



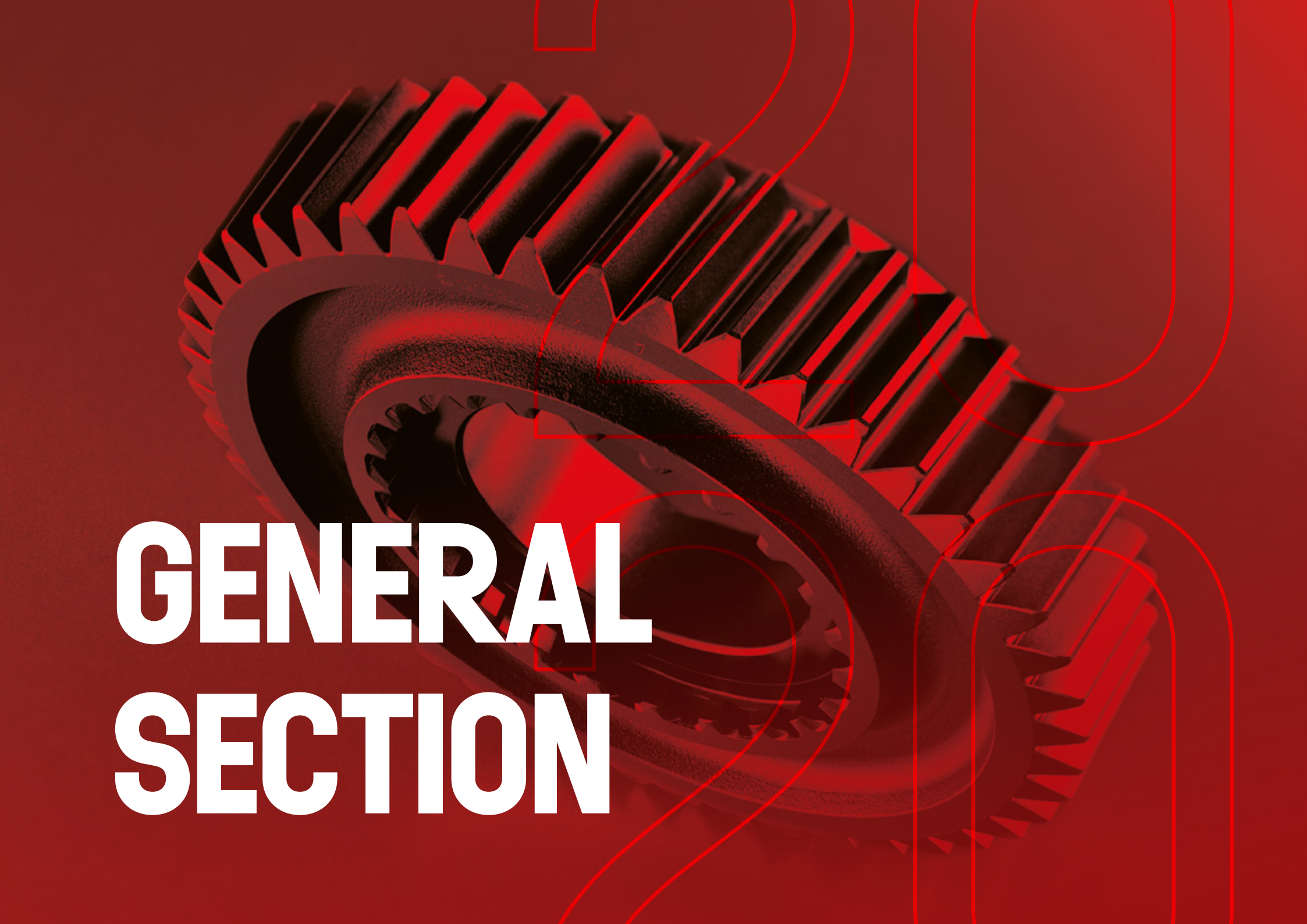
TŘINECKÉ ŽELEZÁRNY

ANNUAL REPORT



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A 3D rendering of a gear assembly, featuring a large gear in the foreground and a smaller gear behind it. The entire scene is overlaid with a semi-transparent red layer. The text 'GENERAL SECTION' is written in large, bold, white capital letters on the left side of the image. The background is a solid dark red color, and there are faint, glowing red lines and shapes scattered across the scene, suggesting a technical or industrial theme.

GENERAL SECTION



**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 ironworks reaches around 2.6 million tonnes of steel and the main product portfolio consists of long rolled products – wire rod, sections, special bar steel, drawn steel, rails including railway superstructure accessories, wide steel, seamless tubes and semis. Additional products include coke and by-products resulting from production, further artificial compact aggregates and granulated slag.

Třinecké železářny is an integrated production plant that includes operations from coke production to the final hot-rolled steel product. The coke-chemical production plant includes two coke-oven batteries and a pulverised coal injection (PCI) into the blast furnace hearth. The produced coke and the pulverised coal are used in the 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

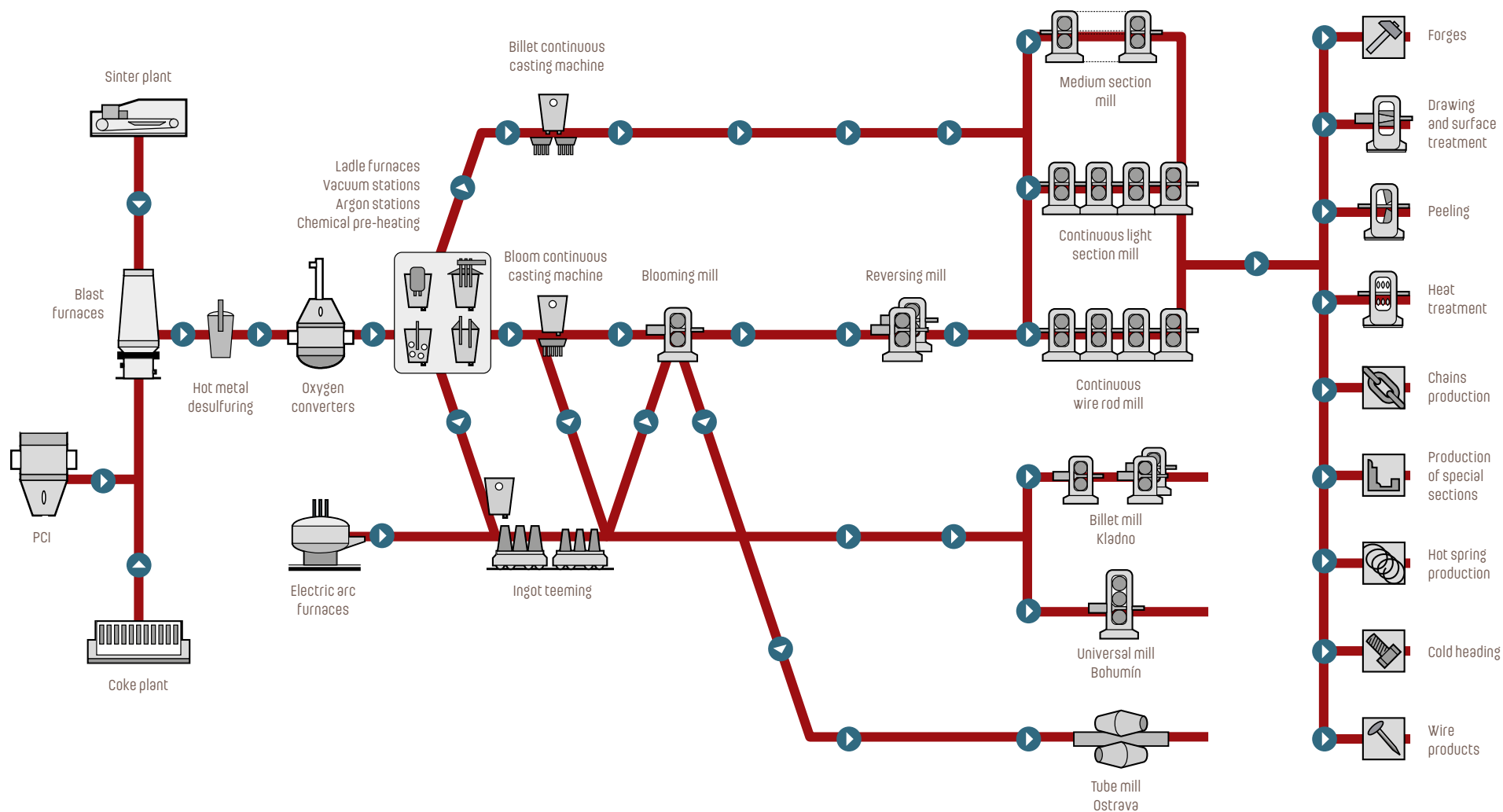
refining of iron. The BOF plant is equipped with complete ladle metallurgy enabling chemical and thermal homogenisation, additional alloying as well as vacuum treatment. The BOF steel is largely cast in two machines for the continuous casting of blooms and billets. Steel is also produced in the EAF steel 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 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.

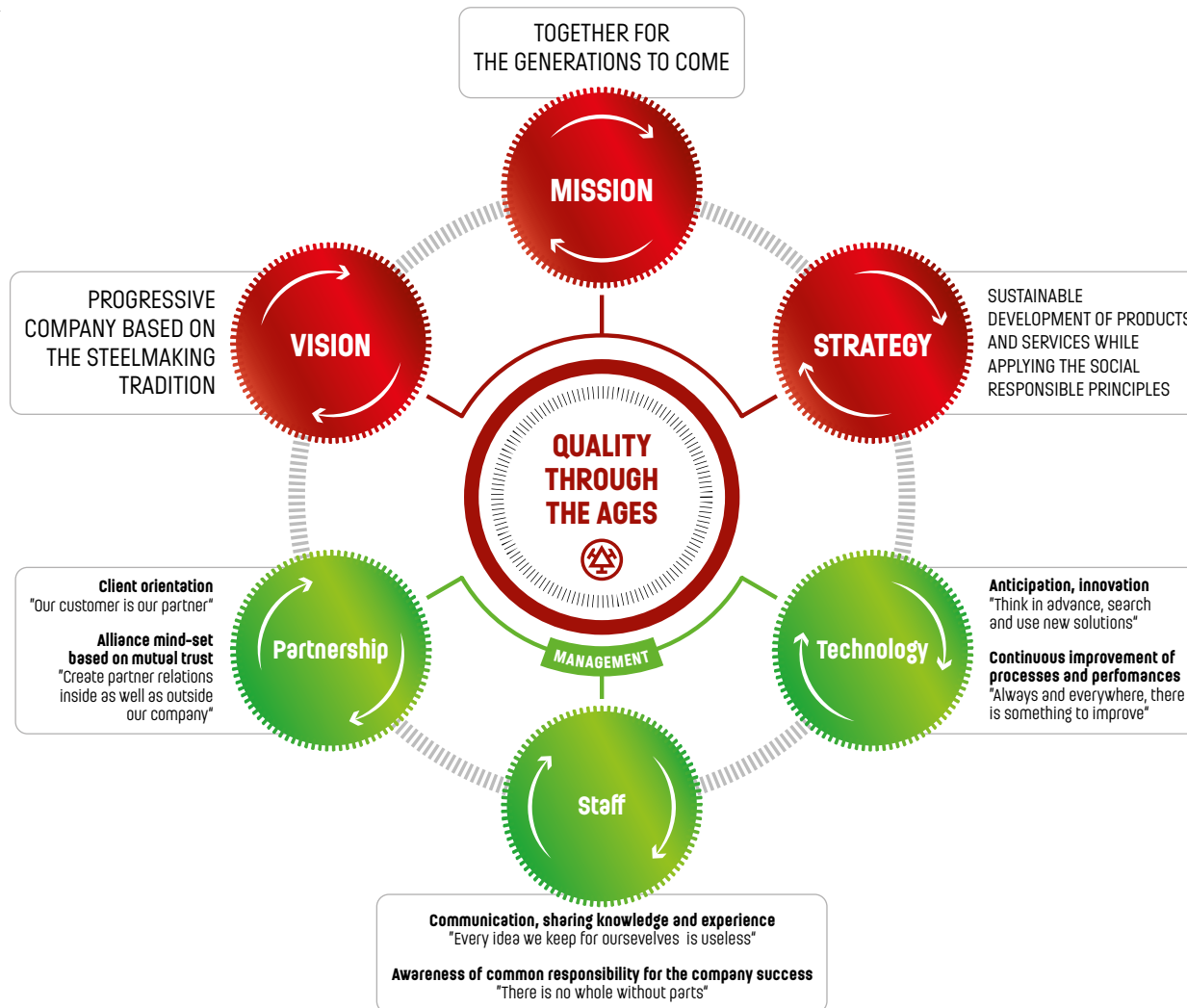
The Company's commitment to sustainable development is reflected in its social, economic and environmental responsibility and is an integral part of the company culture and strategy of Třinecké železářny. In the long term, the Company has devoted considerable efforts to improving the state of the environment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



Material Flows and Technologies



Our Strategic Framework





**KEY
PERFORMANCE
INDICATORS
2016 – 2020**

Indicator	Unit	2016	2017	2018	2019	2020
Pig iron production	kt	2,118	2,059	2,108	2,045	2,107
Crude steel production	kt	2,605	2,528	2,583	2,508	2,581
Of which continuous castings	kt	2,487	2,424	2,471	2,430	2,517
Sales of rolled products including steel	kt	2,386	2,333	2,375	2,355	2,360
Total revenues	CZK mil.	33,027	36,807	41,750	40,786	39,352
Income from sales of products, goods and services	CZK mil.	32,217	35,859	40,496	38,405	35,114
Export share of sales of rolled products, including semi-finished products	%	67.8	66.2	67.0	66.2	67.4
Total costs excluding income tax	CZK mil.	31,273	35,118	37,673	40,101	38,822
Net profit or loss	CZK mil.	1,440	1,424	3,334	610	469
Consolidated profit or loss	CZK mil.	1,857	1,561	3,666	646	436
Net total assets	CZK mil.	33,843	35,399	38,943	39,690	39,487
Gross tangible fixed assets	CZK mil.	36,115	38,497	39,925	41,935	42,908
Provisions against tangible fixed assets	CZK mil.	22,118	23,118	24,241	25,442	26,573
Equity	CZK mil.	25,732	25,756	27,890	28,500	28,969
Capital investments	CZK mil.	2,038	2,697*	1,710*	2,195*	1,274*
Other capital including other liabilities	CZK mil.	8,111	9,643	11,053	11,190	10,517
Employees – average recalculated headcount	Persons	7,006	7,029	7,115	7,062	7,010
Average monthly wage	CZK/person	29,103	31,043	35,021	36,184	36,778

*without subsidies



**SUPERVISORY BOARD
AND BOARD OF DIRECTORS**

Supervisory Board

Function	Name
Chairman	Tomáš Chrenek
1st Vice-Chairman	Ján Moder
2nd Vice-Chairman	Evžen Bálko
Member	Jozef Blaško
Member	Marcel Pielesz
Member	Jana Kantorová

Board of Directors

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



**INTRODUCTORY WORD
OF THE SUPERVISORY
BOARD CHAIRMAN**

To our customers, partners and employees.

The year 2020 will certainly go down as one of the worst in the modern history of Třinecké železářny. We expected the continuation of the recession that started in the previous year. There were several reasons for this recession – uncertainty in the car industry, the departure of the United Kingdom from the EU or Brexit, the consequences of the trade war between the USA and China. However, another factor came into play that overshadowed everything else and completely paralysed the world economy, namely the global pandemic caused by a coronavirus called SARS-CoV-2.

The Czech Republic successfully managed the first wave of the pandemic during the spring of 2020, but this cannot be said of the following waves, when

we fell to among the most endangered countries in the world. The reasons can be seen in the political games and the subsequent disgust of the population, which is currently barely able to cope with the influx of new measures, the effectiveness of which, combined with insufficient communication, becomes highly controversial.

AS A RESULT OF THE PANDEMIC, STEEL PRODUCTION IN THE EU FELL BY ALMOST 12% IN 2020

The pandemic persists and we are still not sure when we will be able to return to the normal life we were used to before it broke out. The rapid development of vaccines and their global application gives us some hope.

However, for companies in our Třinecké železářny – Moravia Steel Group, compliance with strict corporate anti-epidemic and security measures, which went beyond the Czech Government's extraordinary quarantine measures, paid off and the damage caused by production and trade restrictions was reduced to a minimum. Production and sales thus remained at the level of previous years. This is an almost miraculous result, given that, as a result of the pandemic, steel production in the EU fell by almost 12% in 2020.

We have also made strategic decisions that will help reduce our group's carbon footprint by 2030. It is an integrated project consisting of 12 components from the fields of technology, energy and product innovation. This project will allow us to maintain the number of jobs at today's level, with our carbon footprint falling by more than 40% compared to 2019.

Dear friends,

Despite a completely unprecedented global situation, which no one could have expected at the beginning of 2020, and the adverse consequences of which we will continue to feel in the future, we managed to achieve a profit of CZK 469 million.

Despite all the negatives of 2020, the volume of production and sales remained at the level of previous years. The territorial structure of our exports strengthened further within the EU, while exports to other regions decreased compared to previous years. The prices of our products rose at the end of 2020, however, the dynamics of growth in input prices was even more pronounced. Despite this development, we kept the operating profit in the black.

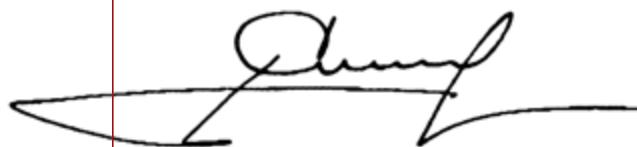
These results would not have been possible without the maximum commitment of our employees, who also had to deal with the consequences of the COVID-19 pandemic. Extraordinary merits go to those who fought the pandemic in the front line. Despite the difficult and exhausting situation, we did not have to shut down any of our main production units.

**WE MANAGED TO ACHIEVE
A PROFIT OF CZK 469 MILLION
IN 2020**



Dear customers, partners and employees,

As always at this point, I would like to thank you all for your commitment, determination and loyalty, which you showed us in the extremely complicated year of 2020. I firmly believe that, after the current crisis, there will be significantly better times for all of us.



Tomáš Chrenek

CHAIRMAN OF THE SUPERVISORY BOARD



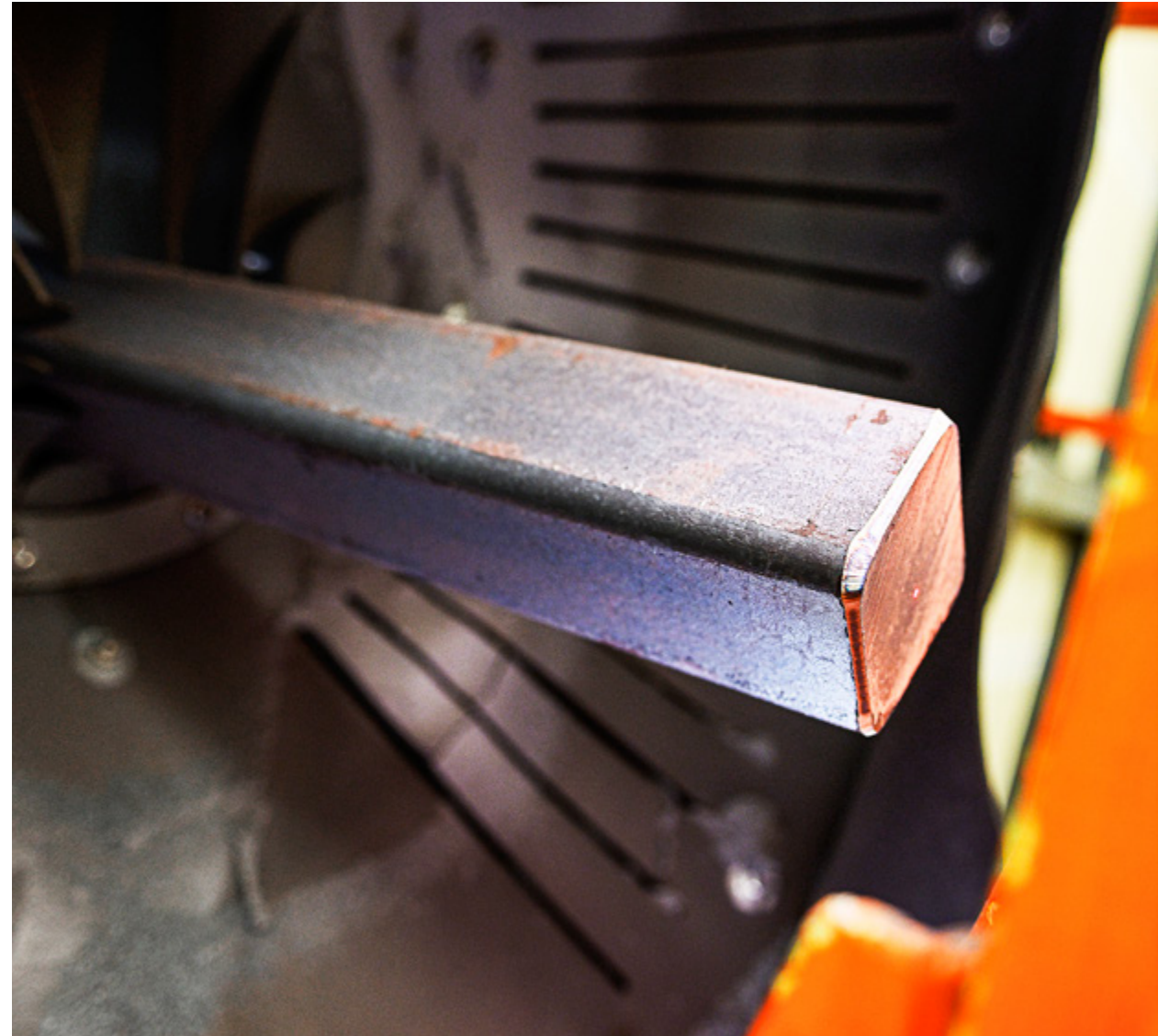


**BOARD
OF DIRECTORS REPORT**

05

Development of the Macroeconomic Environment and Competition

Gross domestic product in the Czech Republic fell by 5.6% last year, which was affected by the negative impact of the COVID-19 pandemic and the declaration of a state of emergency in the spring and autumn of last year. The domestic economy experienced such a slump in 2009, when the global financial crisis hit hard. The overall decline in gross domestic product last year was due to the temporary closure of large enterprises (especially automotive), declining household consumption, the decline in trade, accommodation and food service activities, transport and construction, and declining capital construction. The measures taken to defeat the spread of a new type of coronavirus called SARS-CoV-2 and its side effects have had a major and very negative impact on the domestic economy.



