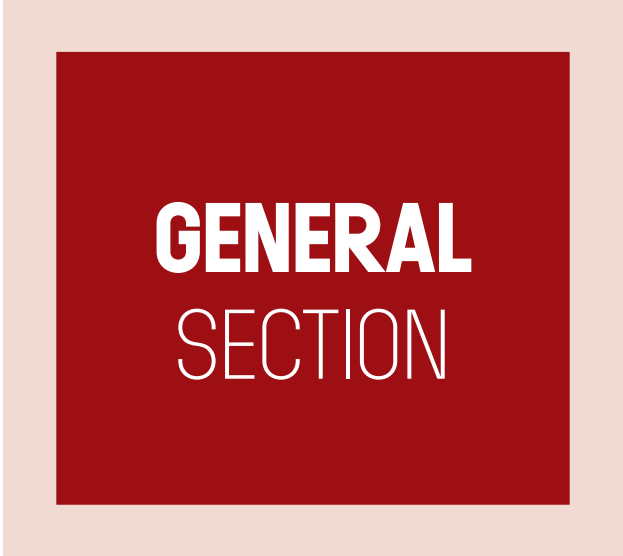


CONSOLIDATED  
ANNUAL REPORT

2022



**MORAVIA STEEL**



**GENERAL**  
SECTION

## GENERAL SECTION

<b>01. Opening Statement of the Chairman of the Supervisory Board</b>	<b>04</b>
<b>02. The MORAVIA STEEL Group's Profile</b>	<b>06</b>
<b>03. Statutory Bodies and Management of the Company</b>	<b>08</b>
<b>04. Report of the Board of Directors</b>	<b>10</b>
<b>05. Auditor's Report</b>	<b>26</b>

## FINANCIAL SECTION

<b>06. Financial Part I. – Financial Statements</b>	<b>28</b>
Balance Sheet Full Version – Assets	29
Balance Sheet Full Version – Liabilities and Equity	31
Profit and Loss Account	33
Statement of Changes in Equity	35
Cash Flow Statement	36
Notes to the Financial Statements	38
<b>07. Financial Part II. – Consolidated Financial Statements</b>	<b>71</b>
Consolidated Balance Sheet Full Version – Assets	72
Consolidated Balance Sheet Full Version – Liabilities and Equity	75
Consolidated Profit and Loss Account	77
Consolidated Statement of Changes in Equity	80
Consolidated Cash Flow Statement	81
Notes to the Consolidated Financial Statements	83

## 01

OPENING STATEMENT OF THE CHAIRMAN  
OF THE SUPERVISORY BOARD**TO SHAREHOLDERS,  
BUSINESS PARTNERS AND  
EMPLOYEES**

**The year 2022 was originally supposed to see a stabilisation after the covid pandemic which, in addition to global economic impacts, disrupted at that time regularly operating manufacturing and logistics chains worldwide, including supplies and prices of raw materials, energies and other input materials important for metallurgical and steelmaking sector.**

However, the overall situation has become more complicated, primarily due to the war conflict

in Ukraine, with all relating impacts primarily for the European economy. This led to an unprecedented increase in energy prices and double-digit inflation. The metallurgy and steelmaking in the EU are additionally impacted by expensive emission allowances as well as instability of supplies for the European automotive industry.

The MORAVIA STEEL (MS) Group had to respond to all these serious circumstances – and concurrently provide for adequate supplies of raw materials, primarily iron ore, on an ongoing basis in order to maintain smooth manufacturing in



Třinecké železárny and other downstream subsidiaries.

The MS Group consists mainly of companies focused on iron metallurgy, metalworking, engineering production and trade in related products. The Group also includes firms that focus on the creation and production of live-action motion pictures and other audio-visual works, or the field of sports activities. However, even in this situation, the long-term suitably chosen strategy of MS focusing on products with a higher degree of processing and on the creation of product chains proved successful.

Despite all the above significant

complications, the MS Group was able to generate profit of CZK 5,569 billion in the 2022 reporting period.

I would therefore like to express my sincere thanks to all employees of the MS Group as well as to our business and other corporate partners and partners among institutions for their beneficial cooperation to date.

Yours sincerely,



**Tomáš Chrenek**

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





## 02

THE MORAVIA STEEL  
GROUP'S PROFILE

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

The MS Group holds a stable and strong position among the leading sellers of metallurgical products in the Czech Republic as well as foreign markets, primarily in EU countries. An integral part of the activity is

also the provision of domestic and international transport, the purchase and sale of raw materials and other inputs needed for metallurgical production.

The key economic indicators of the MS Group between 2020 and 2022 prove the Group's ability to cope with less favourable periods in global economic development and in the metallurgical and steel industry.

The consolidated sales include sales to final consumers and external customers. These include, in addition to metallurgical products, which is the Group's main programme, also the sale of



drop forgings including complete service, the sale of fasteners, sale of buffers, draw gears, screw couplers and towing hooks for rolling stock and locomotives, forgings and mouldings

for railway and other industries, sales related to custom engineering production and construction activities, sales of energy and energy services, sales of steel and cast iron castings, sales of

wide ranges of chains, sales of refractory materials, sales of automation technology and equipment for secondary technological processes, sales of fasteners, mainly screws, nuts and special

fasteners and forgings, sales of undercarriage springs for railway and automotive industries, sales of modified wire, for example through galvanising and pickling, sales for wind energy sector.

### MS Group economic indicators between 2020 and 2022

INDICATOR	2020	2021	2022
Sales of products, services and goods	47 615	58 210	75 418
Operating profit or loss	1 590	4 228	7 411
Profit or loss before taxation	1 619	3 791	7 005
Profit or loss for the reporting period	1 256	3 037	5 569
ROS before taxation	3,4	6,5	9,3
EBITDA	4 093	6 792	10 020
EBITDA margin	8,6	11,7	13,3
Total assets	59 371	61 788	71 516
Fixed assets	30 305	29 169	33 197
Current assets	29 066	32 619	38 318
Equity	42 111	43 121	44 562
Liabilities	16 572	17 932	26 576
Total debt to equity	27,9	29,0	37,2

## 03

# STATUTORY BODIES AND MANAGEMENT OF MORAVIA STEEL A.S.

## Supervisory Board of the Company as of 31 December 2022

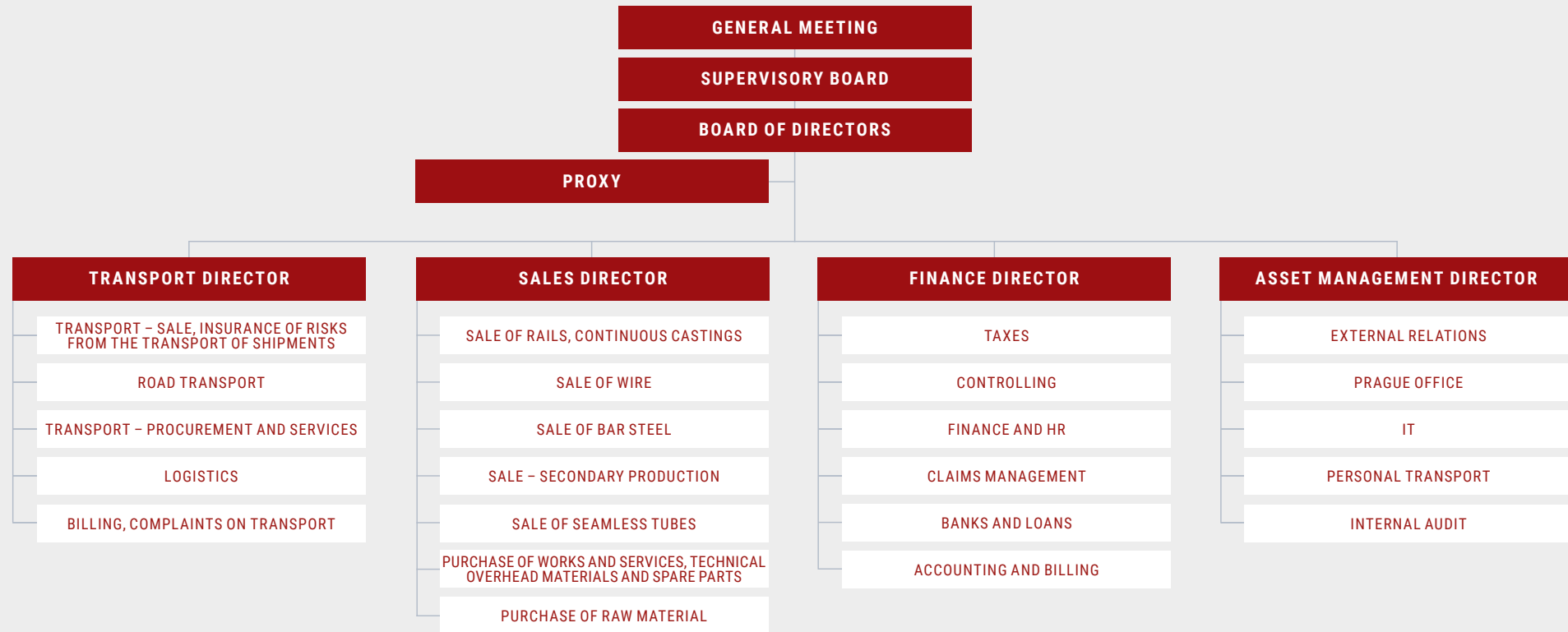
FUNCTION	NAME
Chairman	Tomáš Chrenek
Vice-Chairman	Evžen Balko
Vice-Chairman	Ján Moder
Member	Mária Blašková

## Board of Directors of the Company as of 31 December 2022

FUNCTION	NAME
Chairman	Petr Popelář
Vice-Chairman	Krzysztof Roch Ruciński
Member	Mojmír Kašpiřin
Member	Uršula Novotná



**ORGANISATIONAL STRUCTURE OF MORAVIA STEEL A.S.**



## 04

REPORT OF THE BOARD  
OF DIRECTORS**DEVELOPMENT OF THE  
CZECH ECONOMY**

For most of 2022, the Czech economy continued a slight post-pandemic recovery, as reported by the Czech Statistical Office. At the beginning of the year, it managed to compensate a rather weak performance of the automotive industry segment and after that of certain significant companies in other sectors that were affected by the disruption of supplier chains due to an unexpected start of the war in Ukraine. During the third quarter when the quarter-on-quarter growth of the Czech economy halted, the industrial production increased by 1.9%

which was the biggest increase since 2020. It was also due to the fact that investment activities in the economy did not significantly weaken.

A similar situation was in the value of foreign orders as the eurozone and the German economy continued to fight off the threat of recession. An important role was played by the fact that the situation in supplies of manufacturing components for the automotive industry temporarily improved. The overall industrial production exceeded the level of pre-pandemic boom for the first time in summer 2022.



However, stock market prices of electricity and gas escalated in Europe in August which, together with continued rapid rise in prices of other material inputs, was negatively reflected in the performance of predominantly energy intensive sectors. In addition, industrial companies in the Czech Republic started to increasingly feel concerns relating to worsening economic situation in a number of significant export territories which translated into negative economic expectations of companies. In the fourth quarter, the quarter-on-quarter growth in the industrial production and its key sector of car manufacturing de facto came to a halt.

Energy intensive industrial sectors of chemical, metallurgical and metal working industries, glassmaking and production of construction materials were

getting into an increasingly complicated situation. After a fast recovery in 2021 when the performance of these sectors exceeded the level of the pre-crisis year 2019 thanks to a soaring demand both from the Czech Republic and abroad, the rapid growth of prices of input materials resulted in downturn which intensified in the latter half of the year. The most significant decline was recorded in metallurgy where the production declined by 8.3% in 2022 due to weakening of the demand from abroad. An even deeper decline was recorded last time during the recession in 2009. A more moderate decline in production, however still significant in terms of the entire industry, was recorded by the chemical and metal working industry; even growing demand in the small segment of arms production did not help much.



In 2022, the gross domestic product (GDP) increased by 2.4%. In the opinion of the Czech Statistical Office, it was primarily due to capital expenditure and demand from abroad. By contrast, domestic consumption decreased. During 2022, the growth slowed down and in the fourth quarter the GDP

increased only by 0.2% year-on-year. In the latter half of 2022, the year-on-year economic growth was primarily driven by demand from abroad. On the contrary, the positive impact of capital expenditure decreased and the decline in the domestic consumption got worse. Compared to the third quarter, the





GDP dropped by 0.4% and it was the second quarter-on-quarter drop in a row. The demand from abroad positively affected the quarter-on-quarter dynamic of the GDP, however the consumption and capital expenditure decreased.

The gross domestic product in the EU in the fourth quarter overall increased by 1.7% year-on-year and decreased by 0.1% quarter-on-quarter. As such, the Czech Republic was one of the countries with below average GDP dynamic at the end of the year.

## DEVELOPMENT OF THE STEEL INDUSTRY

Raw steel production in the Czech Republic in 2022 declined year-on-year by 11% to 4.2 million tonnes. TŘINECKÉ ŽELEZÁRNY, a. s. (TŽ), as a subsidiary of MORAVIA STEEL a.s., increased its share in the local production to 57% in 2022. The production in TŽ totalled 2.44 million tonnes of raw steel and increased year-on-year by 1.7%.

The volume of exports of steel from the Czech Republic decreased by 18% to 4 million tonnes – and it was on its lowest level in 2022 since the financial crisis in 2009. According to the Steel Union (Ocelářská unie), an association of enterprises operating in the Czech metallurgical and steelmaking industries, the results were impacted by the war conflict in Ukraine, unprecedented energy prices, high inflation

and expensive emission allowances.

The apparent consumption of steel in the Czech Republic decreased year-on-year by more than 1 million tonnes, i.e. by approximately 16%, to 6.6 million tonnes. It is the most significant drop in the last ten years. The consumption in 2021 rapidly increased after the covid related decline, which means that the decline in 2022 was a decline from a high base – nevertheless, it is still a strong signal of uncertainty in customer segments according to the Steel Union.

The production saw the most significant decrease in 2022 in flat steel products, it also dropped in steel tubes, the production of which in the Czech Republic is traditionally strong. The only product category where the production slightly increased

were rails. In 2022, the production of steel tubes in the Czech Republic was 376 thousand tonnes, the production of rails was 260 thousand tonnes.

Although there was a drop in steel prices in the latter half of 2022, the crown value of import and export for the entire year increased, despite a drop in volumes. For 2022, the steel imported to the Czech Republic was for CZK 210 billion, exports amounted to CZK 133 billion. The key market for the Czech steel continued to be EU member states – predominantly Poland, Germany and Slovakia. The exports of steel to countries outside the EU amounted approximately to CZK 15 billion.

In 2022, the production in the Czech Republic decreased in a similar pace as in the EU where it dropped by one tenth. The

apparent consumption of steel in the EU was lower by almost 5% compared to the prior year. At the same time, the share of imports from third countries in the apparent consumption reached 30%.

The Steel Union believes that the outlook of the sector for the following periods is not easy as it is not clear how deep and long the recession of the Czech and European economy could be – the prices of inputs continue to be rather high, the prices of emission allowances hit their historic records. Shutdowns of ironworks due to expensive energies resulted in record imports of steel to the EU in 2022 which covered almost one third of consumption. This evidences the worsening competitive abilities of European steelmakers at the time when non-European countries massively invest in additional manufacturing capacities.

Worldwide, 1,879 billion tonnes were produced in 2022, by 4.2% less year-on-year. By this, the production returned to the level before the coronavirus pandemic. China keeps its position of worldwide number one by a large margin; it produced almost 54% of all worldwide production last year. However, not even China avoided the decline in the production; of ten largest producers, only India and Iran saw increases.

In the EU, the total production dropped by most than 10% year-on-year. The largest European producer, Germany, saw a decline of 8%. Even more significant declines were recorded by Italy (-11.6%), France (-13.1%), and Spain (-19.2%). The production in Slovakia dropped by the full 20%.





## MORAVIA STEEL GROUP

In the year ended 31 December 2022, the MS Group reported a profit of CZK 5.569 billion, with sales of products, services and goods of CZK 75.418 billion. The total assets of the MS Group amounted to CZK 71.516 billion.

MORAVIA STEEL a.s. generated a profit of CZK 3.058 million in the 2022 reporting period. Sales volume of metallurgical products exceeded 2,159 kilotonnes (kt). More than 1,497 kt were exported, while almost 662 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. are the EU countries. Germany has traditionally had the largest share of EU exports. In 2022, its share exceeded 32%. The second most important country is Slovakia with a share exceeding 17% and Italy came third (almost 16%). Other important partner countries are Poland (share of 12.5%) and Hungary (8.1%).

The 2022 results of MORAVIA STEEL a.s. reflect the long-term suitably chosen strategy of the MS Group. This strategy concentrates on products with



a higher processing grade and the creation of product chains, with a focus on products intended for the engineering, energy, oil or automotive industries. For this reason, the group prefers the

production of rolled wire for the production of screws, springs, bearings and cords, special bar steel, steel treated in the final phase, and wide and flat tool steel.

### Development in sales of MORAVIA STEEL a.s. between 2020 and 2022

SUPPLIES IN TONNES	2020	2021	2022
Export	1 637 796	1 595 294	1 497 426
Domestic	717 793	683 747	661 787
<b>TOTAL</b>	<b>2 355 589</b>	<b>2 279 041</b>	<b>2 159 213</b>

**Structure of exports as a percentage of the total supplies of MORAVIA STEEL a.s.**

<b>STRUCTURE OF EXPORTS IN %</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
European Union	93,1	90,7	89,9
Other European countries	3,7	4,4	4,3
Asia	0,3	0,4	0,4
America	2,9	4,2	5,4
Australia	0,0	0,0	0,0
Africa	0,0	0,3	0,0
<b>TOTAL</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

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

<b>SALES IN TONNES</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Wire rod – including drawn, annealed and phosphate coated wires	1 023 116	966 048	907 336
Billets and continuous castings	299 784	249 491	246 242
Reinforcing steel	32 277	6 769	20 809
Rails	222 917	229 812	224 244
Products of Sochorová válcovna TŽ in Kladno	262 593	276 246	266 219
Universal strip mill in Bohumín	41 684	42 877	36 261
Products – Tažírna oceli TŽ Staré Město facility	79 581	91 373	93 614
Other – bars, sections, etc.	294 855	312 247	263 462
Pipes – Válcovna trub TŽ Ostrava facility	87 437	92 463	91 057
Rail fastenings	11 345	11 715	9 969
<b>TOTAL</b>	<b>2 355 589</b>	<b>2 279 041</b>	<b>2 159 213</b>

**WIRE ROD** with the volume of 41.69% of the total production is the most significant item in the production programme of TŽ in the long term.

It includes the production of the Continuous Wire Rod Mill (KDT) and a portion of production of the Continuous Fine Section Mill (KJT).

In 2022 we sold approximately 900 kilotonnes (kt) of wire rod of which approximately 801.7 kt from KDT and 98.3 kt from KJT. In KDT it is a year-on-year decrease by 43.7 kt and in KJT by 15.6 kt. Given a favourable situation on the market in the first half of the year, it is however an increase in the sale of the wire rod in total by approximately 29%. The beginning of 2022 saw a continued high demand for wire rod, intensified by the start of the war conflict in Ukraine.

A rapid increase in the demand was due to a favourable situation in the construction industry and other segments, however, mostly to concerns regarding a lack of input raw materials for steel production. This situation resulted in a rapid increase in prices during the second quarter. In the middle of the year the demand started to drop due to the increasing prices of energies and gas – and related concerns regarding further development in the economy.

The latter half of the year already saw a decline in the demand and prices, among other things due to large volumes of inventories held by customers and their reduced sales. The end of 2022 saw a downturn in demand, price decreases and concerns about an uncertain outlook for the following period.



In terms of territories, 29.4% of the production was sold on the domestic market and 70.6 % was exported.

In terms of the quality structure of steel groups produced at KDT, medium and high carbon steel accounts for 59.6%, low-carbon steel accounts for 18.3%, and electrode steel accounts for 9.1%. The remaining approximately 13% is attributable to other types – bolt, bearing, spring, chain and free-cutting.

At KJT, the most significant commodity are screw-type wires with a share of 35.8%, followed by carbon steel with 23.2%, low-carbon with 16% and free-cutting with 9.1%. The rest consists of a minor amount of spring, chain and bearing steel.

The second most important portfolio item in terms of volume is **BAR STEEL**. It includes the production of the Medium Section Mill and the Continuous Fine Section Mill in Třinec and



the Billet Mill at the Sochorová válcovna TŽ Kladno plant. The sales of bar steel in 2022 amounted to 530 kt and was 10% lower compared to the prior year.

At the beginning of 2022, the sales volumes were negatively impacted by a very low inventory of finished products which resulted from a lower production of steel, due to an accident in the wind heater of a furnace

at TŽ at the end of 2021. In the period following the beginning of the Russian invasion to Ukraine there was a short-term increase in the demand, caused by uncertainty regarding the production and supplies of bar steel; however, it has gradually weakened since June 2022. Negative aspects directly or indirectly connected to the war or the aftermath of the covid pandemic, such as disruptions of supplier chains, energy crisis

and increasing inflation are becoming more and more apparent. A lower demand from key sectors of the bar steel, i.e. from the automotive industry and mechanical engineering was partially compensated in this period by the sale of concrete reinforcing steel (20.8 kt). Even though we faced unfavourable circumstances, we managed to reflect the cost factors in selling prices. For this reason, despite the decline in volume, the sales of the bar steel were approximately 25% higher than in 2021.

The sale of **WIDE** and **FLAT STEEL** from the Universal Strip Mill in Bohumín (UT) was significantly impacted by the conflict in Ukraine. Due to a considerable decrease in production in the second quarter, the total supplies in 2022 were 36.2 kt which is a year-on-year decline of approximately 6.6 kt.

In 2022, approximately 12% of the UT production went to the local market. The total of 88% was exported to Germany, Slovakia, Bulgaria, Poland, Denmark, France and other European countries.

Basic structural qualities of steel continued to be UT's main product range, with a share of around 83% of the production portfolio. The share of supplies to warehouses and salesmen was approximately 69% in 2022.

The sales of **DRAWN STEEL** saw a high demand in 2022. It was obvious that part of the purchased volumes are purchased by customers for pre-stocking. After two years of reduced demand, manufacturers started to significantly increase their production. An increased demand in the automotive industry was typical. However, it was



concurrently impacted by a lack of electronic parts for a final assembly of cars.

We managed to increase the added value of the most profitable product lines in peeling, grinding and dividing. A higher turnover rate of the stock goods and decrease in logistics times in the shipment were provided by Kasto 1 and 2 stacking systems. In 2022, the sales of drawn steel amounted to 93.6 kt which was higher year-on-year by 2.2 kt.

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

Sales of drawn, annealed and phosphate coated wire in coils from Staku 1 and 2 drawing lines amounted to 7.3 kt in 2022. This amount was 0.56 kt higher compared to 2021. The higher volume was also due to a start of operations of the Staku 2 drawing line during the latter half of 2022. The sales focused mainly on customers in the automotive industry and manufacturers of bearings.

Despite a slight decrease in the demand in the latter half of 2022 and a change in the structure of orders sales of **SEAMLESS TUBES** were in the volume of 91 kt. The supplies went primarily to the mechanical engineering, infrastructure and energy projects. Key markets remain to be in the EU countries. In the OCTG tubing business (9.8%), supplies were intended for projects on the EU



(geothermal drilling) and US (couplings) markets.

**RAILS** saw a permanent high demand in 2022, be it from the existing customers and as part of maximum quantity tolerances, and from new markets. The key pillar of rails production included continued supplies for German railways following

a success in a tender, continued supplies of rails for local construction entities, supplies to the Polish market and North America.

