

TAMEH Czech s.r.o.

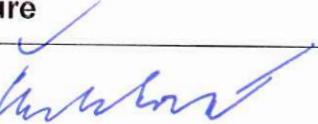
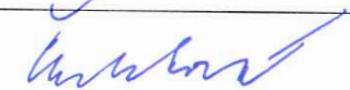
ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021



TAMEH Czech s.r.o.

Annual Report 2021

Statutory body of the reporting entity	Signature
Kristina Červenková – Statutory Executive	
Włodzimierz Liberacki – Statutory Executive	 Włodzimierz Liberacki

Introductory Word

Dear Business Partners, Dear Associates,

The Annual Report of TAMEH Czech s.r.o. evaluates the Company's economic activities in 2021.

Similarly to 2020, 2021 was strongly affected by the ongoing measures caused by the COVID-19 pandemic. Fortunately, thanks to our experience from 2020, ongoing efforts of the Company in the area of health protection and the responsible attitude to vaccination of most of our employees, we have managed to overcome these difficulties without having to discontinue or reduce the production and supplies of energy commodities to our end customer.

Throughout the year, our Company ensured planned and required supplies of energy commodities and thus significantly helped our end customer Liberty Ostrava to achieve record production figures in 2021.

In the area of investments and maintenance, we have succeeded in fulfilling our long-term plans to ensure the stability of supplies, optimisation and operating cost savings.

In line with the legislation, we have intentionally put obsolete technology of the K3, K5, K6 and K7 boilers out of operation. This technology had already been replaced by new technology in the past, namely by the K14 fluidised boiler as well as by DeSOx and DeNOx technology. As a result, we continued the previously set trend of our Company, i.e. reducing the environmental burden and meeting the new BAT/BREF emission limits. Beyond this, several trials were conducted in the area of alternative fuel combustion on the K14 boiler, which is supposed to result in a decrease in coal consumption and carbon dioxide emissions in the future.

2021 was also impacted by a significant increase in operating costs, principally due to an enormous growth of emission allowance market prices. As an industrial energy sector, waste gases are part of our fuel mix and have a significant impact on overall operating costs.

We have been thoroughly monitoring and analysing the conditions of the upcoming "green deal" for the Czech Republic and the possible subsidies in order to be prepared for another potential transformation with the aim of reducing carbon dioxide emissions. In 2021, we were successful in the QMS, EMS and HSMS audits, as well as the EnMS energy audit.

In the field of security, we unfortunately recorded one case of work-related injury followed by the absence in 2021. Therefore, we have taken some preventive corrective measures and initiated thorough education and training courses in this area, which we will be focusing on in 2022 as well. Our goal is to achieve zero injury rates in the future as our employees' security and health remain our priority.

For achieving these results and for great cooperation, we would like to thank our business partners for their trust, our associates for support and our employees for doing a fine job.



Kristina Červenková
Head of the Board of Statutory Executives



Robert Šteffek
Director of TAMEH Czech s.r.o.

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I. Basic Information on the Company

Company Profile

Business Name of the Company: TAMEH Czech s.r.o.

Registered Office of the Company: Ostrava-Kunčice, Vratimovská Street 689/117,
Postal Code 719 00

Legal Form of the Company: Limited Liability Company

Company ID: 28615425

Company TAX-ID: CZ28615425

Core Business Activities of the Company:

- Production, sales and services not listed in Appendices 1 to 3 to the Trade Licensing Act;
- Power generation and power distribution; and
- Heat energy generation.

Company incorporation in the Company Register: by the Regional Court of Ostrava, Section C, Insert 34833

Date of the Company Establishment: 15 February 2010

The Sole Owner of the Company: TAMEH HOLDING Sp. Z o. o.

Al. Marszałka Józefa Piłsudskiego 92/102 A
41-308 Dąbrowa Górnica
Republic of Poland
Reg. No.: 0000517887

The Company has no branch, organisational branch or any other part of business abroad.

TAMEH Czech s.r.o. (former ArcelorMittal Energy Ostrava s.r.o.) was established following its incorporation in the Company Register of the Regional Court of Ostrava on 15 February 2010 after the payment of the registered capital amounting to CZK 200 thousand.

On 29 March 2010, (under a resolution adopted by the sole owner in AMEO and under a consent granted by the General Meeting of the Company dated 18 March 2010), the "Contract of the Transfer of one Part of the Company for the Purpose of Monetary Contribution to Registered Capital" came into force and effect, i.e. the Contract made under provisions of Section 59 (5) and under Section 60 (2) in relation to Section 476 et seq. of Act No. 513/1991 Coll., the Czech Commercial Code, as amended, between ArcelorMittal Ostrava a. s. (the Contributor) and ArcelorMittal Energy Ostrava s.r.o. (the Company). The amount of one part of the Company as a non-monetary contribution to the Company was offset for the increase in the Contributor's contribution to the registered capital of the Company in the amount of CZK 3,572,000 thousand.

Under a resolution adopted by the Board of Directors of the sole owner within the scope of powers of the General Meeting of the Company (ArcelorMittal Energy Ostrava s.r.o.) as of 18 July 2014, the registered capital of the Company was decreased with effect from 24 November 2014. Thus, the registered capital of the Company currently amounts to CZK 2,572,200 thousand.

On 7 August 2014, the Board of Directors of the Parent Company approved the draft of the Agreement of the Company Owners on the Establishment of a joint-venture including the accession of the Parent Company to a joint-venture along with the strategic partner of the companies Tauron Energia Polska S.A. including a 100% monetary contribution in ArcelorMittal Energy Ostrava s.r.o. to a joint-venture – Polish holding company.

Subsequently, on 28 November 2014, the Board of Directors of the Parent Company as the sole owner in ArcelorMittal Energy Ostrava s.r.o. exercising the powers of the General Meeting approved the Amendments to the Founder's Deed under which – among other things – the business name of the Company was changed to TAMEH Czech s.r.o.

With effect from 11 December 2014, TAMEH Holding Sp.z o.o has been the sole member of the Company.

In line with the change in the owners' agreement, the Company's General Meeting approved of the change in the Company's Memorandum of Association with effect from 12 April 2017.

Membership of the Statutory Body as of 31 December 2021:

“A” Company Executives

Kristina Červenková
Rafał Zawada

“B” Company Executives

Włodzimierz Liberacki
Marcin Staniszewski

Brief Characteristics of the Company

TAMEH Czech s.r.o. represents a complex and extensive power generation entity of the industrial power industry being specifically focused on the needs of the steel company. With its performance, in the heat energy branch and the local H.V. distribution system operation, it is fully comparable to single-purpose power generation entities operating on the power market in the Czech Republic.

Power media are supplied from TAMEH Czech s.r.o. to Liberty Ostrava a. s. Power media are supplied in an extensive range of supplied quantity, particularly we are speaking about blast air and compressed air, electric power, heat, technology steam and chemically-treated water.

Plant 46 – Generation Plant generates high-pressure steam of 9.6 MPa and temperature of 520°C being transformed to electric power, heat, compressed air, blast air and technology steam. The Plant also includes electric power distribution, electro-technical equipment repairs and checks and maintaining and servicing of electric protection for the H.V. system.

Plant 49 – Maintaining/Servicing performs usual and medium-scope repairs of power equipment being of an engineering character, and it participates in major overhauls of basic technology units of the Company. It organises maintaining and servicing L.V. power distribution, checks of electro-technical equipment and I&C equipment.

Core Products

TAMEH Czech s.r.o. generates high-pressure steam of 9.6 MPa and temperature of 520°C in 12 boilers (3 gas boilers, 8 granulated fuel boilers and 1 pulverised coal-fired boiler); steam is transformed to electric power, heat, compressed air, blast air and technology steam. The total generating heat capacity is 1,359 MW; generating capacity of the Power Plant is 254 MW. Further, the Company organises heat generation for the needs of the premises of Liberty Ostrava a. s. and out of them. Input raw material for heating plant boilers is bituminous coal and blast-furnace gas produced by coke and hot metal production. Other input fuel includes de-gazation gas and natural gas (for start-up of a fluidised bed boiler). Gaseous fuels (coke gas and blast-furnace gas) are taken off into the distribution network of the Company directly from sources, i.e. from Plant 10 – Coke-oven Plant and Plant 12 - Blast Furnaces of Liberty Ostrava a. s.

