-term bank loan.

2020

PURPOSE	Currency	Balance at 31 Dec 2020 In CZK thousand	Collateral
Long-term loans		0	
Refinancing of maximum 80% of the total acquisition cost for the transfer of 100% shares in the Company according to Share purchase agreement – due on 31 May 2025	CZK	616 610	Securities Pledge Agreement
Total			
Short-term part of long-term loans		145 085	
Total long-term loans		471 525	

4.6.8. Short-Term Prepayments Received

In the year ended 31 December 2020, the Company recorded short-term prepayments received of CZK 244,341 thousand (2019: CZK 227,224 thousand).

4.6.9. Accrued Expenses

Accrued expenses largely comprise costs related to the year ended 31 December 2020 for transportation and other services paid in 2021 in the amount of CZK 10,368 thousand (2019: CZK 28,906 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 20 thousand (2019: CZK 1 thousand).

4.6.10. Deferred Taxation

The deferred tax asset/liability is analysed as follows:

Deferred Tax Arising from

	(CZK THOUSAND)	
	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Accumulated depreciation and amortisation of fixed assets	-13 135	-11 062
Estimated payable arising from outstanding vacation days	3	1 120
Unpaid penalties	1 001	1 001
Provisions – receivables	6 683	7 281
Unpaid (un-received) penalty	-1 019	-518
Reserves	722	0
Total recognised tax asset (+) / liability (-)	-5 745	-2 178

4.7. INCOME TAX ON ORDINARY ACTIVITIES

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

(CZK THOUSAND)

	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Profit before tax	900 626	1 417 993
Tax at the domestic income tax rate of 19%	171 119	269 419
Tax effect of permanent differences	-30 169	-4 456
Deferred tax liability	3 567	1 628
Additional taxes of prior years	113	8 187
Total income tax on ordinary activities	144 630	274 778

4.8. INCOME FROM ORDINARY ACTIVITIES

(CZK THOUSAND)

	2020			2019		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	19 073 422	0	19 073 422	20 982 050	0	20 982 050
Goods – metallurgical products	11 374 390	25 968 260	37 342 650	13 044 444	27 746 568	40 791 012
Sales of goods	30 447 812	25 968 260	56 416 072	34 026 494	27 746 568	61 773 062
Sales of services	521 751	63 717	585 468	544 887	61 681	606 568
Total sales of own products and services	521 751	63 717	585 468	544 887	61 681	606 568

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

Sales of services principally comprise the provision of forwarding services of CZK 469,770 thousand for the year ended 31 December 2019 (2019: CZK 486,023 thousand). The sales of services also comprise revenues arising from remuneration and commissions based on mandatory contracts.

4.9. COSTS OF GOODS SOLD

(CZK THOUSAND)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Purchase of goods – raw materials	18 693 250	20 292 920
Purchase of goods – metallurgical products	34 069 770	36 972 287
Costs for transport of goods – metallurgical products	1 751 833	1 766 902
Total costs of goods sold	54 514 853	59 032 109

4.10. SERVICES

(CZK THOUSAND)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Transportation costs – services	582 521	550 456
Lease of trademark	123 000	123 000
Commissions	311 549	304 108
Advertising	95 594	121 284
Rental fees	9 494	10 958
Telecommunications	9 624	11 259
Legal advisory and auditing activities	22 961	27 456
Other services	345 018	319 597
Total	1 499 761	1 468 118

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

(CZK THOUSAND)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Settlement of complex deferred expenses	0	0
Change in reserves	4 227	8
Reserves relating to operating activities and complex deferred expenses	4 227	8
<i>Changes in provisions under special legislation</i>	<i>18 381</i>	<i>9 345</i>
– provisions against receivables	18 381	9 345
<i>Changes in tax non-deductible provisions:</i>	<i>–3 146</i>	<i>2 115</i>
– provisions against receivables	–3 146	2 115
Changes in receivables	15 235	11 460
Total	19 462	11 468

4.12. OTHER OPERATING EXPENSES AND INCOME

Other operating expenses primarily include the costs of the write-off of receivables due to the completed insolvency proceedings and sale of receivables of CZK 0 thousand (2019: CZK 2,473 thousand) and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 44,078 thousand (2019: CZK 45,505 thousand). Other operating income primarily includes discounts and rebates of CZK 19 thousand (2019: CZK 10 thousand) and supplies of insurance companies arising from insurance of receivables of CZK 4,860 thousand (2019: CZK 11,395 thousand).

4.13. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 1,173,826 thousand (2019: CZK 355,528 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 1,054,154 thousand (2019: CZK 399,652 thousand). The remaining balance consists of other financial expenses such as fees under letters of credit, fees under loan agreements, banking fees and other financial costs of CZK 3,335 thousand (2019: CZK 3,679 thousand).

4.13.1. Income Generated with Related Parties**2020**

(CZK THOUSAND)

ENTITY	Relation to the Company	Goods	Services	Other income	Fin. income	Total
Třinecké Železárny, a. s.	Subsidiary	18 524 816	317 120	2 773	0	18 844 709
Barrandov Studio a.s.	Subsidiary	0	0	0	0	0
Beskydská golfová, a.s.	Subsidiary	0	600	0	0	600
Hanácké železárny a pérovny, a.s	Subsidiary of a subsidiary	215 140	4 808	0	0	219 948
Moravia Steel Italia s.r.l.	Subsidiary	0	116	0	0	116
Moravia Steel Ibéria, s.a.	Subsidiary	0	0	0	0	0
Moravia Steel UK Ltd	Subsidiary	0	111	0	0	111
Kovárna VIVA a.s.	Subsidiary	379 609	638	0	0	380 247
M STEEL PROJECTS a.s.	Subsidiary	0	1 200	0	0	1 200
Strojírny a stavby Třinec, a.s	Subsidiary of a subsidiary	0	189	0	0	189
ENERGETIKA TŘINEC, a.s.	Subsidiary of a subsidiary	428 263	2 435	0	0	430 698
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	120 485	6 077	0	0	126 562
REFRASIL, s.r.o.	Subsidiary of a subsidiary	0	0	0	0	0
Řetězárna a.s.	Subsidiary of a subsidiary	182 343	0	0	0	182 343
DOPRAVA TŽ, a.s.	Subsidiary of a subsidiary	0	925	0	0	925
Moravia Steel Deutschland GmbH	Subsidiary	0	12	0	0	12
VÚHŽ, a.s.	Subsidiary of a subsidiary	19 337	3 777	0	0	23 114
Šroubárna Kyjov, spol. s r.o.	Subsidiary of a subsidiary	345 760	6 923	10	0	352 693
ŽDB DRÁTOVNÁ a.s.	Subsidiary of a subsidiary	1 564 404	108 334	0	0	1 672 738
NEOMET Sp. z o.o.	Subsidiary	0	3 970	0	0	3 970
Minerfin a.s.	Group entity	0	100	0	0	100
„Metalurgia“ Spółka akcyjna	Subsidiary of a subsidiary	127 229	43	0	0	127 272
„D&D“ Drótáru	Subsidiary of a subsidiary	967 112	73	23	0	967 208
Moravskoslezský kovošrot, a.s.	Subsidiary	0	3 250	0	0	3 250
Moravia Mining	Subsidiary	0	0	0	320	320
BOHEMIA RINGS s.r.o.	Subsidiary of a subsidiary	412 031	26 979	0	0	439 010
MSV METAL Studénka, a.s.	Subsidiary	193 135	65	0	0	193 200
Total		23 479 664	487 745	2 806	320	23 970 535

2019

(CZK THOUSAND)

ENTITY	Relation to the Company	Goods	Services	Other income	Fin. income	Total
Třinecké Železárny, a. s.	Subsidiary	20 355 280	335 320	2 956	0	20 693 556
Barrandov Studio a.s.	Subsidiary	0	0	0	451	451
Beskydská golfová, a.s.	Subsidiary	0	600	0	0	600
Hanácké Železářny a pérovny, a.s	Subsidiary of a subsidiary	309 311	6 761	0	0	316 072
Moravia Steel Italia s.r.l.	Subsidiary	0	0	7	0	7
Moravia Steel Ibéria, s.a.	Subsidiary	0	0	0	0	0
Moravia Steel UK Ltd	Subsidiary	0	0	0	0	0
Kovářna VIVA a.s.	Subsidiary	494 858	708	0	0	495 566
M STEEL PROJECTS a.s.	Subsidiary	0	1 200	0	0	1 200
Strojírny a stavby Třinec, a.s	Subsidiary of a subsidiary	56	179	0	0	235
ENERGETIKA TŘINEC, a.s.	Subsidiary of a subsidiary	487 769	2 436	0	0	490 205
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	144 946	9 585	0	0	154 531
REFRASIL, s.r.o.	Subsidiary of a subsidiary	0	0	0	0	0
Řetězárna a.s.	Subsidiary of a subsidiary	205 706	0	0	0	205 706
DOPRAVA TŽ, a.s.	Subsidiary of a subsidiary	0	0	0	0	0
Moravia Steel Deutschland GmbH	Subsidiary	-5	0	0	0	-5
VÚHŽ, a.s.	Subsidiary of a subsidiary	49 241	5 107	0	0	54 348
Šroubárna Kyjov, spol. s r.o.	Subsidiary of a subsidiary	417 068	10 607	0	0	427 675
ŽDB DRÁTOVNA a.s.	Subsidiary of a subsidiary	1 874 247	107 032	0	0	1 981 279
FINITRADING, a.s.	Controlling entity	0	0	0	0	0
NEOMET Sp. z o.o.	Subsidiary	0	7 282	0	0	7 282
Minerfin a.s.	Group entity	0	281	0	0	281
„Metalurgia“ Spółka akcyjna	Subsidiary of a subsidiary	94 800	0	0	0	94 800
„D&D“ Drótáru	Subsidiary of a subsidiary	979 270	0	-5	0	979 265
Moravskoslezský kovošrot, a.s.	Subsidiary	3 478	0	0	0	3 478
Moravia Mining	Subsidiary	0	0	0	339	339
BOHEMIA RINGS s.r.o.	Subsidiary of a subsidiary	412 817	26 444	0	0	439 261
Total		25 828 842	513 542	2 958	790	26 346 132

4.13.2. Purchases

2020

(CZK THOUSAND)

ENTITY	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
Třinecké železářny, a. s.	Subsidiary	33 806 182	480	171 297	273	0	33 978 232
Moravia Steel Italia, s.r.l.	Subsidiary	0	0	76 435	0	0	76 435
Moravia Steel Ibéria, s.a.	Subsidiary	0	0	12 611	0	0	12 611
Moravia Steel Slovenija, d.o.o.	Subsidiary	0	0	12 911	0	0	12 911
Barrandov Studio, a.s.	Subsidiary	0	0	0	0	0	0
Moravia Steel Deutschland GmbH	Subsidiary	0	0	177 009	0	0	177 009
Moravia Steel UK Ltd.	Subsidiary	0	0	27 637	0	0	27 637
Beskydská golfová, a.s.	Subsidiary	20	0	6 920	30	0	6 970
HŽP, a.s.	Subsidiary of a subsidiary	0	0	0	1	0	1
Strojírny a stavby Třinec, a.s.	Subsidiary of a subsidiary	0	9	106	0	0	115
REFRASIL, s.r.o.	Subsidiary of a subsidiary	94 432	0	0	0	0	94 432
DOPRAVA TŽ, a.s.	Subsidiary of a subsidiary	229	0	0	0	0	229
TRISIA, a.s.	Subsidiary of a subsidiary	21	0	3 090	14	0	3 125
Třinecké gastroslužby, s.r.o.	Subsidiary of a subsidiary	0	0	568	2 948	0	3 516
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Subsidiary of a subsidiary	114 738	0	0	0	0	114 738
Minerfin a.s.	Group entity	4 106 615	0	0	101	0	4 106 716
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	264	0	0	0	0	264
BOHEMIA RINGS s.r.o.	Subsidiary of a subsidiary	0	0	0	9	0	9
MSV METAL Studénka, a.s.	Subsidiary	0	0	3	57	0	60
Total		38 122 501	489	488 587	3 433	0	38 615 010

2019

(CZK THOUSAND)

ENTITY	Relation to the Company	Goods	Material	Services	Other expenses	Extra-ordinary expenses	Total
Třinecké železářny, a. s.	Subsidiary	36 649 720	670	171 676	485	0	36 822 551
Moravia Steel Italia, s.r.l.	Subsidiary	0	0	76 653	0	0	76 653
Moravia Steel Ibéria, s.a.	Subsidiary	0	0	14 969	0	0	14 969
Moravia Steel Slovenija, d.o.o.	Subsidiary	0	0	12 240	0	0	12 240
Barrandov Studio, a.s.	Subsidiary	0	0	0	0	0	0
Moravia Steel Deutschland GmbH	Subsidiary	0	0	160 278	0	0	160 278
Moravia Steel UK Ltd.	Subsidiary	0	0	36 566	0	0	36 566
Beskydská golfová, a.s.	Subsidiary	0	0	8 304	12	0	8 316
HŽP, a.s.	Subsidiary of a subsidiary	0	0	0	0	0	0
Strojírny a stavby Třinec, a.s.	Subsidiary of a subsidiary	3	0	151	0	0	154
REFRASIL, s.r.o.	Subsidiary of a subsidiary	84 827	0	0	0	0	84 827
DOPRAVA TŽ, a.s.	Subsidiary of a subsidiary	177	0	0	0	0	177
TRISIA, a.s.	Subsidiary of a subsidiary	0	0	4 662	26	0	4 688
Třinecké gastroslužby, s.r.o.	Subsidiary of a subsidiary	0	0	949	3 899	0	4 848
FINITRADING, a.s.	Controlling entity	0	0	0	0	0	0
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Subsidiary of a subsidiary	106 756	0	0	0	0	106 756
Minerfín a.s.	Group entity	1 124 075	0	0	0	0	1 124 075
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	0	0	0	0	0	0
Total		37 965 558	670	486 448	4 422	0	38 457 098

