

TAMEH Czech s.r.o.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

TAMEH Czech s.r.o.

Annual Report 2019

Statutory body of the reporting entity	Signature
Kristina Červenková - executive director	
Zbigniew Opałko - executive director	

Introductory Word

Dear Business Partners, Dear Associates,

The Annual Report of TAMEH Czech s.r.o. evaluates the Company's economic activities in 2019.

The main subject of business activities of TAMEH Czech includes electric power generation, predominantly for the metallurgy production technology for our main customer ArcelorMittal Ostrava a.s. (AMO), or Liberty Ostrava a.s. (LO). This includes the delivery of electric power, steam, heat, blast and compressed air. The fuel for the production of high-pressure steam and other energy includes above all black coal and metallurgical fuel gases that are created as part of the production of pig iron and coke in AMO, or LO.

In 2019, the fulfilment of key production indicators reflected the decline in production of AMO, or LO, which led to reduced media supply requirements to which we had to respond flexibly. This was the main reason for not achieving the planned production volumes and supplies for AMO, or LO.

With regard to dispatching management, we managed to secure all activities and handling related to the interruption of operation and technology repairs in AMO, or LO, and TAMEH Czech s.r.o.

Positive results were reported in safety, which has been one of our priorities for several years now, as regards both the safety and security of our employees and external suppliers. Using effective prevention instruments along with the proactive approach of all of the Company's employees, we achieved significant success – as of 31 December 2019, the Company recorded 4,323 days without any work-related injury, followed by absence, of our permanent employees and 1,049 days in relation to external suppliers. We want to continue with this trend going forward.

TAMEH Czech s.r.o., in compliance with the long-term targets of the TAMEH holding, continued to complete strategic investments. In 2019, we achieved a significant milestone which led to the completion of the problematic project of denitrification of boilers K8, K9 and K10. Together with the general suppliers, Provyko s.r.o. and Energotechnika Energorozruch S.A., we were able to successfully complete all work and tests. A project was also successfully completed for the State Environmental Fund, which provided subsidy for the project from European funds.

In the field of ecology, we were successful in meeting the long-term goal of our Company's strategy of maintaining the trend of reducing the environmental burden. In comparison with 2016, the dust-emission rate is 32% lower, CO₂ emissions 21% lower and NO_x emissions 30% lower.

In relation to maintenance, in 2019, we successfully completed the first phase of the K11 gas boiler reconstruction.

In October 2019, the Company successfully passed the re-certification IMS audit ISO 9001, ISO 14001 and ISO 45001.

In 2019, despite the production decline of AMO, or LO, we managed to meet the requirements for energy supplies in accordance with our customer's needs focusing on optimisation and cost savings. We managed to meet our main goals and settle all liabilities resulting from long-term plans as well as financial indicators towards banks.

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.

Yours faithfully,

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 Górnicza
Republic of Poland
Reg. No.: 0000517887

The Company has no organisational branch 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 register 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 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 2019:

“A” Company Executives

Kristina Červenková
Rafał Zawada

“B” Company Executives

Manfred Wawrzynosek
Tomasz Bożek

Brief Characteristics 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 H.V. system.

Plant 49 – Maintaining/Service 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. Total generating heat capacity is 1,359 MW; generating capacity of 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 is 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 2019, the meetings of the Statutory Body of the Company were held 15 times. The Statutory Body voted four times *per-rollam*.

From 1 January 2019 to 31 December 2019, 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 Manfred Wawrzynosek /B/ - Mr Rafał Zawada /A/ - Mr Tomasz Bożek /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 2019, the Company generated profit before tax in the amount of CZK 116,385 thousand. Total results of operations of the Company for the reporting period represented a profit in the amount of CZK 58,977 thousand.

In the reporting period, the Company generated operating profit amounting to CZK 172,325 thousand and incurred a financial loss amounting to CZK (69,997) thousand.

Total sales of own products and services in the reporting period amounted to CZK 3,596,093 thousand; added value, i.e. the difference between the sales and consumption expenses, amounted to CZK 1,795,533 thousand.

As of 31 December 2019, the Company reported total net assets amounting to CZK 6,177,730 thousand as per the financial statements. Fixed assets amount to CZK 4,236,915 thousand, of which tangible fixed assets amount to CZK 4,236,915 thousand.