II. Report of the Statutory Body on the Business Activities and Assets of TAMEH Czech s.r.o.

Activities of the Statutory Body

In 2021, the meetings of the Statutory Body of the Company were held 28 times. The Statutory Body voted nine times *per-rollam*.

As of 31 December 2021, the business management of the Company was performed by the Board of Statutory Executives composed of:

Head of the Board of Statutory Executives	- Ms Kristina Červenková /A/
Members of the Board of Statutory Executives	- Mr Włodzimierz Liberacki /B/ - Mr Rafał Zawada /A/ - Mr Marcin Staniszewski /B/

Minutes were taken of all meetings; they are kept and filed at the seat of the Company.

In the reporting period, the Company did not acquire any treasury holdings.

Results of Operations

In the year ended 31 December 2021, the Company generated profit before tax in the amount of CZK 160,321 thousand. Total results of operations of the Company for the reporting period represented a profit in the amount of CZK 96,293 thousand.

In the reporting period, the Company generated operating profit amounting to CZK 208,932 thousand and incurred a financial loss amounting to CZK (48,611) thousand.

Total sales of own products and services in the reporting period amounted to CZK 5,058,693 thousand; added value, i.e. the difference between the sales and consumption expenses, amounted to CZK 3,657,352 thousand.

As of 31 December 2021, the Company reported total net assets amounting to CZK 6,121,664 thousand as per the financial statements. Fixed assets amount to CZK 3,559,688 thousand, of which tangible fixed assets amount to CZK 3,559,688 thousand.

Liabilities amounted to CZK 6,121,664 thousand. Equity amounted to CZK 2,937,236 thousand.

As of 31 December 2021, the Company recorded a bank loan from Raiffeisenbank a.s.

Production and Sales

In 2021, the Company generated 744,618 MWh of electric power and 11,621,865 GJ of steam, 2,300,786 cubic meters of blast air and 369,977 cubic meters of compressed air.

Most of the generated power is supplied to Liberty Ostrava a. s. (former ArcelorMittal Ostrava a.s.).

Environmental Protection

Inspections by the Czech Environmental Inspection Authority

On 16 December 2021, the Czech Environmental Inspection Authority, specifically the Regional Inspectorate in Ostrava, conducted an inspection of the continuous emission measurement system (Section 6 (5) of the Air Protection Act) of stationary combustion sources of air pollution with a heating power input of 50 MW or more (hereinafter the "Sources"), which are located in Plant 4 – Energy of the Company.

Conclusion:

In line with the inspection scope covering the devices in question, the Czech Environmental Inspection Authority did not consider the facts found at the sources identified to be a violation of Act No. 76/2002 Coll., on Integrated Pollution Prevention, as amended, or Act No. 201/2012 Coll., on Air Protection, as amended.

Capital Investments & Repairs

Within increased OHS efforts, the old diesel generator that powers emergency lighting has been replaced.

In order to increase the operability of the Generation plant, the Company acquired a new 400 V transformer station and new 220 V backup power sources.

Furthermore, other projects have been carried out for the operation of the boiler room and reduction of operating costs, i.e. the replacement of two pressed gas dehydrators in the DeNOx compressor room. The other project related to the replacement of wasteful lighting by new LED lights in the boiler and machine rooms.

As part of the repairs, the Anex filter on DEMI2 and two old pumps were replaced – the clarified water pump on DEMI2 and the injection pump in the boiler room.

As part of the legislation change regarding emissions, an adjustment and assessment of the continuous emission measurement have been performed.

Minor projects included the photovoltaic power plant study on the roofs of TAMEH and study of the reconnection of the K9 steam pipelines to VTR3.

Research and Development

The Company incurs no costs on R&D.

Quality Control

The most important area to which the Company continuously and fully pays attention is undoubtedly safety – both of the Company's employees and of its external suppliers. Using effective prevention instruments along with the proactive approach of all of the Company's employees, we achieved significant success. In 2021, the Company defended the certification according to ČSN 45001:2018 and met the requirements to obtain the "Safe company" title. At the same time, we have applied for a renewal of the "Safe company" certification for 2022-2025 with the Ministry of Industry and Trade. We want to continue with this trend going forward.

In October 2021, the Company successfully passed the second surveillance audit under ČSN EN ISO 9001 – quality management system, ČSN EN ISO 14001 – environmental management system, and ČSN ISO 45001 – safety management system. In January 2021, the Company successfully passed the second surveillance audit under ČSN EN ISO 50001 – energy management system.

Furthermore, three customer audits were conducted at TAMEH and our auditors carried out 11 internal audits in all areas. We also went through a year and a half-long proceeding with the National Cyber and Information Security Agency to determine the provider of the basic service. As a result, we have proved our readiness in cybersecurity and the proceeding was terminated.

HR Policy

With effect from 1 January 2021, Amendment No. 1/2021 to the Collective Agreement for the years 2017–2022 was concluded, extending its validity till the end of 2022.

As of 31 December 2021, the headcount of TAMEH Czech s.r.o. was 330, of which 79 were white-collar employees and 251 were blue-collar employees. The average re-calculated (adjusted) headcount was 328 in 2021.

In 2021, average earnings amounted to CZK 43,376 (in 2020: CZK 41,956), which represents a year-on-year increase of 3.38%.

Compared to previous years, educational programmes focused on meeting and increasing the qualifications of employees and language courses were reduced due to government measures for preventing the spread of the COVID-19 pandemic.

Anticipated Development of the Company

TAMEH Czech s.r.o. is a reliable supplier of energy for metallurgical production in Ostrava. The Company's priority is a safe, ecological and efficient production reflecting the customers' requirements and changes on the energy market.

Subsequent Events

As of 28 February 2022, Marcin Staniszewski was recalled from the position of the Company's statutory executive; Zbigniew Leszko will be appointed new statutory executive on 1 March 2022.

No significant events occurred subsequent to the balance sheet date.

III. Report on Relations between the Controlling and the Controlled Entity and on Relations between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity under Section 82 of Business Corporations Act No. 90/2012 Coll. for the Year Ended 31 December 2021

Under the provisions of Section 82 of Business Corporations Act No. 90/2012 Coll., the Company prepared the Report on Relations between ARCELORMITTAL SA, having its registered office at 24-26 Boulevard d'Avranches, L-1160 Luxembourg, the Grand Duchy of Luxembourg (hereinafter referred to as the "Controlling Entity") as the Controlling Entity, and TAURON Polska Energia S.A., having the Registered Office at Ks. Piotra Sciegienego 3, Katowice, 40 114, Poland, as the Controlling Entity since 11 December 2014, and TAMEH Czech s.r.o., having its registered office in Ostrava – Kunčice, Vratimovská 689/117, Zip Code 719 00 (hereinafter referred to as the "Controlled Entity") as the Controlled Entity, and on relations between the Controlled Entity and other entities controlled by the same Controlling Entity for the year ended 31 December 2021.

TAMEH Holding Sp. z o. o. has been the sole owner with effect from 11 December 2014.

In this Report, the Company discloses transactions with its related parties included in the ArcelorMittal Group and the TAURON Group in the year ended 31 December 2021.

For the Company, no disadvantages or risks arise out of the relation with the Controlling Entity and out of the relations with entities controlled by the same Controlling Entity. The Agreements made with the Controlling Entity and entities controlled by the same Controlling Entity adhere to the terms and conditions of usual business relations, while the parties deem those Agreements to be mutually advantageous.

The role of the Company within the group consists primarily of providing the supply of power media to Liberty Ostrava a.s., an unrelated company, and generating net profit for the sole owner.

The Controlling Entity as the sole owner acts in the capacity of the Company's General Meeting.