This basic portfolio is supplemented by a long-term contract with Israeli railways, continued orders for Turkmen railways, supplies for Finnish railways





and to Slovakia. Newly, due to the war conflict, a strong demand from Ukraine has been forming; the first testing supply of rails for a switch manufacturer was made based on this demand.

Sales of rails in 2022 amounted to 224 kt. In total, a continued

trend of high use of rails in Europe, and primarily in Ukraine, and other Eastern countries can be expected. Nevertheless, the condition of potential participation in tenders is an unconditional and fast mastering of production of thermally treated rails as these countries increasingly rely on European standard, with

requirements for hardened rails with the minimum of 350HB hardness. Identical requirements have been set in the long term overseas on the US and Canada markets.

**RAILWAY ACCESSORIES** follow the same scenario as rails, however, the product range manufactured by our company is used only for secondary and regional tracks – be it for their maintenance or renewal. The sales of rail fastenings in 2022 was on the level of 10 kt which is a significantly lower year-on-year result which was due to a lower consumption in Poland and reduction in the manufacturing of baseplates due to priority given to rails. In order to strengthen the technical level and consolidate the production, it was decided to modernise the production line for baseplates which should consequently pro-

duce only the top quality of this product line. The modernisation was supposed to solidify our position as a high quality supplier to principal markets with this product line such as the Czech Republic, Poland, Switzerland, Slovakia, Hungary, France and Benelux countries.

**CONTINUOUS CASTINGS** and **BILLETS** – their production and sales were slightly impacted by the above mentioned production shortfall on furnaces in TŽ. As such, continuous castings were on the level of 199 kt in 2022. Billets were on the level of 51 kt.

Continuous castings were less needed in the wind power plants sector which saw a significant stagnation and concurrently an increased import of this material from China and South Korea.

As a result, the key share in sales is primarily the use of continuous castings and billets for the manufacturing of wheelsets, wheels and half-axles. At the same time, there was a slight transfer of the portfolio from the wind energy segment to mechanical engineering. The principal structure of customers buying continuous castings remains to be consistent and primarily includes manufacturers of rail wheelsets, slip rings for wind towers and engineering components in the Czech Republic, Italy, Germany, Spain, Poland and France.

Billets are sold predominantly to two principal customers – manufacturers of half-axles in the Czech Republic and Germany, partly supplemented by customers from Poland.

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 2022, there were significant increases in prices of key raw materials, primarily coking coal and scrap iron. Out of the current developments on the international scene it is necessary to mention the war conflict in Ukraine and relating continued uncertainty arising from supplies of raw materials, predominantly iron ore.



We continue the process of strengthening the range of ores suppliers and we set the manufacturing process in order to allow us to respond quickly to the development in the war conflict.

Together with the EU's increasing pressures to transform steel production using green technologies, the demand for scrap metal is increasing. This reduces its

availability, and the price of this raw material remains to be high.

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

### LOGISTICS, FREIGHT TRANSPORTATION

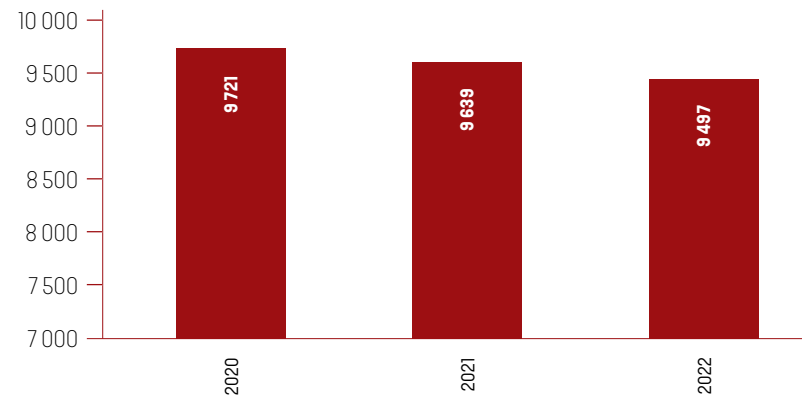
The year 2022 was another year full of challenges for the logistics of the MORAVIA STEEL (MS) Group.

The invasion of Russia to Ukraine had a significant impact on the mobility of persons and goods in the European Union, in all types of transport.

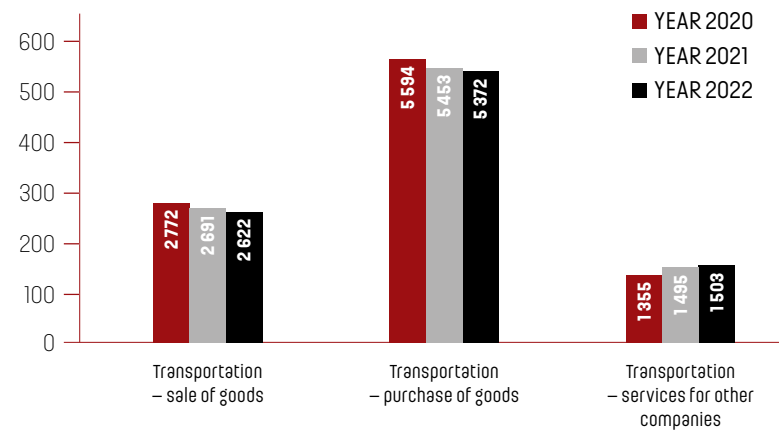
In response to the war conflict, the European Union imposed numerous individual and economic sanctions which involve an important part relating to transport.

The measures taken by MS focused on facing the increasing prices of transport, safety of goods supplies and volatility of the transport system.

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



TRANSPORTATION VOLUME STRUCTURE (kt)





MS continued to develop the work with transporters, trade organisations and state administration.

### MANAGEMENT SYSTEM AND HUMAN RESOURCES

The Moravia Steel Group's approach towards employees is based on openness and mutual respect. During 2022, no significant changes were made in the HR strategy, where there is an ongoing process of improvement and increasing efficiency in the area of HR management.

As in previous years, the MS Group supports the education and professional development of its employees on an ongoing basis, primarily in the form of specialised training courses, workshops, language and IT courses. The main objective is to ensure the qualification

level of employees, to deepen and broaden their professional knowledge and skills, which results in increased efficiency and competitiveness.

The Group also provides its employees with above-standard benefits, for example in the form of contribution for company catering, or the provision of elective employee benefits, which it endeavours to continuously expand. In cooperation with the Czech Industrial Health Insurance Company (ČPZP), a number of preventive health initiatives were implemented to support the health of the employees, in particular spa stays or supplementary reconditioning care, including physical activities, massages, relaxation procedures and nutrition counselling.

The basic principles of the MS Group's conduct, including its



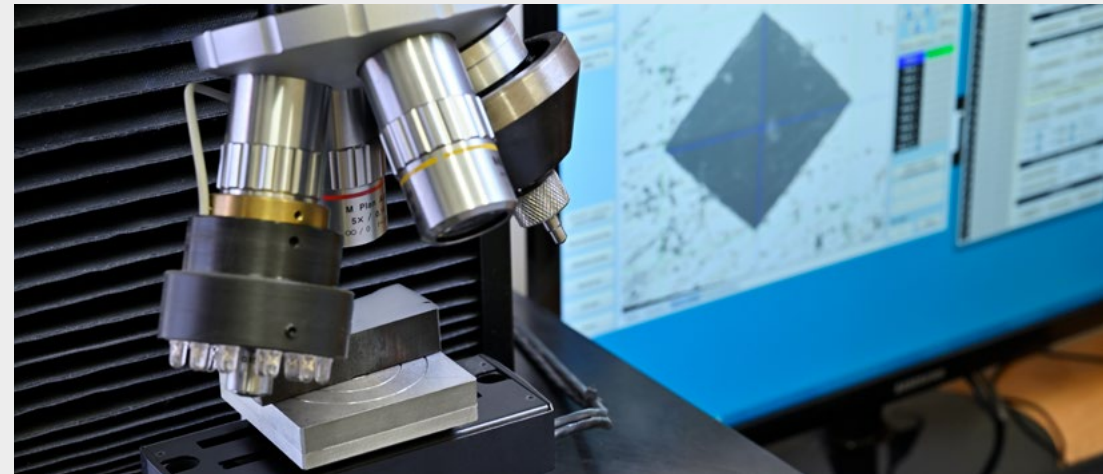
relation to employees, corporate culture and corporate social responsibility, are set out in the “Company’s Code of Conduct”, with which all employees have been made duly familiar. The Group continued to pay increased attention to the personal data protection system in 2022 in order to further meet the requirements of Regulation (EU) 2016/679 of the European Parliament and the Council on the protection of personal data, the GDPR, along with continuous monitoring and updating of individual related areas.

The beginning of 2022 saw a calming down of the epidemiologic situation and gradual return to normal as to anti-epidemic measures, however, there was still a strong focus on safety and protection of health of all employees in the workplace, by observing all strict hygiene

rules together with the setting of organisational measures and appropriate communication at all levels within the Company as well as the MS Group. In cooperation with the Agel Hospital Třinec - Podlesí, the employees of the MS Group were given the opportunity to be vaccinated against the COVID-19 disease in the premises of Třinecké železářny.

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

In 2022, environmental activities and assistance of the MS Group



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

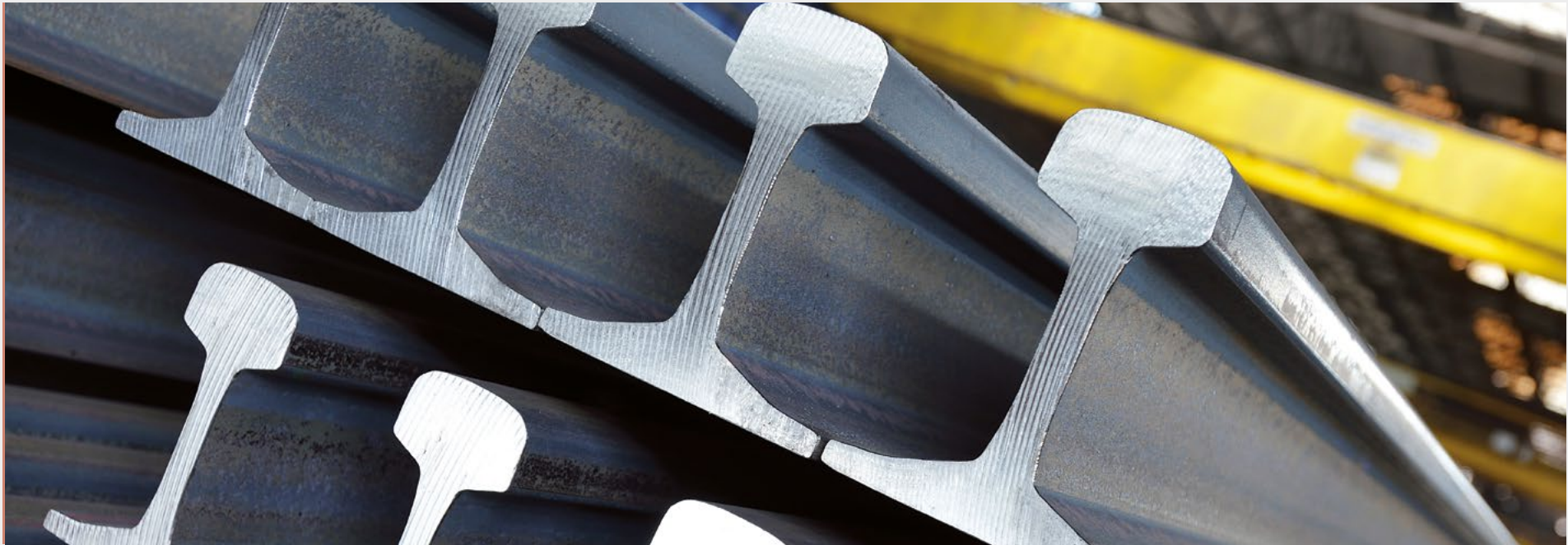
The MS Group performs its activities in accordance with the applicable environmental legislation.

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

In the year ended 31 December 2022, MORAVIA STEEL a.s. was

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





### **STRATEGY OF THE MORAVIA STEEL A.S. GROUP**

The goal of the MORAVIA STEEL Group in the following years is an effort to increase sales and maintain competitive advantages. The Group will continue to promptly respond to the requirements of customers, i.e. meeting their needs, requirements and expectations.

In the future and in line with its strategy, the Group wants to focus on products with higher degree of processing and creation of product chains fully in compliance with the EU rules relating to improvement in all parameters of the environmentally friendly production.

### **POST BALANCE SHEET EVENTS**

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

On 1 January 2023, the liquidation of subsidiary MSV Servis, s.r.o. was initiated following a decision of the owner.

On 3 April 2023, Roman Heide was appointed Chief Executive Officer of TŘINECKÉ ŽELEZÁRNY, a. s.



**FINANCIAL**  
SECTION

## 05

AUDITOR'S  
REPORT**Deloitte.**

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in Prague, Section C, File 24349  
ID. No.: 49620592  
Tax ID. No.: CZ49620592

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
MORAVIA STEEL a.s.

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

Opinion

We have audited the accompanying financial statements of MORAVIA STEEL a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2022, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We have audited the accompanying consolidated financial statements of MORAVIA STEEL a.s. consolidation group (hereinafter also the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion:

- The accompanying financial statements give a true and fair view of the financial position of MORAVIA STEEL a.s. as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.
- The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the MORAVIA STEEL a.s. consolidation group as of 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other information in the Consolidated Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Prague on 26 May 2023

Audit firm:

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



Statutory auditor:

Václav Loubek  
registration no. 2037



## 06

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

<b>NAME OF THE COMPANY:</b>	MORAVIA STEEL a.s.
<b>REGISTERED OFFICE:</b>	Průmyslová 1000, Staré Město, 739 61 Třinec
<b>LEGAL STATUS:</b>	Joint Stock Company
<b>CORPORATE ID:</b>	634 74 808
<b>RECORD IN THE REGISTER OF COMPANIES:</b>	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 20 February 2023.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE:
<b>Petr Popelář</b> Chairman of the Board	
<b>Mojmír Kašpříš</b> Member of the Board	



## Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
<b>TOTAL ASSETS</b>		<b>24 799 036</b>	<b>939 840</b>	<b>23 859 196</b>	<b>22 641 160</b>
<b>B.</b>	<b>Fixed assets</b>	<b>10 567 956</b>	<b>715 071</b>	<b>9 852 885</b>	<b>9 323 886</b>
B.I.	<b>Intangible fixed assets</b>	<b>137 975</b>	<b>12 783</b>	<b>125 192</b>	<b>58 777</b>
B.I.1.	Development	72	72		
B.I.2.	Valuable rights	<b>12 011</b>	<b>12 011</b>		<b>58 777</b>
B.I.2.1.	Software	1 678	1 678		
B.I.2.2.	Other valuable rights	10 333	10 333		58 777
B.I.4.	Other intangible fixed assets	700	700		
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction	<b>125 192</b>		<b>125 192</b>	
B.I.5.2.	Intangible fixed assets under construction	125 192		125 192	
B.II.	<b>Tangible fixed assets</b>	<b>93 617</b>	<b>79 477</b>	<b>14 140</b>	<b>13 970</b>
B.II.1.	Land and structures	<b>907</b>	<b>56</b>	<b>851</b>	<b>869</b>
B.II.1.2.	Structures	907	56	851	869
B.II.2.	Tangible movable assets and sets of tangible movable assets	92 710	79 421	13 289	12 536
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction				<b>565</b>
B.II.5.2.	Tangible fixed assets under construction				565
B.III.	<b>Non-current financial assets</b>	<b>10 336 364</b>	<b>622 811</b>	<b>9 713 553</b>	<b>9 251 139</b>
B.III.1.	Equity investments – controlled or controlling entity	10 332 680	622 811	9 709 869	9 247 135
B.III.7.	Other non-current financial assets	<b>3 684</b>		<b>3 684</b>	<b>4 004</b>
B.III.7.2.	Prepayments for non-current financial assets	3 684		3 684	4 004

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
<b>C.</b>	<b>Current assets</b>	<b>14 231 080</b>	<b>224 769</b>	<b>14 006 311</b>	<b>13 317 274</b>
C.I.	<b>Inventories</b>	<b>1 167 495</b>		<b>1 167 495</b>	<b>413 326</b>
C.I.1.	Material	2 039		2 039	1 788
C.I.3.	<i>Products and goods</i>	<b>1 165 456</b>		<b>1 165 456</b>	<b>411 538</b>
C.I.3.2.	Goods	1 165 456		1 165 456	411 538
C.II.	<b>Receivables</b>	<b>12 770 858</b>	<b>224 769</b>	<b>12 546 089</b>	<b>10 829 690</b>
C.II.1.	<b>Long-term receivables</b>	<b>6 390</b>		<b>6 390</b>	<b>2</b>
C.II.1.4.	Deferred tax asset	6 390		6 390	
C.II.1.5.	<i>Receivables – other</i>				<b>2</b>
C.II.1.5.2.	Long-term prepayments made				2
C.II.2.	<b>Short-term receivables</b>	<b>12 743 796</b>	<b>224 769</b>	<b>12 519 027</b>	<b>10 805 084</b>
C.II.2.1.	Trade receivables	12 427 893	209 915	12 217 978	10 534 786
C.II.2.2.	Receivables – controlled or controlling entity	12 778	12 778		
C.II.2.4.	<i>Receivables – other</i>	<b>303 125</b>	<b>2 076</b>	<b>301 049</b>	<b>270 298</b>
C.II.2.4.3.	State – tax receivables	106 391		106 391	91 229
C.II.2.4.4.	Short-term prepayments made	6 960		6 960	8 077
C.II.2.4.5.	Estimated receivables	131 628		131 628	125 491
C.II.2.4.6.	Sundry receivables	58 146	2 076	56 070	45 501
C.II.3.	<b>Other assets</b>	<b>20 672</b>		<b>20 672</b>	<b>24 604</b>
C.II.3.1.	Deferred expenses	6 523		6 523	12 034
C.II.3.3.	Accrued income	14 149		14 149	12 570
C.IV.	<b>Cash</b>	<b>292 727</b>		<b>292 727</b>	<b>2 074 258</b>
C.IV.1.	Cash on hand	440		440	453
C.IV.2.	Cash at bank	292 287		292 287	2 073 805

**Balance Sheet full version – Liabilities & Equity**

(IN CZK THOUSAND)

	31.12.2022	31.12.2021
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>23 859 196</b>	<b>22 641 160</b>
<b>A. Equity</b>	<b>14 337 916</b>	<b>15 279 582</b>
A.I. <b>Share capital</b>	<b>3 159 000</b>	<b>3 159 000</b>
A.I.1. Share capital	3 159 000	3 159 000
A.III. <b>Funds from profit</b>	<b>631 400</b>	<b>631 400</b>
A.III.1. Other reserve funds	631 400	631 400
A.IV. <b>Retained earnings (+/-)</b>	<b>7 489 572</b>	<b>10 500 909</b>
A.IV.1. Accumulated profits or losses brought forward (+/-)	7 489 572	10 500 909
A.V. <b>Profit or loss for the current period (+/-)</b>	<b>3 057 944</b>	<b>988 273</b>
<b>B.+C. Liabilities</b>	<b>9 521 280</b>	<b>7 361 578</b>
<b>B. Reserves</b>	<b>2 135</b>	<b>1 580</b>
B.IV. Other reserves	2 135	1 580

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Balance Sheet full version – Liabilities & Equity

(IN CZK THOUSAND)

		31.12.2022	31.12.2021
<b>C.</b>	<b>Payables</b>	<b>9 519 145</b>	<b>7 359 998</b>
C.I.	<b>Long-term payables</b>	<b>186 637</b>	<b>313 134</b>
C.I.2.	Payables to credit institutions	166 637	309 213
C.I.8.	Deferred tax liability		3 921
C.I.9.	<i>Payables – other</i>	<b>20 000</b>	
C.I.9.3.	Sundry payables	20 000	
C.II.	<b>Short-term payables</b>	<b>9 317 438</b>	<b>7 035 678</b>
C.II.2.	Payables to credit institutions	2 451 939	137 428
C.II.3.	Short-term prepayments received	207 136	214 624
C.II.4.	Trade payables	5 985 816	6 534 153
C.II.8.	<i>Other payables</i>	<b>672 547</b>	<b>149 473</b>
C.II.8.3.	Payables to employees	9 825	10 089
C.II.8.4.	Social security and health insurance payables	5 271	4 730
C.II.8.5.	State – tax payables and subsidies	294 038	37 055
C.II.8.6.	Estimated payables	361 745	96 595
C.II.8.7.	Sundry payables	1 668	1 004
<b>C.III.</b>	<b>Other liabilities</b>	<b>15 070</b>	<b>11 186</b>
C.III.1.	Accrued expenses	14 178	10 389
C.III.2.	Deferred income	892	797

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

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
I. Sales of products and services	754 125	683 680
II. Sales of goods	95 742 910	71 317 202
A. Purchased consumables and services	<b>93 480 412</b>	<b>70 160 377</b>
A.1. Costs of goods sold	91 709 978	68 596 058
A.2. Consumed material and energy	6 895	6 012
A.3. Services	1 763 539	1 558 307
D. Staff costs	<b>392 789</b>	<b>360 503</b>
D.1. Payroll costs	306 866	280 945
D.2. Social security and health insurance costs and other charges	<b>85 923</b>	<b>79 558</b>
D.2.1. Social security and health insurance costs	82 213	76 443
D.2.2. Other charges	3 710	3 115
E. Adjustments to values in operating activities	<b>12 270</b>	<b>18 902</b>
E.1. <i>Adjustments to values of intangible and tangible fixed assets</i>	<b>22 089</b>	<b>24 668</b>
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	22 089	24 668
E.3. Adjustments to values of receivables	-9 819	-5 766
III. Other operating income	<b>91 740</b>	<b>45 697</b>
III.1. Sales of fixed assets	71 927	824
III.2. Sales of material	6 363	4 090
III.3. Sundry operating income	13 450	40 783
F. Other operating expenses	<b>133 363</b>	<b>90 036</b>
F.1. Net book value of sold fixed assets	42 986	423
F.2. Material sold	4 667	3 768
F.3. Taxes and charges	275	362

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Profit and Loss Account Structured by the Nature of Expense Method

(IN CZK THOUSAND)

		YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
F.4.	Reserves relating to operating activities and complex deferred expenses	555	-3 622
F.5.	Sundry operating expenses	84 880	89 105
*	<b>Operating profit or loss (+/-)</b>	<b>2 569 941</b>	<b>1 416 761</b>
IV.	Income from non-current financial assets – equity investments	1 128 182	161 815
IV.1.	Income from equity investments – controlled or controlling entity	1 128 182	157 962
IV.2.	Other income from equity investments		3 853
G.	Costs of equity investments sold		2 886
VI.	Interest income and similar income	<b>11 318</b>	<b>1 657</b>
VI.1.	Interest income and similar income – controlled or controlling entity	339	329
VI.2.	Other interest income and similar income	10 979	1 328
I.	Adjustments to values and reserves relating to financial activities	-203	149 861
J.	Interest expenses and similar expenses	<b>12 479</b>	<b>5 287</b>
J.2.	Other interest expenses and similar expenses	12 479	5 287
VII.	Other financial income	880 074	715 218
K.	Other financial expenses	1 047 137	912 446
*	<b>Financial profit or loss (+/-)</b>	<b>960 161</b>	<b>-191 790</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>3 530 102</b>	<b>1 224 971</b>
L.	Income tax	<b>472 158</b>	<b>236 698</b>
L.1.	Due income tax	482 469	238 522
L.2.	Deferred income tax (+/-)	-10 311	-1 824
**	<b>Profit or loss net of tax (+/-)</b>	<b>3 057 944</b>	<b>988 273</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>3 057 944</b>	<b>988 273</b>
*	Net turnover for the current period	<b>98 608 349</b>	<b>72 925 269</b>



