



TŘINECKÉ ŽELEZÁRNY

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**General
Section**

I Company Profile



TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter “Třinecké železářny” or the “Company”), was founded in 1839 and for more than 180 years it has been a successor of the long tradition of metallurgical production in Těšín Silesia. The sole shareholder of Třinecké železářny today MORAVIA STEEL a. s. Třinecké železářny is the largest crude steel producer with domestic capital and since 2009, has held the largest share of domestic steel production. The corporate mission “Together for the Generations to Come” clearly

describes the long-term relationship of Třinecké železářny with its surrounding region, the co-responsibility for the continuous improvement of the environment in its vicinity and the effort to improve the quality of life of its inhabitants.

Annual production of the iron-works reaches around 2.5 million tonnes of steel and the main product portfolio consists of long rolled products – wire rod, sections, special bar steel, drawn steel, rails, wide steel, seamless tubes and semis. Additional products include coke

and by-products resulting from production, further artificial compact aggregates and granulated slag.

Třinecké železářny is a closed-cycle production plant that includes operations from coke production to the final hot-rolled steel product. The coke-chemical production plant includes two coke-oven batteries and a pulverised coal injection (PCI) into the blast furnace hearth. The produced coke and the pulverised coal are used in their own blast furnaces together with the sinter charge, which is prepared in two sinter

plants. More than 98% of Třinec steel is produced in the BOF converter plant, on the basis of oxygen refining of iron. The BOF plant is equipped with complete ladle metallurgy enabling chemical and thermal homogenisation, additional alloying as well as vacuum treatment. The BOF steel is largely cast in two machines for the continuous casting of blooms and billets. Steel is also produced in the EAF steel plant. Blooms, billets and to a smaller extent ingots from steel plants form a charge for the rolling mill plants in Třinec – a rolling mill for blooms and heavy profiles, medium section



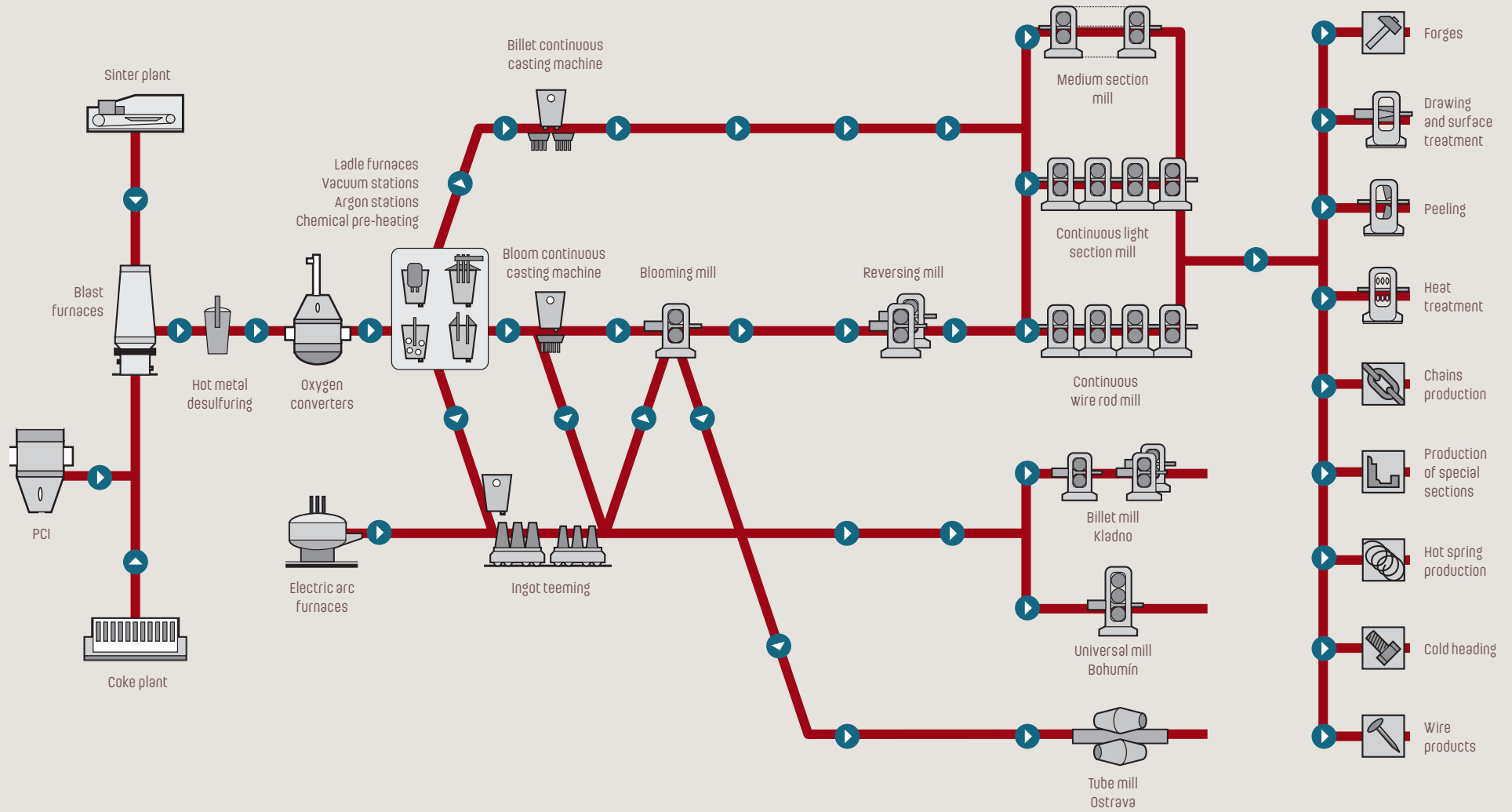
mill, rolling mill for wire rod and light sections – as well as for the tube mill in Ostrava, for the universal strip rolling mill in Bohumín, the steel drawing plant in Staré Město u Uherského Hradiště or for the billet mill located in Kladno. The accompanying products, resulting from metallurgical production, are processed into artificial normal weight aggregate and further construction material at the secondary raw material plant. Metalliferous waste goes back to the closed metallurgical cycle.

Throughout its history, Třinecké železářny has produced more than 180 million tonnes of steel. Our products have been placed on the domestic market as well as bought by customers all over the world. More than half of the annual production of high-quality steel products bearing the trademark of Třinecké železářny

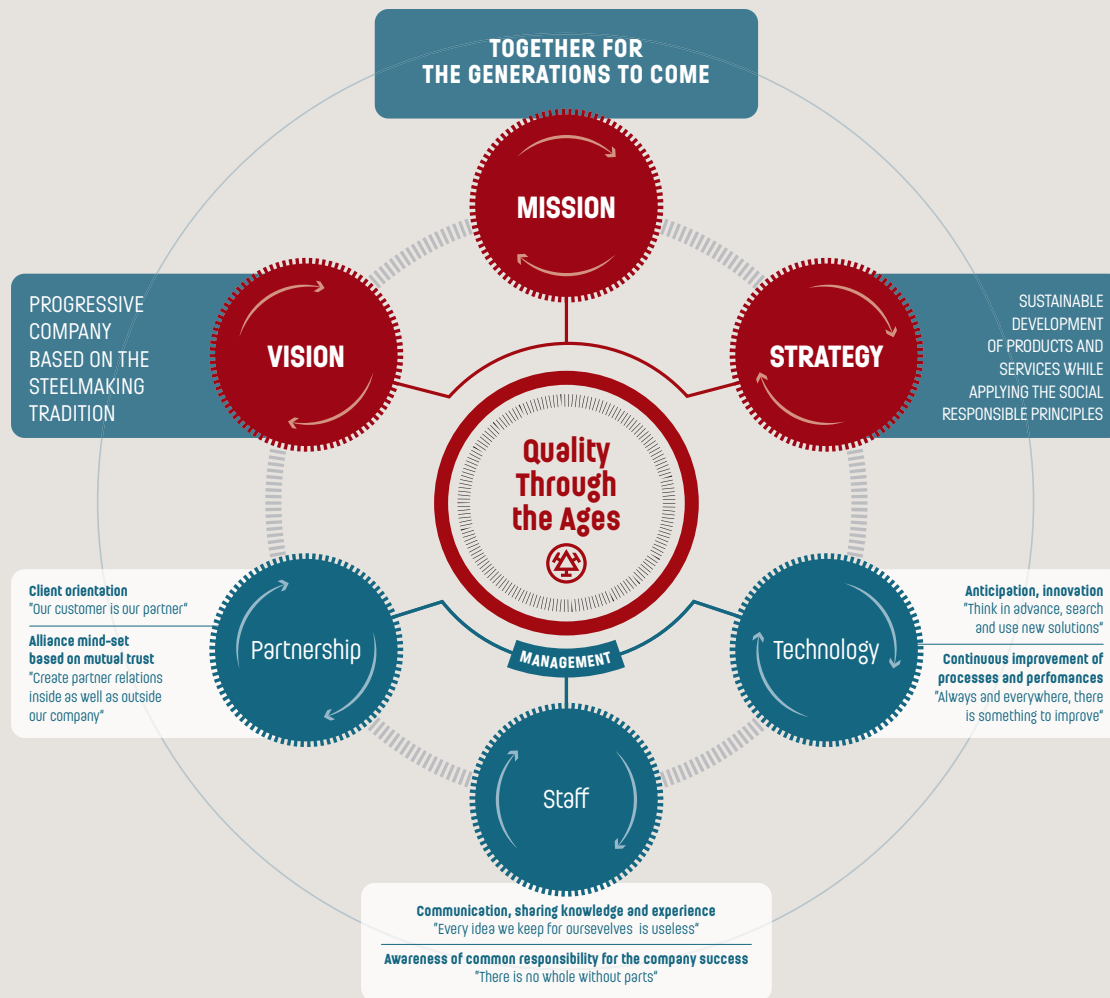
– three hammers in a circle – has been directed to customers from more than 60 countries worldwide.

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

Material Flows and Technologies



Our Strategic Framework



II

Key Performance Indicators 2015–2019

INDICATOR	UNIT	2015	2016	2017	2018	2019
Pig iron production	kt	2 070	2 118	2 059	2 108	2 045
Crude steel production	kt	2 532	2 605	2 528	2 583	2 508
Of which continuous castings	kt	2 409	2 487	2 424	2 471	2 430
Sales of rolled products including steel	kt	2 379	2 386	2 333	2 375	2 355
Total revenues	CZK mil.	37 695	33 027	36 807	41 750	40 786
Income from sales of products, goods and services	CZK mil.	36 921	32 217	35 859	40 496	38 405
Export share	%	66.6	67.8	66.2	67.0	66.2
Total costs excluding income tax	CZK mil.	34 350	31 273	35 118	37 673	40 101
Net profit or loss	CZK mil.	2 780	1 440	1 424	3 334	610
Consolidated profit or loss	CZK mil.	3 026	1 857	1 561	3 666	646
Net total assets	CZK mil.	32 948	33 843	35 399	38 943	39 690
Gross tangible fixed assets	CZK mil.	34 301	36 115	38 497	39 925	41 935
Adjustments	CZK mil.	21 087	22 118	23 118	24 241	25 442
Equity	CZK mil.	25 692	25 732	25 756	27 890	28 500
Capital investments	CZK mil.	1 518*	2 038	2 697*	1 710*	2 195*
Other capital including other liabilities	CZK mil.	7 255	8 111	9 643	11 053	11 190
Employees (average adjusted total)	osob	7 014	7 006	7 029	7 115	7 062
Average monthly wage	CZK/person	29 100	29 103	31 043	35 021	36 184

*without subsidies

III

Supervisory Board and Board of Directors



Supervisory Board

TITLE	NAME
Chairman	Tomáš Chrenek
1 st Vice-Chairman	Ján Moder
2 nd Vice-Chairman	Evžen Balko
Member	Jozef Blaško
Member	Jana Kantorová
Member	Marcel Pielesz

Board of Directors

TITLE	NAME
Chairman	Jan Czudek
1 st Vice-Chairman	Česlav Marek
2 nd Vice-Chairman	Henryk Huczala
Member	Radomíra Pekárková
Member	Ivo Žižka

IV

Introductory Word of the Supervisory Board Chairman

➤ **To our customers, partners and employees.**

The year 2019 was marked by an impending recession for several reasons. Germany, our largest trading partner, is paying for the US-China trade war, due to its open and export-oriented economy. The growing uncertainty about the United Kingdom's departure from the EU, Brexit, also has its share in the unfavourable situation. The automotive industry is hit by a recession caused particularly by devastating impact from pandemic related with the outbreak of

coronavirus SARS CoV-2 (causing the viral disease COVID-19) and by the requirements on massive investment to the development of electromobility.

Brexit is already a hard fact, but negotiations between the UK and the EU are ongoing. However, everything suggests that the hardest option, the so-called No-Deal Brexit, will not happen.

The EU's ambitious plan for achieving carbon neutrality implies an incredibly rapid application of the often-unpro-

ven techniques and technologies that must be tested and deployed at the latest around 2030, if not before. In addition to process greenhouse gas emissions, which are an inherent part of physical processes and chemical reactions in industry, it will be very difficult or even impossible to eliminate or substantially compensate for emissions from aviation, maritime transport or agriculture that produces more greenhouse gases in Europe than industry. Taking into account the needs and capabilities of individual sectors, including a comprehensive quantification of all possi-

ble impacts, should then clearly prevail over the effort to make quick decisions.

Steel supplies for the automotive industry thus became a neuralgic point of our portfolio, which we had to adapt several times during the year 2019. The slump in production and, consequently, the economic disaster was only prevented thanks to the immense efforts of our employees and partners in finding markets to compensate for the plummeting automotive industry.

Dear customers, partners and employees,

The complexity of the times the world economy is going through has, and will have, its consequences. Therefore, I am very glad that even in such an unfavourable situation we were able to generate a profit of CZK 610 million. The sales volume of rolled products remained at a similar level as in previous years.

Thanks to the previous successful period and the strategic decisions taken, good work of management, good cooperation with our partners and the diligence of our employees, we managed not only to stabilize Třinecké železárny but also other companies in the group. This is due to the high work commitment of all of us, the daily honest work of

our employees, as well as good cooperation with our partners.

Dear customers, partners and employees,

I thank you all for your work and support in the very difficult financial year 2019, and I believe that even in the future Třinecké železárny will belong to the leading companies of the Czech Republic and our products will be recognised throughout the whole world.



Tomáš Chrenek

CHAIRMAN OF THE SUPERVISORY
BOARD



V Board of Directors Report

Development of the Macroeconomic Environment and Competition

The year-on-year growth of Gross Domestic Product in the Czech Republic reached 2.4%, which is the lowest result in the last six years. The largest decline was recorded in the domestic economy, when it fell year-on-year by 1.7% in the last quarter of year, from 2.5% in the third quarter of 2019. The decline in foreign and domestic orders was not favourable for industry. Industrial production therefore fell by 0.5% after five years of growth last year, thereby negatively affecting related

sectors, especially transport and services. To the contrary, the growth of Gross Domestic Product was helped by household consumption, supported by wage growth and increasing government spending. The macroeconomic indicators of the Czech economy reflect the weakening of global economic growth, which is reflected in the escalation of tensions in international trade relations affected by the pandemic impacts and the related feeling of uncertainty of entrepreneurs and consumers about future economic development.

Crude steel production in the Czech Republic declined by more than seven percent to 4.58 million tonnes. The decline was mainly caused by rising prices of raw materials, increasing imports from third countries and weakening demand for finished steel products. Třinecké železářny produced 2,508 thousand tonnes of crude steel last year, which represents a decrease of approximately 3 percent compared to the previous year. Despite this decline, Třinecké železářny maintained its position as the largest steel producer in the Czech Republic and has held this position since

2009. Last year, total foreign trade in metallurgical products in the Czech Republic recorded a significant decrease in both imports and exports in almost all monitored assortments compared to the previous year. However, more noticeable was a decline in exports of metallurgical products from the Czech Republic, which reached the 2014 level. The biggest decrease was recorded for imports of rolled material and exports of flat products. Despite the decrease in the total value of imports, the trend of continuous growth in imports in the range of other products from third countries (outside the

European Union) continues, in particular for drawn alloy steel and drawn wire rod.

In 2019, world crude steel production reached 1,869.9 million tonnes, an increase of 3.4% compared to the previous year. Asia recorded the largest increase, at 5.7% compared to 2018. Crude steel production also decreased in the EU by 4.9% compared to the previous year. On the other hand, countries such as CIS (Commonwealth of Independent States), North and South America recorded year-on-year decline. China again increased crude steel production to reach 996.3 million tonnes of crude steel, and thus increased its share of world production to 53.3%. The steel sector in Europe will have to cope with the constantly increasing imports of metallurgical semi-finished products from third countries

and the threat of rising emission allowance prices in the following years. This is not the only challenge the European steel sector will have to face. The impacts of the pandemic and protective measures on the European economic system can be fatal unless government support comes in. The solution to this question is undoubtedly an essential criterion for maintaining the future competitiveness of the European steel industry.

➤ **2,508 thousand tonnes of steel**

Třinecké železářny produced 2,508 thousand tonnes of crude steel last year

Production and Position on the Market

World crude steel production reached almost 1,870 million tonnes in 2019, a growth of 3.4% compared to 2018. Crude steel production decreased in 2019 in all regions except Asia and the Middle East.

Annual crude steel production in Asia was at 1,341.6 million tonnes, a growth of 5.7% compared to 2018, of which China reached 996.3 million tonnes; China's production increased by 8.3% compared to the previous year and its share of world production increased to 53.3% (50.9% in 2018). In 2019, India produced 11.2 million tonnes of crude steel, a growth of 1.8% compared to 2018, becoming the second largest steel producer in the world. The third is Japan, which during 2019 produced 99.3 million tonnes, a decline

of 4.8% compared to 2018. South Korea produced 71.4 million tonnes of crude steel, a decrease of 1.4% compared to 2018.

In 2019, North America's crude steel production reached 120 million tonnes, which is 0.8% less than in 2018. The USA produced 87.9 million tonnes, i.e. a 1.5% more than in 2018.

In 2019, the EU28 countries produced only 159.4 million tonnes of crude steel and recorded a decline of 4.9% compared to 2018. Germany produced 39.7 million tonnes, which is 6.5% less, Italy produced 23.2 million tonnes, 5.2% less year-on-year. France produced 14.5 million tonnes, 6.1% less than in the previous year, while Spain produced 13.6 million tonnes of crude steel, 5.2% less year-on-year. The share of the EU28 in global crude steel production decreased from

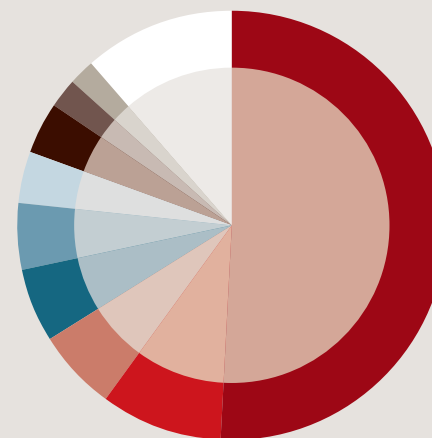


9.3% in 2018 to the current 8.5%. Production of crude steel in CIS countries (Commonwealth of Independent States) in 2019 reached 100.4 mil. tonnes, a decrease of 0.5%. Russia produced 71.6 mil. tonnes of crude steel, i.e. 0.7% less than in 2018. Ukraine recorded a decline in production of 1.2% to 20.8 mil. tonnes.

The annual production of crude steel in South America was 41.2 million tonnes in 2019, i.e. 8.4% less than in 2018. Brazil produced 32.2 million tonnes, 9.0% less than last year.

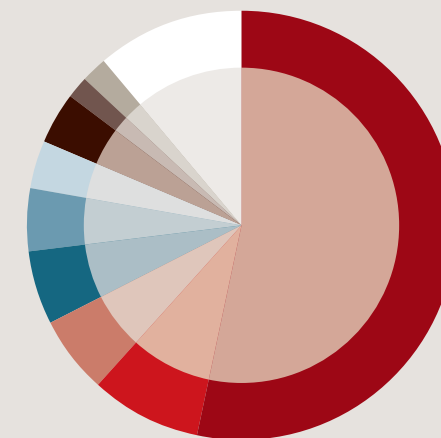
The Middle East recorded the biggest increase in crude steel production, reaching 45.3 million tonnes in 2019, which is 19.2% more than the previous year. Iran recorded leaping increase of 30.1% compared to 2018, which is 31.9 million tonnes of crude steel.

Share of global steel production in 2018 in %



- China 50.9 %
- EU-28 9.3 %
- India 6.0 %
- Japan 5.8 %
- USA 4.8 %
- South Korea 4.0 %
- Russia 4.0 %
- Turkey 2.1 %
- Brazil 2.0 %
- Others 11.2 %

Share of global steel production in 2019 in %



- China 53.3 %
- EU-28 8.5 %
- India 5.9 %
- Japan 5.3 %
- USA 4.7 %
- South Korea 3.8 %
- Russia 3.8 %
- Turkey 1.8 %
- Brazil 1.7 %
- Others 11.1 %

In 2019, European industry continued the downward trend in all sectors except the transport sector, which went up by 5.7% and the construction sector, with a growth of 3.8%. The biggest decline was recorded in the automotive industry (-5.9%), household appliances (-1.4%) and other metal products (-1.3%). Slight stagnation in production was recorded in engineering (-0.3%) and tube production (0%). The overall growth of all sectors in 2019 was 0%, which is 2.7% less compared to 2018.

The outlook of the steel industry for future years will be fully influenced by the coronavirus pandemic impacts, particularly in the automotive industry. This industry will have to face not only a decrease in production but also a falling consumer demand.

As mentioned above, crude steel production in the Czech Republic reached 4.58 million tonnes in 2019, which is 7.8% less than in the previous year. The volume of crude steel production decreased by 9.2% to 3.64 million tonnes. A stable situation is expected in 2020 with a possible slight increase in production up to 1%.

The share of Třinecké železářny in the domestic production of crude steel increased to 55% in 2019. Třinecké železářny produced a total of 2,508 million tonnes of crude steel, a decline of almost 3% compared to the previous year.

Třinecké železářny have modern technological equipment, high level of expertise and knowledge of employees throughout the production and technological flow. We qualify as one of the

leading European manufacturers of long products, mainly in the production of SBQ steel, wire rod and drawn bars. The high quality of our products and the reliability of our deliveries have found permanent use in the European market, mainly in the automotive industry, mechanical engineering, railway industry and construction sectors.

55%
The share of Třinecké železářny in the domestic production of crude steel increased to 55% in 2019

The sales volume of rolled products and semi-finished products including steel reached 2,355 million tonnes last year. Out of this volume, export amounted 67.1%, and 32.9% is attributable to domestic buyers. The most important export

countries include Germany, Slovakia, Italy and Poland.

In the overall summary, the best-selling product was the wire rod, whose share of total sales in 2019 amounted to 42.1%. Total sales of wire rod reached the level of 991 kilo tonnes last year, 68.1% of which was sold to foreign markets.

The volume of sales in the range of bars and profiles amounted to 523 kilo tonnes, 61% of this was exported. Thanks to investments in new refining and processing capacity, this type of product is offered not only as rolled steel but also heat-treated steel, peeled, drawn or divided into service lengths. A greater degree of finalization allows for increased sales of higher added value products, which are mainly used in the automotive and engineering industry.

Sales of semis recorded a slight decrease to 362 kilo tonnes (decrease by 5.3%). The share of semi-block casting accounted for 64%, rolled blocks for 18% and rolled billets for 18%. A negligible share of sales of semi-finished products (0.3%) was represented by the sale of ingots and rolled slabs. Export volume of 193 kilo tonnes accounted for 53% of total sales of semi-finished products.

Třinecké železářny is the only rail and railway accessories producer in the Czech Republic and last year it supplied 42 kilo tonnes on the domestic market. Of the total sales volume of 261 kilo tonnes, 126 kilo tonnes of rails and railway accessories were exported to EU28 countries, and another 82 kilo tonnes of rails were sent to Canada and the USA. Total exports of this product range accounted for 84% last year.

Exports of seamless tubes rose to 85 kilo tonnes in the past year, 86% of which went to the EU28 market. The domestic market accounted for 8.8%. Seamless tubes are used in the construction sector, mechanical engineering, oil and energy industries.

Sales of wide steel, produced by the universal strip mill in Bohumín, reached 42 kilo tonnes in 2019, mainly in the assortment of structural steels, of which 36.1 kilo tonnes were exported to EU28. Supplies to the domestic market amounted to 4.5 kilo tonnes.

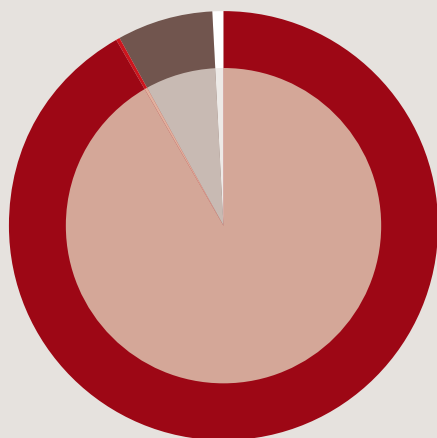
Sales of long products 2017–2019

Sales (tonnes)	DOMESTIC			EXPORT			TOTAL		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Wire rod	301 458	296 583	316 205	693 064	682 376	675 054	994 522	978 959	991 259
Semis	171 633	173 367	170 537	167 742	192 886	191 746	339 375	366 253	362 283
Profiles and bars	217 011	211 726	204 422	356 802	325 331	318 339	573 813	537 057	522 761
Rails ¹	29 562	37 935	41 527	162 413	212 956	219 468	191 975	250 891	260 995
Tubes	8 675	9 983	8 241	87 485	89 362	84 935	96 160	99 345	93 176
Wide steel	4 551	4 774	4 485	33 430	38 965	37 533	37 981	43 739	42 018
Drawn bars	28 432	29 618	25 190	63 768	62 704	50 328	92 200	92 322	75 518
Drawn wire rod	3 894	3 460	3 684	3 290	3 455	3 121	7 184	6 915	6 805
Total	765 216	767 446	774 291	1 567 994	1 608 035	1 580 524	2 333 210	2 375 481	2 354 815

¹ sales of rails together with railway superstructure accessories



Export Structure in 2019



- European Union 91.7%
- The Rest of Europe 0.5%
- America 7%
- Africa + Australia 0.1%
- Asia 0.7%

Export territories of Třinecké Železárny

EXPORT SHARE IN %	2016	2017	2018	2019
European Union	88.9	90.2	90.4	91.7
– Germany	26.5	24.7	25.1	27.2
– Slovakia	13.4	15.1	14.7	15.1
– Italy	15.2	15.9	14.9	14.6
– Poland	10.8	10.8	12.6	11.6
The Rest of Europe	3.1	0.4	0.5	0.5
America	7.3	7.6	7.3	7.0
Africa + Australia	0	0.1	0.1	0.1
Asia	0.7	1.7	1.7	0.7
TOTAL	100.0	100.0	100.0	100.0



Investments and Modernizations

The technical development projects plan for 2019 is part of the business program of Třinecké železářny. Our investments were focused on modernization, environmental projects resulting from the conclusions of integrated permits, cost reduction projects as well as actions to restore existing production facilities.