Based on the efforts made, the statutory bodies of the Controlled Entity declare that the list of related parties below, with which the Controlled Entity provided supplies and counter-supplies in the year ended 31 December 2021, shows all entities known to TAMEH Czech s.r.o. as of today's date.

Supplies and Counter-supplies Based on the Contracts and Agreements Concluded

The below-listed supplies and counter-supplies were made under Contracts between the Controlled Entity and the Controlling Entity and other Entities controlled by the same Controlling Entity, in the year from 1 January 2021 to 31 December 2021:

TAMEH Polska Sp. z o.o.

The volume of purchases made in 2021 amounted to CZK 899 thousand.

ArcelorMittal Business Center of Excellence Poland Sp. z o.o.

In 2021, the services purchased from this entity amounted to CZK 1,429 thousand.

Tauron Polska Energia S.A.

In 2021, the purchase of emission allowances from this entity amounted to CZK 73 thousand.

Tauron Wydobycie S.A.

In 2021, the inventory purchased from this entity amounted to CZK 31,579 thousand.

Other Legal Acts and Other Measures

On 3 March 2021, the financial statements for the year ended 31 December 2020 were approved and the profit was distributed.

Based on the decision no. 5/21 of the Board of Directors of the sole owner acting in the capacity of the general meeting of TAMEH Czech s.r.o., the dividends were paid. The dividend of CZK 86,196 thousand was paid from the profit for the 2020 reporting period and the dividend of CZK 63,804 thousand was paid from retained earnings brought forward.

The Company performed no other legal acts and adopted no other measures in the interest or at the initiative of the Controlling Entity, or in the interest or at the initiative of other entities controlled by the same Controlling Entity.

The Company suffered no detriment arising from the performance and counter-performance based on the concluded contracts and agreements.

In Ostrava on 28 February 2022



Statutory Body of
TAMEH Czech s.r.o.

The Report was discussed and approved at the meeting of the statutory body of TAMEH Czech s.r.o.

IV. Financial Statements for the Year Ended 31 December 2021

Name of the Company: TAMEH Czech s.r.o.
Registered Office: Vratimovská 689/117, 719 00 Ostrava - Kunčice
Legal Status: Limited Liability Company
Corporate ID: 286 15 425

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 28 February 2022.

Statutory body of the reporting entity:	Signature
Kristina Červenková Statutory Executive	
Włodzimierz Liberacki Statutory Executive	 Włodzimierz Liberacki

BALANCE SHEET
full version

As of
31.12.2021
(in CZK thousand)

TAMEH Czech s.r.o.
Corporate ID 286 15 425

Vratimovská 689/117
Ostrava – Kunčice
719 00

		31.12.2021			31.12.2020
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	12 367 112	6 240 947	6 126 165	5 457 680
B.	Fixed assets	9 783 287	6 223 599	3 559 688	3 898 524
<i>B.I.</i>	<i>Intangible fixed assets</i>	856	856		
<i>B.I.2.</i>	<i>Valuable rights</i>	856	856		
<i>B.I.2.1.</i>	Software	856	856		
<i>B.II.</i>	<i>Tangible fixed assets</i>	9 782 431	6 222 743	3 559 688	3 898 524
<i>B.II.1.</i>	<i>Land and structures</i>	1 611 085	607 524	1 003 561	1 028 719
<i>B.II.1.1.</i>	Land	38 544	0	38 544	38 544
<i>B.II.1.2.</i>	Structures	1 572 541	607 524	965 017	990 175
<i>B.II.2.</i>	Tangible movable assets and sets of tangible movable assets	5 429 011	3 487 826	1 941 185	2 085 777
<i>B.II.3.</i>	Valuation difference on acquired assets	2 715 821	2 127 393	588 428	769 483
<i>B.II.4.</i>	<i>Other tangible fixed assets</i>	8		8	8
<i>B.II.4.3.</i>	Other tangible fixed assets	8		8	8
<i>B.II.5.</i>	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	26 506		26 506	14 537
<i>B.II.5.2.</i>	Tangible fixed assets under construction	26 506		26 506	14 537
C.	Current assets	2 560 937	17 348	2 543 589	1 533 394
<i>C.I.</i>	<i>Inventories</i>	143 753	16 623	127 130	127 342
<i>C.I.1.</i>	Material	143 659	16 623	127 036	127 109
<i>C.I.2.</i>	Work in progress and semifinished goods	94	0	94	233
<i>C.II.</i>	<i>Receivables</i>	1 236 547	725	1 235 822	888 284
<i>C.II.1.</i>	Long-term receivables	185		185	385
<i>C.II.1.5.</i>	<i>Receivables - other</i>	185		185	385
<i>C.II.1.5.4.</i>	Sundry receivables	185		185	385
<i>C.II.2.</i>	<i>Short-term receivables</i>	1 236 362	725	1 235 637	887 899
<i>C.II.2.1.</i>	Trade receivables	349 511	725	348 786	562 053
<i>C.II.2.4.</i>	<i>Receivables - other</i>	886 851		886 851	325 846
<i>C.II.2.4.3.</i>	State - tax receivables				43 412
<i>C.II.2.4.4.</i>	Short-term prepayments made	13 606		13 606	54
<i>C.II.2.4.5.</i>	Estimated receivables	873 166		873 166	282 243
<i>C.II.2.4.6.</i>	Sundry receivables	79		79	137
<i>C.IV.</i>	<i>Cash</i>	1 180 637		1 180 637	517 768
<i>C.IV.1.</i>	Cash on hand	256		256	308
<i>C.IV.2.</i>	Cash at bank	1 180 381		1 180 381	517 460
D.	Other assets	22 888		22 888	25 762
<i>D.1.</i>	Deferred expenses	22 888		22 888	25 762

		31.12.2021	31.12.2020
	TOTAL LIABILITIES & EQUITY	6 126 165	5 457 680
A.	Equity	2 937 236	2 990 943
A.I.	<i>Share capital</i>	2 572 200	2 572 200
A.I.1.	Share capital	2 572 200	2 572 200
A.IV.	<i>Retained earnings (+/-)</i>	268 743	332 547
A.IV.1.	Accumulated profits or losses brought forward (+/-)	268 743	332 547
A.V.	<i>Profit or loss for the current period (+/-)</i>	96 293	86 196
B.+C.	Liabilities	3 188 929	2 466 737
B.	Reserves	228 797	697 972
B.IV.	Other reserves	228 797	697 972
C.	Payables	2 960 132	1 768 765
C.I.	<i>Long-term payables</i>	977 331	1 203 626
C.I.2.	Payables to credit institutions	870 968	1 161 290
C.I.8.	Deferred tax liability	106 351	42 324
C.I.9.	<i>Payables - other</i>	12	12
C.I.9.3.	Sundry payables	12	12
C.II.	<i>Short-term payables</i>	1 982 801	565 139
C.II.2.	Payables to credit institutions	290 323	290 323
C.II.3.	Short-term prepayments received	25	
C.II.4.	Trade payables	577 241	155 021
C.II.8.	<i>Other payables</i>	1 115 212	119 795
C.II.8.3.	Payables to employees	12 679	9 677
C.II.8.4.	Social security and health insurance payables	7 419	5 992
C.II.8.5.	State - tax payables and subsidies	26 143	3 322
C.II.8.6.	Estimated payables	1 068 276	100 249
C.II.8.7.	Sundry payables	695	555

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

TAMEH Czech s.r.o.
Corporate ID 286 15 425

Year ended
31.12.2021
(in CZK thousand)