## Statement of Changes in Equity

(IN CZK THOUSAND)

	SHARE CAPITAL	FUNDS FROM PROFIT, RESERVE FUND	ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD	PROFIT OR LOSS FOR THE CURRENT PERIOD	TOTAL EQUITY
<b>Balance at 31 December 2020</b>	<b>3 159 000</b>	<b>631 400</b>	<b>11 745 191</b>	<b>755 996</b>	<b>16 291 587</b>
Profit shares/dividends declared			-1 244 282	-755 996	
Profit or loss for the current period				988 273	
<b>Balance at 31 December 2021</b>	<b>3 159 000</b>	<b>631 400</b>	<b>10 500 909</b>	<b>988 273</b>	<b>15 279 582</b>
Profit shares/dividends declared			-3 011 337	-988 273	-3 999 610
Profit or loss for the current period				3 057 944	3 057 944
<b>Balance at 31 December 2022</b>	<b>3 159 000</b>	<b>631 400</b>	<b>7 489 572</b>	<b>3 057 944</b>	<b>14 337 916</b>

## Cash Flow Statement

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
<b>P.</b>		
<b>Opening balance of cash and cash equivalents</b>	<b>2 074 258</b>	<b>3 084 515</b>
Z.		
Profit or loss before tax	3 530 102	1 224 971
A.1.		
Adjustments for non-cash transactions	<b>-1 204 203</b>	<b>53 650</b>
A.1.1.		
Depreciation of fixed assets	22 089	24 668
A.1.2.		
Change in provisions and reserves	-9 467	140 473
A.1.3.		
Profit/(loss) on the sale of fixed assets	-28 941	-401
A.1.4.		
Revenues from profit shares	-1 128 182	-157 962
A.1.5.		
Interest expense and interest income	1 161	3 630
A.1.6.		
Adjustments for other non-cash transactions	-60 863	43 242
<b>A.*</b>		
<b>Net operating cash flow before changes in working capital</b>	<b>2 325 899</b>	<b>1 278 621</b>
A.2.		
Change in working capital	-2 679 046	-149 768
A.2.1.		
Change in operating receivables and other assets	-1 680 677	-2 317 759
A.2.2.		
Change in operating payables and other liabilities	-244 200	1 850 444
A.2.3.		
Change in inventories	-754 169	317 547
<b>A.**</b>		
<b>Net cash flow from operations before tax</b>	<b>-353 147</b>	<b>1 128 853</b>
A.3.		
Interest paid	-12 479	-5 287
A.4.		
Interest received	11 318	1 657
A.5.		
Income tax paid from ordinary operations	-225 786	-110 763
A.6.		
Received profit shares	1 128 182	157 962
<b>A.***</b>		
<b>Net operating cash flows</b>	<b>548 088</b>	<b>1 172 422</b>

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Cash Flow Statement

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021	
<b>Cash flows from investing activities</b>			
B.1.	Fixed assets expenditures	-573 871	-20 914
B.2.	Proceeds from fixed assets sold	71 927	824
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-501 944</b>	<b>-20 090</b>
<b>Cash flow from financial activities</b>			
C.1.	Change in payables from financing	2 171 935	-162 311
C.2.	Impact of changes in equity	-3 999 610	-2 000 278
C.2.6.	Profit shares paid	-3 999 610	-2 000 278
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-1 827 675</b>	<b>-2 162 589</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-1 781 531</b>	<b>-1 010 257</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>292 727</b>	<b>2 074 258</b>

# CONTENTS

<b>1. GENERAL INFORMATION.....</b>	<b>40</b>	3.13. Impairment .....	47
1.1. Incorporation and Description of the Business.....	40	3.14. Use of Estimates .....	48
1.2. Changes and Amendments to the Register of Companies.....	40	3.15. Revenue Recognition .....	48
1.3. Board of Directors and Supervisory Board as of 31 December 2022.....	41	3.16. Cash Flow Statement .....	48
1.4. Organisational Structure of the Company as of 31 December 2022 .....	41	3.17. Year-on-Year Changes in the Classification and Designation of Balance Sheet and Profit and Loss Account Items and their Substance.....	48
<b>2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES.....</b>	<b>42</b>		
<b>3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....</b>	<b>42</b>	<b>4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT .....</b>	<b>49</b>
3.1. Tangible Fixed Assets .....	42	4.1. Fixed Assets.....	49
3.2. Intangible Fixed Assets .....	43	4.1.1. Intangible Fixed Assets.....	49
3.3. Non-Current Financial Assets .....	44	4.1.2. Tangible Fixed Assets.....	50
3.4. Inventory .....	45	4.2. Non-Current Financial Assets.....	52
3.5. Current Financial Assets .....	45	4.2.1. Equity Investments – Controlled or Controlling Entities.....	52
3.6. Receivables.....	45	4.2.2. Pledged Non-Current Financial Assets and Current Equity Securities.....	53
3.7. Trade Payables .....	46	4.3. Inventory .....	54
3.8. Loans.....	46	4.4. Receivables .....	54
3.9. Foreign Currency Translation .....	46	4.4.1. Long-Term Receivables.....	54
3.10. Reserves.....	46	4.4.2. Trade Receivables.....	54
3.11. Finance Leases .....	46	4.4.3. Aging of Receivables from Customers .....	55
3.12. Taxation .....	47	4.4.4. Intercompany Trade Receivables.....	56
3.12.1. Tax Depreciation of Fixed Assets.....	47	4.4.5. State – Tax Receivables.....	57
3.12.2. Current Tax Payable .....	47		
3.12.3. Deferred Tax.....	47		



4.5. Shareholders' Equity .....	57
4.5.1. Share Capital .....	57
4.5.2. Changes in Equity .....	57
4.6. Payables .....	57
4.6.1. Long-Term Payables .....	57
4.6.2. Aging of Payables to Suppliers .....	58
4.6.3. Intercompany Payables .....	58
4.6.4. Estimated Payables .....	59
4.6.5. Due Amounts from Social Security and Health Insurance .....	59
4.6.6. State – Tax Payables .....	59
4.6.7. Bank Loans .....	59
4.6.8. Short-Term Prepayments Received .....	60
4.6.9. Accrued Expenses .....	60
4.6.10. Deferred Taxation .....	60
4.7. Income Tax on Ordinary Activities .....	61
4.8. Income from Ordinary Activities .....	61
4.9. Costs of Goods Sold .....	62
4.10. Services .....	62
4.11. Change in Reserves and Provisions Relating to Operating Activities and Complex Deferred Expenses .....	63
4.12. Sundry Operating Expenses and Income .....	63
4.13. Other Financial Expenses and Income .....	63
4.14. Related Party Transactions .....	64
4.14.1. Income Generated with Related Parties .....	64
4.14.2. Purchases from Related Parties .....	66

<b>5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES .....</b>	<b>68</b>
5.1. Staff Costs and Number of Employees .....	68
5.2. Loans, Borrowings and Other Benefits Provided .....	69
<b>6. CONTINGENT LIABILITIES AND OFF BALANCE SHEET COMMITMENTS,     LEGAL DISPUTES AND OTHER MATTERS .....</b>	<b>69</b>
<b>7. POST BALANCE SHEET EVENTS .....</b>	<b>70</b>

# 1. GENERAL INFORMATION

## 1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

As of 31 December 2022, 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 2022.

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

SHAREHOLDER	OWNERSHIP PERCENTAGE
MINERFIN, a.s., Námestie Ľudovíta Štúra 2, 811 02 Bratislava, Slovakia	48.57%
<b>Total</b>	<b>48.57%</b>

The Company is primarily engaged in purchasing goods for resale and sale, which accounts for 99.22% 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

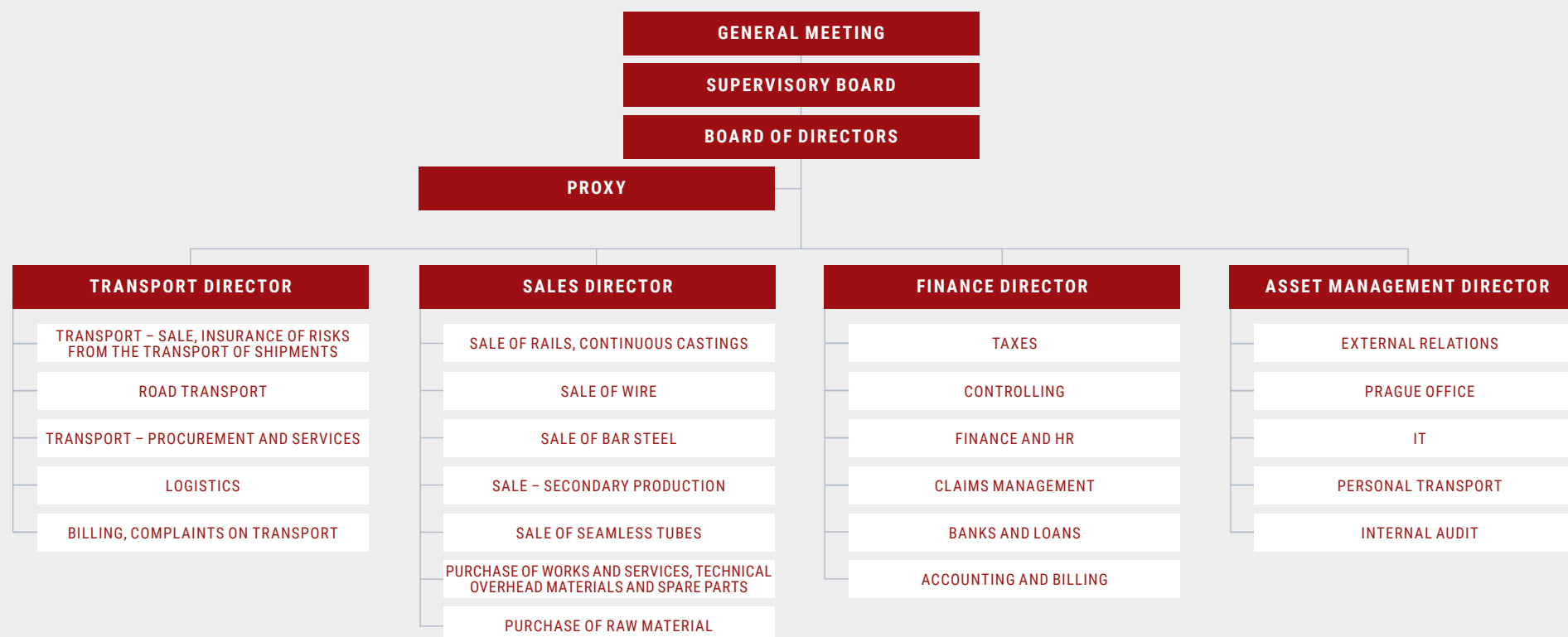
In the year ended 31 December 2022, no changes were made to the Register of Companies.

### 1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2022

	POSITION	NAME
<b>Board of Directors</b>	Chairman	Petr Popelář
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříšín
	Member	Uršula Novotná

	POSITION	NAME
<b>Supervisory Board</b>	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková

### 1.4. ORGANISATIONAL STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2022



## 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 2022.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. TANGIBLE FIXED ASSETS

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

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. The Company carried no internally developed tangible fixed assets during the year ended 31 December 2022.

The cost of fixed asset improvements exceeding CZK 80 thousand for the period increases the acquisition cost of the related fixed asset.



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

CATEGORY OF ASSETS	NUMBER OF YEARS
Machinery and equipment	3 – 12
Vehicles	4 – 5
Furniture and fixtures	6 – 15

### Provisioning

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

The Company recorded no provisions against tangible and intangible fixed assets in the year ended 31 December 2022.

## 3.2. INTANGIBLE FIXED ASSETS

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

Purchased intangible fixed assets are stated at cost.

The cost of fixed asset improvements exceeding CZK 80 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

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

	NUMBER OF YEARS
Software	4
Valuable rights	4 – 10
Other intangible fixed assets	4 – 5

### 3.3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets principally consist of equity investments.

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

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

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

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

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

#### **Provisioning**

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

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

### 3.4. INVENTORY

#### Valuation

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

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

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

#### Provisions

No provisions were recognised in respect of inventory in 2022.

### 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 '000)	
	31 DEC 2022	31 DEC 2021
Cash on hand	440	453
Cash at bank and cash in transit	292 287	2 073 805
Total current financial assets	292 727	2 074 258
<b>Total cash and cash equivalents</b>	<b>292 727</b>	<b>2 074 258</b>

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 2022.

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

### 4.1. FIXED ASSETS

#### 4.1.1. INTANGIBLE FIXED ASSETS

##### Cost

(CZK '000)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
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	172 271	10 333
Other intangible FA	700	0	0	700	0	0	700
Intangible FA under construction	0	0	0	0	125 192	0	125 192
Prepayments and advances for intangible FA	0	0	0	0	0	0	0
<b>Total</b>	<b>185 054</b>	<b>0</b>	<b>0</b>	<b>185 054</b>	<b>125 192</b>	<b>172 271</b>	<b>137 975</b>

##### Accumulated Amortisation

(CZK '000)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Development	72	0	0	72	0	0	72
Software	1 678	0	0	1 678	0	0	1 678
Valuable rights	106 600	17 227	0	123 827	15 791	129 285	10 333
Other intangible FA	700	0	0	700	0	0	700
<b>Total</b>	<b>109 050</b>	<b>17 227</b>	<b>0</b>	<b>126 277</b>	<b>15 791</b>	<b>129 285</b>	<b>12 783</b>

**Net Book Value**

(CZK '000)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2022
Development	0	0
Software	0	0
Valuable rights	58 777	0
Other intangible FA	0	0
Intangible FA under construction	0	125 192
Prepayments and advances for intangible FA	0	0
<b>Total</b>	<b>58 777</b>	<b>125 192</b>

Amortisation of intangible fixed assets was CZK 15,791 thousand and CZK 17,227 thousand as of 31 December 2022 and 31 December 2021, respectively.

**4.1.2. TANGIBLE FIXED ASSETS****Cost**

(CZK '000)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Structures	907	0	0	907	0	0	907
Tangible movable assets	89 831	3 445	3 115	90 161	7 032	4 483	92 710
– Machines and equipment	11 021	740	84	11 677	478	69	12 086
– Vehicles	75 630	2 705	3 031	75 304	6 554	4 366	77 492
– Furniture and fixtures	3 180	0	0	3 180	0	48	3 132
Artworks and collections	0	0	0	0	0	0	0
Tangible FA under construction	0	4 158	3 593	565	6 263	6 828	0
Prepayments for tangible FA	0	332	332	0	0	0	0
<b>Total</b>	<b>90 738</b>	<b>7 935</b>	<b>7 040</b>	<b>91 633</b>	<b>13 295</b>	<b>11 311</b>	<b>93 617</b>



**Accumulated Depreciation**

(CZK '000)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Structures	20	18	0	38	18	0	56
Tangible movable assets	72 894	7 423	2 692	77 625	6 279	4 483	79 421
– Machines and equipment	10 517	438	84	10 871	332	69	11 134
– Vehicles	59 285	6 964	2 608	63 641	5 935	4 366	65 210
– Furniture and fixtures	3 092	21	0	3 113	12	48	3 077
<b>Total</b>	<b>72 914</b>	<b>7 441</b>	<b>2 692</b>	<b>77 663</b>	<b>6 297</b>	<b>4 483</b>	<b>79 477</b>

**Net Book Value**

(CZK '000)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2022
Structures	869	851
Tangible movable assets	12 536	13 289
– Machines and equipment	806	952
– Vehicles	11 663	12 281
– Furniture and fixtures	67	56
Tangible FA under construction	565	0
Prepayments for tangible FA	0	0
<b>Total</b>	<b>13 970</b>	<b>14 140</b>

The Company principally acquired cars in 2021 and 2022.

The Company acquired tangible assets that were charged directly to expenses in the amounts of CZK 940 thousand and 1,124 thousand for the years ended 31 December 2022 and 2021, 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 6,298 thousand and CZK 7,441 thousand as of 31 December 2022 and 31 December 2021, respectively.

## 4.2. NON-CURRENT FINANCIAL ASSETS

### Cost

(CZK '000)

	BALANCE AT 31 DEC 2020	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2021	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2022
Equity investments – controlled or controlling entities	9 849 353	21 225	429	9 870 149	462 531	0	10 332 680
Equity investments – associates	2 886	0	2 886	0	0	0	0
Prepayments for non-current financial assets	5 009	0	1 005	4 004	0	320	3 684
<b>Total</b>	<b>9 857 248</b>	<b>21 225</b>	<b>4 320</b>	<b>9 874 153</b>	<b>462 531</b>	<b>320</b>	<b>10 336 364</b>

### 4.2.1. EQUITY INVESTMENTS – CONTROLLED OR CONTROLLING ENTITIES

#### 2022

(CZK '000)

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

\*\*) Figures not available.

\*) Preliminary, unaudited figures

## 2021

(CZK '000)

NAME	REGISTERED OFFICE	COST	NOMINAL VALUE	OWNERSHIP %	EQUITY	PROFIT/LOSS	PROVISION	DIVIDEND INCOME FOR THE PERIOD
TŘINECKÉ ŽELEZÁRNY, a.s.	Třinec	7 165 579	8 109 863	100	30 275 505	1 306 080	0	0
Barrandov Studio a.s.	Prague	746 439	197 112	99.85	1 048 425	71 945	150 000	0
Moravia Steel Slovenija, d.o.o.	Celje	1 573	867	51	13 051	1 437	0	0
Moravia Steel Italia, srl	Milano	2 580	2 075	66	81 666	32 882	0	8 623
Moravia Steel Ibéria, s.a.	Lisbon	10 850	2 533	99.33	17 300	4 571	0	2 096
MS – Slovensko s.r.o.	Bratislava	161	160	100	13 797	-413	0	0
Moravia Steel Israel Ltd.**)	Petach Tikva	605	466	100	**)	**)	0	0
Beskydská golfová, a.s.	Ropice	274 342	230 000	100	226 795	2 663	150 000	0
Moravskoslezský kovošrot, a.s.	Ostrava	202 209	2 000	100	229 414	-8 633	0	50 000
M Steel Projects a.s.	Třinec	10 000	10 000	100	57 122	-4 127	0	0
Moravia Steel UK Ltd	Cheshire	1 449	728	100	13 745	3 850	0	2 968
Moravia Steel Deutschland GmbH	Kürten	113 140	1 625	100	81 568	68 165	113 000	64 575
NEOMET Sp. z o.o.	Tarnowskie Góry	33 972	34 701	100	203 349	34 955	0	0
Moravia Mining Plc**)	Addis Ababa	3 153	3 157	76	**)	**)	3 153	0
Kovárna VIVA a.s.	Zlín	417 667	33 000	66	1 142 787	106 382	0	29 700
MSV Metal Studénka, a.s.	Studénka	886 430	69 300	100	482 067	50 803	206 861	0
<b>Total</b>		<b>9 870 149</b>	<b>8 697 587</b>		<b>33 886 591</b>	<b>1 670 560</b>	<b>623 014</b>	<b>157 962</b>

\*\*) Figures not available.

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

In 2022 and 2021, shares of MSV Metal Studénka, a.s. were pledged, see Note 4.6.7.

## 4.3. INVENTORY

(CZK '000)

	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Material	2 039	1 788
Inventory – raw material	409 086	17 739
Inventory – metallurgical products	756 370	393 798
<b>Total</b>	<b>1 167 495</b>	<b>413 325</b>

In the year ended 31 December 2022, 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 2022 and 2021, the Company records no long-term receivables with maturity exceeding 5 years.

### 4.4.2. TRADE RECEIVABLES

(CZK '000)

	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Short-term		
– Customers	12 424 549	10 756 396
– Bills of exchange to be collected	3 344	3 344
– Provisions – customers	–206 571	–221 610
– Provisions – bills of exchange to be collected	–3 344	–3 344
<b>Total</b>	<b>12 217 978</b>	<b>10 534 786</b>

**4.4.3. AGING OF RECEIVABLES FROM CUSTOMERS**

(CZK '000)

BALANCE AT	CATEGORY	BEFORE DUE DATE	PAST DUE DATE	TOTAL
31 Dec 2022	Gross	10 968 342	1 456 207	12 424 549
	Provisions	339	206 232	206 571
31 Dec 2021	Gross	9 509 919	1 246 477	10 756 396
	Provisions	329	221 281	221 610

Receivables typically mature within 30 days.

**Past due receivables:**

(CZK '000)

YEAR ENDED	LOCAL	CROSS-BORDER	TOTAL
31 Dec 2022	286 994	1 169 213	1 456 207
31 Dec 2021	229 726	1 016 751	1 246 477



**4.4.4. INTERCOMPANY TRADE RECEIVABLES**

(CZK '000)

NAME OF THE ENTITY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
<b>Short-term trade receivables</b>		
TŘINECKÉ ŽELEZÁRNY, a.s.	2 740 462	2 226 500
Strojírny a stavby Třinec, a.s.	0	0
ENERGETIKA TŘINEC, a.s.	70 745	43 173
Slévárny Třinec, a.s.	47 012	68 389
Moravia Steel Deutschland GmbH, Německo	0	0
Řetězárna a.s.	32 962	29 425
HŽP a.s.	70 813	67 768
Moravia Mining Plc	1 744	1 363
„METALURGIA“ Spółka akcyjna	17 834	45 443
DOPRAVA TŽ, a.s.	1 877	1 128
Beskydská golfová, a.s.	61	61
VÚHŽ, a.s.	2 802	4 675
Šroubárna Kyjov spol. s r.o.	31 776	3 388
Kovárna VIVA a.s.	215 282	178 530
M STEEL PROJECTS a.s.	121	121
ŽDB DRÁTOVNA a.s.	390 393	398 934
„NEOMET“ sp.z o.o.	1 267	439
“D&D” DRÓTÁRU IPARI ÉS	327 235	244 019
Moravskoslezský kovošrot	140	87
BOHEMIA RINGS s.r.o.	165 190	89 556
MSV METAL Studénka, a.s.	72 705	81 090
<b>Total short-term intercompany receivables</b>	<b>4 190 421</b>	<b>3 484 089</b>
Receivables outside the Group	8 237 472	7 275 651
<b>Total short term trade receivables – gross</b>	<b>12 427 893</b>	<b>10 759 740</b>

#### 4.4.5. STATE – TAX RECEIVABLES

State – tax receivables principally comprise a receivable arising from VAT of CZK 106,391 thousand as of 31 December 2022 (2021: a receivable arising from VAT of CZK 91,229 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 2022 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 8 June 2022, the profit of CZK 988,273 thousand for the year ended 31 December 2021 was allocated as follows:

- CZK 988,273 thousand – payment of a dividend from the current period profit; and
- CZK 3,011,337 thousand – additional payment of a dividend from retained earnings brought forward.

The expected allocation of profit of CZK 3,057,944 thousand for the year ended 31 December 2022 is the payment of dividends of CZK 2,000,278 thousand as follows:

- CZK 1,057,666 thousand – transfer to retained earnings brought forward; and
- CZK 2,000,278 thousand – payment of a dividend from the current period profit.