A total amount of CZK 2,356 million was invested, of which CZK 161 million consisted of grants for environmental projects.

In 2019, 45 running projects were ongoing. The most significant of them are:

- Benzol distillation – heat exchanger,
- Modernisation of Hot Blast Stove No. 61,
- Ladle furnace on Electric Arc Furnace,

- Refining Line No. 2,
- Transition to 22 kV voltage level at Tube Mill in Ostrava,
- Reconstruction of a quadrate line at Billet Mill in Kladno,
- Development of the Steel Drawing Plant in Staré Město u Uherského Hradiště.

A total of 48 modernization projects have been launched. The most significant of them are:

- Stacking bridge No. 1,
- Modernisation of Hot Blast Stove No. 62,
- Reconstruction of tap hole at Blast Furnace No 4,
- New peeling line,
- Renewal of cold rail straightness measurement,
- Sawmill of front revision on Mannesmann Big Hall at Tube Mill in Ostrava
- Modernisation of compressor station at Billet Mill in Kladno.

In 2019, 2 ecological projects were completed using grants of the State Environmental Fund of the Czech Republic and EU funds. In total, CZK 319 million was invested in environmental actions in 2019, of which the amount of CZK 158 million from Třinecké železářny investment funds and CZK 161 million from subsidies.

The most significant of them are:

- De-dusting equipment for the collecting and processing the mixture for the production of blast furnace sinter,
- De-dusting equipment for transporting and re-establishing the charge for producing the BOF sinter.

Technology and Research

Technological activities in Třinecké železářny are focused on the realisation of the strategic goals of the Company leading to satisfying demanding customer requirements. It means that by controlling the technological process throughout the production flow, the required quality parameters of manufactured semi-finished products are ensured. An important factor is the validation, integration and implementation of modern technologies and procedures, which not only significantly reduce production and processing costs or the environmental burden, but also significantly increase the added value of final products, which makes Třinecké železářny a major steel producer in Central Europe.

The field of technology is governed by internal technological regulations and measures. It includes the entire material production flow from pig iron and steel production and its processing in rolling mills, to a high level of mechanical or hot final treatment of the product. The technological regulations and measures mentioned above are continuously updated with regard to research and development activities, or innovation technology. In the case of investments in new facilities, appropriate documentation is created to allow the implementation of new technology.

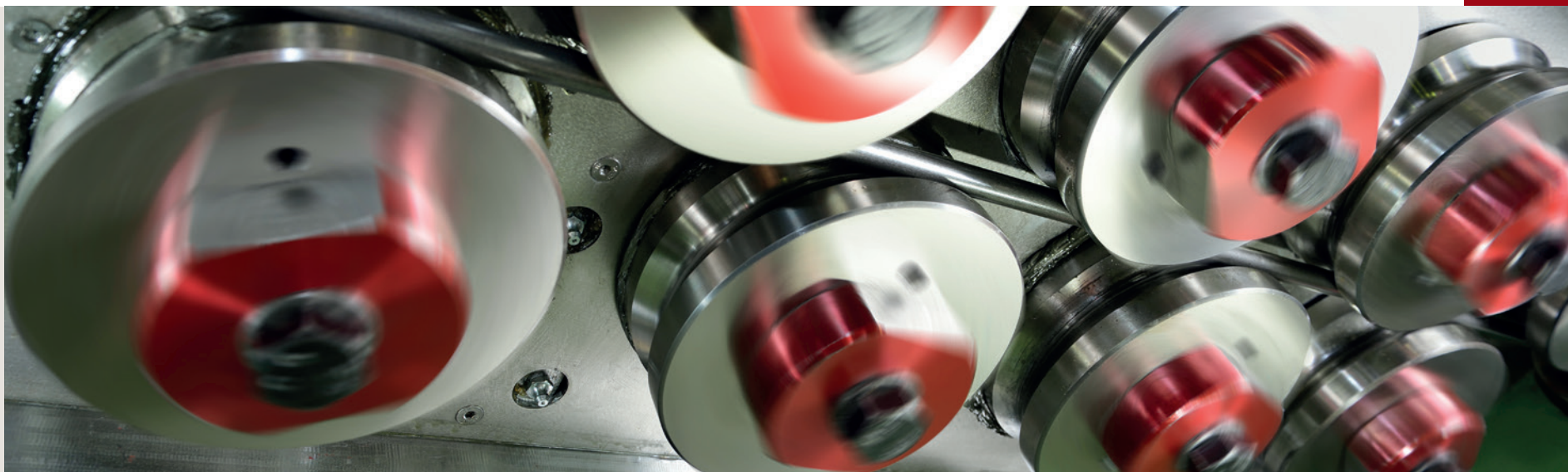
The quality of the products is guaranteed to all customers, for this purpose, quality management tools were established, such as “Quality Plan” and “Programme of Continual Improvement” governed by

the “Quality Objective”. These purposeful instruments and close cooperation with the customer are aimed at lowering or eliminating non-conformity of production and improving the qualitative parameters of final products, leading to mutual satisfaction. Close cooperation with key customers is professionally controlled by technical “Quality Services”.

Finally, technological activity is focused on improving the quality of products and semi-finished products in cooperation with subsidiaries in the group Třinecké železářny – Moravia Steel. Active cooperation helps optimise and link together new technologies or innovations with new development of cutting-edge products.

One of the key tools of permanent production quality control in conjunction with customer requirements are the principal production programs that are negotiated every year:

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



Research and development in Třinecké železářny have long been focused on introducing new technologies in various areas across the production flow all the way to the finalization of steel products, this was also the case in 2019. Development activities also take into account the impulses coming from our customers with prevailing influence of quality requirements. The internal motivation of Třinecké železářny for de-

velopment activities has long been competitiveness with all supporting aspects. An important part of research and development activities has long been the development of environmentally friendly technologies.

The above examples include projects aimed at:

- Improvement of micro-purity of steel produced by continuous casting machine No. 1 and No. 2,
- Introduction of continuous

casting technology for 600 mm diameter,

- Use of secondary raw materials (dust, isolates etc.) in the production cycle,
- Introduction of thermomechanical rolling technology of produced quality of steel,
- Development and validation utility properties of rails,
- Development of temperature-controlled rolling and cooling of seamless tubes with subsequent final treatment.

In implementing the research projects, we active cooperated with the subsidiary MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s. r. o., as well as with Technical University of Ostrava, Brno University of Technology, University of Chemistry and Technology in Prague.

A total of 23 research projects were carried out in 2019, of which 5 projects were successfully completed.

Environment

AIR PROTECTION

Compared to 2018, there was a slight year-on-year decrease in emissions of solid pollutants to another historical minimum. This decline corresponds with the year-on-year decrease in the total production volume. Compared to 2018, nitrogen oxides, sulphur dioxide and carbon monoxide recorded a slight year-on-year increase, which corresponds to an increase in production at sinter plant No. 2.

For 2019, the emissions of greenhouse gases from installations in the Třinec area of TŽ were in the amount of 2,650,392 tonnes of carbon dioxide, the amount of carbon dioxide from the Billet Mill Kladno reached 44,213 tonnes. The total amount of greenhouse gases from Třinecké železářny installations in 2019 amounted to 2,694,605 tonnes of carbon dioxide, which represents a slight year-on-year decrease due to the lower pig iron production in 2019.

Třinecké železářny devote attention to the impact of its activities on climate change and try finding and implementing measures to reduce or capture greenhouse gases. The efforts to reduce the impact on the climate system is a part of the policy of Třinecké železářny. Since 2016, the implemented energy management system has represented a reduction of CO₂ emissions of 88,400 t CO₂. Other measures to reduce greenhouse gas emissions include, for example, the annual planting of greenery and the maintenance of current

extensive greenery, in which approximately 100,000 tonnes of CO₂ are bound in the long term. Between 1990 and 2019, Třinecké železářny reduced GHG emissions by 20%, i.e. almost 672,000 tonnes of CO₂. We want to continue this trend, among other things, by using green electricity and installing photovoltaic panels. It is also worth mentioning that Třinecké železářny delivers approximately 50,000 tonnes of steel for wind power plant production annually and supports the development of the emission free electricity production.

Pollutants in 2019 compared to 2018

YEAR	SOLID POLLUTANTS (t/year)	SULPHUR DIOXIDE (t/year)	NITROGEN OXIDES (t/year)	CARBON MONOXIDE (t/year)	CARBON DIOXIDE (t/year)
2018	138	2 477	1 982	63 775	2 747 355
2019	128	2 753	2 072	69 367	2 694 605

Note: the data refer to the Třinecké železářny premises in Třinec

WATER PROTECTION

The amount of industrial waste water discharged into the Olše watercourse in 2019 shows a slight decrease compared to 2018, which is caused by a lower volume of metallurgical production. However, this corresponds to the long-term stabilised state of water management in Třinecké železářny. The level of waste water pollution achieves a sustainable level with respect to compliance with the specified limits of pollution.

In recalculation of waste water production per tonne of produced steel recorded a slight decrease. In 2018, wastewater production was 1.47 m³/t; in 2019 it was 1.35 m³/t.

During 2019, Třinecké železářny did not cause any emergency situation that would result in the deterioration of, or threat to, the quality of groundwater or surface water.

Pollution discharged into water flows in 2019 compared to 2018

YEAR	VOLUME OF WASTE WATER (m ³ /year)	UNDISSOLVED SUBSTANCE (t/year)	C ₁₀ – C ₄₀ HYDROCARBONS (t/year)	DISSOLVED INORGANIC SALTS (t/year)	CHEMICAL OXYGEN CONSUMPTION USING DICHROMATIC METHOD (t/year)	TOTAL IRON (t/year)
2018	3 783 041	32.5	0.62	1 866	68.6	4.3
2019	3 395 754	26.2	0.24	1 831	67.2	2.7

Note: the data refer to the Třinecké železářny premises in Třinec





WASTE MANAGEMENT

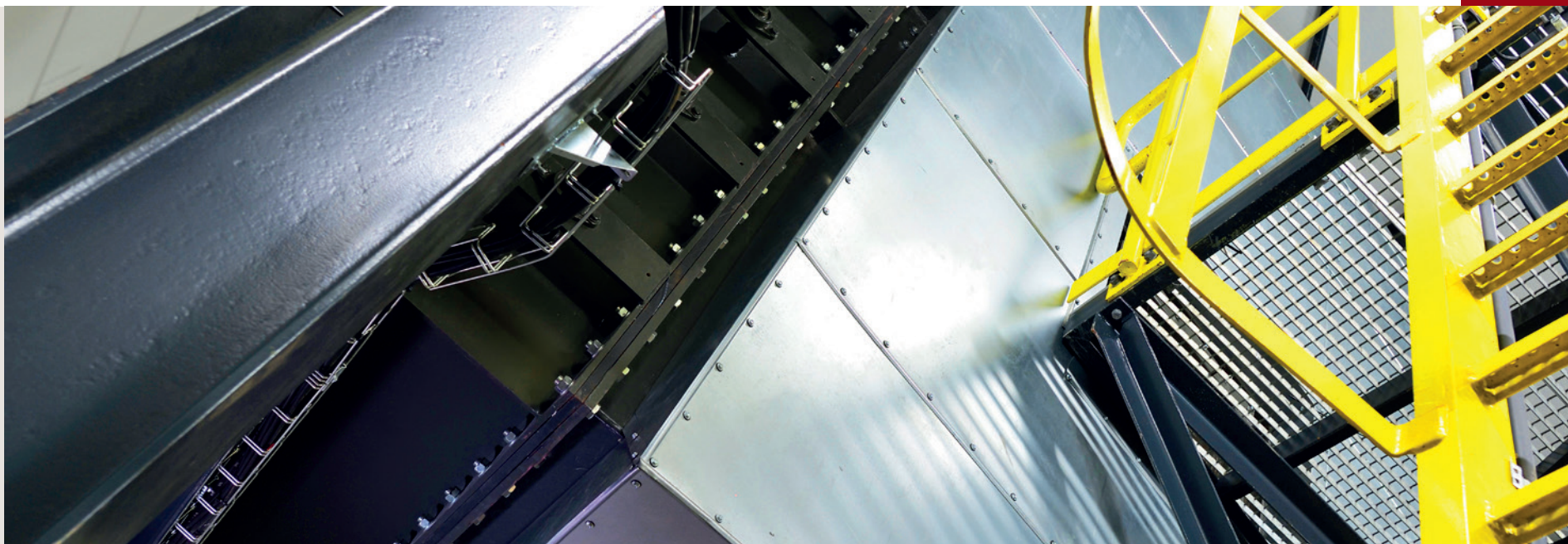
In 2019, there was a slight decrease in waste production compared to previous years. This is confirmed by the fact that the amount of waste generated in TŽ is largely dependent on the volume of metallurgical production, which was lower by about 75 kt in comparison with 2018.

Specifically, a total of 100,990 tonnes of waste was generated in Třinecké železářny, which represents a drop of 15.5% compared to 2018 (119,539 t). For waste of the category other (83 482 t) this drop is 15.7%, for hazardous waste (17,509 t) it is a drop of 14.2%.

The indicator of the amount of waste per tonne of steel also recorded a drop of 13% and its value is 40.3 kg/t of steel.

Volume of waste in 2019 compared to 2018

YEAR	STEEL PRODUCTION (kt/year)	PRODUCTION OF WASTE CATEGORY "OTHER" (kt/year)	PRODUCTION OF WASTE CATEGORY "HAZARDOUS" (kt/year)
2018	2 583	99	20
2019	2 508	84	18



ENVIRONMENTAL PROJECTS

The following environmental investment projects continued in 2019:

- De-dusting equipment for the collecting and processing the mixture for the production of blast furnace sinter,
- De-dusting equipment for transporting and re-establishing the charge for producing the BOF sinter.

- Modernization of Hot Blast Stove No. 61,
- Modernization of Hot Blast Stove No. 62.
- Noise reduction measures on Ladle Furnace No. 1.

The total cost of ongoing environmental investment actions in 2019 reached the amount of CZK 547 million.

Within the investment projects of 2020, we plan following environmental projects:

- Modernization of the line at Coke Production Plant and Secondary Raw Materials Plant,
- Noise reduction measures on Ladle Furnace No. 1. – chimney and fan for de-dusting of Ladle Furnace No. 1,

- Noise reduction measures on Ladle Furnace No. 1 – fan for de-dusting knots,
- Noise reduction measures in Blast Furnaces – fan chimney for air preheater, 2× fans for air preheater.

Employees

The relationship between employees and Třinecké železářny is based on openness and mutual respect. Třinecké železářny supports the development of its employees and their career growth. The basic principles of behaviour of Třinecké železářny, including the relationship to employees, principles of corporate culture and basic principles of Corporate Social Responsibility (CSR) are set out in the Code of Conduct of TŘINECKÉ ŽELEZÁŘNY, a. s., Social Responsibility Policy. These Rules are followed by the Conditions of Employment, which regulate the duties of employees. The statutory and above-standard benefits of the employees of Třinecké železářny are enshrined in the Company Collective Agreement and the related in-house documentation, which the employees

follow when performing their duties.

As in previous years, in order to ensure generational replacement and to address employee turnover, attention was paid to attracting technically qualified job seekers, not only from among graduates of technical secondary schools and universities.

7,062
**The actual registered
 recalculated number of
 employees reached 7,062
 with the actual average
 earnings of CZK 36,184**

Graduates of technical fields of the Secondary Technical School of Třinecké železářny found wide employment possibilities in Třinecké železářny. To meet

the needs of university-educated employees, the 18th run of the Internship Centre of University Graduates was successfully completed and the 19th was initiated. Among other things, we also continued cooperation with schools of all levels, which is focused primarily on the support and promotion of technology, technical and natural sciences.

As in previous years, emphasis was also placed on employee education. Corporate education is based on the principles of personnel strategy, which is aimed at achieving the goals set by the overall business strategy of Třinecké železářny. In view of demographic development, the provision of a prepared and highly qualified workforce will continue to play a key role in ensuring the future development of Třinecké železářny. Education policy is therefore

integrated into the Company's personnel strategy. In this context, the mission of education is to ensure the qualification level of employees across the entire spectrum of professions. On the other hand, education is a continuous process where employees are trained to maintain their qualifications and further develop to deepen and broaden their expertise and skills.

In 2019, the preparation of a selected group of employees was carried out through two projects from the Operational Program Employment, namely the Regional Council for Development and Cooperation in Třinec (REGRADA), intended primarily for language preparation, and the Werkperspektiva project, which included courses concerning general as well as specialized information systems, soft and managerial skills



courses, including accounting, economic and legal courses. This project also included technical and other vocational training. The Werkperspektiva project was successfully completed in June 2019 and the REGRADA project continues until May 2020.

For the sixth consecutive year, internal education (on-the-job training) has been implemented through the Corporate Academy application. This platform not only serves for the preparation of training sessions, their implementation and the systematic storage of records of past educational events, but also enables sharing of knowledge and experience and mutual discussion of employees on various topics. In addition to the statutory health protection, in cooperation with the Czech Industrial Health Insurance Company, a

number of preventive health-related activities to support employees' health and adherence to the principles of healthy lifestyle were provided in Třinecké železářny in 2019. These were mainly rehabilitation stays in spas, outpatient rehabilitation and supplementary rehabilitation care, including physical activities, massages, relaxation procedures and nutritional counselling. Vitamin packs were provided to employees at selected workplaces.

Prevention of risks of health damage at work is in accordance with the legislation of the Czech Republic and the conditions of the third-time awarded "Safe Enterprise", which was granted to Třinecké železářny by the State Labour Inspection Office in 2019, valid for the next three years.

In 2019, Třinecké železářny recorded a total of 31 work injuries with incapacity for work longer than 3 calendar days. There was no fatal or serious injury. The accident rate was 0.44 accidents per 100 employees per year. In order to fulfil the required volume of production while maintaining a high level of quality we focused all efforts in the area of personnel work and motivation on attracting new employees with the necessary qualifications and on stabilizing existing employees. Most modernization projects and rationalization processes focused on reducing the need for employees. The actual registered recalculated number of employees reached 7,062 with the actual average earnings of CZK 36,184.



Management System

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

The basic management rules include a linear organizational structure, process and project management, and a call for risk analyses in all management subsystems. None of the principles is applied independently, the management is based on their thoughtful combination. The Balanced Score Card (BSC)

performance indicator system and regular reporting system are set up to provide the necessary feedback to define and control the fulfilment of strategic goals.

➤ Strategy

The efforts of all employees are focused primarily on increasing the added value of long rolled products

Also, in 2019, we adopted a number of measures in support of strategic goals in all sectors of the Třinecké železářny strategic framework (Partnership, Technology, People, Management). The managers of Třinecké železářny, responsible for the fulfilment of strategic goals, completed educational activities focused on familiarization with legislative changes,

innovative company culture, automation technologies and robotic solutions in the times of Industry 4.0.

In 2019, the management system, including information systems, did not change materially. SAP, Lotus (IBM) Notes, ELVIS and Werkportal continue to be the information base in Třinecké železářny.

In the area of quality management, in 2019 Třinecké železářny obtained an extension of its qualification for deliveries to the chains of the automotive, railway and oil industries, power engineering and to the regulated sphere in the area of construction products. Production sites in Třinec, Staré Město and Kladno were separately recertified for the automotive industry.

As part of the corporate social responsibility of Třinecké železářny towards the environment and stakeholders in the region, the energy management system has been recertified within the scope of EN ISO 50001 (certified by a third party) for production sites in Třinec and in remote production units in Kladno, Ostrava, and Staré Město. In the area of social responsibility, cooperation with an external company – evaluator continued in 2019, which independently evaluated the CSR level in Třinecké železářny. In this evaluation (of the Ecovadis system) Třinecké železářny achieved an improvement compared to previous years, resulting in a "silver" evaluation.

Also in 2019, we paid increased attention to the data protection system in order to continue



meeting the requirements of Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation “GDPR”), the legislation of which was implemented in the Company’s management system in 2018.

In 2019, we continued our pro-ecological activities such as cleaning the riverbed of the Olše River, promoting biodiversity in the premises of Třinecké železárny and its surroundings, planting firs and beech trees at the Kalužný peak and help provided by our employees to non-profit organizations as part of the Volunteer Day. As in previous years, Třinecké železárny participated in the financial

support of selected projects of non-profit organizations in the region and sponsorship of various sports clubs.

In 2019, the “Agreement aimed at reducing the burden on the environment”, which was concluded for three years between the Czech Republic – the Ministry of the Environment, the Moravian-Silesian Region and Třinecké železárny, continued. Pursuant to this agreement, Třinecké železárny annually provides financing and organization of curative stays of children from the town of Třinec and its surroundings in the amount of CZK 1.5 million. In 2019, 291 children from the first grade of elementary schools in Třinec and newly also from two elementary schools in Český Těšín attended these curative stays organized in the Žiar resort in the Western Tatras in Slovakia.

Třinecké železárny holds ownership interests in 29 companies, whether with controlling, substantial or minority influence. Most of these companies focus on activities directly or indirectly related to the metalurgy business and this focus is in line with our long-term business strategy.

➤ **CZK**
1.5 million
Třinecké železárny annually provides financing and organization of curative stays of children from the town of Třinec and its surroundings in the amount of CZK 1.5 million

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



Financial Information

Profit before tax for the year 2019 amounted to CZK 685 million.

Compared to the previous year 2018, pre-tax profit is lower by CZK 3,391 million due to a decrease in production volume and quantity sold, associated with unfavourable sales prices of rolled products and steel, and an increase in raw material and energy prices.

Development of revenues

INDICATOR (IN CZK MILLIONS)	2018	2019
Rolled goods incl. steel	39 053	36 973
Other products	1 001	976
Sales of own products	40 054	37 950
Sales of services	442	455
Sales of own products and services	40 496	38 405

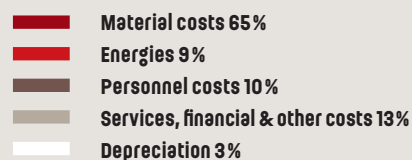
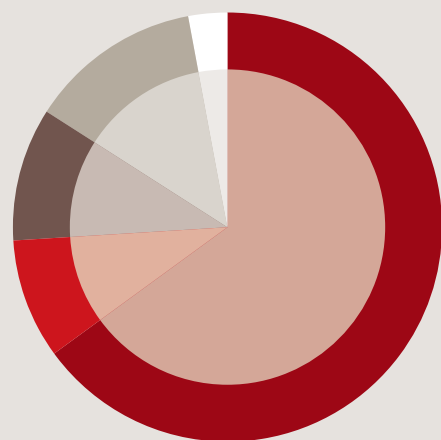
The Company's revenues reached CZK 38,405 million. The year-on-year decrease of CZK 2,091 million is due to lower sales volume and a decrease in the average realizable price of rolled products and steel, as well as due to lower sales of other products and services (mainly due to lower sale price of tar).

Production consumption was CZK 654 million higher than in 2018. The most significant influence on the year-on-year increase was caused by the growth of prices of key commodities and the increase in energy prices.

Added value reached CZK 5,677 million in 2019, down by CZK 4,210 million compared to 2018. Labour productivity from added value per employee in 2019 amounted to CZK 804 thousand (CZK 1,390 thousand in 2018).

The operating profit decreased by CZK 3,576 million year-on-year due to the above.

The financial profit was CZK 185 million higher than in 2018 due to a decrease in the provision for non-current financial assets and higher share of profits of subsidiaries.

Cost structure

As of 31 December 2019, Třinecké železářny reported assets totaling CZK 39,690 million, which is CZK 747 million more than as of 31 December 2018.

The year-on-year increase was due to an increase in fixed assets of CZK 1,686 million.

Tangible fixed assets increased by CZK 817 million (investments were higher than depreciation). Intangible fixed assets increased by CZK 774 million (emission allowances). Non-current financial assets also increased.

Current assets decreased by CZK 940 million.

Inventory was reduced by CZK 822 million due to a decrease in stock.

Receivables increased by CZK 73 million due to an increase in tax receivables from the state. Cash decreased by CZK 190 million.

In the area of liabilities, equity increased by CZK 610 million compared to 31 December 2018. Liabilities increased year-on-year by CZK 137 million due to increased liabilities to credit in-

stitutions, deferred tax liability and other liabilities. Provisions, trade liabilities and estimated payables decreased. The Company's indebtedness as of 31 December 2019 was 28.2% (28.4% as of 31 December 2018).

Strategic Objectives

In Třinecké železářny, the equipment is constantly being modernized in order to reduce costs and increase the added value of final products. In 2019, the transition to 155 mm square casting was completed. The main investment in the development of the steel drawing plant in Staré Město, which will be completed in 2020, also continued.

In 2020, the construction of a new line for electrolytic phosphating and drawing of wire called STAKU 2 will commence. The environmental projects will

be completed with the modernization of the Hot Blast Stove No. 61 and de-dusting of the mixture processing equipment for the production of the blast furnace sinter. Work on modernization of Hot Blast Stove No. 62 will be launched. All the investment projects will be obviously dependent on the future global and European economic development, which will undoubtedly have an impact on the economic activities of Třinecké železářny.