Vratimovská 689/117
Ostrava – Kunčice
719 00

		Year ended 31.12.2021	Year ended 31.12.2020
I.	Sales of products and services	5 058 693	3 252 970
A.	Purchased consumables and services	1 401 341	1 282 839
A.2.	Consumed material and energy	1 005 298	951 278
A.3.	Services	396 043	331 561
B.	Change in internally produced inventory (+/-)	140	14
D.	Staff costs	235 194	227 815
D.1.	Payroll costs	171 194	165 258
D.2.	Social security and health insurance costs and other charges	64 000	62 557
D.2.1.	Social security and health insurance costs	60 906	59 938
D.2.2.	Other charges	3 094	2 619
E.	Adjustments to values in operating activities	368 842	367 675
E.1.	<i>Adjustments to values of intangible and tangible fixed assets</i>	365 087	365 504
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	365 087	365 504
E.2.	Adjustments to values of inventories	3 708	2 171
E.3.	Adjustments to values of receivables	47	
III.	Other operating income	96 340	101 695
III.2.	Sales of material	1 361	840
III.3.	Sundry operating income	94 979	100 855
F.	Other operating expenses	2 940 584	1 258 081
F.2.	Material sold	1 076	553
F.3.	Taxes and charges	821	3 711
F.4.	Reserves relating to operating activities and complex deferred expenses	-469 175	-509 294
F.5.	Sundry operating expenses	3 407 862	1 763 111
* Operating profit or loss (+/-)		208 932	218 241
VI.	Interest income and similar income		1
VI.2.	Other interest income and similar income		1
J.	Interest expenses and similar expenses	45 197	57 334
J.2.	Other interest expenses and similar expenses	45 197	57 334
VII.	Other financial income	888	3 317
K.	Other financial expenses	4 302	10 154
* Financial profit or loss (+/-)		-48 611	-64 170
** Profit or loss before tax (+/-)		160 321	154 071
L.	Income tax	64 028	67 875
L.2.	Deferred income tax (+/-)	64 028	67 875
** Profit or loss net of tax (+/-)		96 293	86 196
*** Profit or loss for the current period (+/-)		96 293	86 196
* Net turnover for the current period		5 155 921	3 357 983

**STATEMENT OF
CHANGES IN EQUITY**

Year ended
31.12.2021
(in CZK thousand)

TAMEH Czech s.r.o.
Corporate ID 286 15 425

Vratimovská 689/117
Ostrava – Kunčice
719 00

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Other profit or loss from prior years	Profit share prepayments declared	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2019	2 572 200			273 570			58 977	2 904 747
Distribution of profit or loss				58 977			-58 977	
Profit or loss for the current period							86 196	86 196
Balance at 31 December 2020	2 572 200			332 547			86 196	2 990 943
Profit shares paid				-63 804			-86 196	-150 000
Profit or loss for the current period							96 293	96 293
Balance at 31 December 2021	2 572 200			268 743			96 293	2 937 236

**CASH FLOW
STATEMENT**

**TAMEH Czech s.r.o.
Corporate ID 286 15 425**

Year ended
31.12.2021
(in CZK thousand)

Vratimovská 689/117
Ostrava – Kunčice
719 00

		Year ended 31.12.2021	Year ended 31.12.2020
P.	Opening balance of cash and cash equivalents	517 768	902 495
	Opening balance of cash and cash equivalents after transformation		
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	160 321	154 071
A.1.	Adjustments for non-cash transactions	-55 267	-84 304
A.1.1.	Depreciation of fixed assets	365 087	365 504
A.1.2.	Change in provisions and reserves	-465 419	-507 123
A.1.5.	Interest expense and interest income	45 197	57 333
A.1.6.	Adjustments for other non-cash transactions	-132	-18
A.*	Net operating cash flow before changes in working capital	105 054	69 767
A.2.	Change in working capital	1 046 256	-339 709
A.2.1.	Change in operating receivables and other assets	-366 212	-213 283
A.2.2.	Change in operating payables and other liabilities	1 415 964	-192 905
A.2.3.	Change in inventories	-3 496	66 479
A.**	Net cash flow from operations before tax	1 151 310	-269 942
A.3.	Interest paid	-45 197	-57 334
A.4.	Interest received		1
A.5.	Income tax paid from ordinary operations	21 500	116 014
A.***	Net operating cash flows	1 127 613	-211 261
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-24 422	-28 304
B.***	Net investment cash flows	-24 422	-28 304
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-290 322	-145 162
C.2.	Impact of changes in equity	-150 000	
C.2.6.	Profit shares/ dividends paid	-150 000	
C.***	Net financial cash flows	-440 322	-145 162
F.	Net increase or decrease in cash and cash equivalents	662 869	-384 727
R.	Closing balance of cash and cash equivalents	1 180 637	517 768

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Name of the Company:	TAMEH Czech s.r.o.
Registered Office:	Ostrava – Kunčice, Vratimovská 689/117, 719 00
Legal Status:	Limited Liability Company
Corporate ID:	286 15 425

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1. GENERAL INFORMATION

1.1. Establishment and Characteristics of the Company

TAMEH Czech s.r.o. (hereinafter referred to as the "Company") is a legal entity, a limited liability company incorporated in the Register of Companies of the Regional Court of Ostrava on 15 February 2010. The main subject of the business activities of the Company: electric power generation, heat generation, compressed air production, air blast production and steam generation.

The Registered Office of the Company: Ostrava - Kunčice, Vratimovská 689/117, post code 719 00.

The financial statements of the Company have been prepared as of 31 December 2021.

The Company's registered capital is CZK 2,572,200 thousand.

The Company's sole owner has been TAMEH HOLDING Sp. z o.o. with effect from 11 December 2014.

The Company is part of the consolidation group of TAMEH Holding Sp. z o.o., seated in DĄBROWA GÓRNICZA in Poland. This entity prepares the consolidated financial statements in which TAMEH Czech s.r.o. is included. This consolidated annual report prepared by the consolidating entity is audited by an independent auditor according to the law of the country which this consolidating entity follows, and will be published in the Collection of Deeds of the public register in the Czech language in line with the provisions of Act No. 563/1991 Coll.

1.2. Changes and Amendments to the Register of Companies

On 3 July 2021, there was a change of statutory executives B. Zbigniew Opałko was recalled from his position and replaced by Marcin Staniszewski.

1.3. Structure of Company Organisation

TAMEH Czech s.r.o. managed by the CEO (Managing Director)

- Production & Environmental Protection Dept. – in direct subordination also 46 Dept. – Heating Plant;
- Capital Investments & Maintenance – in direct subordination also 49 Dept. – Energetics Maintenance;
- Economy and Procurement; and
- 4/TP Dept. – Technical Support.

1.4. Group Identification

TAMEH HOLDING Sp. z o. o. is the Parent Company.

1.5. Statutory Body

As of 31 December 2021, the membership of the Statutory Body was as follows:

	Position	Name
Statutory Body	"A" Statutory Executive	Kristina Červenková
	"A" Statutory Executive	Rafał Zawada
	"B" Statutory Executive	Włodzimierz Liberacki
	"B" Statutory Executive	Marcin Staniszewski

One statutory executive of Group A along with one statutory executive from Group B always act on behalf of the Company.

2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

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

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

Data presented in the financial statements are given in thousands of Czech crowns (CZK).

The calendar year is the Company's fiscal period.

The financial statements were prepared as of 31 December 2021, for the calendar year ended 31 December 2021.

2.1. Comparative Data

The comparative period for the purposes of the financial statements is the previous period, i.e. the period starting on 1 January 2020 and ending on 31 December 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Tangible Fixed Assets (TFA)

Tangible fixed assets include land, buildings, individual movable assets and sets of movable assets showing their service life for longer than one year and the acquisition cost of which exceeds CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses.

Tangible fixed assets developed internally are valued at direct costs and incidental costs directly attributable to the internal production of assets (production overheads).

The following tangible fixed assets are stated at replacement cost: tangible fixed assets acquired through donation, fixed assets recently entered in the accounting records and a contribution of tangible fixed assets. Replacement cost is the cost for which the assets would be acquired in the period of recognition.

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

The valuation of tangible fixed assets is reduced by the undisputable legal claim for the grant relating to the acquisition of these assets.

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

	Number of years
Buildings	30 – 50
Production machinery	4 – 50
Vehicles	6 – 20
Furniture and fixtures	6 – 17

Things made of precious metals are expensed upon disposal.

The Company creates provisions for tangible fixed assets if stock-taking reveals that the valuation of TFA temporarily does not match the actual conditions. The amount of a provision is determined individually in relation to the level of assets impairment.