### 4.6. PAYABLES

#### 4.6.1. LONG-TERM PAYABLES

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

**4.6.2. AGING OF PAYABLES TO SUPPLIERS**

(CZK '000)

BALANCE AT	CATEGORY	BEFORE DUE DATE	PAST DUE DATE	TOTAL
31 Dec 2022	Short-term	5 987 421	-1 605	5 985 816
31 Dec 2021	Short-term	6 534 153	0	6 534 153

Payables typically mature within 45 days.

**4.6.3. INTERCOMPANY PAYABLES**

(CZK '000)

NAME OF THE ENTITY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
<b>Short-term trade payables</b>		
TŘINECKÉ ŽELEZÁRNY, a.s.	1 785 633	2 837 635
Strojírny a stavby Třinec, a.s.	5	9
REFRASIL, s.r.o.	10 757	0
TRISIA, a.s.	15	
Moravia Steel Italia, srl	27 992	20 874
Moravia Steel Ibéria, s.a.	1 234	0
Moravia Steel Slovenija, d.o.o.	6 476	5 678
DOPRAVA TŽ, a.s.	11	14
VESUVIUS ČESKÁ REPUBLIKA, a.s.	27 379	21 771
ŽDB DRÁTOVNA a.s.	10	0
Beskydská golfová a.s.	14	0
Třinecké gastroslužby, s.r.o.	423	286
Minerfin a.s.	879 076	568 437
Moravia Steel Deutschland GmbH	45 047	16 967
Moravia Steel UK Ltd	17 136	18 042
Kovárna VIVA a.s.	4	0
<b>Total intercompany short-term payables</b>	<b>2 801 212</b>	<b>3 499 810</b>
Payables to other than Group companies	3 184 604	3 034 343
<b>Total short-term trade payables</b>	<b>5 985 816</b>	<b>6 534 153</b>

#### 4.6.4. ESTIMATED PAYABLES

Estimated payables principally consist of unbilled supplies of raw materials amounting to CZK 144,104 thousand (2021: CZK 22,897 thousand), unbilled supplies of work and services amounting to CZK 91,514 thousand (2021: CZK 70,942 thousand), an estimated payable for staff costs in the amount of CZK 5,626 thousand (2021: CZK 2,757 thousand) and an estimated payable arising from the acquisition of fixed assets of CZK 120,501 thousand (2021: CZK 0 thousand).

#### 4.6.5. DUE AMOUNTS FROM SOCIAL SECURITY AND HEALTH INSURANCE

As of 31 December 2022, the aggregate amount of due amounts related to social security, state employment policy and health insurance contributions was CZK 5,271 thousand (2021: CZK 4,730 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 2022 principally comprise a payable arising from personal income tax amounting to CZK 1,377 thousand (2021: CZK 1,064 thousand) and a payable arising from the corporate income tax in the amount of CZK 292,661 thousand (2021: CZK 35,978 thousand).

#### 4.6.7. BANK LOANS

##### 2022

PURPOSE	CURRENCY	BALANCE AT 31 DEC 2022 IN CZK THOUSAND	COLLATERAL
Long-term loans			
Refinancing of maximum 80% of the total acquisition cost for the transfer of 100% shares in the Company according to Share purchase agreement – due on 31 March 2025	CZK	299 947	Securities Pledge Agreement
<b>Total</b>			
<b>Short-term part of long-term loans</b>		<b>-133 310</b>	
<b>Total long-term loans</b>		<b>166 637</b>	
Current bank loans			
Overdrafts	CZK	1 402 259	Bianco promissory notes issued by MORAVIA STEEL a.s.
Financing of operations	CZK	458 185	No collateral
Financing of operations	CZK	458 185	No collateral
<b>Total</b>		<b>2 318 629</b>	
<b>Short-term part of long-term loans</b>		<b>133 310</b>	
<b>Total short-term loans</b>		<b>2 451 939</b>	
<b>Total</b>		<b>2 618 576</b>	

**2021**

PURPOSE	CURRENCY	BALANCE AT 31 DEC 2021 IN CZK THOUSAND	COLLATERAL
Long-term loans		0	
Refinancing of maximum 80% of the total acquisition cost for the transfer of 100% shares in the Company according to Share purchase agreement – due on 31 March 2025	CZK	446 641	Securities Pledge Agreement
<b>Total</b>			
<b>Short-term part of long-term loans</b>		<b>137 428</b>	
<b>Total long-term loans</b>		<b>309 213</b>	

**4.6.8. SHORT-TERM PREPAYMENTS RECEIVED**

In the year ended 31 December 2022, the Company recorded short-term prepayments received of CZK 207,136 thousand (2021: CZK 214,624 thousand).

**4.6.9. ACCRUED EXPENSES**

Accrued expenses largely comprise costs related to the year ended 31 December 2022 for transportation and other services paid in 2023 in the amount of CZK 11,315 thousand (2021: CZK 10,377 thousand) and banking fees and bank interest payable on short-term and long-term operating loan facilities in the amount of CZK 2,863 thousand (2021: CZK 11 thousand).

**4.6.10. DEFERRED TAXATION**

The deferred tax asset/liability is analysed as follows:

**Deferred Tax Arising from**

	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Accumulated depreciation and amortisation of fixed assets	-892	-12 196
Estimated payable arising from outstanding vacation days	1 069	524
Unpaid penalties	939	0
Provisions – receivables	6 258	8 725
Unpaid (un-received) penalty	-984	-975
Reserves	0	0
<b>Total recognised tax asset (+) / liability (-)</b>	<b>6 390</b>	<b>-3 922</b>

(CZK '000)



## 4.7. INCOME TAX ON ORDINARY ACTIVITIES

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

(CZK '000)

	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Profit before tax	3 530 102	1 224 971
Tax at the domestic income tax rate of 19%	670 719	232 744
Tax effect of permanent differences	-209 065	5 747
Deferred tax liability	-10 311	-1 824
Additional taxes of prior years	193	31
<b>Total income tax on ordinary activities</b>	<b>472 158</b>	<b>236 698</b>

## 4.8. INCOME FROM ORDINARY ACTIVITIES

(CZK '000)

	2022			2021		
	Local	Cross-border	Total	Local	Cross-border	Total
Goods – raw material	35 804 782	0	35 804 782	25 383 057	0	25 383 057
Goods – metallurgical products	18 300 998	41 637 130	59 938 128	14 183 135	31 751 010	45 934 145
Sales of goods	54 105 780	41 637 130	95 742 910	39 566 192	31 751 010	71 317 202
Sales of services	672 137	81 988	754 125	597 777	85 903	683 680
<b>Total sales of goods and services</b>	<b>54 777 917</b>	<b>41 719 118</b>	<b>96 497 035</b>	<b>40 163 969</b>	<b>31 836 913</b>	<b>72 000 882</b>

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

Sales of services principally comprise the provision of forwarding services of CZK 566,592 thousand for the year ended 31 December 2022 (2021: CZK 520,782 thousand). The sales of services also comprise revenues arising from remuneration and commissions based on mandatory contracts.

## 4.9. COSTS OF GOODS SOLD

(CZK '000)

	YEAR ENDED 31 DEC 2022	YEAR ENDED 31 DEC 2021
Purchase of goods – raw materials	34 744 231	24 774 103
Purchase of goods – metallurgical products	55 056 473	42 089 958
Costs for transport of goods – metallurgical products	1 909 274	1 731 997
<b>Total costs of goods sold</b>	<b>91 709 978</b>	<b>68 596 058</b>

## 4.10. SERVICES

(CZK '000)

	YEAR ENDED 31 DEC 2022	YEAR ENDED 31 DEC 2021
Transportation costs – services	664 325	602 855
Lease of trademark	123 000	123 000
Commissions	452 375	347 626
Advertising	117 342	118 068
Rental fees	12 701	12 272
Telecommunications	8 932	9 020
Legal advisory and auditing activities	34 459	18 151
Other services	350 405	327 315
<b>Total</b>	<b>1 763 539</b>	<b>1 558 307</b>

#### 4.11. CHANGE IN RESERVES AND PROVISIONS RELATING TO OPERATING ACTIVITIES AND COMPLEX DEFERRED EXPENSES (CZK '000)

	YEAR ENDED 31 DEC 2022	YEAR ENDED 31 DEC 2021
Change in reserves	555	-3 622
Reserves relating to operating activities and complex deferred expenses	555	-3 622
Changes in provisions under special legislation	3 786	-21 026
– provisions against receivables	3 786	-21 026
Changes in tax non-deductible provisions:	-13 605	15 260
– provisions against receivables	-13 605	15 260
<b>Changes in receivables</b>	<b>-9 819</b>	<b>-5 766</b>
<b>Total</b>	<b>-9 264</b>	<b>-9 388</b>

#### 4.12. SUNDRY OPERATING EXPENSES AND INCOME

Sundry operating expenses primarily include the costs of the write-off of receivables due to the completed insolvency proceedings and sale of receivables of CZK 3,929 thousand (2021: CZK 31,109 thousand) and the costs of insurance of supplies and other insurance in the aggregate amount of CZK 53,767 thousand (2021: CZK 49,333 thousand). Sundry operating income primarily includes discounts and rebates of CZK 163 thousand (2021: CZK 63 thousand) and supplies of insurance companies arising from insurance of receivables of CZK 10,898 thousand (2021: CZK 37,767 thousand).

#### 4.13. OTHER FINANCIAL EXPENSES AND INCOME

Other financial income is composed of foreign exchange rate gains of CZK 880,074 thousand (2021: CZK 715,218 thousand).

Other financial expenses principally comprise foreign exchange rate losses of CZK 1,042,822 thousand (2021: CZK 908,295 thousand). The remaining balance consists of sundry financial expenses such as fees under letters of credit, fees under loan agreements, banking fees and other financial costs of CZK 4,315 thousand (2021: CZK 4,152 thousand).

## 4.14. RELATED PARTY TRANSACTIONS

### 4.14.1. INCOME GENERATED WITH RELATED PARTIES

2022

(CZK '000)

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

## 2021

(CZK '000)

ENTITY	RELATION TO THE COMPANY	GOODS	SERVICES	OTHER INCOME	FIN. INCOME	TOTAL
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	24 844 468	367 080	2 938	0	25 214 486
Beskydská golfová, a.s.	Subsidiary	0	600	0	0	600
HŽP a.s.	Subsidiary of a subsidiary	392 422	7 412	0	0	399 834
Moravia Steel Italia s.r.l.	Subsidiary	0	0	1	0	1
Moravia Steel Ibéria, s.a.	Subsidiary	0	0	0	0	0
Moravia Steel UK Ltd	Subsidiary	0	0	0	0	0
Kovárna VIVA a.s.	Subsidiary	818 707	969	30	0	819 706
M STEEL PROJECTS a.s.	Subsidiary	42 697	1 200	0	0	43 897
Strojírny a stavby Třinec, a.s	Subsidiary of a subsidiary	202	177	0	0	379
ENERGETIKA TŘINEC, a.s.	Subsidiary of a subsidiary	361 804	2 832	0	0	364 636
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	191 330	8 918	0	0	200 248
REFRASIL, s.r.o.	Subsidiary of a subsidiary	0	0	0	0	0
Řetězárna a.s.	Subsidiary of a subsidiary	232 167	0	0	0	232 167
DOPRAVA TŽ, a.s.	Subsidiary of a subsidiary	0	5 618	0	0	5 618
Moravia Steel Deutschland GmbH	Subsidiary	0	0	0	0	0
VÚHŽ, a.s.	Subsidiary of a subsidiary	29 673	2 773	0	0	32 446
Šroubárna Kyjov, spol. s r.o.	Subsidiary of a subsidiary	499 550	9 689	27	0	509 266
ŽDB DRÁTOVNA a.s.	Subsidiary of a subsidiary	2 147 665	120 105	0	0	2 267 770
NEOMET Sp. z o.o.	Subsidiary	0	15 422	0	0	15 422
Minerfin a.s.	Group entity	0	358	150	0	508
"Metalurgia" Spółka akcyjna	Subsidiary of a subsidiary	132 362	13	0	0	132 375
"D&D" Drótaru Zrt	Subsidiary of a subsidiary	1 452 354	0	156	0	1 452 510
Moravskoslezský kovošrot, a.s.	Subsidiary	0	3 047	7	0	3 054
Moravia Mining Plc	Subsidiary	0	329	0	0	329
BOHEMIA RINGS s.r.o.	Subsidiary of a subsidiary	352 884	21 708	0	0	374 592
MSV METAL Studénka, a.s.	Subsidiary	324 064	14 809	74	0	338 947
<b>Total</b>		<b>31 822 349</b>	<b>583 059</b>	<b>3 383</b>	<b>0</b>	<b>32 408 791</b>



#### 4.14.2. PURCHASES FROM RELATED PARTIES

2022

(CZK '000)

ENTITY	RELATION TO THE COMPANY	GOODS	MATERIAL	SERVICES	OTHER EXPENSES	EXTRA-ORDINARY EXPENSES	TOTAL
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	55 227 444	152	175 779	125	0	55 403 500
Moravia Steel Italia, s.r.l.	Subsidiary	0	0	120 696	0	0	120 696
Moravia Steel Ibéria, s.a.	Subsidiary	0	0	13 757	0	0	13 757
Moravia Steel Slovenija, d.o.o.	Subsidiary	0	0	21 185	0	0	21 185
Moravia Steel Deutschland GmbH	Subsidiary	0	0	240 734	0	0	240 734
Moravia Steel UK Ltd.	Subsidiary	0	0	47 858	0	0	47 858
Beskydská golfová, a.s.	Subsidiary	12	0	8 931	10	0	8 953
HŽP a.s.	Subsidiary of a subsidiary	0	0	0	1	0	1
Strojírny a stavby Třinec, a.s.	Subsidiary of a subsidiary	0	0	90	0	0	90
REFRASIL, s.r.o.	Subsidiary of a subsidiary	100 370	0	0	0	0	100 370
DOPRAVA TŽ, a.s.	Subsidiary of a subsidiary	201	0	404	0	0	605
TRISIA, a.s.	Subsidiary of a subsidiary	0	0	2 108	148	0	2 256
Třinecké gastroslužby, s.r.o.	Subsidiary of a subsidiary	0	0	607	4 393	0	5 000
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Subsidiary of a subsidiary	129 194	0	0	0	0	129 194
Minerfin a.s.	Group entity	4 785 345	0	0	4 990	0	4 790 335
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	0	0	0	0	0	0
BOHEMIA RINGS s.r.o.	Subsidiary of a subsidiary	0	0	0	7	0	7
MSV METAL Studénka, a.s.	Subsidiary	0	0	18	6	0	24
<b>Total</b>		<b>60 242 566</b>	<b>152</b>	<b>632 167</b>	<b>9 680</b>	<b>0</b>	<b>60 884 565</b>

## 2021

(CZK '000)

ENTITY	RELATION TO THE COMPANY	GOODS	MATERIAL	SERVICES	OTHER EXPENSES	EXTRA-ORDINARY EXPENSES	TOTAL
TŘINECKÉ ŽELEZÁRNY, a.s.	Subsidiary	41 861 388	226	173 959	155	0	42 035 728
Moravia Steel Italia, s.r.l.	Subsidiary	0	0	96 174	0	0	96 174
Moravia Steel Ibéria, s.a.	Subsidiary	0	0	15 449	0	0	15 449
Moravia Steel Slovenija, d.o.o.	Subsidiary	0	0	15 707	0	0	15 707
Moravia Steel Deutschland GmbH	Subsidiary	0	0	175 634	0	0	175 634
Moravia Steel UK Ltd.	Subsidiary	0	0	38 747	0	0	38 747
Beskydská golfová, a.s.	Subsidiary	0	0	7 044	198	0	7 242
HŽP a.s.	Subsidiary of a subsidiary	0	0	0	7	0	7
Strojírny a stavby Třinec, a.s.	Subsidiary of a subsidiary	0	0	93	0	0	93
REFRASIL, s.r.o.	Subsidiary of a subsidiary	102 294	0	0	0	0	102 294
DOPRAVA TŽ, a.s.	Subsidiary of a subsidiary	141	0	0	0	0	141
TRISIA, a.s.	Subsidiary of a subsidiary	0	0	1 028	124	0	1 152
Třinecké gastroslužby, s.r.o.	Subsidiary of a subsidiary	0	0	0	3 790	0	3 790
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Subsidiary of a subsidiary	110 470	0	0	0	0	110 470
Minerfin a.s.	Group entity	5 335 065	0	0	0	0	5 335 065
Slévárny Třinec, a.s.	Subsidiary of a subsidiary	0	0	0	0	0	0
BOHEMIA RINGS s.r.o.	Subsidiary of a subsidiary	0	0	0	6	0	6
MSV METAL Studénka, a.s.	Subsidiary	0	0	18	0	0	18
<b>Total</b>		<b>47 409 358</b>	<b>226</b>	<b>523 853</b>	<b>4 280</b>	<b>0</b>	<b>47 937 717</b>

## 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 2022 and 2021 are as follows:

2022						(CZK '000)
	NUMBER	PAYROLL COSTS	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER COSTS	TOTAL STAFF COSTS	
Employees	270	161 448	55 971	3 567	220 986	
Management	33	145 418	26 242	143	171 803	
<b>Total</b>	<b>303</b>	<b>306 866</b>	<b>82 213</b>	<b>3 710</b>	<b>392 789</b>	

2021						(CZK '000)
	NUMBER	PAYROLL COSTS	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER COSTS	TOTAL STAFF COSTS	
Employees	266	211 190	51 753	2 993	265 936	
Management	33	69 755	24 690	122	94 567	
<b>Total</b>	<b>299</b>	<b>280 945</b>	<b>76 443</b>	<b>3 115</b>	<b>360 503</b>	

The number of employees is based on the average recalculated headcount. As of 31 December 2022, management includes the Finance Director and Board Chairman, Sales Director and Board Vice Chairman, Asset Management Director and Board member, Transportation Director and Board member, Raw Material Procurement Director, Director for Procurement of work and services, technical overhead material and spare parts, Sale of Wires Director, Re-processing Director, Bar Steel Director for TŽ, Sale of Rails and Semi-Finished Products Director, Sale of Seamless Tubes Director, Audit Committee Chairman, Supervisory Board Chairman, two Supervisory Board Vice Chairmen, Supervisory Board member, two proxies and Transportation Deputy Directors, Head of Transportation – sale, shipment transportation risk insurance, Head of Road Transportation, Head of Transportation – procurement and services, Head of Logistics, Head of Billing and Transport Complaints, Head of Taxes, Head of Controlling, Head of Funding and HR, Head of Accounting and Billing, Head of Receivable Administration, Head – Banks and Loans, Head of External Relations, Head of IT, Head of Passenger Transportation, Head of Internal Audit.

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

## 5.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED

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

(CZK '000)

	2022	2021
Board of Directors	1 196	960
Supervisory Board	0	0
Members of management bodies	2 709	2 685
<b>Total</b>	<b>3 905</b>	<b>3 645</b>

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 2022 for all members of the Board of Directors and the Supervisory Board totalled CZK 1,158 thousand (2021: CZK 3,844 thousand).

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

As of 31 December 2022, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

As of 31 December 2022, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 151,505 thousand.

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

Following the conclusions of the appellate court's ruling, the Company recognised an anticipated payable to the minority shareholder as of the effective date in the amount of the consideration of CZK 26,607 thousand as well as interest as of 31 December 2022 in the amount of CZK 5,261 thousand.

MORAVIA STEEL a.s., as well as TŘINECKÉ ŽELEZÁRNY, a. s. as another participant in the proceedings and some former shareholders, filed an appeal against the ruling of the High Court in Olomouc with the Supreme Court of the Czech Republic, which has not yet been decided.

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.

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

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

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

## 7. POST BALANCE SHEET EVENTS

There were no events after the balance sheet date.

## 07

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

<b>NAME OF THE COMPANY:</b>	MORAVIA STEEL a.s.
<b>REGISTERED OFFICE:</b>	Průmyslová 1000, Staré Město, 739 61 Třinec
<b>LEGAL STATUS:</b>	Joint Stock Company
<b>CORPORATE ID:</b>	634 74 808
<b>RECORD IN THE REGISTER OF COMPANIES:</b>	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 11 April 2023.