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

5.1. STAFF COSTS AND NUMBER OF EMPLOYEES

The average number of the Company's employees and managers and staff costs for the years ended 31 December 2020 and 2019 are as follows:

2020

(CZK THOUSAND)

	Number	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Employees	268	134 718	47 476	2 869	185 063
Management	30	63 772	16 764	0	80 536
Total	298	198 490	64 240	2 869	265 599

2019

(CZK THOUSAND)

	Number	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Employees	275	195 813	57 784	3 089	256 686
Management	33	93 786	21 093	0	114 879
Total	308	289 599	78 877	3 089	371 565

The number of employees is based on the average recalculated headcount. As of 31 December 2020, management includes the Finance Director and Board Chairman, Sales Director and Board Vice Chairman, Asset Management Director and Board member, Transportation Director and Board member, Raw Material Procurement Director, Director for Procurement of work and services, technical overhead material and spare parts, Sale of Wires Director, Re-processing Director, Bar Steel Director for TŽ, Sale of Rails and Semi-Finished Products Director, Sale of Seamless Tubes Director, Audit Committee Chairman, Supervisory Board Chairman, two Supervisory Board Vice Chairmen, Supervisory Board member, two proxies and Transportation Deputy Directors, Head of Transportation – sale, shipment transportation risk insurance, Head of Road Transportation, Head of Transportation – procurement and services, Head of Logistics, Head of Billing and Transport Complaints, Head of Taxes, Head of Controlling, Head of Funding and HR, Head of Accounting and Billing, Head of Receivable Administration, Head – Banks and Loans, Head of External Relations, Head of IT, Head of Passenger Transportation, Head of Internal Audit.

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

5.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED

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

	(CZK THOUSAND)	
	2020	2019
Board of Directors	983	1 221
Supervisory Board	0	325
Members of management bodies	2 594	2 479
Total	3 577	4 025

Management of the Company includes the Board of Directors.

Benefits provided to the members of the Supervisory Board and Board of Directors also included the payment of premiums under the liability insurance for damage caused in performing professional duties of a statutory member. Insurance for 2020 for all members of the Board of Directors and the Supervisory Board totalled CZK 1,169 thousand (2019: CZK 1,180 thousand).

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

As of 31 December 2020, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2020, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 49,462 thousand.

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

Following the conclusions of the appellate court's ruling, the Company recognised an anticipated payable to the minority shareholder as of the effective date in the amount of the consideration of CZK 27,745 thousand as well as interest as of 31 December 2020 in the amount of CZK 4,304 thousand.

MORAVIA STEEL a.s., as well as TŘINECKÉ ŽELEZÁRNY, a. s. as another participant in the proceedings and some former shareholders, filed an appeal against the ruling of the High Court in Olomouc with the Supreme Court of the Czech Republic. No decision on this appeal has been made yet.

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

The legal dispute is still in the phase of first-instance procedures and only the first court hearing has taken place so far, where the court focused on procedural matters concerning the place of holding the dispute (international jurisdiction), and on 25 September 2019 the Court issued an interim judgment, ruling that the jurisdiction was both international and local. MORAVIA STEEL a.s. filed an appeal against this decision on 20 December 2019. The High State Court rejected the appeal on 1 December 2020 and confirmed the admissibility of the action but did not agree with the opinion of the State Court that its jurisdiction is based on a concept of one economic unit. MORAVIA STEEL a.s. thus still has a realistic possibility that the claim will be dismissed.

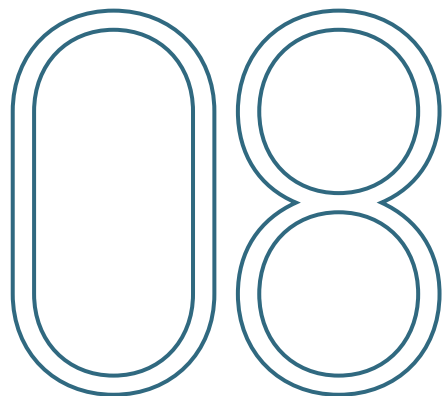
The dispute initiated in October 2019 by the plaintiff – insurance company Mapfre España Compañía de Seguros y Reseguros, S.A. against MORAVIA STEEL a.s., as well as against TŘINECKÉ ŽELEZÁRNY, a. s. (jointly and severally). The subject of the action is the claim for compensation for damage that was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

Further development of this dispute and its prognosis depends on how the plaintiff will deal with their so far inaccurate factual allegation and whether they provide evidence to support this allegation. The court ordered the first hearing to be held on 21 April 2021, where the action was dismissed. The result of the dispute will not have a material impact on the Company.

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

7. POST BALANCE SHEET EVENTS

The Company considered the impact of the coronavirus (referred to as SARS-CoV-2) when preparing the financial statements as of 31 December 2020. The impact is not material and does not compromise the Company's ability to continue as a going concern.



FINANCIAL PART II. CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NAME OF THE COMPANY:	MORAVIA STEEL a.s.
REGISTERED OFFICE:	Průmyslová 1000, Staré Město, 739 61 Třinec, CZ
LEGAL STATUS:	Joint Stock Company
CORPORATE ID:	63474808
RECORD IN THE REGISTER OF COMPANIES:	Recorded in File 1297, Section B of the Register of Companies held by the Regional Court in Ostrava

Components of the Consolidated Financial Statements:

Consolidated Balance Sheet



Consolidated Profit and Loss Account

Consolidated Statement of Changes in Equity

Consolidated Cash Flow Statement

Consolidated Notes to the Financial Statements

These consolidated financial statements were prepared on 16 April 2021.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE
Petr Popelář, MBA Chairman of the Board	
Mojmír Kašpříš Member of the Board	

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(CZK THOUSAND)

	31.12.2020			31.12.2019
	Gross	Adjustment	Net	Net
TOTAL ASSETS	104 536 494	45 165 475	59 371 019	57 006 356
B. Fixed assets	74 087 921	43 783 095	30 304 826	29 802 701
B.I. Intangible fixed assets	2 428 425	977 854	1 450 571	1 900 345
B.I.1. Development	6 405	6 405	0	0
B.I.2. Valuable rights	1 180 625	938 075	242 550	245 594
B.I.2.1. Software	407 929	333 359	74 570	58 326
B.I.2.2. Other valuable rights	772 696	604 716	167 980	187 268
B.I.3. Goodwill	23 878	2 690	21 188	23 201
B.I.4. Other intangible fixed assets	1 188 951	30 374	1 158 577	1 614 780
B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction	28 566	310	28 256	16 770
B.I.5.2. Intangible fixed assets under construction	28 566	310	28 256	16 770
B.II. Tangible fixed assets	70 175 117	42 549 210	27 625 907	26 644 048
B.II.1. Land and structures	20 078 139	9 243 166	10 834 973	9 600 057
B.II.1.1. Land	1 394 165	2 623	1 391 542	1 285 033
B.II.1.2. Structures	18 683 974	9 240 543	9 443 431	8 315 024
B.II.2. Tangible movable assets and sets of tangible movable assets	47 980 387	32 900 218	15 080 169	14 763 472
B.II.4. Other tangible fixed assets	462 186	397 581	64 605	28 569
B.II.4.3. Other tangible fixed assets	462 186	397 581	64 605	28 569
B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction	1 654 405	8 245	1 646 160	2 251 950
B.II.5.1. Prepayments for tangible fixed assets	214 589	0	214 589	278 490
B.II.5.2. Tangible fixed assets under construction	1 439 816	8 245	1 431 571	1 973 460
B.III. Non-current financial assets	513 671	116 431	397 240	419 426
B.III.1. Equity investments – controlled or controlling entity	484 723	98 356	386 367	406 872
B.III.3. Equity investments in associates	26 937	18 075	8 862	10 543
B.III.5. Other non-current securities and investments	2 011	0	2 011	2 011
B.IV. Goodwill on consolidation	685 298	139 600	545 698	565 321
B.IV.I. Positive goodwill on consolidation	699 864	141 300	558 564	578 915
B.IV.II. Negative goodwill on consolidation	-14 566	-1 700	-12 866	-13 594
B.V. Securities and equity investments under equity accounting	285 410	0	285 410	273 561

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CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(CZK THOUSAND)

		31.12.2020		31.12.2019	
		Gross	Adjustment	Net	Net
C.	Current assets	30 448 573	1 382 380	29 066 193	27 203 655
C.I.	Inventories	15 469 444	954 862	14 514 582	13 723 947
C.I.1.	Material	6 972 996	479 131	6 493 865	6 111 140
C.I.2.	Work in progress and semifinished goods	4 689 012	299 523	4 389 489	4 202 277
C.I.3.	Products and goods	3 801 528	176 208	3 625 320	3 401 091
C.I.3.1.	Products	3 727 818	174 220	3 553 598	3 342 539
C.I.3.2.	Goods	73 710	1 988	71 722	58 552
C.I.5.	Prepayments for inventories	5 908	0	5 908	9 439
C.II.	Receivables	9 018 780	424 484	8 594 296	8 942 836
C.II.1.	Long-term receivables	73 139	0	73 139	78 215
C.II.1.1.	Trade receivables	20 621	0	20 621	20 000
C.II.1.4.	Deferred tax asset	31 365	0	31 365	36 799
C.II.1.5.	Receivables – other	21 153	0	21 153	21 416
C.II.1.5.2.	Long-term prepayments made	1 220	0	1 220	1 211
C.II.1.5.4.	Sundry receivables	19 933	0	19 933	20 205
C.II.2.	Short-term receivables	8 732 677	424 484	8 308 193	8 615 206
C.II.2.1.	Trade receivables	7 650 034	350 484	7 299 550	7 329 940
C.II.2.2.	Receivables – controlled or controlling entity	25 605	17 589	8 016	9 069
C.II.2.4.	Receivables – other	1 057 038	56 411	1 000 627	1 276 197
C.II.2.4.1.	Receivables from partners	6 792	0	6 792	1 191
C.II.2.4.3.	State – tax receivables	721 573	0	721 573	915 801
C.II.2.4.4.	Short-term prepayments made	58 332	26 131	32 201	30 825
C.II.2.4.5.	Estimated receivables	151 499	0	151 499	131 906
C.II.2.4.6.	Sundry receivables	118 842	30 280	88 562	196 474
C.II.3.	Other assets	212 964	0	212 964	249 415
C.II.3.1.	Deferred expenses	80 631	0	80 631	100 346
C.II.3.2.	Complex deferred expenses	117 083	0	117 083	133 219
C.II.3.3.	Accrued income	15 250	0	15 250	15 850
C.III.	Current financial assets	35 253	3 034	32 219	17 712
C.III.2.	Other current financial assets	35 253	3 034	32 219	17 712
C.IV.	Cash	5 925 096	0	5 925 096	4 519 160
C.IV.1.	Cash on hand	6 856	0	6 856	5 614
C.IV.2.	Cash at bank	5 918 240	0	5 918 240	4 513 546

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(CZK THOUSAND)

	31.12.2020	31.12.2019
TOTAL LIABILITIES & EQUITY	59 371 019	57 006 356
A. Equity	42 110 800	40 900 302
A.I. Share capital	3 159 000	3 159 000
A.I.1. Share capital	3 159 000	3 159 000
A.II. Share premium and capital funds	-164 760	-127 350
A.II.2. Capital funds	-164 760	-127 350
A.II.2.1. Other capital funds	20 963	19 323
A.II.2.2. Gains or losses from the revaluation of assets and liabilities (+/-)	-185 723	-146 673
A.III. Funds from profit	1 800 953	1 799 457
A.III.1. Other reserve funds	1 801 404	1 800 153
A.III.2. Statutory and other funds	-451	-696
A.IV. Retained earnings (+/-)	35 453 828	33 257 102
A.IV.1. Accumulated profits or losses brought forward (+/-)	35 453 828	33 257 102
A.V. Profit or loss for the current period net of minority interests	1 256 143	2 204 362
A.VI. Profit or loss for the current period (+/-)	1 220 794	2 198 814
A.VI.2. Share in the profit/(loss) of equity accounted investments	35 349	5 548
VII. Consolidation reserve fund	605 636	607 731
B.+C. Liabilities	16 572 394	15 445 212
B. Reserves	847 342	758 029
B.I. Reserve for pensions and similar liabilities	19 649	10 611
B.II. Income tax reserve	7 994	0
B.III. Reserves under special legislation	4 750	1 113
B.IV. Other reserves	814 949	746 305

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CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(CZK THOUSAND)