➤ CZK 817 million

Tangible fixed assets increased by CZK 817 million, Intangible fixed assets increased by CZK 774 million

VI

Report of the Supervisory Board



The Supervisory Board regularly checked whether the business activities of TŘINECKÉ ŽELEZÁRNY, a. s. were carried out in accordance with the valid legislation, the statutes of TŘINECKÉ ŽELEZÁRNY, a. s., and the sole shareholder's decisions acting in the capacity of the General Meeting and resolutions of the Supervisory Board. In the course of 2019, the Board of Directors informed it of the current economic situation of TŘINECKÉ ŽELEZÁRNY, a. s., as well as the fulfilment of the Business Plan.

The Supervisory Board supervised the performance of the Board of Directors and the business activities of TŘINECKÉ ŽELEZÁRNY, a. s., in accordance with the approved documents of this company, i.e. the Business Plan and the Financial Plan of TŘINECKÉ ŽELEZÁRNY, a. s. for 2019.

At its meeting on 20 April 2020, the Supervisory Board reviewed the Annual Report of TŘINECKÉ ŽELEZÁRNY, a. s. for 2019, which includes

- The regular financial statements for 2019,
- The regular consolidated

financial statements for 2019,

- Report on relations for the accounting period of 2019,
- The Board of Directors' proposal for the distribution of profits generated for the 2019 reporting period, and
- The report of the Board of Directors on the business activities of TŘINECKÉ ŽELEZÁRNY, a. s., and the state of its assets.

The Supervisory Board stated that the Report on Relations for the reporting period of 2019 was prepared in accordance with Act No. 90/2012 Coll. and the actual status of the

relations between TŘINECKÉ ŽELEZÁRNY, a. s. and the controlling entities and between TŘINECKÉ ŽELEZÁRNY, a. s. and the entities controlled by the same controlling entity.

The Supervisory Board further stated that its proposal for the distribution of profit generated for the reporting period 2019 is not contrary to the provisions of Section 350 of Act No. 90/2012 Coll.

The Supervisory Board recommends the regular financial statements and the regular consolidated financial statements



of TŘINECKÉ ŽELEZÁRNY, a. s. for 2019, as well as the proposal of the Board of Directors for the distribution of the profit generated for the reporting period of 2019 and the report of the Board of Directors on the business activity of the TŘINECKÉ ŽELEZÁRNY, a. s. and the state of its assets, for approval by the General Meeting, i.e. the sole shareholder of TŘINECKÉ ŽELEZÁRNY, a. s. acting in the capacity of the General Meeting.

Tomáš Chrenek

CHAIRMAN OF THE SUPERVISORY
BOARD

VII

Subsequent Events

Subsequent to the preparation but before the publication of these financial statements, in relation to the SARS CoV-2 coronavirus (causing COVID-19) circulation, the Company took and continues to take necessary steps to minimise the risk of contagion to its employees.

The Company implemented numerous safety and methodological measures, in line with the emergency measures of the Czech government and other public authorities in preventing the spread of the coronavirus. The Company's management is currently assessing and estimating the quantitative and

qualitative impacts on the financial position and future results of the Company. The Company will continue to carefully monitor current developments and will flexibly respond in order to protect the health of its employees and reduce the impacts on its financial results.

The image features a dark teal background with a pattern of lighter teal, wavy, overlapping lines that create a sense of depth and movement. In the center, there is a prominent white circle. Inside this circle, the words "Financial" and "Section" are written in a white, serif font, stacked vertically. The text is centered both horizontally and vertically within the circle.

**Financial
Section**

VIII

Auditor's Report

Deloitte.

Deloitte Audit s.r.o.
Nile House
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Registered by the Municipal Court
in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT To the Shareholder of TŘINECKÉ ŽELEZÁRNY, a. s.

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

Opinion on the Financial Statements and Consolidated Financial Statements

We have audited the accompanying Financial Statements of TŘINECKÉ ŽELEZÁRNY, a. s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2019, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

We have audited the accompanying Consolidated Financial Statements of the TŘINECKÉ ŽELEZÁRNY, a.s. consolidation group (hereinafter also the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as of 31 December 2019, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion:

The accompanying Financial Statements give a true and fair view of the financial position of TŘINECKÉ ŽELEZÁRNY, a. s. as of 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

The accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the TŘINECKÉ ŽELEZÁRNY, a. s. consolidation group as of 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Prague on 20 April 2020

Audit firm:

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



Statutory auditor:

Václav Loubek
registration no. 2037



IX

Financial Part I.
– Financial Statements

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NAME OF THE COMPANY:	TŘINECKÉ ŽELEZÁRNY, a. s.
REGISTERED OFFICE:	Průmyslová 1000, Staré Město, 739 61 Třinec
LEGAL STATUS:	Joint Stock Company
CORPORATE ID:	180 50 646

Components of the Financial Statements:

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

These financial statements were prepared on 23 March 2020.

STATUTORY BODY OF THE REPORTING ENTITY	SIGNATURE
Jan Czudek Chairman of the Board of Directors	
Radomíra Pekárková Member of the Board of Directors	

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2019		31.12.2018
	Gross	Adjustment	Net	Net
TOTAL ASSETS	66 545 553	-26 855 866	39 689 687	38 943 148
B. Fixed assets	52 521 012	-26 017 903	26 503 109	24 816 885
<i>B.I. Intangible fixed assets</i>	1 935 116	-214 688	1 720 428	946 737
B.I.1. Development	4 553	-4 553		
B.I.2. Valuable rights	267 748	-204 814	62 934	67 184
B.I.2.1. Software	170 358	-141 185	29 173	12 309
B.I.2.2. Other valuable rights	97 390	-63 629	33 761	54 875
B.I.4. Other intangible fixed assets	1 658 372	-5 321	1 653 051	878 010
B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction	4 443		4 443	1 543
B.I.5.2. Intangible fixed assets under construction	4 443		4 443	1 543
<i>B.II. Tangible fixed assets</i>	41 935 283	-25 460 973	16 474 310	15 657 233
B.II.1. Land and structures	10 476 130	-5 245 896	5 230 234	5 056 106
B.II.1.1. Land	524 405		524 405	527 358
B.II.1.2. Structures	9 951 725	-5 245 896	4 705 829	4 528 748
B.II.2. Tangible movable assets and sets of tangible movable assets	29 784 829	-20 212 807	9 572 022	9 621 562
B.II.4. Other tangible fixed assets	6 770		6 770	6 735
B.II.4.3. Other tangible fixed assets	6 770		6 770	6 735
B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction	1 667 554	-2 270	1 665 284	972 830
B.II.5.1. Prepayments for tangible fixed assets	137 875		137 875	109 455
B.II.5.2. Tangible fixed assets under construction	1 529 679	-2 270	1 527 409	863 375
<i>B.III. Non-current financial assets</i>	8 650 613	-342 242	8 308 371	8 212 915
B.III.1. Equity investments – controlled or controlling entity	8 597 616	-325 986	8 271 630	8 176 237
B.III.3. Equity investments in associates	50 995	-16 256	34 739	34 676
B.III.5. Other non-current securities and investments	2 002		2 002	2 002

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – ASSETS


(IN CZK THOUSAND)

	31.12.2019		31.12.2018	
	Gross	Adjustment	Net	Net
C. Current assets	14 024 541	-837 963	13 186 578	14 126 263
<i>C.I. Inventories</i>	11 095 067	-802 010	10 293 057	11 115 526
C.I.1. Material	4 912 934	-286 106	4 626 828	4 555 328
C.I.2. Work in progress and semifinished goods	3 919 815	-370 619	3 549 196	3 890 126
C.I.3. <i>Products and goods</i>	2 254 127	-145 285	2 108 842	2 659 646
C.I.3.1. Products	2 254 112	-145 285	2 108 827	2 659 633
C.I.3.2. Goods	15		15	13
C.I.5. Prepayments for inventories	8 191		8 191	10 426
<i>C.II. Receivables</i>	2 720 466	-32 919	2 687 547	2 614 320
<i>C.II.1. Long-term receivables</i>	15 681		15 681	10 825
C.II.1.5. <i>Receivables – other</i>	15 681		15 681	10 825
C.II.1.5.2. Long-term prepayments made	652		652	639
C.II.1.5.4. Sundry receivables	15 029		15 029	10 186
<i>C.II.2. Short-term receivables</i>	2 489 636	-32 919	2 456 717	2 420 051
C.II.2.1. Trade receivables	1 819 719	-13 783	1 805 936	2 016 174
C.II.2.2. Receivables – controlled or controlling entity	9 068		9 068	21 087
C.II.2.4. <i>Receivables – other</i>	660 849	-19 136	641 713	382 790
C.II.2.4.3. State – tax receivables	563 994		563 994	330 884
C.II.2.4.4. Short-term prepayments made	4 891		4 891	5 728
C.II.2.4.5. Estimated receivables	8 875		8 875	7 791
C.II.2.4.6. Sundry receivables	83 089	-19 136	63 953	38 387
<i>C.II.3. Other assets</i>	215 149		215 149	183 444
C.II.3.1. Deferred expenses	69 623		69 623	47 088
C.II.3.2. Complex deferred expenses	133 219		133 219	136 299
C.II.3.3. Accrued income	12 307		12 307	57
<i>C.III. Current financial assets</i>	3 034	-3 034		
C.III.2. Other current financial assets	3 034	-3 034		
<i>C.IV. Cash</i>	205 974		205 974	396 417
C.IV.1. Cash on hand	1 389		1 389	2 000
C.IV.2. Cash at bank	204 585		204 585	394 417

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31.12.2019	31.12.2018
TOTAL LIABILITIES & EQUITY	39 689 687	38 943 148
A. Equity	28 500 102	27 890 159
A.I. Share capital	8 109 863	8 109 863
A.I.1. Share capital	8 109 863	8 109 863
A.II. Share premium and capital funds	103 743	103 743
A.II.2. <i>Capital funds</i>	103 743	103 743
A.II.2.1. Other capital funds	103 787	103 787
A.II.2.2. Gains or losses from the revaluation of assets and liabilities (+/-)	-44	-44
A.III. Funds from profit	2 858 219	2 858 219
A.III.1. Other reserve funds	2 858 219	2 858 219
A.IV. Retained earnings (+/-)	16 818 334	13 484 295
A.IV.1. Accumulated profits or losses brought forward (+/-)	16 818 334	13 484 295
A.V. Profit or loss for the current period (+/-)	609 943	3 334 039
B.+C. Liabilities	11 189 585	11 052 989
B. Reserves	277 066	381 886
B.III. Reserves under special legislation	1 113	1 113
B.IV. Other reserves	275 953	380 773

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31.12.2019	31.12.2018
C. Payables	10 912 519	10 671 103
C.I. Long-term payables	3 299 070	3 089 894
C.I.2. Payables to credit institutions	2 125 874	1 972 001
C.I.4. Trade payables	29 641	30 418
C.I.8. Deferred tax liability	1 127 749	1 087 475
C.I.9. Payables – other	15 806	
C.I.9.3. Sundry payables	15 806	
C.II. Short-term payables	7 612 739	7 579 921
C.II.2. Payables to credit institutions	1 426 005	876 468
C.II.3. Short-term prepayments received	6	
C.II.4. Trade payables	3 811 235	4 367 827
C.II.8. Other payables	2 375 493	2 335 626
C.II.8.1. Payables to partners	35 000	
C.II.8.3. Payables to employees	403 566	365 396
C.II.8.4. Social security and health insurance payables	137 504	136 495
C.II.8.5. State – tax payables and subsidies	1 695 331	1 395 554
C.II.8.6. Sundry payables	38 319	366 701
C.II.8.7. Other liabilities	65 773	71 480
C.III. Časové rozlišení pasiv	710	1 288
C.III.1. Accrued expenses	419	370
C.III.2. Deferred income	291	918

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

	Year ended 31.12.2019	Year ended 31.12.2018
I. Sales of products and services	38 405 086	40 495 694
II. Sales of goods	270	224
A. Purchased consumables and services	32 602 690	31 949 062
A.1. Costs of goods sold	264	220
A.2. Consumed material and energy	29 524 711	28 851 639
A.3. Services	3 077 715	3 097 203
B. Change in internally produced inventory (+/-)	624 151	-819 545
C. Own work capitalised (-)	-498 975	-520 858
D. Staff costs	4 195 777	4 615 584
D.1. Payroll costs	2 929 733	3 265 049
D.2. Social security and health insurance costs and other charges	1 266 044	1 350 535
D.2.1. Social security and health insurance costs	1 080 218	1 162 749
D.2.2. Other charges	185 826	187 786
E. Adjustments to values in operating activities	1 570 099	1 368 059
E.1. Adjustments to values of intangible and tangible fixed assets	1 343 709	1 407 406
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	1 351 423	1 402 695
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	-7 714	4 711
E.2. Adjustments to values of inventories	228 154	-38 942
E.3. Adjustments to values of receivables	-1 764	-405
III. Other operating income	2 091 738	1 028 543
III.1. Sales of fixed assets	27 051	56 052
III.2. Sales of material	106 769	125 206
III.3. Sundry operating income	1 957 918	847 285

 TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

	Year ended 31.12.2019	Year ended 31.12.2018
F. Other operating expenses	1 574 105	926 611
F.1. Net book value of sold fixed assets	9 385	13 880
F.2. Material sold	100 194	117 384
F.3. Taxes and charges	33 619	33 605
F.4. Reserves relating to operating activities and complex deferred expenses	-96 888	49 240
F.5. Sundry operating expenses	1 527 795	712 502
* Operating profit or loss (+/-)	429 247	4 005 548
IV. Income from non-current financial assets – equity investments	264 246	205 557
IV.1. Income from equity investments – controlled or controlling entity	241 155	200 260
IV.2. Other income from equity investments	23 091	5 297
VI. Interest income and similar income	756	484
VI.1. Interest income and similar income – controlled or controlling entity	387	356
VI.2. Other interest income and similar income	369	128
I. Adjustments to values and reserves relating to financial activities	-54 969	24 116
J. Interest expenses and similar expenses	64 217	45 968
J.1. Interest expenses and similar expenses – controlled or controlling entity		893
J.2. Other interest expenses and similar expenses	64 217	45 075
VII. Other financial income	24 312	19 584
K. Other financial expenses	23 948	84 417
* Financial profit or loss (+/-)	256 118	71 124
** Profit or loss before tax (+/-)	685 365	4 076 672
L. Income tax	75 422	742 633
L.1. Due income tax	35 148	733 465
L.2. Deferred income tax (+/-)	40 274	9 168
** Profit or loss net of tax (+/-)	609 943	3 334 039
*** Profit or loss for the current period (+/-)	609 943	3 334 039
* Net turnover for the current period	40 786 408	41 750 086

STATEMENT OF CHANGES IN EQUITY

(IN CZK THOUSAND)

	Share capital	Capital funds	Funds from profit, other reserve funds	Accumulated profits or losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2017	8 109 863	103 740	2 858 219	13 260 157	1 424 138	25 756 117
Distribution of profit or loss				224 138	-224 138	
Profit shares paid					-1 200 000	-1 200 000
Gains or losses on revaluation of securities		3				3
Profit or loss for the current period					3 334 039	3 334 039
Balance at 31 December 2018	8 109 863	103 743	2 858 219	13 484 295	3 334 039	27 890 159
Distribution of profit or loss				3 334 039	-3 334 039	
Profit or loss for the current period					609 943	609 943
Balance at 31 December 2019	8 109 863	103 743	2 858 219	16 818 334	609 943	28 500 102

CASH FLOW STATEMENT

(IN CZK THOUSAND)

	Year ended 31.12.2019	Year ended 31.12.2018
P.		
Opening balance of cash and cash equivalents	381 646	184 320
Cash flows from ordinary activities (operating activities)		
Z.		
Profit or loss before tax	685 365	4 076 672
A.1.		
Adjustments for non-cash transactions	1 201 906	1 245 517
A.1.1.		
Depreciation of fixed assets	1 351 423	1 402 695
A.1.2.		
Change in provisions and reserves	66 819	38 720
A.1.3.		
Profit/(loss) on the sale of fixed assets	-17 666	-42 172
A.1.4.		
Revenues from profit shares	-264 246	-205 557
A.1.5.		
Interest expense and interest income	63 461	45 484
A.1.6.		
Adjustments for other non-cash transactions	2 115	6 347
A.*	1 887 271	5 322 189
Net operating cash flow before changes in working capital		
A.2.		
Change in working capital	-55 430	-642 014
A.2.1.		
Change in operating receivables and other assets	168 922	-49 428
A.2.2.		
Change in operating payables and other liabilities	-829 507	928 260
A.2.3.		
Change in inventories	594 293	-1 520 742
A.2.4.		
Change in current financial assets	10 862	-104
A.**	1 831 841	4 680 175
Net cash flow from operations before tax		
A.3.		
Interest paid	-64 163	-47 368
A.4.		
Interest received	818	369
A.5.		
Income tax paid from ordinary operations	-760 657	-46 981
A.6.		
Received profit shares	264 246	205 557
A.***	1 272 085	4 791 752
Net operating cash flows		
Cash flows from investing activities		
B.1.		
Fixed assets expenditures	-2 205 954	-3 057 967
B.2.		
Proceeds from fixed assets sold	15 001	56 201
B.3.		
Loans and borrowings to related parties	12 000	3 032
B.***	-2 178 953	-2 998 734
Net investment cash flows		
Cash flow from financial activities		
C.1.		
Change in payables from financing	727 287	-395 692
C.2.		
Impact of changes in equity		-1 200 000
C.2.6.		
Profit shares paid		-1 200 000
C.***	727 287	-1 595 692
Net financial cash flows		
F.	-179 581	197 326
Net increase or decrease in cash and cash equivalents		
R.	202 065	381 646
Closing balance of cash and cash equivalents		

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

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

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

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

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

1.2. ORGANISATIONAL STRUCTURE OF THE COMPANY

Bodies of the Company are as follows:

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

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

During 2019, the Audit Committee, which had been a voluntary body of the Company established by the Articles of Association, was dissolved; its activities were assumed by the intracompany section PKa – Auditing activities. There were no other significant organisational changes.

1.3. GROUP IDENTIFICATION

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

In the year ended 31 December 2019, the Company was controlled by MORAVIA STEEL a.s., having its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, as the sole shareholder.

In 2019, MORAVIA STEEL a.s. was controlled by FINITRADING, a.s.; on 31 December 2019, FINITRADING, a.s. was dissolved in a merger by amalgamation with MORAVIA STEEL a.s., as the successor company, with the effective date of 1 January 2019.

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

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

1.4. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2019

	Position	Name
Board of Directors	Chairman	Jan Czudek
	1 st Vice Chairman	Česlav Marek
	2 nd Vice Chairman	Henryk Huczala
	Member	Ivo Žižka
	Member	Radomíra Pekárková
Supervisory Board	Chairman	Tomáš Chrenek
	1 st Vice Chairman	Ján Moder
	2 nd Vice Chairman	Evžen Balko
	Member	Jana Kantorová
	Member	Jozef Blaško
	Member	Marcel Pielesz

During 2019, the following change was made in the composition of the Company's Supervisory Board:

Position	Original member	New member	Date of change
Member	František Ližocki	–	31 December 2018
Member	–	Jana Kantorová	1 January 2019

2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

2.1. REPORTING PERIOD

The Company's financial statements as of 31 December 2019 have been prepared as follows:

- The balance sheet includes comparative figures as of 31 December 2018;
- The profit and loss account includes comparative figures for the year ended 31 December 2018;
- The statement of changes in equity includes comparative figures as of 31 December 2018; and
- The cash flow statement includes comparative figures as of 31 December 2018.

2.2. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

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

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

Purchased tangible and intangible fixed assets are valued at cost. Tangible and intangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of assets (production overheads) and to the production period. Production overheads also comprise costs for engineering activities. Costs of sale are not included.

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

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

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

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

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

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

Greenhouse emission allowances (hereinafter the "allowances") are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. The use of emission allowances is accounted for at the balance sheet date as a minimum, depending upon the level of emissions produced by the Company in the calendar year. An initial free-of-charge acquisition of the allowances is recognised as a subsidy not reducing the carrying amount of the intangible fixed assets. This 'subsidy' is released into income on a systematic basis as the allowances are used and charged to expenses. The sale of allowances is recorded as a component of 'Other operating income' in the profit and loss account.

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

Due to the mergers completed in prior reporting periods, emission allowances are reported on standalone ETS Registry accounts depending on the locally-defined operation facility. In reporting the disposal of emission allowances, the FIFO valuation method is applied in respect of individual deposit ETS Registry accounts and individual emission allowance types.

Depreciation for Accounting Purposes

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

Category of assets	Depreciation period in years
Structures	2 – 77
Machinery and equipment	2 – 42
Vehicles	3 – 40
Furniture and fixtures	6 – 15
Software	3 – 7

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

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

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

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

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

Provisioning

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

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

2.3. NON-CURRENT FINANCIAL ASSETS

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

Valuation

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

At the balance sheet date, the Company records:

Equity investments are measured at cost less any provisions.

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

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

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

Investments in enterprises in which the Company has the power to govern the financial and operating 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'.

Provisioning against Equity Investments

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

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

2.4. CURRENT FINANCIAL ASSETS AND CASH

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

Current financial assets are carried at cost upon acquisition.

Cash consists of cash on hand and cash at bank.

2.5. INVENTORY

Valuation

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

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

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

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

Provisioning

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

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

2.6. RECEIVABLES

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

Provisioning

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

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

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

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

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

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

2.7. PAYABLES

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

2.8. PAYABLES TO CREDIT INSTITUTIONS

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

2.9. RESERVES

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

2.10. ACCRUALS AND DEFERRALS

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

2.11. FOREIGN CURRENCY TRANSLATIONS

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

During the period, cash denominated in foreign currencies (foreign currency cash) is translated into Czech crowns using the fixed monthly exchange rate as notified by the Czech National Bank as of the first day of the month in which the assets were recorded.

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

2.12. TAXATION

2.12.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is recorded on an accelerated basis for tax purposes under Section 32 of Act No. 586/1992 Coll., on Income Taxes, with the exception of assets used in the Tube Rolling Mill (the VT operation), VZ – Sochorová válcovna plant and the Univerzální trať plant and the Track Fastenings Plant which are depreciated using the straight line and accelerated methods.

2.12.2. Current Tax Payable

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

2.12.3. Deferred Tax

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

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

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

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

2.13. BORROWING COSTS

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

2.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

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

2.15. REVENUE RECOGNITION

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

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

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

2.16. USE OF ESTIMATES

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

2.17. DEVELOPMENT EXPENDITURE

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

2.18. SUBSIDIES

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

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

2.19. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

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

Cash and cash equivalents can be analysed as follows:

	(CZK THOUSAND)	
	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Cash on hand	1 389	2 000
Cash at bank	204 585	394 417
Other current financial assets	3 034	12 548
Provisions against other current financial assets	-3 034	-12 548
Total current financial assets and cash	205 974	396 417
Cash and cash equivalents not included in the cash flow	-3 909	-14 771
Total cash and cash equivalents	202 065	381 646

The difference between cash and cash equivalents as of 31 December 2019 and 2018 reported in the cash flow statement as opposed to the current financial assets and cash disclosed in the balance sheet represents blocked deposits that are restricted with regard to the free handling of the funds.

3. ADDITIONAL INFORMATION

3.1. FIXED ASSETS

3.1.1. Intangible Fixed Assets

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Development	4 553	0	0	4 553
Valuable rights	351 160	6 878	90 290	267 748
Other intangible FA	883 288	1 925 426	1 150 342	1 658 372
Intangible FA under construction	1 543	9 778	6 878	4 443
Total	1 240 544	1 942 082	1 247 510	1 935 116

Accumulated Amortisation

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Development	4 553	0	0	4 553
Valuable rights	283 976	11 128	90 290	204 814
Other intangible FA	5 278	43	0	5 321
Total	293 807	11 171	90 290	214 688

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2018	Balance at 31 Dec 2019
Valuable rights	67 184	62 934
Other intangible FA	878 010	1 653 051
Intangible FA under construction	1 543	4 443
Total	946 737	1 720 428

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 11,171 thousand and CZK 19,548 thousand as of 31 December 2019 and 2018, respectively.

Other intangible fixed assets primarily include emission allowances.

In the year ended 31 December 2019, the Company acquired 3,476,179 emission allowances for 2019 in the amount of CZK 1,925,426 thousand free of charge.

As of the balance sheet date of 31 December 2019, the Company recognised the use of emission allowances for 2019 of CZK 835,927 thousand.

In 2019, the Company sold 1,229,000 allowances. The effect of the sale of the allowances was CZK 784,810 thousand.

In the year ended 31 December 2018, the Company acquired 3,547,617 emission allowances for 2018 in the amount of CZK 908,117 thousand free of charge. As of the balance sheet date of 31 December 2018, the Company recognised a disposal of emission allowances for 2018 of CZK 399,899 thousand.

In 2018, the Company sold 760,000 allowances. The effect of the sale of the allowances was CZK 306,672 thousand.

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

The aggregate cost of low value intangible assets not reported on the face of the balance sheet was CZK 28,139 thousand and CZK 26,035 thousand as of 31 December 2019 and 2018, respectively.

3.1.2. Tangible Fixed Assets

Cost

	(CZK THOUSAND)			
	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Land	527 358	1 140	4 093	524 405
Structures	9 532 925	456 820	38 020	9 951 725
Tangible movable assets and sets thereof	28 876 192	1 066 067	157 430	29 784 829
Other tangible FA	6 735	64	29	6 770
Prepayments for tangible FA	109 455	193 111	164 691	137 875
Tangible FA under construction	872 344	2 156 282	1 498 947	1 529 679
Total	39 925 009	3 873 484	1 863 210	41 935 283

Accumulated Depreciation

	(CZK THOUSAND)			
	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Structures	4 988 441	280 314	38 020	5 230 735
Tangible movable assets and sets thereof	19 252 655	1 116 048	157 430	20 211 273
Total	24 241 096	1 396 362	195 450	25 442 008

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Structures	15 736	0	575	15 161
Tangible movable assets and sets thereof	1 975	0	441	1 534
Tangible FA under construction	8 969	0	6 699	2 270
Total	26 680	0	7 715	18 965

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2018	Balance at 31 Dec 2019
Land	527 358	524 405
Structures	4 528 748	4 705 829
Tangible movable assets and sets thereof	9 621 562	9 572 022
Other tangible FA	6 735	6 770
Prepayments for tangible FA	109 455	137 875
Tangible FA under construction	863 375	1 527 409
Total	15 657 233	16 474 310

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

(CZK THOUSAND)

Technical improvements on the square billet straightening line at the VZ – billet rolling mill plant	140 217
Technical improvements on continuous casting facility no. 1 for casting of the 600 format	122 216

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

(CZK THOUSAND)

Modernisation of the VF – Steel drawing mill plant	234 778
Acquisition of refining line no. 2	200 272
Acquisition of hot blast recuperator no. 61	183 676

During the year ended 31 December 2019, the disposals of tangible fixed assets included assets with an aggregate net book value of CZK 37,578 thousand. Major disposals principally comprised partial liquidation of the steel drawing mill due to the modernisation of the hall, partial liquidation of ZPO 2 continuous casting of steel and partial liquidation of the continuous light section mill treatment plant.