STATUTORY BODY OF THE REPORTING ENTITY:	SIGNATURE:
<b>Petr Popelář</b> Chairman of the Board	
<b>Mojmír Kašpříš</b> Member of the Board	



## Consolidated Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
<b>TOTAL ASSETS</b>		<b>121 067 487</b>	<b>49 551 738</b>	<b>71 515 749</b>	<b>61 788 234</b>
<b>B. Fixed assets</b>		<b>80 972 854</b>	<b>47 775 499</b>	<b>33 197 355</b>	<b>29 169 014</b>
B.I. <b>Intangible fixed assets</b>		<b>4 907 254</b>	<b>942 768</b>	<b>3 964 486</b>	<b>324 850</b>
B.I.1. Development		6 405	6 405		
B.I.2. Valuable rights		<b>1 048 979</b>	<b>903 868</b>	<b>145 111</b>	<b>232 879</b>
B.I.2.1. Software		448 106	371 365	76 741	92 863
B.I.2.2. Other valuable rights		600 873	532 503	68 370	140 016
B.I.3. Goodwill		21 377	4 516	16 861	18 805
B.I.4. Other intangible fixed assets		3 679 452	27 669	3 651 783	57 576
B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction		<b>151 041</b>	310	<b>150 731</b>	<b>15 590</b>
B.I.5.1. Prepayments for intangible fixed assets		77		77	
B.I.5.2. Intangible fixed assets under construction		150 964	310	150 654	15 590
B.II. <b>Tangible fixed assets</b>		<b>74 693 352</b>	<b>46 449 957</b>	<b>28 243 395</b>	<b>27 752 576</b>
B.II.1. Land and structures		<b>21 096 303</b>	<b>10 179 262</b>	<b>10 917 041</b>	<b>10 827 548</b>
B.II.1.1. Land		1 421 078	3 090	1 417 988	1 418 442
B.II.1.2. Structures		19 675 225	10 176 172	9 499 053	9 409 106
B.II.2. Tangible movable assets and sets of tangible movable assets		51 272 516	35 838 972	15 433 544	15 758 905
B.II.4. Other tangible fixed assets		<b>487 766</b>	<b>426 094</b>	<b>61 672</b>	<b>54 481</b>
B.II.4.3. Other tangible fixed assets		487 766	426 094	61 672	54 481
B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction		<b>1 836 767</b>	<b>5 629</b>	<b>1 831 138</b>	<b>1 111 642</b>
B.II.5.1. Prepayments for tangible fixed assets		190 695		190 695	272 579
B.II.5.2. Tangible fixed assets under construction		1 646 072	5 629	1 640 443	839 063

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Consolidated Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
<b>B.III.</b>	<b>Non-current financial assets</b>	<b>493 113</b>	<b>172 575</b>	<b>320 538</b>	<b>376 531</b>
B.III.1.	Equity investments – controlled or controlling entity	464 899	153 644	311 255	366 058
B.III.3.	Equity investments in associates	26 202	18 931	7 271	8 462
B.III.5.	Other non-current securities and investments	2 012		2 012	2 011
<b>B.IV.</b>	<b>Goodwill arising on consolidation</b>	<b>735 108</b>	<b>210 199</b>	<b>524 909</b>	<b>540 593</b>
B.IV.I.	Positive goodwill	749 674	213 355	536 319	552 731
B.IV.II.	Negative goodwill	-14 566	-3 156	-11 410	-12 138
<b>B.V.</b>	<b>Securities and equity investments under equity accounting</b>	<b>144 027</b>		<b>144 027</b>	<b>174 464</b>
<b>C.</b>	<b>Current assets</b>	<b>40 094 633</b>	<b>1 776 239</b>	<b>38 318 394</b>	<b>32 619 220</b>
<b>C.I.</b>	<b>Inventories</b>	<b>23 552 873</b>	<b>1 357 646</b>	<b>22 195 227</b>	<b>17 562 051</b>
C.I.1.	Material	10 468 583	440 675	10 027 908	8 193 876
C.I.2.	Work in progress and semifinished goods	7 331 056	638 492	6 692 564	5 366 952
C.I.3.	Products and goods	<b>5 712 029</b>	<b>278 479</b>	<b>5 433 550</b>	<b>3 988 514</b>
C.I.3.1.	Products	5 630 231	276 506	5 353 725	3 918 620
C.I.3.2.	Goods	81 798	1 973	79 825	69 894
C.I.5.	Prepayments for inventories	41 205		41 205	12 709
<b>C.II.</b>	<b>Receivables</b>	<b>14 060 797</b>	<b>415 559</b>	<b>13 645 238</b>	<b>11 033 978</b>
<b>C.II.1.</b>	<b>Long-term receivables</b>	<b>225 860</b>	<b>75 117</b>	<b>150 743</b>	<b>151 492</b>
C.II.1.1.	Trade receivables	12 337	771	11 566	17 326
C.II.1.2.	Receivables – controlled or controlling entity	67 123	67 123		
C.II.1.4.	Deferred tax asset	103 865		103 865	115 185

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Consolidated Balance Sheet full version – Assets

(IN CZK THOUSAND)

		31.12.2022		31.12.2021	
		Gross	Adjustment	Net	Net
C.II.1.5.	Receivables – other	42 535	7 223	35 312	18 981
C.II.1.5.2.	Long-term prepayments made	998		998	1 209
C.II.1.5.4.	Sundry receivables	41 537	7 223	34 314	17 772
C.II.2.	<b>Short-term receivables</b>	<b>13 560 903</b>	<b>340 442</b>	<b>13 220 461</b>	<b>10 684 458</b>
C.II.2.1.	Trade receivables	11 503 429	297 657	11 205 772	9 868 129
C.II.2.2.	Receivables – controlled or controlling entity	21 278	12 778	8 500	13 185
C.II.2.4.	Receivables – other	2 036 196	30 007	2 006 189	803 144
C.II.2.4.1.	Receivables from partners	4 572		4 572	
C.II.2.4.2.	Social security and health insurance contributions	66		66	
C.II.2.4.3.	State – tax receivables	723 190		723 190	517 387
C.II.2.4.4.	Short-term prepayments made	88 974		88 974	33 768
C.II.2.4.5.	Estimated receivables	1 142 396		1 142 396	197 989
C.II.2.4.6.	Sundry receivables	76 998	30 007	46 991	54 000
C.II.3.	<b>Other assets</b>	<b>274 034</b>		<b>274 034</b>	<b>198 028</b>
C.II.3.1.	Deferred expenses	143 233		143 233	102 166
C.II.3.2.	Complex deferred expenses	88 073		88 073	91 055
C.II.3.3.	Accrued income	42 728		42 728	4 807
C.III.	<b>Current financial assets</b>	<b>19 843</b>	<b>3 034</b>	<b>16 809</b>	<b>17 329</b>
C.III.2.	Other current financial assets	19 843	3 034	16 809	17 329
C.IV.	<b>Cash</b>	<b>2 461 120</b>		<b>2 461 120</b>	<b>4 005 862</b>
C.IV.1.	Cash on hand	6 443		6 443	6 733
C.IV.2.	Cash at bank	2 454 677		2 454 677	3 999 129

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

(IN CZK THOUSAND)

	31.12.2022	31.12.2021
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>71 515 749</b>	<b>61 788 234</b>
<b>A. Equity</b>	<b>44 562 373</b>	<b>43 121 362</b>
A.I. <b>Share capital</b>	<b>3 159 000</b>	<b>3 159 000</b>
A.I.1. Share capital	3 159 000	3 159 000
A.II. <b>Share premium and capital funds</b>	<b>-430 219</b>	<b>-279 617</b>
A.II.2. <b>Capital funds</b>	<b>-430 219</b>	<b>-279 617</b>
A.II.2.1. Other capital funds	42 935	20 964
A.II.2.2. Gains or losses from the revaluation of assets and liabilities (+/-)	-473 154	-300 581
A.III. <b>Funds from profit</b>	<b>1 801 544</b>	<b>1 801 961</b>
A.III.1. Other reserve funds	1 802 533	1 802 533
A.III.2. Statutory and other funds	-989	-572
A.IV. <b>Retained earnings (+/-)</b>	<b>33 908 031</b>	<b>34 891 104</b>
A.IV.1. Accumulated profits or losses brought forward (+/-)	33 908 031	34 891 051
A.IV.2. Other profit or loss from prior years (+/-)		53
A.V. <b>Profit or loss for the current period net of minority interests</b>	<b>5 569 298</b>	<b>3 037 067</b>
A.VI. Profit or loss for the current period (+/-)	5 556 864	2 994 196
A.V.2. Share in profit or loss under equity accounting	12 434	42 871
<b>VII. Consolidation reserve fund</b>	<b>554 719</b>	<b>511 847</b>
<b>B.+C. Liabilities</b>	<b>26 576 349</b>	<b>17 932 467</b>
<b>B. Reserves</b>	<b>1 002 801</b>	<b>1 097 928</b>
B.I. Reserve for pensions and similar liabilities	17 256	18 185
B.II. Income tax reserve	35 784	1 328
B.III. Reserves under special legislation	11 666	9 914
B.IV. Other reserves	938 095	1 068 501

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Balance Sheet full version – Liabilities & Equity

(IN CZK THOUSAND)

	31.12.2022	31.12.2021
<b>C. Payables</b>	<b>25 573 548</b>	<b>16 834 539</b>
<b>C.I. Long-term payables</b>	<b>5 504 016</b>	<b>5 762 298</b>
C.I.2. Payables to credit institutions	3 416 146	3 678 512
C.I.4. Trade payables	25 446	44 770
C.I.8. Deferred tax liability	2 039 088	2 031 474
C.I.9. Payables – other	<b>23 336</b>	<b>7 542</b>
C.I.9.3. Sundry payables	23 336	7 542
<b>C.II. Short-term payables</b>	<b>19 999 652</b>	<b>11 008 065</b>
C.II.2. Payables to credit institutions	5 658 760	2 651 201
C.II.3. Short-term prepayments received	788 913	284 406
C.II.4. Trade payables	7 681 269	6 300 976
C.II.8. Other payables	<b>5 870 710</b>	<b>1 771 482</b>
C.II.8.1. Payables to partners	908	
C.II.8.2. Short-term financial borrowings	213	139
C.II.8.3. Payables to employees	707 198	667 483
C.II.8.4. Social security and health insurance payables	291 305	259 843
C.II.8.5. State – tax payables and subsidies	4 264 825	456 836
C.II.8.6. Estimated payables	522 060	351 540
C.II.8.7. Sundry payables	84 201	35 641
<b>C.III. Other liabilities</b>	<b>69 880</b>	<b>64 176</b>
C.III.1. Accrued expenses	41 829	38 200
C.III.2. Deferred income	28 051	25 976
<b>E. Minority equity</b>	<b>377 027</b>	<b>734 405</b>
E.I.1. Minority share capital	59 898	76 898
E.I.2. Minority capital funds	4 738	5 376
E.I.3. Minority profit funds incl. accumulated profits or losses brought forward	207 286	578 185
E.V. Minority profit or loss for the current period	105 105	73 946

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

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
I. Sales of products and services	75 005 532	57 734 264
II. Sales of goods	412 283	476 011
A. Purchased consumables and services	<b>59 978 902</b>	<b>44 510 005</b>
A.1. Costs of goods sold	354 815	400 466
A.2. Consumed material and energy	53 490 915	38 500 133
A.3. Services	6 133 172	5 609 406
B. Change in internally produced inventory (+/–)	–3 388 869	–1 155 588
C. Own work capitalised (–)	–2 311 901	–1 344 705
D. Staff costs	<b>9 430 532</b>	<b>9 047 765</b>
D.1. Payroll costs	6 775 771	6 428 791
D.2. Social security and health insurance costs and other charges	<b>2 654 761</b>	2 618 974
D.2.1. Social security and health insurance costs	2 163 087	2 280 221
D.2.2. Other charges	491 674	338 753
E. Adjustments to values in operating activities	<b>3 256 939</b>	<b>2 447 437</b>
E.1. Adjustments to values of intangible and tangible fixed assets	<b>2 624 059</b>	<b>2 630 831</b>
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	2 608 601	2 563 646
E.1.A. Accounting for positive goodwill arising on consolidation	34 224	37 828
E.1.B. Accounting for negative goodwill arising on consolidation	–728	–728
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	–18 038	30 085
E.2. Adjustments to values of inventories	565 804	–132 744
E.3. Adjustments to values of receivables	67 076	–50 650
III. Other operating income	<b>8 024 437</b>	<b>5 947 920</b>
III.1. Sales of fixed assets	82 103	84 943
III.2. Sales of material	313 983	281 681
III.3. Sundry operating income	7 628 351	5 581 296

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

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
F. Other operating expenses	<b>9 065 395</b>	<b>6 424 815</b>
F.1. Net book value of sold fixed assets	44 713	24 193
F.2. Material sold	193 694	160 737
F.3. Taxes and charges	93 835	78 634
F.4. Reserves relating to operating activities and complex deferred expenses	-122 390	298 824
F.5. Sundry operating expenses	8 855 543	5 862 427
<b>* Operating profit or loss (+/-)</b>	<b>7 411 254</b>	<b>4 228 466</b>
IV. Income from non-current financial assets – equity investments	56 525	33 682
IV.1. Income from equity investments – controlled or controlling entity	56 525	29 829
IV.2. Other income from equity investments		3 853
G. Costs of equity investments sold	18 461	120 343
H. Costs of other non-current financial assets		54 233
VI. Interest income and similar income	<b>24 618</b>	<b>2 117</b>
VI.1. Interest income and similar income – controlled or controlling entity	3 275	404
VI.2. Other interest income and similar income	21 343	1 713
I. Adjustments to values and reserves relating to financial activities	37 840	66 785
J. Interest expenses and similar expenses	<b>305 410</b>	<b>52 095</b>
J.2. Other interest expenses and similar expenses	305 410	52 095
VII. Other financial income	1 312 616	971 917
K. Other financial expenses	1 438 074	1 151 761
<b>* Financial profit or loss (+/-)</b>	<b>-406 026</b>	<b>-437 501</b>
<b>** Profit or loss before tax (+/-)</b>	<b>7 005 228</b>	<b>3 790 965</b>

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

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
L. Income tax	<b>1 343 259</b>	<b>722 823</b>
L.1. Due income tax	1 322 790	777 119
L.2. Deferred income tax (+/-)	20 469	-54 296
<b>** Profit or loss net of tax (+/-)</b>	<b>5 661 969</b>	<b>3 068 142</b>
<b>** Consolidated profit or loss excluding equity accounted investments</b>	<b>5 661 969</b>	<b>3 068 142</b>
Consolidated profit or loss excluding minority interests	5 556 864	2 994 196
Minority interest in profit or loss	105 105	73 946
<b>** Profit or loss under equity accounting</b>	<b>12 434</b>	<b>42 871</b>
<b>*** Profit or loss for the current period (+/-)</b>	<b>5 674 403</b>	<b>3 111 013</b>
<b>*** Profit or loss for the current period excluding minority interests (+/-)</b>	<b>5 569 298</b>	<b>3 037 067</b>
<b>*** Profit or loss for the current period including minority interests (+/-)</b>	<b>5 674 403</b>	<b>3 111 013</b>
<b>*** Profit or loss for the current period excluding minority interests before tax (+/-)</b>	<b>6 912 557</b>	<b>3 759 890</b>
* Net turnover for the current period	<b>84 836 011</b>	<b>65 165 911</b>

## Consolidated Statement of Changes in Equity

(IN CZK THOUSAND)

	SHARE CAPITAL	CAPITAL FUNDS	FUNDS FROM PROFIT, RESERVE FUND	ACCUMULATED PROFITS OR LOSSES BROUGHT FORWARD	OTHER PROFIT OR LOSS OF PRIOR YEARS	PROFIT OR LOSS FOR THE CURRENT PERIOD	CONSOLIDATION RESERVE FUND	PROFIT OR LOSS UNDER EQUITY ACCOUNTING	TOTAL EQUITY
<b>Balance at 1 January 2021</b>	<b>3 159 000</b>	<b>-164 760</b>	<b>1 800 953</b>	<b>35 453 828</b>		<b>1 220 794</b>	<b>605 636</b>	<b>35 349</b>	<b>42 110 800</b>
Distribution of profit or loss			1 857	462 941		-464 798	35 349	-35 349	
Profit share prepayments declared				-1 244 282		-755 996			-2 000 278
Impact of changes in the consolidation group		3 002		124 845			-129 138		-1 291
Revaluation of assets and liabilities		-34 973	-841	89 723					53 909
Payments from the social fund		-82 886							-82 886
Profit or loss for the current period					53	2 994 196		42 871	3 037 120
Other			-8	3 996					3 988
<b>Balance at 31 December 2021</b>	<b>3 159 000</b>	<b>-279 617</b>	<b>1 801 961</b>	<b>34 891 051</b>	<b>53</b>	<b>2 994 196</b>	<b>511 847</b>	<b>42 871</b>	<b>43 121 362</b>
Distribution of profit or loss		21 968	726	1 981 462	-53	-2 005 923	42 871	-42 871	-1 820
Profit shares paid				-3 011 337		-988 273			-3 999 610
Reclassification/utilisation of funds		-54 477	-1 125	43 334					-12 268
Revaluation of assets and liabilities		-115 060		1 141					-113 919
Profit or loss for the current period						5 556 864		12 434	5 569 298
Other		-3 033	-18	2 380			1		-670
<b>Balance at 31 December 2022</b>	<b>3 159 000</b>	<b>-430 219</b>	<b>1 801 544</b>	<b>33 908 031</b>		<b>5 556 864</b>	<b>554 719</b>	<b>12 434</b>	<b>44 562 373</b>

## Consolidated Cash Flow Statement

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
<b>P.</b>		
<b>Opening balance of cash and cash equivalents</b>	<b>4 016 633</b>	<b>5 948 614</b>
<b><i>Cash flows from ordinary activities (operating activities)</i></b>		
Z.		
Profit or loss before tax	7 005 227	3 790 965
A.1.		
Adjustments for non-cash transactions	5 172 337	3 254 156
A.1.1.		
Depreciation of fixed assets	2 642 097	2 600 746
A.1.2.		
Change in provisions and reserves	530 292	212 300
A.1.3.		
Profit/(loss) on the sale of fixed assets	-18 930	55 740
A.1.4.		
Revenues from profit shares	-56 524	-29 829
A.1.5.		
Interest expense and interest income	280 792	49 978
A.1.6.		
Adjustments for other non-cash transactions	-116 447	25 018
A.1.7.		
Costs arising from the use of purchased emission allowances	1 911 057	340 203
<b>A.*</b>		
<b>Net operating cash flow before changes in working capital</b>	<b>12 177 564</b>	<b>7 045 121</b>
A.2.		
Change in working capital	-5 817 269	-4 403 997
A.2.1.		
Change in operating receivables and other assets	-2 598 860	-2 708 543
A.2.2.		
Change in operating payables and other liabilities	2 027 121	1 254 343
A.2.3.		
Change in inventories	-5 244 163	-2 950 000
A.2.4.		
Change in current financial assets	-1 367	203
<b>A.**</b>		
<b>Net cash flow from operations before tax</b>	<b>6 360 295</b>	<b>2 641 124</b>
A.3.		
Interest paid	-300 225	-51 875
A.4.		
Interest received	23 294	2 147
A.5.		
Income tax paid from ordinary operations	-1 141 947	-237 423
A.6.		
Received profit shares	99 396	62 012
<b>A.***</b>		
<b>Net operating cash flows</b>	<b>5 040 813</b>	<b>2 415 985</b>

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Consolidated Cash Flow Statement

(IN CZK THOUSAND)

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021	
<b>Cash flows from investing activities</b>			
B.1.	Fixed assets expenditures	-3 007 428	-2 794 802
B.2.	Proceeds from fixed assets sold	118 858	89 901
B.3.	Loans and borrowings to related parties	-62 459	-5 164
B.4.	Cash flows from the acquisition of a business or part of a business	-450 056	
B.7.	Emission allowance expenditures	-1 911 057	-340 203
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-5 312 142</b>	<b>-3 050 268</b>
<b>Cash flow from financial activities</b>			
C.1.	Change in payables from financing	2 753 569	782 783
C.2.	Impact of changes in equity	-4 027 973	-2 080 481
C.2.5.	Payments from capital funds	-1 704	-55 507
C.2.6.	Profit shares paid	-4 026 269	-2 024 974
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-1 274 404</b>	<b>-1 297 698</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-1 545 733</b>	<b>-1 931 981</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>2 470 900</b>	<b>4 016 633</b>

# CONTENTS

<b>1. GENERAL INFORMATION.....</b>	<b>85</b>	4.6. Receivables .....	98
1.1. Incorporation and Description of the Business.....	85	4.7. Payables.....	99
1.2. Group Identification.....	85	4.8. Payables to Credit Institutions .....	99
1.3. Board of Directors and Supervisory Board as Recorded in the Register of Companies as of 31 December 2022.....	86	4.9. Reserves.....	99
1.4. Organisational Structure of the Parent Company .....	87	4.10. Temporary Assets and Liabilities .....	99
<b>2. DEFINITION OF THE CONSOLIDATED GROUP, CONSOLIDATION</b>		4.11. Foreign Currency Translation.....	100
<b>SYSTEM AND METHODS .....</b>	<b>88</b>	4.12. Finance Leases.....	100
2.1. Definition of the Consolidated Group.....	88	4.13. Taxation .....	101
2.1.1. Consolidation Method.....	88	4.13.1. Depreciation of Fixed Assets for Tax Purposes.....	101
2.1.2. Names and Registered offices of Subsidiaries and Associates included in the Consolidated Group.....	88	4.13.2. Current Tax Payable .....	101
2.1.3. Balance Sheet Dates of the Companies Included in the Group.....	90	4.13.3. Deferred Tax.....	101
2.1.4. Companies Excluded from Consolidation.....	90	4.14. Borrowing Costs .....	102
<b>3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES.....</b>	<b>92</b>	4.15. Costs Relating to Agency Employees .....	102
<b>4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>93</b>	4.16. Revenue Recognition.....	102
4.1. Tangible and Intangible Fixed Assets.....	93	4.17. Use of Estimates.....	102
4.2. Non-Current Financial Assets.....	96	4.18. Research and Development Expenditure .....	103
4.3. Derivative Financial Transactions.....	97	4.19. Grants.....	103
4.4. Current Financial Assets and Cash .....	97	4.20. Cash Flow Statement.....	103
4.5. Inventory.....	98	4.21. Changes in Accounting Procedures .....	104
		4.22. Consolidation Rules.....	105



**5. ANALYSIS OF IMPACTS ON PROFIT/LOSS .....107**

5.1. Consolidated Profit/Loss for 2022.....	107
5.1.1. Structure of the Consolidated Profit/Loss for 2022.....	107
5.1.2. Profit/(Loss) Adjustments under Full Consolidation for 2022.....	108
5.1.3. Adjustments under the Equity Method for 2022.....	108
5.2. Consolidated Profit/Loss for 2022.....	108
5.2.1. Structure of the Consolidated Profit/Loss for 2021.....	108
5.2.2. Profit/(Loss) Adjustments under Full Consolidation for 2021.....	109
5.2.3. Adjustments under the Equity Method for 2021.....	109

**6. ADDITIONAL INFORMATION ON THE BALANCE SHEET ..... 110**

6.1. Intangible Fixed Assets.....	110
6.2. Tangible Fixed Assets.....	113
6.3. Assets Held under Finance and Operating Lease Agreements.....	117
6.4. Fixed Assets Pledged as Security.....	118
6.5. Summary of Unconsolidated investments.....	123
6.5.1. Summary of Unconsolidated Investments in 2022.....	123
6.5.2. Summary of Unconsolidated Investments in 2021.....	123
6.6. Accounting for Goodwill Arising on Consolidation.....	126
6.7. Securities and Equity Investments under Equity Accounting.....	127
6.8. Inventory.....	127
6.9. Receivables.....	128
6.9.1. Structure of Short-Term Receivables.....	128
6.9.2. Receivables Pledged as Security.....	128
6.9.3. Intercompany Receivables.....	129
6.10. Equity and Share Capital.....	130
6.10.1. Equity.....	130
6.10.2. Share Capital.....	130

6.11. Reserves.....	131
6.12. Payables.....	131
6.12.1. Long-Term Payables.....	131
6.12.2. Short-Term Trade Payables.....	131
6.12.3. Other Payables.....	131
6.12.4. Intercompany Payables.....	131
6.13. Deferred Tax Liability and Deferred Tax Asset.....	133
6.13.1. Deferred Tax Liability.....	133
6.13.2. Deferred Tax Asset.....	134
6.14. Bank Loans and Borrowings.....	135
6.15. Other Off-Balance Sheet Liabilities, Legal Disputes.....	141

**7. ADDITIONAL INFORMATION ON THE CONSOLIDATED PROFIT****AND LOSS ACCOUNT ..... 145**

7.1. Income from Current Activities of the Group.....	145
7.2. Other Income and Expenses.....	146
7.3. Grants and Subsidies.....	147
7.4. Aggregate Research and Development Expenditure.....	148
7.5. Related Party Transactions.....	148
7.5.1. Income Generated with Related Parties.....	148
7.5.2. Purchases from Related Parties.....	148

**8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES ..... 148**

8.1. Staff Costs and Number of Employees.....	148
8.1.1. Staff Costs and Number of Employees for the Year.....	148
8.1.2. Loans, Borrowings, and Other Benefits Provided.....	149

**9. POST BALANCE SHEET EVENTS ..... 149**

# 1. GENERAL INFORMATION

## 1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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

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

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

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

SHAREHOLDER	OWNERSHIP PERCENTAGE
MINERFIN, a.s., Námestie Ľudovíta Štúra 2, 811 02 Bratislava, Slovakia	48.57%
<b>Total</b>	<b>48.57%</b>

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

## 1.2. GROUP IDENTIFICATION

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

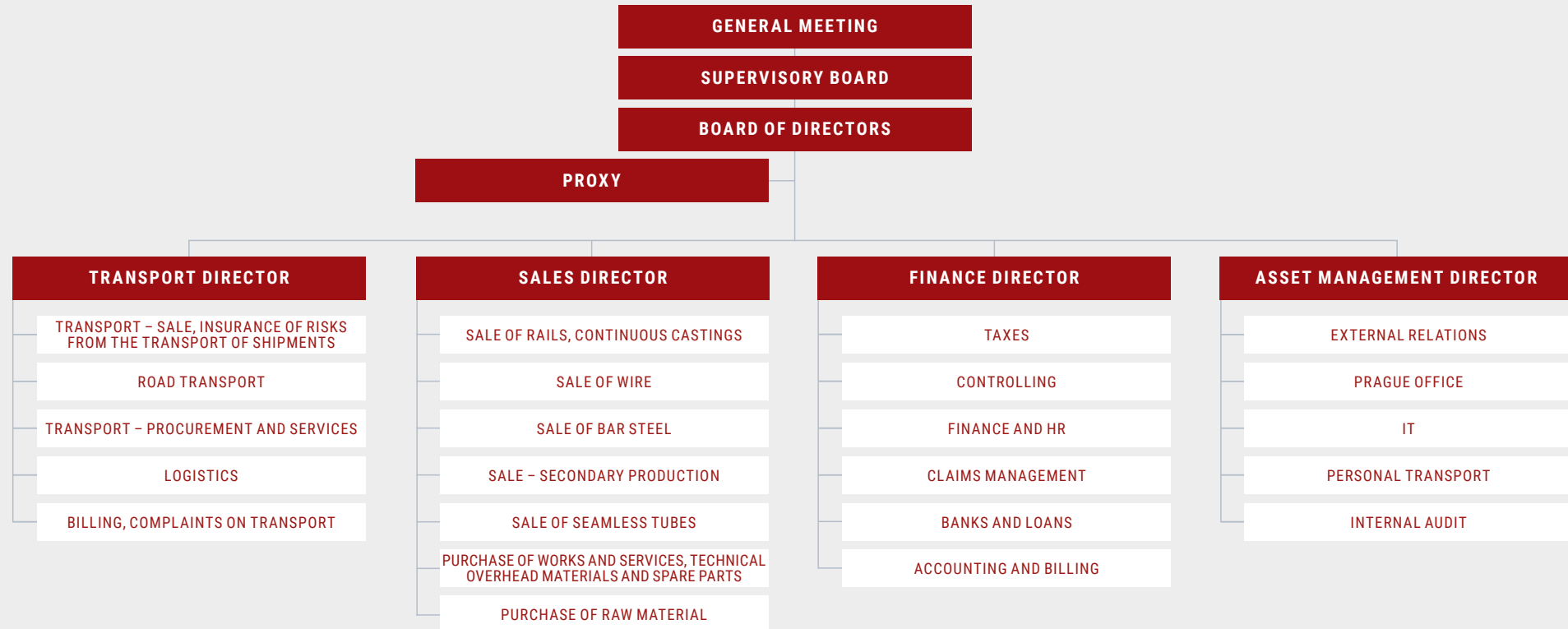
In the year ended 31 December 2022, MORAVIA STEEL a.s. was not a controlled entity under Section 74 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as no entity had the possibility to directly or indirectly exercise decisive influence in MORAVIA STEEL a.s. in the reporting period and consequently become its controlling entity. For this reason, no obligation arose for MORAVIA STEEL a.s. to prepare the report on related parties under Section 82 et seq. of the Act on Business Corporations and Cooperatives.