	31.12.2020	31.12.2019
C. Payables	15 725 052	14 687 183
C.I. Long-term payables	5 586 531	4 715 706
C.I.2. Payables to credit institutions	3 568 741	2 850 642
C.I.4. Trade payables	38 789	39 523
C.I.8. Deferred tax liability	1 970 715	1 809 626
C.I.9. Payables – other	8 286	15 915
C.I.9.3. Sundry payables	8 286	15 915
C.II. Short-term payables	10 077 551	9 898 865
C.II.2. Payables to credit institutions	2 132 839	2 258 259
C.II.3. Short-term prepayments received	296 356	261 614
C.II.4. Trade payables	5 268 128	4 508 248
C.II.8. Other payables	2 380 228	2 870 744
C.II.8.1. Payables to partners	4 145	40 884
C.II.8.2. Short-term financial borrowings	23	106
C.II.8.3. Payables to employees	624 221	592 953
C.II.8.4. Social security and health insurance payables	258 941	243 702
C.II.8.5. State – tax payables and subsidies	1 228 343	1 695 685
C.II.8.6. Estimated payables	233 418	263 548
C.II.8.7. Sundry payables	31 137	33 866
C.III. Other liabilities	60 970	72 612
C.III.1. Accrued expenses	36 239	44 688
C.III.2. Deferred income	24 731	27 924
E. Minority equity	687 825	660 842
E.I.1. Minority share capital	76 898	76 957
E.I.2. Minority capital funds	5 849	4 518
E.I.3. Minority funds from profit, including retained earnings and losses	566 163	520 462
E.V. Minority profit or loss for the current period	38 915	58 905

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CZK THOUSAND)

	Year ended 31.12.2020	Year ended 31.12.2019
I. Sales of products and services	47 354 049	51 097 072
II. Sales of goods	260 998	327 184
A. Purchased consumables and services	35 856 200	37 968 552
A.1. Costs of goods sold	216 482	282 078
A.2. Consumed material and energy	31 033 941	32 440 179
A.3. Services	4 605 777	5 246 295
B. Change in internally produced inventory (+/-)	-292 095	713 084
C. Own work capitalised (-)	-859 651	-1 125 018
D. Staff costs	8 466 889	8 030 304
D.1. Payroll costs	6 017 513	5 718 431
D.2. Social security and health insurance costs and other charges	2 449 376	2 311 873
D.2.1. Social security and health insurance costs	2 163 482	2 008 667
D.2.2. Other charges	285 894	303 206
E. Adjustments to values in operating activities	2 552 904	2 552 792
E.1. Adjustments to values of intangible and tangible fixed assets	2 543 943	2 350 663
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	2 502 766	2 328 712
E.1.A. Amortisation of positive goodwill on consolidation	32 338	31 934
E.1.B. Amortisation of negative goodwill on consolidation	-728	-728
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	9 567	-9 255
E.2. Adjustments to values of inventories	-14 875	231 667
E.3. Adjustments to values of receivables	23 836	-29 538
III. Other operating income	2 855 199	1 678 531
III.1. Sales of fixed assets	28 388	47 384
III.2. Sales of material	154 154	181 266
III.3. Sundry operating income	2 672 657	1 449 881

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CZK THOUSAND)

F.	Other operating expenses	3 155 572	2 027 741
F.1.	Net book value of sold fixed assets	7 039	12 003
F.2.	Material sold	112 393	148 529
F.3.	Taxes and charges	96 110	71 269
F.4.	Reserves relating to operating activities and complex deferred expenses	58 240	-90 051
F.5.	Sundry operating expenses	2 881 790	1 885 991
*	Operating profit or loss (+/-)	1 590 427	2 935 332
IV.	Income from non-current financial assets – equity investments	11 380	16 782
IV.1.	Income from equity investments – controlled or controlling entity	11 380	16 481
IV.2.	Other income from equity investments	0	301
G.	Costs of equity investments sold	0	300
VI.	Interest income and similar income	5 911	12 217
VI.1.	Interest income and similar income – controlled or controlling entity	400	726
VI.2.	Other interest income and similar income	5 511	11 491
I.	Adjustments to values and reserves relating to financial activities	14 769	-62 076
J.	Interest expenses and similar expenses	69 006	96 144
J.2.	Other interest expenses and similar expenses	69 006	96 144
VII.	Other financial income	1 513 458	462 147
K.	Other financial expenses	1 418 569	534 141
*	Financial profit or loss (+/-)	28 405	-77 363
**	Profit or loss before tax (+/-)	1 618 832	2 857 969
L.	Income tax	359 123	600 250
L.1.	Due income tax	313 698	454 208
L.2.	Deferred income tax (+/-)	45 425	146 042
**	Profit or loss net of tax (+/-)	1 259 709	2 257 719
**	Consolidated profit or loss net of share of income of associates	1 259 709	2 257 719
	Consolidated profit or loss net of share of minority interests	1 220 794	2 198 814
	Minority share in profit or loss	38 915	58 905
**	Share in the profit or loss of equity accounted investments	35 349	5 548
***	Profit or loss for the current period (+/-)	1 295 058	2 263 267
***	Profit or loss for the current period net of minority interests (+/-)	1 256 143	2 204 362
***	Profit or loss for the current period incl. minority interests (+/-)	1 295 058	2 263 267
***	Profit or loss for the current period net of minority interests before tax (+/-)	1 615 266	2 804 612
*	Net turnover for the current period	52 000 995	53 593 933

CONSOLIDATED CASH FLOW STATEMENT

(CZK THOUSAND)

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Other profit or loss from prior years	Profit or loss for the current period	Consolidation reserve fund	Share of income of associates	TOTAL EQUITY
Balance at 31 December 2018	3 159 000	-110 309	1 800 333	30 210 329	-11 236	5 093 506	579 595	62 351	40 783 569
Impact of the transformation	0	0	0	2 878 638	0	-2 780 574	0	0	98 064
Balance at 1 January 2019	3 159 000	-110 309	1 800 333	33 088 967	-11 236	2 313 932	579 595	62 351	40 882 633
Distribution of profit or loss	0	-289	604	2 348 953	0	-2 313 932	26 015	-62 351	-1 000
Revaluation of assets and liabilities	0	-16 752	0	0	0	0	2 121	0	-14 631
Payments from the social fund	0	0	-1 480	0	0	0	0	0	-1 480
Profit or loss for the current period	0	0	0	0	0	2 198 814	0	5 548	2 204 362
Other	0	0	0	-78 328	11 236	0	0	0	-67 092
Balance at 31 December 2019	3 159 000	-127 350	1 799 457	33 257 102	0	2 198 814	607 731	5 548	40 900 302
Distribution of profit or loss	0	0	1 984	2 196 830	0	-2 198 814	5 548	-5 548	0
Revaluation of assets and liabilities	0	-37 410	0	0	0	0	-7 643	0	-45 053
Payments from the social fund	0	0	-488	0	0	0	0	0	-488
Profit or loss for the current period	0	0	0	0	0	1 220 794	0	35 349	1 256 143
Other	0	0	0	-104	0	0	0	0	-104
Balance at 31 December 2020	3 159 000	-164 760	1 800 953	35 453 828	0	1 220 794	605 636	35 349	42 110 800

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

(CZK THOUSAND)

	Year ended 31.12.2020	Year ended 31.12.2019
P. Opening balance of cash and cash equivalents	4 532 964	5 260 324
Impact of the merger as of 1 January 2019	0	179 597
Z. Profit or loss before tax	1 618 832	2 857 969
A.1. Adjustments for non-cash transactions	2 814 369	2 440 466
A.1.1. Depreciation of fixed assets	2 534 375	2 359 918
A.1.2. Change in provisions and reserves	91 535	40 747
A.1.3. Profit/(loss) on the sale of fixed assets	-21 348	-35 381
A.1.4. Revenues from profit shares	-11 380	-16 782
A.1.5. Interest expense and interest income	63 096	78 734
A.1.6. Adjustments for other non-cash transactions	158 091	13 230
A.* Net operating cash flow before changes in working capital	4 433 201	5 298 435
A.2. Change in working capital	697 992	90 274
A.2.1. Change in operating receivables and other assets	391 939	1 617 836
A.2.2. Change in operating payables and other liabilities	822 431	-2 053 487
A.2.3. Change in inventories	-516 255	515 063
A.2.4. Change in current financial assets	-123	10 862
A.** Net cash flow from operations before tax	5 131 193	5 388 709
A.3. Interest paid	-69 390	-96 539
A.4. Interest received	6 098	12 725
A.5. Income tax paid from ordinary operations	-235 667	-1 406 962
A.6. Received profit shares	27 237	39 858
A.*** Net operating cash flows	4 859 471	3 937 791
B.1. Fixed assets expenditures	-2 788 849	-3 514 022
B.2. Proceeds from fixed assets sold	39 504	39 233
B.3. Loans and borrowings to related parties	1 000	12 000
B.4. Cash flows from the purchase of business or its part	-883 059	0
B.*** Net investment cash flows	-3 631 404	-3 462 789
C.1. Change in payables from financing	201 506	756 017
C.2. Impact of changes in equity	-13 923	-2 137 976
C.2.5. Direct payments from capital funds	-739	-2 407
C.2.6. Profit shares paid	-13 184	-2 135 569
C.*** Net financial cash flows	187 583	-1 381 959
F. Net increase or decrease in cash and cash equivalents	1 415 650	-906 957
R. Closing balance of cash and cash equivalents	5 948 614	4 532 964

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1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

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

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

The following table shows individuals and legal entities holding an equity investment in the Company that are in a position to exercise either a significant or controlling influence and the amount of their equity investment:

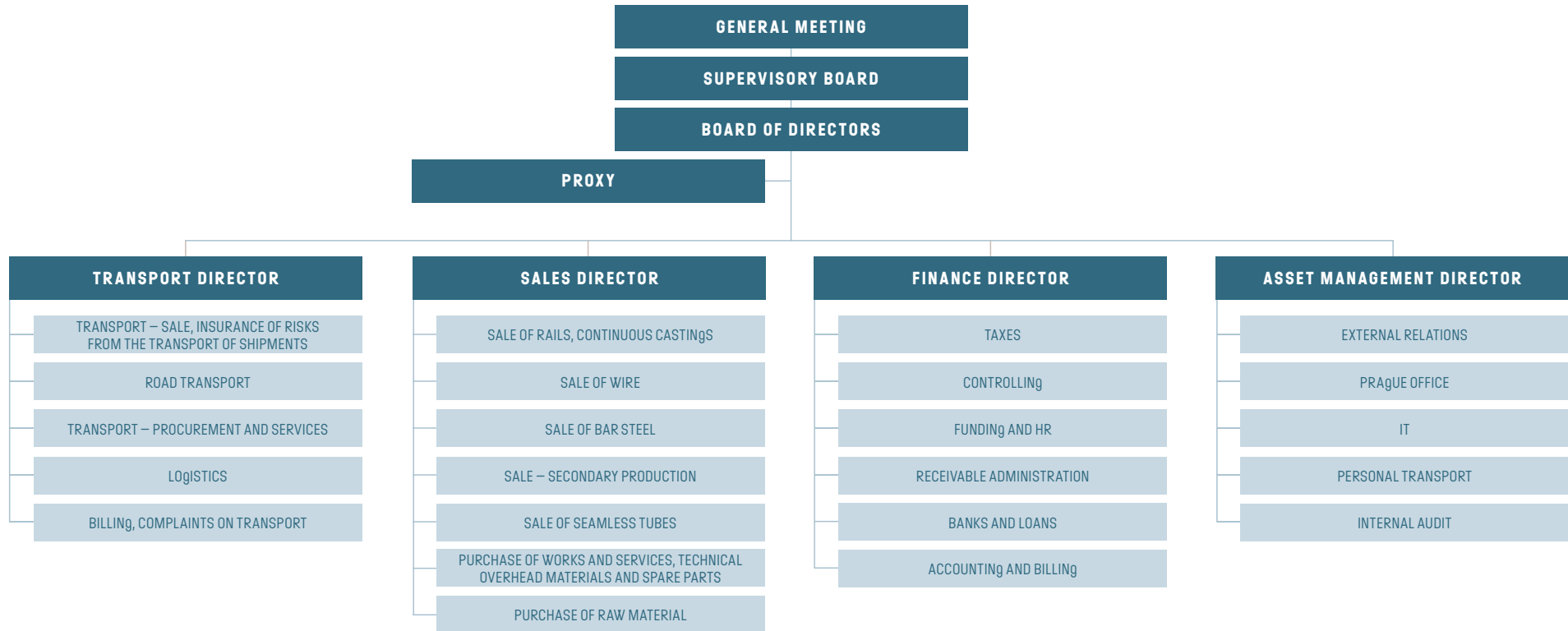
SHAREHOLDER	Ownership percentage
MINERFIN, a.s., Námestie Ludovíta Štúra 2, 811 02 Bratislava, Slovakia	48.57%
Total	48.57%

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

1.2. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2020

	Position	Name
BOARD OF DIRECTORS	Chairman	Petr Popelář
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříš
	Member	Uršula Novotná
SUPERVISORY BOARD	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková

1.3. ORGANISATIONAL STRUCTURE OF THE PARENT COMPANY



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

2.1. DEFINITION OF THE CONSOLIDATED GROUP

2.1.1. Consolidation Method

The consolidation was performed using the proportionate consolidation method.