In addition, the Company records a valuation difference on acquired assets which arose upon the investment of a business part from ArcelorMittal Ostrava a.s. The difference is reported between the net book value of assets invested on 29 March 2010 with the purpose of increasing the Company's share capital balance and the value of the assets determined by an expert appraisal. The valuation difference is depreciated over 15 years.

3.2. Intangible Fixed Assets (IFA)

Intangible fixed assets include intangible results of research and development, software and valuable rights showing their service life for longer than one year and the acquisition cost of which exceeds CZK 60 thousand on an individual basis, and further, Greenhouse Gas Emission Allowances.

Purchased intangible fixed assets are stated at cost.

Expenditure on research is recognised as an expense in the period which it is incurred in.

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

Amortisation of intangible fixed assets except greenhouse gas emission allowances is recorded on a straight-line basis over their estimated useful lives as follows:

	Number of years
Software	3 – 10
Valuable rights	6

If a right of use is established for a fixed period in respect of intangible fixed assets, the annual amortisation charge is determined as the proportion of the input cost and the contractually agreed period.

The Company creates provisions for intangible fixed assets if stock-taking reveals that the valuation of TFA temporarily does not match the actual conditions. The amount of a provision is determined individually in relation to the level of assets impairment.

3.2.1. Greenhouse Emission Allowances

Greenhouse Emission Allowances are recognised as non-amortisable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. An initial free-of-charge acquisition of the allowances is recognised as a grant not reducing the carrying amount. This 'grant' is released into income on a systematic basis as the allowances are used and charged to expenses and/or they are sold.

The use of emission allowances is accounted for using the FIFO method in respect of emission allowances of the same kind at the balance sheet date as a minimum, on the basis of the level of greenhouse emissions estimated to be produced by the Company in the relevant period. Identical emission allowance types include allowances of the same kind (such as EUA, CER, ERU) acquired in the same method (e.g. free-of-charge allocation or via purchase). The Company ruled that as a first step, emission allowances allocated to the Company free of charge would be consumed, and purchased emission allowances would be used as the next step. After the actual use is ascertained by an independent reviewer, the use is adjusted in the period when the relevant matters were identified.

If the amount of emission allowances recorded at the end of the year is not sufficient for covering the estimated consumption for the relevant year, a reserve for the purchase of missing emission allowances is created in the financial statements or an estimate is made (in case that the Company negotiated purchase of allowances already prior to the end of the reporting period). The amount of the reserve is determined based on the market price of emission allowances as of the balance sheet date. The amount of the estimate is determined based on the agreed purchase price of allowances.

If the Greenhouse Emission Allowances are sold, they are recognised in expenses and the grant is recognised in income at the same time and in the same amount. The sale of greenhouse emission allowances is recognised in income from the sale of fixed assets.

If, at the balance sheet date, the market value of emission allowances allocated free of charge is materially lower than the replacement cost used for valuing these emission allowances upon acquisition, the allowances are measured at market value in the financial statements. Concurrently, the 'grant' is reduced by the same amount and the whole re-measurement is

recognised without having any impact on the profit and loss account. In the event of material changes in the market value of purchased emission allowances, these emission allowances are provided for.

3.3. Derivative Financial Instruments

As of the balance sheet date, derivative financial instruments are reported in the balance sheet at fair value. The nominal value of derivative financial instruments is reported off balance sheet. The fair value is calculated as the present value of anticipated cash flows. Changes in the fair value of derivatives held for trading are reported in expenses or income from derivative financial transactions, as appropriate.

3.4. Inventory

Purchased inventory is valued at acquisition costs. Acquisition cost includes the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees, commissions, insurance charges and discounts. From intra-company services relating to the acquisition of inventory through purchase and the processing of inventory, only transportation charges and material processing costs are capitalised.

Internally developed inventory (including work in progress, semi-finished products, finished products and goods) is valued at the cost of producing the inventory, which consist of the direct costs of production or any other activity, and/or the portion of indirect costs relating to production or any other activity.

The cost of the valuation of internally developed inventory is determined as actual costs on the basis of the figures for the last month of the reporting period (with respect to the inventory movements).

Inventory is issued out of stock using the cost determined by the weighted arithmetic average method, or predetermined stock prices on the level of calculated own costs that are adjusted at the year-end according to actual costs.

The Company recognised provisions against inventory whose impairment is not deemed permanent by reference to, for instance, its aging analysis and an analysis of idle, redundant or unusable components, taking into account the inventory selling prices that are likely to be achieved, or anticipated selling prices of products that will be produced from these inventories.

3.5. Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Bad debts are written off only after the completion of the Debtor's bankruptcy proceedings.

Provisions against receivables are recorded based on an aging analysis of receivables and individual assessment of the solvency of debtors. Receivables past due for more than 180 days are provided for in full (100%). As a policy, the Company does not create any provisions against receivables from related parties.

3.6. Reserves

Reserves are intended to cover future risks, obligations or expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise. Such reserves include, for example, a reserve for environmental

liabilities, a reserve for commitments arising from legal disputes, business discounts, outstanding vacation days, bonuses and employee benefits, etc.

3.7. Translation of Foreign Currencies into CZK

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

At the balance sheet date, financial assets, short-term receivables and payables denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank as of that date. Any resulting foreign exchange rate gains and losses are recorded through the current period's financial expenses or revenues as appropriate.

3.8. Taxes

3.8.1. Tax Depreciation of Fixed Assets

Depreciation of fixed assets is usually calculated using the accelerated method for tax purposes in accordance with the Income Taxes Act.

3.8.2. Tax Due

Tax due for fiscal period is based on taxable profit. Taxable profit differs from net profit shown in the Profit and Loss Account as it does not include any items of revenues or expenses being taxable or deductible in other periods, and, further, it does not include any items being ever taxable and being deductible. The Company's liability arising from tax due is calculated using tax rates valid as of the balance sheet date.

3.8.3. Deferred Tax

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

The liability method shall be understood the procedure when the income tax rate is applied for the calculation in the period in which the relevant tax liability is settled or the tax asset is recovered, as appropriate.

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.

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

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

3.9. Government Grants / Subsidies

Grants received to offset costs are recognised as other operating and financial income over the period necessary to match them with the related costs. Grants received to acquire tangible and intangible fixed assets and technical improvements, grants for the settlement of interest expenses and other expenses added to the cost are deducted in reporting their cost.

3.10. 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 assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

3.11. Revenue Recognition

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods, products and services provided in the normal course of business, net of discounts, VAT and sales related taxes.

Revenues from the sale of products and goods are recognised when products and goods are delivered and title has passed to the customer on the basis of fulfilment of contractual delivery conditions. Revenues from the provided services are recognised when the services are rendered.

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

3.12. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, equity and financial position of the Company at the balance sheet date and the reported amounts of profit and loss during the reporting period. Management of the Company has made estimates and assumptions on the basis of all relevant information available as of the balance sheet date in order to give a true and fair view of the assets, liabilities, equity and financial position of the Company as of the balance sheet date and the results of its operations for the reporting period. Pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

3.13. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance.

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

3.14. Payables to Credit Institutions

A part of a long-term loan being due within one year from the balance sheet date is treated as a short-term loan.

Interest on operating loans is recognised in profit or loss for the period. Interest on loans provided for the acquisition of fixed assets is included in the acquisition cost of such assets until capitalisation; once capitalisation has been performed, interest is recognised in interest expenses and other expenses related to securing loans are recognised in deferred expenses.

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

4.1. Intangible Fixed Assets

Other intangible fixed assets as of 31 December 2021 include greenhouse emission allowances (hereinafter referred to as the “Allowances” – refer to Note 3.2.1.). As of 31 December 2021, other intangible fixed assets amounted to CZK 0 thousand.

As of 31 December 2021 and 31 December 2020, the Company did not report any balance of EUA emission allowances.

In 2021, free-of-charge allowance allocation was reported, namely 45,743 EUA allowances – allocated as of 17 December 2021, valued at CZK 94,748 thousand.