A similar situation was on the financial markets, where uncertainty about future developments persisted and asset prices fell, was reflected in the overall economic situation in the Czech Republic.

Crude steel production in the Czech Republic declined by 2.5% to 4,46 million tonnes. The decline reflects the situation across Europe, which has been marked by gradually introduced anti-epidemic measures. Compared to China, which only recorded a decline in steel production in March 2020 and already in May 2020 returned to its previous level, Europe did not achieve production results from February 2020 until the end of last year. In comparison to more European steel companies, Třinecké železárny was able to produce 2,581 thousand tonnes of crude steel last year, which represents an increase of almost 3 percent compared to the previous year. Thanks to the achieved level of production, Třinecké železárny maintain its position as the largest steel

producer in the Czech Republic; they have held this position since 2009.

CRUDE STEEL PRODUCTION IN THE CZECH REPUBLIC AMOUNTED TO 4.46 MILLION TONNES

Last year, the total foreign trade in metallurgical products from all over the world in relation to the Czech Republic recorded a decline in imports, especially in steel tubes. On the contrary, there was a slight increase in exports in both long and flat products. However, the total amount of exports of metallurgical products still does not reach the level of 2015–2018. Due to restrictions in downstream industries caused by anti-epidemic measures, the value of total imports also slightly decreased in the range of other products from third countries (outside the European Union).

In 2020, world steel production fell by 0.9% compared to the previous year and reached 1,864 million tonnes. Most steel companies faced the consequences of a global pandemic in 2020, thus in the vast majority of countries there was a more than ten percent decline in steel production (EU – 11.8%, North America –15.5%, South America –8.4%). China increased again its year-on-year steel production, by 5.2% to 1,053 million tonnes, increasing its share of world steel production from 53.3% in 2019 to 56.5% last year.

Production and Position on the Market

World crude steel production reached 1,864 million tonnes in 2020, a decrease of 0,9 % compared to 2019. Crude steel production decreased in 2020 in all regions except China, CIS countries, Turkey and the Middle East.

Crude steel production in Asia was at 1,374.9 million tonnes, i.e., there was an increase of 1.5% compared to 2019. China reached 1,053 million tonnes and increased production by 5.2% compared to the previous year. In 2020, India produced 99.6 million tonnes of crude steel, a decline of 10.6% compared to 2019, but still remains the second largest steel producer in the world. Japan produced 83.2 million tonnes in 2020, a decline of 16.2% compared to 2019. South Korea produced 67.1 million tonnes of crude steel, i.e., a decrease of 6.0% compared to 2019.

In 2020, crude steel production in North America amounted to 101.1 million tonnes, which is 15.5% less than in 2019. The USA produced 72.7 million tonnes, i.e. 17.2% less than in 2019.

In 2020, EU countries (since 1.2.2020 EU27) produced only 138.8 million tonnes of crude steel and recorded a decrease of 11.8% compared to 2019. Germany produced 35.7 million tonnes, which is 10% less, Italy produced 20.2 million tonnes, 12.9% less year-on-year. France produced 11.6 million tonnes, 19.8% less than in the previous year, while Spain produced 10.9 million tonnes of crude steel, 19.5% less year-on-year. The share of the EU28 (since 1.2.2020 EU27) in global crude steel production decreased from 8.5 % in 2019 to the current 7.4%.

Production of crude steel in CIS countries (Commonwealth of Independent States) in 2020 reached 102 million tonnes, an increase of 1.5% year-on-year. Russia

produced 73.4 million tonnes of crude steel, i.e. 2.6 % more than in 2019. Ukraine recorded a decline in production of 1.1% to 20.6 million tonnes.

The annual production of crude steel in South America was 38.2 million tonnes in 2020, i.e. 8.4% less than in 2019. Brazil produced 31 million tonnes, 4.9% less than last year.

The Middle East recorded 45.4 million tonnes in 2020, which is 2.5 % more than the previous year. Iran recorded an increase of 13.4% to 29.0 million tonnes. In 2020, European industry slowed down production in all sectors, mainly due to the COVID-19 pandemic and the resulting restrictions on production. The biggest decline was recorded in the automotive industry (20.6%), tube production (16.3%) and in engineering (11%). In total European industry recorded an overall decline of 10.4% compared to 2019.

In the coming years, a gradual recovery is expected in the steel-using sectors due to an increase in consumption in key sectors such as engineering and the automotive industry.

Production in the EU steel industry assumes a jump of up to 8.2% in 2021, which should continue in 2022. The risk factors for the steel market remain to be cheap imports, possible elimination of import quotas for European countries and protectionist measures of some countries.

In 2020 crude steel production in the Czech Republic reached 4.46 million tonnes, which is 2.5% less than in the previous year. The volume of crude steel production decreased by 2.8 % to 3.54 million tonnes. In 2021, production is expected to grow again to 5%.

The share of Třinecké železářny in the domestic production of raw steel increased to 58% in 2020. Třinecké železářny

produced a total of 2.581 million tonnes of crude steel, an increase by 3% year-on-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, drawn bars and newly ground steel. The high quality of our products and the reliability of our deliveries has found permanent use in the European market, mainly in the automotive industry, mechanical engineering, railway industry and construction sectors.

The sales volume of rolled products and semi-finished products including steel reached 2.360 million tonnes last year, out of this volume, export amounted 69.1% and 30.9% 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 2020 amounted to 43.3%. Total sales of wire rod reached the record level of 1 017 kilo tonnes, 71.1% of which was sold to foreign markets.

The volume of sales in the range of bars and profiles amounted to 542 kilo tonnes, 66% 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, ground or divided into service lengths. A greater degree of finalisation allows for increased sales of higher added value products, which are mainly used in the automotive and engineering industry.

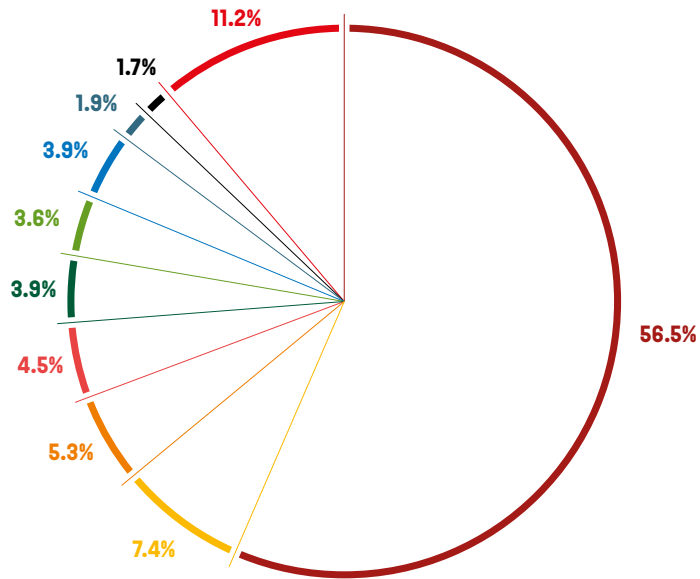
Sales of semis products remained almost the same as in the previous year and recorded 361 kilo tonnes. The share of semi-block casting accounted for 70%, rolled blocks for 15% and rolled billets for 15%. A negligible share of sales of semi-finished products (0.4%) was represented by the sale of ingots and rolled slabs. Export volume of 202 kilo tonnes accounted for 56% 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 55 kilo tonnes on the domestic market. Of the total sales volume of 226 kilo tonnes, 134 kilo tonnes of rails and railway accessories were exported to EU countries and another 32 kilo tonnes of rails were sent to Canada and the USA. Total exports of this product range accounted for 76% last year.

Exports of seamless tubes recorded 77 kilo tonnes last year, 91% of which went to the EU market. The domestic market accounted for 13.9%. Seamless tubes are used in the construction sector, mechanical engineering, oil and energy industries.

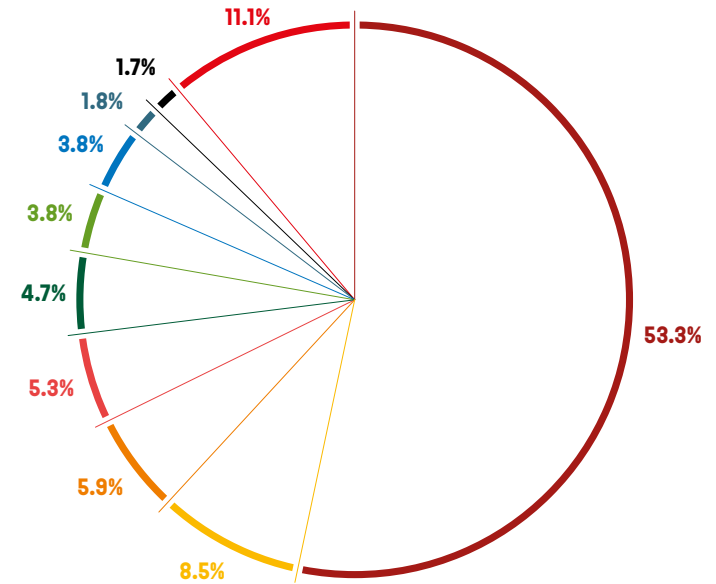
Sales of wide steel, produced by the universal strip mill in Bohumín, reached 42 kilo tonnes in 2020, mainly in the assortment of structural steels, of which 35.6 kilo tonnes were exported to EU countries. Supplies to the domestic market amounted to 4.6 kilo tonnes.

Share of global steel production in %:



2020

56.5% China	3.6% South Korea
7.4% EU28	3.9% Russia
5.3% India	1.9% Turkey
4.5% Japan	1.7% Brazil
3.9% USA	11.2% Rest of World



2019

53.3% China	3.8% South Korea
8.5% EU28	3.8% Russia
5.9% India	1.8% Turkey
5.3% Japan	1.7% Brazil
4.7% USA	11.1% Rest of World

Sales of long products 2018–2020

Sales (tonnes)	Domestic			Export			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Wire rod	296,583	316,205	293,612	682,376	675,054	723,351	978,959	991,259	1,016,963
Semis	173,367	170,537	159,333	192,886	191,746	201,688	366,253	362,283	361,021
Profiles and bars	211,726	204,422	181,985	325,331	318,339	360,003	537,057	522,761	541,987
Rails ¹	37,935	41,527	54,618	212,956	219,468	170,935	250,891	260,995	225,554
Tubes	9,983	8,241	10,703	89,362	84,935	77,128	99,345	93,176	87,831
Wide steel	4,774	4,485	4,600	38,965	37,533	37,149	43,739	42,018	41,749
Drawn bars	29,618	25,190	22,529	62,704	50,328	57,052	92,322	75,518	79,581
Drawn wire rod	3,460	3,684	2,874	3,455	3,121	2,791	6,915	6,805	5,665
Total	767,446	774,291	730,254	1,608,035	1,580,524	1,630,097	2,375,481	2,354,815	2,360,351

¹ sales of rails together with railway superstructure accessories

Export territories of Třinecké Železárny

Export share in %	2017	2018	2019	2020
European Union	90.2	90.4	91.7	96.2
Germany	24.7	25.1	27.2	31.3
Slovakia	15.1	14.7	15.1	13.7
Italy	15.9	14.9	14.6	16.2
Poland	10.8	12.6	11.6	10.7
The Rest of Europe	0.4	0.5	0.5	0.6
America	7.6	7.3	7.0	2.7
Africa+Australia	0.1	0.1	0.1	0.1
Asia	1.7	1.7	0.7	0.4
Total	100.0	100.0	100.0	100.0

Investments and Modernisations

The technical development projects plan for 2020 is part of the business program of Třinecké železářny. Our investments were focused on the restoration and modernisation of existing production facilities, environmental projects, cost reduction projects and projects of robotisation and automation of production processes.

A total amount of CZK 1,420 million was invested, of which CZK 146 million consisted of grants for environmental projects.

In 2020, 47 running projects were ongoing. The most significant of them are:

- Stacking bridge No. 1,
- Scrap crane No. 2,
- Modernisation and reconstruction of converter fan No. 2,
- Modernisation of Hot Blast Stove No. 61 and 62,
- Refining Line No. 2,

- STAKU line No. 2,
- New peeling line at Continuous Light – Section Mill,
- Development of the Steel Drawing Plant in Staré Město.

A total of 22 modernisation projects have been launched. The most significant of them are:

- New slag crane No. 2,
- Crane No. 9 – blast furnace tanks,
- Spectacle caps of converter No. 1 and converter No. 2,
- Measurement of cold rail dimensions,
- Robotisation of rails chamfering and marking,
- Screwing machine at Tube Mill in Ostrava,
- Reconstruction of surface defect measurement on a quadrate line at Billet – Mill in Kladno,
- Blaster on a quadrate line at Billet Mill in Kladno.

In 2020, two ecological projects were continued using grants from the State Environmental Fund of the Czech Republic (call no. 8) and an ecological action was also launched within the operational program Enterprise and Innovation for Competitiveness (energy saving). In total, CZK 333 million was invested in environmental actions in 2020, of which the amount of CZK 187 million from Třinecké železářny investment funds and CZK 146 million from subsidies. The most significant of them are:

- De-dusting equipment for the collecting and processing the mixture for the blast furnace sinter production,
- De-dusting equipment for transport and feedback of the charge for the sinter plant sinter production,
- Modernisation of media pre-heating.



**A TOTAL AMOUNT
OF CZK**

1 420

MILLION WAS INVESTED

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.

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

- Steel grades for Billet Mill in Kladno,
- Tube production,
- Steel grades from EAF,
- Steel bars from Continuous Light Section Mill and Medium Section Mill for the automotive industry,
- Screw steel,
- Spring steel,

- Drawn steel,
- Chain steel,
- Bearing steel,
- Continuously cast semis for direct deliveries and axle steel,
- Rails,
- Wire rod from Continuous Wire Rod Mill,
- Waste management and by-products.

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".

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.

Research and development in Třinecké železářny are very closely connected with production technology and focuses on continuous innovative solutions of technological processes within the accounting unit. The goal of individual solutions is to constantly increase the quality parameters of steel products, develop the product portfolio and increase productivity. Given to the global trend, due attention is currently being paid to environmental aspects, especially the energy intensity reduction of metallurgical production and the reduction of the carbon footprint. An

important part of the research and development department activities is also the development of cooperation with research institutions and universities in the form of projects, such as long-term intersectoral cooperation and the national competence centre.

THE GOAL OF INDIVIDUAL SOLUTIONS IS TO CONSTANTLY INCREASE THE QUALITY

In 2020, a total of 22 projects were completed of which 2 were solved in accordance with the conditions of IATF 16949. A total of 4 projects focused on the following topics were completed:

- Rail head hardening,
- Study of steel formability during the punching process,
- Heat treatment of tubes,
- Production process development of the S355-N40 brand at the billet mill.

In 2020 a total of 5 new projects were implemented.

Currently solved projects specialize in the following areas:

- Secondary raw materials processing,
- Surface quality of screw steels,
- Structure and linearity of steel,
- Sinter plant productivity,
- Development of heat treatment procedures of steel products,
- Development of special steels at electric arc furnaces,
- Micro-purity of steel,
- Detection of surface defects of casting and rolling products,
- Development of coal charge evaluation methodology,
- Initiation of surface defects during the punching process,
- Implementation of the new production process of products for the automotive industry.

Environment

AIR PROTECTION

Compared to 2019, there was a slight year-on-year increase in emissions of solid pollutants, nitrogen oxides, sulphur dioxide and carbon monoxide. This increase is due to a year-on-year increase in the total volume of metallurgical production.

In 2020, greenhouse gas emissions amounted to 2,843,953 tonnes of carbon dioxide for the company's operations in Třinec and 44,289 tonnes of carbon

dioxide for the Billet mill in Kladno. The total amount of greenhouse gas emissions from Třinecké železářny in 2020 is 2,888,242 t of carbon dioxide, which represents a year-on-year increase due to higher year-on-year production and, above all, the inability to capture converter gas during the gas tank repair of ENERGETIKA TŘINEC, a.s.

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

in Třinecké železářny. Since 2016, the company has implemented an energy management system in accordance with the EN ISO 50001:2011 standard. The achieved energy savings for the period 2016 – 2020 represent a 125,837 t saving in CO₂ emissions. Other measures to reduce greenhouse gas emissions also include, for example, the annual planting of greenery or the maintenance of extensive existing greenery, in which about 100,000 tonnes of CO₂ are bound in the long-term, as well as the purchase of "green" electricity.

Emissions in 2020 compared to 2019

Year	Solid pollutants (t/year)	Sulphur dioxide (t/year)	Nitrogen oxides (t/year)	Carbon monoxide (t/year)	Carbon dioxide (t/year)
2019	128	2,753	2,067	69,367	2,694,605
2020	151	2,984	2,124	70,588	2,888,242

Note: the data refers Třinecké železářny as a whole.

WATER PROTECTION

The amount of industrial wastewater discharged into the Olše watercourse and its quality in 2020 shows a slight increase compared to 2019, which is caused by a higher volume of metallurgical production. However, the state of water management at Třinecké železářny has stabilised in the long run. The level of wastewater pollution reaches a sustainable level with regard to meeting the set limits of permitted pollution.

There was a slight increase in the conversion of wastewater production per tonne of steel produced. In 2019, the production of wastewater was 1.35 m³ / t, in 2020 it was 1.46 m³ / t.

During 2020, Třinecké železářny did not cause any emergency situation that would result in deterioration or threat to the quality of groundwater or surface water.

**Pollution discharged into water flows in 2020 compared to 2019**

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]
2019	3,395,754	26.2	0.24	1,831	67.2	2.7
2020	3,761,015	29.7	0.40	2,066	64.2	3.2

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



**COMPARED TO 2019, THE PRODUCTION
OF WASTE AT TŘINECKÉ ŽELEZÁRNY
DECREASED BY**

40%

I.E. BY APPROX. 40 KT

WASTE MANAGEMENT

The favourable trend of reducing the amount of waste has been evident for several years. The year 2020 can be assessed as a record in this respect. Compared to 2019, the production of waste at Třinecké železářny decreased by 40%, i.e. by approx. 40 kt. For waste in the "Other" category, this decrease is 44% (37 kt) and for hazardous waste it is a decrease of 18% (3 kt).

Specifically, a total of 60,739 tonnes of waste was generated in the evaluated year in Třinecké železářny, of which 46,448 tonnes of waste in the "Other" category and 14,291 tonnes of hazardous waste.

The lower production of waste is also related to the decrease in the amount of waste per tonne of steel produced. This indicator for 2020 has a value of 23.5 kg/t of steel.

The significant decrease in waste is related to the company's constant efforts to reduce the generation of waste as much as possible by using by-products back in the metallurgical cycle or by processing them into certified products.

The measures and consequences of the COVID-19 pandemic, such as the use of a home office or a higher absence of staff, also partly contributed to the reduction in waste production.

Volume of waste in 2020 compared to 2019

Year	Steel production	Production of waste category "Others"	Production of waste category "Hazardous"
	kt/year		
2019	2,508	84	18
2020	2,581	46	14

ECOLOGICAL INVESTMENT PROJECTS

The following ecological investment projects were completed in 2020:

- De-dusting of equipment for transport and reloading of the charge for the production of steel sinter
- Modernisation of Hot blast stove No. 61,
- Noise protection measures at the Ladle furnace No. 1,
- Noise protection measures at the Sinter plant No. 1 – II. phase.

THE TOTAL COSTS OF COMPLETED AND ONGOING ECOLOGICAL INVESTMENT PROJECTS IN 2020 AMOUNTED TO CZK 425 MILLION

In 2020, the implementation of the following ecological investment projects continued:

- Dedusting of plants for the collection and processing of mixtures for the production of blast furnace sinter,
- Modernisation of the Hot blast stove No. 62.

The total costs of completed and ongoing ecological investment projects in 2020 amounted to CZK 425 million.

As part of investment projects, the launch of the ecological project of the desorbers on the Continuous light section mill is planned for 2021.



Employees

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

In order to ensure generational change and address employee turnover, as in

previous years, attention was paid to the acquisition of technically qualified job seekers, not only among graduates of technical high schools and universities. However, recruitment and promotion activities in 2020 were, unfortunately, affected by the COVID-19 pandemic. As a result of measures against the spread of the disease taken by public authorities and private entities, including Třinecké železářny, recruitment and promotion activities were severely reduced and many of them could not take place at all.

Graduates of the technical fields of the Secondary Vocational School of Třinecké železářny found a job in Třinecké železářny this year as well. In order to meet the needs of university-educated employees, the 19th run of the trainee program for university graduates was successfully completed and the 20th run began. Cooperation with schools of all levels, which is traditionally focused primarily on the support and promotion of

technology, technical and natural sciences, was also negatively affected by the ongoing epidemiological situation and the impact of government measures in particular on education.

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

expand their professional knowledge and skills, which brings the company increased efficiency and competitiveness.

Staff training in 2020 was affected by measures taken to prevent the spread of COVID-19, on the basis of which training was suspended between mid-March and mid-May and subsequently significantly reduced training from October to the end of the year, resulting in a decrease in the percentage of qualification requirements. The online form of training was used more than in previous years, but it is currently not possible to apply it to most courses in the field of vocational education.

Part of the educational events was implemented through two projects from the Operational Program Employment. The completed project of the Regional Council for Development and Cooperation in Třinec entitled "Education – a common path to development" took place under the block exemption regime (the obtained



subsidy amounted to 50% of eligible expenditures). Within its framework, part of the language courses and training Legal Minimum and Eplan took place. The second project in which Třinecké železářny joined in mid-2020 is the project of the Regional Chamber of Commerce of the Moravian-Silesian Region. Through it, courses in the field of so-called soft skills were provided in September. Support for this project is drawn on a de minimis basis, which represents fully covered eligible training costs. The project will be completed in May 2022.