2.1.2. Names and Registered offices of Subsidiaries and Associates included in the Consolidated Group

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

Subsidiaries

NAME OF THE COMPANY	Registered office	Business activities	Share of share capital at 31 Dec 2020	Share of share capital at 31 Dec 2019
TŘINECKÉ ŽELEZÁRNY, a. s.	Průmyslová 1000, Staré Město, 739 61 Třinec	Manufacture of metallurgical products	100.00 %	100.00 %
Barrandov Studio a.s.	Prague 5, Hlubočepy Kříženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.85 %	99.85 %
MORAVIA STEEL ITALIA S.R.L.	Milan, Italy	Distribution of metallurgical products	66.00 %	66.00 %
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00 %	100.00 %
Hotel Golf Ropice a.s.	Ropice 415, 739 56	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00 %	100.00 %
MS – Slovensko s.r.o.	Námestie Ľudovíta Štúra 2 811 02 Bratislava	Purchase and sale of goods in retail and wholesale, mediation services in the extent of notifiable trade	100.00 %	100.00 %
Moravskoslezský kovošrot a.s.	Božkova 936/73, Přívoz, 702 00 Ostrava	Purchase, processing and sales of metal scrap and non-ferrous metals	100.00 %	100.00 %
M Steel Projects a.s.	Průmyslová 1000, Staré Město, 739 61 Třinec	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00 %	100.00 %
Moravia Steel Deutschland GmbH	Kürten, Germany	Distribution of metallurgical products	100.00 %	100.00 %
MORAVIA STEEL UK LIMITED	Sandbach, United Kingdom	Distribution of metallurgical products	100.00 %	100.00 %
"NEOMET" Sp.z o.o.	Św. Rozalii 10,97-500 Radomsko, Poland	Trading with metal scrap and metal processing	100.00 %	100.00 %
ENERGETIKA TŘINEC, a.s.	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00 %	100.00 %
Slévárny Třinec, a.s.	Průmyslová 1001, Staré Město, 739 61 Třinec	Foundry industry	100.00 %	100.00 %
VÚHŽ a.s.	240, 739 51 Dobrá	Production, installation and repairs of electronic equipment, foundry industry, modelling	100.00 %	100.00 %
Šroubárna Kyjov, spol. s r.o.	Kyjov, Jiráskova 987, 697 32	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %	100.00 %
Strojírny a stavby Třinec, a.s.	Průmyslová 1038, Staré Město, 739 61 Třinec	Production of machinery and technology units, machinery equipment, construction work	100.00 %	100.00 %
"METALURGIA" S.A.	ulica Świętej Rozalii nr 10/12, 97-500, Radomsko, Poland	Production of nails, wire and wire products	100.00 %	100.00 %
"D&D" Drótaru Zrt.	3527 Miskolc, Besenyői u. 18., Hungary	Production of wire products	100.00 %	100.00 %

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SUBSIDIARIES

(CZK THOUSAND)

ŽDB DRÁTOVNA a.s.	Jeremenkova 66, Pudlov, 735 51 Bohumín	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00 %	100.00 %
HŽP a.s.	Dolní 3137/100, 796 01 Prostějov	Production of leaf and helical springs for the automotive and railway industries	100.00 %	100.00 %
SV servisní, s.r.o.	Prostějov, Dolní 3137/100, 796 01	Electricity trading and distribution, gas trading and distribution	100.00 %	100.00 %
BOHEMIA RINGS s.r.o.**	no. 10, 565 43 Zámorsk	Blacksmithing and machining	100.00 %	100.00 %
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains, chain products and drawn wire	51,00 %	51,00 %
REFRASIL, s.r.o.	Průmyslová 720, Kanská, 739 65 Třinec	Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act	100.00 %	100.00 %
M Steel Projects, s.r.o.	Žilina, 010 01, Vojtecha Tvrdého 793/21	Purchase of goods for sale, mediation activities, advertising Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00 %	100.00 %
Kovárna VIVA a.s.	Zlín, Vavrečkova 5333, 76001	Blacksmithing, farriering, machining, bookkeeping, tax record keeping	66.00%	66.00%
ALPER a.s.	Prostějov, Vrahovická 4530, 796 01	Blacksmithing, farriering, locksmithing, tool-making, machining,	66.00%	66.00%
MSV Metal Studénka, a.s. **)	R. Tomáška 859, Studénka 742 13	Blacksmithing, farriering, locksmithing, machining, tool-making	100.00 %	–
KUŹNIA OSTRÓW WIELKOPOLSKI Sp. z o.o., **)	Ostrów Wielkopolski, ul. Wrocławska 93, 63-400	Blacksmithing, farriering, tool-making	100.00 %	–

**) Included in the consolidation group since 28 February 2020; MORAVIA STEEL a.s., on the basis of an agreement on the sale and purchase of securities, acquired a 100% equity interest in MSV Metal Studénka, and became hereby the 100% owner of the above-mentioned companies. At KUŹNIA OSTRÓW WIELKOPOLSKI Sp.z o.o., MSV Metal Studénka, a.s. has a 100% equity interest.

Associates

NAME OF THE COMPANY	Registered office	Business activities	Equity share at 31 Dec 2020	Equity share at 31 Dec 2019
Moravia Steel Middle East FZCO	Jebel Ali Free Zone, Dubai, U.A.E.	Distribution of metallurgical products	40.00%	40.00%
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 715, Kanská, 739 61 Třinec	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00%	40.00%

2.1.3. Balance Sheet Dates of the Companies Included in the Group

The financial statements of the companies included in the Group were prepared as of and for the years ended 31 December 2020 and 2019. The companies included in the Group are based in the Czech Republic, with the exception of Moravia Steel Deutschland GmbH, which is based in Germany, MORAVIA STEEL ITALIA S.R.L., based in Italy, MORAVIA STEEL UK LIMITED based in the UK, "D&D" Drótáru Zrt. based in Hungary, METALURGIA S.A. and NEOMET Sp. z o.o., KUŹNIA OSTRÓW WIELKOPOLSKI Sp. z o.o., based in Poland, Moravia Steel Middle East FZCO based in the United Arab Emirates, M Steel Projects, s.r.o. and MS – Slovensko s.r.o. based in Slovakia.

2.1.4. Companies Excluded from Consolidation

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

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

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

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

3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

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

The consolidated financial statements of the Group for the year ended 31 December 2020 were prepared as follows:

- The balance sheet comprises comparative balances as of 31 December 2019;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2019;
- The statement of changes in equity contains comparative amounts for the year ended 31 December 2019; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

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

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

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

Tangible and intangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of assets, or alternatively incidental costs of an administrative character if the production period of the assets exceeds one year.

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 if replacement cost is lower than internal costs, assets recently entered in the accounting records such as an inventory count surplus (accounted for by a corresponding entry in the relevant accumulated depreciation account) and an investment of intangible and tangible fixed assets, except for cases where the investment is valued differently pursuant to a Memorandum of Association or a Deed of Foundation.

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

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

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

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

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

Greenhouse emission allowances (hereinafter "emission allowances") are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. The use of emission allowances is accounted for at the consolidated balance sheet date as a minimum, depending upon the level of emissions produced by the Company in the calendar year. 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 allowances is reported under "Other 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 emission allowances acquired on a free-of-charge basis as of the consolidated balance sheet date is recognised in the balance sheet lines "Other intangible fixed assets" and "State – tax payables and subsidies". The Company does not recognise an upward revaluation of the emission allowances. If there is a lack of allowances at the consolidated balance sheet date, the Company recognises a reserve as part of "Other reserves" and "Change in 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.

Depreciation for Accounting Purposes

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

CATEGORY OF ASSETS	Depreciation period in years
Structures	2 – 77
Machinery and equipment	2 – 42
Vehicles	3 – 40
Furniture and fixtures	6 – 15
Software	3 – 7

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

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

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

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

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

Provisioning

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

Impairment

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

4.2. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments, securities and equity investments available for sale and long-term term deposits.

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, the Group records:

Equity investments at cost less any provisions against equity investments.

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

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

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

Investments in enterprises in which the entities consolidated using the full consolidation method have the power to govern the financial and operating policies so as to obtain benefits from their activities are treated as "Equity investments in subsidiaries".

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

Provisioning against Equity Investments

Investments are provisioned if there is a risk that the fair value of an unconsolidated equity investment is lower than its carrying value.

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

4.3. DERIVATIVE FINANCIAL TRANSACTIONS

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

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

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

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

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a legally enforceable contract, a forecasted future transaction, groups of assets, groups of liabilities, legally enforceable 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

Current financial assets solely include cash at hand and cash at bank, short-term debt securities maturing within one year and other securities available for sale.

Current financial assets are carried at cost upon acquisition.

4.5. INVENTORY

Valuation

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

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

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

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

Provisioning

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

Provisions against the inventory of finished products and semi-finished products are charged based on the analysis of movements, selling prices and 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 the Income Taxes Act and 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 180 days but less than 365 days are provisioned at 50%.

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

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

4.7. PAYABLES

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

4.8. LOANS AND BORROWINGS

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

4.9. RESERVES

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

4.10. 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.

Financial assets denominated in foreign currencies (foreign currency cash) are 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 they were recorded.

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

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

4.11. FINANCE LEASES

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

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

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 by TŘINECKÉ ŽELEZÁRNY, a. s. in the Tube Rolling Mill (the VT operation), VZ – Sochorová válcovna plant and the Univerzální trať plant and the Track Fastenings Plant and assets used by Slévárny Třinec, a.s. and ŽDB DRÁTOVNA a.s. which are depreciated using both the straight line and accelerated methods for tax purposes. HŽP a.s. and SV servisní, s.r.o. 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. 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 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 loans are expensed irrespective 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 (the "agency employees") are reported as part of social costs 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.

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

4.16. USE OF ESTIMATES

The presentation of the consolidated financial statements requires the entities included in the consolidated group to make estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. Each of the consolidated entities 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 or intangible). The output of a research project is capitalised on the basis of the results of opponent proceedings. A detailed analysis of the projects in progress is undertaken at the consolidated balance sheet date and the costs incurred are charged to expenses or recognised as complex deferred expenses in the event that there is doubt over the completion or future utilisation of the project.

4.18. GRANTS

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

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

Cash and cash equivalents can be analysed as follows:

	(CZK THOUSAND)	
	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Cash at hand	6 856	5 614
Current accounts	5 918 240	4 513 546
Current accounts with restricted handling of the balance	0	0
Term deposits	0	0
Short-term securities	35 253	20 745
Total current financial assets (gross)	5 960 349	4 539 905
Cash and cash equivalents not included in the cash flow	-8 701	-3 908
Provision against short-term securities and investments	-3 034	-3 033
Total cash and cash equivalents	5 948 614	4 532 964

Comments on the Cash Flow Statement:

The difference between cash and cash equivalents as of 31 December 2020 and 2019 in the cash flows statement in comparison with the current financial assets in the balance sheet represents blocked deposits that are restricted with regard to the free handling of the funds.

4.20. CONSOLIDATION RULES

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

Under the equity consolidation method, financial investments of the parent company were eliminated from the balance sheet against acquired equity. The assets in the consolidated balance sheet included the item "Securities and equity investments under equity accounting", the balance of which is calculated as the share in the equity of associates. This item was adjusted by a portion of the profit margin, reflecting the share in the equity of an associate, on intercompany supplies of inventories not yet consumed. Liabilities of the consolidated balance sheet included the item "Share in the profit/(loss) of equity accounted investment" which represents the parent company's share in the current period's results, and the "Consolidation reserve fund" comprising an associate's accumulated profit/loss of previous years.

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

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

Amortisation charges of goodwill arising on consolidation are recognised in a special consolidated profit and loss account line item 'Release of a positive consolidation difference (goodwill)' or 'Release of a negative consolidation difference (bargain purchase gain)' with a charge against expenses or a credit to income from common activities as appropriate. The goodwill arising on consolidation is amortised for the period of twenty years on a straight-line basis in compliance with Czech Accounting Standard No. 20.

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

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

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

The financial statements for the years ended 31 December 2020 and 2019 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statements date are available in the registered office of the Parent Company.

The consolidation rules for 2020 and 2019 (definition of the consolidated group, method of transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Parent Company.