Valuation of free-of-charge allowances is made at the market price of the EUA Allowance under data provided by the European Energy Exchange, Leipzig, as of the date of Allowances being credited to the Allowances account applying the rate of exchange EUR/CZK by the Czech National Bank always as of the respective date.

In January 2021, the Company purchased 590,000 EUA allowances in the amount of CZK 539,690 thousand from Liberty Ostrava a.s. in order to cover the consumption of 2020. These allowances were handed over in 2021.

Based on the carbon dioxide emission forecast for 2021, the estimated consumption of emission allowances should be 2,040,725 in 2021. As the Company did not record any emission allowances as of the balance sheet date, an estimate for the purchase of allowances was created in respect of this consumption in the amount of CZK 897,823 thousand.

The balance of emission allowances reported as of 31 December 2021 amounts to nil as all emission allowances were recognised in the consumption for a partial coverage of allowances for 2021.

4.2. Tangible Fixed Assets

Cost

	Balance at 31 Dec 2019	Additions	Disposals	Transfers	Balance at 31 Dec 2020	Additions	Disposals	Transfers	Balance at 31 Dec 2021
Land	38 544	-	-	-	38 544	-	-	-	38 544
Buildings	1 560 277	-	-	9 550	1 569 827	-	-	2 714	1 572 541
Individual movable assets and their sets	5 372 929	-	-	46 766	5 419 695	-	-2 252	11 568	5 429 011
Other tangible fixed assets	8	-	-	-	8	-	-	-	8
Tangible fixed assets under construction	43 058	27 795	-	-56 316	14 537	26 251	-	-14 282	26 506
Valuation difference on acquired assets	2 715 821	-	-	-	2 715 821	-	-	-	2 715 821
Paid advances to TFA	683	-	-683	-	-	-	-	-	-
Total	9 731 320	27 795	-683	-	9 758 431	26 251	-2 252	-	9 782 431

Accumulated Depreciation and Provisions

	Balance at 31 Dec 2019	Additions	Disposals	Balance at 31 Dec 2020	Additions	Disposals	Balance at 31 Dec 2021
Buildings	-551 845	-27 807	-	-579 652	-27 872	-	-607 524
Individual movable assets and their sets	-3 177 276	-156 642	-	-3 333 918	-156 161	2 253	-3 487 826
TFA under construction	-	-	-	-	-	-	-
Valuation difference on acquired assets	-1 765 284	-181 054	-	-1 946 338	-181 055	-	-2 127 393
Total	-5 494 405	-365 503	-	-5 859 908	-365 088	2 253	-6 222 743

Net Book Value

	Balance at 31 Dec 2020	Balance at 31 Dec 2021
Land	38 544	38 544
Buildings	990 175	965 017
Individual movable assets and their sets	2 085 777	1 941 185
Other tangible fixed assets	8	8
Tangible fixed assets under construction	14 537	26 506
Valuation difference on acquired assets	769 483	588 428
Paid advances to FTA	-	-
Total	3 898 524	3 559 688

Additions to tangible fixed assets under construction in the reporting period principally include an investment related to a new 400 V transformer in the amount of CZK 5,996 thousand and shock absorbers for the run-in pipes for the K8 – K11 boilers in the amount of CZK 5,750 thousand.

In the year ended 31 December 2021, the Company did not record any unutilised assets.

The depreciation of assets recognised in expenses in the reporting period amounting to CZK 184,033 thousand (2020: CZK 184,449 thousand) was increased by the write-off of the valuation difference on acquired assets recognised in expenses in the current reporting period in the amount of CZK 181,055 thousand (2020: CZK 181,055 thousand) to the total amount of CZK 365,088 thousand (2020: CZK 365,504 thousand).

Fixed Assets Pledged as Security

Fixed assets are pledged as security in favour of the Ministry of the Environment of the Czech Republic as the first creditor in terms of securing the debts of the pledger in favour of the pledge creditor, which may arise as a result of violating the Decree on Investment Grant Provision, up to the total amount of CZK 726,910 thousand including fines and default interest, and which may arise in the period of five years from the completion of the project in question.

Further, the following pledges have been created on the fixed assets of the Company to secure debts of the Company, TAMEH Holding sp. z o.o. and TAMEH Polska sp. z o.o. under or in connection with the CZK 3,950,000 thousand and PLN 840,000 thousand term and revolving facilities agreement dated 15 May 2015 made between TAMEH Holding sp. Z o.o. as the parent, TAMEH Polska sp. z o.o. and the Company as original borrowers, European Bank for Reconstruction and Development, Raiffeisen Bank International AG, Raiffeisen Bank Polska S.A. and Raiffeisenbank a.s. as arrangers, Raiffeisen Bank International AG as agent, Raiffeisen Bank International AG as security agent (the “**Security Agent**”) and certain financial institutions named therein as original lenders and original hedge counterparties, as amended by a first amendment and restatement agreement dated 14 October 2015 and second amendment and restatement agreement dated 15 September 2016 (the “**Facilities Agreement**”):

- a) the mortgage on immovable assets of the Company created pursuant to the mortgage agreement entered into on 4 November 2015 between the Company as mortgagor and the Security Agent as mortgagee, to secure debts under the Facilities Agreement and related documents up to the amount of CZK 3,950,000 thousand and PLN 840,000 thousand;
- b) the mortgage on immovable assets of the Company created pursuant to the mortgage agreement entered into on 15 December 2016 between the Company as mortgagor and the Security Agent as mortgagee, to secure debts under the Term Facility C (as defined in the Facilities Agreement) provided under the Facilities Agreement up to the amount of PLN 530,000 thousand;
- c) the movables pledge agreement over the movable assets of the Company created pursuant to the movables pledge agreement entered into on 14 October 2015 between the Company as pledgor and the Security Agent as pledgee, to secure debts under the Facilities Agreement and related documents up to the amount of CZK 3,950,000 thousand and PLN 840,000 thousand; and
- d) the movables pledge agreement over the movable assets of the Company created pursuant to the movables pledge agreement entered into on 12 December 2016 between the Company as pledgor and the Security Agent as pledgee, to secure debts under the Term Facility C (as defined in the Facilities Agreement) provided under the Facilities Agreement up to the amount of PLN 530,000 thousand.

4.2.1. Assets held under Operating and Finance Leases

Operating Leases

As of 31 December 2021, the Company records assets held under operating leases at the acquisition cost of CZK 6,259 thousand (2020: CZK 6,259 thousand). In the year ended 31 December 2021, lease instalments were made in the amount of CZK 1,162 thousand (2020: CZK 1,264 thousand). The figures above are net of VAT if input VAT recovery is possible.

Finance Leases

As of 31 December 2021, the Company reports no assets held under finance leases.

4.3. Inventory

Inventory predominantly includes inventory of spare parts and raw material. The valuation of redundant, unusable and slow-moving inventory is decreased to the selling price through provisions which are presented in the 'adjustments' column in the accompanying balance sheet. The provision was determined by the Company's management pursuant to the assessment of usability.

Movements on the provisioning accounts

Provisions against:	Balance at 31 Dec 2020	Recognition	Release	Balance at 31 Dec 2021	('000 CZK)
Inventory	12 915	3 824	116	16 623	

4.4. Receivables

4.4.1. Long-Term Receivables

As of 31 December 2021 and 2020, other long-term receivables principally included loans to employees in the amounts of CZK 185 thousand and CZK 385 thousand, respectively. As of 31 December 2021 and 2020, the Company reported no long-term receivables maturing within more than five years.

4.4.2. Short-Term Trade Receivables and Estimated Receivables

As of 31 December 2021, short-term receivables in the amount of CZK 1,222,677 thousand principally included trade receivables in the amount of CZK 349,511 thousand and estimated receivables in the amount of CZK 873,166 thousand which principally included unbilled electricity supplies. As of 31 December 2020, short-term receivables amounting to CZK 844,973 thousand particularly included trade receivables amounting to CZK 562,730 thousand and estimated receivables amounting to CZK 282,243 thousand.