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,340,252 thousand and CZK 1,383,147 thousand as of 31 December 2019 and 2018, respectively.

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

The aggregate costs of low value tangible assets not reported on the face of the balance sheet were CZK 591,909 thousand and CZK 583,114 thousand as of 31 December 2019 and 2018, respectively.

3.1.3. Assets Held under Operating Lease Agreements

In the years ended 31 December 2019 and 2018, the Company made lease payments of CZK 58,432 thousand and CZK 53,732 thousand, respectively.

3.1.4. Pledged Fixed Assets**31 December 2019**

(CZK THOUSAND)

Description of assets	Net book value	Pledge/creditor
Tangible FA	229 889	
Land	23 663	Loan from Česká spořitelna, a.s.
Tangible FA	396 235	
Land	3 444	Loan from Česká spořitelna, a.s.
Tangible FA	614 890	
Buildings	128 298	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible FA	2 330	
Land	39 986	Loan from Československá obchodní banka, a.s.
Tangible FA	767 381	Loan from Československá obchodní banka, a.s.
Tangible FA	817 691	Loan from Československá obchodní banka, a.s.
Tangible FA	364 982	
Land	643	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Tangible FA	262 130	
Land	12 218	Loan from ING BANK N. V.
Total	3 667 238	

31 December 2018

(CZK THOUSAND)

Description of assets	Net book value	Pledge/creditor
Tangible FA	241 996	
Land	23 663	Loan from Česká spořitelna, a.s.
Tangible FA	427 398	
Land	3 444	Loan from Česká spořitelna, a.s.
Tangible FA	664 946	
Buildings	132 389	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible FA	2 465	
Land	39 986	Loan from Československá obchodní banka, a.s.
Tangible FA	828 197	Loan from Československá obchodní banka, a.s.
Tangible FA	870 673	Loan from Československá obchodní banka, a.s.
Tangible FA	404 219	
Land	662	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Total	3 643 496	

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

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Equity investments – controlled or controlling entity	8 547 615	*50 001	0	8 597 616
Equity investments – associates	50 995	0	0	50 995
Other non-current securities and equity investments	2 002	0	0	2 002
Total	8 600 612	50 001	0	8 650 613

* CZK 1 thousand – rounding

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Equity investments – controlled or controlling entity	371 378	0	45 392	325 986
Equity investments – associates	16 319	0	63	16 256
Total	387 697	0	45 455	342 242

The most significant additions to non-current financial assets in the year ended 31 December 2019 include as follows:

- Acquisition of a 100% equity investment in EKOSTROJÍRENSTVÍ TŘINEC, a.s.

Equity investments – controlled or controlling entity include the merger by amalgamation of DALSELV DESIGN a.s., as the dissolving company, and Strojírny a stavby Třinec, a.s., as the successor company, the effective date being 1 January 2019.

3.2.1. Equity Investments – Controlled or controlling entity**31 December 2019**

(CZK THOUSAND)

Company name and registered office	Equity investment %	Equity	Profit/loss for the period	Provision	Financial income
ŽDB DRÁTOVNA a.s., Pudlov, Bohumín	100.00	2 070 182	54 982	0	0
Strojírny a stavby Třinec, a.s., Staré Město, Třinec	100.00	627 872	46 199	0	33 000
ENERGETIKA TŘINEC, a.s., Staré Město, Třinec	100.00	2 732 762	9 743	0	30 000
Slévárny Třinec, a.s., Staré Město, Třinec	100.00	615 234	-25 594	0	0
Šroubárna Kyjov, spol. s r.o., Kyjov	100.00	694 562	46 162	0	35 000
HŽP a.s., Prostějov	100.00	597 161	29 673	0	20 000
"D&D" Dróttáru Zrt., 3527 Miskolc, Sajósziget utca 4 (HUN)	100.00	384 582	6 260	-297 120	24 731
"METALURGIA" SPÓŁKA AKCYJNA, Radomsko (POL)	100.00	212 964	-21 146	0	0
VÚHŽ a.s., Dobrá	100.00	401 696	51 300	0	25 000
Řetězárna a.s., Česká Ves	51.00	588 197	34 038	0	10 965
REFRASIL, s.r.o., Kanská, Třinec	100.00	255 639	14 986	0	13 996
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	57 447	2 643	0	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	51 550	2 352	0	0
TRIALFA, s.r.o., Třinec-Kanada	100.00	19 945	340	0	0
Moravia Security, a.s., Kanská, Třinec	100.00	41 826	2 513	0	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90.00	47 722	2 698	0	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	33 060	3539	0	3 463
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	45 836	439	-9 414	0
TRISIA, a.s., Lyžbice, Třinec	66.00	40 870	-7 178	0	0
IMOPRA s.r.o., Nivnice	100.00	112 115	6 926	-19 452	0
BOHEMIA RINGS s.r.o., Zámrsk	100.00	882 844	73 404	0	45 000
EKOSTROJIRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	49 501	-499	0	0
TOTAL				-325 986	241 155

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

31 December 2018

(CZK THOUSAND)

Company name and registered office	Equity investment %	Equity	Profit/loss for the period	Provision	Financial income
ŽDB DRÁTOVNA a.s., Pudlov, Bohumín	100.00	2 015 201	80 268	0	25 000
Strojírny a stavby Třinec, a.s., Staré Město, Třinec	100.00	610 631	43 850	0	50 000
ENERGETIKA TŘINEC, a.s., Staré Město, Třinec	100.00	2 753 019	41 702	0	60 000
Slévárny Třinec, a.s., Staré Město, Třinec	100.00	640 828	23 135	0	0
Šroubárna Kyjov, spol. s r.o., Kyjov	100.00	683 399	45 854	0	32 000
HŽP a.s., Prostějov	100.00	587 488	27 222	0	13 000
"D&D" Dróttáru Zrt., 3527 Miskolc, Sajósziget utca 4 (HUN)	100.00	419 511	107 360	-297 207	0
"METALURGIA" SPÓŁKA AKCYJNA, Rądomsko (POL)	100.00	234 491	-19 660	0	0
VÚHŽ a.s., Dobrá	100.00	375 396	39 902	0	7 000
Řetězárna a.s., Česká Ves	51.00	575 005	4 844	0	7 140
REFRASIL, s.r.o., Kanská, Třinec	100.00	254 648	13 996	0	6 120
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	54 804	2 822	0	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	49 198	207	0	0
TRIALFA, s.r.o., Třinec-Kanada	100.00	19 605	186	0	0
Moravia Security, a.s., Kanská, Třinec	100.00	39 313	3 643	0	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90.00	45 025	1 821	0	0
DALSELV DESIGN a.s., Vítkovice, Ostrava**	100.00	4 042	-7 336	0	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	33 617	4 096	0	0
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	45 474	354	-9 725	0
TRISIA, a.s., Lyžbice, Třinec	66.00	48 049	-1 631	0	0
IMOPRA s.r.o., Nivnice	100.00	103 564	11 972	-64 446	0
BOHEMIA RINGS s.r.o., Zámrsrk	100.00	854 440	96 582	0	0
TOTAL				-371 378	200 260

3.2.2. Equity Investments – Associates

31 December 2019

(CZK THOUSAND)

Company name, registered office	Equity investment in %	Equity	Profit/Loss for the period	Provision	Financial income
VESUVIUS ČESKÁ REPUBLIKA, a.s., Kanská, Třinec	40.00	368 623	39 641	0	23 077
Ocelářská unie a.s., Nové Město, Prague 1	39.94	43 374	-1 853	-16 256	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	1 871	834	0	0
TOTAL				-16 256	23 077

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

* results for the period from 1 April 2019 – 31 March 2020

31 December 2018

(CZK THOUSAND)

Company name, registered office	Equity investment in %	Equity	Profit/Loss for the period	Provision	Financial income
VESUVIUS ČESKÁ REPUBLIKA, a.s., Kanská, Třinec	40.00	386 673	57 691	0	5 278
Ocelářská unie a.s., Nové Město, Prague 1	38.78	44 832	1 375	-16 319	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	1 036	204	0	0
TOTAL				-16 319	5 278

Note: * results for the period from 1 April 2018 – 31 March 2019

3.2.3. Non-Current Financial Assets Pledged as Collateral

As of 31 December 2019 and 2018, the Company has non-current financial assets pledged as collateral in the nominal value of CZK 1,144,302 thousand and CZK 1,144,302 thousand, respectively.

3.3. RECEIVABLES

3.3.1. Short-Term Receivables

As of 31 December 2019 and 2018, the Company records short-term trade receivables past their due dates in the gross amount of CZK 14,337 thousand and CZK 28,193 thousand (net CZK 659 thousand and CZK 13,372 thousand), respectively.

Other Receivables

(ÚDAJE V TISÍCÍCH KČ)

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

As of 31 December 2019, State – tax receivables predominantly include a receivable arising from value added tax, prepayments for the corporate income tax and prepayments for fees under Act No. 201/2012 Coll., the Air Protection Act. As of 31 December 2018, State – tax receivables predominantly included a receivable arising from value added tax and prepayments for fees under Act No. 201/2012 Coll., the Air Protection Act.

As of 31 December 2019, other receivables principally include a receivable arising from an indisputable claim for a subsidy, receivables from individuals and a receivable arising from the group registration for VAT. As of 31 December 2018, other receivables principally included a receivable arising from an indisputable claim for a subsidy, a receivable from a loan contract and receivables from individuals.

As of 31 December 2019 and 2018, estimated receivables principally include amounts due from anticipated insurance proceeds, from utilising an operating subsidy and from the refund of the value added tax paid abroad.

Receivables typically mature within 30 days.

3.3.2. Intercompany Receivables

Short-Term Receivables

(CZK THOUSAND)

Company name	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
• Trade receivables			
Doprava TŽ, a.s.	Controlled entity	1 507	795
ENERGETIKA TŘINEC, a.s.	Controlled entity	111 534	5 332
Šroubárna Kyjov, spol. s r.o.	Controlled entity	926	380
Strojírny a stavby Třinec, a.s.	Controlled entity	14 534	14 495
MORAVIA STEEL a.s.	Controlled entity	1 547 141	1 871 637
REFRASIL, s.r.o.	Controlled entity	877	560
Řetězárna a.s.	Controlled entity	1	7
Slévárny Třinec, a.s.	Controlled entity	24 083	61 254
TRIALFA, s.r.o.	Controlled entity	1 423	3 177
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	134	69
Třinecké gastroslužby, s.r.o.	Controlled entity	1 486	731
TRISIA, a.s.	Controlled entity	11	9

TABLE CONTINUES ON THE FOLLOWING PAGE

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(CZK THOUSAND)

Company name	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	766	367
Beskydská golfová, a.s.	Fellow subsidiary	13	37
VÚHŽ a.s.	Controlled entity	1 383	152
Moravia Security, a.s.	Controlled entity	114	111
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	10	10
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	103	182
"METALURGIA" SPÓŁKA AKCYJNA	Controlled entity	634	566
HŽP a.s.	Controlled entity	610	298
M Steel Projects a.s.	Fellow subsidiary	13	13
"NEOMET" Sp. z o.o.	Fellow subsidiary	83	23
ŽDB DRÁTOVNA a.s.	Controlled entity	2 524	1 549
Barrandov Studio a.s.	Fellow subsidiary	416	111
Kovárna VIVA a.s.	Fellow subsidiary	182	2
BOHEMIA RINGS s.r.o.	Controlled entity	2 064	815
Security Morava s.r.o.	Controlled entity	2	0
EKOSTROJIRENSTVÍ TŘINEC, a.s.	Controlled entity	8	0
Total		1 712 582	1 962 682
• Receivables – controlled or controlling entity			
IMOPRA s.r.o.	Controlled entity	9 068	21 087
Total		9 068	21 087
• Short-term prepayments			
TRISIA, a.s.	Controlled entity	0	1 210
Total		0	1 210
• Other receivables			
ENERGETIKA TŘINEC, a.s.	Controlled entity	2 183	0
Total		2 183	0
Total short-term intercompany receivables		1 723 833	1 984 979
Other than intercompany receivables		732 884	435 072
Total short-term receivables		2 456 717	2 420 051

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

As of 31 December 2019, the Company records no receivables secured with material guarantees.

3.4. EQUITY

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

The sole shareholder decided to distribute the net profit after tax generated in 2018 in the amount of CZK 3,334,039 thousand as follows: the entire amount was transferred to retained earnings brought forward.

3.4.1. Share Capital

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

3.4.2. Proposal for the Allocation of Profit for 2019

In 2019, the Company generated net profit after tax of CZK 609,943 thousand. It is proposed to be distributed as follows:

Retained earnings brought forward: CZK 609,943 thousand

3.5. RESERVES

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

3.6. PAYABLES

3.6.1. Long-Term Payables

Long-term trade payables as of 31 December 2019 include payables arising from retentions from suppliers under concluded contracts.

As of 31 December 2019, the Company records no long-term payables secured with material guarantees.

As of 31 December 2019 and 31 December 2018, the Company does not record trade payables with maturity longer than five years.

3.6.2. Deferred Income Tax

The deferred tax liability is analysed as follows:

(CZK THOUSAND)

Deferred tax arising from	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Difference between tax and accounting carrying values of fixed assets	-7 065 719	-7 076 402
Revaluation of available-for-sale securities	54	54
Accounting reserves	275 899	380 718
Provisions	823 782	596 752
Expenses that are tax deductible in the following periods	30 461	375 324
Total	-5 935 523	-5 723 554
Tax rate (in %)	19	19
Deferred tax liability	-1 127 749	-1 087 475

(CZK THOUSAND)

Analysis of movements

31 Dec 2018	-1 087 475
Current changes charged against the profit and loss account	-40 274
31 Dec 2019	-1 127 749

3.6.3. Income Tax

(CZK THOUSAND)

	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Profit before tax	685 365	4 076 672
Tax at the domestic income tax rate of 19%	130 219	774 568
Tax effect of expenses that are not deductible in determining taxable profit	-54 797	-31 935
Total income tax for the period – recognised in deferred tax and income tax payable	75 422	742 633

3.6.4. Short-Term Payables

As of 31 December 2019 and 2018, the Company records short-term trade payables past their due dates of CZK 972 thousand and CZK 4,446 thousand, respectively.

Payables typically fall due for settlement within 60 days.

Other Payables

In the year ended 31 December 2019, the category “State – tax payables and subsidies” principally comprises received subsidies for emission allowances and a payable arising from personal income tax. In the year ended 31 December 2018, the category principally comprised received subsidies for emission allowances and a payable arising from corporate and personal income tax.

In 2019 and 2018, estimated payables mainly consist of an estimated payable for outstanding vacation days and annual bonuses including insurance and an estimated payable arising from unbilled inventory including services.

In the years ended 31 December 2019 and 2018, other payables primarily comprise payables arising from group registration for value added tax, guarantees and contributions to employees. As of 1 January 2019, the group registration for VAT was extended to include the educational legal entity Střední odborná škola Třineckých železáren.

3.6.5. Intercompany Payables

Long-Term Payables

(CZK THOUSAND)

Company name	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Long-term payables			
• Trade payables			
Strojírny a stavby Třinec, a.s.	Controlled entity	1 932	0
Total		1 932	0
Total long-term intercompany payables		1 932	0
Other than intercompany payables		3 297 138	3 089 894
Total long-term payables		3 299 070	3 089 894

Other than intercompany long-term payables as of 31 December 2019 and 2018 primarily include a deferred tax liability of CZK 1,127,749 thousand and CZK 1,087,475 thousand, respectively, and payables to credit institutions of CZK 2,125,874 thousand and CZK 1,972,001 thousand, respectively.

Short-Term Payables

(CZK THOUSAND)

Company name	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
• Trade payables			
Doprava TŽ, a.s.	Controlled entity	12 222	12 331
ENERGETIKA TŘINEC, a.s.	Controlled entity	467 319	354 794
Ocelářská unie a.s.	Associate	835	795
Šroubárna Kyjov, spol. s r.o.	Controlled entity	1 264	3 093
MORAVIA STEEL a.s.	Controlling entity	1 584 249	2 138 808
REFRASIL, s.r.o.	Controlled entity	20 014	22 217
Řetězárna a.s.	Controlled entity	971	1 287
Slévárny Třinec, a.s.	Controlled entity	4 428	532
TRIALFA, s.r.o.	Controlled entity	15 748	17 623
TRISIA, a.s.	Controlled entity	901	683
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	3 277	6 084
Třinecké gastroslužby, s.r.o.	Controlled entity	15 381	7 058
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	8 559	12 211
Beskydská golfová, a.s.	Fellow subsidiary	3 025	32 011
Strojírny a stavby Třinec, a.s.	Controlled entity	203 900	140 532
VÚHŽ a.s.	Controlled entity	842	1 390
Moravia Security, a.s.	Controlled entity	10 362	8 331
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	209	1 357
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	130 746	136 594
"ZAMECZEK BŁOGOCICE" Sp. z o.o.	Controlled entity	100	100
HRAT, s.r.o.	Associate	36	36
ŽDB DRÁTOVNA a.s.	Controlled entity	1 519	1 921
DALSELV DESIGN a.s.	Controlled entity	0	40
"NEOMET" Sp. z o.o.	Fellow subsidiary	83 271	99 636
Security Morava, s.r.o.	Controlled entity	1 302	1 143
BOHEMIA RINGS s.r.o.	Controlled entity	2 381	9 045
Total		2 572 861	3 009 652

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

(CZK THOUSAND)

Company name	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
• Payables to owners			
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	35 000	0
Total		35 000	0
• Estimated payables			
MORAVIA STEEL a.s.	Controlling entity	6 988	848
ENERGETIKA TŘINEC, a.s.	Controlled entity	705	0
Total		7 693	848
• Other payables			
MORAVIA STEEL a.s.	Controlling entity	53 253	58 023
Total		53 253	58 023
Total short-term intercompany payables		2 668 807	3 068 523
Other than intercompany payables		4 943 932	4 511 398
Total short-term payables		7 612 739	7 579 921

Other than intercompany short-term payables as of 31 December 2019 and 2018 predominantly include payables to credit institutions of CZK 1,426,005 thousand and CZK 876,468 thousand, respectively, and tax payables and subsidies of CZK 1,695,331 thousand and CZK 1,395,554 thousand, respectively.

3.6.6. Payables to Credit Institutions

Long-Term Payables to Credit Institutions

(CZK THOUSAND)

Type of payable	Currency	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Form of collateral at 31 Dec 2019
Investment	EUR	40 639	57 599	Hermes guarantee insurer
Investment	EUR	42 242	71 277	ODL guarantee insurer
Investment	CZK	240 000	480 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	480 000	720 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	857 143	0	Immovable and movable assets, insurance receivables, promissory note
Acquisition	EUR	465 850	643 125	Securities, promissory note
Total		2 125 874	1 972 001	

The Company records no repayments of long-term payables to credit institutions over five years.

Short-Term Payables to Credit Institutions

(CZK THOUSAND)

Type of payable	Currency	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Form of collateral at 31 Dec 2019
Investment	EUR	16 255	16 457	Hermes guarantee insurer
Investment	EUR	28 162	28 511	ODL guarantee insurer
Investment	CZK	0	120 000	Immovable and movable assets, promissory note
Investment	CZK	0	60 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	228 571	0	Immovable and movable assets, insurance receivables, promissory note
Acquisition	EUR	169 400	171 500	Securities, promissory note
Overdraft	CZK	84 177	0	Promissory note
Overdraft	CZK	84 356	0	Promissory note
Overdraft	CZK	82 322	0	Promissory note
Overdraft	CZK	82 864	0	Promissory note
Overdraft	CZK	85 073	0	Promissory note
Overdraft	CZK	84 825	0	Promissory note
Total		1 426 005	876 468	

3.7. DETAILS OF INCOME FROM ORDINARY ACTIVITIES

(CZK THOUSAND)

	31 Dec 2019	31 Dec 2018
Proceeds of the sale of goods	270	224
Proceeds of the sale of products and services	38 405 086	40 495 694
– Products	37 949 821	40 053 643
– Services	455 265	442 051
Total sales of goods, products and services	38 405 356	40 495 918

99.5% of the Company's sales of goods, products and services are generated in the Czech Republic.

3.8. OTHER EXPENSES AND INCOME

As of 31 December 2019, other operating income of the Company mainly involves the use of the subsidy related to emission allowances, including the income from the sale of allowances, of CZK 1,935,150 thousand (2018: CZK 813,354 thousand)

Other financial income as of 31 December 2019 and 2018 predominantly includes foreign exchange rate gains of CZK 24,224 thousand and CZK 18,865 thousand, respectively.

As of 31 December 2019, other operating expenses primarily reflect the use of emission allowances, including the costs of the sale of allowances, of CZK 1,150,340 thousand; as of 31 December 2018, in the amount of CZK 506,682 thousand.

Other financial expenses as of 31 December 2019 predominantly include foreign exchange rate losses of CZK 16,147 thousand (2018: foreign exchange rate losses of CZK 34,215 thousand and financial gifts of CZK 44,851 thousand).

Since 1 January 2019, financial gifts have been reported in operating expenses. The total amount of gifts provided in 2019 amounted to 20,972 thousand.

3.9. SUBSIDIES

Subsidies for operating purposes of CZK 3,582 thousand utilised for the year ended 31 December 2019 (2018: CZK 5,352 thousand) include subsidies for development, a subsidy for implementing the “Werkperspektiva” project, a subsidy for museum operations, and subsidies for environmental projects.

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

In the year ended 31 December 2018, the Company drew a subsidy for the acquisition of environmental investments of CZK 33,663 thousand.

3.10. DEVELOPMENT COSTS

(CZK THOUSAND)

	31 Dec 2019	31 Dec 2018
Development costs (net of subsidies)	26 615	71 838

3.11. RELATED PARTY TRANSACTIONS

3.11.1. Income Generated with Related Parties

Income from intercompany transactions amounted to CZK 38,498,942 thousand and CZK 40,174,848 thousand in the years ended 31 December 2019 and 2018, respectively. All intercompany transactions were at arm's length.

The following table shows the income generated with the controlling entity and other entities in the consolidation group for the year ended 31 December 2019:

(CZK THOUSAND)						
Entity	Relation to the Company	Fixed assets	Inventory of material, products and goods	Services	Other income	Total
MORAVIA STEEL a.s.	Controlling entity	0	36 650 206	170 808	1 537	36 822 551
ENERGETIKA TŘINEC, a.s.	Controlled entity	*788 626	254 999	40 530	18	1 084 173
REFRASIL, s.r.o.	Controlled entity	0	1 568	5 474	9	7 051
Řetězárna a.s.	Controlled entity	0	2	7	0	9
Slévárny Třinec, a.s.	Controlled entity	0	281 322	19 819	49	301 190
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	16	8 295	0	8 311
Šroubárna Kyjov, spol. s r.o.	Controlled entity	79	10	4 467	0	4 556
Strojírny a stavby Třinec, a.s.	Controlled entity	0	145 227	39 077	70	184 374
VÚHŽ a.s.	Controlled entity	0	5 129	1 857	2	6 988
HŽP a.s.	Controlled entity	0	0	2 855	0	2 855
"METALURGIA" Spółka Akcyjna	Controlled entity	0	0	2 421	0	2 421
ŽDB DRÁTOVNA a.s.	Controlled entity	0	51	12 426	23	12 500
BOHEMIA RINGS s.r.o.	Controlled entity	0	0	2 504	0	2 504
TOTAL		788 705	37 338 530	310 540	1 708	38 439 483

Note: * including the sale of allowances

The income arising from intercompany profit shares for the year ended 31 December 2019 is disclosed in Note 3.2.

The following table shows the income generated with the controlling entity and other entities in the consolidation group for the year ended 31 December 2018:

(CZK THOUSAND)

Entity	Relation to the Company	Fixed assets	Inventory of material, products and goods	Services	Other income	Total
MORAVIA STEEL a.s.	Controlling entity	0	38 787 841	168 883	34	38 956 758
ENERGETIKA TŘINEC, a.s.	Controlled entity	*306 672	214 163	40 335	36	561 206
REFRASIL, s.r.o.	Controlled entity	0	1 452	5 213	7	6 672
Řetězárna a.s.	Controlled entity	0	225	39	0	264
Slévárny Třinec, a.s.	Controlled entity	0	292 683	18 149	38	310 870
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	5	8 091	98	8 194
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	5	3 479	0	3 484
Strojírny a stavby Třinec, a.s.	Controlled entity	0	189 356	39 381	286	229 023
VÚHŽ a.s.	Controlled entity	0	5 304	1 262	2	6 568
HŽP a.s.	Controlled entity	0	37	2 728	0	2 765
"METALURGIA" Spółka Akcyjna	Controlled entity	0	0	2 214	0	2 214
ŽDB DRÁTOVNA a.s.	Controlled entity	0	93	12 933	139	13 165
BOHEMIA RINGS s.r.o.	Controlled entity	0	0	1 181	33	1 214
TOTAL		306 672	39 491 164	303 888	673	40 102 397

Note: * sale of allowances

The income arising from intercompany profit shares for the year ended 31 December 2018 is disclosed in Note 3.2.

3.11.2. Purchases from Related Parties

Total purchases from related parties amounted to CZK 27,540,512 thousand and CZK 27,195,557 thousand in the years ended 31 December 2019 and 2018. All related party transactions were at arm's length.