5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

5.1. CONSOLIDATED PROFIT/LOSS FOR 2020

5.1.1. Structure of the Consolidated Profit/Loss for 2020

	(CZK THOUSAND)
Current year's profit made by MORAVIA STEEL a.s.	755 996
Current year's profit made by M Steel Projects a.s.	71 391
Current year's profit made by M Steel Projects s.r.o.	-33 105
Current year's profit made by Beskydská golfová, a.s.	1 096
Current year's profit made by Hotel Golf Ropice a.s.	-13
Share in current year's profit made by Barrandov Studio a.s.	25 706
Share in current year's profit made by MORAVIA STEEL ITALIA S.R.L.	17 817
Current year's profit made by Moravia Steel Deutschland, GmbH	65 384
Current year's profit made by MORAVIA STEEL UK LIMITED	863
Share in current year's profit made by Kovárna VIVA a.s.	66 255
Current year's profit made by ALPER a.s.	3 418
Current year's profit made by the consolidation group of TŽ, a.s.	403 469
Current year's profit made by MS – Slovensko s.r.o.	-427
Current year's profit made by Moravskoslezský kovošrot a.s.	28 816
Current year's profit made by NEOMET	15 698
Current year's profit made by MSV Metal Studénka, a.s. *)	88 263
Current year's profit made by Kužnia Ostrow Wielkoposki *)	19 330
Share in profit of equity accounted investments	35 349
Adjustments under full consolidation (see Note 4.1.2.)	-309 163
Adjustments under the equity method (see Note 4.1.3.)	0
Consolidated profit	1 256 143

*) included in the consolidation unit from 28.2.2020

5.1.2. Profit/(Loss) Adjustments under Full Consolidation for 2020

	(CZK THOUSAND)
Elimination of profit from unrealised inventory from intercompany sale, including the deferred tax impact and elimination of minority profit or loss	6 537
Elimination of the provision against investments, inventory and receivables, including the deferred tax impact	-995
Other consolidation adjustments	0
Elimination of dividends paid by MS ITALIA, Kov.VIVA, MSK,TŽ, MS UK, MSD, MSPI AZ	-260 894
Total adjustments	-309 163

5.1.3. Adjustments under Equity Consolidation for 2020

	(CZK THOUSAND)
Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	0
Total adjustments	0

5.2. CONSOLIDATED PROFIT/LOSS FOR 2019

5.2.1. Structure of the Consolidated Profit/Loss for 2019

(CZK THOUSAND)

Current year's profit made by MORAVIA STEEL a.s.	1 143 215
Current year's profit made by M Steel Projects a.s.	-12 100
Current year's profit made by M Steel Projects s.r.o.	2 307
Current year's profit made by MSPProjects International s.r.o.	4 303
Current year's profit made by Beskydská golfová, a.s.	1 226
Current year's profit made by Hotel Golf Ropice a.s.	-14
Share in current year's profit made by Børrandov Studio a.s.	88 753
Share in current year's profit made by MORAVIA STEEL ITALIA S.R.L.	16 213
Current year's profit made by Moravia Steel Deutschland, GmbH	52 318
Current year's profit made by MORAVIA STEEL UK LIMITED	5 928
Share in current year's profit made by Kovárna VIVA a.s.	103 964
Current year's profit made by ALPER a.s.	4 383
Current year's profit made by the consolidation group of TŽ, a.s.	630 044
Current year's profit made by MS – Slovensko s.r.o.	94
Share in current year's profit made by MSPI AZ	-3 961
Current year's profit made by Moravskoslezský kovošrot a.s.	48 423
Current year's profit made by NEOMET	13 992
Share in profit of equity accounted investments	5 548
Adjustments under full consolidation (see Note 4.1.2.)	99 726
Adjustments under the equity method (see Note 4.1.3.)	0
Consolidated profit	2 204 362

5.2.2. Profit/(Loss) Adjustments under Full Consolidation for 2019

(CZK THOUSAND)

Elimination of profit from unrealised inventory from intercompany sale, including the deferred tax impact and elimination of minority profit or loss	246 188
Elimination of the provision against investments, inventory and receivables, including the deferred tax impact	-14 035
Other consolidation adjustments	-14 107
Elimination of dividends paid by MS ITALIA, Kov.VIVA, MSK,TŽ, MS UK, MSD, MSPI AZ	-118 318
Total adjustments	99 728

5.2.3. Adjustments under Equity Consolidation for 2019

(CZK THOUSAND)

Elimination of profit from sales of unrealised inventory among associates, including the deferred tax impact	0
Total adjustments	0

6. ADDITIONAL INFORMATION ON THE BALANCE SHEET

6.1. INTANGIBLE FIXED ASSETS

Cost

(CZK THOUSAND)

	Balance at 1 Jan 2019	New acquisition	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2019
Development	6 405	0	0	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	24 812	0	0	0	-42	24 770
Software	376 734	2 664	47 529	84 261	-251	342 415
Valuable rights	801 362	0	2 427	39 646	-567	763 576
Other intangible FA	898 783	0	2 100 895	1 368 995	-16	1 630 667
Intangible FA under construction	11 015	0	951 069	944 999	-5	17 080
Prepayments for intangible FA	0	0	0	0	0	0
Total	2 119 111	2 664	3 101 920	2 437 901	-881	2 784 913

(CZK THOUSAND)

	Balance at 1 Jan 2020	New acquisition	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2020
Development	6 405	0	0	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	24 770	0	0	0	-892	23 878
Software	342 415	43 122	26 766	4 248	-126	407 929
Valuable rights	763 576	13 975	7 127	11 147	-835	772 696
Other intangible FA	1 630 667	18 073	2 104 870	2 564 072	-587	1 188 951
Intangible FA under construction	17 081	7 709	34 698	30 922	0	28 566
Prepayments for intangible FA	0	0	201	201	0	0
Total	2 784 914	82 879	2 173 662	2 610 590	-2 440	2 428 425

Accumulated Amortisation and Provisions

(CZK THOUSAND)

	Balance at 1 Jan 2019	New acquisition	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2019
Development	6 385	0	20	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	349	0	1 223	0	-3	1 569
Software	347 448	2 664	16 907	82 681	-249	284 089
Valuable rights	559 554	0	37 502	20 308	-440	576 308
Other intangible FA	14 995	0	936	83	39	15 887
Intangible FA under construction	0	0	310	0	0	310
Total	928 731	2 664	56 898	103 072	-653	884 568

(CZK THOUSAND)

	Balance at 1 Jan 2020	New acquisition	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2020
Development	6 405	0	0	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	1 569	0	1 221	46	-54	2 690
Software	284 089	36 342	17 306	4 249	-129	333 359
Valuable rights	576 308	3 399	33 809	8 438	-362	604 716
Other intangible FA	15 887	12 745	2 116	0	-374	30 374
Intangible FA under construction	310	0	0	0	0	310
Total	884 568	52 486	54 452	12 733	-919	977 854

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Development	0	0
Start-up costs	0	0
Software	58 326	74 570
Valuable rights	187 268	167 980
Goodwill	23 201	21 188
Other intangible FA	1 614 780	1 158 577
Intangible FA under construction	16 770	28 256
Prepayments for intangible FA	0	0
Total	1 900 345	1 450 571

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

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets charged to expenses amounted to CZK 53,276 thousand and CZK 55,276 thousand for the years ended 31 December 2020 and 2019, respectively.

Other intangible assets include greenhouse gas emission allowances.

In the year ended 31 December 2020, the Company acquired 3,466,718 emission allowances for 2020 in the amount of CZK 2,068,860 thousand free of charge. As of the balance sheet date of 31 December 2020, the Company recognised a disposal of emission allowances for 2020 of CZK 2,527,283 thousand. In 2020, the disposal of emission allowances for 2019 was adjusted by CZK 1,602 thousand.

In the year ended 31 December 2019, the Company acquired 3,542,570 emission allowances for 2019 in the amount of CZK 1,960,289 thousand free of charge. As of the balance sheet date of 31 December 2019, the Company recognised a disposal of emission allowances for 2019 of CZK 1,366,663 thousand. In 2019, the disposal of emission allowances for 2018 was adjusted by CZK 73,156 thousand.

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

The aggregate balance of low-value intangible assets not reported on the face of the balance sheet was CZK 40,594 thousand and CZK 45,081 thousand as of 31 December 2020 and 2019, respectively.

6.2. TANGIBLE FIXED ASSETS

Cost

(CZK THOUSAND)

	Balance at 1 Jan 2019	New acquisition	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2019
Land	1 288 464	0	3 571	4 625	-856	1 286 554
Structures	16 185 786	0	782 300	46 320	-5 270	16 916 496
Individual tangible movable assets	44 155 605	3 616	2 057 756	362 473	-15 634	45 838 870
Other tangible FA	240 260	136	5 350	4 497	-1 110	240 139
Tangible FA under construction	1 413 301	0	3 352 417	2 785 762	-2 121	1 977 835
Prepayments	237 533	0	887 516	846 546	-13	278 490
Total	63 520 949	3 752	7 088 910	4 050 223	-25 004	66 538 384

(CZK THOUSAND)

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

Accumulated Depreciation and Provisions

(CZK THOUSAND)

	Balance at 1 Jan 2019	New acquisition	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2019
Land	1 286	0	251	0	-16	1 521
Structures	8 162 144	0	487 479	46 824	-1 327	8 601 472
Individual tangible movable assets	29 566 576	3 582	1 857 065	339 399	-12 426	31 075 398
Other tangible FA	207 992	0	7 479	3 180	-721	211 570
Tangible FA under construction	22 576	0	854	19 055	0	4 375
Prepayments	0	0	0	0	0	0
Valuation difference on acquired assets	0	0	0	0	0	0
Total	37 960 574	3 582	2 353 128	408 458	-14 490	39 894 336

(CZK THOUSAND)

	Balance at 1 Jan 2020	New acquisition	Additions	Disposals	Impact of FX differences	Balance at 31 Dec 2020
Land	1 521	964	222	81	-3	2 623
Structures	8 601 472	183 170	486 899	25 105	-5 893	9 240 543
Individual tangible movable assets	31 075 398	366 189	1 977 076	485 349	-33 096	32 900 218
Other tangible FA	211 570	170 582	25 338	7 192	-2 717	397 581
Tangible FA under construction	4 375	3 370	500	0	0	8 245
Prepayments	0	0	0	0	0	0
Valuation difference on acquired assets	0	0	0	0	0	0
Total	39 894 336	724 275	2 490 035	517 727	-41 709	42 549 210

Net Book Value

(CZK THOUSAND)

NET BOOK VALUE	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Land	1 285 033	1 391 542
Structures	8 315 024	9 443 431
Individual tangible movable assets	14 763 472	15 080 169
Other tangible FA	28 569	64 605
Tangible FA under construction	1 973 460	1 431 571
Prepayments for tangible FA	278 490	214 589
Valuation difference on acquired assets	0	0
Total	26 644 048	27 625 907

Principal additions to tangible fixed assets for the year ended 31 December 2020 were as follows:

(CZK THOUSAND)

Acquisition of hot blast recuperator No. 61 for blast furnace No.6	268 819
Acquisition of a wheel scoop	183 255
Acquisition of hall No. 3, including the expedition ramp of VF – the steel drawing mill plant	160 237
Reconstruction of the film laboratory building	139 080
Technical improvement of VKP gas tank (gas tank bell)	115 364
Expedition and storage hall with a social inhall unit	80 880
CNC horizontal centre lathe ŠKODA SR-2-220 / 7.	44 124
Technical improvements of the Boiler K12 (measures to reduce SO2 and NOx emissions)	38 187
Technical improvements of the forging press LMZ 1600_LO1	33 220
Technical improvements of the forging press LMZ 1600_LO2	31 808
Technical improvements of the Boiler K11 (measures to reduce SO2 and NOx emissions)	31 682
Technical improvements of the rolled wire warehouse, vol. 01	27 801
KER/KEH 4.2. production line	25 681
Technical improvements of the building with annealing and rough machining facilities	21 114
Vice assembly	10 126

Principal additions to tangible fixed assets under construction for the year ended 31 December 2020 were as follows:

(CZK THOUSAND)

Acquisition of a new peeling line at the VJ operation – Rolling mill for wires and fine profiles	144 454
Reconstruction of the film laboratory building	116 987
Acquisition of STAKU line No. 2	106 758
Acquisition of a dedusting device for the collection of blast-furnace agglomerate	87 597
New SKIQ 20 machine	18 542
Extension of the processing hall	11 688
AKS63 – H4 press	11 688
Facility for diagnostics and repair of cores	8 671

Principal additions to tangible fixed assets for the year ended 31 December 2019 were as follows:

(CZK THOUSAND)

Technical improvements on the square billet straightening line at the VZ – billet rolling mill plant	140 217
Technical improvements on continuous casting facility no. 1 for casting of the 600 format	122 216
R T4 – 110 kV GIS SIEMENS distribution room	95 102
Moulding line 2500 tonnes L10	46 071
Reconstruction of building A1 – façade and window panes	34 649
KER/KEH 5.1. production line	31 682
CNC 40 B	31 444
CNC 40 A	31 398
Technical improvements of the roof of the distribution room T4	27 262
HCW 1000 horizontal and boring workstation	25 494
Reconstruction of building A1 – roof	3 580
BMW passenger car	2 198

Principal additions to tangible fixed assets under construction for the year ended 31 December 2019 were as follows:

(CZK THOUSAND)

Modernisation of VF – the steel drawing mill plant	234 778
Acquisition of refining line no. 2	200 272
Acquisition of hot blast recuperator no. 61	183 676
Scrapyard	18 843
Extension of the processing hall	8 811
Measuring equipment for inspection of cams no. 5	7 829

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 2,449,490 thousand and CZK 2,273,102 thousand for the years ended 31 December 2020 and 2019, respectively.

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

The aggregate cost of low-value tangible fixed assets not included in the balance sheet totalled CZK 992,914 thousand and CZK 979,927 thousand as of 31 December 2020 and 2019, respectively.

Fair Value

In 2020 and 2019, no assets were revalued to fair value at any of the entities.

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

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

(CZK THOUSAND)

31 DECEMBER 2019	Passenger cars	Machinery and equipment	Balance at 31 Dec 2019
Total estimated sum of lease instalments	722	50 922	51 644
Payments made as of 31 Dec 2019	160	50 922	51 082
Due in the following years	0	0	0

Operating Leases

In the years ended 31 December 2020 and 2019, rental amounted to CZK 71,392 thousand and CZK 66,609 thousand, respectively.