Liabilities amounted to CZK 6,177,730 thousand. Equity amounted to CZK 2,904,747 thousand.

As of 31 December 2019, the Company recorded a bank loan from Raiffeisenbank a.s.

Production and Sales

In 2019, the Company generated 813,024 MWh of electric power and 11,889,838 GJ of steam, 1,789,308 cubic meters of blast air and 489,000 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

1. On **1 January 2019**, the Czech Environmental Inspection Authority, specifically the Regional Inspectorate in Ostrava, conducted an inspection of the state of operations of stationary sources of air pollution of TAMEH Czech s.r.o. with a focus on compliance with the special conditions of operation in the event of exceeding the regulatory threshold of a stationary source according to Section 10 (3) of the Air Protection Act.

Conclusion:

In line with the inspection scope covering the devices in question, the Czech Environmental Inspection Authority did not consider the facts 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.

2. On **9 May 2019**, the Czech Environmental Inspection Authority, specifically the Regional Inspectorate in Ostrava, conducted an inspection of the state of operations of stationary combustion sources of air pollution with heating power input of 50 MW or more, which are located in Plant 4 – Energy of the Company; additionally, the inspection focused on compliance with the effective integrated permit in terms of air protection, the operation rules, evidencing the emission limits compliance, compliance with emission caps and keeping records on operations.

Conclusion:

In line with the inspection scope covering the devices in question, the Czech Environmental Inspection Authority did not consider the facts 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

In the year ended 31 December 2019, we were able to achieve a significant milestone which led to the completion of the problematic project of denitrification of boilers K8, K9 and K10. Together with the general suppliers, Provyko s.r.o. and Energotechnika Energozruch S.A., we were able to successfully complete all work and tests. A project was also successfully completed for the State Environmental Fund, which provided subsidy for the project from European funds.

In terms of repair activities in 2019, the first stage of the medium-extent repair of the boiler K 11 was performed, medium-extent repair of the TD2 turbo-blower was completed, the condenser of the turbo generator TG 9 was repaired, medium-extent repair of the vault HV R6kV HRJ was performed, the second stage of the repair of the LV switching station protection was performed.

The performance of the above repairs was necessary in order to meet the requirements for the production of electricity and the supply of other media to the individual plants of Liberty Ostrava a.s.

As part of regular repairs, an annual check and repair of the boiler K14 was performed, parts of fly ash pipes of boiler K14 were replaced and the plating of the mill of the boiler K9 was replaced.

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 – as of 31 December 2019, the Company recorded 4,323 days without any work-related injury followed by absence. We want to continue with this trend going forward.

In October 2019, the Company successfully passed the re-certification audit under EN ISO 9001 – quality management system, EN ISO 14001 – environmental management system, and EN ISO 45001 – safety management system. In February 2019, the Company successfully passed the re-classification audit under EN ISO 50001 – energy management system.

HR Policy

With effect from 1 January 2019, Amendment No. 1/2019 to the Collective Agreement for the years 2017-2019 was concluded.

As of 31 December 2019, the headcount of TAMEH Czech s.r.o. was 337, of which 70 were white-collar employees and 267 were blue-collar employees. The average re-calculated (adjusted) headcount was 337.7 in 2019.

In 2019, average earnings amounted to CZK 42,022 (in 2018: CZK 39,163), which represents a year-on-year increase of 7.3%.

Like in the preceding year, in 2019 the educational programme was primarily focused on meeting and increasing the qualifications of employees. The language courses continued in 2019 as well.

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

On 6 March 2020 following changes of the Statutory Executives of TAMEH Czech s.r.o. occurred:

- Mr. Tomasz Bożek was recalled from the function of Statutory Executive (B);
- Mr. Manfred Wawrzynosek was recalled from the function of Statutory Executive (B);

- Mr. Włodzimierz Liberacki was appointed as Statutory Executive (B);
- Mr. Zbigniew Opałko was appointed as Statutory Executive (B).

No other events occurred subsequent to the balance sheet date that would have a significant impact on the financial statements.

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 2019

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 2019

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 Sciegiennego 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 2019.

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 2019.

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 ArcelorMittal Ostrava a.s.

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 Entities declare that the list of related parties below, with which the Controlled Entity provided supplies and counter-supplies in the year ended 31 December 2019, shows all entities known to TAMEH Czech s.r.o. as of today's date.

Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.), Liberty Engineering Products Ostrava s.r.o. and Liberty Tubular Products Ostrava a.s. were the related parties only until 30 June 2019 when since 1 July 2019 their owner has changed from ArcelorMittal S.A. to LIBERTY OSTRAVA LIMITED. The information below represent transactions with these parties only over the period in which they were related, i.e. from 1 January 2019 to 30 June 2019.

I. 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 2019 to 31 December 2019:

Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.)

In the period from 1 January 2019 to 30 June 2019, TAMEH Czech s.r.o. made the following purchases from Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.) (hereinafter also referred to as "LO"): inventory in the amount of CZK 8,883 thousand, services in the amount of CZK 394,291 thousand and investments in the amount of CZK 992,082 thousand. Moreover, the sales to ArcelorMittal Ostrava a.s. amounted to CZK 2,003,126 thousand.

The aforesaid relations were realised based on the following contracts and agreements:

1. General Cooperation Contract
2. Heat Energy Supplies Contract
3. Raw Materials Supplies and Offtake Contract (from LO to TAMEH)
4. Raw Materials Supplies and Offtake Contract (from TAMEH to LO)
5. Power Electricity Supplies Contract
6. Connection Contract
7. Service Agreement
8. Distribution Network Maintenance Contract

Liberty Engineering Products Ostrava s.r.o. (former ArcelorMittal Engineering Products Ostrava s.r.o.)

In the period from 1 January 2019 to 30 June 2019, the sales to Liberty Engineering Products Ostrava s.r.o. (former ArcelorMittal Engineering Products Ostrava) amounted as follows: inventory of CZK 273 thousand and services of CZK 419 thousand.

Liberty Tubular Products Ostrava a.s. (former ArcelorMittal Tubular Products Ostrava a.s.)

In the period from 1 January 2019 to 30 June 2019, the sales to Liberty Tubular Products Ostrava a.s. amounted to CZK 93 thousand.

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

In 2019, the services purchased from this entity amounted to CZK 1,427 thousand.

Other Legal Acts and Other Measures

On 27 March 2019 – approval of the financial statements for the year ended 31 December 2018 and allocation of profit.

Based on the decision of the Board of Directors of the sole owner acting in the capacity of the general meeting of the Company, the profit for 2018 was allocated on 27 March 2019. As a share in profit, the sole owner was paid CZK 132,592 thousand from the profit for the 2017 reporting period and CZK 37,408 thousand from retained earnings.

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 6 March 2020

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.

V. Financial Statements for 2019

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

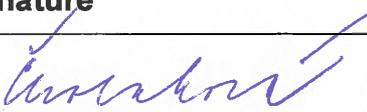
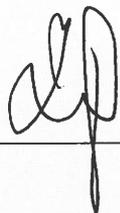
Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 6 March 2020.

Statutory body of the reporting entity:	Signature
Kristina Červenková – Statutory Executive	
Zbigniew Opałko – Statutory Executive	

BALANCE SHEET
full version

As of
31.12.2019
(in CZK thousand)