The following table shows purchases from the controlling entity and other entities included in the consolidation group in the year ended 31 December 2019:

(CZK THOUSAND)

Entity	Type of entity	Fixed assets	Inventory of material, products and goods	Services	Other expenses	Total
MORAVIA STEEL a.s.	Controlling entity	193	20 451 897	241 431	249	20 693 770
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	2 358 687	89 280	221 387	2 669 354
REFRASIL, s.r.o.	Controlled entity	0	665	159 228	0	159 893
Řetězárna a.s.	Controlled entity	0	7 468	64	0	7 532
Slévárny Třinec, a.s.	Controlled entity	11 751	81 227	806	0	93 784
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	0	87 758	0	87 758
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	16 991	0	0	16 991
Strojírny a stavby Třinec, a.s.	Controlled entity	298 529	354 961	524 634	99	1 178 223
VÚHŽ a.s.	Controlled entity	0	3 128	2 224	0	5 352
"METALURGIA" Spółka Akcyjna	Controlled entity	0	354	23	0	377
"D&D" Drótaru Zrt.	Controlled entity	0	10 431	0	0	10 431
ŽDB DRÁTOVNA a.s.	Controlled entity	272	6 578	4 138	0	10 988
BOHEMIA RINGS s.r.o.	Controlled entity	0	20 224	207	0	20 431
TOTAL		310 745	23 312 611	1 109 793	221 735	24 954 884

The following table shows purchases from the controlling entity and other entities included in the consolidation group in the year ended 31 December 2018:

(CZK THOUSAND)

Entity	Type of entity	Fixed assets	Inventory of material, products and goods	Services	Financial expenses	Other expenses	Total
MORAVIA STEEL a.s.	Controlling entity	209	20 303 881	251 052	893	246	20 556 281
ENERGETIKA TŘINEC, a.s.	Controlled entity	15	1 986 856	89 046	0	96 396	2 172 313
REFRASIL, s.r.o.	Controlled entity	0	314	153 833	0	0	154 147
Řetězárna a.s.	Controlled entity	8 097	0	0	0	0	8 097
Slévárny Třinec, a.s.	Controlled entity	12 399	97 269	1 070	0	0	110 738
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	2 381	0	85 605	0	0	87 986
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	21 149	0	0	0	21 149
Strojírny a stavby Třinec, a.s.	Controlled entity	249 758	243 012	512 637	0	8	1 005 415
VÚHŽ a.s.	Controlled entity	4 261	5 045	1 332	0	0	10 638
"METALURGIA" Spółka Akcyjna	Controlled entity	0	348	0	0	0	348
"D&D" Drótaru Zrt.*	Controlled entity	0	6 209	0	0	0	6 209
ŽDB DRÁTOVNA a.s.	Controlled entity	120	7 185	3 343	0	0	10 648
BOHEMIA RINGS s.r.o.	Controlled entity	0	14 212	37	0	0	14 249
TOTAL		277 240	22 685 480	1 097 955	893	96 650	24 158 218

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

3.12. EMPLOYEES, MANAGEMENT AND SUPERVISORY BOARD**Staff Costs and Number of Employees****31 December 2019**

(CZK THOUSAND)

	Number	Total staff costs
Employees	7 035	4 036 128
Management	32	159 649
Total	7 067	4 195 777

31 December 2018

(CZK THOUSAND)

	Number	Total staff costs
Employees	7 086	4 439 703
Management	34	175 881
Total	7 120	4 615 584

The remuneration to members of the Supervisory Board in the years ended 31 December 2019 and 2018 amounted to CZK 3,792 thousand and CZK 3,792 thousand, respectively.

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

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

3.13. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED**31 December 2019**

(CZK THOUSAND)

	Management	Supervisory Board
Company cars used for both business and private purposes (the figure increases the tax base of employees)	3 490	0
Liability insurance	260	260

31 December 2018

(CZK THOUSAND)

	Management	Supervisory Board
Company cars used for both business and private purposes (the figure increases the tax base of employees)	3 525	0
Liability insurance	260	260

3.14. CONTINGENT LIABILITIES AND ASSETS AND OFF BALANCE SHEET COMMITMENTS, LEGAL DISPUTES**Provided Guarantees****31 December 2019**

Type	Total amount	Balance at 31 Dec 2019
Guarantees		
To other entities	EUR 2,249 thousand	CZK 57,154 thousand

31 December 2018

Type	Total amount	Balance at 31 Dec 2018
Guarantees		
To other entities	EUR 2,652 thousand	CZK 68,218 thousand

Received Guarantees**31 December 2019**

Type	Total amount	Balance at 31 Dec 2019
Guarantees		
From other entities	USD 61 thousand EUR 2,839 thousand CZK 121,280 thousand	CZK 1,380 thousand CZK 72,132 thousand CZK 121,280 thousand

31 December 2018

Type	Total amount	Balance at 31 Dec 2018
Guarantees		
From other entities	EUR 3,789 thousand CZK 119,876 thousand	CZK 97,462 thousand CZK 119,876 thousand

Legal Disputes

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

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

The dispute initiated by Mapfre España Compañía de Seguros y Reseguros, S.A. ("Mapfre") against the Company and against MORAVIA STEEL a.s. ("MS") for the payment (jointly and severally) of an amount including fees and interest, representing, as claimed by Mapfre, the damage suffered by Mapfre by paying damages on behalf of a customer of MS caused by alleged defective performance provided by the Company and MS. The District Court in Frýdek-Místek issued a payment order which was cancelled after the Company and MS opposed it. Declaratory proceedings will be conducted in respect of the claim arising from legal action.

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 2019, the Company used up funds in the amount of CZK 538,698 thousand (2018: CZK 534,964 thousand).

Other

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

3.15. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date and before the publication of these financial statements, in relation to the SARS CoV-2 coronavirus (causing COVID-19) circulation, the Company took and continues to take necessary steps to minimise the risk of contagion to its employees. The Company implemented numerous safety and methodological measures, in line with the emergency measures of the Czech government and other public authorities in preventing the spread of the coronavirus. The Company's management is currently assessing and estimating the quantitative and qualitative impacts on the financial position and future results of the Company. The Company will continue to carefully monitor current developments and will flexibly respond in order to protect the health of its employees and reduce the impacts on its financial results.



Financial Part II. – Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NAME OF THE COMPANY:	TŘINECKÉ ŽELEZÁRNY, a. s.
REGISTERED OFFICE:	Průmyslová 1000, Staré Město, 739 61 Třinec
LEGAL STATUS:	Joint Stock Company
CORPORATE ID:	180 50 646

Components of the 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 23 March 2020.

STATUTORY BODY OF THE REPORTING ENTITY	SIGNATURE
Jan Czudek Chairman of the Board of Directors	
Radomíra Pekárková Member of the Board of Directors	

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2019		31.12.2018	
	Gross	Adjustment	Net	Net	Net
TOTAL ASSETS	85 093 363	-39 787 908	45 305 455		44 867 560
B. Fixed assets	65 741 475	-38 727 093	27 014 382		25 379 769
B.I. Intangible fixed assets	2 128 003	-372 986	1 755 017		1 019 835
B.I.1. Research and development	4 553	-4 553			
B.I.2. Valuable rights	486 294	-353 847	132 447		134 697
B.I.2.1. Software	283 477	-236 823	46 654		24 811
B.I.2.2. Other valuable rights	202 817	-117 024	85 793		109 886
B.I.3. Goodwill	348	-348			
B.I.4. Other intangible fixed assets	1 628 208	-14 238	1 613 970		883 158
B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction	8 600		8 600		1 980
B.I.5.2. Intangible fixed assets under construction	8 600		8 600		1 980
B.II. Tangible fixed assets	62 687 847	-38 275 185	24 412 662		23 542 675
B.II.1. Land and structures	16 212 086	-8 076 100	8 135 986		7 882 429
B.II.1.1. Land	797 282		797 282		800 300
B.II.1.2. Structures	15 414 804	-8 076 100	7 338 704		7 082 129
B.II.2. Tangible movable assets and sets of tangible movable assets	44 277 028	-30 115 043	14 161 985		14 069 199
B.II.4. Other tangible fixed assets	100 523	-79 667	20 856		19 370
B.II.4.3. Other tangible fixed assets	100 523	-79 667	20 856		19 370
B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction	2 098 210	-4 375	2 093 835		1 571 677
B.II.5.1. Prepayments for tangible fixed assets	236 447		236 447		213 339
B.II.5.2. Tangible fixed assets under construction	1 861 763	-4 375	1 857 388		1 358 338
B.III. Non-current financial assets	435 875	-45 259	390 616		328 961
B.III.1. Equity investments – controlled or controlling entity	407 672	-28 866	378 806		317 215
B.III.3. Equity investments in associates	26 202	-16 393	9 809		9 745
B.III.5. Other non-current securities and investments	2 001		2 001		2 001
B.IV. Goodwill on consolidation	342 301	-33 663	308 638		333 629
B.IV.1. Positive goodwill on consolidation	356 867	-34 633	322 234		347 952
B.IV.2. Negative goodwill on consolidation	-14 566	970	-13 596		-14 323
B.V. Securities and equity interests under equity accounting	147 449		147 449		154 669

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2019		31.12.2018	
		Gross	Adjustment	Net	Net
C.	Current assets	19 351 888	-1 060 815	18 291 073	19 487 791
<i>C.I.</i>	<i>Inventories</i>	13 824 356	-959 879	12 864 477	13 734 289
C.I.1.	Material	6 369 326	-381 922	5 987 404	5 948 108
C.I.2.	Work in progress and semifinished goods	4 551 728	-402 634	4 149 094	4 496 365
C.I.3.	<i>Products and goods</i>	2 893 863	-175 323	2 718 540	3 274 477
C.I.3.1.	Products	2 837 240	-173 514	2 663 726	3 216 550
C.I.3.2.	Goods	56 623	-1 809	54 814	57 927
C.I.5.	Prepayments for inventories	9 439		9 439	15 339
<i>C.II.</i>	<i>Receivables</i>	4 510 808	-97 903	4 412 905	4 637 899
<i>C.II.1.</i>	<i>Long-term receivables</i>	41 169		41 169	39 281
C.II.1.1.	Trade receivables	19 945		19 945	23 788
C.II.1.4.	Deferred tax asset	44		44	326
C.II.1.5.	<i>Receivables – other</i>	21 180		21 180	15 167
C.II.1.5.2.	Long-term prepayments made	1 197		1 197	1 156
C.II.1.5.4.	Sundry receivables	19 983		19 983	14 011
<i>C.II.2.</i>	<i>Short-term receivables</i>	4 234 097	-97 903	4 136 194	4 396 462
C.II.2.1.	Trade receivables	3 421 083	-77 011	3 344 072	3 849 882
C.II.2.2.	Receivables – controlled or controlling entity	9 069		9 069	21 087
C.II.2.4.	<i>Receivables – other</i>	803 945	-20 892	783 053	525 493
C.II.2.4.1.	Receivables from partners	1 191		1 191	
C.II.2.4.3.	State – tax receivables	668 072		668 072	433 517
C.II.2.4.4.	Short-term prepayments made	11 996		11 996	18 593
C.II.2.4.5.	Estimated receivables	14 583		14 583	28 278
C.II.2.4.6.	Sundry receivables	108 103	-20 892	87 211	45 105
<i>C.II.3.</i>	<i>Other assets</i>	235 542		235 542	202 156
C.II.3.1.	Deferred expenses	87 303		87 303	64 560
C.II.3.2.	Complex deferred expenses	133 219		133 219	136 299
C.II.3.3.	Accrued income	15 020		15 020	1 297
<i>C.III.</i>	<i>Current financial assets</i>	3 033	-3 033		
C.III.2.	Other current financial assets	3 033	-3 033		
<i>C.IV.</i>	<i>Cash</i>	1 013 691		1 013 691	1 115 603
C.IV.1.	Cash on hand	3 689		3 689	4 814
C.IV.2.	Cash at bank	1 010 002		1 010 002	1 110 789

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31.12.2019	31.12.2018
TOTAL LIABILITIES & EQUITY	45 305 455	44 867 560
A. Equity	30 990 115	30 388 782
A.I. Share capital	8 109 863	8 109 863
A.I.1. Share capital	8 109 863	8 109 863
A.II. Share premium and capital funds	74 585	88 826
A.II.2. <i>Capital funds</i>	74 585	88 826
A.II.2.1. Other capital funds	111 805	111 805
A.II.2.2. Gains or losses from the revaluation of assets and liabilities (+/-)	-37 220	-22 979
A.III. Funds from profit	3 312 852	3 312 852
A.III.1. Other reserve funds	3 312 852	3 312 852
A.IV. Retained earnings (+/-)	18 215 435	14 603 057
A.IV.1. Accumulated profits or losses brought forward (+/-)	18 215 435	14 603 057
A.V. Profit or loss for the current period net of minority interests	645 899	3 665 779
A.V.1. Profit or loss for the current period	630 043	3 642 703
A.V.2. Share of income from associates	15 856	23 076
A.VII. <i>Consolidation reserve fund</i>	631 481	608 405
B.+C. Liabilities	14 027 179	14 197 025
B. Reserves	356 458	488 477
B.1. Reserve for pensions and similar liabilities	4 297	3 931
B.3. Reserves under special legislation	1 114	9 836
B.4. Other reserves	351 047	474 710

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CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31.12.2019	31.12.2018
C. Payables	13 670 721	13 708 548
C.I. Long-term payables	4 398 114	4 212 766
C.I.2. Payables to credit institutions	2 626 470	2 514 774
C.I.4. Trade payables	36 852	36 918
C.I.8. Deferred tax liability	1 718 877	1 661 074
C.I.9. Payables – other	15 915	
C.I.9.3. Sundry payables	15 915	
C.II. Short-term payables	9 246 284	9 455 666
C.II.2. Payables to credit institutions	2 095 290	1 465 938
C.II.3. Short-term prepayments received	24 747	20 473
C.II.4. Trade payables	4 451 882	5 320 252
C.II.8. Other payables	2 674 365	2 649 003
C.II.8.1. Payables to partners	40 610	
C.II.8.2. Short-term financial borrowings	106	101
C.II.8.3. Payables to employees	547 211	510 597
C.II.8.4. Social security and health insurance payables	224 455	219 235
C.II.8.5. State – tax payables and subsidies	1 667 645	1 418 499
C.II.8.6. Estimated payables	119 160	415 642
C.II.8.7. Sundry payables	75 178	84 929
C.III. Other liabilities	26 323	40 116
C.III.1. Accrued expenses	13 175	28 585
C.III.2. Deferred income	13 148	11 531
D. Minority equity	288 161	281 753
D.1. Minority share capital	58 800	58 800
D.2. Minority capital funds	5 400	5 080
D.3. Minority profit funds including accumulated profits and accumulated losses	207 338	191 028
D.5. Minority profit or loss for the current period	16 623	26 845

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

(IN CZK THOUSAND)

	Year ended 31.12.2019	Year ended 31.12.2018
I. Sales of products and services	49 659 288	51 683 486
II. Sales of goods	149 821	136 812
A. Purchased consumables and services	39 756 780	39 288 482
A.1. Costs of goods sold	123 731	97 569
A.2. Consumed material and energy	35 618 689	35 172 502
A.3. Services	4 014 360	4 018 411
B. Change in internally produced inventory (+/-)	630 629	-906 872
C. Own work capitalised (-)	-1 118 059	-1 068 102
D. Staff costs	7 075 631	7 326 952
D.1. Payroll costs	4 992 905	5 210 490
D.2. Social security and health insurance costs and other charges	2 082 726	2 116 462
D.2.1. Social security and health insurance costs	1 802 941	1 839 350
D.2.2. Other charges	279 785	277 112
E. Adjustments to values in operating activities	2 370 822	2 154 204
E.1. Adjustments to values of intangible and tangible fixed assets	2 135 906	2 157 250
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	2 133 307	2 139 778
E.1.A. Release of positive consolidation difference (goodwill)	17 828	16 806
E.1.B. Release of negative consolidation difference (goodwill)	-728	-243
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	-14 501	909
E.2. Adjustments to values of inventories	231 802	-3 886
E.3. Adjustments to values of receivables	3 114	840
III. Other operating income	1 555 935	965 864
III.1. Sales of fixed assets	28 636	60 314
III.2. Sales of material	133 395	164 747
III.3. Sundry operating income	1 393 904	740 803

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

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

(IN CZK THOUSAND)

	Year ended 31.12.2019	Year ended 31.12.2018
F. Other operating expenses	1 800 240	1 271 109
F.1. Net book value of sold fixed assets	10 551	18 200
F.2. Net book value of sold material	130 279	170 936
F.3. Taxes and charges	64 220	67 631
F.4. Reserves relating to operating activities and complex deferred expenses	-124 762	45 262
F.5. Sundry operating expenses	1 719 952	969 080
* Operating profit or loss (+/-)	849 001	4 720 389
IV. Income from non-current financial assets – equity investments	8 518	4 515
IV.1. Income from equity investments – controlled or controlling entity	8 504	4 431
IV.2. Other income from equity investments	14	84
VI. Interest income and similar income	2 745	962
VI.1. Interest income and similar income – controlled or controlling entity	387	356
VI.2. Other interest income and similar income	2 358	606
I. Adjustments to values and reserves relating to financial activities	-54 882	37 816
J. Interest expenses and similar expenses	88 818	64 419
J.1. Interest expenses and similar expenses – controlled or controlling entity		893
J.2. Other interest expenses and similar expenses	88 818	63 526
VII. Other financial income	87 420	92 175
K. Other financial expenses	105 366	173 411
* Financial profit or loss (+/-)	-40 619	-177 994
** Profit or loss before tax (+/-)	808 382	4 542 395
L. Income tax	161 716	872 847
L.1. Due income tax	92 579	823 580
L.2. Deferred income tax (+/-)	69 137	49 267
** Profit or loss net of tax (+/-)	646 666	3 669 548
** Consolidated profit or loss net of share of income from associates	646 666	3 669 548
Consolidated profit or loss net of minority interests	630 043	3 642 703
Minority profit or loss	16 623	26 845
* Share of income from associates	15 856	23 076
Profit or loss for the current period (+/-)	662 522	3 692 624
*** Profit or loss for the current period net of minority interests (+/-)	645 899	3 665 779
* Net turnover for the current period	51 463 727	52 883 814

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IN CZK THOUSAND)

	Share capital	Capital funds	Funds from profit, other reserve funds	Retained earnings	Profit or loss for the current period	Consolidation reserve fund	Share of income from associates	TOTAL EQUITY
Balance at 31 December 2017	8 109 863	94 715	3 312 852	14 254 204	1 555 381	603 127	5 278	27 935 420
Distribution of profit or loss		4 951		350 430	-355 381	5 278	-5 278	
Profit shares paid					-1 200 000			-1 200 000
Revaluation of assets		-10 840						-10 840
Impact of changes in the consolidation group				-1 577				-1 577
Profit or loss for the current period					3 642 703		23 076	3 665 779
Balance at 31 December 2018	8 109 863	88 826	3 312 852	14 603 057	3 642 703	608 405	23 076	30 388 782
Impact of merger as of 1 January 2019				-22 989	-7 336			-30 325
Balance at 1 January 2019	8 109 863	88 826	3 312 852	14 580 068	3 635 367	608 405	23 076	30 358 457
Distribution of profit or loss		-289		3 635 367	-3 635 367	23 076	-23 076	-289
Revaluation of assets		-13 952						-13 952
Profit or loss for the current period					630 043		15 856	645 899
Balance at 31 December 2019	8 109 863	74 585	3 312 852	18 215 435	630 043	631 481	15 856	30 990 115

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

	Year ended 31.12.2019	Year ended 31.12.2018
P.		
Net operating cash flow before changes in working capital	1 100 837	859 264
Impact of merger as of 1 January 2019	3 668	
Cash flows from ordinary activities (operating activities)		
Z.		
Profit or loss from ordinary activities before tax	808 382	4 542 395
A.1.		
Adjustments for non-cash transactions	2 266 718	2 260 840
A.1.1.		
Depreciation of fixed assets excluding net book value of fixed assets sold, amortisation of goodwill and goodwill on consolidation	2 150 407	2 156 341
A.1.2.		
Change in provisions and reserves	40 771	80 940
A.1.3.		
Profit/(loss) on the sale of fixed assets	-18 085	-42 114
A.1.4.		
Revenues from profit shares, except for those paid from consolidation entities	-8 518	-4 515
A.1.5.		
Interest expense and interest income	86 073	63 457
A.1.6.		
Adjustments for other non-cash transactions	16 070	6 731
A.*		
Net operating cash flow before changes in working capital	3 075 100	6 803 235
A.2.		
Change in working capital	35 551	-869 548
A.2.1.		
Change in operating receivables and other assets	461 484	24 186
A.2.2.		
Change in operating payables and other liabilities	-1 067 397	775 729
A.2.3.		
Change in inventories	630 602	-1 669 359
A.2.4.		
Change in current financial assets	10 862	-104
A.**		
Net cash flow from operations before tax	3 110 651	5 933 687
A.3.		
Interest paid	-88 762	-65 755
A.4.		
Interest received	2 801	845
A.5.		
Income tax paid from ordinary operations	-836 831	-134 876
A.6.		
Received profit shares	31 595	9 793
A.***		
Net operating cash flows	2 219 454	5 743 694

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

	Year ended 31.12.2019	Year ended 31.12.2018
Cash flows from investing activities		
B.1. Fixed assets expenditures	-3 031 543	-2 782 299
B.2. Proceeds from fixed assets sold	20 753	61 026
B.3. Loans and borrowings to related parties	12 000	3 032
B.4. Cash flows from the purchase of business or its part		-1 241 173
B.*** Net investment cash flows	-2 998 790	-3 959 414
Cash flow from financial activities		
C.1. Change in payables from financing	695 148	-329 967
C.2. Impact of changes in equity	-10 535	-1 212 740
C.2.6. Profit shares paid	-10 535	-1 212 740
C.*** Net financial cash flows	684 613	-1 542 707
F. Net increase or decrease in cash and cash equivalents	-94 723	241 573
R. Closing balance of cash and cash equivalents	1 009 782	1 100 837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

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

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

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

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

1.2. GROUP IDENTIFICATION

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

In the year ended 31 December 2019, the Company was controlled by MORAVIA STEEL a.s., having its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, as the sole shareholder.

In 2019, MORAVIA STEEL a.s. was controlled by FINITRADING, a.s.; on 31 December 2019, FINITRADING, a.s. was dissolved in a merger by amalgamation with MORAVIA STEEL a.s., as the successor company, with the effective date on 1 January 2019.

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

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

1.3. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2019

	Position	Name
Board of Directors	Chairman	Jan Czudek
	1 st Vice Chairman	Česlav Marek
	2 nd Vice Chairman	Henryk Huczala
	Member	Ivo Žižka
	Member	Radomíra Pekárková
Supervisory Board	Chairman	Tomáš Chrenek
	1 st Vice Chairman	Ján Moder
	2 nd Vice Chairman	Evžen Balko
	Member	Jana Kantorová
	Member	Jozef Blaško
	Member	Marcel Pielesz

During 2019, the following change was made in the composition of the Company's Supervisory Board:

Position	Original member	New member	Date of change
Member	František Ližocki	–	31 December 2018
Member	–	Jana Kantorová	1 January 2019

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

2.1. ORGANISATIONAL STRUCTURE

The bodies of the Company are as follows:

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

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

During 2019, the Audit Committee, which had been a voluntary body of the Company established by the Articles of Association, was dissolved; its activities were assumed by the intracompany section PKa – Auditing activities. There were no other significant organisational changes.

2.2. NAMES AND REGISTERED OFFICES OF CONTROLLED ENTITIES (SUBSIDIARIES) AND ASSOCIATES INCLUDED IN THE CONSOLIDATED GROUP

The following companies were included in the consolidated group for the year ended 31 December 2019:

Subsidiaries:

Name of the company	Registered office	Business activities	Equity investment at 31 Dec 2019
ENERGETIKA TŘINEC, a.s.	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00 %
Slévárny Třinec, a.s.	Průmyslová 1001, Staré Město, 739 61 Třinec	Foundry industry	100.00 %
VÚHŽ a.s.	č.p. 240, 739 51 Dobrá	Production, installation and repairs of electronic equipment, foundry industry, modelling	100.00 %
Šroubárna Kyjov, spol. s r.o.	Jiráskova 987/50, 697 01 Kyjov	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %
Strojírny a stavby Třinec, a.s.	Průmyslová 1038, Staré Město, 739 61 Třinec	Production of machinery and technology units, machinery equipment, construction work	100.00 %
"METALURGIA" SPÓŁKA AKCYJNA	ulica ŚWIĘTEJ ROZALII nr 10, lok. 12, 97-500 Radomsko, Poland	Production of nails, wire and wire products	100.00 %
"D&D" Drótáru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság*	3527 Miskolc, Sajószigeti utca 4., Hungary	Production of wire products	100.00 %
ŽDB DRÁTOVNA a.s.	Jeremenkova 66, Pudlov, 735 51 Bohumín	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00 %
HŽP a.s.	Dolní 3137/100, 796 01 Prostějov	Production of leaf and helical springs for the automotive and railway industries	100.00 %
SV servisní, s.r.o.	Dolní 3137/100, 796 01 Prostějov	Electricity trading and distribution, gas trading and distribution	100.00 %
REFRASIL, s.r.o.	Průmyslová 720, Kanská, 739 61 Třinec	Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act	100.00 %
BOHEMIA RINGS s.r.o.**	č.p. 10, 565 43 Zámorsk	Smithery and metalworking	100.00 %
Řetězárna a.s.	Polská 48, 790 81 Česká Ves	Production of chains, chain products and drawn wire	51.00 %

Note: * hereinafter also "D&D" Drótáru Zrt.

Associate:

Name of the company	Registered office	Business activities	Equity investment at 31 Dec 2019
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 726, Kanská, 739 61 Třinec	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00 %

No changes were made in the consolidation group in 2019.