### 1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS RECORDED IN THE REGISTER OF COMPANIES AS OF 31 DECEMBER 2022

	POSITION	NAME
<b>Board of Directors</b>	Chairman	Petr Popelář
	Vice Chairman	Krzysztof Roch Ruciński
	Member	Mojmír Kašpříšín
	Member	Uršula Novotná
<b>Supervisory Board</b>	Chairman	Tomáš Chrenek
	Vice Chairman	Ján Moder
	Vice Chairman	Evžen Balko
	Member	Mária Blašková

During the year ended 31 December 2022, no changes were made in the composition of the Company's Board of Directors and the Supervisory Board.

### 1.4. ORGANISATIONAL STRUCTURE OF MORAVIA STEEL A.S.



## 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 2022	SHARE OF SHARE CAPITAL AT 31 DEC 2021
TŘINECKÉ ŽELEZÁRNY, a. s.	Průmyslová 1000, Staré Město, 739 61 Třinec	Manufacture of metallurgical products	100.00%	100.00%
Barrandov Studio a.s.	Prague 5, Hlubočepy Kříženeckého nám. 322/5	Creation and production of films and other audio-visual material	99.85%	99.85%
MORAVIA STEEL ITALIA S.R.L.	Corso Sempione 39, 20154, Milan, Italy	Distribution of metallurgical products	66.00%	66.00%
Beskydská golfová, a.s.	Ropice 415, 739 56	Provision of sport services	100.00%	100.00%
MS – Slovensko s.r.o.	Námestie Ľudovíta Štúra 2 811 02 Bratislava	Purchase and sale of goods in retail and wholesale, mediation services in the extent of notifiable trade	100.00%	100.00%
Moravskoslezský kovošrot a.s.	Božkova 936/73, Přívoz, 702 00 Ostrava	Purchase, processing and sales of metal scrap and non-ferrous metals	100.00%	100.00%
M Steel Projects a.s.	Průmyslová 1000, Staré Město, 739 61 Třinec	Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	100.00%
Moravia Steel Deutschland GmbH	Cliev 19, 51515 Kürten-Herweg, Germany	Distribution of metallurgical products	100.00%	100.00%
MORAVIA STEEL UK LIMITED	5 Bradwall Court, Bradwall Road, Sandbach, Cheshire, CW11 1 GE, United Kingdom	Distribution of metallurgical products	100.00%	100.00%

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"NEOMET" Sp.z o.o.	ul. BATALIONÓW CHŁOPSKICH 2, 42-680 Tarnowskie Góry, Poland	Trading with metal scrap and metal processing	100.00%	100.00%
ENERGETIKA TŘINEC, a.s.	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00%	100.00%
Slévárny Třinec, a.s.	Průmyslová 1001, Staré Město, 739 61 Třinec,	Foundry industry	100.00%	100.00%
VÚHŽ a.s.	240, 739 51 Dobrá	Production, installation and repairs of electronic equipment, foundry industry, modelling	100.00%	100.00%
Šroubárna Kyjov, spol. s r.o.	Kyjov, Jiráskova 987, 697 32	Railway route operation, locksmithing, tool engineering, metalworking	100.00%	100.00%
Strojírny a stavby Třinec, a.s.	Průmyslová 1038, Staré Město, 739 61 Třinec	Production of machinery and technology units, machinery equipment, construction work	100.00%	100.00%
"METALURGIJA" 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, Sajósziget utca 4, Hungary	Production of wire products	100.00%	100.00%
ŽDB DRÁTOVNA a.s.	Jeremenkova 66, Pudlov, 735 51 Bohumín	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00%	100.00%
HŽP a.s.	Dolní 3137/100, 796 01 Prostějov	Production of leaf and helical springs for the automotive and railway industries	100.00%	100.00%
SV servisní, s.r.o.	Prostějov, Dolní 3137/100, 796 01	Electricity trading and distribution, gas trading and distribution	100.00%	100.00%
BOHEMIA RINGS s.r.o.	no. 10, 565 43 Zámorsk	Blacksmithing and machining	100.00%	100.00%
Řetězárna a.s.	Česká Ves, Polská 48, 790 81	Production of chains, chain products and drawn wire	51.00%	51.00%
REFRASIL, s.r.o.	Průmyslová 720, Kanská, 739 65 Třinec	Production of building materials, porcelain, ceramic and plaster products	100.00%	100.00%
M Steel Projects, s.r.o.	Na Bráne 8665/4, Žilina, 010 01 Slovakia	Purchase of goods for sale, mediation activities, advertising Production, trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act	100.00%	100.00%
Kovárna VIVA a.s.	Zlín, Vavrečkova 5333, 76001	Blacksmithing, farriering, machining, bookkeeping, tax record keeping	100.00 %	66.00 %
ALPER a.s.	Prostějov, Vrahovická 4530, 796 01	Blacksmithing, farriering, locksmithing, tool-making, machining,	100.00 %	66.00 %
MSV Metal Studénka, a.s.	R. Tomáška 859, Studénka 742 13	Blacksmithing, farriering, locksmithing, machining, tool-making	100.00%	100.00%
KUŹNIA OSTRÓW WIELKOPOLSKI Sp. z o.o.	Ostrów Wielkopolski, ul.Wroclawska 93, 63-400	Blacksmithing, farriering, tool-making	100.00%	100.00%

## Associates

NAME OF THE COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITIES	EQUITY SHARE AT 31 DEC 2022	EQUITY SHARE AT 31 DEC 2021
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 715, Kónská, 739 61 Třinec	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00%	40.00%

In 2022, a 34% equity investment in Kovárna VIVA a.s. was additionally purchased within the consolidated group as of 13 December 2022.

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

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

The financial statements of the companies included in the Group were prepared as of and for the years ended 31 December 2022 and 2021. The companies included in the Group are based in the Czech Republic, with the exception of Moravia Steel Deutschland GmbH, which is based in Germany, MORAVIA STEEL ITALIA S.R.L. based in Italy, MORAVIA STEEL UK LIMITED based in the UK, “D&D” Drótáru Zrt. based in Hungary, METALURGIA S.A., NEOMET Sp. Z o.o. and KUŹNIA OSTRÓW WIELKOPOLSKI Sp. z o.o. based in Poland, M Steel Projects, s.r.o. and MS – Slovensko s.r.o. based in Slovakia.

### 2.1.4. COMPANIES EXCLUDED FROM CONSOLIDATION

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

- The share in the consolidation group is not material in terms of giving a true and fair view of the financial position and performance of the consolidation group, when:
  - The share of the recalculated assets of such subsidiary or associate in the total recalculated assets of all the group’s entities is less than 1.5 percent, and the value of assets is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.;
  - The share of the recalculated equity of such subsidiary or associate in the total recalculated equity of all of the group’s entities is less than 1.5 percent, and the value of equity is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.; and
  - The share in the recalculated net turnover (revenues of account class 6) of such subsidiary or associate in the total recalculated net turnover of all of the group’s entities is less than 1.5 percent, and the value of the net turnover is recalculated using the percentage of the interest in the entity which is owned by MORAVIA STEEL, a. s.



- Long-term restrictions significantly hinder MORAVIA STEEL, a. s. in exercising its rights connected to the control of assets or management of these subsidiaries or associates, or, if the information necessary for the preparation of the consolidated financial statements cannot be obtained without inevitably incurring undue costs (that can be documented) or with inevitable but unacceptable undue delay;
- The shares or equity interests in subsidiaries and associates are held exclusively with a view to their subsequent disposal.

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

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

## 3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

These consolidated financial statements are presented in thousands of Czech crowns (“CZK thousand”). The figures of MORAVIA STEEL ITALIA S.R.L., Moravia Steel Deutschland GmbH, MORAVIA STEEL UK LIMITED, “METALURGIA” S.A., “D&D” Drótáru Zrt., M Steel Projects, s.r.o., NEOMET Sp. z o.o., MS – Slovensko s.r.o., MSP International AZ, Moravia Mining Plc and KUŹNIA OSTRÓW WIELKOPOLSKI Sp. z o.o. are translated into CZK (refer to Note 4.11).

The consolidated financial statements of the Group for the year ended 31 December 2022 were prepared as follows:

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

#### Valuation

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

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

Purchased tangible and intangible fixed assets are valued at acquisition costs. Tangible and intangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of assets (production overheads) and relating to the period of activity. Costs of engineering activities are also included in production overheads. Costs of sales are not included.

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

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

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

The cost of tangible fixed asset improvements exceeding CZK 80 thousand on an individual basis in the taxation period increases the acquisition cost of the related fixed asset.

The cost of intangible asset improvements exceeding CZK 80 thousand on an individual basis in the taxation period increases the acquisition cost of the related fixed asset.

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

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

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

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

### Depreciation for Accounting Purposes

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

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

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

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

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

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

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

### Provisioning

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

### Impairment

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

## 4.2. NON-CURRENT FINANCIAL ASSETS

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

### Valuation

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

### At the consolidated balance sheet date:

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

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

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

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

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

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

### Provisioning against Equity Investments

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

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

### 4.3. DERIVATIVE FINANCIAL TRANSACTIONS

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

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

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

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

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

### 4.4. CURRENT FINANCIAL ASSETS AND CASH

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

Current financial assets are carried at cost upon acquisition.

Cash comprises cash on hand and cash at bank.



## 4.5. INVENTORY

### Valuation

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

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

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

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

### Provisioning

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

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

## 4.6. RECEIVABLES

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

### Provisioning

Provisions are created against receivables with doubtful recoverability.

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

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

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

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

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

#### **4.7. PAYABLES**

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

#### **4.8. PAYABLES TO CREDIT INSTITUTIONS**

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

#### **4.9. RESERVES**

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

#### **4.10. TEMPORARY ASSETS AND LIABILITIES**

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

## 4.11. FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

Foreign exchange gains or losses in provisions for foreign currency receivables exceeding CZK 1 million newly arising after 31 December 2020 are recognised individually in the profit or loss (in the "563 – foreign exchange losses" or "663 – foreign exchange gains" accounts). Below this limit, foreign exchange gains and losses in provisions for foreign currency receivables continue to be recognised in the operating profit/loss as a charge or release of the provision for receivables.

## 4.12. FINANCE LEASES

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

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

## 4.13. TAXATION

### 4.13.1. DEPRECIATION OF FIXED ASSETS FOR TAX PURPOSES

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

### 4.13.2. CURRENT TAX PAYABLE

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

### 4.13.3. DEFERRED TAX

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

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

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

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

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

#### 4.14. BORROWING COSTS

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

#### 4.15. COSTS RELATING TO AGENCY EMPLOYEES

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

#### 4.16. REVENUE RECOGNITION

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

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

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

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

#### 4.17. USE OF ESTIMATES

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

#### 4.18. RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

#### 4.19. GRANTS

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

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

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

#### 4.20. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

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

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

(CZK '000)

	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Cash at hand	6 443	6 733
Current accounts	2 454 677	3 999 129
Current accounts with restricted handling of the balance	0	0
Term deposits	0	0
Short-term securities	19 843	20 363
<b>Total current financial assets (gross)</b>	<b>2 480 963</b>	<b>4 026 225</b>
Cash and cash equivalents not included in the cash flow	-7 029	-6 558
Provision against short-term securities and investments	-3 034	-3 034
<b>Total cash and cash equivalents</b>	<b>2 470 900</b>	<b>4 016 633</b>

The difference between cash and cash equivalents as of 31 December 2022 and 2021 in the cash flows statement in comparison with the current financial assets in the balance sheet represents blocked deposits that are restricted with regard to the free handling of the funds.

**4.21. CHANGES IN ACCOUNTING PROCEDURES**

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

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

## 4.22. CONSOLIDATION RULES

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

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

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

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

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

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



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

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

The financial statements for the years ended 31 December 2022 and 2021 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statements date are available in the registered office of the Company.

The consolidation rules for 2022 and 2021 (definition of the consolidated group, method of transformation of data from individual financial statements into the consolidated financial statements) are available in the registered office of the Company.

# 5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

## 5.1. CONSOLIDATED PROFIT/LOSS FOR 2022

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

	(CZK '000)
Current year's profit/loss made by MORAVIA STEEL a.s.	3 057 944
Current year's profit/loss made by M Steel Projects a.s.	-1 824
Current year's profit/loss made by M Steel Projects s.r.o.	-2 198
Current year's profit/loss made by Beskydská golfová, a.s.	-2 110
Share in current year's profit/loss made by Barrandov Studio a.s.	71 606
Share in current year's profit/loss made by MORAVIA STEEL ITALIA S.R.L.	67 464
Current year's profit/loss made Moravia Steel Deutschland, GmbH	133 591
Current year's profit/loss made Moravia Steel UK Ltd.	14 865
Share in current year's profit/loss made by Kovárna VIVA a.s.	101 789
Share in current year's profit/loss made by ALPER a.s.	15 553
Current year's profit/loss made by the consolidation group of TŽ, a.s.	3 092 189
Current year's profit/loss made by MS – Slovensko s.r.o.	-397
Current year's profit/loss made by Moravskoslezský kovošrot a.s.	69 316
Current year's profit/loss made by NEOMET sp.z o.o.	23 130
Current year's profit/loss made by MSV Metal Studénka, a.s.	55 985
Current year's profit/loss made by Kuźnia Ostrow Wielkoposki sp.z o.o.	15 496
Share in current year's profit/loss of equity accounted investments	12 434
Adjustments under full consolidation (See Note 5.1.2.)	-1 155 535
Adjustments under the equity method of consolidation (See Note 5.1.3.)	0
<b>Consolidated profit/loss</b>	<b>5 569 298</b>

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

	(CZK '000)
Elimination of profit from unrealised inventory from intercompany sale, including the deferred tax impact and elimination of minority profit or loss	80 725
Elimination of the provision against financial investments and inventory, including the deferred tax impact	9 185
Other consolidation adjustments	-45 218
Elimination of dividends paid by TRINECKÉ ŽELEZÁRNY, MS ITALIA, Kovárna VIVA, MSK, MS UK, MSD, Alper	-1 131 511
Adjustments in the minority profit or loss	-68 716
<b>Total adjustments</b>	<b>-1 155 535</b>

**5.1.3. ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2022**

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

**5.2. CONSOLIDATED PROFIT/LOSS FOR 2022****5.2.1. STRUCTURE OF THE CONSOLIDATED PROFIT/LOSS FOR 2021**

	(CZK '000)
Current year's profit/loss made by MORAVIA STEEL a.s.	988 273
Current year's profit/loss made by M Steel Projects a.s.	-4 127
Current year's profit/loss made by M Steel Projects s.r.o.	-15 405
Current year's profit/loss made by Beskydská golfová, a.s.	2 663
Share in current year's profit/loss made by Barrandov Studio a.s.	71 945
Share in current year's profit/loss made by MORAVIA STEEL ITALIA S.R.L.	32 882
Current year's profit/loss made by Moravia Steel Deutschland, GmbH	68 165
Current year's profit/loss made by Moravia Steel UK Ltd.	3 850
Share in current year's profit/loss made by Kovárna VIVA a.s.	106 382
Share in current year's profit/loss made by ALPER a.s.	10 553
Current year's profit/loss made by the consolidation group of TŽ, a.s.	2 211 486
Current year's profit/loss made by MS – Slovensko s.r.o.	-413

 **TABLE CONTINUES ON THE FOLLOWING PAGE**

☺ CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

Current year's profit/loss made by Moravskoslezský kovošrot a.s.	-8 633
Current year's profit/loss made by NEOMET sp.z o.o.	34 956
Current year's profit/loss made by MSV Metal Studénka, a.s. *)	50 803
Current year's profit/loss made by Kuźnia Ostrow Wielkoposki sp.z o.o. *)	12 733
Share in current year's profit/loss of equity accounted investments	42 871
Adjustments under full consolidation (See Note 5.2.2.)	-454 460
Adjustments under the equity method of consolidation (See Note 5.2.3.)	-117 457
<b>Consolidated profit/loss</b>	<b>3 037 067</b>

\*) Included in the consolidation group since 28 February 2020

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

(CZK '000)

Elimination of profit from unrealised inventory from intercompany sale, including the deferred tax impact and elimination of minority profit or loss	-405 411
Elimination of the provision against investments, inventory and receivables, including the deferred tax impact	153 291
Other consolidation adjustments	-41 473
Elimination of dividends paid by MS ITALIA, Kov. VIVA, MSK, MS UK, MSD, Alper	-160 867
<b>Total adjustments</b>	<b>-454 460</b>

### 5.2.3. ADJUSTMENTS UNDER THE EQUITY METHOD FOR 2021

(CZK '000)

Consolidation adjustments related to deconsolidation of MS Middle East FZCO	-117 457
<b>Total adjustments</b>	<b>-117 457</b>

## 6. ADDITIONAL INFORMATION ON THE BALANCE SHEET

### 6.1. INTANGIBLE FIXED ASSETS

#### Cost

(CZK '000)

	BALANCE AT 1 JAN 2021	MERGER IMPACT	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2021
Development	6 405	0	0	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	23 878	0	0	0	-1 439	22 439
Software	407 929	0	40 585	4 376	-491	443 647
Valuable rights	772 696	0	5 106	331	-489	776 982
Other intangible FA	1 188 951	0	525 907	1 624 014	-1 181	89 663
Intangible FA under construction	28 566	0	375 775	388 407	-34	15 900
Prepayments for intangible FA	0	0	0	0	0	0
<b>Total</b>	<b>2 428 425</b>	<b>0</b>	<b>947 373</b>	<b>2 017 128</b>	<b>-3 634</b>	<b>1 355 036</b>

(CZK '000)

	BALANCE AT 1 JAN 2022	NEW ACQUISITION	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2022
Development	6 405	0	0	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	22 439	0	0	0	-1 062	21 377
Software	443 647	0	7 903	2 992	-452	448 106
Valuable rights	776 982	0	2 283	177 583	-809	600 873
Other intangible FA	89 663	0	15 593 647	12 002 991	-867	3 679 452
Intangible FA under construction	15 900	0	2 056 453	1 921 379	-10	150 964
Prepayments for intangible FA	0	0	1 300	1 223	0	77
<b>Total</b>	<b>1 355 036</b>	<b>0</b>	<b>17 661 586</b>	<b>14 106 168</b>	<b>-3 200</b>	<b>4 907 254</b>

## Accumulated Amortisation and Provisions

(CZK '000)

	BALANCE AT 1 JAN 2021	MERGER IMPACT	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2021
Development	6 405	0	0	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	2 690	0	1 105	0	-161	3 634
Software	333 359	0	22 291	4 388	-478	350 784
Valuable rights	604 716	0	33 009	497	-262	636 966
Other intangible FA	30 374	0	2 503	0	-790	32 087
Intangible FA under construction	310	0	0	0	0	310
<b>Total</b>	<b>977 854</b>	<b>0</b>	<b>58 908</b>	<b>4 885</b>	<b>-1 691</b>	<b>1 030 186</b>

(CZK '000)

	BALANCE AT 1 JAN 2022	NEW ACQUISITION	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2022
Development	6 405	0	0	0	0	6 405
Start-up costs	0	0	0	0	0	0
Goodwill	3 634	0	1 053	0	-171	4 516
Software	350 784	0	24 025	2 992	-452	371 365
Valuable rights	636 966	0	26 769	130 794	-438	532 503
Other intangible FA	32 087	0	2 194	6 017	-595	27 669
Intangible FA under construction	310	0	0	0	0	310
<b>Total</b>	<b>1 030 186</b>	<b>0</b>	<b>54 041</b>	<b>139 803</b>	<b>-1 656</b>	<b>942 768</b>

**Net Book Value**

(CZK '000)

	BALANCE AT 31 DEC 2021	BALANCE AT 31 DEC 2022
Development	0	0
Start-up costs	0	0
Software	92 863	76 741
Valuable rights	140 016	68 370
Goodwill	18 805	16 861
Other intangible FA	57 576	3 651 783
Intangible FA under construction	15 590	150 654
Prepayments for intangible FA	0	77
<b>Total</b>	<b>324 850</b>	<b>3 964 486</b>

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

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

Amortisation of intangible fixed assets charged to expenses amounted to CZK 51,530 thousand and CZK 57,639 thousand for the years ended 31 December 2022 and 2021, respectively.

Other intangible assets include greenhouse gas emission allowances.

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

In the year ended 31 December 2021, the Company acquired 103,906 emission allowances for 2021 free of charge in the amount of CZK 164,211 thousand. As of the date of the financial statements for the year ended 31 December 2021, the Company recognised the use of emission allowances for 2020 in the amount of CZK 299 thousand and for 2022 in the amount of CZK 5,452,290 thousand.

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

### 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 40,720 thousand and CZK 41,097 thousand as of 31 December 2022 and 2021, respectively.