Aging of Short-term Trade Receivables:

Balance at	Category	Before due date	Past due date	Total	('000 CZK)
31 Dec 2021	Gross	345 637	3 874	349 511	
	Provisions	-	-725	-725	
	Net	345 637	3 149	348 786	
31 Dec 2020	Gross	333 711	229 019	562 730	
	Provisions	-	-677	-677	
	Net	333 711	228 342	562 053	

4.4.3. State – Tax Receivables

Receivables from the State can be analysed as follows:

	('000 CZK)	
	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Receivables from corporate income tax	-	21 500
Receivables from value added tax	-	21 912
Total	-	43 412

4.5. Pledge on Receivables

The Company has pledged the receivables of the Company to secure debts under or in connection with the Facilities Agreement:

- a) the pledge on the bank account receivables of the Company created pursuant to the bank account receivables pledge agreement entered into on 15 September 2016 between the Company as pledgor and the Security Agent as pledgee, to secure debts under the Facilities Agreement and related documents up to the amount of CZK 3,950,000 thousand and PLN 1,370,000 thousand;
- b) the pledge on certain commercial agreements receivables of the Company created pursuant to the receivables pledge agreement entered into on 15 September 2016 between the Company as pledgor and the Security Agent as pledgee, to secure debts under the Facilities Agreement and related documents up to the amount of CZK 3,950,000 thousand and PLN 1,370,000 thousand; and
- c) the pledge on the insurance receivables of the Company created pursuant to the insurance receivables pledge agreement entered into on 15 September 2016 between the Company as pledgor and the Security Agent as pledgee, to secure debts under the Facilities Agreement and related documents up to the amount of CZK 3,950,000 thousand and PLN 1,370,000 thousand.]

4.6. Deferred Expenses

As of 31 December 2021 and 2020, deferred expenses principally include expenses related to a loan provided for the acquisition of fixed assets in the amounts of CZK 19,057 thousand and CZK 24,707 thousand, respectively.

4.7. Equity

The Company's registered capital consists of a 100% business share of the Parent Company TAMEH HOLDING Sp. Z o. o. in the amount of CZK 2,572,200 thousand.

Dividends were distributed based on the decision no. 5/21 adopted by the Board of Directors of the sole shareholder of TAMEH Czech s.r.o., acting in the capacity of the General Meeting. The dividend in the amount of CZK 86,196 thousand was paid from the profit for 2020 and the dividend in the amount of CZK 63,804 was paid from the Company's retained earnings.

The Company's sole shareholder will propose distribution of profit for 2021 during the General Meeting in 2022 by paying out a dividend in the amount of the 2021 profit and partially also from retained earnings.

4.8. Reserves

	Balance at 31 Dec 2020	Recognition	Use/ Release	Balance at 31 Dec 2021
Reserve for removal of environmental burdens	5 556	50	-199	5 407
Reserve for outstanding vacation days	524	5 491	-4 813	1 202
Reserve for employee benefits and life jubilees	8 466	-	-944	7 522
Reserve for bonuses	8 084	25 435	-24 875	8 644
Reserve for emission allowances	469 320	-	-469 320	-
Reserve for other expenses	206 022	-	-	206 022
Total reserves	697 972	30 976	-500 151	228 797

Reserve for the Removal of Environmental Burdens

The amount of the reserve represents the current value of costs expected to be incurred by the Company in 2024 in the form of a share in clean-up work and removal of legacy environmental burdens under the decision made by the Czech Environmental Inspectorate (ČÍZP). The change in the reserve represents the change in the time value of money for the relevant period.

Reserve for Employee Benefits and Life Jubilees

The reserve consists of a reserve for the costs of life jubilee bonuses, retirement bonuses and bonuses for work jubilees. The amount of the reserve is based on the effective Collective Labour Agreement and includes social security and health insurance.

Reserve for Bonuses

The reserve is recognised for half-year and annual bonuses of the Employees and Company management relating to 2021. The reserve was prepared with regard to the effective Collective Labour Agreement.

Reserve for the Consumption of Emission Allowances

A reserve for the consumption of emission allowances has been created for purchasing the amount of emission allowances necessary for covering the consumption.

Reserve for Other Costs

A reserve in the aggregate amount of CZK 206,022 thousand was created in 2016 to cover risks arising from the realisation of investment projects.

4.9. Payables

4.9.1. Long-Term Payables

As of 31 December 2021 and 2020, the Company's long-term payables particularly include payables to credit institutions as disclosed in Note 4.9.5. As of 31 December 2021 and 2020, a part of the loan maturing within more than five years amounted to CZK 0 thousand and CZK 0 thousand, respectively.

As of 31 December 2021, the Company reported a deferred tax liability in the amount of CZK 109,617 thousand (as of 31 December 2020: CZK 42,324)

As of 31 December 2021 and 2020, the Company reported no other long-term payables maturing within more than five years.

4.9.2. Short-Term Payables

Aging of Short-term Trade Payables

	Before due	Past due	Total
Balance at 31 Dec 2021	575 504	1 737	577 241
31 Dec 2020	117 873	37 148	155 021

As of 31 December 2021 and as of 31 December 2020, the Company reported no overdue payables arising from social security and health insurance.

As of 31 December 2021, estimated payables particularly included estimate for the purchase of the necessary amount of emission allowances intended to cover the 2021 consumption in the amount of CZK 897,823 thousand, unbilled material supplies in the amount of CZK 55,778 thousand, unbilled services supplies in the amount of CZK 93,935 thousand and estimated interest paid of CZK 20,740 thousand.

Estimated payables as of 31 December 2020 particularly included unbilled material supplies in the amount of CZK 3,561 thousand, unbilled services supplies in the amount of CZK 89,496 thousand and estimated interest paid of CZK 5,472 thousand.

A part of a long-term loan falling due within one year from the balance sheet date in the amount of CZK 290,323 thousand as of 31 December 2021 (CZK 290,323 thousand as of 31 December 2020) is deemed a short-term payable.

4.9.3. State – Tax Payables and Grants / Subsidies

Payables to the State can be analysed as follows:

	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Payable arising from corporate income tax	-	-
Payable arising from personal income tax	1 463	1 755
Payable arising from other taxes	24 680	1 567
Total	26 143	3 322

4.9.4. Intercompany Payables

Name of the entity	Relation	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Payables to group entities	Related party	-	124
Total trade payables		-	124

4.9.5. Payables to Credit Institutions

On 15 May 2015, TAMEH Czech s.r.o. concluded an agreement with Raiffeisen Bank International AG, Raiffeisen Bank Polska S.A., Raiffeisenbank a.s. and European Bank for Reconstruction and Development on a loan in the amount of CZK 2,250,000 thousand for the purpose of financing investment projects, and a revolving loan (Term and Revolving Facilities Agreement). The loan will mature on 18 November 2025. In the year ended 31 December 2021, the Company made repayments of the loan for financing investments in the total amount of CZK 290,322 thousand

(CZK 145,162 thousand as of 31 December 2020) and the loan balance as of 31 December 2021 is CZK 1,161,291 thousand (CZK 1,451,613 thousand as of 31 December 2020).

The interest rate for CZK is based on 3M PRIBOR plus a fixed margin. Total interest of 2021 amounted to CZK 45,197 thousand (CZK 57,334 thousand as of 31 December 2020).

4.10. Income Tax

4.10.1. Deferred Tax

The deferred tax liability is analysed as follows:

	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Difference between the net and tax book values of fixed assets	-286 148	-263 364
Other deferred tax items arising from temporary differences:		
Provisions against inventory	3 158	2 454
Reserve for environmental liabilities	1 027	1 056
Reserve for outstanding vacation days	228	100
Reserve for employee benefits	1 068	1 168
Reserve for bonuses	1 642	1 536
Reserve for life jubilees	362	440
Reserve for the consumption of emission allowances	-	89 171
Other reserves	39 144	39 144
Tax losses brought forward	88 636	23 870
Tax loss from the current period	44 532	61 500
Total	-106 351	-42 925

4.10.2. Income Tax - Due

The corporate income tax for the years 2021 and 2020 was fixed under the Income Tax Act applying the 19% tax rate. For 2022, the tax rate will amount to 19%.