The following companies were included in the consolidated group for the year ended 31 December 2018:

Subsidiaries:

Name of the company	Registered office	Business activities	Equity investment at 31 Dec 2018
ENERGETIKA TŘINEC, a.s.	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00 %
Slévárny Třinec, a.s.	Průmyslová 1001, Staré Město, 739 61 Třinec	Foundry industry	100.00 %
VÚHŽ a.s.	č.p. 240, 739 51 Dobrá	Production, installation and repairs of electronic equipment, foundry industry, modelling	100.00 %
Šroubárna Kyjov, spol. s r.o.	Jiráskova 987/50, 697 01 Kyjov	Railway route operation, locksmithing, tool engineering, metalworking	100.00 %
Strojírny a stavby Třinec, a.s.	Průmyslová 1038, Staré Město, 739 61 Třinec	Production of machinery and technology units, machinery equipment, construction work	100.00 %
"METALURGIA" SPÓŁKA AKCYJNA	ulica ŚWIĘTEJ ROZALII nr 10, lok. 12, 97-500 Radomsko, Poland	Production of nails, wire and wire products	100.00 %
"D&D" Drótaru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság*	3527 Miskolc, Sajtósziget utca 4., Hungary	Production of wire products	100.00 %
ŽDB DRÁTOVNA a.s.	Jeremenkova 66, Pudlov, 735 51 Bohumín	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00 %
HŽP a.s.	Dolní 3137/100, 796 01 Prostějov	Production of leaf and helical springs for the automotive and railway industries	100.00 %
SV servisní, s.r.o.	Dolní 3137/100, 796 01 Prostějov	Electricity trading and distribution, gas trading and distribution	100.00 %
REFRASIL, s.r.o.	Průmyslová 720, Kanská, 739 61 Třinec	Production, trade and services not listed in appendices 1 to 3 to the Trade Licensing Act	100.00 %
BOHEMIA RINGS s.r.o.**	č.p. 10, 565 43 Zámorsk	Smithery and metalworking	100.00 %
Řetězárna a.s.	Polská 48, 790 81 Česká Ves	Production of chains, chain products and drawn wire	51.00 %

Note: * hereinafter also "D&D" Drótaru Zrt.

Associate:

Name of the company	Registered office	Business activities	Equity investment at 31 Dec 2018
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Průmyslová 726, Kanská, 739 61 Třinec	Production of isostatically pressed heat-resisting products for continuous steel casting	40.00 %

In 2018, the consolidation group was extended to include BOHEMIA RINGS s.r.o. as a result of acquiring a 100% equity investment in the entity. The entity was incorporated in the consolidation group as of 29 March 2018.

Owing to the acquisition of a 49% equity investment in REFRASIL, s.r.o., which increased the Company's equity investment to the present value of 100%, the minority share in the entity's profit or loss will be reported in minority equity only until the date of acquiring the 49% equity investment, ie until 10 August 2018.

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

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

The financial statements of the companies included in the consolidated group were prepared as of and for the years ended 31 December 2019 and 2018.

“METALURGIA” SPÓŁKA AKCYJNA is based in Poland, “D&D” Drótáru Zrt. in Hungary, and other companies in the consolidation group are based in the Czech Republic.

2.4. COMPANIES EXCLUDED FROM CONSOLIDATION

Entities in which the Company has control or substantial influence are not included in the consolidated group if the share in the consolidation group is not material in terms of giving a true and fair view of the financial position and performance of the consolidation group, when:

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

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

The entities that meet the condition set out above for non-inclusion in the consolidated group, thereby not entering into consolidation based on individual assessment, must also meet the group materiality criterion for non-inclusion. Under the group materiality criterion, these entities are taken as one whole. This whole has to have (i) the share of the recalculated consolidated assets of this whole in the total recalculated consolidated assets of the Company, subsidiaries,

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

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

3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

These consolidated financial statements are presented in thousands of Czech crowns (‘CZK’).

3.1. FINANCIAL REPORTING PERIOD

The consolidated financial statements for the year ended 31 December 2019 were prepared as follows:

- The balance sheet contains comparative amounts as of 31 December 2018;
- The profit and loss account comprises comparative amounts for the year ended 31 December 2018;
- The statement of changes in equity contains comparative amounts as of 31 December 2018; and
- The cash flow statement comprises comparative amounts for the year ended 31 December 2018.

With effect as of 31 May 2019, Strojírny a stavby Třinec, a.s. (the “Successor Company”) merged with DALSELV DESIGN a.s., having its registered office at Pohraniční 693/31, Vítkovice, 703 00 Ostrava, corporate ID 282 62 913, recorded in the Register of Companies held by the Regional Court in Ostrava, file no. B 4239 (the “Dissolving Company”) and the Dissolving Company was wound up without liquidation in the merger by amalgamation with the Successor Company and the net assets of the Dissolving Company were assumed by the Successor Company.

The effective date of the merger by amalgamation was 1 January 2019.

The Successor Company assumed opening balances of all assets and liabilities of the Dissolving Company as of 31 December 2018.

The share capital of the Dissolving Company amounting to CZK 2,000 thousand was assumed by the Successor Company by offsetting its amount of CZK 2,000 thousand against retained earnings brought forward of CZK 2,000 thousand in the opening balance sheet.

Other reserve funds of the Dissolving Company of CZK 400 thousand were assumed by the Successor Company by offsetting their amount of CZK 400 thousand against retained earnings brought forward of CZK 400 thousand in the opening balance sheet.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. TANGIBLE AND INTANGIBLE FIXED ASSETS

Valuation

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

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

Purchased tangible and intangible fixed assets are valued at cost. Tangible and intangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of assets (production overheads) and to the production period. Production overheads also comprise costs for engineering activities. Costs of sale are not included.

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

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

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

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

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

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

Greenhouse emission allowances (hereinafter also referred to as the "emission allowances") are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. The use of emission allowances is accounted for at the balance sheet date as a minimum, depending upon the level of emissions produced by the Company in the calendar year. An initial free-of-charge acquisition of the allowances is recognised as a subsidy not reducing the carrying amount of the intangible fixed assets. This 'subsidy' is released into income on a systematic basis as the allowances are used and charged to expenses. The sale of allowances is recorded as a component of 'Other operating income' in the profit and loss account.

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'. An upward revaluation of the emission allowances is not recognised. If there is a lack of allowances at the consolidated balance sheet date, a reserve is presented in the balance sheet as part of 'Other reserves' and in the profit and loss account as part of 'Reserves and provisions relating to operating activities and complex deferred expenses'. The reserve for the purchase of allowances is released in the following accounting period when the missing allowances are purchased or used from the free of charge allocation of the following period.

Due to the mergers completed in prior reporting periods, emission allowances are reported on standalone ETS Registry accounts depending on the locally-defined operation facility. In reporting the disposal of emission allowances, the FIFO valuation method is applied in respect of individual deposit ETS Registry accounts and individual emission allowance types.

Depreciation for Accounting Purposes

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

Category of assets	Depreciation period in years
Structures	2 – 77
Machines and equipment	2 – 42
Vehicles	3 – 40
Furniture and fixtures	6 – 15
Software	3 – 7

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

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

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

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

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

Provisioning

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

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

4.2. NON-CURRENT FINANCIAL ASSETS

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

Valuation

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

At the consolidated balance sheet date:

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

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

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

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

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

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

Provisioning against Equity Investments

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

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

4.3. DERIVATIVE FINANCIAL INSTRUMENTS

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

- At the inception of the hedge, a decision was made regarding hedged items and hedging instruments, risks to be hedged, the approach to establishing and documenting whether the hedge is effective;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis, the effectiveness is assessed at the derivative trade date and subsequently at the balance sheet date.

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

Derivative financial instruments are concluded for the contracted transaction volume. Derivative financial instruments are carried at fair value at the consolidated balance sheet date. In determining the fair value, the Company has referred to the market value.

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

4.4. CURRENT FINANCIAL ASSETS AND CASH

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

Current financial assets are carried at cost upon acquisition.

Cash consists of cash on hand and cash at bank.

4.5. INVENTORY

Valuation

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

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

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

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

Provisioning

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

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

4.6. RECEIVABLES

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

Provisioning

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

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

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

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

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

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

4.7. PAYABLES

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

4.8. PAYABLES TO CREDIT INSTITUTIONS

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

4.9. RESERVES

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

4.10. ACCRUALS AND DEFERRALS

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

4.11. FOREIGN CURRENCY TRANSLATION

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

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

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

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 TRINECKÉ ŽELEZÁRNY, a. s. in the Tube Rolling Mill (the VT operation), VZ – Sochorová válcovna plant and the Univerzální trať plant and the Track Fastenings Plant and assets used by Slévárny Třinec, a.s., ŽDB DRÁTOVNA a.s. and BOHEMIA RINGS s.r.o. which are depreciated using both the straight line and accelerated methods for tax purposes. HŽP a.s. and SV servisní, s.r.o. use the straight line method for the calculation of depreciation for tax purposes.

4.13.2. Current Tax Payable

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

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

4.14. BORROWING COSTS

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

4.15. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

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

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.

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

4.17. USE OF ESTIMATES

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

4.18. DEVELOPMENT EXPENDITURE

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

4.19. SUBSIDIES

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

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

Cash and cash equivalents can be analysed as follows:

	(CZK THOUSAND)	
	31 Dec 2019	31 Dec 2018
Cash on hand	3 689	4 814
Cash at bank	1 010 002	1 110 789
Other current financial assets	3 033	12 548
Provisions against other current financial assets	-3 033	-12 548
Total current financial assets and cash	1 013 691	1 115 603
Cash and cash equivalents not included in the cash flow	-3 909	-14 771
Total cash and cash equivalents	1 009 782	1 100 832

The difference between cash and cash equivalents as of 31 December 2019 and 2018 reported in the cash flow statement as opposed to the current financial assets and cash disclosed in the balance sheet represents blocked deposits that are restricted with regard to the free handling of the funds.

4.21. CONSOLIDATION RULES

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

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

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

From the reporting period beginning on 1 January 2018 onwards, the Company has amortised goodwill arising on consolidation reported in the financial statements as of 31 December 2017 over 20 years on a straight-line basis in compliance with Czech Accounting Standard No. 20.

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

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

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

The consolidation of the financial statements was performed using the direct consolidation method.

The financial statements for the years ended 31 December 2019 and 2018 prepared by the companies included in the consolidated group, as well as the financial statements of subsidiaries and associates not included in the consolidated group that were received by the Company as of the consolidated financial statement preparation date are available in the registered office of the Company.

The consolidation rules for 2019 and 2018 (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 2019

5.1.1. Structure of the Consolidated Profit/Loss for 2019

	(CZK THOUSAND)
Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a. s.	609 943
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	9 742
Profit/(loss) of the current period – Slévárny Třinec, a.s.	-20 637
Profit/(loss) of the current period – Šroubárna Kyjov, spol. s r.o.	46 162
Profit/(loss) of the current period – Strojírny a stavby Třinec, a.s.	46 207
Profit/(loss) of the current period – VÚHŽ a.s.	51 109
Profit/(loss) of the current period – "METALURGIA" SPÓŁKA AKCYJNA	-21 146
Profit/(loss) of the current period – "D&D" Drátáru Zrt.	5 651
Profit/(loss) of the current period – ŽDB DRÁTOVNA a.s.	54 982
Profit/(loss) of the current period – HŽP a.s.	29 673
Profit/(loss) of the current period – SV servisní, s.r.o.	7 782
Profit/(loss) of the current period – BOHEMIA RINGS s.r.o.	72 435
Profit/(loss) of the current period – REFRASIL, s.r.o.	14 986
Share in profit of the current period – Řetězárna a.s.	17 301
Share in profit of the current period under the equity method	15 856
Adjustments within the full method of consolidation (see below)	-271 071
Adjustments within the equity method of consolidation (see below)	-23 076
Consolidated profit	645 899

5.1.2. Adjustments within Full Consolidation for 2019

(CZK THOUSAND)

Elimination of profits and losses from unrealised inventory from intercompany sales of inventory in the consolidated group, including the deferred tax impact	17 066
Write-off of the revaluation of assets at fair value	-36 404
Write-offs of the margin from the sale of assets value including the deferred tax impact	3 380
Elimination of declared profit shares of the consolidated group entities	-244 192
Elimination of provisioning against "D&D" Drótáru Zrt.	-87
Write-off of positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s.	-12 479
Write-off of positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o.	-5 348
Write-off of negative goodwill arising on consolidation of REFRASIL, s.r.o.	728
Elimination of the reserve for emission allowances including the deferred tax impact	6 265
Total adjustments	-271 071

5.1.3. Adjustments to the Profit or Loss within the Equity Method for 2019


(CZK THOUSAND)

Elimination of paid profit shares of VESUVIUS ČESKÁ REPUBLIKA, a.s.	-23 076
Total adjustments	-23 076

5.2. CONSOLIDATED PROFIT/LOSS FOR 2018**5.2.1. Structure of the Consolidated Profit/Loss for 2018**

(CZK THOUSAND)

Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a. s.	3 334 039
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	41 702
Profit/(loss) of the current period – Slévárny Třinec, a.s.	23 136
Profit/(loss) of the current period – Šroubárna Kyjov, spol. s r.o.	45 854
Profit/(loss) of the current period – Strojírny a stavby Třinec, a.s.	43 850
Profit/(loss) of the current period – VÚHŽ a.s.	39 902
Profit/(loss) of the current period – "METALURGIA" SPÓLKA AKCYJNA	-19 660
Profit/(loss) of the current period – "D&D" Drótáru Zrt.	107 360
Profit/(loss) of the current period – ŽDB DRÁTOVNA a.s.	80 268
Profit/(loss) of the current period – HŽP a.s.	27 222
Profit/(loss) of the current period – SV servisní, s.r.o.	6 627
Profit/(loss) of the current period – BOHEMIA RINGS s.r.o.	63 230

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(CZK THOUSAND)

Share in profit of the current period – REFRASIL, s.r.o.	9 149
Share in profit of the current period – Řetězárna a.s.	22 870
Share in profit of the current period under the equity method	23 076
Adjustments within the full method of consolidation (see below)	-177 568
Adjustments within the equity method of consolidation (see below)	-5 278
Consolidated profit	3 665 779

5.2.2. Adjustments within Full Consolidation for 2018

(CZK THOUSAND)

Elimination of profits and losses from unrealised inventory from intercompany sales of inventory in the consolidated group, including the deferred tax impact	-1 106
Write-off of the revaluation of assets at fair value	-30 684
Write-offs of the margin from the sale of assets value including the deferred tax impact	12 434
Elimination of the margin from the sale of emission allowances	9 562
Elimination of declared profit shares of the consolidated group entities	-205 260
Elimination of provisioning against "D&D" Drótáru Zrt.	-13 700
Write-off of positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s.	-12 510
Write-off of positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o.	-4 296
Write-off of negative goodwill arising on consolidation of REFRASIL, s.r.o.	243
Elimination of the reserve for emission allowances including the deferred tax impact	67 749
Total adjustments	-177 568

5.2.3. Adjustments to the Profit or Loss within the Equity Method for 2018

(CZK THOUSAND)

Elimination of paid profit shares of VESUVIUS ČESKÁ REPUBLIKA, a.s.	-5 278
Total adjustments	-5 278

6. ADDITIONAL CONSOLIDATED BALANCE SHEET INFORMATION

6.1. INTANGIBLE FIXED ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2018	Impact of the merger as of 1 Jan 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2019
Development	4 553	0	0	0	0	4 553
Valuable rights	563 958	2 664	18 075	97 694	-709	486 294
Goodwill	349	0	0	0	-1	348
Other intangible FA	896 719	0	2 100 401	1 368 912	0	1 628 208
Intangible FA under construction	1 980	0	941 711	935 087	-4	8 600
Total	1 467 559	2 664	3 060 187	2 401 693	-714	2 128 003

Accumulated Amortisation

(CZK THOUSAND)

	Balance at 31 Dec 2018	Impact of the merger as of 1 Jan 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2019
Development	4 553	0	0	0	0	4 553
Valuable rights	429 261	2 664	20 185	97 683	-580	353 847
Goodwill	349	0	0	0	-1	348
Other intangible FA	13 561	0	630	0	47	14 238
Total	447 724	2 664	20 815	97 683	-534	372 986

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2018	Balance at 31 Dec 2019
Development	0	0
Valuable rights	134 697	132 447
Goodwill	0	0
Other intangible FA	883 158	1 613 970
Intangible FA under construction	1 980	8 600
Total	1 019 835	1 755 017

In the tables presenting movements in intangible fixed assets in 2019, the ‘Impact of the merger as of 1 January 2019’ column represents the impact of the merger of Strojírny a stavby Třinec, a.s., and DALSELV DESIGN a.s.

Most significant additions to intangible fixed assets in 2019 include as follows:

(CZK THOUSAND)

Software relating to machinery	5 947
Computing software for the forming process	1 007

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 20,826 thousand and CZK 30,098 thousand as of 31 December 2019 and 2018, respectively.

Other intangible assets primarily include allowances.

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

In the year ended 31 December 2018, the Company acquired 3,737,010 emission allowances for 2018 in the amount of CZK 980,583 thousand free of charge. As of the balance sheet date of 31 December 2018, the Company recognised a disposal of emission allowances for 2018 of CZK 765,990 thousand. In 2018, the disposal of emission allowances for 2017 was adjusted by CZK (494) thousand.

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

The aggregate cost of low value intangible assets not reported on the face of the balance sheet was CZK 40,600 thousand and CZK 38,856 thousand as of 31 December 2019 and 2018, respectively.

6.2. TANGIBLE FIXED ASSETS**Cost**

(CZK THOUSAND)

	Balance at 31 Dec 2018	Impact of the merger as of 1 Jan 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2019
Land	800 300	0	1 834	4 180	-672	797 282
Structures	14 765 032	0	700 412	45 903	-4 737	15 414 804
Tangible movable assets and sets thereof	42 709 819	1 654	1 829 072	248 026	-15 491	44 277 028
Other tangible FA	99 592	0	4 708	2 635	-1 142	100 523
Prepayments for tangible FA	213 339	0	518 653	495 532	-13	236 447
Tangible FA under construction	1 380 914	0	2 994 354	2 511 386	-2 119	1 861 763
Total	59 968 996	1 654	6 049 033	3 307 662	-24 174	62 687 847

Accumulated Depreciation

(CZK THOUSAND)

	Balance at 31 Dec 2018	Impact of the merger as of 1 Jan 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2019
Structures	7 631 715	0	434 297	45 131	-940	8 019 941
Tangible movable assets and sets thereof	28 631 746	1 620	1 731 303	244 914	-12 313	30 107 442
Other tangible FA	80 189	0	2 787	2 610	-732	79 634
Total	36 343 650	1 620	2 168 387	292 655	-13 985	38 207 017

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2018	Impact of the merger as of 1 Jan 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2019
Structures	51 188	0	6 148	1 177	0	56 159
Tangible movable assets and sets thereof	8 874	0	3 795	5 068	0	7 601
Other tangible FA	33	0	0	0	0	33
Tangible FA under construction	22 576	0	854	19 055	0	4 375
Total	82 671	0	10 797	25 300	0	68 168

Net Book Value

(CZK THOUSAND)

Net book value	Balance at 31 Dec 2018	Balance at 31 Dec 2019
Land	800 300	797 282
Structures	7 082 129	7 338 704
Tangible movable assets and sets thereof	14 069 199	14 161 985
Other tangible FA	19 370	20 856
Prepayments for tangible FA	213 339	236 447
Tangible FA under construction	1 358 338	1 857 388
Total	23 542 675	24 412 662

In the tables presenting movements in intangible fixed assets in 2019, the 'Impact of the merger as of 1 January 2019' column represents the impact of the merger of Strojírny a stavby Třinec, a.s., and DALSELV DESIGN a.s.

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

(CZK THOUSAND)

Technical improvements on the square billet straightening line at the VZ – billet rolling mill plant	140 217
Technical improvements on continuous casting facility no. 1 for casting of the 600 format	122 216
R T4 - 110 kV GIS SIEMENS distribution room	95 102
KER/KEH 5.1. production line	31 682
CNC 40 B	31 444
CNC 40 A	31 398
Technical improvements of the roof of the distribution room T4	27 262
HCW 1000 horizontal and boring workstation	25 494
Annealing furnace no. 2	22 407
TZ – Top-loading annealing furnace HUGF 420-230 JET (LOI)	20 839
Technical improvements on wiring 110 kV no. 661/662 (TIV – Ropice distribution point)	17 740
WÖHR continuous vortex mixer	15 893
TZ – BUILDING OF THE PATENT PLANT	14 333
Wire drawing machine S500/2-RT400/11+ wire take-up BU80 sk.19	12 877
Wire drawing machine S500/2-RT400/11+ wire take-up BU80 sk.17	12 877
Wire drawing machine S500/2-RT400/11+ wire take-up BU80 sk.18	12 877
Linia technologiczna DD630/4 do ciągnięcia drutu	12 477
TZ buildings of a new steel drawing machine	12 476
Expansion of Hall IX	11 007
Hot water boiler room equipment (boilers including automated control system)	10 422
Transferring handling device	10 137

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

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

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 2,112,481 thousand and CZK 2,109,680 thousand as of 31 December 2019 and 2018, respectively.

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

The aggregate costs of low value tangible fixed assets not reported on the face of the balance sheet were CZK 910,809 thousand and CZK 867,561 thousand as of 31 December 2019 and 2018, respectively.

Fair Value

As of the acquisition date in 2018, assets of BOHEMIA RINGS s.r.o. were measured at fair value. The revaluation of assets as of the acquisition date resulted in an increase in the value of fixed assets of CZK 278,539 thousand and the recognition of a deferred tax liability, with the application of a 19% tax rate of CZK 45,256 thousand.

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

31 December 2019

	(CZK THOUSAND)	
	Machinery and equipment	Balance at 31 Dec 2019
Total anticipated sum of rental payments	50 922	50 922
Payments actually made by 31 December 2019	50 922	50 922
Future payments falling due by 31 December 2020	–	–

31 December 2018

(CZK THOUSAND)

	Machinery and equipment	Balance at 31 Dec 2018
	New acquisition	
Total anticipated sum of rental payments	85 613	85 613
Payments actually made by 31 December 2018	84 044	84 044
Future payments falling due by 31 December 2019	1 569	1 569

Operating Lease

Lease payments of CZK 66,545 thousand and CZK 64,902 thousand were made in the years ended 31 December 2019 and 2018, respectively.

6.4. PLEDGED FIXED ASSETS**2019**

(CZK THOUSAND)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	229 889	
Land	23 663	Loan from Česká spořitelna, a.s.
Tangible fixed assets	396 235	
Land	3 444	Loan from Česká spořitelna, a.s.
Tangible fixed assets	614 890	
Structures	128 298	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible fixed assets	2 330	
Land	39 986	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	767 381	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	817 691	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	364 982	
Land	643	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Tangible fixed assets	262 130	
Land	12 218	Loan from ING BANK N. V.
Tangible fixed assets	78 619	Collateral for an investment bank loan with UniCredit Bank Czech Republic and Slovakia, a.s.
Technologies	73 759	Raiffeisenbank a.s. – pledge for the long-term bank loan for funding the MoRe T4 – 110kV distribution point
Tangible fixed assets	84 586	Investment loan from ING Bank N.V.
Tangible fixed assets *	89 550	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, collateralised by machinery of up to PLN 15,000 thousand

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

(CZK THOUSAND)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets *	56 154	Loan from Bank BGŻ BNP Paribas S.A., collateralised by machinery of up to PLN 9,406 thousand
Tangible fixed assets *	88 324	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, collateralised by machinery of up to PLN 14,795 thousand
Tangible fixed assets, land	271	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 007	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 404	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	559	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	13 482	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 652	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 641	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	908	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	7 394	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	460	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	3 281	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	1 162	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	1 809	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	36 419	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	9 556	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	7 752	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	170 168	
Land	4 166	
Technologies	192 598	Loan from Citibank Europe plc.
Tangible fixed assets*	53 999	Investment loan from ERSTE Bank Hungary Zrt.
Tangible fixed assets*	23 668	Investment loan from K&H Bank Zrt.
Land	6 709	
Tangible fixed assets	125 897	Loan from Raiffeisenbank a.s.
Land	281	
Tangible fixed assets	58 396	Loan from Česká spořitelna, a.s.
Total	4 862 869	

Note: * translated using the Czech National Bank's exchange rate as of 31 December 2019

31 December 2018

(CZK THOUSAND)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets	241 996	
Land	23 663	Loan from Česká spořitelna, a.s.
Tangible fixed assets	427 398	
Land	3 444	Loan from Česká spořitelna, a.s.
Tangible fixed assets	664 946	
Structures	132 389	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible fixed assets	2 465	
Land	39 986	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	828 197	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	870 673	Loan from Československá obchodní banka, a. s.
Tangible fixed assets	404 219	
Land	662	Loan from UniCredit Bank Czech Republic and Slovakia, a.s.
Tangible fixed assets	87 971	Collateral for an investment bank loan with UniCredit Bank Czech Republic and Slovakia, a.s.
Technologies	87 376	Raiffeisenbank a.s. – pledge for the long-term bank loan for funding the MoRe T4 – 110kV distribution point
Tangible fixed assets	98 742	Investment loan from ING Bank N.V.
Tangible fixed assets *	89 700	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, collateralised by machinery of up to PLN 15,000 thousand
Tangible fixed assets *	56 249	Loan from Bank BGŻ BNP Paribas S.A., collateralised by machinery of up to PLN 9,406 thousand
Tangible fixed assets *	36 662	Loan from Bank Polska Kasa Opieki Spółka Akcyjna, collateralised by machinery of up to PLN 6,131 thousand
Tangible fixed assets, land	510	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	707	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 478	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	696	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	13 276	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 724	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	1 916	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	991	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	9 736	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets, land	513	Investment loan from Raiffeisenbank a.s.
Tangible fixed assets	3 474	Investment loan from Raiffeisenbank a.s.