For the seventh year in a row, the Corporate Academy application has been used to provide internal training for employees (on-the-job training). The application is used by lecturers for the preparation and organisation of training, through which records of past educational events and acquired qualifications of employees are systematically stored. This platform also allows employees to share knowledge

and experience with each other and discuss various topics.

In addition to the statutory health protection, Třinecké železářny also provided a number of health prevention activities in cooperation with the Czech Industrial Health Insurance Company in 2020 to support the health of employees and adhere to the principles of a healthy lifestyle. However, due to the measures taken to prevent the spread of the COVID-19 pandemic, these activities took place to a lesser extent than planned. These were mainly rehabilitation reconditioning stays in spas, outpatient rehabilitation and additional reconditioning care, including physical activities, massages, relaxation procedures and nutritional counselling. Vitamin packages were provided to employees at all workplaces. Employees could also take advantage of free flu vaccinations.

The prevention of risks of damage to health at work is carried out in accord-

ance with the legislation of the Czech Republic and the conditions of the "Safe Company" award, which was obtained for the third time.

In 2020, Třinecké železářny recorded a total of 23 occupational accidents with incapacity for work longer than 3 calendar days. There was no fatal or serious injury. The frequency of accidents at work was 0.33 accidents at work per 100 employees per year, which represents a decrease of 25% compared to 2019.

In order to meet the required volume of production while maintaining a high degree of quality, we focused all efforts in the field of personnel work and motivation on recruiting new employees with the necessary qualifications and on stabilising existing employees. The actual registered recalculated number of employees reached the number of 7,010 with actual average earnings of CZK 36,778.

Management System

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

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

Also, in 2020, 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 BASIC MANAGEMENT RULES INCLUDE A LINEAR ORGANISATIONAL STRUCTURE, PROCESS AND PROJECT MANAGEMENT, AND A CALL FOR RISK ANALYSES IN ALL MANAGEMENT SUBSYSTEMS

In 2020, the management system, including information systems, did not fundamentally change. SAP, Lotus (IBM) Notes, ELVIS and Werkportal continue to be the information base in Třinecké železářny.

In the area of quality management, in 2020 Třinecké železářny obtained an extension of its qualification

for deliveries to the chains of the automotive, railway and oil industries, power engineering and to the regulated sphere in the area of construction products. Production sites in Třinec, Staré Město and Kladno were separately recertified for the automotive industry in accordance with requirements of the IATF 16949 Automotive Standard.

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 2020, 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 "bronze" evaluation.

Also in 2020, 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, planting of new greenery or support of biodiversity in the area of Třinecké železářny, where beehives were installed, one in front of the headquarters building and two in the reclaimed part

of the Neboranka landfill. Near the hives at the reclaimed part of the Neboranka landfill, we established a flowery meadow to support the development of a bee colony.

In 2020, the implementation of the "Agreement aimed at reducing the burden on the environment", which was concluded for a period of three years between the Czech Republic – the Ministry of the Environment, the Moravian-Silesian Region and Třinecké železářny, continued. According to this agreement, Třinecké železářny annually provides financing and organisation of curative stays for children from the town of Třinec and its surroundings in the Žiar children's recreation centre in the Western Tatras in Slovakia. For the year 2020, stays worth CZK 1.5 million were planned for 235 children from primary schools in the vicinity of Třinec. Due to the measures taken to prevent the spread of COVID-19, only one shortened

(four-day) stay for 75 children was carried out, for which 258 thousand CZK were spent from Třinecké železářny funds.

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

WE CONTINUE IN THE IMPLEMENTATION OF THE "AGREEMENT AIMED AT REDUCING THE BURDEN ON THE ENVIRONMENT"

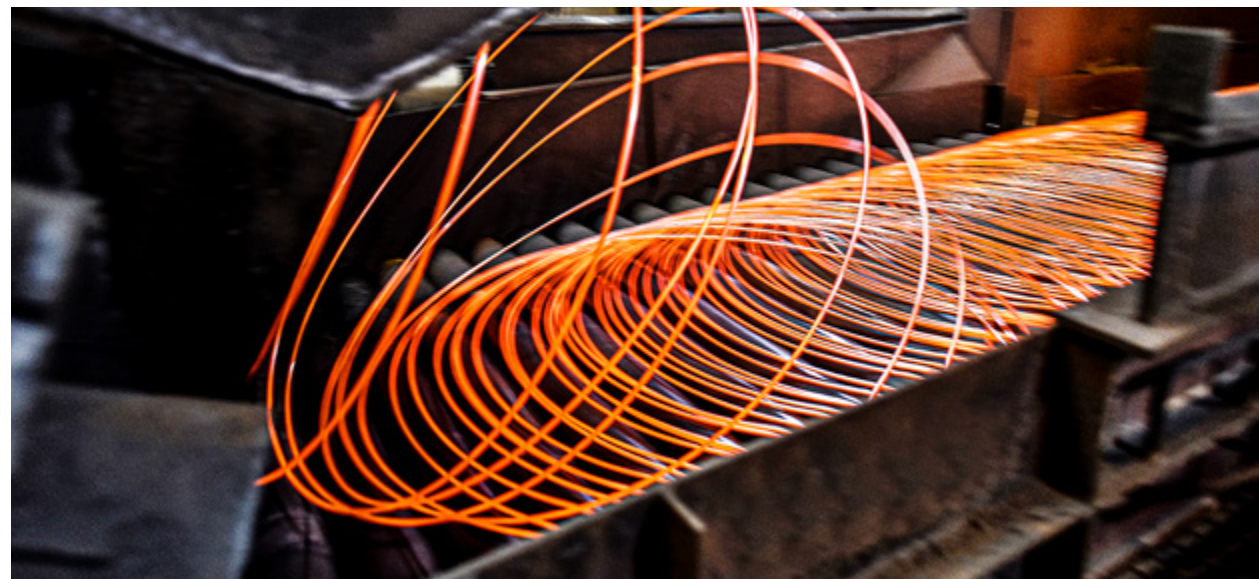
Třinecké železářny does not have a branch or other part of the business abroad.

Financial Situation

Profit before tax for 2020 reached CZK 530 million.

Compared to the previous year, the pre-tax profit is lower by CZK 156 million.

Revenues of Třinecké železářny reached the level of CZK 35,114 million. The year-on-year decrease of CZK 3,291 million is due to a decrease in the average selling price of rolled goods and also due to lower sales of other products and services.



Development of revenues

Indicator (in CZK thousand)	2019	2020
Rolled goods incl. steel	36,973	33,911
Other products	976	754
Sales of own products	37,950	34,664
Sales of services	455	450
Sales of own products and services	38,405	35,114

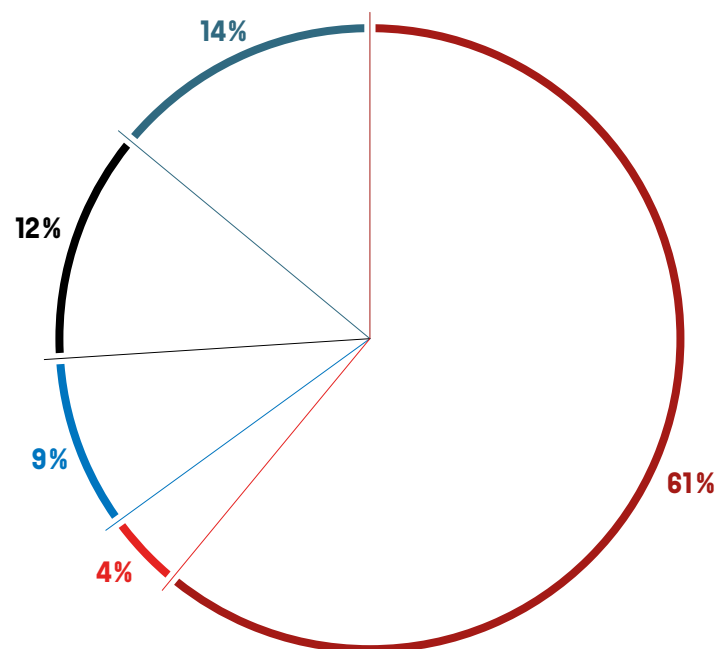
The production consumption was lower by CZK 2,461 million compared to 2019. The most significant effect on its year-on-year decrease was the decrease in the prices of key input commodities and lower processing costs.

Added value reached the level of CZK 5,631 million in 2020, which is CZK 47 million less than in 2019. Labour productivity from value added per employee in 2020 amounted to CZK 803 thousand. CZK (CZK 804 thousand in 2019).

Operating profit decreased by CZK 108 million year-on-year.

The financial result was lower by CZK 48 million compared to 2019.

Cost structure



- 61%** Material costs
- 4%** Depreciation
- 9%** Energies
- 12%** Personnel costs
- 14%** Service, financial & other costs

As of 31 December 2020, Třinecké železářny reported assets in the total amount of CZK 39,487 million, which is CZK 203 million less than at 31 December 2019.

The year-on-year decrease was due to a decrease in fixed assets by CZK 796 million.

Intangible fixed assets decreased by CZK 594 million (sale of emission allowances). Tangible fixed assets decreased by CZK 158 million.

Current assets increased by CZK 594 million.

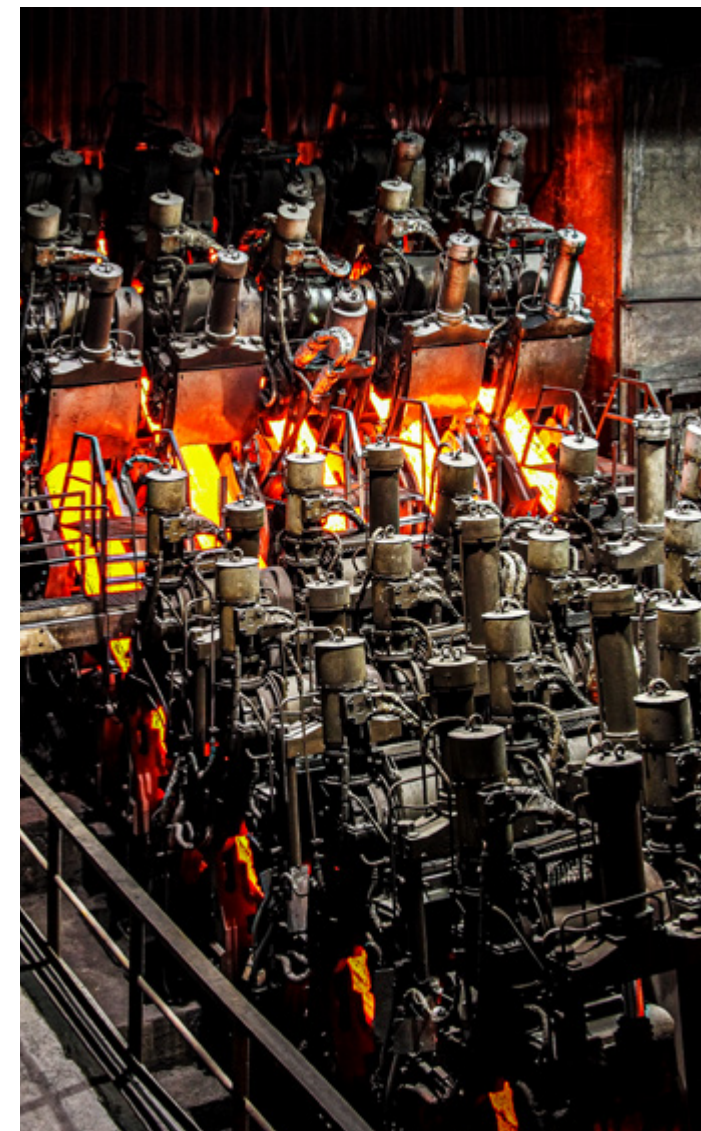
The increase in inventories by CZK 227 million was due to an increase in the stock of finished products in stock.

Receivables decreased by CZK 284 million due to a decrease in tax receivables from the state and trade receivables.

Cash increased by CZK 650 million. In the area of liabilities, equity increased by CZK 469 million compared to 31 December 2019.

Borrowings decreased by CZK 672 million year-on-year, mainly due to a decrease in liabilities to credit institutions and tax liabilities to the state. On the other hand, reserves, trade payables and contingent liabilities increased.

The company's indebtedness as of 31 December 2020 was 26.6% (28.2% at 31 December 2019).



Strategic Objectives

In 2020, the steel industry faced the negative impact of the COVID-19 pandemic. Nevertheless, global crude steel production in 2020 reached 1,864 million tonnes, which is only 0.9% less than in 2019. All countries except China, the CIS, Turkey and the Middle East saw a sharp decline in production. EU countries produced 11.8% less steel in 2020 than in the previous year. In 2021, growth in steel production is expected to resume. The worldwide trend of reducing the impact of steel production on the environment increases the demand for steel scrap. Due to the increased production costs of so-called "green steel" compared to conventional steel, there is a risk of reducing the competitiveness of "green producers".

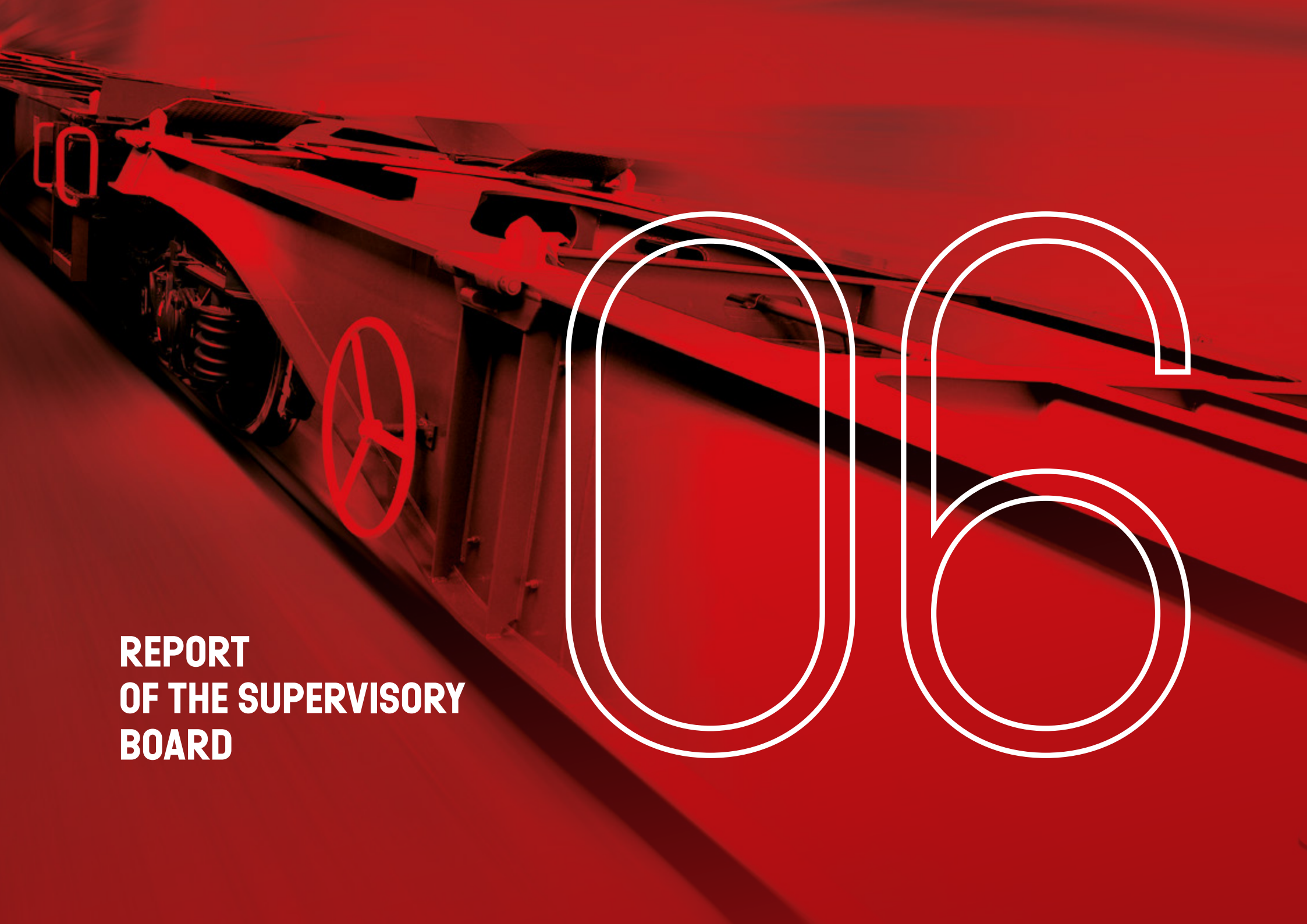
Třinecké železářny is constantly modernising its equipment, which reduces costs and increases the added value of our final products. In 2020, the development of the Steel Drawing Plant operation in Staré Město was completed and a new line for electrolytic phosphating and wire drawing, the so-called STAKU 2, is being prepared for launch.

GLOBAL CRUDE STEEL PRODUCTION IN 2020 REACHED 1,864 MILLION TONNES

The company has also started the construction of a peeling line on a new bright bar treatment plant No. 2.

In 2021, the renewal of the guide frames of the continuous casting machine No. 1 will begin with the implementation of the casting of round blooms with a diameter of 600 mm on the remaining three streams, reconstruction of blast furnace No. 6, modernisation of the pre-rolling and intermediate mill train at the continuous wire rod mill as well as modernisation of cold measuring of the rail dimensions.

Among the environmental projects, the modernisation of hot blast stove No. 62 and central preheating of blast furnace No. 6 will be started, and the project of dedusting of the equipment for processing the mixture for the production of blast furnace sinter will continue.



**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 2020, 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 2020.

On 19 April 2021, the Supervisory Board reviewed the Annual Report of TŘINECKÉ ŽELEZÁRNY, a. s. for 2020, which includes

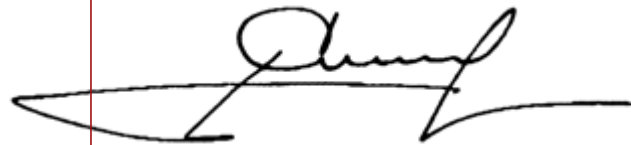
- The regular financial statements for 2020,
- The regular consolidated financial statements for 2020,
- Report on relations for the accounting period of 2020,
- The Board of Directors' proposal for the distribution of profits generated for the 2020 reporting period, and
- The report of the Board of 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 2020 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 2020, is not in conflict with the provisions of § 34 para. 2 and § 40 para. 1 and 2 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 2020, as well as the proposal of the Board of Directors for the distribution of the profit generated for the reporting period of 2020 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





FINANCIAL SECTION



AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
 TŘINECKÉ ŽELEZÁRNY, a. s.

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

Opinion on the Financial Statements and 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 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

We have audited the accompanying Consolidated Financial Statements of the 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 2020, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion:

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

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

Basis for Opinion

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

Other Information in the Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

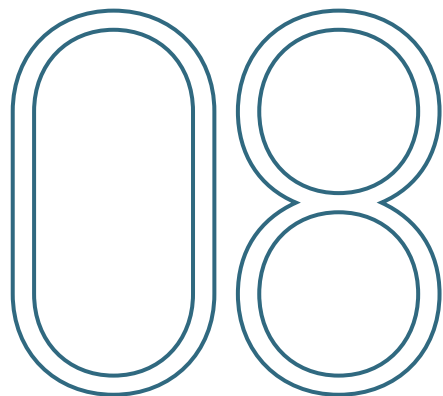
In Prague on 19 April 2021

Audit firm:

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

Statutory auditor:

Václav Loubek
registration no. 2037



FINANCIAL PART I. FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2021.