6.4. FIXED ASSETS PLEDGED AS SECURITY

31 December 2020

DESCRIPTION OF ASSETS	Net book value	Description, scope and purpose of pledge/lien
TFA	556 192	Loan from Česká spořitelna, a.s.
Structures	118 323	
Land	3 458	
TFA	2 194	Loan from Československá obchodní banka, a. s.
Land	39 986	
TFA	692 199	Loan from Československá obchodní banka, a. s.
TFA	764 853	Loan from Československá obchodní banka, a. s.
TFA	513 658	Loan from Československá obchodní banka, a. s.
Land	106 893	
TFA	464 716	Loan from ING BANK N. V.
Land	10 465	
TFA	74 232	Collateral for an investment bank loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Technology	60 142	Raiffeisenbank a.s. – security for a long-term bank loan for financing the MoRe distribution point T4 – 110kV
TFA	71 092	Investment loan from ING Bank N.V.
DHM*	86 325	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 15,000 thousand
TFA *	54 132	Loan from Bank BGŻ BNP Paribas S.A., secured with machinery up to PLN 9,406 thousand
TFA *	85 143	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 14,795 thousand
TFA, land	32	Investment loan from Raiffeisenbank a.s.
TFA, land	949	Investment loan from Raiffeisenbank a.s.
TFA, land	1 330	Investment loan from Raiffeisenbank a.s.
TFA, land	422	Investment loan from Raiffeisenbank a.s.
TFA, land	12 922	Investment loan from Raiffeisenbank a.s.
TFA, land	1 557	Investment loan from Raiffeisenbank a.s.
TFA, land	1 387	Investment loan from Raiffeisenbank a.s.
TFA, land	826	Investment loan from Raiffeisenbank a.s.
TFA, land	7 004	Investment loan from Raiffeisenbank a.s.
TFA, land	406	Investment loan from Raiffeisenbank a.s.
TFA	3 088	Investment loan from Raiffeisenbank a.s.
TFA	1 124	Investment loan from Raiffeisenbank a.s.
TFA	1 742	Investment loan from Raiffeisenbank a.s.
TFA	34 367	Investment loan from Raiffeisenbank a.s.
TFA	8 989	Investment loan from Raiffeisenbank a.s.
TFA	6 539	Investment loan from Raiffeisenbank a.s.

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

31 DECEMBER 2020

DESCRIPTION OF ASSETS	Net book value	Description, scope and purpose of pledge/lien
TFA	162 726	Loan from Citibank Europe plc.
Land	4 166	
Technology	217 180	
TFA*	48 417	Investment loan from ERSTE Bank Hungary Zrt.
TFA*	21 267	Investment loan from K&H Bank Zrt.
Land	4 772	Loan from Raiffeisenbank a.s.
TFA	240 756	
Land	283	Loan from Česká spořitelna, a.s.
TFA	43 590	
TFA	41 183	Long-term bank loan from Československá obchodní banka, a.s.
Land	1 022	Contractual pledge, loan guarantee
TFA	112 046	Contractual pledge, loan guarantee
Land	57	Contractual pledge, loan guarantee
Land	24	Contractual pledge, loan guarantee
Land	26	Contractual pledge, loan guarantee
Land	1 123	Contractual pledge, loan guarantee
Land	2 096	Contractual pledge, loan guarantee
TFA	155 080	Contractual pledge, loan guarantee
TFA	25 250	Investment loan from Československá obchodní banka, a.s.
Land	4 190	Investment loan from Československá obchodní banka, a.s.
Technology	136 422	Loan from České spořitelna, a.s. and Československá obchodní banka, a.s.
TFA	56 032	Investment loan from Československá obchodní banka, a.s.
Land	4 326	Investment loan from Československá obchodní banka, a.s.
Technology	30 119	Investment loan from Československá obchodní banka, a.s.
TFA	83 414	Loan from PKO BP
Land	5 092	Loan from PKO BP
Total	5 187 346	

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

31 December 2019

DESCRIPTION OF ASSETS	Net book value	Description, scope and purpose of pledge/lien
TFA	229 889	Loan from Česká spořitelna, a.s.
Land	23 663	
TFA	396 235	Loan from Česká spořitelna, a.s.
Land	3 444	
TFA	614 890	Loan from Česká spořitelna, a.s.
Structures	128 298	
Land	3 458	
TFA	2 330	Loan from Československá obchodní banka, a.s.
Land	39 986	
TFA	767 381	Loan from Československá obchodní banka, a.s.
TFA	817 691	Loan from Československá obchodní banka, a.s.
TFA	364 982	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Land	643	
TFA	262 130	Loan from ING BANK N. V.
Land	12 218	
TFA	78 619	Collateral for an investment bank loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Technology	73 759	Raiffeisenbank a.s. – security for a long-term bank loan for financing the MoRe distribution point T4 – 110kV
TFA	84 586	Investment loan from ING Bank N.V.
TFA*	89 550	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 15,000 thousand
TFA*	56 154	Loan from Bank BGŻ BNP Paribas S.A., secured with machinery up to PLN 9,406 thousand
TFA*	88 324	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 14,795 thousand
TFA, land	271	Investment loan from Raiffeisenbank a.s.
TFA, land	1 007	Investment loan from Raiffeisenbank a.s.
TFA, land	1 404	Investment loan from Raiffeisenbank a.s.
TFA, land	559	Investment loan from Raiffeisenbank a.s.
TFA, land	13 482	Investment loan from Raiffeisenbank a.s.
TFA, land	1 652	Investment loan from Raiffeisenbank a.s.
TFA, land	1 641	Investment loan from Raiffeisenbank a.s.
TFA, land	908	Investment loan from Raiffeisenbank a.s.
TFA, land	7 394	Investment loan from Raiffeisenbank a.s.
TFA, land	460	Investment loan from Raiffeisenbank a.s.
TFA	3 281	Investment loan from Raiffeisenbank a.s.
TFA	1 162	Investment loan from Raiffeisenbank a.s.
TFA	1 809	Investment loan from Raiffeisenbank a.s.
TFA	36 419	Investment loan from Raiffeisenbank a.s.
TFA	9 556	Investment loan from Raiffeisenbank a.s.
TFA	7 752	Investment loan from Raiffeisenbank a.s.

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

31 DECEMBER 2019

(CZK THOUSAND)

DESCRIPTION OF ASSETS	Net book value	Description, scope and purpose of pledge/lien
TFA	170 168	Loan from Citibank Europe plc.
Land	4 166	
Technology	192 598	
TFA*	53 999	Investment loan from ERSTE Bank Hungary Zrt.
TFA*	23 668	Investment loan from K&H Bank Zrt.
Land	6 709	Loan from Raiffeisenbank a.s.
TFA	125 897	
Land	281	Loan from České spořitelna, a.s.
TFA	58 396	
Plot no. 884/11	1 022	Contractual pledge, loan guarantee
Building without number on land no. 884/11, 88522, 88523	119 049	Contractual pledge, loan guarantee
Plot no. 884/18	57	Contractual pledge, loan guarantee
Plot no. 885/22	24	Contractual pledge, loan guarantee
Plot no. 885/23	26	Contractual pledge, loan guarantee
Plot no. 886/53	1 123	Contractual pledge, loan guarantee
Total	4 984 170	

* translated using the exchange rate promulgated by the Czech National Bank as of 31 December 2019

6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

6.5.1. Summary of Unconsolidated Investments in 2020

Balance at 31 December 2020

(CZK THOUSAND)

COMPANY NAME	Share in %	Equity	Profit or loss for the period	Provision
Moravia Steel Slovenija, d.o.o.	51,00	12 308	582	0
Moravia Steel Ibéria, s.a.	99,33	15 747	4 175	0
AHP HYDRAULIK A, a.s.**)	100,00	**)	**)	0
Moravia Steel Israel Ltd. **)	100,00	0	0	0
Barrandov Productions s.r.o.	100,00	2 278	-31	0
FILMOVÁ NADACE *)	100,00	1 197	-450	0
Moravia Mining Plc	76,00	-2 931	-377	-3 152
MSProjects International s.r.o.***)	100,00	6 038	-1647	0
MSK Polska Sp.z.o.o	84,00	-3 568	-542	-48 345
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100,00	42 660	-14 787	0
Doprava TŽ, a.s., Třinec-Staré Město	100,00	53 861	2 311	0

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE AT 31 DECEMBER 2020

COMPANY NAME	Share in %	Equity	Profit or loss for the period	Provision
TRIALFA, s.r.o., Třinec-Kanada	100,00	20 817	871	0
Moravia Security, a.s., Konšká, Třinec	100,00	43 430	2 603	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90,00	48 820	1 098	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84,54	31 563	2 043	0
„ZAMECZEK BŁOGOCICE“ Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88,00	44 662	512	-10 547
TRISIA, a.s., Lyžbice, Třinec	66,00	39 630	-15 323	-15 658
Reťaze Slovakia s.r.o., Skalica (SK)	80,00	12 069	2 201	0
JuBo Jeseník s. r. o., Jeseník	80,00	3 938	732	0
Řetězárna servis s.r.o., Jeseník	100,00	4 715	3 076	0
IMOPRA s.r.o., Nivnice	100,00	115 292	5 316	-20 654
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100,00	30 583	-19 417	0
Total				-98 356

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

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

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

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

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

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

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

6.5.2. Summary of Unconsolidated Investments in 2019

Balance at 31 December 2019

(CZK THOUSAND)

Company name	EQUITY INVESTMENTS – SUBSIDIARIES						
	Cost	Nominal value	Share in %	Equity	Profit/ loss	Provision	Net cost
Moravia Steel Slovenija, d.o.o.	1 573	867	51	10 814	2 431	0	1 573
Moravia Steel Ibéria, s.a.	10 850	2 533	99,33	11 223	2 227	0	10 850
AHP HYDRAULIKA, a.s.**)	90 058	1 000	100	**)	**)	-90 058	0
Moravia Steel Israel Ltd. **)	605	466	100	**)	**)	0	605
Barrandov Productions s.r.o.	100	100	100	1 349	-45	0	100
FILMOVÁ NADACE *)	500	500	100	1 422	-495	0	500
SwissCentrum Engineering s.r.o.	10 000	10 000	100	7 462	***)	-4252	5 748
Total	113 686	15 466				-94 310	19 376

*) Balance at 31 December 2019, reporting period ended 28 February 2020

**) As of the end of 2019, Moravia Steel Israel Ltd. and AHP HYDRAULIKA, a.s. reported a deficit on equity. The companies reported a loss in 2019.

Summary of Unconsolidated Investments of the TŽ, a.s. Sub-Group:

(CZK THOUSAND)

COMPANY NAME	Share in %	Equity	Profit or loss for the period	Provision	Financial income for the year
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	57 447	2 643	0	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	51 550	2 352	0	0
TRIALFA, s.r.o., Třinec-Kanada	100.00	19 945	340	0	0
Moravia Security, a.s., Kinská, Třinec	100.00	41 826	2 513	0	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90.00	47 722	2 698	0	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	33 060	3 539	0	3 463
„ZAMECZEK BŁOGOCICE” Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	45 836	439	-9 414	0
TRISIA, a.s., Lyžbice, Třinec	66.00	40 870	-7 178	0	0
Reťaze Slovakia s.r.o., Skalica (SK)	80.00	11 587	1 933	0	1 641
JuBo Jeseník s. r. o., Jeseník	80.00	4 006	1 599	0	400
Řetězárna servis s.r.o., Jeseník	100.00	4 538	2 969	0	3 000
IMOPRA s.r.o., Nivnice	100.00	112 115	6 969	-19 452	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	49 501	-499	0	0
Total				-28 866	8 504

Note: *In italics – preliminary results as of 31 December 2019*

* Data were not known as of the preparation of the consolidated financial statements.

Unconsolidated financial investments of the Moravskoslezský kovošrot, a.s. Sub-group:

(CZK THOUSAND)

COMPANY NAME	Cost	Nominal value	Share in %	Equity	Profit/ loss	Provision	Net cost
MSK Polska Sp.z.o.o	48 345	48 345	84	-24 368	0	-48 345	0
Total	48 345	48 345	0		0	-48 345	0

In 2019 (2018) the Company held a 84% equity investment in a subsidiary in Poland called MSK Polska Sp. z.o o., which entered liquidation and bankruptcy on 21 December 2012. As of the balance sheet date 31 December 2019 (31 December 2018), the equity investment was recalculated to the amount of CZK 0.

The Group did not generate any material financial income from the unconsolidated investments in the year ended 31 December 2019.