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

(CZK THOUSAND)

Description of assets	Net book value	Description, scope and purpose of pledge/lien
Tangible fixed assets, land	170 467	
Technologies	187 734	Loan from Citibank Europe plc.
Land	4 871	
Tangible fixed assets	131 187	Investment and overdraft loan from Raiffeisenbank a.s.
Land	225	
Tangible fixed assets	21 830	Investment and overdraft loan from MONETA Money Bank, a.s.
Land	283	
Tangible fixed assets	64 446	Investment and overdraft loan from Česká spořitelna, a.s.
Total	4 716 260	

Note: * translated using the Czech National Bank's exchange rate as of 31 December 2018

6.5. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Revaluation	Impact of exchange rate gains or losses	Balance at 31 Dec 2019
Equity investments – controlled or controlling entity	391 386	50 000	34 367	653	0	407 672
Equity investments in associates	26 201	1*	0	0	0	26 202
Other non-current securities and equity investments	2 001	0	0	0	0	2 001
Total	419 588	50 001	34 367	653	0	435 875

Note: * only rounding

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2018	Additions	Disposals	Revaluation	Impact of exchange rate gains or losses	Balance at 31 Dec 2019
Equity investments – controlled or controlling entity	74 171	0	45 305	0	0	28 866
Equity investments in associates	16 456	0	63	0	0	16 393
Other non-current securities and equity investments	0	0	0	0	0	0
Total	90 627	0	45 368	0	0	45 259

The most significant additions to non-current financial assets in the year ended 31 December 2019 include the following:

- Acquisition of a 100% equity investment in EKOSTROJÍRENSTVÍ TŘINEC, a.s.

Equity investments – controlled or controlling entity include the merger by amalgamation of DALSELV DESIGN a.s., as the dissolving company, and Strojírny a stavby Třinec, a.s., as the successor company, the effective date being 1 January 2019.

6.6. SUMMARY OF UNCONSOLIDATED FINANCIAL INVESTMENTS

6.6.1. Equity Investments – Controlled or Controlling Entity

31 December 2019

(CZK THOUSAND)

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

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

31 December 2018

(CZK THOUSAND)

Name of the entity, registered office	Equity investment %	Equity	Profit or loss for the period	Provision	Financial income
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	54 804	2 822	0	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	49 198	207	0	0
TRIALFA, s.r.o., Třinec-Kanada	100.00	19 605	186	0	0
Moravia Security, a.s., Kinská, Třinec	100.00	39 313	3 643	0	0
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90.00	45 025	1 821	0	0
DALSELV DESIGN a.s., Vítkovice, Ostrava*	100.00	4 042	-7 336	-0	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	33 617	4 096	0	0
„ZAMECZEK BŁOGOCICE” Spółka z ograniczoną odpowiedzialnością, Cieszyn (Poland)	88.00	45 474	354	-9 725	0
TRISIA, a.s., Lyžbice, Třinec	66.00	48 049	-1 631	0	0
Retaze Slovakia s.r.o., Skalica (Slovakia)	80.00	11 831	1 957	0	1 631
JuBo Jeseník s. r. o., Jeseník	80.00	2 907	766	0	800
Řetězárna servis s.r.o., Jeseník	100.00	4 569	3 578	0	2 000
IMOPRA s.r.o., Nivnice	100.00	103 564	11 972	-64 446	0
Total				-74 171	4 431

Note: * change in the registered office

6.6.2. Equity Investments – Associates**31 December 2019**

(CZK THOUSAND)

Name of the entity, registered office	Equity investment %	Equity	Profit or loss for the period	Provision	Financial income
Ocelářská unie a.s., Nové Město, Prague 1	40.44	43 374	-1 853	-16 393	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	1 871	834	0	0
Total				-16 393	0

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

* results for the period from 1 April 2019 to 31 March 2020

31 December 2018

(CZK THOUSAND)

Name of the entity, registered office	Equity investment %	Equity	Profit or loss for the period	Provision	Financial income
Ocelářská unie a.s., Nové Město, Prague 1	39.28	44 832	1 375	-16 456	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	1 036	204	0	0
Total				-16 456	0

Note: * results for the period from 1 April 2018 to 31 March 2019

6.7. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION**2019**

(CZK THOUSAND)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation						
ŽDB DRÁTOVNA a.s.	249 609	-24 989	224 620	0	12 479	0
BOHEMIA RINGS s.r.o.	107 258	-9 644	97 614	0	5 348	0
Total	356 867	-34 633	322 234	0	17 827	0
Negative goodwill arising on consolidation						
REFRASIL, s.r.o.	-14 566	970	-13 596	0	0	727
Total	-14 566	970	-13 596	0	0	727

The gross value of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. amounts to CZK 249,609 thousand as of 31 December 2019. The positive goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities. In 2019, the Company recognised a year-on-year change in this deferred tax of CZK 590 thousand. Total deferred tax in 2019 amounts to CZK 8,532 thousand.

In 2019, the Company recognised a write-off of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. of CZK 12,479 thousand.

The gross value of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. amounts to CZK 107,258 thousand as of 31 December 2019. The positive goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities. In 2019, the Company recognised a year-on-year change in this deferred tax of CZK 7,301 thousand. Total deferred tax in 2019 amounts to CZK 32,705 thousand.

In 2019, the Company recognised a write-off of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. of CZK 5,348 thousand.

As of 31 December 2019, the gross amount of the negative goodwill arising on consolidation of REFRASIL, s.r.o. amounts to CZK 14,566 thousand.

In 2019, the Company recognised a write-off of the negative goodwill arising on consolidation of REFRASIL, s.r.o. of CZK 727 thousand.

2018

(CZK THOUSAND)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation						
ŽDB DRÁTOVNA a.s.	250 199	-12 510	237 689	0	12 510	0
BOHEMIA RINGS s.r.o.	114 559	-4 296	110 263	0	4 296	0
Total	364 758	-16 806	347 952	0	16 806	0
Negative goodwill arising on consolidation						
REFRASIL, s.r.o.	-14 566	243	-14 323	0	0	243
Total	-14 566	243	-14 323	0	0	243

The gross value of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. amounts to CZK 250,199 thousand as of 31 December 2018. The positive goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities. In 2018, the Company recognised a year-on-year change in this deferred tax of CZK 830 thousand. Total deferred tax in 2018 amounts to CZK 9,122 thousand.

In 2018, the Company recognised a write-off of the positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s. of CZK 12,510 thousand.

The gross value of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. amounts to CZK 114,559 thousand as of 31 December 2018. The positive goodwill arising on consolidation includes the deferred tax arising from the difference from the revaluation of assets and liabilities. As of 31 December 2018, the total deferred tax amounts to CZK 40,006 thousand.

In 2018, the Company recognised a write-off of the positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o. of CZK 4,296 thousand.

As of 31 December 2018, the gross amount of the negative goodwill arising on consolidation of REFRASIL, s.r.o. amounts to CZK 14,566 thousand.

In 2018, the Company recognised a write-off of the negative goodwill arising on consolidation of REFRASIL, s.r.o. of CZK 243 thousand.

6.8. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK THOUSAND)

Securities and equity investments under equity accounting ¹⁹¹	2019	2018
VESUVIUS ČESKÁ REPUBLIKA, a.s.	147 449	154 669
Total	147 449	154 669

6.9. PLEDGED NON-CURRENT FINANCIAL ASSETS

As of 31 December 2019 and 2018, the Consolidated Group has non-current financial assets pledged as collateral in the nominal value of CZK 1,144,302 thousand and CZK 1,144,302 thousand, respectively.

6.10. INVENTORY

As of 31 December 2019, “METALURGIA” SPÓŁKA AKCYJNA has pledged the inventory up to PLN 13,000 thousand (CZK 77,610 thousand) with Bank BGŻ BNP Paribas S.A. in relation to the used loan and inventory of up to PLN 10,500 thousand (CZK 62,685 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna in relation to the loan drawn. As of 31 December 2018, inventory was pledged up to PLN 13,000 thousand (CZK 77,740 thousand) with Bank BGŻ BNP Paribas S.A.

6.11. RECEIVABLES**6.11.1. Long-Term Receivables**

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

As of 31 December 2019, the Company recorded long-term receivables with maturity period greater than five years of CZK 1,099 thousand (2018: CZK 1,713 thousand).

6.11.2. Short-Term Receivables

As of 31 December 2019 and 2018, gross short-term trade receivables past their due dates amounted to CZK 411,835 thousand (net CZK 337,170 thousand) and CZK 449,058 thousand (net CZK 374,245 thousand), respectively.

Other Receivables

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

As of 31 December 2019, State – tax receivables predominantly include a receivable arising from value added tax, corporate income tax prepayments and prepayments for fees under Act No. 201/2012, Coll., on Air Protection. In 2018, State – tax receivables predominantly included a receivable arising from value added tax and prepayments for fees under Act No. 201/2012, Coll., on Air Protection.

In 2019, other receivables principally include a receivable arising from an indisputable claim for a subsidy, receivables from individuals and a receivable arising from group registration for VAT. In 2018, other receivables principally included a receivable arising from an indisputable claim for a subsidy, a receivables arising from a loan contract and receivables from individuals.

In 2019 and 2018, estimated receivables principally include amounts due from anticipated insurance proceeds, use of an operating subsidy, and from the refund of the value added tax paid abroad.

Receivables typically mature within 30 days.

6.11.3. Pledged Receivables

As of 31 December 2019, “METALURGIA” SPÓŁKA AKCYJNA records pledged receivables of PLN 5,071 thousand (CZK 30,276 thousand) with BGŻ BNP Paribas Faktoring Sp. z o. o. and pledged receivables of PLN 1,907 thousand (CZK 11,388 thousand) with Pekao Faktoring Sp. z o.o. As of 31 December 2018, it recorded pledged receivables of PLN 4,080 thousand (CZK 24,398 thousand) with BGŻ BNP Paribas Faktoring Sp. z o. o. and PLN 2,328 thousand (CZK 13,919 thousand) with Pekao Faktoring Sp. z o.o.

6.11.4. Intercompany Receivables**Short-term Receivables**

(CZK THOUSAND)

Name of the entity	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
• Trade receivables			
Doprava TŽ, a.s.	Controlled entity	1 738	980
JuBo Jeseník s.r.o.	Controlled entity	6 562	5 945
Moravia Security, a.s.	Controlled entity	169	162
MORAVIA STEEL a.s.	Controlling entity	1 560 664	1 883 838
TRIALFA, s.r.o.	Controlled entity	1 564	3 419
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	189	121
Třinecké gastroslužby, s.r.o.	Controlled entity	2 407	1 269
TRISIA, a.s.	Controlled entity	17	9
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	6 400	5 211
Beskydská golfová, a.s.	Fellow subsidiary	13	73
NEOMET Sp. z o.o.	Fellow subsidiary	89	29
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM s.r.o.	Controlled entity	10	18
M Steel Projects a.s.	Fellow subsidiary	13	13
Security Morava, s.r.o.	Controlled entity	9	12
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	727	2 945
Kovárna VIVA a.s.	Fellow subsidiary	585	402
MINERFIN a.s.	Group entity	0	2 050
Barrandov Studio a.s.	Fellow subsidiary	416	111
Retaze Slovakia, s.r.o.	Controlled entity	2 717	1 812
Řetězárna servis s.r.o.	Controlled entity	12	15
AHP HYDRAULIKA, a.s.	Fellow subsidiary	0	18

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(CZK THOUSAND)

Name of the entity	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
IMOPRA s.r.o.	Controlled entity	1	1
EKOSTROJÍRENSTVÍ TRŽINEC, a.s.	Controlled entity	11	0
Total		1 584 313	1 908 453
• Receivables – controlled or controlling entity			
IMOPRA s.r.o.	Controlled entity	9 068	21 087
Total		9 068	21 087
• Short-term prepayments made			
TRISIA, a.s.	Controlled entity	0	1 210
Total		0	1 210
Total short-term intercompany receivables		1 593 381	1 930 750
Other than intercompany receivables		2 542 813	2 465 712
Total short-term receivables		4 136 194	4 396 462

As of 31 December 2019, no long-term intercompany receivables were recorded.

6.12. EQUITY

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

The sole shareholder decided to distribute the net profit after tax generated in 2018 in the amount of CZK 3,334,039 thousand as follows: the entire amount was transferred to retained earnings brought forward.

Share Capital

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

Proposal for the Allocation of Profit for 2019

In 2019, the Company generated net profit after tax of CZK 609,943 thousand. It is proposed to be allocated as follows:

Retained earnings brought forward: CZK 609,943 thousand

6.13. RESERVES

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

6.14. PAYABLES

6.14.1. Long-Term Payables

Long-term trade payables as of 31 December 2019 primarily include payables arising from retention fees from suppliers according to concluded contracts.

As of 31 December 2019 and 31 December 2018, the Company recorded long-term trade payables with maturities exceeding 5 years in the amounts of CZK 1,183 thousand and 1,315 thousand, respectively.

6.14.2. Short-Term Trade Payables

As of 31 December 2019, short-term trade payables past their due dates amount to CZK 31,483 thousand (2018: CZK 100,451 thousand).

Payables typically fall due for settlement within 60 days.

6.14.3. Other Payables

As of 31 December 2019, the category “State – tax payables and subsidies” principally comprised received subsidies for emission allowances and a payable arising from personal income taxes. As of 31 December 2018, the category principally comprised received subsidies for emission allowances and a payable arising from corporate and personal income taxes.

As of 31 December 2019 and 31 December 2018, estimated payables mainly consist of payables arising from the estimated payable for outstanding vacation days and annual bonuses including insurance and estimated payables arising from unbilled inventory including services.

As of 31 December 2019 and 31 December 2018, other payables primarily comprise payables arising from the Group’s registration for value added tax, guarantees and contributions to employees. On 1 January 2019, the Group’s registration for value added tax was extended to include the educational legal entity Střední odborná škola Třineckých železáren.

6.14.4. Intercompany Payables

Long-Term Payables

As of 31 December 2019, the Consolidated Group recorded no long-term intercompany payables.

Other than intercompany long-term payables as of 31 December 2019 and 2018 primarily include a deferred tax liability of CZK 1,718,877 thousand and CZK 1,661,074 thousand, respectively, and payables to credit institutions of CZK 2,626,470 thousand and CZK 2,514,774 thousand, respectively.

Short-term Payables

(CZK THOUSAND)

Name of the entity	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
• Trade payables			
JuBo Jeseník s.r.o.	Controlled entity	0	5
Refaze Slovakia, s.r.o.	Controlled entity	0	0
Řetězárna servis s.r.o.	Controlled entity	2 519	1 932
Doprava TŽ, a.s.	Controlled entity	13 141	13 169
Ocelářská unie, a.s.	Associate	835	795
MORAVIA STEEL a.s.	Controlling entity	2 132 824	2 791 848
Moravia Security, a.s.	Controlled entity	10 550	10 405
Security Morava, s.r.o.	Controlled entity	1 699	1 494
TRIALFA, s.r.o.	Controlled entity	17 106	18 605
TRISIA, a.s.	Controlled entity	1 187	991
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	3 580	7 174
Třinecké gastroslužby, s.r.o.	Controlled entity	19 252	9 711
VESUVIUS ČESKA REPUBLIKA, a.s.	Associate	8 559	12 211
Beskydská golfová, a.s.	Fellow subsidiary	3 025	32 011
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	224	1 772
"ZAMECZEK BŁOGOCICE" Sp. z o.o.	Controlled entity	100	100
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	134 739	146 921
HRAT, s.r.o.	Associate	37	37
DALSELV DESIGN a.s.	Controlled entity	0	40
MORAVIA STEEL SLOVENIJA d.o.o.	Fellow subsidiary	692	615

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(CZK THOUSAND)

Name of the entity	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
MORAVIA STEEL ITALIA s.r.l.	Fellow subsidiary	0	186
MORAVIA STEEL IBÉRIA, S.A.	Fellow subsidiary	287	76
MORAVIA STEEL UK LIMITED	Fellow subsidiary	44	39
Moravia Steel Deutschland GmbH	Fellow subsidiary	1 790	1 792
NEOMET Sp. z o.o.	Fellow subsidiary	83 271	99 636
MINERFIN, a.s.	Group entity	0	0
Total		2 435 461	3 151 565
• Payables to owners			
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	35 000	0
Total		35 000	0
• Estimated payables			
MORAVIA STEEL a.s.	Controlling entity	7 332	2 170
MORAVIA STEEL ITALIA s.r.l.	Fellow subsidiary	142	0
Total		7 474	2 170
• Other payables			
MORAVIA STEEL a.s.	Controlling entity	53 253	58 023
Total		53 253	58 023
Total short-term intercompany payables		2 531 188	3 211 758
Other than intercompany payables		6 715 096	6 243 908
Total short-term payables		9 246 284	9 455 666

Short-term payables outside of the group as of 31 December 2019 and 2018 predominantly include payables to credit institutions of CZK 2,095,290 thousand and CZK 1,465,938 thousand, respectively.

6.15. DEFERRED INCOME TAX**6.15.1. Deferred Tax Liability**

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

(CZK THOUSAND)

Deferred tax basis	Tax rate in %	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Difference between tax and accounting net book value of fixed assets	19	-10 342 814	-10 219 935
Difference between tax and accounting net book value of fixed assets	9	-66 291	-110 786
Remeasurement of securities available for sale	19	54	54
Remeasurement of assets to fair value charged against equity	19	-110 231	-124 410
Remeasurement of assets to fair value charged against equity	9	-33 571	-35 256
Remeasurement of assets to fair value charged against the goodwill arising on consolidation	19	-217 034	-258 563
Accounting reserves	19	416 341	543 018
Provisions	19	983 130	768 103
Provisions	9	-3 705	3 523
Expenses to be allowable in subsequent periods	19	60 194	397 167
Utilisable tax loss	19	26 091	0
Unrealised gains on the intragroup sale of inventory	19	10 024	31 091
Unrealised gains on intragroup sales of tangible and intangible fixed assets	19	176 650	188 557
Unrealised gains on intragroup sales of tangible and intangible fixed assets (equity)	19	-68	-68
Total tax base		-9 101 230	-8 817 505
Deferred tax liability		-1 718 877	-1 661 074

(CZK THOUSAND)

Analysis of movements	
31 Dec 2018	-1 661 074
Current changes charged to the profit and loss account	-68 856
Current changes recognised in equity	3 163
Recognition against the goodwill arising on consolidation	7 891
Other	-1
31 Dec 2019	-1 718 877

6.15.2. Deferred Tax Asset

(CZK THOUSAND)

	Tax rate in %	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Difference between the tax and accounting net book value of fixed assets	19	-1 269	-255
Accounting reserves	19	1 333	1 800
Provisions	19	169	169
Total tax base		233	1 714
Deferred tax asset		44	326

(CZK THOUSAND)

Analysis of movements

31 Dec 2018	326
Current changes charged to the profit and loss account	-281
Other	-1
31 Dec 2019	44

6.16. PAYABLES TO CREDIT INSTITUTIONS

Long-Term Payables to Credit Institutions

(CZK THOUSAND)

Type of payable	Currency	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Form of collateral as of 31 December 2019
Investment loan	CZK	480 000	720 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	40 639	57 599	Hermes guarantee insurer
Investment loan	EUR	42 242	71 277	ODL guarantee insurer
Investment loan	CZK	240 000	480 000	Immovable and movable assets, insurance receivables, promissory note
Acquisition loan	EUR	465 850	643 125	Securities, promissory note
Investment loan	CZK	857 143	0	Immovable and movable assets, insurance receivables, promissory note
Investment loan	CZK	8 748	11 189	Pledge of real estate and movable assets
Investment loan	EUR	31 065	40 226	Pledge of real estate and movable assets
Investment loan	CZK	98 864	118 562	Blank promissory note, pledge of movable assets
Investment loan	CZK	41 800	57 000	Pledge of assets, blank promissory note
One-time investment loan *	CZK	0	75 669	Movable and immovable assets
One-time investment loan	EUR	42 121	63 965	Movable and immovable assets
One-time investment loan *	EUR	49 702	0	Movable and immovable assets
One-time investment loan	EUR	69 104	0	Movable and immovable assets
Investment loan	EUR	24 247	38 574	Blank promissory note, pledge of movable assets
Investment loan	EUR	6 379	0	Blank promissory note, pledge of movable assets
Investment loan	EUR	0	3 859	
Investment loan	EUR	12 705	0	
Investment loan	CZK	42 245	58 087	Two blank promissory note
Investment loan	EUR	19 693	46 794	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset
Investment loan	EUR	10 164	14 148	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset
Investment loan	EUR	10 890	14 700	Pledge of immovable assets, blank promissory note, pledge of insurance receivables
Investment loan	EUR	21 153	0	Mortgage, insurance security
Investment loan	EUR	11 716	0	Mortgage, insurance security
Total		2 626 470	2 514 774	

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

Short-Term Payables to Credit Institutions

(CZK THOUSAND)

Type of loan	Currency	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Form of collateral at 31 Dec 2019
Investment loan	EUR	16 255	16 457	Hermes guarantee insurer
Investment loan	EUR	0	5 145	
Investment loan	EUR	3 811	3 859	
Investment loan	EUR	6 353	0	
Overdraft	PLN	54 290	52 851	Pledge– goods, material, products and insurance
Investment loan	PLN	9 438	15 756	Secured with tangible assets (machinery, equipment) and insurance
Overdraft	PLN	39 473	39 806	Pledge– machinery, equipment and insurance, assignment of trade receivables
Investment loan	PLN	12 221	17 121	Pledge – machinery
One-time investment loan *	CZK	0	25 223	Movable and immovable assets
One-time investment loan	EUR	21 061	21 322	Movable and immovable assets
Overdraft	EUR	0	4 134	Receivables
Overdraft – credit cards	CZK	91	125	No collateral
One-time investment loan *	EUR	24 851	0	Movable and immovable assets
One-time investment loan	EUR	6 655	0	Movable and immovable assets
Investment loan	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	28 162	28 511	ODL guarantee insurer
Investment loan	CZK	0	120 000	Movable and immovable assets, promissory note
Investment loan	CZK	0	60 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, promissory note
Acquisition loan	EUR	169 400	171 500	Securities, promissory note
Investment loan	CZK	228 571	0	Immovable and movable assets, insurance receivables, promissory note
Overdraft	CZK	84 177	0	Promissory note
Overdraft	CZK	84 356	0	Promissory note
Overdraft	CZK	82 322	0	Promissory note
Overdraft	CZK	82 864	0	Promissory note
Overdraft	CZK	85 073	0	Promissory note
Overdraft	CZK	84 825	0	Promissory note
Investment loan	CZK	2 441	2 645	Pledge of real estate and movable assets
Investment loan	EUR	8 669	9 508	Pledge of real estate and movable assets
Investment loan	CZK	15 200	15 200	Pledge of assets, blank promissory note
Credit cards	CZK	65	0	No collateral

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(CZK THOUSAND)

Type of loan	Currency	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Form of collateral at 31 Dec 2019
Investment loan	CZK	26 364	19 773	Blank promissory note, pledge of movable assets
Investment loan	EUR	13 855	14 027	Blank promissory note, pledge of movable assets
Overdraft	CZK	6 102	12 153	No collateral
Overdraft	CZK	7 580	8 165	Blank promissory note
Overdraft	CZK/EUR	87 431	62 468	Blank promissory note
Overdraft	CZK	20 316	31 552	Blank promissory note
Overdraft	CZK	485	0	No collateral
Investment loan	CZK	15 842	15 842	Two blank promissory notes
Operating loan	CZK	7 977	145 329	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	7 385	33 076	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	26 528	26 857	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	3 812	3 858	Z Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset insurance
Investment loan	EUR	3 630	3 675	Pledge of immovable assets, blank promissory note, pledge of insurance receivables
Operating loan	CZK	208 109	0	Blank promissory note
Operating loan	EUR	19 609	0	Blank promissory note
Investment loan	EUR	6 509	0	Mortgage, insurance security
Investment loan	EUR	3 132	0	Mortgage, insurance security
Total		2 095 290	1 465 938	

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

Repayments of long-term payables to credit institutions with maturities exceeding five years amount to CZK 13,821 thousand.

6.17. OFF BALANCE SHEET ASSETS AND LIABILITIES AND LEGAL DISPUTES**TŘINECKÉ ŽELEZÁRNY, a. s.****Provided Guarantees**

31 December 2019

Type	Total amount	Balance at 31 Dec 2019
Guarantees		
To other entities	EUR 2,249 thousand	CZK 57,154 thousand

31 December 2018

Type	Total amount	Balance at 31 Dec 2018
Guarantees		
To other entities	EUR 2,652 thousand	CZK 68,218 thousand

Received Guarantees

31 December 2019

Type	Total amount	Balance at 31 Dec 2019
Guarantees		
From other entities	USD 61 thousand	CZK 1,380 thousand
	EUR 2,839 thousand	CZK 72,132 thousand
	CZK 121,280 thousand	CZK 121,280 thousand

31 December 2018

Type	Total amount	Balance at 31 Dec 2018
Guarantees		
From other entities	EUR 3,789 thousand	CZK 97,462 thousand
	CZK 119,876 thousand	CZK 119, 876 thousand

Legal Disputes

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

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

The dispute initiated by Mapfre España Compañía de Seguros y Reseguros, S.A. ("Mapfre") against the Company and against MORAVIA STEEL a.s. ("MS") for the payment (jointly and severally) of an amount including fees and interest, representing, as claimed by Mapfre, the damage suffered by Mapfre by paying damages on behalf of a customer of MS caused by alleged defective performance provided by the Company and MS. The District Court in Frýdek-Místek issued a payment order which was cancelled after the Company and MS opposed it. Declaratory proceedings will be conducted in respect of the claim arising from legal action.

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 2019, the Company used up funds in the amount of CZK 538,698 thousand (2018: CZK 534,964 thousand).

Other

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

Other entities included in the consolidation group

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

7. ADDITIONAL CONSOLIDATED PROFIT AND LOSS ACCOUNT INFORMATION**7.1. INCOME FROM ORDINARY ACTIVITIES AND SOLD GOODS****7.1.1. The Group’s Income from Ordinary Activities and Sale of Goods for 2019**

(CZK THOUSAND)

Activities	Domestic	Export	Total
Metallurgic production	38 104 732	4 515 136	42 619 868
Other production	1 928 611	4 170 501	6 099 112
Sale of goods	22 270	127 551	149 821
Services	828 907	111 401	940 308
Total	40 884 520	8 924 589	49 809 109

7.1.2. The Group’s Income from Ordinary Activities and Sale of Goods for 2018

(CZK THOUSAND)

Activities	Domestic	Export	Total
Metallurgic production	40 427 554	5 370 812	45 798 366
Other production	1 754 490	3 216 646	4 971 136
Sale of goods	17 580	119 232	136 812
Services	794 168	119 816	913 984
Total	42 993 792	8 826 506	51 820 298

7.2. GRANTS AND SUBSIDIES

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

In the year ended 31 December 2018, the Company drew a subsidy for the acquisition of environmental investments of CZK 33,663 thousand.