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)

	31.12.2020		31.12.2019	
	Gross	Adjustment	Net	Net
TOTAL ASSETS	67 517 629	-28 030 868	39 486 761	39 689 687
B. Fixed assets	52 921 525	-27 215 299	25 706 226	26 503 109
B.I. Intangible fixed assets	1 352 818	-226 290	1 126 528	1 720 428
B.I.1. Development	4 553	-4 553		
B.I.2. Valuable rights	274 921	-216 416	58 505	62 934
B.I.2.1. Software	180 728	-147 053	33 675	29 173
B.I.2.2. Other valuable rights	94 193	-69 363	24 830	33 761
B.I.4. Other intangible fixed assets	1 065 784	-5 321	1 060 463	1 653 051
B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction	7 560		7 560	4 443
B.I.5.2. Intangible fixed assets under construction	7 560		7 560	4 443
B.II. Tangible fixed assets	42 907 676	-26 591 156	16 316 520	16 474 310
B.II.1. Land and structures	11 013 129	-5 472 583	5 540 546	5 230 234
B.II.1.1. Land	522 953		522 953	524 405
B.II.1.2. Structures	10 490 176	-5 472 583	5 017 593	4 705 829
B.II.2. Tangible movable assets and sets of tangible movable assets	30 758 255	-21 115 904	9 642 351	9 572 022
B.II.4. Other tangible fixed assets	6 884		6 884	6 770
B.II.4.3. Other tangible fixed assets	6 884		6 884	6 770
B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction	1 129 408	-2 669	1 126 739	1 665 284
B.II.5.1. Prepayments for tangible fixed assets	82 090		82 090	137 875
B.II.5.2. Tangible fixed assets under construction	1 047 318	-2 669	1 044 649	1 527 409
B.III. Non-current financial assets	8 661 031	-397 853	8 263 178	8 308 371
B.III.1. Equity investments – controlled or controlling entity	8 608 034	-379 915	8 228 119	8 271 630
B.III.3. Equity investments in associates	50 995	-17 938	33 057	34 739
B.III.5. Other non-current securities and investments	2 002		2 002	2 002

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

		31.12.2020		31.12.2019	
		Gross	Adjustment	Net	Net
C.	Current assets	14 596 104	-815 569	13 780 535	13 186 578
C.I.	Inventories	11 300 070	-779 581	10 520 489	10 293 057
C.I.1.	Material	4 935 833	-356 807	4 579 026	4 626 828
C.I.2.	Work in progress and semifinished goods	3 819 886	-283 343	3 536 543	3 549 196
C.I.3.	<i>Products and goods</i>	2 542 278	-139 431	2 402 847	2 108 842
C.I.3.1.	Products	2 542 266	-139 431	2 402 835	2 108 827
C.I.3.2.	Goods	12		12	15
C.I.5.	Prepayments for inventories	2 073		2 073	8 191
C.II.	Receivables	2 436 703	-32 954	2 403 749	2 687 547
C.II.1.	Long-term receivables	17 110		17 110	15 681
C.II.1.5.	<i>Receivables – other</i>	17 110		17 110	15 681
C.II.1.5.2.	Long-term prepayments made	652		652	652
C.II.1.5.4.	Sundry receivables	16 458		16 458	15 029
C.II.2.	Short-term receivables	2 248 985	-32 954	2 216 031	2 456 717
C.II.2.1.	Trade receivables	1 743 672	-13 508	1 730 164	1 805 936
C.II.2.2.	Receivables – controlled or controlling entity	8 016		8 016	9 068
C.II.2.4.	<i>Receivables – other</i>	497 297	-19 446	477 851	641 713
C.II.2.4.3.	State – tax receivables	429 449		429 449	563 994
C.II.2.4.4.	Short-term prepayments made	2 232		2 232	4 891
C.II.2.4.5.	Estimated receivables	23 455		23 455	8 875
C.II.2.4.6.	Sundry receivables	42 161	-19 446	22 715	63 953
C.II.3.	Other assets	170 608		170 608	215 149
C.II.3.1.	Deferred expenses	50 083		50 083	69 623
C.II.3.2.	Complex deferred expenses	115 952		115 952	133 219
C.II.3.3.	Accrued income	4 573		4 573	12 307
C.III.	Current financial assets	3 034	-3 034		
C.III.2.	Other current financial assets	3 034	-3 034		
C.IV.	Cash	856 297		856 297	205 974
C.IV.1.	Cash on hand	1 689		1 689	1 389
C.IV.2.	Cash at bank	854 608		854 608	204 585

BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31.12.2020	31.12.2019
TOTAL LIABILITIES & EQUITY	39 486 761	39 689 687
A. Equity	28 969 425	28 500 102
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 (+/-)	17 428 277	16 818 334
A.IV.1. Accumulated profits or losses brought forward (+/-)	17 428 277	16 818 334
A.V. Profit or loss for the current period (+/-)	469 323	609 943
B.+C. Liabilities	10 517 336	11 189 585
B. Reserves	321 607	277 066
B.III. Reserves under special legislation	1 117	1 113
B.IV. Other reserves	320 490	275 953
C. Payables	10 195 729	10 912 519
C.I. Long-term payables	3 289 304	3 299 070
C.I.2. Payables to credit institutions	2 094 582	2 125 874
C.I.4. Trade payables	30 260	29 641
C.I.8. Deferred tax liability	1 164 462	1 127 749
C.I.9. <i>Payables – other</i>		15 806
C.I.9.3. Sundry payables		15 806
C.II. Short-term payables	6 905 172	7 612 739
C.II.2. Payables to credit institutions	1 027 204	1 426 005
C.II.3. Short-term prepayments received		6
C.II.4. Trade payables	4 037 908	3 811 235
C.II.8. <i>Other payables</i>	1 840 060	2 375 493
C.II.8.1. Payables to partners		35 000
C.II.8.3. Payables to employees	422 024	403 566
C.II.8.4. Social security and health insurance payables	145 471	137 504
C.II.8.5. State – tax payables and subsidies	1 105 028	1 695 331
C.II.8.6. Estimated payables	121 223	38 319
C.II.8.7. Sundry payables	46 314	65 773
C.III. Other liabilities	1 253	710
C.III.1. Accrued expenses	1 253	419
C.III.2. Deferred income		291

PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD

(IN CZK THOUSAND)

	Year ended 31.12.2020	Year ended 31.12.2019
I. Sales of products and services	35 114 272	38 405 086
II. Sales of goods	25	270
A. Purchased consumables and services	30 141 328	32 602 690
A.1. Costs of goods sold	22	264
A.2. Consumed material and energy	27 435 745	29 524 711
A.3. Services	2 705 561	3 077 715
B. Change in internally produced inventory (+/-)	-188 225	624 151
C. Own work capitalised (-)	-469 533	-498 975
D. Staff costs	4 617 117	4 195 777
D.1. Payroll costs	3 233 765	2 929 733
D.2. Social security and health insurance costs and other charges	1 383 352	1 266 044
D.2.1. Social security and health insurance costs	1 214 182	1 080 218
D.2.2. Other charges	169 170	185 826
E. Adjustments to values in operating activities	1 403 777	1 570 099
E.1. <i>Adjustments to values of intangible and tangible fixed assets</i>	1 426 171	1 343 709
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	1 427 476	1 351 423
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	-1 305	-7 714
E.2. Adjustments to values of inventories	-22 429	228 154
E.3. Adjustments to values of receivables	35	-1 764
III. Other operating income	3 883 570	2 091 738
III.1. Sales of fixed assets	15 896	27 051
III.2. Sales of material	81 007	106 769
III.3. Sundry operating income	3 786 667	1 957 918

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 31.12.2020	Year ended 31.12.2019
F. Other operating expenses	3 172 241	1 574 105
F.1. Net book value of sold fixed assets	7 090	9 385
F.2. Material sold	73 598	100 194
F.3. Taxes and charges	41 176	33 619
F.4. Reserves relating to operating activities and complex deferred expenses	61 807	-96 888
F.5. Sundry operating expenses	2 988 570	1 527 795
* Operating profit or loss (+/-)	321 162	429 247
IV. Income from non-current financial assets – equity investments	308 529	264 246
IV.1. Income from equity investments – controlled or controlling entity	292 673	241 155
IV.2. Other income from equity investments	15 856	23 091
VI. Interest income and similar income	116	756
VI.1. Interest income and similar income – controlled or controlling entity	77	387
VI.2. Other interest income and similar income	39	369
I. Adjustments to values and reserves relating to financial activities	55 610	-54 969
J. Interest expenses and similar expenses	40 704	64 217
J.2. Other interest expenses and similar expenses	40 704	64 217
VII. Other financial income	45 392	24 312
K. Other financial expenses	49 282	23 948
* Financial profit or loss (+/-)	208 441	256 118
** Profit or loss before tax (+/-)	529 603	685 365
L. Income tax	60 280	75 422
L.1. Due income tax	23 568	35 148
L.2. Deferred income tax (+/-)	36 712	40 274
** Profit or loss net of tax (+/-)	469 323	609 943
*** Profit or loss for the current period (+/-)	469 323	609 943
* Net turnover for the current period	39 351 904	40 786 408

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 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
Distribution of profit or loss				609 943	-609 943	
Profit or loss for the current period					469 323	469 323
Balance at 31 December 2020	8 109 863	103 743	2 858 219	17 428 277	469 323	28 969 425

CASH FLOW STATEMENT

(IN CZK THOUSAND)

	Year ended 31.12.2020	Year ended 31.12.2019
P.	202 065	381 646
Opening balance of cash and cash equivalents		
Cash flows from ordinary activities (operating activities)		
Z.	529 603	685 365
Profit or loss before tax		
A.1.	1 244 517	1 201 906
Adjustments for non-cash transactions		
A.1.1.	1 427 476	1 351 423
Depreciation of fixed assets		
A.1.2.	93 718	66 819
Change in provisions and reserves		
A.1.3.	-8 806	-17 666
Profit/(loss) on the sale of fixed assets		
A.1.4.	-308 529	-264 246
Revenues from profit shares		
A.1.5.	40 588	63 461
Interest expense and interest income		
A.1.6.	70	2 115
Adjustments for other non-cash transactions		
A.*	1 774 120	1 887 271
Net operating cash flow before changes in working capital		
A.2.	403 507	-55 430
Change in working capital		
A.2.1.	170 047	168 922
Change in operating receivables and other assets		
A.2.2.	438 571	-829 507
Change in operating payables and other liabilities		
A.2.3.	-204 988	594 293
Change in inventories		
A.2.4.	-123	10 862
Change in current financial assets		
A.**	2 177 627	1 831 841
Net cash flow from operations before tax		
A.3.	-40 946	-64 163
Interest paid		
A.4.	169	818
Interest received		
A.5.	64 282	-760 657
Income tax paid from ordinary operations		
A.6.	308 529	264 246
Received profit shares		
A.***	2 509 661	1 272 085
Net operating cash flows		
Cash flows from investing activities		
B.1.	-1 436 779	-2 205 954
Fixed assets expenditures		
B.2.	23 630	15 001
Proceeds from fixed assets sold		
B.3.	1 000	12 000
Loans and borrowings to related parties		
B.***	-1 412 149	-2 178 953
Net investment cash flows		
Cash flow from financial activities		
C.1.	-447 312	727 287
Change in payables from financing		
C.***	-447 312	727 287
Net financial cash flows		
F.	650 200	-179 581
Net increase or decrease in cash and cash equivalents		
R.	852 265	202 065
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, wires, and thin, medium and heavy sections, rails including the production of plates, clamps and jumpers for rails, steel tubes and drawing-quality steel.

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

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

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

1.2. ORGANISATIONAL STRUCTURE OF THE COMPANY

Bodies of the Company are as follows:

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

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

There were no significant organisational changes during 2020.

1.3. GROUP IDENTIFICATION

For the purposes of these notes to the financial statements, the Group includes (i) the Company, (ii) the entity controlling the Company (hereinafter the “controlling entity”) or entity holding an equity investment in the Company that is treated as part of ‘Equity investments in associates’, (iii) entities in which the controlling 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 2020, the Company was controlled by MORAVIA STEEL a.s., having its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, as the sole shareholder.

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

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

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

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

During 2020, no changes were made in the composition of the Company's Board of Directors and Supervisory Board.

2. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

2.1. REPORTING PERIOD

The Company's financial statements as of 31 December 2020 have been prepared as follows:

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

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.

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

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

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

Starting from the reporting period beginning on 1 January 2022:

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

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

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

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

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

Greenhouse emission allowances (hereinafter the "allowances") are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. The use of emission allowances is accounted for at the balance sheet date as a minimum, depending upon the level of greenhouse emissions produced by the Company in the relevant calendar year. Any difference arising during the verification of emissions by a verifier is accounted for in the reporting period in which the verification is performed. An initial free-of-charge acquisition of the allowances is recognised as a subsidy not reducing the carrying amount of the intangible fixed assets. This 'subsidy' is released into income on a systematic basis as the allowances are used and charged to expenses. The sale of 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 processes so as to obtain benefits from their activities are treated as 'Equity investments – controlled or controlling entity'.

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

Provisioning against Equity Investments

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

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

2.4. CURRENT FINANCIAL ASSETS AND CASH

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

Current financial assets are carried at cost upon acquisition.

Cash consists of cash on hand and cash at bank.

2.5. INVENTORY

Valuation

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

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

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

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

Provisioning

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

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

2.6. RECEIVABLES

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

Provisioning

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

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

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

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

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

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

2.7. PAYABLES

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

2.8. PAYABLES TO CREDIT INSTITUTIONS

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

2.9. RESERVES

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

2.10. ACCRUALS AND DEFERRALS

Accrual and deferral accounts include deferred and accrued income and expenses. Deferred expenses include deferrals of only such items which are very likely, or certain, to bring a specific measurable effect in the form of income or other economic benefits in the following years over which they are deferred. Immaterial and regular expenses or income of less than CZK 20 thousand are not deferred. Comprehensive deferred expenses include the costs of 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 – Billet Rolling Mill, and the Universal Track and Track Fastenings Plant which are depreciated using the straight line and accelerated methods.

2.12.2. Current Tax Payable

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

2.12.3. Deferred Tax

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

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

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

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

2.13. BORROWING COSTS

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

2.14. COSTS RELATING TO EMPLOYEES HIRED THROUGH AN EMPLOYMENT AGENCY

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

2.15. REVENUE RECOGNITION

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

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

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

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.

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

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

2.19. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

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

Cash and cash equivalents can be analysed as follows:

	(CZK THOUSAND)	
	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Cash on hand	1 689	1 389
Cash at bank	854 608	204 585
Other current financial assets	3 034	3 034
Provisions against other current financial assets	-3 034	-3 034
Total current financial assets and cash	856 297	205 974
Cash and cash equivalents not included in the cash flow	-4 032	-3 909
Total cash and cash equivalents	852 265	202 065

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

2.20. CHANGES IN ACCOUNTING POLICIES

Starting from the reporting period beginning on 1 January 2021, prepayments for tangible and intangible fixed assets received after 31 December 2020, provided that these prepayments are non-refundable, will be treated as part of the cost of specific fixed assets as of the financial statements date and will not be translated using the exchange rate of the Czech National Bank as of the financial statements date. Prepayments for fixed assets received before 1 January 2021, reported in a foreign currency as of the financial statements date, are translated using the Czech National Bank exchange rate applicable as of the date as of which the financial statements are prepared.

Starting from the reporting period beginning on 1 January 2021, foreign exchange rate gains or losses in respect of provisions for newly originated receivables in foreign currencies exceeding CZK 1 million will be accounted for on an individual basis through financial profit or loss (to accounts 563 Foreign exchange losses or 663 Foreign exchange gains). Under this determined limit, foreign exchange gains or losses in respect of provisions for receivables in foreign currencies will continue to be reported through operating profit or loss as a recognition or release of provisions for receivables.

Other-than-temporary development is recognised directly through expenses considering its repeatability and materiality. Starting from the reporting period beginning on 1 January 2021, the criterion of materiality will be extended to include the following definition: "If the expenses for other-than-temporary development for the relevant reporting period do not exceed more than 50% of expenses for other-than-temporary development, on average, for the preceding two reporting periods, all these expenses are recognised through expenses of the relevant reporting period. If the above limit is exceeded, the entity shall select projects that result in the materiality limit being exceeded, and, following their analysis, it shall capitalise them as part of complex deferred expenses".

3. ADDITIONAL INFORMATION

3.1. FIXED ASSETS

3.1.1. Intangible Fixed Assets

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Development	4 553	0	0	4 553
Valuable rights	267 748	11 433	4 260	274 921
Other intangible FA	1 658 372	2 033 786	2 626 374	1 065 784
Intangible FA under construction	4 443	14 550	11 433	7 560
Total	1 935 116	2 059 769	2 642 067	1 352 818

Accumulated Amortisation

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Development	4 553	0	0	4 553
Valuable rights	204 814	12 671	1 069	216 416
Other intangible FA	5 321	0	0	5 321
Total	214 688	12 671	1 069	226 290

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Valuable rights	62 934	58 505
Other intangible FA	1 653 051	1 060 463
Intangible FA under construction	4 443	7 560
Total	1 720 428	1 126 528

Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 12,671 thousand and CZK 11,171 thousand as of 31 December 2020 and 2019, respectively.

Other intangible fixed assets primarily include emission allowances.

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

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

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.

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 26,440 thousand and CZK 28,139 thousand as of 31 December 2020 and 2019, respectively.

3.1.2. Tangible Fixed Assets

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Land	524 405	206	1 658	522 953
Structures	9 951 725	557 922	19 471	10 490 176
Tangible movable assets and sets thereof	29 784 829	1 243 468	270 042	30 758 255
Other tangible FA	6 770	118	4	6 884
Prepayments for tangible FA	137 875	73 817	129 602	82 090
Tangible FA under construction	1 529 679	1 315 493	1 797 854	1 047 318
Total	41 935 283	3 191 024	2 218 631	42 907 676

Accumulated Depreciation

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Structures	5 230 735	247 517	19 471	5 458 781
Tangible movable assets and sets thereof	20 211 273	1 173 484	270 042	21 114 715
Total	25 442 008	1 421 001	289 513	26 573 496

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Structures	15 161	0	1 359	13 802
Tangible movable assets and sets thereof	1 534	0	345	1 189
Tangible FA under construction	2 270	399	0	2 669
Total	18 965	399	1 704	17 660

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Land	524 405	522 953
Structures	4 705 829	5 017 593
Tangible movable assets and sets thereof	9 572 022	9 642 351
Other tangible FA	6 770	6 884
Prepayments for tangible FA	137 875	82 090
Tangible FA under construction	1 527 409	1 044 649
Total	16 474 310	16 316 520

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

(CZK THOUSAND)

Acquisition of hot blast recuperator no. 61 for furnace no. 6	268 819
Acquisition of a wheel scoop	183 255
Acquisition of hall no. 3, including dispatch platform at VF – Steel drawing mill	160 237

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

(CZK THOUSAND)

Acquisition of a new peeling line in the VJ – Wires and Thin Sections Rolling Mill Plant	144 454
Acquisition of STAKU line no. 2	106 758
Acquisition of dust removing equipment for the collection of furnace sinter	87 597

During the year ended 31 December 2020, the disposals of tangible fixed assets included assets with an aggregate net book value of CZK 20,604 thousand. Major disposals principally comprised partial liquidation of hot blast recuperator for furnace no. 6, partial liquidation of KKO–K2 gas treatment plant due to reconstruction, complete liquidation of an overhead crane and total sale of transformer stations, including the distribution board.

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 1,414,805 thousand and CZK 1,340,252 thousand as of 31 December 2020 and 2019, 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 596,179 thousand and CZK 591,909 thousand as of 31 December 2020 and 2019, respectively.

3.1.3. Assets Held under Operating Lease Agreements

In the years ended 31 December 2020 and 2019, the Company made lease payments of CZK 56,145 thousand and CZK 58,432 thousand, respectively.

3.1.4. Pledged Fixed Assets

31 December 2020

(CZK THOUSAND)

DESCRIPTION OF ASSETS	Net book value	Pledge/creditor
Tangible FA	556 192	
Buildings	118 323	
Land	3 458	Loan from Česká spořitelna, a.s.
Tangible FA	2 194	
Land	39 986	Loan from Československá obchodní banka, a.s.
Tangible FA	692 199	Loan from Československá obchodní banka, a.s.
Tangible FA	764 853	Loan from Československá obchodní banka, a.s.
Tangible FA	513 658	
Land	106 893	Loan from Československá obchodní banka, a.s.
Tangible FA	464 716	
Land	10 465	Loan from ING BANK N. V.
Total	3 272 937	

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	

3.2. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Equity investments – controlled or controlling entity	8 597 616	10 418	0	8 608 034
Equity investments – associates	50 995	0	0	50 995
Other non-current securities and equity investments	2 002	0	0	2 002
Total	8 650 613	10 418	0	8 661 031

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020
Equity investments – controlled or controlling entity	325 986	53 929	0	379 915
Equity investments – associates	16 256	1 682	0	17 938
Total	342 242	55 611	0	397 853

Additions to non-current financial assets for 2020 arose from the cash payment made by the shareholder in order to contribute to equity over and above the share capital balance of TRISIA, a.s., as a stop-gap solution to address the economic difficulties of that entity as part of its stabilisation measures taken to combat the novel coronavirus SARS-CoV-2.

3.2.1. Equity Investments – Controlled or controlling entity

31 December 2020

(CZK THOUSAND)

COMPANY NAME AND REGISTERED OFFICE	Equity investment %	Equity	Profit/loss for the period	Provision	Financial income
ŽDB DRÁTOVNA a.s., Pudlov, Bohumín	100.00	2 102 070	46 888	0	15 000
Strojírny a stavby Třinec, a.s., Staré Město, Třinec	100.00	628 255	35 375	0	35 000
ENERGETIKA TŘINEC, a.s., Staré Město, Třinec	100.00	2 692 318	9 557	0	50 000
Slévárny Třinec, a.s., Staré Město, Třinec	100.00	588 327	-31 864	-42 196	0
Šroubárna Kyjov, spol. s r.o., Kyjov	100.00	685 109	25 547	0	35 000
HŽP a.s., Prostějov	100.00	605 947	38 286	0	29 500
"D&D" Drótaru Zrt., 3527 Miskolc, Sajósziget utca 4 (HUN)	100.00	376 471	17 036	-290 860	0
"METALURGIA" SPÓŁKA AKCYJNA, Radomsko (POL)	100.00	227 526	23 000	0	0
VÚHŽ a.s., Dobrá	100.00	407 845	46 340	0	40 000
Řetězárna a.s., Česká Ves	51.00	589 211	18 621	0	9 180
REFRASIL, s.r.o., Kanská, Třinec	100.00	243 785	13 147	0	25 000
Třinecké gastroslužby, s.r.o., Staré Město, Třinec	100.00	42 660	-14 787	0	0
Doprava TŽ, a.s., Třinec–Staré Město	100.00	53 861	2 311	0	0
TRIALFA, s.r.o., Třinec-Kanada	100.00	20 817	871	0	0
Moravia Security, a.s., Kanská, Třinec	100.00	43 430	2 603	0	1 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90.00	48 820	1 098	0	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	31 563	2 043	0	2 993
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	44 662	512	-10 547	0
TRISIA, a.s., Lyžbice, Třinec	66.00	39 630	-15 323	-15 658	0
IMOPRA s.r.o., Nivnice	100.00	115 292	5 316	-20 654	0
BOHEMIA RINGS s.r.o., Zámorsk	100.00	940 983	109 107	0	50 000
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	30 583	-19 417	0	0
TOTAL				-379 915	292 673

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

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	627 880	46 207	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	620 191	-20 637	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" Drótaru Zrt., 3527 Miskolc, Sajósziget utca 4 (HUN)	100.00	383 989	5 651	-297 120	24 731
"METALURGIA" SPÓŁKA AKCYJNA, Radomsko (POL)	100.00	212 766	-21 146	0	0
VÚHŽ a.s., Dobrá	100.00	401 505	51 109	0	25 000
Řetězárna a.s., Česká Ves	51.00	588 083	33 924	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	3 539	0	3 463
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	45 816	418	-9 414	0
TRISIA, a.s., Lyžbice, Třinec	66.00	40 853	-7 195	0	0
IMOPRA s.r.o., Nivnice	100.00	109 975	6 412	-19 452	0
BOHEMIA RINGS s.r.o., Zámorsk	100.00	881 875	72 435	0	45 000
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	*	*	0	0
TOTAL				-325 986	241 155

Note: * economic results are not available, reporting period from 1 December 2019 to 31 December 2020

3.2.2. Equity Investments – Associates

31 December 2020

(CZK THOUSAND)

COMPANY NAME, REGISTERED OFFICE	Equity investment in %	Equity	Profit/Loss for the period	Provision	Financial income
VESUVIUS ČESKÁ REPUBLIKA, a.s., Kanská, Třinec	40.00	409 440	80 458	0	15 856
Ocelářská unie a.s., Nové Město, Prague 1	39.94	43 204	-651	-17 938	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	2 616	1 217	0	0
TOTAL				-17 938	15 856

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

* results for the period from 1 April 2020 – 31 December 2020 (fiscal year from 1 April 2020 – 31 March 2021)

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., Kónská, 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	3 834	0	0
TOTAL				-16 256	23 077

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

3.2.3. Non-Current Financial Assets Pledged as Collateral

As of 31 December 2020 and 2019, the Company had non-current financial assets pledged as collateral in the nominal value of CZK 1,144,302 thousand and CZK 1,144,302 thousand, respectively.