## 6.2. TANGIBLE FIXED ASSETS

### Cost

(CZK '000)

	BALANCE AT 1 JAN 2021	MERGER IMPACT	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2021
Land	1 394 165	0	30 903	1 094	-2 608	1 421 366
Structures	18 683 974	0	509 816	53 126	-25 879	19 114 785
Individual tangible movable assets	47 980 387	0	2 715 721	693 016	-65 833	49 937 259
Other tangible FA	462 186	0	19 643	9 045	-5 260	467 524
Tangible FA under construction	1 439 816	0	2 701 309	3 291 362	-3 055	846 708
Prepayments	214 589	0	435 868	377 620	-258	272 579
<b>Total</b>	<b>70 175 117</b>	<b>0</b>	<b>6 413 260</b>	<b>4 425 263</b>	<b>-102 893</b>	<b>72 060 221</b>

(CZK '000)

	BALANCE AT 1 JAN 2022	NEW ACQUISITION	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2022
Land	1 421 366	0	2 447	18	-2 717	1 421 078
Structures	19 114 785	0	608 672	21 992	-26 240	19 675 225
Individual tangible movable assets	49 937 259	0	1 723 954	316 312	-72 385	51 272 516
Other tangible FA	467 524	0	33 173	7 245	-5 687	487 766
Tangible FA under construction	846 708	0	3 194 981	2 394 278	-1 339	1 646 072
Prepayments	272 579	0	805 865	886 423	-1 326	190 695
<b>Total</b>	<b>72 060 221</b>	<b>0</b>	<b>6 369 092</b>	<b>3 626 267</b>	<b>-109 694</b>	<b>74 693 352</b>



## Accumulated Depreciation and Provisions

(CZK '000)

	BALANCE AT 1 JAN 2021	MERGER IMPACT	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2021
Land	2 623	0	450	0	-149	2 924
Structures	9 240 543	0	509 384	31 481	-12 767	9 705 679
Individual tangible movable assets	32 900 218	0	2 023 169	697 630	-47 403	34 178 354
Other tangible FA	397 581	0	28 209	8 734	-4 013	413 043
Tangible FA under construction	8 245	0	4 360	4 960	0	7 645
Prepayments	0	0	0	0	0	0
Valuation difference on acquired assets	0	0	0	0	0	0
<b>Total</b>	<b>42 549 210</b>	<b>0</b>	<b>2 565 572</b>	<b>742 805</b>	<b>-64 332</b>	<b>44 307 645</b>

(CZK '000)

	BALANCE AT 1 JAN 2022	NEW ACQUISITION	ADDITIONS	DISPOSALS	IMPACT OF FX DIFFERENCES	BALANCE AT 31 DEC 2022
Land	2 924	0	282	0	-116	3 090
Structures	9 705 679	0	507 778	26 551	-10 734	10 176 172
Individual tangible movable assets	34 178 354	0	2 069 002	358 434	-49 950	35 838 972
Other tangible FA	413 043	0	24 151	6 974	-4 126	426 094
Tangible FA under construction	7 645	0	2 532	4 548	0	5 629
Prepayments	0	0	0	0	0	0
Valuation difference on acquired assets	0	0	0	0	0	0
<b>Total</b>	<b>44 307 645</b>	<b>0</b>	<b>2 603 745</b>	<b>396 507</b>	<b>-64 926</b>	<b>46 449 957</b>

**Net Book Value**

(CZK '000)

<b>NET BOOK VALUE</b>	<b>BALANCE AT 31 DEC 2021</b>	<b>BALANCE AT 31 DEC 2022</b>
Land	1 418 442	1 417 988
Structures	9 409 106	9 499 054
Individual tangible movable assets	15 758 905	15 433 545
Other tangible FA	54 481	61 671
Tangible FA under construction	839 063	1 640 443
Prepayments for tangible FA	272 579	190 695
Valuation difference on acquired assets	0	0
<b>Total</b>	<b>27 752 576</b>	<b>28 243 395</b>

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

(CZK '000)

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

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

	(CZK '000)
Construction of the wind heater no. 42	337 961
Stationary unloading INNOFREIGHT facility	260 320
Thermal treatment of rails	183 372
3000080-TZM-20000021-Construction of 3/9-pit 19-27	17 870

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

	(CZK '000)
Renovation of blast furnace No. 6	563 477
Renovation of Continuous Casting Machine 1	275 201
Hot blast recuperator No. 62 on blast furnace No. 6	249 166
New KOP DN1200 pipe	81 315
Vertical forging press LMZ 4000	56 776
Technical improvements of the mechanical workshop building	51 426
KER/KEH 4.2 production line	26 801
Technical improvements of central changing rooms for 900 persons	24 817
CNC 20C machine tool	21 443
CNC 20A machine tool	20 949
ELHA E machine tool	19 674
Equipment for heat treatment of products	16 690
MD900 M.F.L wire winder	16 216
CNC machine tool for machining holes	11 568
E3 coal dump roofing	10 740
NULT2 6kV distribution point	10 508

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

	(CZK '000)
New peeling line in VJ – Wire rod and light sections rolling mill	68 671
AKS 63 – H4 press	19 906
Equipment for measurement of cold rail dimensions	12 491
Modernisation of the K19 machine	10 835
INNOFREIGHT Stationary unloading machine	10 123
Raw material tanks	5 614

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

Depreciation of tangible fixed assets amounted to CZK 2,524,044 thousand and CZK 2,506,007 thousand for the years ended 31 December 2022 and 2021, respectively.

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

The aggregate cost of low-value tangible fixed assets not included in the balance sheet totalled CZK 1,069,385 thousand and CZK 1,030,602 thousand as of 31 December 2022 and 2021, respectively.

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

	(CZK '000)		
<b>31 DECEMBER 2022</b>	<b>PASSENGER CARS</b>	<b>MACHINERY AND EQUIPMENT</b>	<b>BALANCE AT 31 DEC 2022</b>
Total estimated sum of lease instalments	1 188	856	2 044
Payments made as of 31 Dec 2022	1 353	478	1 831
Due in the following years	2 062	856	2 918
	(CZK '000)		
<b>31 DECEMBER 2021</b>	<b>PASSENGER CARS</b>	<b>MACHINERY AND EQUIPMENT</b>	<b>BALANCE AT 31 DEC 2021</b>
Total estimated sum of lease instalments	1 512	1 209	2 721
Payments made as of 31 Dec 2021	1 118	844	1 963
Due in the following years	1 807	1 192	2 999

## Operating Leases

In the years ended 31 December 2022 and 2021, rental amounted to CZK 69,646 thousand and CZK 73,718 thousand, respectively.

## 6.4. FIXED ASSETS PLEDGED AS SECURITY

### 31 December 2022

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

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DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TFA, land	13 265	Investment loan from Raiffeisenbank a.s.
TFA, land	859	Investment loan from Raiffeisenbank a.s.
TFA, land	1 390	Investment loan from Raiffeisenbank a.s.
TFA, land	660	Investment loan from Raiffeisenbank a.s.
TFA, land	6 223	Investment loan from Raiffeisenbank a.s.
TFA	300	Investment loan from Raiffeisenbank a.s.
TFA	2 702	Investment loan from Raiffeisenbank a.s.
TFA	828	Investment loan from Raiffeisenbank a.s.
TFA	1 313	Investment loan from Raiffeisenbank a.s.
TFA	38 603	Investment loan from Raiffeisenbank a.s.
TFA	6 962	Investment loan from Raiffeisenbank a.s.
TFA	4 290	Investment loan from Raiffeisenbank a.s.
TFA	290 660	Loan from Citibank Europe plc
Land	4 166	
Technology	177 170	
TFA*	36 663	Investment loan from ERSTE Bank Hungary Zrt.
TFA*	16 184	Investment loan from K&H Bank Zrt
TFA*	29 047	Investment loan from K&H Bank Zrt
TFA*	27 344	Investment loan from K&H Bank Zrt
Land	4 772	Loan from Raiffeisenbank a.s.
TFA	214 298	
Land	283	Loan from Česká spořitelna, a.s.
TFA	43 041	
TFA	35 300	Long-term loan from Československá obchodní banka, a. s
TFA	24 200	ČSOB
Land	23 202	ČSOB and ČS

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DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
Technology	173 801	ČSOB and ČS
TFA	71 475	ČSOB
Land	4 836	
Technology	104 953	
TFA	246 121	ČSOB
TFA	69 775	PKO BP S.A.
Land	2 096	Unicredit Bank Czech Republic
Land	2 250	Raiffeisenbank a.s.
Structures	98 040	Raiffeisenbank a.s.
Structures	144 415	Unicredit Bank Czech Republic
<b>Total</b>	<b>7 044 671</b>	

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

**31 December 2021**

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TFA	546 578	Loan from Česká spořitelna, a.s.
Structures	108 891	
Land	3 458	
TFA	2 058	Loan from Československá obchodní banka, a. s.
Land	39 986	
TFA	629 944	Loan from Československá obchodní banka, a. s.
TFA	713 296	Loan from Československá obchodní banka, a. s.
TFA	446 908	Loan from Československá obchodní banka, a. s.
Land	96 223	

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TFA	423 718	Loan from ING BANK N. V.
Land	11 988	
TFA	143 603	Loan from ING Bank N.V.
TFA	1 194 887	Loan from Raiffeisenbank a.s.
Land	185 38	
TFA	695 87	Collateral for an investment bank loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Technology	55 301	Raiffeisenbank a.s. – security for a long-term bank loan for financing the MoRe distribution point T4 – 110kV
TFA	57 495	Investment loan from ING Bank N.V.
TFA*	105 456	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 15,000 thousand
TFA*	7 301	Loan from Bank BGŻ BNP Paribas S.A., secured with machinery up to PLN 9,406 thousand
TFA*	21 632	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 14,795 thousand
TFA*	80 009	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, secured with machinery up to PLN 14,795 thousand
TFA, land	890	Investment loan from Raiffeisenbank a.s.
TFA, land	1 255	Investment loan from Raiffeisenbank a.s.
TFA, land	642	Investment loan from Raiffeisenbank a.s.
TFA, land	12 887	Investment loan from Raiffeisenbank a.s.
TFA, land	1 123	Investment loan from Raiffeisenbank a.s.
TFA, land	1 473	Investment loan from Raiffeisenbank a.s.
TFA, land	743	Investment loan from Raiffeisenbank a.s.
TFA, land	6 613	Investment loan from Raiffeisenbank a.s.
TFA, land	353	Investment loan from Raiffeisenbank a.s.
TFA, land	2 895	Investment loan from Raiffeisenbank a.s.
TFA	976	Investment loan from Raiffeisenbank a.s.
TFA	1 527	Investment loan from Raiffeisenbank a.s.
TFA	35 268	Investment loan from Raiffeisenbank a.s.
TFA	7 975	Investment loan from Raiffeisenbank a.s.

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

DESCRIPTION OF ASSETS	NET BOOK VALUE	DESCRIPTION, SCOPE AND PURPOSE OF PLEDGE/LIEN
TFA	4 789	Investment loan from Raiffeisenbank a.s.
TFA	253 376	Loan from Citibank Europe plc.
Land	4 166	
Technology	197 007	
TFA*	43 130	Investment loan from ERSTE Bank Hungary Zrt.
TFA*	18 990	Investment loan from K&H Bank Zrt.
TFA*	34 025	Investment loan from K&H Bank Zrt.
Land	4 772	Loan from Raiffeisenbank a.s.
TFA	231 760	
Land	283	Loan from Česká spořitelna, a.s.
TFA	43 247	
TFA	38 241	Long-term bank loan from Československá obchodní banka, a.s.
TFA	70 981	Loan from ČSOB
Land	4 836	
Technology	26 149	
TFA	24 793	Investment loan from Československá obchodní banka, a.s.
Land	23 202	Loan from Česká spořitelna, a.s. and Československá obchodní banka, a.s.
Technology	168 426	Investment loan from Československá obchodní banka, a.s.
TFA	158 102	Investment loan from Československá obchodní banka, a.s.
Land	73 920	Loan from PKO BP
<b>Total</b>	<b>6 275 672</b>	

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

Non-current financial assets encumbered by a lien had a nominal value of CZK 1,144,302 thousand and CZK 1,144,302 thousand as of 31 December 2022 and 31 December 2021, respectively.

## 6.5. SUMMARY OF UNCONSOLIDATED INVESTMENTS

### 6.5.1. SUMMARY OF UNCONSOLIDATED INVESTMENTS IN 2022

#### Balance at 31 December 2022

(CZK '000)

COMPANY NAME	SHARE IN %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION
Moravia Steel Slovenija, d.o.o.	51	14 035	1 400	0
Moravia Steel Ibéria,s.a.	99.33	16 948	3 849	0
AHP HYDRAULIK A, a.s.	50.11	-14 572	-49	-90 058
Moravia Steel Israel Ltd. **)	100	**)	**)	0
Barrandov Productions s.r.o.	100	2 344	-13	0
FILMOVÁ NADACE *)	100	1 309	-435	0
Moravia Mining Plc	76	**)	**)	-3 153
MSPProjects International s.r.o.	100	4 869	-427	0
MSV Servis s.r.o.	100	20	-21	0
B.A.Zlín, s.r.o.	80	3 315	-239	0
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100	37 342	2 896	0
Doprava TŽ, a.s., Třinec-Staré Město	100	48 091	4 024	0
TRIALFA, s.r.o., Třinec – Kanada	100	21 805	716	0
Moravia Security, a.s., Kanská, Třinec	100	41 815	3 388	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	33 452	3 931	0
„ZAMECZEK BŁOGOCICE” Spółka z ograniczoną odpowiedzialnością,Cieszyn (POL)	88	40 009	-238	-14 594
TRISIA, a.s., Lyžbice, Třinec	66	40 879	715	-14 988
Reťaze Slovakia s.r.o., Skalica (SK)	80	11 391	1 843	0
JuBo Jeseník s. r. o., Jeseník	80	6 339	2 269	0
Řetězárna servis s.r.o., Jeseník	100	6 028	4 025	0

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

COMPANY NAME	SHARE IN %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION
IMOPRA s.r.o., Nivnice	100	110 949	1 536	-70 909
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100	-58 090	-79 030	-50 000
ENEZA, s.r.o., Staré Město, Třinec*	52.5	93 474	9 706	0
<b>Total</b>			<b>-40 154</b>	<b>-245 702</b>

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

\*\*) data not available

Note: in italics preliminary results as of 31 December 2022

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

## 6.5.2. SUMMARY OF UNCONSOLIDATED INVESTMENTS IN 2021

### Balance at 31 December 2021

(CZK '000)

COMPANY NAME	SHARE IN %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION
Moravia Steel Slovenija, d.o.o.	51.00	13 051	1 437	0
Moravia Steel Ibéria,s.a.	99.33	17 300	4 571	0
AHP HYDRAULIK A, a.s.	50.11	**)	**)	0
Moravia Steel Israel Ltd. **)	100.00	**)	**)	0
Barrandov Productions s.r.o.	100.00	2 357	81	0
FILMOVÁ NADACE *)	100.00	1 265	-541	0
Moravia Mining Plc	76.00	**)	**)	-3 153
MSPProjects International s.r.o.	100.00	5 296	-742	0
MSV Servis s.r.o.	100.00	41	-18	0
B.A. Zlín, s.r.o.	40.00	3 554	-53	0

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COMPANY NAME	SHARE IN %	EQUITY	PROFIT OR LOSS FOR THE PERIOD	PROVISION
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	40 773	-1 887	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	47 067	3 206	0
TRIALFA, s.r.o., Třinec - Kanada	100.00	21 089	461	0
Moravia Security, a.s., Kanská, Třinec	100.00	40 727	2 571	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90.00	50 276	1 455	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	32 223	2 702	0
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	42 303	370	-12 522
TRISIA, a.s., Lyžbice, Třinec	66.00	40 164	534	-15 785
Reťaze Slovakia s.r.o., Skalica (SK)	80.00	12 578	3 134	0
JuBo Jeseník s. r. o., Jeseník	80.00	6 070	2 732	0
Řetězárna servis s.r.o., Jeseník	100.00	5 103	3 288	0
IMOPRA s.r.o., Nivnice	100.00	113 636	4 810	-85 671
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	20 940	-9 642	0
ENEZA, s.r.o., Staré Město, Třinec *)	52.5	92 174	14 227	0
<b>Total</b>			<b>32 162</b>	<b>-117 131</b>

Note: in italics preliminary results as of 31 December 2021

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

\*\*\*) data not available

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

## 6.6. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2022

(CZK '000)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME	RECOGNITION IN EQUITY
<b>Positive goodwill arising on consolidation</b>						
ŽDB DRÁTOVNA a.s.	261 780	-65 445	196 335	13 089	0	0
BOHEMIA RINGS s.r.o.	119 809	-28 454	91 355	5 990	0	0
MS UK	1 234	-309	925	62	0	0
HŽP a.s.	130 509	-43 504	87 005	5 801	0	0
Kovárna VIVA	182 720	-38 552	144 168	8 319	0	0
Barrandov Studio a.s.	34 362	-2 729	16 531	963	0	0
MSV	19 260	-34 362	0	0	0	0
<b>Total</b>	<b>749 674</b>	<b>-213 355</b>	<b>536 319</b>	<b>34 224</b>	<b>0</b>	<b>0</b>
<b>Negative goodwill arising on consolidation</b>						
REFRASIL, s.r.o.	-14 566	3 156	-11 410	0	728	0
<b>Total</b>	<b>-14 566</b>	<b>3 156</b>	<b>-11 410</b>	<b>0</b>	<b>728</b>	<b>0</b>

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

## 2021

(CZK '000)

	GROSS	ADJUSTMENT	NET	RECOGNITION IN EXPENSES	RECOGNITION IN INCOME	RECOGNITION IN EQUITY
<b>Positive goodwill arising on consolidation</b>						
ŽDB DRÁTOVNA a.s.	261 780	-52 356	209 424	14 920	0	0
BOHEMIA RINGS s.r.o.	119 809	-22 464	97 345	7 838	0	0
MS UK	1 234	-247	987	62	0	0
HŽP a.s.	130 509	-37 703	92 806	5 800	0	0
Kovárna VIVA	164 908	-30 233	134 675	8 245	0	0
Barrandov Studio a.s.	34 362	-34 362	0	0	0	0
MSV	19 260	-1 766	17 494	963	0	0
<b>Total</b>	<b>731 862</b>	<b>-179 131</b>	<b>552 731</b>	<b>37 828</b>	<b>0</b>	<b>0</b>
<b>Negative goodwill arising on consolidation</b>						
REFRASIL, s.r.o.	-14 566	2 428	-12 138	0	728	0
<b>Total</b>	<b>-14 566</b>	<b>2 428</b>	<b>-12 138</b>	<b>0</b>	<b>728</b>	<b>0</b>

## 6.7. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK '000)

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

## 6.8. INVENTORY

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

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

## 6.9. RECEIVABLES

### 6.9.1. STRUCTURE OF SHORT-TERM RECEIVABLES

As of 31 December 2022, gross short-term trade receivables past their due dates amounted to CZK 1,975,529 thousand (net CZK 1,679,666 thousand). As of 31 December 2021, gross short-term trade receivables past their due dates amounted to CZK 1,678,338 thousand (net CZK 1,383,423 thousand).

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

State – tax receivables as of 31 December 2022 predominantly include a receivable arising from value added tax and prepayments for fees according to Act No. 201/2012 Coll., on Air Protection. As of 31.12.2021, this item mainly represented a receivable arising from value added tax, prepayments for corporate income tax and prepayments for fees pursuant to Act No. 201/2012 Coll., on Air Protection.

Sundry receivables as of 31 December 2022 predominantly include a receivable arising from an unquestionable entitlement to a subsidy and receivables from individuals. As of 31 December 2021, this item predominantly included a receivable arising from an unquestionable entitlement to a subsidy, receivables from individuals, a receivable arising from an unused donation and a receivable arising from a contribution under the “Antivirus” employment support programme.

Estimated receivables as of 31 December 2022 and 31 December 2021, respectively, principally include an estimated receivable arising from anticipated insurance benefits, use of operating subsidies and reimbursement of value added tax paid abroad.

Receivables typically mature within 30 days.

### 6.9.2. RECEIVABLES PLEDGED AS SECURITY

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

As of 31 December 2022, “D&D” Drótáru Zrt. records pledged receivables of HUF 157,752 thousand (CZK 9,489 thousand) with Tryg Garanti and pledged receivables of HUF 17,650 thousand (CZK 1,062 thousand) with CEC Bank S.A. Bucharest. As of 31 December 2021, “D&D” Drótáru Zrt. records pledged receivables of HUF 20,767 thousand (CZK 1,398 thousand) with ING BANK N.V. Bucharest and pledged receivables of HUF 81,715 thousand (CZK 5,503 thousand) with Credit Agricole Bank Polska S.A.

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

### 6.9.3. INTERCOMPANY RECEIVABLES

#### Short-Term Receivables

(CZK '000)

ENTITY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
DOPRAVA TŽ, a.s.	5 463	4 679
Moravia Security, a.s.	138	146
Security Morava, s.r.o.	99	9
TRIALFA, s.r.o.	3 883	6 224
TRISIA, a.s.	98	107
TŘINECKÁ PROJEKCE, a.s.	160	157
Třinecké gastroslužby, s.r.o.	2 407	2 124
VESUVIUS ČESKA REPUBLIKA, a.s.	10 271	5 780
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.*	0	12
IMOPRA s.r.o.	0	0
JuBo Jeseník s.r.o.	5 356	4 732
Reťaze Slovakia, s.r.o.	2 307	0
Řetězárna servis s.r.o.	7	0
Moravia Mining Plc	1 744	0
MINERFIN a.s.	1 620	1
ENEZA, s.r.o.	1 109	1 276
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	148	625
AHP HYDRAULIKA, a.s.	9 679	9 693
MSV Servis s.r.o.	7	7
<b>Total short-term intercompany receivables</b>	<b>44 496</b>	<b>35 572</b>
• Receivables – controlled or controlling entity		
Třinecké gastroslužby, s.r.o.	8 500	7 518
IMOPRA s.r.o.	0	5 666
<b>Total</b>	<b>8 500</b>	<b>13 184</b>
• Short-term prepayments made		
EKOSTROJÍRENSTVÍ TŘINEC, a.s..	15 404	0
TRISIA, a.s.	1	0

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ENTITY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
<b>Total</b>	<b>15 405</b>	<b>0</b>
• Accrued income		
Třinecké gastroslužby, s.r.o.	167	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	1 173	0
<b>Total</b>	<b>1 340</b>	<b>0</b>
<b>Total short-term intercompany receivables including accruals</b>	<b>69 741</b>	<b>48 756</b>
Other than intercompany receivables	13 424 754	10 833 730
<b>Total short-term receivables including accruals</b>	<b>13 494 495</b>	<b>10 882 486</b>

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

### Long-Term Receivables

As of 31 December 2022, the Group records long-term receivables with due dates of more than 5 years of CZK 562 thousand; as of 31 December 2021, the Group recorded long-term receivables with due dates of more than 5 years of CZK 581 thousand.

## 6.10. EQUITY AND SHARE CAPITAL

### 6.10.1. EQUITY

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

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

### Proposal for the allocation of profit for 2022

In 2022, the consolidation group generated net profit after tax of CZK 5,661,969 thousand. The expected profit allocation for 2022 is the payment of dividends in the total amount of CZK 2,000,278 thousand and the remaining part will be allocated to retained earnings.

### 6.10.2. SHARE CAPITAL

As of 31 December 2022, the share capital amounted to CZK 3,159,000 thousand. The Company's share capital is composed of 315,900 registered shares in book-entry form with a nominal value of CZK 10,000 thousand each. The shares are not readily marketable but are fully transferable subject to the prior consent of the Company's General Meeting.

## 6.11. RESERVES

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

## 6.12. PAYABLES

### 6.12.1. LONG-TERM PAYABLES

As of 31 December 2022 and 2021, primarily payables arising from retention fees to suppliers according to concluded contracts are reported under long-term trade payables. As of 31 December 2022, the Company recorded no long-term payables covered by material guarantees.