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

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

In the year ended 31 December 2018, Šroubárna Kyjov, spol. s r.o. received subsidies for the acquisition of tangible fixed assets (a new Hatebur forging line) of CZK 22,504 thousand and for a Reduction of Energy Intensiveness of CZK 5,652 thousand.

In the year ended 31 December 2018, BOHEMIA RINGS s.r.o. received a subsidy for a new FPPCT 500/2 machining centre with a travelling crosspiece of CZK 6,135 thousand.

Subsidies for operating purposes of CZK 5,807 thousand utilised for the year ended 31 December 2019 include subsidies for development, a subsidy for implementing the “Werkperspektiva” project, a subsidy for museum operations, subsidies for environmental projects and subsidies for education of employees.

Subsidies for operating purposes of CZK 7,447 thousand utilised for the year ended 31 December 2018 include subsidies for development, a subsidy for implementing the “Werkperspektiva” project, a subsidy for museum operations, and subsidies for environmental projects and education.

7.3. TOTAL REMUNERATION CHARGED BY THE AUDITOR

(CZK THOUSAND)

	Year ended 31 December 2019	Year ended 31 December 2018
Obligatory audit of the financial statements	9 405	10 179
Other assurance services	260	228
Tax advisory	0	32
Other non-audit services	279	0
Total	9 944	10 439

7.4. OTHER EXPENSES AND INCOME

Other operating income as of 31 December 2019 and 2018 predominantly includes the drawing of the grant for allowances of CZK 1,299,000 thousand and CZK 638,005 thousand, respectively.

Other financial income in 2019 and 2018 predominantly includes foreign exchange rate gains of CZK 79,436 thousand and CZK 88,604 thousand, respectively.

Other operating expenses as of 31 December 2019 and 2018 predominantly include the use of emission allowances of CZK 1,439,819 thousand and CZK 765,496 thousand, respectively.

Other financial expenses as of 31 December 2019 predominantly include foreign exchange rate losses of CZK 91,494 thousand. Other financial expenses as of 31 December 2018 predominantly included foreign exchange rate losses of CZK 105,572 thousand and financial gifts of CZK 52,202 thousand.

Since 1 January 2019, financial gifts have been reported in operating expenses. The total amount of the gifts provided in 2019 was CZK 28,671 thousand.

7.5. TOTAL DEVELOPMENT COSTS

(CZK THOUSAND)

	31 Dec 2019	31 Dec 2018
Development costs (less subsidies)	46 126	91 266

7.6. RELATED PARTY TRANSACTIONS

7.6.1. Income Generated with Related Parties

The income generated with related parties amounted to CZK 37,072,855 thousand in the year ended 31 December 2019 of which income generated with MORAVIA STEEL a.s. amounted to CZK 36,907,719 thousand (2018: CZK 39,280,541 thousand of which CZK 39,039,851 thousand with MORAVIA STEEL a.s.). All intragroup transactions were under arm's length basis.

The income generated from profit shares received from entities in the group in the years ended 31 December 2019 and 2018 is disclosed in Note 6.6.

7.6.2. Purchases from Related Parties

Total purchases from related parties amounted to CZK 28,587,226 thousand for the year ended 31 December 2019 of which CZK 25,835,695 thousand from MORAVIA STEEL a. s. (2018: CZK 28,820,981 thousand of which CZK 25,537,296 thousand from MORAVIA STEEL a.s.). All intragroup transactions were under arm's length basis.

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

8.1. STAFF COSTS AND NUMBER OF EMPLOYEES

31 December 2019

(CZK THOUSAND)

	Number	Total staff costs
Employees	12 318	6 781 361
Management	83	294 270
Total	12 401	7 075 631

31 December 2018

(CZK THOUSAND)

	Number	Total staff costs
Employees	12 483	7 022 394
Management	85	304 558
Total	12 568	7 326 952

The remuneration to members of the Supervisory Boards in the years ended 31 December 2019 and 2018 amounted to CZK 15,394 thousand and CZK 15,778 thousand, respectively.

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

For the purposes of these notes to the consolidated financial statements, the category of management includes the members of the statutory bodies and professional directors. In respect of the Company they also include managers of operations, branch and specialised units.

8.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

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

(CZK THOUSAND)

	2019	2018
Use of management cars (the figure increases the tax base of employees)	10 514	7 667
Contribution for life insurance	259	204
Liability insurance	441	893

9. POST BALANCE SHEET EVENTS

TŘINECKÉ ŽELEZÁRNY, a. s.

Subsequent to the balance sheet date and before the publication of these financial statements, in relation to the SARS CoV-2 coronavirus (causing COVID-19) circulation, the Company took and continues to take necessary steps to minimise the risk of contagion to its employees. The Company implemented numerous safety and methodological measures, in line with the emergency measures of the Czech government and other public authorities in preventing the spread of the coronavirus. The Company's management is currently assessing and estimating the quantitative and qualitative impacts on the financial position and future results of the Company. The Company will continue to carefully monitor current developments and will flexibly respond in order to protect the health of its employees and reduce the impacts on its financial results.

VÚHŽ a.s.

In January 2020, VÚHŽ a.s. was informed by a German court about the initiation of bankruptcy proceedings of its customer Hoesch Schwerter Profile GmbH. VÚHŽ a.s. recognised a provision against receivables from this customer and provision against inventory in stock intended for the customer in the consolidated financial statements.

XI

Report on Related Party Transactions for the Year 2019

This Related Party Transactions Report between **TŘINECKÉ ŽELEZÁRNY, a. s.**, with its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, corporate ID: 18050646, recorded in File B, Insert 146 of the Register of Companies held by the Regional Court in Ostrava (hereinafter “TŽ” or the “Company”) and the controlling entities, and between TŽ and entities controlled by the same controlling entity has been prepared in line with Section 82 of Act 90/2012 Coll., on Business Companies and Cooperatives (hereinafter the “Act on Business Corporations”) for the 2019 reporting period (hereinafter the “reporting period”).

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

A. CONTROLLING ENTITIES

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

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

FINITRADING, a.s., registered office: nám. Svobody 526, Lyžbice, 739 61, Třinec, corporate ID: 61974692

Relation: In the reporting period, FINITRADING, a.s. was in the position of the controlling entity of MORAVIA STEEL a.s. On 31 December 2019, FINITRADING a.s. dissolved as a result of a merger by amalgamation with MORAVIA STEEL a.s. as the successor company.

B. ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

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

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

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

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

Barrandov Studio a.s., registered office: Prague 5 – Hlubočepy, Kříženeckého nám. 322/5, 15200, Corporate ID: 28172469

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Moravia Steel Middle East FZCO, registered office: Jebel Ali Free Zone, Jafza 17, office no. 325, P.O. Box: 263224, Dubai, U.A.E.

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

“NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered office: ŚWIĘTEJ ROZALII 10/12, 97-500 Radomsko, Poland

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

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

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

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

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

M Steel Projects, s.r.o., registered office: Na Bráne 8665/4, Žilina 010 01, Slovakia, previously at Vojtecha Tvrdeho 793/21, Žilina 010 01, Slovakia, Corporate ID: 46685570

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

AHP HYDRAULIKA, a.s., registered office: Vojtecha Tvrdeho 793/21, Žilina 010 01, Slovakia, Corporate ID: 31563104

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

MSPProjects International s.r.o., registered office at nám. Svobody 526, Lyžbice, 739 61 Třinec, Corporate ID: 03587649

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

Barrandov Productions s.r.o., registered office: Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5, Corporate ID: 25621025

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

FILMOVÁ NADACE, registered office: Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5, Corporate ID: 27437213

Relation: The sole founder of the entity is Barrandov Studio a.s. which was controlled by MORAVIA STEEL a.s. in the reporting period.

Barrandov Studios Productions s.r.o., registered office: Kříženeckého náměstí 322/5, Hlubočepy, 152 00 Prague 5, Corporate ID: 03160378

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. until 1 March 2019 when it dissolved as a result of a merger by amalgamation with Barrandov Productions s.r.o. as the successor company.

MSK Polska Sp.z o.o., “in liquidation”, registered office: BATALIONÓW CHŁOPSKICH 2, 42-680 TARNOWSKIE GÓRY, Poland

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

Hotel Golf Ropice a.s., registered office: no. 415, 739 61 Ropice, Corporate ID: 27844919

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

Moravia Steel Nepremičnine d.o.o., registered office: Ljubljanska cesta 3A, 3000 Celje, Slovenia

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

ALPER a.s., registered office: Vrahovická 4530, 796 01 Prostějov, Corporate ID: 27126226

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

SwissCentrum Engineering, s.r.o., in liquidation, registered office: Vrahovická 4643, 796 01 Prostějov, Corporate ID: 63494957

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

C. ENTITIES CONTROLLED BY TŽ

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

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

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

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

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

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

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

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

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

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

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

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

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

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

JuBo Jeseník s. r. o., registered office: U Jatek 600/2, 79001 Jeseník, Corporate ID: 48391514

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“METALURGIA” Spółka Akcyjna, registered office: ulica Świętej Rozalii nr 10/12, 97-500 Radomsko, Poland

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

“ZAMECZEK BŁOGOCICE” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered office: ul. STEFANA Zeromskiego 1, 43-400 Cieszyn, Poland

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

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

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

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

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

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

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

DALSELV DESIGN a.s., registered office: Pohraniční 693/31, Vítkovice, 703 00 Ostrava, Corporate ID: 28262913

Relation: In the reporting period, the entity was controlled by TŽ until 31 May 2019, when it dissolved as a result of a merger by amalgamation with Strojírny a stavby Třinec, a.s. as the successor company.

HŽP, a.s., registered office: Dolní 3137/100, 796 01 Prostějov, Corporate ID: 269 55 342

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

SV servisní, s.r.o., registered office: Dolní 3137/100, 796 01 Prostějov, Corporate ID: 607 25 974

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

IMOPRA s.r.o., registered office: U Dvora 217, 687 51 Nivnice, Corporate ID: 262 77 697

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

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

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

EKOSTROJÍRENSTVÍ TŘINEC, a.s., registered office: Průmyslová 1038, Staré Město, 739 61 Třinec, Corporate ID: 087 30 377

Relation: In the reporting period the entity was controlled by TŽ (since 1 December 2019).

The registered office addresses disclosed in Chapter I have been outlined in accordance with the status as of 31 December 2019.

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

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

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

In the reporting period, MS was controlled by FINITRADING, a.s. (hereinafter also "FINITRADING") as its sole shareholder owning 100% equity investment and 100% of voting rights. On 31 December 2019, FINITRADING a.s. dissolved as a result of a merger by amalgamation with the Company MS as the successor company. The merger became legally effective on 1 January 2019.

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

III. LIST OF ACTS AND CONTRACTS

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

- a) In the reporting period, TŽ recorded no acts at the initiative or in the interest of the controlling entity or entities controlled by the controlling entity that would relate to assets exceeding 10% of the equity of TŽ identified according to the financial statements for the year ended 31 December 2018 in accordance with Section 82 (2) d) of the Act on Business Corporations.
- b) The list of contracts for the reporting period between TŽ and controlling entities and between TŽ and entities controlled by the same controlling entity in accordance with Section 82 (2) e) of the Act on Business Corporations, except for entities controlled by TŽ under Section C Chap. I., is listed below in Sections B. through J. of this Chapter, ie a list of such contracts between TŽ and
- MS in is given in part B.;
 - Beskydská golfová, a.s., in part C.;
 - Moravskoslezský kovošrot, a.s., in part D.;
 - M Steel Projects a.s. in part E.;
 - “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ in part F.;
 - Barrandov Studio a.s. in part G.;
 - Hotel Golf Ropice a.s. in part H.;
 - MSProjects International s.r.o. in part I.;
 - Kovárna VIVA a.s. in part J.
- c) Relations defined by Section 82 (2) d) and e) of the Act on Business Corporations that may have arisen in the reporting period between TŽ and entities controlled by TŽ according to part C. of Chapter I., are subject to the report on relations of each of these entities.
- d) In parts B to J of this chapter, the report on relations also discloses prospective relations with FINITRADING a.s., which dissolved on 31 December 2019 as a result of the merger by amalgamation with MS as the successor company; the merger has been legally effective since 1 January 2019. Furthermore, it also discloses prospective relations with Barrandov Studios Productions s.r.o., which dissolved on 1 March 2019 as a result of the merger by amalgamation with Barrandov Studio a.s. as the successor company; the merger has been legally effective since 1 January 2019.

B. LIST OF CONTRACTS BETWEEN TŽ AND MS

B.1. Purchase and sale of metallurgical products, materials and raw materials

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

- General commercial contract of 30 December 2002 (terminated by an agreement of 8 August 2019);
- In the sale area by Master contracts mentioned below of 30 June 2002, 30 December 2002, 23 February 2004, 29 December 2005 and 26 February 2009;
- By Master contract for the supply of metallurgical products mentioned below of 8 August 2019, which substituted the above Master contracts for the sale area;
- In the purchase area by Purchase contract for the supply of raw materials and materials mentioned below of 12 January 1999, and the Master contracts mentioned below of 29 December 2005 and 1 July 2008; and
- By Master contract for the supply of raw materials and input materials mentioned below of 8 August 2019, which substituted the above Purchase contract and Master contracts for the purchase area.

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

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

B.2. Contracts the subject of which relates to the provision of products or services by TŽ in favour of MS

1. Master contracts concluded on 30 June 2002, 30 December 2002, 23 February 2004, 29 December 2005 and 26 February 2009 and partial purchase agreements concluded pursuant to some of these master contracts – sale of metallurgical products.
2. Master contract for the supply of metallurgical products of 8 August 2019 and partial contracts of purchase under this Master contract – the sale of metallurgical products.
3. Licence contract for using the trademark “Three hammers in a circle” of 30 June 2002.
4. Service level agreement of 29 June 2018 – provision of security and asset guards, fire protection, filing office, documenting and archiving services, forwarding and customs clearance, IT services, pricing services, payroll and HR services, dispatching management, selected technical services, environmental protection and selected accounting services.

5. Lease contract of 9 March 2000 – lease of yielded premises, movable assets and lease of parking places in the area of TŽ in Třinec.
6. Lease contract of 1 January 2004 – lease of offices in the administration building in Buštěhrad and lease of movable assets – office equipment.
7. Contracts for lease of non-residential premises of 23 January 1997 – lease of garage parking in the area of TŽ in Třinec.
8. Contract for lease of non-residential premises of 22 July 2002 – lease of non-residential premises and the parking place in the area of TŽ in Bohumín.
9. Lease contract of 1 January 2011 – lease of non-residential premises and movable assets in the area of TŽ in Ostrava-Vítkovice.
10. Contract for the placement of equipment of 1 April 2011 – placement of the technology equipment for the transfer of data within the telecommunications building in the area of TŽ in Třinec.
11. Contract for lease of non-residential premises of 20 December 2011 – lease of non-residential services in a building located in Staré Město.
12. Accommodation contract of 28 April 2005 – accommodation in a building of TŽ in Prague 4 – Nusle, accommodation unit no. S4.
13. Framework accommodation contract of 20 August 2018 – accommodation of employees on business trips in a building of TŽ in Prague – Nusle.
14. Contract on the provision of telecommunication services of 31 December 1998.
15. Contract on Internet connection via the network of TŘINECKÉ ŽELEZÁRNY, a.s., of 20 July 1999.
16. Consignment agreement of 13 August 2007 on representing the committer in customs proceedings – customs proceedings services.
17. Consignment agreement of 3 January 2005 on representing the committer in customs proceedings – customs proceedings services.
18. Contract on the supply of the Třinecký hutník weekly in 2019 (order of 17 January 2019).
19. Contract on transport of employees in 2019 (order of 13 February 2019).
20. Contract on business cooperation in the supplies of rails for Dopravní podnik hl.m. Prahy, a.s., of 7 April 2016.
21. Contract on business cooperation in the supplies of rails for Správa železniční dopravní cesty, state organisation, of 31 October 2016.
22. Master purchase contract of 30 January 2008 and partial purchase contracts concluded pursuant to this master contract – sale of goods from inventory.
23. Contract on the provision of services of 11 August 2003 – services related to smart cards.
24. Contract on business cooperation in the supplies of rails – steel class R 260 for Správa železniční dopravní cesty, state organisation, of 28 August 2017.
25. Assignment contract on representation in customs proceedings of 19 July 2017.
26. Contract on business cooperation in the supplies of permanent way material and construction material for ŽSR of 26 February 2018.
27. Contract on business cooperation in the supplies of fine rolled railway track material – first part for SŽDC of 10 April 2018.
28. Contract on business cooperation in the supplies of fine rolled railway track material – second part for SŽDC of 10 April 2018.
29. Contract on business cooperation in the supplies for the public tender “Flat steel connectors 2018” for SŽDC of 31 August 2018.
30. Contract on business cooperation in the supplies for the public tender “Rail supplies – R260 steel class for investment events (CNM II)” of 10 October 2018.

31. Contract on project counselling of 27 September 2018.
32. Contract of mandate of 29 June 2011 – dealing with issues related to the supervision of the transfer of goods between the EU Member States.
33. Contract on business cooperation in the supplies for the public tender of 10 June 2019.
34. Contract on business cooperation in the supplies for the public tender of 10 June 2019.
35. Contract on business cooperation in the supplies for the public tender of 11 February 2019.
36. Contract on business cooperation in the supplies for the public tender of 27 February 2019.
37. Contract on securing bus transport for convalescence stays in 2019 of 11 July 2019.
38. Contract on the billing of expenses relating to the office reconstruction of 23 September 2019.
39. Contract on counselling in project preparation of 28 June 2019.

B.3. Contracts the subject of which relates to the provision of products or services by MS in favour of TŽ

1. Purchase contract on the supplies of raw material and materials of 12 January 1999 – purchase of metallurgical material.
2. Master contract on the supply of raw and input materials of 8 August 2019 – purchase of metallurgical raw materials and materials.
3. Master contracts on the supply conditions of continuous castings, ingots, rolled material (burdens) of 29 December 2005 and 1 July 2008 and partial contracts concluded in compliance with them.
4. Master contract on the conditions of the freight transportation of goods of 30 December 2002 and partial contracts concluded based on this master contract – securing the transportation of goods and acts necessary for such transportation.
5. Master contract on the conditions of the freight transportation of goods of 8 August 2019 and partial contracts concluded based on this master contract – securing the transportation of goods and acts necessary for such transportation.
6. Mandate contracts of 1 July 2005, 29 June 2007, 19 November 2012 and 28 February 2013 – arrangement of business matters related to the purchase of work and services, technical and operational material, spare components, metal waste and fuel.
7. Contracts of mandate of 8 August 2019 – handling business affairs related to the purchase of work and services, technical and overhead material, spare parts, metallic waste and fuel.
8. Master purchase contract of 6 January 2014 and partial purchase contracts concluded in line with this master contract – supplies of advertising items.
9. Contract for the provision of invoicing services of 1 January 2017.
10. Framework agreement on conditions for the settlement of selected costs of 8 June 2018.
11. Contract on the conditions of cooperation for the re-sale of packaging material of 4 September 2018.
12. Contracts on securing transfer of 6 December 2019, 4 June 2019 and 16 April 2019.

B.4. Other Contracts

1. Master contract on the supplies related to the organisation and implementation of the events entitled “Královna ocel 2019” and “Hutnický den 2019” taking place on 25 March 2019 and partial contracts concluded pursuant to this master contract.
2. Agreement on the method of payment of trade payables dated 17 December 2008.
3. Agreement on publishing contracts pursuant to Act No. 340/2015 of 9 May 2017.
4. Agreement on mutual rights and obligations of VAT Group members of 3 January 2017.
5. Agreement on electronic approval and conclusion of contracts of 28 February 2018.
6. Approval of concluding contracts on electronic invoicing of 1 April 2019.

C. List of Contracts between TŽ and Beskydská golfová, a.s.**C.1. Contracts the subject of which relates to the provision of products or services by TŽ in favour of Beskydská golfová, a.s.**

1. Contract on the maintenance of network and telecommunication devices (order of 4 January 2019).
2. Contract on the provision of services of 29 June 2018 – filing office, IT and HR services.
3. Contract on the provision of access to Internet services via the network of TŘINECKÉ ŽELEZÁRNY, a.s. of 31 July 2009.

C.2. Contracts the subject of which relates to the provision of products or services by Beskydská golfová, a.s. in favour of TŽ

1. Advertising contract of 27 December 2018 – advertising at the golf course in Ropice between 1 January 2019 and 31 December 2019.
2. Lease contract of 31 May 2006 – lease of an apartment in the clubhouse located at the golf course Ropice.

D. List of Contracts between TŽ and Moravskoslezský kovošrot, a.s.**D.1. Contracts the subject of which relates to the provision of products or services by TŽ in favour of Moravskoslezský kovošrot, a.s.**

1. Lease contract of 10 June 2013 – lease of scrap yard and non-residential premises in a building in Třinec.
2. Master contracts of 4 January 2010 and partial contracts concluded based on one of these master contracts – sale of waste.
3. Lease contract and contract on the placement of containers of 1 June 2013 – lease of warehousing premises in Třinec.
4. Contract No. 10 0007 6462 on takeover, utilisation or removal of waste of 11 January 2019 – iron metal filings and chips.
5. Contract No. 10 0007 6463 on takeover, utilisation or removal of waste of 11 January 2019 – iron and steel.
6. Contracts on services related to the supply of scrap – verification of the chemical composition, transfer, weighing and placement of vehicles based on the Framework agreement on the conditions of delivery of metal waste of 7 January 2015.

7. Contract on the provision of access to Internet network services of 18 October 2018.
8. Service level agreement of 10 October 2018.
9. Contracts on the supply of metal materials of 16 May 2019, 30 September 2019 and 28 November 2019.

D.2. Contracts the subject of which relates to the provision of products or services by Moravskoslezský kovošrot, a.s. in favour of TŽ

1. Master contract on the supplies of metal waste of 7 January 2015 and partial purchase contracts concluded pursuant to this master contract.
2. Agreement on electronic invoicing of 29 April 2014.

E. List of Contracts between TŽ and M Steel Projects a.s.

E.1. Contracts the subject of which relates to the provision of products or services by TŽ in favour of M Steel Projects a.s.

1. Lease contract of 1 October 2010 – lease of non-residential services and movable assets in the area of TŽ in Třinec.
2. Contract on the provision of services of 29 June 2018 – filing office services, IT services, asset security and protection and road maintenance.
3. Contract on postal services in 2019 of 14 January 2019.
4. Mandate contract of 30 December 2009 – procurement of matters related to customs clearance.
5. Contract on the provision of access to internet services through the computer network of TŘINECKÉ ŽELEZÁRNY, a.s., of 15 March 2016.
6. Framework accommodation agreement of 25 July 2018.

F. List of Contracts between TŽ and “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ

F.1. Contracts the subject of which relates to the provision of products or services by TŽ in favour of “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ

1. Contracts on services related to the supply of scrap – verification of the chemical composition, transfer, weighing and placement of vehicles based on the Framework agreement on the conditions of the delivery of metal waste of 7 January 2015.

F.2. Contract the subject of which relates to the provision of products or services by “NEOMET” SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ in favour of TŽ

1. Master contract on the conditions of supplies of scrap waste dated 7 January 2015 and other partial contracts concluded pursuant to this master contract.
2. Agreement on electronic invoicing of 17 June 2014.

G. List of Contracts between TŽ and Barrandov Studio a.s.**G.1. Contract the subject of which relates to the provision of products or services by TŽ in favour of Barrandov Studio a.s.**

1. Contract on the provision of services of 29 June 2018 – IT services.

G.2. Contract the subject of which relates to the provision of products or services by Barrandov Studio a.s. in favour of TŽ

1. Contract on advertising of 21 August 2019 – advertising at the event “Ve jménu módy”.
2. Rental contract of 19 August 2019.

H. List of Contracts between TŽ and Hotel Golf Ropice a.s.**H.1. Contract the subject of which relates to the provision of products or services by TŽ in favour of Hotel Golf Ropice a.s.**

1. Contract on the provision of services of 29 June 2018 – filing office services.

I. List of Contracts between TŽ and MSProjects International s.r.o.**I.1. Contract the subject of which relates to the provision of products or services by TŽ in favour of Hotel Golf Ropice a.s.**

1. Contract on the provision of services of 29 June 2018 – filing office services.
2. Contract on the provision of services – recipient card.

J. List of Contracts between TŽ and Kovárna VIVA a.s.**J.1. Contract the subject of which relates to the provision of products or services by TŽ in favour of Kovárna VIVA a.s.**

1. Contract on the provision of access to the Internet network services of 23 July 2018.
2. Service level agreement of 1 October 2018.
3. Contracts on the provision of services of 20 March 2019, 30 May 2019 and 29 October 2019 – metallographic tests, diagnostic measurement and vibration diagnostics.
4. Contract on the provision of software of 23 December 2019.

IV. ASSESSMENT OF RELATIONS

This Related Party Transactions Report lists all significant facts that are requirements of the Related Party Transactions Report, covering the relations between TŽ and entities that control it, and between TŽ and entities controlled by the same controlling entity in accordance with Section 82 of the Act on Business Corporations.

Performances and counter-performances received and provided by TŽ on the basis of contracts listed in parts B. through J. of Part III. of this Related Party Transactions Report, were provided under standard business conditions.

The prices agreed between TŽ and controlling entities and between TŽ and entities controlled by the same controlling entity do not differ from prices that would be agreed by independent entities; the transactions between TŽ and the controlling entities and between TŽ and entities controlled by the same controlling entity are conducted under the arm's length principle.

TŽ considers the relations with controlling entities and entities controlled by the same controlling entity as beneficial and TŽ faces no other risks than standard market risks arising from business in relevant sectors due to these relations.

TŽ incurred no detriment from relations with controlling entities and entities controlled by the same controlling entity in the reporting period.

In Třinec on 23 March 2020.



.....
Jan Czudek

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



.....
Radomíra Pekárková

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