3.3. RECEIVABLES

3.3.1. Short-Term Receivables

As of 31 December 2020 and 2019, the Company recorded short-term trade receivables past their due dates in the gross amount of CZK 30,012 thousand and CZK 14,337 thousand (net CZK 16,503 thousand and CZK 659 thousand), respectively.

Other Receivables

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

As of 31 December 2020 and 2019, State – tax receivables predominantly included a receivable arising from value added tax, prepayments for the corporate income tax and prepayments for fees under Act No. 201/2012 Coll., the Air Protection Act.

As of 31 December 2020, other receivables principally include a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from the group registration for VAT and a receivable from a contribution under the employment protection programme "Antivirus". As of 31 December 2019, 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 2020 and 2019, estimated receivables principally included amounts due from anticipated insurance proceeds, from utilising an operating subsidy and from the refund of the value added tax paid abroad.

Receivables typically mature within 30 days.

3.3.2. Intercompany Receivables

Short-Term Receivables

(CZK THOUSAND)

COMPANY NAME	Relation to the Company	Balance at 31 Dec 2020	Balance at 31 Dec 2019
• Trade receivables			
Doprava TŽ, a.s.	Controlled entity	2 256	1 507
ENERGETIKA TŘINEC, a.s.	Controlled entity	17 240	111 534
Šroubárna Kyjov, spol. s r.o.	Controlled entity	444	926
Strojírny a stavby Třinec, a.s.	Controlled entity	8 689	14 534
MORAVIA STEEL a.s.	Controlled entity	1 590 712	1 547 141
REFRASIL, s.r.o.	Controlled entity	544	877
Řetězárna a.s.	Controlled entity	0	1
Slévárny Třinec, a.s.	Controlled entity	47 915	24 083
TRIALFA, s.r.o.	Controlled entity	1 008	1 423
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	87	134
Třinecké gastroslužby, s.r.o.	Controlled entity	811	1 486
TRISIA, a.s.	Controlled entity	65	11
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	401	766
Beskydská golfová, a.s.	Fellow subsidiary	13	13
VÚHŽ a.s.	Controlled entity	1 323	1 383
Moravia Security, a.s.	Controlled entity	66	114
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	10	10
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	139	103
„METALURGIA“ SPÓŁKA AKCYJNA	Controlled entity	532	634
HŽP a.s.	Controlled entity	225	610
M Steel Projects a.s.	Fellow subsidiary	15	13
„NEOMET“ Sp. z o.o.	Fellow subsidiary	18	83
ŽDB DRÁTOVNA a.s.	Controlled entity	1 425	2 524
Barrandov Studio a.s.	Fellow subsidiary	242	416
Kovárna VIVA a.s.	Fellow subsidiary	86	182
BOHEMIA RINGS s.r.o.	Controlled entity	2 197	2 064
Security Morava s.r.o.	Controlled entity	12	2
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	48	8
MINERFIN, a.s.	Related party	1	0
Total		1 676 524	1 712 582

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

SHORT-TERM RECEIVABLES

(CZK THOUSAND)

• Receivables – controlled or controlling entity			
IMOPRA s.r.o.	Controlled entity	0	9 068
Třinecké gastroslužby, s.r.o	Controlled entity	8 016	0
Total		8 016	9 068
• Other receivables			
ENERGETIKA TŘINEC, a.s.	Controlled entity	3 312	2 183
Total		3 312	2 183
• Accrued income			
ENERGETIKA TŘINEC, a.s.	Controlled entity	4 474	0
Total		4 474	0
Total short-term intercompany receivables		1 692 326	1 723 833
Other than intercompany receivables		523 705	732 884
Total short-term receivables		2 216 031	2 456 717

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 2020, 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 2019 in the amount of CZK 609,943 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 2020

In 2020, the Company generated net profit after tax of CZK 469,323 thousand. It is proposed to be distributed as follows:

– Retained earnings brought forward: CZK 469,323 thousand.

3.5. RESERVES

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

3.6. PAYABLES

3.6.1. Long-Term Payables

Long-term trade payables as of 31 December 2020 include payables arising from retentions from suppliers under concluded contracts.

As of 31 December 2020, the Company records no long-term payables secured with material guarantees.

As of 31 December 2020 and 31 December 2019, the Company did not record trade payables with maturity longer than five years.

3.6.2. Deferred Income Tax

The deferred tax liability is analysed as follows:

(CZK THOUSAND)

DEFERRED TAX ARISING FROM	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Difference between tax and accounting carrying values of fixed assets	-7 361 460	-7 065 719
Revaluation of available-for-sale securities	54	54
Accounting reserves	320 435	275 899
Provisions	799 433	823 782
Expenses that are tax deductible in the following periods	112 792	30 461
Total	-6 128 746	-5 935 523
Tax rate (in %)	19	19
Deferred tax liability	-1 164 462	-1 127 749

(CZK THOUSAND)

ANALYSIS OF MOVEMENTS	
31 Dec 2019	-1 127 749
Current changes charged against the profit and loss account	-36 712
Other – rounding	-1
31 Dec 2020	-1 164 462

3.6.3. Income Tax

(CZK THOUSAND)

	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Profit before tax	529 603	685 365
Tax at the domestic income tax rate of 19%	100 625	130 219
Tax effect of expenses that are not deductible in determining taxable profit	-40 345	-54 797
Total income tax for the period – recognised in deferred tax and income tax payable	60 280	75 422

3.6.4. Short-Term Payables

As of 31 December 2020 and 2019, the Company recorded short-term trade payables past their due dates of CZK 483 thousand and CZK 972 thousand, respectively.

Payables typically fall due for settlement within 60 days.

Other Payables

In the years ended 31 December 2020 and 31 December 2019, the category 'State – tax payables and subsidies' principally comprised received subsidies for emission allowances and a payable arising from personal income tax.

In 2020 and 2019, estimated payables mainly consisted of an estimated payable intended to cover all so far unrecognised payments relating to staff costs, an estimated payable for fees under Act No. 201/2012 Coll., on Air Protection, and an estimated payable arising from unbilled inventory including services.

As of 31 December 2020, sundry payables primarily include payables arising from the group registration for value added tax and contributions to employees. As of 31 December 2019, sundry payables primarily comprised payables arising from the 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 2020	Balance at 31 Dec 2019
Long-term payables			
• Trade payables			
Strojírny a stavby Třinec, a.s.	Controlled entity	404	1 932
Total		404	1 932
Total long-term intercompany payables		404	1 932
Other than intercompany payables		3 288 900	3 297 138
Total long-term payables		3 289 304	3 299 070

Other than intercompany long-term payables as of 31 December 2020 and 2019 primarily included a deferred tax liability of CZK 1,164,462 thousand and CZK 1,127,749 thousand, respectively, and payables to credit institutions of CZK 2,094,582 thousand and CZK 2,125,874 thousand, respectively.

Short-Term Payables

(CZK THOUSAND)

COMPANY NAME	Relation to the Company	Balance at 31 Dec 2020	Balance at 31 Dec 2019
• Trade payables			
Doprava TŽ, a.s.	Controlled entity	13 041	12 222
ENERGETIKA TŘINEC, a.s.	Controlled entity	462 465	467 319
Ocelářská unie a.s.	Associate	832	835
Šroubárna Kyjov, spol. s r.o.	Controlled entity	2 191	1 264
MORAVIA STEEL a.s.	Controlling entity	1 959 169	1 584 249
REFRASIL, s.r.o.	Controlled entity	21 276	20 014
Řetězárna a.s.	Controlled entity	403	971
Slévárny Třinec, a.s.	Controlled entity	1 476	4 428

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

SHORT-TERM PAYABLES

(CZK THOUSAND)

TRIALFA, s.r.o.	Controlled entity	16 721	15 748
TRISIA, a.s.	Controlled entity	1 067	901
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	2 929	3 277
Třinecké gastroslužby, s.r.o.	Controlled entity	9 372	15 381
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	19 395	8 559
Beskydská golfová, a.s.	Fellow subsidiary	4 598	3 025
Strojírny a stavby Třinec, a.s.	Controlled entity	118 084	203 900
VÚHŽ a.s.	Controlled entity	559	842
Moravia Security, a.s.	Controlled entity	9 161	10 362
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	1 773	209
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	139 125	130 746
"ZAMECZEK BŁOGOCICE" Sp. z o.o.	Controlled entity	97	100
HRAT, s.r.o.	Associate	0	36
ŽDB DRÁTOVNA a.s.	Controlled entity	2 204	1 519
"D&D" Drátáru Zrt.	Controlled entity	2 348	0
"METALURGIJA" Spółka Akcyjna	Controlled entity	105	0
"NEOMET" Sp. z o.o.	Fellow subsidiary	98 240	83 271
Security Morava, s.r.o.	Controlled entity	1 498	1 302
BOHEMIA RINGS s.r.o.	Controlled entity	4 053	2 381
Total		2 892 182	2 572 861
• Payables to owners			
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	0	35 000
Total		0	35 000
• Estimated payables			
MORAVIA STEEL a.s.	Controlling entity	2 720	6 988
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	705
Total		2 720	7 693
• Other payables			
MORAVIA STEEL a.s.	Controlling entity	33 691	53 253
Total		33 691	53 253
Total short-term intercompany payables		2 928 593	2 668 807
Other than intercompany payables		3 976 579	4 943 932
Total short-term payables		6 905 172	7 612 739

Other than intercompany short-term payables as of 31 December 2020 and 2019 predominantly include payables to credit institutions of CZK 1,027,204 thousand and CZK 1,426,005 thousand, respectively, and tax payables and subsidies of CZK 1,105,028 thousand and CZK 1,695,331 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 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2020
Investment	EUR	25 184	40 639	Hermes guarantee insurer
Investment	EUR	14 544	42 242	ODL guarantee insurer
Investment	CZK	0	240 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	240 000	480 000	Immovable and movable assets, insurance receivables, promissory note
Investment	CZK	628 571	857 143	Immovable and movable assets, insurance receivables, promissory note
Investment	EUR	880 091	0	Immovable and movable assets, insurance receivables
Acquisition	EUR	306 192	465 850	Securities, promissory note
Total		2 094 582	2 125 874	

The Company records repayments of long-term payables to credit institutions over five years in the amount of CZK 97,788 thousand.

Short-Term Payables to Credit Institutions

(CZK THOUSAND)

TYPE OF PAYABLE	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2020
Investment	EUR	16 790	16 255	Hermes guarantee insurer
Investment	EUR	29 087	28 162	ODL guarantee insurer
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	228 572	228 571	Immovable and movable assets, insurance receivables, promissory note
Investment	EUR	97 788	0	Immovable and movable assets, insurance receivables
Acquisition	EUR	174 967	169 400	Securities, promissory note
Overdraft	CZK	0	84 177	Promissory note
Overdraft	CZK	0	84 356	Without guarantee
Overdraft	CZK	0	82 322	Promissory note
Overdraft	CZK	0	82 864	Promissory note
Overdraft	CZK	0	85 073	Promissory note
Overdraft	CZK	0	84 825	Promissory note
Total		1 027 204	1 426 005	

3.7. DETAILS OF INCOME FROM ORDINARY ACTIVITIES

(CZK THOUSAND)

	31 Dec 2020	31 Dec 2019
Proceeds of the sale of goods	25	270
Proceeds of the sale of products and services	35 114 272	38 405 086
– Products	34 664 240	37 949 821
– Services	450 032	455 265
Total sales of goods, products and services	35 114 297	38 405 356

99.86% 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 2020, 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 3,747,733 thousand (2019: CZK 1,935,150 thousand)

Other financial income as of 31 December 2020 and 2019 predominantly included foreign exchange rate gains of CZK 45,390 thousand and CZK 24,224 thousand, respectively.

As of 31 December 2020, other operating expenses primarily reflect the use of emission allowances, including the costs of the sale of allowances, of CZK 2,626,373 thousand; as of 31 December 2019, in the amount of CZK 1,150,340 thousand.

Other financial expenses as of 31 December 2020 predominantly include foreign exchange rate losses of CZK 46,443 thousand (2019: CZK 16,147 thousand).

Since 1 January 2019, financial gifts have been reported in operating expenses. The total amount of gifts provided in 2020 amounted to CZK 26,561 thousand.

In the year ended 31 December 2020, the Company drew a contribution under the "Antivirus" employment protection programme as a partial compensation for payroll costs in the amount of CZK 4,579 thousand.

3.9. SUBSIDIES

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

Subsidies for operating purposes of CZK 3,582 thousand utilised for the year ended 31 December 2019 included subsidies for development, a subsidy for implementing the "Werkperspektiva" project, a subsidy for museum operations, and a subsidy for environmental projects.

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

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

3.10. DEVELOPMENT COSTS

(CZK THOUSAND)

	31 Dec 2020	31 Dec 2019
Development costs (net of subsidies)	15 655	26 615

3.11. RELATED PARTY TRANSACTIONS

3.11.1. Income Generated with Related Parties

Income from intercompany transactions amounted to CZK 35,843,393 thousand and CZK 38,498,942 thousand in the years ended 31 December 2020 and 2019, 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 2020:

(CZK THOUSAND)

ENTITY	Relation to the Company	Fixed assets	Inventory of material, products and goods	Services	Other income	Total
MORAVIA STEEL a.s.	Controlling entity	0	33 806 585	171 174	487	33 978 246
ENERGETIKA TŘINEC, a.s.	Controlled entity	*1 125 835	180 847	40 737	47	1 347 466
REFRASIL, s.r.o.	Controlled entity	0	1 335	5 353	26	6 714
Řetězárna a.s.	Controlled entity	0	0	10	0	10
Slévárny Třinec, a.s.	Controlled entity	0	218 829	19 936	27	238 792
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	7	8 479	0	8 486
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	0	4 515	0	4 515
Strojírny a stavby Třinec, a.s.	Controlled entity	0	132 108	39 883	30	172 021
VÚHŽ a.s.	Controlled entity	0	3 888	1 982	1	5 871
HŽP a.s.	Controlled entity	0	0	2 875	0	2 875
"METALURGIA" Spółka Akcyjna	Controlled entity	0	0	2 137	0	2 137
ŽDB DRÁTOVNA a.s.	Controlled entity	0	63	14 886	6	14 955
BOHEMIA RINGS s.r.o.	Controlled entity	0	22	2 137	2	2 161
TOTAL		1 125 835	34 343 684	314 104	626	35 784 249

Note: *including the sale of allowances

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

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.

3.11.2. Purchases from Related Parties

Total purchases from related parties amounted to CZK 25,280,199 thousand and CZK 27,540,512 thousand in the years ended 31 December 2020 and 2019. 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 2020:

(CZK THOUSAND)

ENTITY	Type of entity	Fixed assets	Inventory of material, products and goods	Services	Other expenses	Total
MORAVIA STEEL a.s.	Controlling entity	91	18 617 591	226 391	321	18 844 394
ENERGETIKA TŘINEC, a.s.	Controlled entity	0	2 367 338	86 418	233 847	2 687 603
REFRASIL, s.r.o.	Controlled entity	0	786	159 694	0	160 480
Řetězárna a.s.	Controlled entity	0	6 700	0	0	6 700
Slévárny Třinec, a.s.	Controlled entity	4 260	69 945	818	0	75 023
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	0	40	91 440	0	91 480
Šroubárna Kyjov, spol. s r.o.	Controlled entity	0	13 076	0	0	13 076
Strojírny a stavby Třinec, a.s.	Controlled entity	60 771	313 426	487 553	0	861 750
VÚHŽ a.s.	Controlled entity	0	4 924	954	0	5 878
"METALURGIA" Spółka Akcyjna	Controlled entity	0	105	0	0	105
"D&D" Drótaru Zrt.	Controlled entity	0	12 687	0	0	12 687
ŽDB DRÁTOVNA a.s.	Controlled entity	0	6 758	4 494	0	11 252
BOHEMIA RINGS s.r.o.	Controlled entity	0	17 152	0	0	17 152
TOTAL		65 122	21 430 528	1 057 762	234 168	22 787 580

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

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

3.12. COVID-19

When preparing the financial statements as of 31 December 2020, the Company considered the impact of the coronavirus (SARS-CoV-2). The impact is not significant and does not pose a threat to the Company's going concern.

3.13. EMPLOYEES, MANAGEMENT AND SUPERVISORY BOARD

Staff Costs and Number of Employees

31 December 2020

(CZK THOUSAND)

	Number	Total staff costs
Employees	6 983	4 535 579
Management	32	81 538
Total	7 015	4 617 117

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

The remuneration to members of the Supervisory Board in the years ended 31 December 2020 and 2019 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 Director, managers of operations and specialised units and the plant director.

3.14. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

31 December 2020

(CZK THOUSAND)

	Management	Supervisory Board
Company cars used for both business and private purposes (the figure increases the tax base of employees)	3 506	0
Liability insurance	274	274

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

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

Provided Guarantees

31 December 2020

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

31 December 2019

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

Received Guarantees

31 December 2020

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

31 December 2019

TYPE	Total amount	Balance at 31 Dec 2019
<i>Guarantees</i>		
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

Legal Disputes

Dispute initiated by certain former shareholders of the Company for reviewing the adequacy of the payments, provided by MORAVIA STEEL a.s., that belong to former shareholders according to the resolution of the extraordinary general meeting of the Company held on 31 July 2013, on the transfer of the shares of the Company owned by other shareholders to MORAVIA STEEL, a.s., as the majority shareholder. The Company is referred to as another participant in the proceedings. Through its ruling of 8 June 2018, the Regional Court in Ostrava determined that the amount of an adequate payment per each share with the nominal value of CZK 1,000 thousand issued by the Company is CZK 2,284. The High Court in Olomouc confirmed the above ruling on 11 September 2019 in an appeal proceedings and the ruling is final and conclusive. The 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 plaintiff, ceased to exist. The Regional Court in Ostrava rejected the lawsuit. On 23 May 2018, the Head Court in Olomouc revoked the ruling of the Regional Court in Ostrava and referred the matter back to the court for additional proceedings. Following the completion of the debtor's restructuring, the dispute is ongoing after the insolvency trustee of VÍTKOVICE POWER ENGINEERING a.s. became the new plaintiff. The Regional Court in Ostrava rejected the legal action again on 17 April 2019. The High Court in Olomouc cancelled the judgement of the Regional Court in Ostrava on 17 December 2019 and referred the matter back to the court for further proceedings. By the ruling of 10 February 2021, the Regional Court in Ostrava rejected the legal action, however, so far not with final and conclusive effect. The result of the dispute will not have a significant impact on the Company.

The dispute initiated by Mapfre España Compañía de Seguros y Reseguros, S.A. ("Mapfre") against the Company and against MORAVIA STEEL a.s. ("MS") for the payment (jointly and severally) of an amount including fees and interest, representing, as claimed by Mapfre, the damage suffered by Mapfre by paying damages on behalf of a customer of MS caused by alleged defective performance provided by the Company and MS. 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. The result of the dispute will not have a significant impact on the Company.

Environmental Liabilities

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

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

As of 31 December 2020, the Company used up funds in the amount of CZK 540,796 thousand (2019: CZK 538,698 thousand).

Other

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

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

3.16. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date that would have a significant impact on the financial statements as of 31 December 2020.



FINANCIAL PART II. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2021.