6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2020

(CZK THOUSAND)

	Gross	Adjustment	Net	Recognition in expenses	Recognition in income	Recognition in equity
Positive goodwill arising on consolidation						
ŽDB DRÁTOVNA a.s.	249 039	-37 436	211 603	12 447	0	0
BOHEMIA RINGS s.r.o.	100 554	-14 626	85 928	4 982	0	0
MS UK	1 234	-185	1 049	62	0	0
HŽP a.s.	130 506	-31 901	98 605	5 800	0	0
Kovárna VIVA	164 908	-21 988	142 920	8 245	0	0
Barrandov Studio a.s.	34 362	-34 362	0	0	0	0
MSV	19 261	-802	18 459	802	0	0
Total	699 864	-141 300	558 564	32 338	0	0
Negative goodwill arising on consolidation						
REFRASIL, s.r.o.	-14 566	1 700	-12 866	0	728	0
Total	685 298	-139 600	545 698	32 338	728	0

2019

(CZK THOUSAND)

	Gross	Adjustment	Net	Recognition in expenses	Recognition in income	Recognition in equity
Positive goodwill arising on consolidation						
ŽDB DRÁTOVNA a.s.	249 609	-24 989	224 620	0	12 479	0
BOHEMIA RINGS s.r.o.	107 258	-9 644	97 614	0	5 348	0
MS UK	1 234	-123	1 111	0	62	0
HŽP a.s.	130 506	-26 101	104 405	0	5 800	0
Kovárna VIVA	164 907	-13 742	151 165	0	8 245	0
Barrandov Studio a.s.	34 362	-34 362	0	0	0	0
Total	687 876	-108 961	578 915	0	31 934	0
Negative goodwill arising on consolidation						
REFRASIL, s.r.o.	-14 564	970	-13 594	0	0	728
Total	673 312	-107 991	565 321	0	31 934	728

6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK THOUSAND)

SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING	2020	2019
VESUVIUS ČESKÁ REPUBLIKA, a.s.	163 776	147 449
Moravia Steel Middle East FZCO	121 634	126 112
Total	285 410	273 561

6.8. INVENTORY

As of 31 December 2020, "METALURGIA" S.A. has pledged inventory up to PLN 13,000 thousand (CZK 74,815 thousand) with Bank BGŻ BNP Paribas S.A. in relation to the loan drawn and inventory up to PLN 10,500 thousand (CZK 60,428 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna in relation to the loan drawn. In 2019, the inventory was pledged up to PLN 13,000 thousand (CZK 77,610 thousand).

6.9. RECEIVABLES

6.9.1. Structure of Short-Term Receivables

As of 31 December 2020, gross short-term trade receivables past their due dates amounted to CZK 1,535,017 thousand (net CZK 1,192,988 thousand). As of 31 December 2019, gross short-term trade receivables past their due dates amounted to CZK 1,325,769 thousand (net CZK 995,675 thousand).

Other Short-Term Receivables

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

State – tax receivables predominantly include a receivable arising from the excessive value added tax deduction and prepayments for fees according to the Air Protection Act.

Other receivables principally include a receivable arising from a bank guarantee and a receivable arising from the indisputable entitlement for the subsidy.

Estimated receivables principally include an estimated receivable arising from anticipated insurance benefits.

Receivables typically mature within 30 days.

6.9.2. Receivables Pledged as Security

As of 31 December 2020, "METALURGIA" SPÓŁKA AKCYJNA records pledged receivables of PLN 4,860 thousand (CZK 27,970 thousand) with BGŻ BNP Paribas Faktoring Sp. z o. o. and pledged receivables of PLN 2,446 thousand (CZK 14,080 thousand) with Pekao Faktoring Sp. z o.o. As of 31 December 2019, the pledged receivables amounted to PLN 5,071 thousand (CZK 30,276 thousand) with BGŻ BNP Paribas Faktoring Sp. z o. o. and pledged receivables of PLN 1,907 thousand (CZK 11,388 thousand) with Pekao Faktoring Sp. z o.o.

6.9.3. Intercompany Receivables

Short-Term Receivables

(CZK THOUSAND)

ENTITY	Balance at 31 Dec 2020	Balance at 31 Dec 2019
DOPRAVA TŽ, a.s.	343	0
Moravia Security, a.s.	102	169
Security Morava, s.r.o.	19	9
TRIALFA, s.r.o.	1 092	1 564
TRISIA, a.s.	65	17
TŘINECKÁ PROJEKCE, a.s.	164	189
Třinecké gastroslužby, s.r.o.	1 586	2 400
VESUVIUS ČESKA REPUBLIKA, a.s.	6 612	6 400
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	10	10
IMOPRA s.r.o.	1	9 069
JuBo Jeseník s.r.o.	5 999	6 562
Reťaze Slovakia, s.r.o.	1 253	2 717
MINERFIN a.s.	1	0
Total short-term intercompany receivables	17 247	29 106
Other than intercompany receivables	7 282 303	7 300 834
Total short-term receivables	7 299 550	7 329 940

Long-Term Receivables

As of 31 December 2020, the Group records long-term receivables with due dates of more than 5 years of CZK 20,621 thousand; as of 31 December 2019, the Group recorded long-term receivables with due dates of more than 5 years of CZK 1,099 thousand.

6.10. EQUITY AND SHARE CAPITAL

6.10.1. Equity

Gains and losses from revaluation comprise the gain or loss from the revaluation of available-for-sale securities net of the deferred tax liability. In addition, they comprise the impact of the deferred tax arising from the gains or losses from the revaluation of assets and liabilities at fair value.

In the year ended 31 December 2020, dividends in the amount of CZK 0 thousand were declared and paid out.

Proposal for the allocation of profit for 2020

In 2020, the consolidation group generated net profit after tax of CZK 1,259,709 thousand. The profit will be transferred to retained earnings brought forward and the consolidated reserve fund.

6.10.2. Share Capital

As of 31 December 2020, the share capital amounted to CZK 3,159,000 thousand. The Company's share capital is composed of 315,900 ordinary registered shares in book-entry form with a nominal value of CZK 10,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's Supervisory Board.

6.11. RESERVES

Other reserves consist of reserves for the scrapping of equipment, employee bonuses, commitments being dealt with through the courts, losses incurred in connection with concluded long-term contracts and other threatening fines and reserves for legal disputes.

6.12. PAYABLES

6.12.1. Long-Term Payables

As of 31 December 2020 and 2019, primarily payables arising from retention fees to suppliers according to concluded contracts are reported under long-term trade payables.

6.12.2. Short-Term Trade Payables

As of 31 December 2020, short-term trade payables past their due dates amount to CZK 95,510 thousand (2019: CZK 65,029 thousand).

6.12.3. Other Payables

As of 31 December 2020 and 2019, due amounts arising from social security and state employment policy contributions and public health insurance amounted to CZK 258,941 thousand and CZK 243,702 thousand, respectively. These payables were duly settled as of the balance sheet date.

State – tax payables and subsidies predominantly include the short-term portion of payables arising from public subsidies and an income tax payable.

Estimated payables predominantly include unbilled supplies for work and services and an estimated payable for outstanding vacation days and annual bonuses including insurance payments.

Other payables predominantly include payables arising from bank guarantees, fines and contributions to employees.

6.12.4. Intercompany Payables

Short-Term Payables

(CZK THOUSAND)

ENTITY	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Doprava TŽ, a.s.	27	17
Moravia Security, a.s.	6 548	7 551
Třinecké gastroslužby, s.r.o.	191	755
VESUVIUS ČESKÁ REPUBLIKA, a.s.	19 176	23 248
Moravia Steel Ibéria, s.a.	0	1 744
MORAVIA STEEL SLOVENIJA d.o.o.	4 627	3 676
MINERFIN, a.s.	786 065	259 723
Total short-term intercompany payables	816 634	296 714
Other than intercompany payables	9 260 917	9 602 151
Total short-term payables	10 077 551	9 898 865

6.13. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

6.13.1. Deferred Tax Liability

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

(CZK THOUSAND)

DEFERRED TAX ARISING FROM	Tax rate in %	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Difference between the tax and accounting carrying values of fixed assets	19	11 208 532	10 839 068
Difference between the tax and accounting carrying values of fixed assets	9	57 505	66 291
Revaluation of securities available for sale	9	-54	-100
Revaluation of assets to fair value charged to equity	19	781 391	110 231
Revaluation of assets to fair value charged to equity	9	31 742	33 571
Revaluation of assets to fair value charged to consolidation goodwill	19	178 753	217 034
Accounting reserves	19	-392 204	-422 830
Provisions	19	-974 212	-1 009 675
Provisions	9	-5 909	-3 705
Outstanding default interest	19	-18	483
Expenses deductible for tax purposes in the following years	19	-133 992	-60 194
Expenses deductible for tax purposes in the following years	9	-72 859	-26 091
Utilisable tax loss	19	-7 950	-6 675
Unrealised profit on the sale of inventory within the Group	19	-11 550	-10 024
Unrealised profit on the sale of tangible FA within the Group	19	-281 502	-166 213
Total temporary differences		10 377 673	9 561 171
Deferred tax liability		1 970 715	1 809 626

(CZK THOUSAND)

ANALYSIS OF MOVEMENTS	
1 Jan 2019	1 744 364
Current changes charged to the profit and loss account	76 315
Current changes charged to equity	-3 163
Charge against positive goodwill on consolidation	-7 891
Other	1
31 Dec 2019	1 809 626
Current changes charged to equity	170 659
Charge against positive goodwill on consolidation	-2 297
Other	-7 273
31 Dec 2020	1 970 715

6.13.2. Deferred Tax Asset

(CZK THOUSAND)

	Tax rate (%)	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Difference between the tax and accounting net book value of fixed assets	19	3 042	-1 269
Accounting reserves	19	9 196	1 333
Provisions	19	4 780	3 158
Unrealised profit on the sale of inventory and assets within the Group	19	143 095	190 458
Deferred expenses	19	4 967	0
Total temporary differences		165 080	193 680
Deferred tax asset		31 365	36 799

(CZK THOUSAND)

ANALYSIS OF MOVEMENTS	
1 Jan 2019	105 186
Current changes charged to the profit and loss account	-68 387
Current changes charged to equity	0
31 Dec 2019	36 799
Current changes charged to the profit and loss account	-5 434
Current changes charged to equity	0
31 Dec 2020	31 365

6.14. BANK LOANS AND BORROWINGS

Long-Term Bank Loans

(CZK THOUSAND)

TYPE OF LOAN	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2019
Investment loan	CZK	240 000	480 000	Immovable and movable assets, securities, promissory note
Investment loan	EUR	25 184	40 639	Hermes guarantee insurer
Investment loan	EUR	14 544	42 242	ODL guarantee insurer
Term loan	CZK	0	240 000	Immovable and movable assets, insurance receivables, promissory note
Acquisition loan	EUR	306 192	465 850	Securities, promissory note
Investment loan	EUR	880 091	0	Immovable and movable assets, insurance receivables
Investment loan	CZK	628 571	857 143	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	6 307	8 748	Pledge of real estate
Investment loan	EUR	23 132	31 065	Pledge of real estate
Investment loan	CZK	2 827	0	Not secured
Investment loan	CZK	79 167	98 864	Blank promissory note, pledge of movable assets,
Investment loan	CZK	65 333	0	Blank promissory note
Investment loan	CZK	26 600	41 800	Pledge of assets, blank promissory note
One-time investment loan	EUR	0	0	Movable and immovable assets
One-time investment loan	EUR	21 753	42 121	Movable and immovable assets
One-time investment loan*	EUR	25 668	49 702	Movable and immovable assets
One-time investment loan	EUR	109 979	69 104	Movable and immovable assets
Investment loan	EUR	10 733	24 247	Blank promissory note, pledge of movable assets
Investment loan	EUR	29 649	6 379	Blank promissory note, pledge of movable assets
Purpose loan	CZK	45 000	0	Pledge of movable assets
Investment loan	EUR	6 561	12 705	
Investment loan	CZK	26 403	42 245	Two blank promissory notes
Investment loan	EUR	0	19 693	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	6 561	10 164	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	7 498	10 890	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	48 402	0	Blank promissory note
Investment loan	EUR	15 143	21 153	Mortgage, insurance pledge
Investment loan	EUR	8 876	11 716	Mortgage, insurance pledge
Investment loan	EUR	18 099	0	Mortgage, insurance pledge
Investment loan	PLN	2 389	0	Pledge of machines and equipment

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LONG-TERM BANK LOANS

(CZK THOUSAND)

TYPE OF LOAN	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2019
Operating loan	EUR	548	3 489	Financing of cars
Raiffeisenbank a.s.	CZK	0	8 250	Pledge of financed asset
Raiffeisenbank a.s.	CZK	2 000	10 000	Pledge of financed asset
Investment loan	CZK	114 900	0	Pledge of immovable assets
Investment loan	EUR	0	28 305	Real estate, production equipment
Investment loan	EUR	26 884	32 535	Real estate, production equipment
Investment loan	EUR	122 951	103 479	Technology
Investment loan	CZK	42 472	38 114	Expansion of production
Acquisition loan	CZK	471 525	0	Blank promissory note, pledge of securities
Investment loan	EUR	87 322	0	Pledge of movable assets will be established no later than on 31 March 2021
Investment loan	PLN	10 845	0	Mortgage, insurance pledge
Investment loan	PLN	8 632	0	Mortgage, insurance pledge
Total		3 568 741	2 850 642	

Short-Term Bank Loans

(CZK THOUSAND)