### 6.12.2. SHORT-TERM TRADE PAYABLES

As of 31 December 2022, short-term trade payables past their due dates amount to CZK 32,104 thousand (2021: CZK 48,395 thousand).

The usual maturity of payables is 60 days.

### 6.12.3. OTHER PAYABLES

As of 31 December 2022 and 2021, due amounts arising from social security and state employment policy contributions and public health insurance amounted to CZK 291,305 thousand and CZK 259,843 thousand, respectively. These payables were duly settled as of the balance sheet date.

As of 31 December 2022, state – tax payables and subsidies predominantly include the corporate and individual income tax payable. As of 31 December 2021, this item mainly included a corporate and individual income tax payable.

As of 31 December 2022 and 31 December 2021, estimated payables predominantly include an estimated payable for covering all unbilled payments relating to staff costs, an estimated payable arising from fees in accordance with Act No. 201/2012 Coll., on Air Protection, and an estimated payable arising from unbilled inventory including services.

Sundry payables of the Company as of 31 December 2022 and 31 December 2021 predominantly include payables arising from a group registration for value added tax and contributions to employees.

### 6.12.4. INTERCOMPANY PAYABLES

#### Short-Term Payables

	(CZK '000)	
ENTITY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Doprava TŽ, a.s.	14 130	13 170
Ocelářská unie, a.s.	926	835
Moravia Security, a.s.	21 157	11 887
Třinecké gastroslužby, s.r.o.	13 354	10 462
VESUVIUS ČESKÁ REPUBLIKA, a.s.	36 589	29 967

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ENTITY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Moravia Steel Ibéria, s.a.	1 731	883
MORAVIA STEEL SLOVENIJA d.o.o.	6 984	6 281
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	1 128	0
MINERFIN, a.s.	879 076	568 437
Řetězárna servis s.r.o.	2 113	2 613
TRIALFA, s.r.o.	18 039	15 809
TRISIA, a.s.	1 501	463
TŘINECKÁ PROJEKCE, a.s.	7 074	5 961
ZAMECZEK BŁOGOCICE"Sp.z.o.o.	87	91
MATERIÁLOVÝ A METAL.VÝZKUM, s.r.o.*)	134	225
ENEZA, s.r.o.	15 916	11 026
Security Morava, s.r.o.	2 028	1 980
<b>Total</b>	<b>1 021 967</b>	<b>680 090</b>
Accrued expenses		
Moravia Steel Ibéria,s.a.	286	338
MORAVIA STEEL SLOVENIJA,d.o.o.	6	16
<b>Total</b>	<b>292</b>	<b>354</b>
Estimated payables		
MORAVIA STEEL ITALIA s.r.l.	0	251
TŘINECKÁ PROJEKCE,a.s.	39	0
Moravia Steel Ibéria,s.a.	0	68
<b>Total</b>	<b>39</b>	<b>319</b>
<b>Total short-term intercompany payables, including accruals</b>	<b>1 022 298</b>	<b>680 763</b>
Other than intercompany payables	19 047 234	10 391 478
<b>Total short-term payables, including accruals</b>	<b>20 069 532</b>	<b>11 072 241</b>

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

## 6.13. DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

### 6.13.1. DEFERRED TAX LIABILITY

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

			(CZK '000)
DEFERRED TAX ARISING FROM	TAX RATE IN %	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Difference between the tax and accounting carrying values of fixed assets	19	12 250 488	11 931 581
Difference between the tax and accounting carrying values of fixed assets	9	66 979	65 302
Revaluation of securities available for sale	19	-54	-54
Revaluation of assets to fair value charged to equity	19	813 276	882 459
Revaluation of assets to fair value charged to equity	9	28 941	30 317
Revaluation of assets to fair value charged to consolidation goodwill	19	0	0
Accounting reserves	19	-762 604	-851 679
Provisions	19	-1 399 235	-902 161
Provisions	9	0	0
Outstanding default interest	19	0	5 131
Expenses deductible for tax purposes in the following years	19	-166 309	-237 456
Utilisable tax loss	19	-10 353	-93 795
Utilisable tax loss	19	0	-3 888
Unrealised profit on the sale of inventory within the Group	19	-42 500	-48 691
Unrealised profit on the sale of tangible FA within the Group	19	3 664	-34 938
Unrealised profit from the sale of tangible and intangible FA within the Group (equity)	19	229	169
<b>Total temporary differences</b>		<b>10 782 521</b>	<b>10 742 297</b>
<b>Deferred tax liability</b>		<b>2 039 088</b>	<b>2 031 474</b>

	(CZK '000)
<b>ANALYSIS OF MOVEMENTS</b>	
<b>1 Jan 2021</b>	<b>1 970 715</b>
Current changes charged to the profit and loss account	29 220
Current changes charged to equity	-457
Charge against positive goodwill on consolidation	31 996
<b>31 Dec 2021</b>	<b>2 031 474</b>
Current changes charged to the profit and loss account	8 298
Current changes charged to equity	-683
Charge against positive goodwill on consolidation	0
Other	-1
<b>31 Dec 2022</b>	<b>2 039 088</b>

**6.13.2. DEFERRED TAX ASSET**

	TAX RATE (%)	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021
Difference between the tax and accounting net book value of fixed assets	19	470	4 091
Accounting reserves	19	16 214	10 183
Provisions	19	47 041	6 437
Unrealised profit on the sale of inventory and assets within the Group	19	483 168	580 874
Unpaid (not received) penalty	19	-237	0
Deferred expenses	19	0	4 653
<b>Total temporary differences</b>		<b>546 656</b>	<b>606 238</b>
<b>Deferred tax asset</b>		<b>103 865</b>	<b>115 185</b>

		(CZK '000)
<b>ANALYSIS OF MOVEMENTS</b>		
<b>1 Jan 2021</b>		<b>31 365</b>
Current changes charged to the profit and loss account		83 820
Current changes charged to equity		0
<b>31 Dec 2021</b>		<b>115 185</b>
Current changes charged to the profit and loss account		-11 320
Current changes charged to equity		
<b>31 Dec 2022</b>		<b>103 865</b>

## 6.14. BANK LOANS AND BORROWINGS

### Long-Term Bank Loans

					(CZK '000)
TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022	
Investment loan	CZK	0	60 000	Immovable and movable assets, securities, promissory note	
Investment loan	EUR	0	7 952	Hermes guarantee insurer	
Term loan	CZK	840 000	1 080 000	Immovable and movable assets, insurance receivables, promissory note	
Acquisition loan	EUR	0	124 300	Securities, promissory note	
Investment loan	EUR	537 463	775 694	Immovable and movable assets, insurance receivables	
Investment loan	CZK	171 429	400 000	Immovable and movable assets, insurance receivables, promissory note	
Investment loan	EUR	939 279	0	Immovable and movable assets, insurance receivables, promissory note	
Investment loan	EUR	1 424	3 865	Pledge of real estate	
Investment loan	EUR	4 800	13 429	Pledge of real estate	
Investment loan	CZK	4 750	6 650	No collateral	
Investment loan	CZK	26 440	52 803	Blank promissory note, pledge of movable assets	
Investment loan	CZK	29 333	47 333	Blank promissory note	
Investment loan	CZK	0	11 400	Pledged assets, blank promissory note	
One time investment loan	EUR	50 527	78 132	Movable and immovable assets	
Investment loan	EUR	39 048	17 105	Promissory note, pledge of movable assets	

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TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Purpose loan	CZK	15 000	25 000	Pledged movable asset
Investment loan	EUR	5 627	11 585	Blank promissory note
Investment loan	EUR	12 661	0	Blank promissory note
Investment loan	CZK	0	10 561	Two blank promissory notes
Investment loan	EUR	0	2 486	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	0	3 551	Pledge of immovable assets, blank promissory note, pledge of insurance receivables
Investment loan	EUR	20 754	33 622	Blank promissory note
Investment loan	EUR	47 024	51 709	Blank promissory note
Investment loan	EUR	1 541	7 966	Mortgage, insurance pledge
Investment loan	EUR	2 196	5 338	Mortgage, insurance pledge
Investment loan	EUR	7 734	12 569	Mortgage, insurance pledge
Investment loan	EUR	11 478	0	Mortgage, insurance pledge
Investment loan	PLN	10 135	14 894	Secured with tangible assets (machinery, equipment) and insurance
Investment loan	PLN	900	3 213	Secured with tangible assets (machinery, equipment) and insurance
Investment loan	EUR	8 676	0	Secured with tangible assets (machinery, equipment) and insurance
Investment loan	CZK	49 140	82 020	Pledge of immovable assets
Investment loan	EUR	12 351	19 099	Real estate, manufacturing equipment
Investment loan	EUR	73 617	96 128	Technology
Investment loan	CZK	42 740	51 781	Technology
Investment loan	EUR	130 221	90 487	Technology
Investment loan	CZK	31 736	37 104	Real estate and technology
Investment loan	EUR	8 641	11 006	Real estate and technology
Investment loan	EUR	15 505	4 632	Real estate and technology
Acquisition loan	CZK	166 637	309 213	Blank promissory note
Investment loan	EUR	40 118	82 714	Pledge of movable assets will be established no later than on 31 March 2022

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TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Investment loan	EUR	15 844	27 222	Pledge of movable assets
Investment loan	EUR	7 509	12 902	Pledge of movable assets
Investment loan	EUR	5 715	9 820	Pledge of movable assets
Investment loan	EUR	14 970	-30 667	Mortgage, insurance pledge
Investment loan	PLN	5 455	9 544	Mortgage, insurance pledge
Investment loan	PLN	0	4 350	Mortgage, insurance pledge
Investment loan	PLN	7 728	0	Mortgage, insurance pledge
<b>Total</b>		<b>3 416 146</b>	<b>3 678 512</b>	

Short-Term Bank Loans

(CZK '000)

TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Investment loan	EUR	7 713	15 904	Hermes guarantee insurer
Investment loan	EUR	0	6 215	Blank promissory note
Investment loan	EUR	5 627	5 817	Blank promissory note
Investment loan	EUR	4 220	0	Blank promissory note
Overdraft	PLN	16 764	44 035	Pledge
Overdraft	PLN	25 719	54 006	Pledge – machinery, equipment and receivables
Investment loan	PLN	0	2 245	Pledge – machinery and equipment
Investment loan	PLN	4 054	4 255	Pledge – machinery and equipment
Investment loan	PLN	2 161	2 268	Pledge – machinery and equipment
Investment loan	EUR	2 214	0	Secured with tangible assets (machinery, equipment) and insurance
One-time investment loan	EUR	0	20 605	Movable and immovable assets
Overdraft – credit cards	CZK	73	46	No collateral
One-time investment loan*	EUR	0	24 313	Movable and immovable assets
One-time investment loan	EUR	25 276	26 044	Movable and immovable assets
Revolving loan	EUR	72 345	0	Receivables

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TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Overdraft	EUR	38 208	0	Receivables
Investment loan	EUR	0	13 776	ODL guarantee insurer
Investment loan	EUR	214 985	221 627	Immovable and movable assets, insurance receivables
Investment loan	CZK	60 000	180 000	Immovable and movable assets, insurance receivables, promissory note
Acquisition loan	EUR	120 575	165 733	Securities, promissory note
Investment loan	CZK	228 571	228 571	Immovable and movable assets, insurance receivables, promissory note
Investment loan	CZK	240 000	120 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	49 436	0	Immovable and movable assets, insurance receivables, promissory note
Overdraft	CZK	156 371	65 937	Promissory note
Overdraft	CZK	157 366	65 805	No collateral
Overdraft	CZK	159 780	66 124	Promissory note
Overdraft	CZK	158 593	71 043	Promissory note
Overdraft	CZK	173 210	70 841	Promissory note
Overdraft	CZK	203 731	0	Promissory note
Overdraft	CZK	9	9	No collateral
Investment loan	CZK	2 441	2 441	Pledge of real estate
Investment loan	EUR	8 227	8 482	Pledge of real estate
Investment loan	CZK	1 900	1 900	No collateral
Investment loan	CZK	11 400	15 200	Pledge of assets, blank promissory note
Credit cards	CZK	40	6	No collateral
Purpose loan	CZK	10 000	10 000	Pledge of movables asset
Overdraft	CZK	3 451	0	Blank promissory note
ŠkoFin	CZK	199	0	Promissory note, pledge of movable assets
Investment loan	CZK	26 364	26 364	Blank promissory note, pledge of movable assets
Investment loan	CZK	18 000	18 000	Blank promissory note
Investment loan	EUR	0	10 166	Blank promissory note, pledge of movable assets

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TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Overdraft	CZK	5 318	39 562	No collateral
Overdraft	CZK	12 985	44 570	Promissory note
Overdraft	EUR	4 188	0	Promissory note
Overdraft	CZK	105 513	70 494	No collateral
Investment loan	CZK	10 561	15 842	Two blank promissory notes
Investment loan	EUR	14 204	10 980	Blank promissory note, pledge of movable assets
Operating loan	CZK	34 357	14 638	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset insurance
Operating loan	EUR	22 297	0	Promissory note
Investment	EUR	2 412	3 729	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment	EUR	3 732	3 552	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Operating loan	CZK	99 352	187 026	Blank promissory note
Investment loan	EUR	11 860	12 227	Blank promissory note
Investment loan	EUR	14 469	11 187	Blank promissory note
Investment loan	EUR	6 163	6 373	Mortgage, insurance pledge
Investment loan	EUR	2 966	3 067	Mortgage, insurance pledge
Investment loan	EUR	4 420	4 571	Mortgage, insurance pledge
Investment loan	EUR	3 280	0	Mortgage, insurance pledge
Acquisition loan	CZK	133 310	137 428	Promissory note
Current bank loan	EUR	0	519	Credit cards
Overdraft	CZK	1 402 259	0	Blank promissory notes issued by MORAVIA STEEL a.s.
Financing of operational needs	CZK	458 185	0	No collateral
Financing of operational needs	CZK	458 185	0	Pledge of real estate
Investment loan	CZK	0	2 000	Pledge of real estate
Investment loan	CZK	32 880	32 880	Pledge of real estate

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TYPE OF LOAN	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	FORM OF COLLATERAL AT 31 DEC 2022
Investment loan	EUR	21 704	0	Technology, real estate
Operating loan	EUR	9 386	8 105	Receivables
Operating loan	CZK	24 830	33 326	Receivables
Investment loan	EUR	6 175	6 366	Real estate technology
Investment loan	EUR	19 631	20 238	Expansion of production
Operating loan	CZK	56 368	52 395	Receivables
Operating loan	EUR	20 785	16 446	Receivables
Investment loan	CZK	9 863	8 219	Real estate technology
Overdraft	PLN	125 288	56 508	Pledge of receivables
Operating loan	CZK	0	10 790	Financing of net working capital
Investment loan	CZK	5 368	5 368	Real estate, technology
Investment loan	EUR	2 034	1 748	Expansion of production
Investment loan	EUR	2 461	0	Real estate, technology
Revolving loan	CZK	70 135	74 656	Pledge of receivables
Revolving loan	CZK	64 202	71 592	Pledge of receivables
Investment loan	CZK	25 000	0	Pledge of receivables
Re-financing loan	CZK	25 000	0	Pledge of receivables
Investment loan	EUR	0	30 666	Pledge of movable asset
Investment loan	EUR	33 491	0	Capital expenditure
Operating loan	PLN	85 121	86 355	Mortgage for real estate
<b>Total</b>		<b>5 658 760</b>	<b>2 651 201</b>	

Short-Term Financial Borrowings

(CZK '000)

PURPOSE	CURRENCY	BALANCE AT 31 DEC 2022	BALANCE AT 31 DEC 2021	PROVIDER
Short-term	PLN	213	139	MSA Radomsko
<b>Total</b>		<b>213</b>	<b>139</b>	

## 6.15. OTHER OFF-BALANCE SHEET LIABILITIES, LEGAL DISPUTES

### MORAVIA STEEL a.s.

As of 31 December 2022, the Company participated in no legal dispute, the ruling of which would have had a material impact on the Company.

As of 31 December 2022, the guarantees issued by the bank on behalf of the Company in favour of third parties amounted to CZK 151,505 thousand (31 December 2021: CZK 85,135 thousand).

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

Following the conclusions of the appellate court's ruling, the Company recognised an anticipated payable to the minority shareholders as of the effective date in the amount of the consideration of CZK 26,607 thousand as well as interest as of 31 December 2022 in the amount of CZK 5,261 thousand.

MORAVIA STEEL a.s., as well as TŘINECKÉ ŽELEZÁRNY, a. s. as another participant in the proceedings and some former shareholders, filed an appeal against the ruling of the High Court in Olomouc with the Supreme Court of the Czech Republic, which has not yet been decided.

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.

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

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

**TŘINECKÉ ŽELEZÁRNY, a. s.****Provided Guarantees****31 December 2022**

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

**31 December 2021**

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

**Received Guarantees****31 December 2022**

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

**31 December 2021**

TYPE	TOTAL AMOUNT	BALANCE AT 31 DEC 2021
<b>Guarantees</b> From other entities	USD 52 thousand	CZK 1,131 thousand
	EUR 5,709 thousand	CZK 141,915 thousand
	CZK 86,937 thousand	CZK 86,937 thousand

As of 31 December 2022, the Company records in off-balance sheet accounts both the promissory notes issued by the Company in favour of credit institutions and the promissory notes received, issued in favour of the Company to secure cash liabilities under the Revolving Credit Agreements.

### Legal Disputes

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

Dispute initiated by the insolvency trustee of the debtor VÍTKOVICE GEARWORKS a.s., regarding the ineffectiveness of the agreement on the extinguishment of mutual obligations concluded between the Company, Strojírny a stavby Třinec, a.s., and this debtor, based on which the Company's obligation to pay an amount to this debtor, the settlement of which is now being sought by the lawsuit, ceased to exist. The Regional Court in Ostrava rejected the lawsuit. On 23 May 2018, the High Court in Olomouc revoked the ruling of the Regional Court in Ostrava and referred the matter back to the court for additional proceedings. Following the completion of the debtor's restructuring, the dispute is ongoing after the insolvency trustee of VÍTKOVICE POWER ENGINEERING a.s. became the new plaintiff. The Regional Court in Ostrava rejected the legal action again on 17 April 2019. The High Court in Olomouc cancelled the judgement of the Regional Court in Ostrava on 17 December 2019 and referred the matter back to the court for further proceedings. By a ruling of 10 February 2021, the Regional Court in Ostrava dismissed the lawsuit again. On 29 June 2021, the High Court in Olomouc confirmed this judgment, which is now final. The Supreme Court rejected the appeal.

### Environmental Liabilities

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

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

As of 31 December 2022, the Company used up funds in the amount of CZK 543,021 thousand (2021: CZK 541,615 thousand).

## Other

In 2022 and 2021, the Company was involved in the project of the Regional Chamber of Commerce of the Moravian-Silesian Region that provides educational courses for employees. The support of this project is based on the de minimis rule.

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

## Other entities included in the MS consolidation group

### Energetika Třinec, a.s.

#### Security for liabilities

(CZK '000)

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

### 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 357,793 thousand.

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

# 7. ADDITIONAL INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

## 7.1. INCOME FROM CURRENT ACTIVITIES OF THE GROUP

**2022**

(CZK '000)

ACTIVITIES	INLAND	CROSS-BORDER	TOTAL
Metallurgic production	14 771 417	48 855 682	63 627 099
Other production	2 885 398	6 746 487	9 631 885
Sale of goods	81 651	330 632	412 283
Services	1 435 053	311 495	1 746 548
<b>Total</b>	<b>19 173 519</b>	<b>56 244 296</b>	<b>75 417 815</b>

**2021**

(CZK '000)

ACTIVITIES	INLAND	CROSS-BORDER	TOTAL
Metallurgic production	12 096 837	36 755 839	48 852 676
Other production	2 073 958	5 336 836	7 410 794
Sale of goods	94 018	381 993	476 011
Services	1 214 844	255 950	1 470 794
<b>Total</b>	<b>15 479 657</b>	<b>42 730 618</b>	<b>58 210 275</b>



## 7.2. OTHER INCOME AND EXPENSES

Costs of advisory, consulting and audit activities amounted to CZK 53,280 thousand and CZK 43,625 thousand as of 31 December 2022 and 2021, respectively.

Other operating income as of 31 December 2022 and 2021 predominantly included the use of the grant for allowances in the amounts of CZK 6,315,735 thousand and CZK 5,114,072 thousand, respectively, and anticipated insurance benefits relating to the accident of the wind heater in the amount of CZK 917,991 thousand (2021: CZK 55,737 thousand).

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

Financial donations are reported under operating expenses. The total amount of donations provided in 2022 was CZK 76,256 thousand (2021: CZK 31,767 thousand).

Other financial income and expenses in the years ended 31 December 2022 and 2021 predominantly included foreign exchange rate gains and losses.

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

In the year ended 31 December 2021, the Company received and reported the compensation for indirect costs in respect of sectors identified as having a significant risk of carbon leakage as a result of greenhouse gas emissions reflected in the price of electricity for the calendar year of 2020 in the amount of CZK 203,891 thousand.

### 7.3. GRANTS AND SUBSIDIES

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

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

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

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

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

In 2022 Kovárna VIVA a.s. received an investment subsidy of CZK 6,040 thousand for the project “Forging Company of the 21st century”.

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

Subsidies for operating purposes and contributions relating to companies of the TŽ consolidation group in the amount of CZK 12,534 thousand used in 2022 include subsidies for research and development, a subsidy for the museum operation, a subsidy for education, a contribution as part of the “Antivirus” employment support programme – a contribution for partial reimbursement of payroll costs, and a contribution to support the implementation of the COVID-19 self-sampling tests.

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

Subsidies for operating purposes and contributions relating to subsidiaries of MS a.s. amount to CZK 14,422 thousand in the year ended 31 December 2022 (2021: CZK 5,434 thousand).

## 7.4. AGGREGATE RESEARCH AND DEVELOPMENT EXPENDITURE

(CZK '000)

	31 DEC 2022	31 DEC 2021
Research and development expenditure (net of grants)	42 647	43 634

## 7.5. RELATED PARTY TRANSACTIONS

### 7.5.1. INCOME GENERATED WITH RELATED PARTIES

Income generated with related parties amounted to CZK 263,703 thousand in 2022. All related party transactions took place under arm's length conditions (2021: CZK 239,333 thousand).

Income from profit shares from related parties for 2022 and 2021 is disclosed in Note 6.5.

### 7.5.2. PURCHASES FROM RELATED PARTIES

Total purchases from related parties amounted to CZK 5,734,732 thousand (2021: CZK 6,145,897 thousand).

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

# 8. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

## 8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

### 8.1.1. STAFF COSTS AND NUMBER OF EMPLOYEES FOR THE YEAR

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

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

The staff costs of employees in the year ended 31 December 2022 amounted to CZK 9,430,532 thousand, of which staff costs of managers amounted to CZK 699,359 thousand. The staff costs of employees in the year ended 31 December 2021 amounted to CZK 9,047,765 thousand, of which staff costs of managers amounted to CZK 556,236 thousand.

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

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

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

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

	2022	2021
Use of management cars (the figure increases the tax base of employees)	18 834	18 123
Contribution for supplementary pension scheme and life insurance	783	4 493
Liability insurance	1 929	6 755
<b>Total</b>	<b>21 546</b>	<b>29 371</b>

(CZK '000)

## 9. POST BALANCE SHEET EVENTS

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

On 1 January 2023, the liquidation of subsidiary MSV Servis, s.r.o. was initiated following a decision of the owner.

On 3 April 2023, Roman Heide was appointed Chief Executive Officer of TŘINECKÉ ŽELEZÁRNY, a.s.