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)

	31.12.2020			31.12.2019
	Gross	Adjustment	Net	Net
TOTAL ASSETS	86 867 521	-41 510 317	45 357 204	45 305 455
B. Fixed assets	66 859 772	-40 474 389	26 385 383	27 014 382
B.I. Intangible fixed assets	1 679 983	-383 496	1 296 487	1 755 017
B.I.1. Research and development	4 553	-4 553		
B.I.2. Valuable rights	496 889	-363 735	133 154	132 447
B.I.2.1. Software	302 656	-245 060	57 596	46 654
B.I.2.2. Other valuable rights	194 233	-118 675	75 558	85 793
B.I.3. Goodwill	336	-336		
B.I.4. Other intangible fixed assets	1 168 183	-14 872	1 153 311	1 613 970
B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction	10 022		10 022	8 600
B.I.5.2. Intangible fixed assets under construction	10 022		10 022	8 600
B.II. Tangible fixed assets	64 234 185	-39 975 597	24 258 588	24 412 662
B.II.1. Land and structures	16 980 005	-8 457 737	8 522 268	8 135 986
B.II.1.1. Land	795 068		795 068	797 282
B.II.1.2. Structures	16 184 937	-8 457 737	7 727 200	7 338 704
B.II.2. Tangible movable assets and sets of tangible movable assets	45 582 479	-31 433 372	14 149 107	14 161 985
B.II.4. Other tangible fixed assets	103 050	-79 614	23 436	20 856
B.II.4.3. Other tangible fixed assets	103 050	-79 614	23 436	20 856
B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction	1 568 651	-4 874	1 563 777	2 093 835
B.II.5.1. Prepayments for tangible fixed assets	165 999		165 999	236 447
B.II.5.2. Tangible fixed assets under construction	1 402 652	-4 874	1 397 778	1 857 388
B.III. Non-current financial assets	446 801	-64 934	381 867	390 616
B.III.1. Equity investments – controlled or controlling entity	418 598	-46 859	371 739	378 806
B.III.3. Equity investments in associates	26 202	-18 075	8 127	9 809
B.III.5. Other non-current securities and investments	2 001		2 001	2 001
B.IV. Goodwill on consolidation	335 027	-50 362	284 665	308 638
B.IV.1. Positive goodwill on consolidation	349 593	-52 062	297 531	322 234
B.IV.2. Negative goodwill on consolidation	-14 566	1 700	-12 866	-13 596
B.V. Securities and equity investments under equity accounting	163 776		163 776	147 449

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – ASSETS

(IN CZK THOUSAND)

	31.12.2020		31.12.2019	
	Gross	Adjustment	Net	Net
C. Current assets	20 007 749	-1 035 928	18 971 821	18 291 073
C.I. Inventories	14 070 822	-941 216	13 129 606	12 864 477
C.I.1. Material	6 421 059	-471 166	5 949 893	5 987 404
C.I.2. Work in progress and semifinished goods	4 460 332	-298 075	4 162 257	4 149 094
C.I.3. <i>Products and goods</i>	3 184 103	-171 975	3 012 128	2 718 540
C.I.3.1. Products	3 112 421	-169 987	2 942 434	2 663 726
C.I.3.2. Goods	71 682	-1 988	69 694	54 814
C.I.5. Prepayments for inventories	5 328		5 328	9 439
C.II. Receivables	4 087 605	-91 678	3 995 927	4 412 905
C.II.1. Long-term receivables	41 476		41 476	41 169
C.II.1.1. Trade receivables	20 568		20 568	19 945
C.II.1.4. Deferred tax asset				44
C.II.1.5. <i>Receivables – other</i>	20 908		20 908	21 180
C.II.1.5.2. Long-term prepayments made	1 205		1 205	1 197
C.II.1.5.4. Sundry receivables	19 703		19 703	19 983
C.II.2. Short-term receivables	3 855 422	-91 678	3 763 744	4 136 194
C.II.2.1. Trade receivables	3 234 574	-70 483	3 164 091	3 344 072
C.II.2.2. Receivables – controlled or controlling entity	8 016		8 016	9 069
C.II.2.4. <i>Receivables – other</i>	612 832	-21 195	591 637	783 053
C.II.2.4.1. Receivables from partners	6 792		6 792	1 191
C.II.2.4.3. State – tax receivables	510 574		510 574	668 072
C.II.2.4.4. Short-term prepayments made	9 703		9 703	11 996
C.II.2.4.5. Estimated receivables	34 386		34 386	14 583
C.II.2.4.6. Sundry receivables	51 377	-21 195	30 182	87 211
C.II.3. Other assets	190 707		190 707	235 542
C.II.3.1. Deferred expenses	71 104		71 104	87 303
C.II.3.2. Complex deferred expenses	115 952		115 952	133 219
C.II.3.3. Accrued income	3 651		3 651	15 020
C.III. Current financial assets	3 034	-3 034		
C.III.2. Other current financial assets	3 034	-3 034		
C.IV. Cash	1 846 288		1 846 288	1 013 691
C.IV.1. Cash on hand	4 220		4 220	3 689
C.IV.2. Cash at bank	1 842 068		1 842 068	1 010 002

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31.12.2020	31.12.2019
TOTAL LIABILITIES & EQUITY	45 357 204	45 305 455
A. Equity	31 394 648	30 990 115
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	43 466	74 585
A.II.2. Capital funds	43 466	74 585
A.II.2.1. Other capital funds	113 444	111 805
A.II.2.2. Gains or losses from the revaluation of assets and liabilities (+/-)	-69 978	-37 220
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 (+/-)	18 845 478	18 215 435
A.IV.1. Accumulated profits brought forward (+/-)	18 845 478	18 215 435
A.V. Profit or loss for the current period net of minority interests	435 652	645 899
A.V.1. Profit or loss for the current period (+/-)	403 469	630 043
A.V.2. Share of income from associates	32 183	15 856
A.VII. Consolidation reserve fund	647 337	631 481
B.+C. Liabilities	13 673 837	14 027 179
B. Reserves	418 103	356 458
B.1. Reserves for pensions and similar liabilities	6 207	4 297
B.3. Reserves under special legislation	4 750	1 114
B.4. Other reserves	407 146	351 047

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

CONSOLIDATED BALANCE SHEET FULL VERSION – LIABILITIES & EQUITY

(IN CZK THOUSAND)

	31.12.2020	31.12.2019
C. Payables	13 255 734	13 670 721
C.I. Long-term payables	4 456 055	4 398 114
C.I.2. Payables to credit institutions	2 680 662	2 626 470
C.I.4. Trade payables	36 815	36 852
C.I.8. Deferred tax liability	1 737 783	1 718 877
C.I.9. Payables – other	795	15 915
C.I.9.3. Sundry payables	795	15 915
C.II. Short-term payables	8 769 749	9 246 284
C.II.2. Payables to credit institutions	1 459 965	2 095 290
C.II.3. Short-term prepayments received	39 933	24 747
C.II.4. Trade payables	5 050 046	4 451 882
C.II.8. Other payables	2 219 805	2 674 365
C.II.8.1. Payables to partners	4 145	40 610
C.II.8.2. Short-term financial borrowings	23	106
C.II.8.3. Payables to employees	563 392	547 211
C.II.8.4. Social security and health insurance payables	232 644	224 455
C.II.8.5. State – tax payables and subsidies	1 204 788	1 667 645
C.II.8.6. Estimated payables	159 483	119 160
C.II.8.7. Sundry payables	55 330	75 178
C.III. Other liabilities	29 930	26 323
C.III.1. Accrued expenses	21 174	13 175
C.III.2. Deferred income	8 756	13 148
D. Minority equity	288 719	288 161
D.1. Minority share capital	58 800	58 800
D.2. Minority capital funds	5 648	5 400
D.3. Minority profit funds including accumulated profits and losses brought forward	215 141	207 338
D.5. Minority profit or loss for the current period	9 130	16 623

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

(IN CZK THOUSAND)

	Year ended 31.12.2020	Year ended 31.12.2019
I. Sales of products and services	45 519 599	49 659 288
II. Sales of goods	180 767	149 821
A. Purchased consumables and services	36 303 323	39 756 780
A.1. Costs of goods sold	147 431	123 731
A.2. Consumed material and energy	32 744 971	35 618 689
A.3. Services	3 410 921	4 014 360
B. Change in internally produced inventory (+/-)	-190 151	630 629
C. Own work capitalised (-)	-830 490	-1 118 059
D. Staff costs	7 380 087	7 075 631
D.1. Payroll costs	5 205 676	4 992 905
D.2. Social security and health insurance costs and other charges	2 174 411	2 082 726
D.2.1. Social security and health insurance costs	1 919 151	1 802 941
D.2.2. Other charges	255 260	279 785
E. Adjustments to values in operating activities	2 203 430	2 370 822
E.1. Adjustments to values of intangible and tangible fixed assets	2 224 527	2 135 906
E.1.1. Adjustments to values of intangible and tangible fixed assets – permanent	2 211 600	2 133 307
E.1.A. Release of positive consolidation difference (goodwill)	17 429	17 828
E.1.B. Release of negative consolidation difference (goodwill)	-730	-728
E.1.2. Adjustments to values of intangible and tangible fixed assets – temporary	-3 772	-14 501
E.2. Adjustments to values of inventories	-18 573	231 802
E.3. Adjustments to values of receivables	-2 524	3 114
III. Other operating income	2 762 099	1 555 935
III.1. Sales of fixed assets	18 256	28 636
III.2. Sales of material	115 559	133 395
III.3. Sundry operating income	2 628 284	1 393 904
F. Other operating expenses	3 019 566	1 800 240
F.1. Net book value of sold fixed assets	5 089	10 551
F.2. Net book value of sold material	113 699	130 279
F.3. Taxes and charges	72 349	64 220
F.4. Reserves relating to operating activities and complex deferred expenses	75 602	-124 762
F.5. Sundry operating expenses	2 752 827	1 719 952
* Operating profit or loss (+/-)	576 700	849 001

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 31.12.2020	Year ended 31.12.2019
IV. Income from non-current financial assets – equity investments	9 267	8 518
IV.1. Income from equity investments – controlled or controlling entity	9 267	8 504
IV.2. Other income from equity investments		14
VI. Interest income and similar income	1 105	2 745
VI.1. Interest income and similar income – controlled or controlling entity	77	387
VI.2. Other interest income and similar income	1 028	2 358
I. Adjustments to values and reserves relating to financial activities	19 674	-54 882
J. Interest expenses and similar expenses	54 055	88 818
J.2. Other interest expenses and similar expenses	54 055	88 818
VII. Other financial income	252 035	87 420
K. Other financial expenses	252 814	105 366
* Financial profit or loss (+/-)	-64 136	-40 619
** Profit or loss before tax (+/-)	512 564	808 382
L. Income tax	99 965	161 716
L.1. Due income tax	71 446	92 579
L.2. Deferred income tax (+/-)	28 519	69 137
** Profit or loss net of tax (+/-)	412 599	646 666
** Consolidated profit or loss net of share of income from associates	412 599	646 666
Consolidated profit or loss net of minority interests	403 469	630 043
Minority profit or loss	9 130	16 623
* Share of income from associates	32 183	15 856
Profit or loss for the current period (+/-)	444 782	662 522
*** Profit or loss for the current period net of minority interests (+/-)	435 652	645 899
* Net turnover for the current period	48 724 872	51 463 727

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 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
Profit or loss for the current period					630 043		15 856	645 899
Distribution of profit or loss		-289		3 635 367	-3 635 367	23 076	-23 076	-289
Revaluation of assets		-13 952						-13 952
Balance at 31 December 2019	8 109 863	74 585	3 312 852	18 215 435	630 043	631 481	15 856	30 990 115
Profit or loss for the current period					403 469		32 183	435 652
Distribution of profit or loss				630 043	-630 043	15 856	-15 856	
Revaluation of assets		-31 119						-31 119
Balance at 31 December 2020	8 109 863	43 466	3 312 852	18 845 478	403 469	647 337	32 183	31 394 648

CONSOLIDATED CASH FLOW STATEMENT

(IN CZK THOUSAND)

	Year ended 31.12.2020	Year ended 31.12.2019
P. Opening balance of cash and cash equivalents	1 009 782	1 100 837
Impact of merger		3 668
Cash flows from ordinary activities (operating activities)		
Z. Profit or loss from ordinary activities before tax	512 564	808 382
A.1. Adjustments for non-cash transactions	2 413 402	2 266 718
A.1.1. Depreciation of fixed assets excluding net book value of fixed assets sold, amortisation of the valuation difference on acquired assets and goodwill and goodwill on consolidation	2 228 299	2 150 407
A.1.2. Change in provisions and reserves	70 407	40 771
A.1.3. Profit/(loss) on the sale of fixed assets	-13 167	-18 085
A.1.4. Revenues from profit shares, except for those paid from consolidation entities	-9 267	-8 518
A.1.5. Interest expense and interest income	52 950	86 073
A.1.6. Adjustments for other non-cash transactions	84 180	16 070
A.* Net operating cash flow before changes in working capital	2 925 966	3 075 100
A.2. Change in working capital	683 132	35 551
A.2.1. Change in operating receivables and other assets	270 407	461 484
A.2.2. Change in operating payables and other liabilities	677 260	-1 067 397
A.2.3. Change in inventories	-264 412	630 602
A.2.4. Change in current financial assets	-123	10 862
A.** Net cash flow from operations before tax	3 609 098	3 110 651
A.3. Interest paid	-54 298	-88 762
A.4. Interest received	1 152	2 801
A.5. Income tax paid from ordinary operations	40 944	-836 831
A.6. Received profit shares	25 124	31 595
A.*** Net operating cash flows	3 622 020	2 219 454
Cash flows from investing activities		
B.1. Fixed assets expenditures	-2 372 959	-3 031 543
B.2. Proceeds from fixed assets sold	30 464	20 753
B.3. Loans and borrowings to related parties	1 000	12 000
B.*** Net investment cash flows	-2 341 495	-2 998 790
Cash flow from financial activities		
C.1. Change in payables from financing	-443 902	695 148
C.2. Impact of changes in equity	-8 820	-10 535
C.2.6. Profit shares paid except for those paid between consolidation entities	-8 820	-10 535
C.*** Net financial cash flows	-452 722	684 613
F. Net increase or decrease in cash and cash equivalents	827 803	-94 723
R. Closing balance of cash and cash equivalents	1 837 585	1 009 782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

1.1. INCORPORATION AND DESCRIPTION OF THE COMPANY

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

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

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

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

1.2. GROUP IDENTIFICATION

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

In the year ended 31 December 2020, the Company was controlled by MORAVIA STEEL a.s., having its registered office at Průmyslová 1000, Staré Město, 739 61 Třinec, as the sole shareholder.

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

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

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

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

During 2020, no changes were made in the composition of the Company's Board of Directors and the Supervisory Board.

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

2.1. ORGANISATIONAL STRUCTURE

The bodies of the Company are as follows:

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

The Company's organisational structure is divided into individual levels, specifically the Chief Executive Officer, 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 2020, no significant organisational changes were made.

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

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

Subsidiaries:

NAME OF THE COMPANY	Registered office	Business activities	Equity investment at 31 Dec 2020
ENERGETIKA TŘINEC, a.s.	Průmyslová 1024, Staré Město, 739 61 Třinec	Production and distribution of heat and electricity	100.00%
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, Sajósziget utca 4., Hungary	Production of wire products	100.00%
ŽDB DRÁTOVNA a.s.	Jeremenkova 66, Pudlov, 735 51 Bohumín	Production of drawn wire, steel cord and tubular wire, ropes, tissues and welded networks, springs, draw plates and other wire products	100.00%
HŽP a.s.	Dolní 3137/100, 796 01 Prostějov	Production of leaf and helical springs for the automotive and railway industries	100.00%
SV servisní, s.r.o.	Dolní 3137/100, 796 01 Prostějov	Electricity trading and distribution, gas trading and distribution	100.00%
REFRASIL, s.r.o.	Průmyslová 720, Kanská, 739 61 Třinec	Production, 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 2020
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 2020.

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 DRÁTOVNÁ 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 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 2020 and 2019. "METALURGIA" SPÓŁKA AKCYJNA is based in Poland, "D&D" Drótáru Zrt. in Hungary, and other companies in the consolidation group are based in the Czech Republic.

2.4. COMPANIES EXCLUDED FROM CONSOLIDATION

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

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

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

The entities that meet the condition set out above for non-inclusion in the consolidated group, thereby not entering into consolidation based on individual assessment, must also meet the group materiality criterion for non-inclusion. Under the group materiality criterion, these entities are taken as one whole. This whole has to have (i) the share of the recalculated consolidated assets of this whole in the total recalculated consolidated assets of the Company, subsidiaries, associates less than 1.5 percent, while the value of consolidated assets for these purposes is recalculated using the percentage of the ownership share held by the Company (ii) the share of recalculated consolidated equity in total recalculated consolidated equity of the Company, subsidiaries, associates less than 1.5 percent, while the value of consolidated equity for these purposes is recalculated using the percentage of the ownership share held by the Company, and (iii) share of the recalculated consolidated net turnover (revenues of account class 6) in total recalculated consolidated net turnover of the Company, subsidiaries, associates less than 1.5 percent, while the value of the consolidated net turnover for these purposes is recalculated using the percentage of the ownership share held by the Company.

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

3. BASIS OF ACCOUNTING AND GENERAL ACCOUNTING PRINCIPLES

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

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

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

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 2020 were prepared as follows:

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

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.

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

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

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

Starting from the reporting period beginning on 1 January 2022:

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

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

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

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

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

Greenhouse emission allowances (hereinafter also referred to as the "emission allowances") are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. The use of emission allowances is accounted for at the balance sheet date as a minimum, depending on

the quantity of emissions of the entities included in the consolidation group in the relevant calendar year; a difference, if any, arising from the verification of emissions by a verifier is recognised in the reporting period in which the verification was made. An initial free-of-charge acquisition of the allowances is recognised as a subsidy not reducing the carrying amount of the intangible fixed assets. This 'subsidy' is released into income on a systematic basis as the allowances are used and charged to expenses. The sale of 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 in the Tube Rolling Mill (the VT operation), VZ – Sochorová válcovna plant and the Univerzální trať plant and the Track Fastenings Plant and assets used by ŽDB DRÁTOVNA a.s., Řetězárna 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., SV servisní, s.r.o., Slévárny Třinec, a.s., REFRASIL, s.r.o. and VÚHŽ a.s. use the straight line method for the calculation of depreciation for tax purposes.

4.13.2. 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 (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.

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

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

4.20. 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 2020	31 Dec 2019
Cash on hand	4 220	3 689
Cash at bank	1 842 068	1 010 002
Other current financial assets	3 034	3 033
Provisions against other current financial assets	-3 034	-3 033
Total current financial assets and cash	1 846 288	1 013 691
Cash and cash equivalents not included in the cash flow	-8 703	-3 909
Total cash and cash equivalents	1 837 585	1 009 782

The difference between cash and cash equivalents as of 31 December 2020 and 2019 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. CHANGES IN ACCOUNTING POLICIES

Starting from the reporting period beginning on 1 January 2021, prepayments for tangible and intangible fixed assets received after 31 December 2020, provided that these prepayments are non-refundable, will be treated as part of the cost of specific fixed assets as of the consolidated financial statements date and will not be translated using the exchange rate of the Czech National Bank as of the consolidated financial statements date. Prepayments for fixed assets received before 1 January 2021, reported in a foreign currency as of the consolidated financial statements date, are translated using the Czech National Bank exchange rate applicable as of the date as of which the consolidated financial statements are prepared.

Starting from the reporting period beginning on 1 January 2021, foreign exchange rate gains or losses in respect of provisions for newly originated receivables in foreign currencies exceeding CZK 1 million will be accounted for on an individual basis through financial profit or loss (to accounts 563 Foreign exchange losses or 663 Foreign exchange gains). Under this determined limit, foreign exchange gains or losses in respect of provisions for receivables in foreign currencies will continue to be reported through operating profit or loss as a recognition or release of provisions for receivables.

Other-than-temporary development is recognised directly through expenses considering its repeatability and materiality. Starting from the reporting period beginning on 1 January 2021, the criterion of materiality will be extended to include the following definition: "If the expenses for other-than-temporary development for the relevant reporting period do not exceed more than 50% of expenses for other-than-temporary development, on average, for the preceding two reporting periods, all these expenses are recognised through expenses of the relevant reporting period. If the above limit is exceeded, the entity shall select projects that result in the materiality limit being exceeded, and, following their analysis, it shall capitalise them as part of complex deferred expenses".

4.22. CONSOLIDATION RULES

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

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

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

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

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

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

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

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

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

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

5. ANALYSIS OF IMPACTS ON PROFIT/LOSS

5.1. CONSOLIDATED PROFIT/LOSS FOR 2020

5.1.1. Structure of the Consolidated Profit/Loss for 2020

(CZK THOUSAND)

Profit/(loss) of the current period – TŘINECKÉ ŽELEZÁRNY, a. s.	69 323
Profit/(loss) of the current period – ENERGETIKA TŘINEC, a.s.	9 557
Profit/(loss) of the current period – Slévárny Třinec, a.s.	-33 651
Profit/(loss) of the current period – Šroubárna Kyjov, spol. s r.o.	25 548
Profit/(loss) of the current period – Strojírny a stavby Třinec, a.s.	35 375
Profit/(loss) of the current period – VÚHŽ a.s.	46 255
Profit/(loss) of the current period – "METALURGIA" SPÓŁKA AKCYJNA	23 000
Profit/(loss) of the current period – "D&D" Drótáru Zrt.	17 036
Profit/(loss) of the current period – ŽDB DRÁTOVNA a.s.	46 888
Profit/(loss) of the current period – HŽP a.s.	38 286
Profit/(loss) of the current period – SV servisní, s.r.o.	8 307
Profit/(loss) of the current period – BOHEMIA RINGS s.r.o.	109 426
Profit/(loss) of the current period – REFRASIL, s.r.o.	13 147
Share in profit of the current period – Řetězárna a.s.	9 502
Share in profit of the current period under the equity method	32 183
Adjustments within the full method of consolidation (see below)	-398 674
Adjustments within the equity method of consolidation (see below)	-15 856
Consolidated profit	435 652

5.1.2. Adjustments within Full Consolidation for 2020

(CZK THOUSAND)

Elimination of profits and losses from unrealised inventory from intercompany sales of inventory in the consolidated group, including the deferred tax impact	-1 236
Write-off of the revaluation of assets at fair value	-28 371
Write-offs of the margin from the sale of assets value including the deferred tax impact	31 854
Elimination of the profit from the sale of emission allowances	-50 964
Elimination of declared profit shares of the consolidated group entities	-295 180
Elimination of provisioning against "D&D" Drótáru Zrt.	-6 260
Elimination of provisioning against Slévárny Třinec, a.s.	42 196
Write-off of positive goodwill arising on consolidation of ŽDB DRÁTOVNA a.s.	-12 447
Write-off of positive goodwill arising on consolidation of BOHEMIA RINGS s.r.o.	-4 982
Write-off of negative goodwill arising on consolidation of REFRASIL, s.r.o.	730
Elimination of the reserve for emission allowances including the deferred tax impact	-74 014
Total adjustments	-398 674

5.1.3. Adjustments to the Profit or Loss within the Equity Method for 2020

(CZK THOUSAND)

Elimination of paid profit shares of VESUVIUS ČESKÁ REPUBLIKA, a.s.	-15 856
Total adjustments	-15 856

5.2. CONSOLIDATED PROFIT/LOSS FOR 2019

5.2.1. 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" SPÓĽKA AKCYJNA	-21 146
Profit/(loss) of the current period – "D&D" Drótaru 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

5.2.2. 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" Drótaru 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

5.2.3. 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

6. ADDITIONAL CONSOLIDATED BALANCE SHEET INFORMATION

6.1. INTANGIBLE FIXED ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2020
Development	4 553	0	0	0	4 553
Valuable rights	486 294	25 974	14 293	-1 086	496 889
Goodwill	348	0	0	-12	336
Other intangible FA	1 628 208	2 103 712	2 563 737	0	1 168 183
Intangible FA under construction	8 600	1 204 380	1 202 958	0	10 022
Prepayments made for intangible FA	0	201	201	0	0
Total	2 128 003	3 334 267	3 781 189	-1 098	1 679 983

Accumulated Amortisation

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2020
Development	4 553	0	0	0	4 553
Valuable rights	353 847	21 921	11 421	-612	363 735
Goodwill	348	0	0	-12	336
Other intangible FA	14 238	585	0	49	14 872
Total	372 986	22 506	11 421	-575	383 496

Net Book Value

(CZK THOUSAND)

	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Development	0	0
Valuable rights	132 447	133 154
Goodwill	0	0
Other intangible FA	1 613 970	1 153 311
Intangible FA under construction	8 600	10 022
Total	1 755 017	1 296 487

Most significant additions to intangible fixed assets in 2020 include as follows:

(CZK THOUSAND)

Logis software	5 489
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Amortisation of Intangible Fixed Assets Charged to Expenses

Amortisation of intangible fixed assets amounted to CZK 22,506 thousand and CZK 20,826 thousand as of 31 December 2020 and 2019, respectively.