TYPE OF LOAN	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2019
Investment loan	EUR	16 790	16 255	Hermes guarantee insurer
Investment loan	EUR	0	3 811	KPH 600 machine, KLM measurement system
Investment loan	EUR	6 561	6 353	
Overdraft loan	PLN	29 454	54 290	Pledge
Investment loan	PLN	3 033	9 438	Secured with tangible assets (machinery, equipment) and insurance
Overdraft loan	PLN	33 969	39 473	Pledge – machinery, equipment and receivables
Investment loan	PLN	4 696	12 221	Pledge – machinery
One-time loan	CZK	0	0	Movable and immovable assets
One-time investment loan	EUR	21 753	21 061	Movable and immovable assets
Overdraft – credit cards	CZK	6	91	Not secured
One-time investment loan*	EUR	25 668	24 851	Movable and immovable assets
One-time investment loan	EUR	27 495	6 655	Movable and immovable assets
Investment loan	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	29 087	28 162	ODL guarantee insurer
Investment loan	EUR	97 788	0	Immovable and movable assets, insurance receivables, promissory note
Investment loan	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, promissory note
Acquisition loan	EUR	174 967	169 400	Securities, promissory note
Investment loan	CZK	228 572	228 571	Immovable and movable assets, insurance receivables, promissory note
Overdraft loan	CZK	0	84 177	Promissory note
Overdraft loan	CZK	0	84 356	Promissory note

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LONG-TERM BANK LOANS

(CZK THOUSAND)

TYPE OF LOAN	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2019
Overdraft loan	CZK	0	82 322	Promissory note
Overdraft loan	CZK	0	82 864	Promissory note
Overdraft loan	CZK	0	85 073	Promissory note
Overdraft loan	CZK	0	84 825	Promissory note
Investment loan	EUR	2 441	2 441	Pledge of real estate
Investment loan	CZK	8 954	8 669	Pledge of real estate
Investment loan	CZK	314	0	Not secured
Investment loan	CZK	15 200	15 200	Pledge of assets, blank promissory note
Credit cards	CZK	1	65	Not secured
Investment loan	CZK	26 364	26 364	Blank promissory note, pledge of movable assets
	CZK	18 000	0	Blank promissory note
Investment loan	EUR	14 310	13 855	Promissory note, pledge of movable assets
Overdraft loan	CZK	2 799	6 102	Not secured
Overdraft loan	CZK	16 577	7 580	Blank promissory note
Overdraft loan	CZK/EUR	0	87 431	Blank promissory note
Overdraft loan	CZK	0	20 316	Blank promissory note, pledge of real estate
Overdraft loan	CZK	0	485	Not secured
Investment loan	CZK	15 842	15 842	Two promissory notes
Operating loan	CZK	27 183	7 977	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset insurance
Operating loan	EUR	0	7 385	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	20 340	26 528	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	3 937	3 812	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	3 749	3 630	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Operating loan	CZK	76 412	208 109	Blank promissory note
Operating loan	EUR	0	19 609	Blank promissory note
Investment loan	EUR	12 908	0	Blank promissory note
Investment loan	EUR	6 730	6 509	Mortgage, insurance pledge
Investment loan	EUR	3 239	3 132	Mortgage, insurance pledge
Investment loan	EUR	4 826	0	Mortgage, insurance pledge
Acquisition loan	CZK	145 085	0	Blank promissory note, pledge of securities
Current bank loan	EUR	6 851	5	Credit cards
Overdraft	CZK	0	1 615	Pledge of real estate, bill of exchange
Operating loan	CZK	8 250	11 000	Pledge of real estate
Investment loan	CZK	8 000	8 000	Pledge of real estate
Investment loan	CZK	32 880	0	Pledge of real estate

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LONG-TERM BANK LOANS

(CZK THOUSAND)

TYPE OF LOAN	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2019
Operating loan	CZK	0	43 639	Receivables
Investment loan	EUR	29 236	28 586	Real estate, production machinery
Investment loan	CZK	0	16 000	Real estate, production machinery
Operating loan	EUR	30 225	0	Receivables
Operating loan	CZK	47 003	28 829	Receivables
Investment loan	EUR	6 721	6 768	Real estate technology
Investment loan	EUR	21 263	10 339	None
Overdraft	PLN	69 705	0	Pledge of receivables
Operating loan	CZK	8 383	2 820	Financing of net working capital
Investment loan	CZK	5 368	5 368	Expansion of production
Revolving loan	CZK	50 729	0	Pledge of receivables
Revolving loan	CZK	71 289	0	Pledge of receivables
Investment loan	EUR	21 831	0	Pledge of movable asset
Re-financing loan	EUR	32 692	0	Pledge of movable asset
Operating loan	PLN	77 363	0	Mortgage for real estates
Total		2 132 839	2 258 259	

Short-Term Financial Borrowings

(CZK THOUSAND)

PURPOSE	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Provider
Short-term	PLN	23	106	MSA Radomsko
Total		23	106	

6.15. OTHER OFF-BALANCE SHEET LIABILITIES, LEGAL DISPUTES

MORAVIA STEEL a.s.

As of 31 December 2020, the Company participated in no legal dispute, the ruling of which would have had a material impact on the Company.

As of 31 December 2020, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 49,462 thousand.

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

Following the conclusions of the appellate court's ruling, the Company recognised an anticipated payable to the minority shareholders as of the effective date in the amount of the consideration of CZK 27,745 thousand as well as interest as of 31 December 2020 in the amount of CZK 4,304 thousand.

MORAVIA STEEL a.s., as well as TŘINECKÉ ŽELEZÁRNY, a. s. as another participant in the proceedings and some former shareholders, filed an appeal against the ruling of the High Court in Olomouc with the Supreme Court of the Czech Republic. No decision on this appeal has been made yet.

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

The legal dispute is still in the phase of first-instance procedures and only the first court hearing has taken place so far, where the court focused on procedural matters concerning the place of holding the dispute, (international jurisdiction), and on 25 September 2019 the court issued a preliminary ruling with international as well as local jurisdiction. MORAVIA STEEL a.s. filed an appeal against this decision on 20 December 2019, which was rejected by the appealing Higher Regional Court on 1 December 2020. The Court upheld the admissibility of the action, but did not agree with the opinion of the Regional Court that the dispute's jurisdiction is based on the concept of one economic unit. Thus, MORAVIA STEEL a.s. still has a real possibility to reach the rejection of the plaintiff's claim in the main proceedings.

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

The further development of this dispute and its prediction depend on how the plaintiff deals with its hitherto inaccurate factual allegation and whether this allegation is substantiated. The court ordered the first hearing in the case on 21 April 2021, where the action was dismissed. The result of the dispute will not have a material impact on the Company.

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

Moravia Steel Deutschland GmbH

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

TŘINECKÉ ŽELEZÁRNY, a. s.**Provided Guarantees****31 December 2020**

TYPE	Total amount	Balance at 31 Dec 2020
<i>Guarantees</i> To other entities	EUR 3,249 thousand	CZK 85,277 thousand

31 December 2019

TYPE	Total amount	Balance at 31 Dec 2019
<i>Guarantees</i> To other entities	EUR 2,249 thousand	CZK 57,154 thousand

Received Guarantees**31 December 2020**

TYPE	Total amount	Balance at 31 Dec 2020
<i>Guarantees</i> To other entities	USD 103 thousand	CZK 2,204 thousand
	EUR 4,007 thousand	CZK 105,158 thousand
	CZK 120,697 thousand	CZK 120,697 thousand

31 December 2019

TYPE	Total amount	Balance at 31 Dec 2019
<i>Guarantees</i> To other entities	USD 61 thousand	CZK 1,380 thousand
	EUR 2,839 thousand	CZK 72,132 thousand
	CZK 121,280 thousand	CZK 121,280 thousand

Legal Disputes

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

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

The dispute initiated by Mapfre España Compañía de Seguros y Reseguros, S.A. ("Mapfre") against the Company and against MORAVIA STEEL a.s. ("MS") for the payment (jointly and severally) of an amount including fees and interest, representing, as claimed by Mapfre, the damage suffered by Mapfre by paying damages on behalf of a customer of MS caused by alleged defective performance provided by the Company and MS. The District Court in Frýdek-Místek issued a payment order which was cancelled after the Company and MS filed a protest against it. Trial proceedings will be conducted in respect of the claim arising from legal action. The ruling will not have a significant impact on the Company.

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 2020, the Company used up funds in the amount of CZK 540,796 thousand (2019: CZK 538,698 thousand).

Other

In 2019 and 2020, the Company was involved in the project "Education of REGRADA members as a joint path to the region's development", which is co-funded by the European Union. Education as part of the project was provided at a discounted price and the remaining costs were funded by the subsidy's recipient, which is the Regional Development and Cooperation Council based in Třinec.

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

Other entities included in the TŽ consolidation group

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

7. ADDITIONAL INFORMATION ON THE PROFIT AND LOSS ACCOUNT

7.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

2020

(CZK THOUSAND)

ACTIVITIES	Inland	Cross-Border	Total
Metallurgic production	34 824 857	27 715 195	39 854 762
Energy production	1 708 157	3 729 314	5 437 471
Sale of goods	83 410	177 588	260 998
Services	1 285 705	776 111	2 061 816
Total	37 902 129	32 398 208	47 615 047

2019

(CZK THOUSAND)

ACTIVITIES	Inland	Cross-Border	Total
Metallurgic production	13 936 694	29 763 074	43 699 768
Other production	1 928 611	4 170 501	6 099 112
Sale of goods	106 896	220 288	327 184
Services	828 907	469 285	1 298 192
Total	16 801 108	34 623 148	51 424 256

7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 48,921 thousand and CZK 58,740 thousand as of 31 December 2020 and 2019, respectively.

Other operating income as of 31 December 2020 and 2019 predominantly included the use of the grant for greenhouse gas emission allowances in the amounts of CZK 2,528,885 thousand and CZK 1,299,707 thousand, respectively.

Other operating expenses as of 31 December 2020 and 2019 predominantly included the use of greenhouse gas emission allowances in the amounts of CZK 2,528,885 thousand and CZK 1,439,819 thousand, respectively.

Since 1 January 2019, financial donations are reported under operating expenses. The total amount of donations provided in 2020 was CZK 33,151 thousand (2019: CZK 28,671 thousand).

Other financial income and expenses in the years ended 31 December 2020 and 2019 predominantly included foreign exchange rate gains and losses.

7.3. GRANTS AND SUBSIDIES

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

In the year ended 31 December 2019, the Company received a subsidy for the acquisition of environmental investments of CZK 161,320 thousand.

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

In the year ended 31 December 2019, ENERGETIKA TŘINEC, a.s., received subsidies for the following projects: (i) Optimisation of production of industrial water Vodárna 1 in the amount of CZK 1,729 thousand, (ii) Replacement of compressed air source – Vodárna 1 in the amount of CZK 3,898 thousand and (iii) Renewal of a compressor – Vodárna 3 in the amount of CZK 2,126 thousand.

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

In the year ended 31 December 2019, Strojírny a stavby Třinec, a.s. received a subsidy for the Energy savings in SaS (CZ.01.3.10/0.0/17_101/0014009) project in the amount of CZK 3,068 thousand.

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

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

Subsidies for operating purposes related to the companies of the TŽ consolidation group, in the amount of CZK 5,807 thousand utilised in 2019, include subsidies for development, a subsidy for implementing the “Werkperspektiva” project, a subsidy for the museum operation, subsidies for environmental projects and subsidies for employee education.

MSV Metal Studénka, a.s. received subsidies for operating purposes in 2019, which were intended to expand the technical knowledge of employees in the sales department. The Company received subsidies for the Energy Saving project from the Ministry of Industry and Trade in the amount of CZK 3,763 thousand; the opening price of movable assets was reduced by this subsidy.

7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

(CZK THOUSAND)

	31 December 2020	31 December 2019
Research and development expenditure (net of grants)	34 029	46 126

7.5. RELATED PARTY TRANSACTIONS

7.5.1. Income Generated with Related Parties

Income generated with related parties amounted to CZK 93,373 thousand in 2020. All related party transactions took place under arm's length conditions.

Income from profit shares from related parties for 2020 and 2019 is disclosed in Note 6.5.

7.5.2. Purchases from Related Parties

Total purchases from related parties amounted to CZK 2,745,837 thousand in 2020. All related party transactions took place under arm's length conditions.

8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

8.1.1. Staff Costs and Number of Employees for 2020

The number of employees as of 31 December 2020 was 13,806, of which 182 managers. The number of employees as of 31 December 2019 was 13,504, of which 162 managers.

The staff costs of employees in the year ended 31 December 2020 amounted to CZK 8,466,889 thousand, of which staff costs of managers amounted to CZK 373,784 thousand. The staff costs of employees in the year ended 31 December 2019 amounted to CZK 8,030,415 thousand, of which staff costs of managers amounted to CZK 483,757 thousand. The remuneration to members of the Board of Directors and Supervisory Board in the years ended 31 December 2020 and 2019 amounted to CZK 2,400 thousand and CZK 2,520 thousand, respectively.

The number of employees is based on the average headcount.

8.1.2. Loans, Borrowings, and Other Benefits Provided

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

(CZK THOUSAND)

	2020	2019
Use of management cars (the figure increases the tax base of employees)	16 956	17 328
Contribution for life insurance	3 157	2 570
Liability insurance	1 971	1 764
Total	22 084	21 662

9. POST BALANCE SHEET EVENTS

During the preparation of the financial statements for the year ended 31 December 2020, the Company assessed the impact of the COVID-19 pandemic on its activities. The impact is not material and does not thus jeopardise the Company's going concern assumption.