Calculation of the effective tax rate:

	Balance at 31 Dec 2021	Balance at 31 Dec 2020
Profit before tax	160 321	154 071
Income tax payable	-	-
Income tax relating to prior periods	-	-
Deferred tax	64 028	67 875
Total income tax	64 028	67 875
Effective tax rate	39.94%	44.05%

The amount of the effective tax rate is primarily affected by the fact that the write-off of the valuation difference in the aggregate amount of CZK 181,055 thousand that represents a permanent difference is included in deductible items. This fact resulted in an increase in the effective tax rate of 21.18 percentage points. If this item had not been accounted for, the effective rate would have been 18.76% as of 31 December 2021 (2020: 20.25%).

4.11. Details of Income by Principal Activity (Revenues)

	Year ended 31 Dec 2021			Year ended 31 Dec 2020		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Sales of goods	-	-	-	-	-	-
Sales of products	-	-	-	-	-	-
Sales of services	5 058 693	-	5 058 693	3 252 261	709	3 252 970
Total sales of own products and services	5 058 693	-	5 058 693	3 252 261	709	3 252 970

4.12. Related Party Transactions

4.12.1. Related Party Purchases

Entity	Relation to the Company	Year ended 31 Dec 2021	Year ended 31 Dec 2020
TAMEH Polska Sp. z o.o.	Related party	899	242 398
Tauron Polska Energia S.A.	Related party	73	788 410
Tauron Wydobycie S.A.	Related party	31 579	1 944
Purchases from other companies in the group	Related party	1 429	1 471
Total		33 980	1 034 223

4.13. Other Significant Items of the Profit and Loss Account

4.13.1. Year Ended 31 December 2021

Sundry operating income particularly includes the release of the subsidy for emission allowances in the amount of CZK 94,748 thousand and sanctions for breaches of contracts in the amount of CZK 141 thousand.

Sundry operating expenses particularly include the consumption of emission allowances in the amount of CZK 3,392,849 thousand (refer to Note 4.1), and insurance amounting to CZK 13,371 thousand.

Other financial income includes foreign exchange rate gains amounting to CZK 888 thousand.

Other financial expenses particularly include foreign exchange rate losses amounting to CZK 1,786 thousand and banking fees in the amount of CZK 2,516 thousand.

4.13.2. Year Ended 31 December 2020

Sundry operating revenues particularly include the release of the subsidy for emission allowances in the amount of CZK 100,725 thousand and sanctions for breaches of contracts in the amount of CZK 102 thousand.

Sundry operating expenses particularly include the consumption of emission allowances in the amount of CZK 1,748,525 thousand (refer to Note 4.1), insurance amounting to CZK 12,412 thousand, other services from Liberty Ostrava a.s. in the amount of CZK 20,661 thousand.

Other financial revenues include foreign exchange rate gains amounting to CZK 3,317 thousand.

Other financial expenses particularly include foreign exchange rate losses amounting to CZK 5,997 thousand and banking fees in the amount of CZK 4,157 thousand.

4.14. Personnel Costs and Headcount

The following tables summarise the average number of the Company's employees and managers for the years ended 31 December 2021 and 2020, respectively:

Year Ended 31 December 2021

	Number of staff	Payroll costs	Social security and health insurance	Other social costs	Total
Staff	319	154 732	57 421	3 089	215 242
Management	11	16 462	3 485	5	19 952
Total	330	171 194	60 906	3 094	235 194

Year Ended 31 December 2019

	Number of staff	Payroll costs	Social security and health insurance	Other social costs	Total
Staff	327	146 862	56 375	2 614	205 851
Management	10	18 396	3 563	5	21 964
Total	337	165 258	59 938	2 619	227 815

4.15. Granted Loans, Facilities and Other Facts

In 2021, the members of the Statutory and Management Bodies received no bonuses or loans.

In 2020, the members of the Statutory and Management Bodies received no bonuses or loans.

4.16. Costs of the Fees Paid to the Statutory Auditor/Audit Company

In the years ended 31 December 2021 and 2020, the Company incurred costs of the fees paid to the statutory auditor in the amounts of CZK 788 thousand and CZK 753 thousand, respectively.

5. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

5.1. Provided and Received Guarantees

As of 31 December 2021, the Company did not accept any bank guarantees. As of 31 December 2020, the Company did not accept any bank guarantees.

The Company has provided a guarantee for all the debts of TAMEH Holding sp. z o.o. and TAMEH Polska sp. z o.o. arising under the Facilities Agreement and related finance documents.

5.2. Legal Dispute

On 30 May 2016, ČKD PRAHA DIZ a.s. filed an action against the Company in respect of terminating the contract for realising an investment project. The proceedings regarding this matter have not yet been concluded. Based on a petition filed by one of ČKD's creditor, the relevant insolvency court passed a decision on the insolvency of ČKD PRAHA DIZ a.s. on 9 September 2016. On 28 June 2017, the insolvency court rejected the debtor's motion to allow reorganisation and the debtor was adjudicated bankrupt. On 1 June 2018 and 4 June 2018, ČKD PRAHA DIZ a.s. filed additional two actions against TAMEH Czech s.r.o. Both proceedings concerning the new actions have been suspended until the court issues a decision regarding the first action of 30 May 2016.

Until the end of 2021, there was no hearing regarding the first action with the district court in Ostrava having territorial jurisdiction. A trial regarding the first action is planned for 17 March 2022.

5.3. Pledge of an Equity Investment in the Company

The following pledges have been created on the equity investment of TAMEH Holding Sp. z o. o. in the Company to secure debts under or in connection with the Facilities Agreement:

- a) the pledge on the 100% equity investment of TAMEH Holding sp. z o.o. created pursuant to the ownership interest pledge agreement entered into on 15 May 2015 between TAMEH Holding sp. z o.o. as pledgor and the Security Agent as pledgee, to secure debts under the Facilities Agreement and related documents up to the amount of CZK 3,950,000 thousand and PLN 840,000 thousand; and
- b) the pledge on the 100% equity investment of TAMEH Holding sp. z o.o. created pursuant to the ownership interest pledge agreement entered into on 15 September 2016 between TAMEH Holding sp. z o.o. as pledgor and the Security Agent as pledgee, to secure debts under the Term Facility C (as defined in the Facilities Agreement) provided under the Facilities Agreement up to the amount of PLN 530,000 thousand.

6. IMPLICATIONS OF THE COVID-19 OUTBREAK

In late 2019, the first news came from China regarding COVID-19 (the coronavirus). In the first months of 2020, the virus spread across the entire globe, negatively affecting many countries and economies worldwide and in the Czech Republic, including the Company. During the preparation of these financial statements for the year ended 31 December 2021, the Company's management assessed the impacts of the pandemic and based on an evaluation of all currently available information, believes that the going concern assumption is not compromised and therefore the use of this assumption for the preparation of financial statements is still appropriate and no material uncertainty exists regarding this assumption.

7. POST BALANCE SHEET EVENTS

As of 28 February 2022, Marcin Staniszewski was recalled from the position of the Company's statutory executive; Zbigniew Leszko will be appointed new statutory executive on 1 March 2022.

No other significant event occurred subsequent to the balance sheet date.

V. Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT To the Partner of TAMEH Czech s.r.o.

Having its registered office at: Vratimovská 689/117, Kunčice, 719 00 Ostrava

Opinion

We have audited the accompanying financial statements of TAMEH Czech s.r.o. (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 2021, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of TAMEH Czech s.r.o. as of 31 December 2021, and of its financial performance and its 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 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 auditor's report thereon. The Statutory Executives are responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the 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 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 is, in all material respects, consistent with the 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 Statutory Executives for the Financial Statements

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

In preparing the financial statements, the Statutory Executives are 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 Statutory Executives either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Executives.
- Conclude on the appropriateness of the Statutory Executives' 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Executives 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 28 February 2022

Audit firm:

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

Statutory auditor:

Petr Michalík
registration no. 2020