Other intangible assets primarily include allowances.

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

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

In the year ended 31 December 2019, the Company acquired 3,542,570 emission allowances for 2019 in the amount of CZK 1,960,289 thousand free of charge. As of the balance sheet date of 31 December 2019, the Company recognised 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.

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 35,962 thousand and CZK 40,600 thousand as of 31 December 2020 and 2019, respectively.

6.2. TANGIBLE FIXED ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2020
Land	797 282	491	1 674	-1 031	795 068
Structures	15 414 804	804 562	20 106	-14 323	16 184 937
Tangible movable assets and their sets	44 277 028	1 797 082	446 046	-45 585	45 582 479
Other tangible FA	100 523	6 581	2 167	-1 887	103 050
Prepayments for tangible FA	236 447	246 730	317 160	-18	165 999
Tangible FA under construction	1 861 763	2 141 932	2 600 131	-912	1 402 652
Total	62 687 847	4 997 378	3 387 284	-63 756	64 234 185

Accumulated Depreciation

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2020
Structures	8 019 941	411 242	19 901	-6 745	8 404 537
Tangible movable assets and their sets	30 107 442	1 796 496	445 494	-31 361	31 427 083
Other tangible FA	79 634	3 100	1 969	-1 184	79 581
Total	38 207 017	2 210 838	467 364	-39 290	39 911 201

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Impact of foreign exchange differences	Balance at 31 Dec 2020
Structures	56 159	0	2 959	0	53 200
Tangible movable assets and their sets	7 601	2 931	4 243	0	6 289
Other tangible FA	33	0	0	0	33
Tangible FA under construction	4 375	499	0	0	4 874
Total	68 168	3 430	7 202	0	64 396

Net Book Value

(CZK THOUSAND)

NET BOOK VALUE	Balance at 31 Dec 2019	Balance at 31 Dec 2020
Land	797 282	795 068
Structures	7 338 704	7 727 200
Tangible movable assets and their sets	14 161 985	14 149 107
Other tangible FA	20 856	23 436
Prepayments for tangible FA	236 447	165 999
Tangible FA under construction	1 857 388	1 397 778
Total	24 412 662	24 258 588

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

(CZK THOUSAND)

Acquisition of hot-blast recuperator no. 61 for furnace no. 6	268 819
Acquisition of a wheel scoop	183 255
Acquisition of hall no. 3, including dispatch platform at VF – Steel drawing mill	160 237
Technical improvements in the VKP gas holder (gas holder tank)	115 364
Dispatch and storage hall with built-in sanitary facilities	80 880
CNC horizontal ŠKODA SR-2-220/7 centre lathe	44 124
Technical improvements on Kotel K12 boiler (measures aiming to reduce SO ₂ and NO _x emissions)	38 187
Technical improvements on Kotel K11 boiler (measures aiming to reduce SO ₂ and NO _x emissions)	31 682
TZ – storage of rolled wire 01	27 801
KER/KEH 4.2 production line	25 681
Technical improvements on the building of the Annealing shop and Finishing plant	21 114
Installation of a vice	10 126

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

	(CZK THOUSAND)
Acquisition of a new peeling line in the VJ – Válcovna drátů a jemných profilů plant	144 454
Acquisition of STAKU line no. 2	106 758
Acquisition of dust removing equipment for the collection of furnace sinter	87 597
New SKIQ 20 machine	18 542
Extension of the machining hall	11 688
AKS63 – H4 press	11 680
Common crossings diagnostics and repairs plant	8 671

Depreciation of Tangible Fixed Assets Charged to Expenses

Depreciation of tangible fixed assets amounted to CZK 2,189,094 thousand and CZK 2,112,481 thousand as of 31 December 2020 and 2019, 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 921,935 thousand and CZK 910,809 thousand as of 31 December 2020 and 2019, respectively.

6.3. ASSETS HELD UNDER FINANCE AND OPERATING LEASE AGREEMENTS

Finance Leases

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

31 December 2019

	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	–	–

Operating Lease

Lease payments of CZK 71,392 thousand and CZK 66,545 thousand were made in the years ended 31 December 2020 and 2019, respectively.

6.4. PLEDGED FIXED ASSETS

2020

(CZK THOUSAND)

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

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

2020

(CZK THOUSAND)

Tangible fixed assets	162 726	
Land	4 166	
Technologies	217 180	Loan from Citibank Europe plc.
Tangible fixed assets*	48 417	Investment loan from ERSTE Bank Hungary Zrt.
Tangible fixed assets*	21 267	Investment loan from K&H Bank Zrt.
Land	4 772	
Tangible fixed assets	240 756	Loan from Raiffeisenbank a.s.
Land	283	
Tangible fixed assets	43 590	Loan from Česká spořitelna, a.s.
Tangible fixed assets	41 183	Long-term bank loan from Československá obchodní banka, a. s.
Total	4 571 027	

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

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

TABLE CONTINUES ON THE FOLLOWING PAGE

CONTINUATION OF THE TABLE FROM THE PREVIOUS PAGE

2019

(IN CZK THOUSAND)

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
Tangible fixed assets *	56 154	Loan from BNP Paribas Bank Polska 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

6.5. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Revaluation	Impact of exchange rate gains or losses	Balance at 31 Dec 2020
Equity investments – controlled or controlling entity	407 672	10 418	0	508	0	418 598
Equity investments in associates	26 202	0	0	0	0	26 202
Other non-current securities and equity investments	2 001	0	0	0	0	2 001
Total	435 875	10 418	0	508	0	446 801

Provisions

(CZK THOUSAND)

	Balance at 31 Dec 2019	Additions	Disposals	Revaluation	Impact of exchange rate gains or losses	Balance at 31 Dec 2020
Equity investments – controlled or controlling entity	28 866	17 993	0	0	0	46 859
Equity investments in associates	16 393	1 682	0	0	0	18 075
Other non-current securities and equity investments	0	0	0	0	0	0
Total	45 259	19 675	0	0	0	64 934

Additions to non-current financial assets for 2020 arose from the cash payment made by the shareholder in order to contribute to equity over and above the share capital balance of TRISIA, a.s., as a stop-gap solution to address the economic difficulties of that entity as part of its stabilisation measures taken to combat the novel coronavirus SARS – CoV-2.

6.6. SUMMARY OF UNCONSOLIDATED FINANCIAL INVESTMENTS

6.6.1. Equity Investments – Controlled or Controlling Entity

31 December 2020

(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	42 660	-14 787	0	0
Doprava TŽ, a.s., Třinec-Staré Město	100.00	53 861	2 311	0	0
TRIALFA, s.r.o., Třinec-Kanada	100.00	20 817	871	0	0
Moravia Security, a.s., Kanská, Třinec	100.00	43 430	2 603	0	1 000
MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Vítkovice, Ostrava	90.00	48 820	1 098	0	0
TŘINECKÁ PROJEKCE, a.s., Kanada, Třinec	84.54	31 563	2 043	0	2 993
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (POL)	88.00	44 662	512	-10 547	0
TRISIA, a.s., Lyžbice, Třinec	66.00	39 630	-15 323	-15 658	0
Refaze Slovakia s.r.o., Skalica (SK)	80.00	12 069	2 201	0	2 900
JuBo Jeseník s. r. o., Jeseník	80.00	3 938	732	0	640
Řetězárna servis s.r.o., Jeseník	100.00	4 715	3 076	0	1 734
IMOPRA s.r.o., Nivnice	100.00	115 292	5 316	-20 654	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	30 583	-19 417	0	0
Total				-46 859	9 267

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

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., 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	3 539	0	3 463
"ZAMECZEK BŁOGOCICE" Spółka z ograniczoną odpowiedzialnością, Cieszyn (Poland)	88.00	45 816	418	-9 414	0
TRISIA, a.s., Lyžbice, Třinec	66.00	40 853	-7 195	0	0
Refaze 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	109 975	6 412	-19 452	0
EKOSTROJÍRENSTVÍ TŘINEC, a.s., Staré Město, Třinec	100.00	*	*	0	0
Total				-28 866	8 504

Note: * information on profit or loss is not available, reporting period from 1 December 2019 to 31 December 2020

6.6.2. Equity Investments – Associates

31 December 2020

(CZK THOUSAND)

NAME OF THE ENTITY, REGISTERED OFFICE	Equity investment %	Equity	Profit or loss for the period	Provision	Financial income
Ocelářská unie a.s., Nové Město, Praha 1	40.44	43 204	-651	-18 075	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	2 616	1 217	0	0
Total				-18 075	0

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

* profit or loss for the period from 1 April 2020 to 31 December 2020 (fiscal year from 1 April 2020 to 31 March 2021)

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, Praha 1	40.44	43 578	-1 764	-16 393	0
HRAT, s.r.o., Staré Město, Třinec*	23.26	1 399	362	0	0
Total				-16 393	0

Note:* profit or loss for the period from 1 April 2019 to 31 March 2020

6.7. ACCOUNTING FOR GOODWILL ARISING ON CONSOLIDATION

2020

(CZK THOUSAND)

	Gross	Adjustment	Net	Recognition in equity	Recognition in expenses	Recognition in income
Positive goodwill arising on consolidation						
ŽDB DRÁTOVNA a.s.	249 039	-37 436	211 603	0	12 447	0
BOHEMIA RINGS s.r.o.	100 554	-14 626	85 928	0	4 982	0
Total	349 593	-52 062	297 531	0	17 429	0
Negative goodwill arising on consolidation						
REFRASIL, s.r.o.	-14 566	1 700	-12 866	0	0	730
Total	-14 566	1 700	-12 866	0	0	730

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

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

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

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

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

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

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.

6.8. SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING

(CZK THOUSAND)

SECURITIES AND EQUITY INVESTMENTS UNDER EQUITY ACCOUNTING	2020	2019
VESUVIUS ČESKÁ REPUBLIKA, a.s.	163 776	147 449
Total	163 776	147 449

6.9. PLEDGED NON-CURRENT FINANCIAL ASSETS

As of 31 December 2020 and 2019, 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 2020, "METALURGIA" SPÓŁKA AKCYJNA has pledged the inventory up to PLN 13,000 thousand (CZK 74,815 thousand) with BNP Paribas Bank Polska S.A. in relation to the used loan and inventory of up to PLN 10,500 thousand (CZK 60,428 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna in relation to the loan drawn. As of 31 December 2019, inventory was pledged up to PLN 13,000 thousand (CZK 77,610 thousand) with BNP Paribas Bank Polska S.A. and inventory of up to PLN 10,500 thousand (CZK 62,685 thousand) with Bank Polska Kasa Opieki Spółka Akcyjna.

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 2020, the Company recorded long-term receivables with maturity period greater than five years of CZK 89 thousand (2019: CZK 1,099 thousand).

6.11.2. Short-Term Receivables

As of 31 December 2020 and 2019, gross short-term trade receivables past their due dates amounted to CZK 273,543 thousand (net CZK 203,060 thousand) and CZK 411,835 thousand (net CZK 337,170 thousand), respectively.

Other Receivables

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

As of 31 December 2020 and 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 2020, sundry receivables principally include a receivable arising from an indisputable claim for a subsidy, receivables from individuals, a receivable arising from group registration for VAT and a receivable arising from the allowance in the "Antivirus" employment support programme. In 2019, sundry 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 2020 and 2019, 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 2020, "METALURGIA" SPÓŁKA AKCYJNA records pledged receivables of PLN 4,860 thousand (CZK 27,970 thousand) with BNP Paribas Faktoring Sp. z o. o. and pledged receivables of PLN 2,446 thousand (CZK 14,080 thousand) with Pekao Faktoring Sp. z o.o. As of 31 December 2019, it recorded pledged receivables of PLN 5,071 thousand (CZK 30,276 thousand) with BNP Paribas Faktoring Sp. z o. o. and PLN 1,907 thousand (CZK 11,388 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 2020	Balance at 31 Dec 2019
• Trade receivables			
Doprava TŽ, a.s.	Controlled entity	2 401	1 738
JuBo Jeseník s. r. o.	Controlled entity	5 999	6 562
Moravia Security, a.s.	Controlled entity	102	169
MORAVIA STEEL a.s.	Controlling entity	1 603 557	1 560 664
TRIALFA, s.r.o.	Controlled entity	1 092	1 564
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	164	189
Třinecké gastroslužby, s.r.o.	Controlled entity	1 735	2 407
TRISIA, a.s.	Controlled entity	65	17
VESUVIUS ČESKÁ REPUBLIKA, a.s.	Associate	6 612	6 400
Beskydská golfová, a.s.	Fellow subsidiary	13	13
NEOMET Sp. z o.o.	Fellow subsidiary	24	89
MATERIÁLOVÝ A METALUGRICKÝ VÝZKUM s.r.o.	Controlled entity	10	10
M Steel Projects a.s.	Fellow subsidiary	15	13
Security Morava, s.r.o.	Controlled entity	19	9
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	1 286	727
Kovárna VIVA a.s.	Fellow subsidiary	506	585
MINERFIN a.s.	Group entity	1	0
Barrandov Studio a.s.	Fellow subsidiary	242	416
Refaze Slovakia, s.r.o.	Controlled entity	1 253	2 717
Řetězárna servis s.r.o.	Controlled entity	31	12
IMOPRA s.r.o.	Controlled entity	1	1
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	1 538	11
MSV Metal Studénka, a.s.*	Fellow subsidiary	48	–
Total		1 626 714	1 584 313
• Receivables – controlled or controlling entity			
Třinecké gastroslužby, s.r.o.	Controlled entity	8 016	0
IMOPRA s.r.o.	Controlled entity	0	9 068
Total		8 016	9 068
Total short-term intercompany receivables		1 634 730	1 593 381
Other than intercompany receivables		2 129 014	2 542 813
Total short-term receivables		3 763 744	4 136 194

Note: * the entity has been in the group since 2020

As of 31 December 2020, 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 of the Company after tax generated in 2019 in the amount of CZK 609,943 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 2020

In 2020, the Company generated net profit after tax of CZK 469,323 thousand. It is proposed to be allocated as follows:

– Retained earnings brought forward: CZK 469,323 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 2020 primarily include payables arising from retention fees from suppliers according to concluded contracts.

As of 31 December 2020 and 31 December 2019, the Company recorded long-term trade payables with maturities exceeding 5 years in the amounts of CZK 2,073 thousand and 1,183 thousand, respectively.

6.14.2. Short-Term Trade Payables

As of 31 December 2020, short-term trade payables past their due dates amount to CZK 49,354 thousand (2019: CZK 31,483 thousand).

Payables typically fall due for settlement within 60 days.

6.14.3. Other Payables

As of 31 December 2020 and 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 2020 and 31 December 2019, estimated payables mainly consist of an estimated payable intended to cover all so far unrecognised payments relating to staff costs, an estimated payable for fees under Act No. 201/2012 Coll., on Air Protection, and an estimated payable arising from unbilled inventory including services.

As of 31 December 2020, sundry payables primarily include payables arising from the Group's registration for value added tax and contributions to employees. As of 31 December 2019, sundry 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 Tříneckých železáren.

6.14.4. Intercompany Payables

Long-Term Payables

As of 31 December 2020, the Consolidated Group recorded no long-term intercompany payables.

Other than intercompany long-term payables as of 31 December 2020 and 2019 primarily include a deferred tax liability of CZK 1,737,783 thousand and CZK 1,718,877 thousand, respectively, and payables to credit institutions of CZK 2,680,662 thousand and CZK 2,626,470 thousand, respectively.

Short-term Payables

(CZK THOUSAND)

NAME OF THE ENTITY	Relation to the Company	Balance at 31 Dec 2020	Balance at 31 Dec 2019
• Trade payables			
Reťaze Slovakia, s.r.o.	Controlled entity	88	0
Řetězárna servis s.r.o.	Controlled entity	3 056	2 519
Doprava TŽ, a.s.	Controlled entity	13 865	13 141
Ocelářská unie, a.s.	Associate	832	835
MORAVIA STEEL a.s.	Controlling entity	2 807 718	2 132 824
Moravia Security, a.s.	Controlled entity	10 005	10 550
Security Morava, s.r.o.	Controlled entity	1 928	1 699
TRIALFA, s.r.o.	Controlled entity	16 978	17 106
TRISIA, a.s.	Controlled entity	1 135	1 187
TŘINECKÁ PROJEKCE, a.s.	Controlled entity	3 267	3 580
Třínecké gastroslužby, s.r.o.	Controlled entity	12 186	19 252
VESUVIUS ČESKA REPUBLIKA, a.s.	Associate	19 395	8 559
Beskydská golfová, a.s.	Fellow subsidiary	4 598	3 025

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SHORT-TERM PAYABLES

(CZK THOUSAND)

MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o.	Controlled entity	1 773	224
"ZAMECZEK BŁOGOCICE" Sp. z o.o.	Controlled entity	97	100
Moravskoslezský kovošrot, a.s.	Fellow subsidiary	152 286	134 739
HRAT, s.r.o.	Associate	1	37
MORAVIA STEEL SLOVENIJA d.o.o.	Fellow subsidiary	325	692
MORAVIA STEEL IBÉRIA, S.A.	Fellow subsidiary	479	287
MORAVIA STEEL UK LIMITED	Fellow subsidiary	1 221	44
Moravia Steel Deutschland GmbH	Fellow subsidiary	137	1 790
NEOMET Sp. z o.o.	Fellow subsidiary	98 240	83 271
Total		3 149 610	2 435 461
• Payables to owners			
EKOSTROJÍRENSTVÍ TŘINEC, a.s.	Controlled entity	0	35 000
Total		0	35 000
• Estimated payables			
MORAVIA STEEL a.s.	Controlling entity	4 269	7 332
MORAVIA STEEL ITALIA s.r.l.	Fellow subsidiary	58	142
MORAVIA STEEL SLOVENIJA d.o.o.	Fellow subsidiary	347	0
MORAVIA STEEL IBÉRIA, S.A.	Fellow subsidiary	28	0
Total		4 702	7 474
• Other payables			
MORAVIA STEEL a.s.	Controlling entity	33 691	53 253
Total		33 691	53 253
Total short-term intercompany payables		3 188 003	2 531 188
Other than intercompany payables		5 581 746	6 715 096
Total short-term payables		8 769 749	9 246 284

Short-term payables outside of the group as of 31 December 2020 and 2019 predominantly include payables to credit institutions of CZK 1,459,965 thousand and CZK 2,095,290 thousand, respectively, and tax payables and subsidies of CZK 1,204,788 thousand and CZK 1,667,645 thousand as of 31 December 2020 and 2019, 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 2020	Balance at 31 Dec 2019
Difference between tax and accounting net book value of fixed assets	19	-10 662 598	-10 342 814
Difference between tax and accounting net book value of fixed assets	9	-57 505	-66 291
Remeasurement of securities available for sale	19	54	54
Remeasurement of assets to fair value charged against equity	19	-101 180	-110 231
Remeasurement of assets to fair value charged against equity	9	-31 742	-33 571
Remeasurement of assets to fair value charged against the goodwill arising on consolidation	19	-178 753	-217 034
Accounting reserves	19	384 385	416 341
Provisions	19	947 063	983 130
Provisions	9	-5 909	-3 705
Expenses to be allowable in subsequent periods	19	133 992	60 194
Utilisable tax loss	19	72 859	26 091
Unrealised gains on the intragroup sale of inventory	19	11 550	10 024
Unrealised gains on intragroup sales of tangible and intangible fixed assets	19	291 544	176 650
Unrealised gains on intragroup sales of tangible and intangible fixed assets (equity)	19	-71	-68
Total tax base		-9 196 311	-9 101 230
Deferred tax liability		-1 737 783	-1 718 877

(CZK THOUSAND)

ANALYSIS OF MOVEMENTS	
31 Dec 2019	-1 718 877
Current changes charged to the profit and loss account	-28 476
Current changes recognised in equity	2 297
Recognition against the goodwill arising on consolidation	7 273
31 Dec 2020	-1 737 783

6.15.2. Deferred Tax Asset

(CZK THOUSAND)

	Tax rate in%	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Difference between the tax and accounting net book value of fixed assets	19	–	–1 269
Accounting reserves	19	–	1 333
Provisions	19	–	169
Total tax base		–	233
Deferred tax asset		–	44

(CZK THOUSAND)

ANALYSIS OF MOVEMENTS

31 Dec 2019	44
Current changes charged to the profit and loss account	–44
31 Dec 2020	0

6.16. PAYABLES TO CREDIT INSTITUTIONS

Long-Term Payables to Credit Institutions

(CZK THOUSAND)

TYPE OF PAYABLE	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral as of 31 December 2020
Investment loan	CZK	240 000	480 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	25 184	40 639	Hermes guarantee insurer
Investment loan	EUR	14 544	42 242	ODL guarantee insurer
Investment loan	CZK	–	240 000	Immovable and movable assets, insurance receivables, promissory note
Acquisition loan	EUR	306 192	465 850	Securities, promissory note
Investment loan	EUR	880 091	–	Immovable and movable assets, insurance receivables
Investment loan	CZK	628 571	857 143	Immovable and movable assets, insurance receivables, promissory note
Investment loan	CZK	6 307	8 748	Pledge of real estate and movable assets
Investment loan	EUR	23 132	31 065	Pledge of real estate and movable assets
Investment loan	CZK	2 827	–	No collateral
Investment loan	CZK	79 167	98 864	Blank promissory note, pledge of movable assets
Investment loan	CZK	65 333	–	Blank promissory note
Investment loan	CZK	26 600	41 800	Pledge of assets, blank promissory note
One-time investment loan	EUR	21 753	42 121	Movable and immovable assets
One-time investment loan*	EUR	25 668	49 702	Movable and immovable assets
One-time investment loan	EUR	109 979	69 104	Movable and immovable assets
Investment loan	EUR	10 733	24 247	Blank promissory note, pledge of movable assets
Investment loan	EUR	29 649	6 379	Blank promissory note, pledge of movable assets

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LONG-TERM PAYABLES TO CREDIT INSTITUTIONS

(CZK THOUSAND)

Special purpose loan	CZK	45 000	–	Pledge of movable assets
Investment loan	EUR	6 561	12 705	
Investment loan	CZK	26 403	42 245	2× blank promissory note
Investment loan	EUR	–	19 693	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset
Investment loan	EUR	6 561	10 164	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset
Investment loan	EUR	7 498	10 890	Pledge of immovable assets, blank promissory note, pledge of receivables arising from insurance
Investment loan	EUR	48 402	–	Blank promissory note
Investment loan	EUR	15 143	21 153	Mortgage, insurance security
Investment loan	EUR	8 876	11 716	Mortgage, insurance security
Investment loan	EUR	18 099	–	Mortgage, insurance security
Investment loan	PLN	2 389	–	Pledge – machinery and equipment
Total		2 680 662	2 626 470	

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 2020	Balance at 31 Dec 2019	Form of collateral at 31 Dec 2020
Investment loan	EUR	16 790	16 255	Hermes guarantee insurer
Investment loan	EUR	–	3 811	
Investment loan	EUR	6 561	6 353	
Overdraft	PLN	29 454	54 290	Pledge – goods, material, products and insurance
Investment loan	PLN	3 033	9 438	Secured with tangible assets (machinery, equipment) and insurance
Overdraft	PLN	33 969	39 473	Pledge – machinery, equipment, including insurance, assignment of trade receivables
Investment loan	PLN	4 696	12 221	Pledge – machinery and equipment
One-time investment loan	EUR	21 753	21 061	Movable and immovable assets
Overdraft – credit cards	CZK	6	91	No collateral
One-time investment loan*	EUR	25 668	24 851	Movable and immovable assets
One-time investment loan	EUR	27 495	6 655	Movable and immovable assets
Investment loan	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, promissory note
Investment loan	EUR	29 087	28 162	ODL guarantee insurer
Investment loan	EUR	97 788	–	Immovable and movable assets, insurance receivables
Investment loan	CZK	240 000	240 000	Immovable and movable assets, insurance receivables, blank promissory note
Acquisition loan	EUR	174 967	169 400	Securities, promissory note
Investment loan	CZK	228 572	228 571	Immovable and movable assets, insurance receivables, promissory note

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SHORT-TERM PAYABLES TO CREDIT INSTITUTIONS

(CZK THOUSAND)

Overdraft	CZK	–	84 177	Promissory note	
Overdraft	CZK	–	84 356	No collateral	
Overdraft	CZK	–	82 322	Promissory note	
Overdraft	CZK	–	82 864	Promissory note	
Overdraft	CZK	–	85 073	Promissory note	
Overdraft	CZK	–	84 825	Promissory note	
Investment loan	CZK	2 441	2 441	Pledge of real estate and movable assets	
Investment loan	EUR	8 954	8 669	Pledge of real estate and movable assets	
Investment loan	CZK	314	–	No collateral	
Investment loan	CZK	15 200	15 200	Pledge of assets, blank promissory note	
Credit cards	CZK	1	65		–
Investment loan	CZK	26 364	26 364	Blank promissory note, pledge of movable assets	
Investment loan	CZK	18 000	–	Blank promissory note	
Investment loan	EUR	14 310	13 855	Blank promissory note, pledge of movable assets	
Overdraft	CZK	2 799	6 102	No collateral	
Overdraft	CZK	16 577	7 580	Blank promissory note	
Overdraft	CZK/EUR	–	87 431	Blank promissory note	
Overdraft	CZK	–	20 316	Blank promissory note	
Overdraft	CZK	–	485	No collateral	
Investment loan	CZK	15 842	15 842	2× blank promissory note	
Operating loan	CZK	27 183	7 977	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset	
Operating loan	EUR	–	7 385	Pledge of immovable assets, blank promissory note, restriction of the right of disposal of immovable asset	
Investment loan	EUR	20 340	26 528	Pledge of immovable assets, transfer of ownership title to movable assets as security, blank promissory note, restriction of the right of disposal of immovable asset	
Investment loan	EUR	3 937	3 812	Pledge of real estate, blank promissory note, restriction of the right of disposal of immovable asset	
Investment loan	EUR	3 749	3 630	Pledge of real estate, blank promissory note, pledge of receivables arising from insurance	
Operating loan	CZK	76 412	208 109	Blank promissory note	
Operating loan	EUR	–	19 609	Blank promissory note	
Investment loan	EUR	12 908	–	Blank promissory note	
Investment loan	EUR	6 730	6 509	Mortgage, insurance security	
Investment loan	EUR	3 239	3 132	Mortgage, insurance security	
Investment loan	EUR	4 826	–	Mortgage, insurance security	
Total		1 459 965	2 095 290		

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 98,102 thousand.

6.17. OFF BALANCE SHEET ASSETS AND LIABILITIES AND LEGAL DISPUTES

TŘINECKÉ ŽELEZÁRNY, a. s.

Provided Guarantees

31 December 2020

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

31 December 2019

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

Received Guarantees

31 December 2020

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

31 December 2019

TYPE	Total amount	Balance at 31 Dec 2019
<i>Guarantees</i>		
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

Legal Disputes

Dispute initiated by certain former shareholders of the Company for reviewing the adequacy of the payments, provided by MORAVIA STEEL a.s., that belong to former shareholders according to the resolution of the extraordinary general meeting of the Company held on 31 July 2013, on the transfer of the shares of the Company owned by other shareholders to MORAVIA STEEL, a.s., as the majority shareholder. The Company is referred to as another participant in the proceedings. Through its ruling of 8 June 2018, the Regional Court in Ostrava determined that the amount of an adequate payment per each share with the nominal value of CZK 1,000 thousand issued by the Company is CZK 2,284. The High Court in Olomouc confirmed the above ruling on 11 September 2019 in an appeal proceedings and the ruling is final and conclusive. The 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 plaintiff, ceased to exist. The Regional Court in Ostrava rejected the lawsuit. On 23 May 2018, the Head Court in Olomouc revoked the ruling of the Regional Court in Ostrava and referred the matter back to the court for additional proceedings. Following the completion of the debtor's restructuring, the dispute is ongoing after the insolvency trustee of VÍTKOVICE POWER ENGINEERING a.s. became the new plaintiff. The Regional Court in Ostrava rejected the legal action again on 17 April 2019. The High Court in Olomouc cancelled the judgement of the Regional Court in Ostrava on 17 December 2019 and referred the matter back to the court for further proceedings. By the ruling of 10 February 2021, the Regional Court in Ostrava rejected the legal action, however, so far not with final and conclusive effect. The result of the dispute will not have a significant impact on the Company.

The dispute initiated by Mapfre España Compañía de Seguros y Reseguros, S.A. ("Mapfre") against the Company and against MORAVIA STEEL a.s. ("MS") for the payment (jointly and severally) of an amount including fees and interest, representing, as claimed by Mapfre, the damage suffered by Mapfre by paying damages on behalf of a customer of MS caused by alleged defective performance provided by the Company and MS. 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. The result of the dispute will not have a significant impact on the Company.

Environmental Liabilities

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

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

As of 31 December 2020, the Company used up funds in the amount of CZK 540,796 thousand (2019: CZK 538,698 thousand).

Other

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

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

Other entities included in the consolidation group

ENERGETIKA TŘINEC, a.s.

Collateral for payables

(CZK THOUSAND)

TYPE OF LIABILITY	Balance at 31 Dec 2020	Balance at 31 Dec 2019
Blank promissory notes – collateral for own overdrafts	450 000	350 000
Blank promissory notes – collateral for own long-term loans	235 000	145 000
Total	685 000	495 000

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

6.18. COVID-19

When preparing the financial statements as of 31 December 2020, the Company considered the impact of the coronavirus (SARS-CoV-2). The impact is not significant and does not pose a threat to the Company's going concern.

7. ADDITIONAL CONSOLIDATED PROFIT AND LOSS ACCOUNT INFORMATION

7.1. INCOME FROM ORDINARY ACTIVITIES AND SOLD GOODS

7.1.1. The Group's Income from Ordinary Activities and Sale of Goods for 2020

(CZK THOUSAND)

ACTIVITIES	In-country	Cross-border	Total
Metallurgic production	34 824 857	4 357 370	39 182 227
Other production	1 708 157	3 729 314	5 437 471
Sale of goods	24 343	156 424	180 767
Services	730 835	169 066	899 901
Total	37 288 192	8 412 174	45 700 366

7.1.2. The Group's Income from Ordinary Activities and Sale of Goods for 2019

(CZK THOUSAND)

ACTIVITIES	In-country	Cross-border	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

7.2. GRANTS AND SUBSIDIES

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

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

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

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

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

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

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.

7.3. TOTAL REMUNERATION CHARGED BY THE AUDITOR

(CZK THOUSAND)

	Year ended 31 December 2020	Year ended 31 December 2019
Obligatory audit of the financial statements	10 110	9 405
Other assurance services	236	260
Tax advisory	56	0
Other non-audit services	289	279
Total	10 691	9 944

7.4. OTHER EXPENSES AND INCOME

Other operating income as of 31 December 2020 and 2019 predominantly includes the drawing of the grant for allowances of CZK 2,528,885 thousand and CZK 1,299,707 thousand, respectively.

Other financial income in 2020 and 2019 predominantly includes foreign exchange rate gains of CZK 251,254 thousand and CZK 79,436 thousand, respectively.

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

Other financial expenses as of 31 December 2020 and 2019 predominantly include foreign exchange rate losses of CZK 237,932 thousand and CZK 91,494 thousand, respectively.

Since 1 January 2019, financial gifts have been reported in operating expenses. The total amount of the gifts provided in 2020 was CZK 33,151 thousand.

7.5. TOTAL DEVELOPMENT COSTS

(CZK THOUSAND)

	31 Dec 2020	31 Dec 2019
Development costs (less subsidies)	34 029	46 126

7.6. RELATED PARTY TRANSACTIONS

7.6.1. Income Generated with Related Parties

The income generated with related parties amounted to CZK 33,975,956 thousand in the year ended 31 December 2020 of which income generated with MORAVIA STEEL a.s. amounted to CZK 33,882,903 thousand (2019: CZK 37,072,855 thousand of which CZK 36,907,719 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 2020 and 2019 is disclosed in Note 6.6.

7.6.2. Purchases from Related Parties

Total purchases from related parties amounted to CZK 26,101,530 thousand for the year ended 31 December 2020 of which CZK 23,381,215 thousand from MORAVIA STEEL a. s. (2019: CZK 28,587,226 thousand of which CZK 25,835,695 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 2020

(CZK THOUSAND)

	Number	Total staff costs
Employees	12 088	7 177 943
Management	85	202 144
Total	12 173	7 380 087

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

The remuneration to members of the Supervisory Boards in the years ended 31 December 2020 and 2019 amounted to CZK 15,129 thousand and CZK 15,394 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 and specialised units, plant director.

8.2. LOANS, BORROWINGS, AND OTHER BENEFITS PROVIDED

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

(CZK THOUSAND)

	2020	2019
Use of management cars (the figure increases the tax base of employees)	10 149	10 514
Contribution for life insurance	256	259
Liability insurance	647	441

9. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date that would have a significant impact on the financial statements as of 31 December 2020.



REPORT ON RELATED PARTY TRANSACTIONS FOR THE YEAR 2020

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 No. 90/2012 Coll., on Business Companies and Cooperatives (hereinafter the "Act on Business Corporations") for the 2020 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 ENTITY

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

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

B. ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Moravia Steel Middle East FZCO, registered office: Jebel Ali Free Zone, Jafza 17, office no. 325, P.O. Box: 263224, Dubai, 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: UL. BATALIÓNOW CHŁÓPSKICH 2, 42-680 TARNOWSKIE GÓRY, Poland, previously at 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.

MSV Metal Studénka, a.s., registered office: R. Tomáška 859, 742 13 Studénka, Corporate ID: 47675942,

Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. (since 28 February 2020).

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

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

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

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

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

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

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

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

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

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

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

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. until 17 December 2020 when it was dissolved and removed from the Register of Companies after the end of the liquidation process.

MSV Servis s.r.o., registered office: R. Tomáška 859, 742 13 Studénka, Corporate ID: 28607767
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. (from 28 February 2020).

KUŹNIA OSTRÓW WIELKOPOLSKI SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered office: WROCŁAWSKA 93, 63-400, Ostrów Wielkopolski, Poland,
Relation: In the reporting period, the entity was controlled by MORAVIA STEEL a.s. (from 28 February 2020).

C. ENTITIES CONTROLLED BY TŽ

ENERGETIKA TŘINEC, a.s., registered office: Průmyslová 1024, Staré Město, 739 61 Třinec, Corporate ID: 47675896
Relation: In the reporting period, the entity was controlled by TŽ.

Slévárny Třinec, a.s., registered office: Průmyslová 1001, Staré Město, 739 61 Třinec, Corporate ID: 25830716
Relation: In the reporting period, the entity was controlled by TŽ.

Třinecké gastroslužby, s.r.o., registered office: Průmyslová 1035, Staré Město, 739 61 Třinec, Corporate ID: 25838148
Relation: In the reporting period, the entity was controlled by TŽ.

Doprava TŽ, a.s., registered office: Třinec-Staré Město, Průmyslová 1008, 73965, Corporate ID: 25398083
Relation: In the reporting period, the entity was controlled by TŽ.

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

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

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

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

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, 790 01 Jeseník, Corporate ID: 48391514

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"METALURGIA" SPÓŁKA AKCYJNA, registered office: Świętej Rozalii 10/12, 97-500 Radomsko, Poland

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

"ZAMECZEK BŁOGOCICE" SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, registered office: Zeromskiego 1, 43-400 Cieszyn, Poland

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

"D&D" Drótaru Ipari és Kereskedelmi Zártkörűen Működő Részvénytársaság, registered office: Sajószigeti utca 4, 3527 Miskolc, Hungary

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

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

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

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

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

HŽP, a.s., registered office: Dolní 3137/100, 796 01 Prostějov, Corporate ID: 269 55 342

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

SV servisní, s.r.o., registered office: Dolní 3137/100, 796 01 Prostějov, Corporate ID: 607 25 974

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

IMOPRA s.r.o., registered office: U Dvora 217, 687 51 Nivnice, Corporate ID: 262 77 697

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

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

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

ELEKTROSTROJÍRENSTVÍ TŘINEC, a.s., registered office: Průmyslová 1038, Staré Město, 739 61 Třinec Corporate ID: 087 30 377

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

The registered office addresses disclosed in Chapter I have been outlined in accordance with the status as of 31 December 2020.

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.

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 2019 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 K. of this Chapter, i.e. a list of such contracts between TŽ and

- MS is given in part B.;
- Beskydská golfová, a.s., in part C.;
- Moravskoslezský kovošrot, a.s., in part D.;
- M Steel Projects a.s. in part E.;
- "NEOMET" SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ in part F.;

- Barrandov Studio a.s. in part G;
- Hotel Golf Ropice a.s. in part H;
- MSPProjects International s.r.o. in part I;
- Kovárna VIVA a.s. in part J; and
- MSV Metal Studénka, a.s., in part K.

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.

B. LIST OF CONTRACTS BETWEEN TŽ AND MS

B.1. Purchase and sale of metallurgical products, materials and raw materials

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

- Master contract for the supply of metallurgical products of 8 August 2019; and
- Master contract for the supply of raw materials and input materials of 8 August 2019.

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 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.
2. Master contract for the supply of metallurgical products of 21 December 2020 – the sale of metallurgical products (effective since 1 January 2021).
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 premises 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 2020 (order of 28 January 2020).
19. Contract on transport of employees in 2020 of 29 January 2020.
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. Master purchase contract of 17 June 2020 and partial purchase contracts concluded pursuant to this master contract – sale of goods from inventory.
24. Contract on the provision of services of 11 August 2003 – services related to smart cards.
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 for the public tender "Rail supplies – R260 steel class for investment events (CNM II)" of 10 October 2018.
28. Contract of mandate of 29 June 2011 – dealing with issues related to the supervision of the transfer of goods between the EU Member States.
29. Contract on business cooperation in the supplies for the public tender "Rolled track fastenings 2019-2021" for Správa železniční dopravní cesty, state organisation, of 10 June 2019.
30. Contract on business cooperation in the supplies for the public tender "Flat steel spliced bars 2019" for Správa železniční dopravní cesty, state organisation, of 10 June 2019.

31. Contract on business cooperation in the supplies for the public tender "Rail supplies – R260 steel class" for Správa železniční dopravní cesty, state organisation, of 27 February 2019.
32. Contract on securing bus transport for convalescence stays of 11 July 2019.
33. Contract on project counselling of 28 June 2019.
34. Contract on rebilling of provided counselling of 16 July 2020.
35. Contract on receipt of products of 13 August 2020.
36. Contract on supply of fire extinguishers of 4 September 2020.
37. Contract of 4 December 2020 – technical norms and related services.
38. Contract of 8 December 2020 – additional oven tests.
39. Contract of 21 December 2020 – Hospodářské noviny and other press.
40. Contract on rebilling of performed work of 31 December 2020.

B.3. Contracts the subject of which relates to the provision of products or services by MS in favour of TŽ

1. Master contract on the supply of raw and input materials of 8 August 2019 – purchase of metallurgical raw materials and materials.
2. Master contract on the supply of raw and input materials of 21 December 2020 – purchase of metallurgical raw materials and materials (effective since 1 January 2021).
3. 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.
4. 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.
5. Master purchase contract of 6 January 2014 and partial purchase contracts concluded in line with this master contract – supplies of advertising items.
6. Contract for the provision of invoicing services of 1 January 2017.
7. Framework agreement on conditions for the settlement of selected costs of 8 June 2018.
8. Contract on the conditions of cooperation for the re-sale of packaging material of 4 September 2018.
9. Contracts on securing samples transfer of 29 July 2020, 7 August 2020, 21 October 2020 and 7 December 2020.
10. Contracts on securing transfer of 22 January 2020 and 20 February 2020.
11. Mandate contract of 16 June 2020 – purchase of fluidised lime.
12. Contract on insurance of goods of 23 March 2020.

B.4. Other Contracts

1. Agreement on the method of payment of trade payables dated 17 December 2008.
2. Agreement on publishing contracts pursuant to Act No. 340/2015 of 9 May 2017.
3. Agreement on mutual rights and obligations of VAT Group members of 3 January 2017.
4. Agreement on electronic approval and conclusion of contracts of 28 February 2018.
5. Approval of concluding contracts on electronic invoicing of 1 April 2019.
6. Contract on rebilling the costs related to the event "Královna ocel" of 19 October 2020.

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 of 9 January 2020).
2. Contract on the provision of services of 29 June 2018 – filing office, IT and HR services.
3. Contract on the provision of access to Internet services via the network of TŘINECKÉ ŽELEZÁRNY, a.s. of 31 July 2009.
4. Master purchase contract on the supply of goods from inventory of 27 October 2020.
5. Contract of 7 April 2020 – recipient's card for receiving postal items.
6. Contracts of 12 March 2020, 3 June 2020 and 27 October 2020 – supplies of disinfectants.

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 16 December 2019.
2. Lease contract of 31 May 2006 – lease of an apartment in the clubhouse located at the golf course Ropice.

C.3. Other contracts

1. Agreement on the method of settlement of liabilities of 13 May 2020.

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 contract of 4 January 2010 and partial contracts concluded pursuant to this master contract – 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 on takeover, utilisation or removal of waste of 14 January 2020 – iron metal filings and chips.

5. Contract on takeover, utilisation or removal of waste of 14 January 2020 – iron and steel.
6. Contract on takeover, utilisation or removal of waste of 11 May 2020 – mixed metals.
7. 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.
8. Contract on the provision of access to Internet network services of 18 October 2018.
9. Service level agreement of 10 October 2018.

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 premises and movable assets in the area of TŽ in Třinec.
2. Contract on the provision of services of 29 June 2018 – filing office services, IT services, asset security and protection and road maintenance.
3. Contract on postal services in 2020 of 6 January 2020.
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.

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's card for 2020.

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 14 January 2020, 20 February 2020, and 14 May 2020 – diagnostic measurement, metallographic tests.
4. Contract on the provision of software of 23 December 2019.

K. LIST OF CONTRACTS BETWEEN TŽ AND MSV METAL STUDÉNKA, A.S.

K1. Contract the subject of which relates to the provision of products or services by TŽ in favour of MSV Metal Studénka, a.s.

1. Contract on software implementation of 3 September 2020.

K2. Contract the subject of which relates to the provision of products or services by MSV Metal Studénka, a.s. in favour of TŽ

1. Contracts on supplies of materials of 30 January 2020 and 26 August 2020.

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 K. 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 2021.



.....
Jan Czudek

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



.....
Radomíra Pekárková

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