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

Vratimovská 689/117
719 00 Ostrava - Kunčice

		31.12.2019			31.12.2018
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	11 684 412	5 506 682	6 177 730	6 744 820
B.	Fixed assets	9 732 176	5 495 261	4 236 915	4 458 543
<i>B.I.</i>	<i>Intangible fixed assets</i>	856	856		
B.I.2.	<i>Valuable rights</i>	856	856		
B.I.2.2.	Other valuable rights	856	856		
<i>B.II.</i>	<i>Tangible fixed assets</i>	9 731 320	5 494 405	4 236 915	4 458 543
B.II.1.	<i>Land and structures</i>	1 598 821	551 845	1 046 976	1 074 889
B.II.1.1.	Land	38 544		38 544	38 544
B.II.1.2.	Structures	1 560 277	551 845	1 008 432	1 036 345
B.II.2.	Tangible movable assets and sets of tangible movable assets	5 372 929	3 177 276	2 195 653	1 859 652
B.II.3.	Valuation difference on acquired assets	2 715 821	1 765 284	950 537	1 131 592
B.II.4.	<i>Other tangible fixed assets</i>	8		8	8
B.II.4.3.	Other tangible fixed assets	8		8	8
B.II.5.	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	43 741		43 741	392 402
B.II.5.1.	Prepayments for tangible fixed assets	683		683	8 295
B.II.5.2.	Tangible fixed assets under construction	43 058		43 058	384 107
C.	Current assets	1 920 397	11 421	1 908 976	2 249 264
<i>C.I.</i>	<i>Inventories</i>	206 736	10 744	195 992	119 740
C.I.1.	Material	206 488	10 744	195 744	119 734
C.I.2.	Work in progress and semifinished goods	248		248	6
<i>C.II.</i>	<i>Receivables</i>	811 166	677	810 489	1 173 658
C.II.1.	Long-term receivables	26 102		26 102	83 621
C.II.1.4.	Deferred tax asset	25 552		25 552	83 000
C.II.1.5.	<i>Receivables - other</i>	550		550	621
C.II.1.5.4.	Sundry receivables	550		550	621
<i>C.II.2.</i>	<i>Short-term receivables</i>	785 064	677	784 387	1 090 037
C.II.2.1.	Trade receivables	300 954	677	300 277	521 730
C.II.2.4.	<i>Receivables - other</i>	484 110		484 110	568 307
C.II.2.4.3.	State - tax receivables	164 504		164 504	23 099
C.II.2.4.4.	Short-term prepayments made	50		50	6 351
C.II.2.4.5.	Estimated receivables	319 451		319 451	537 767
C.II.2.4.6.	Sundry receivables	105		105	1 090
<i>C.IV.</i>	<i>Cash</i>	902 495		902 495	955 866
C.IV.1.	Cash on hand	296		296	326
C.IV.2.	Cash at bank	902 199		902 199	955 540
D.	Other assets	31 839		31 839	37 013
D.1.	Deferred expenses	31 839		31 839	37 013

		31.12.2019	31.12.2018
	TOTAL LIABILITIES & EQUITY	6 177 730	6 744 820
A.	Equity	2 904 747	3 015 770
<i>A.I.</i>	<i>Share capital</i>	<i>2 572 200</i>	<i>2 572 200</i>
A.I.1.	Share capital	2 572 200	2 572 200
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	<i>273 570</i>	<i>310 978</i>
A.IV.1.	Accumulated profits or losses brought forward (+/-)	273 570	310 978
A.V.	<i>Profit or loss for the current period (+/-)</i>	<i>58 977</i>	<i>132 592</i>
B.+C.	Liabilities	3 272 983	3 729 050
B.	Reserves	1 207 266	1 405 225
B.IV.	Other reserves	1 207 266	1 405 225
C.	Payables	2 065 717	2 323 825
<i>C.I.</i>	<i>Long-term payables</i>	<i>1 306 467</i>	<i>1 596 789</i>
C.I.2.	Payables to credit institutions	1 306 452	1 596 774
C.I.9.	<i>Payables - other</i>	<i>15</i>	<i>15</i>
C.I.9.3.	Sundry payables	15	15
<i>C.II.</i>	<i>Short-term payables</i>	<i>759 250</i>	<i>727 036</i>
C.II.2.	Payables to credit institutions	290 323	290 323
C.II.4.	Trade payables	187 648	202 280
C.II.8.	<i>Other payables</i>	<i>281 279</i>	<i>234 433</i>
C.II.8.3.	Payables to employees	9 877	9 423
C.II.8.4.	Social security and health insurance payables	6 207	5 974
C.II.8.5.	State - tax payables and subsidies	3 543	114 875
C.II.8.6.	Estimated payables	261 031	103 663
C.II.8.7.	Sundry payables	621	498

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

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

Year ended
31.12.2019
(in CZK thousand)

Vratimovská 689/117
719 00 Ostrava - Kunčice

		Year ended 31.12.2019	Year ended 31.12.2018
I.	Sales of products and services	3 596 093	3 887 362
A.	Purchased consumables and services	1 800 560	1 874 132
A.2.	Consumed material and energy	1 409 436	1 512 437
A.3.	Services	391 124	361 695
B.	Change in internally produced inventory (+/-)	-242	17
D.	Staff costs	238 172	223 698
D.1.	Payroll costs	172 291	161 473
D.2.	Social security and health insurance costs and other charges	65 881	62 225
D.2.1.	Social security and health insurance costs	62 510	59 569
D.2.2.	Other charges	3 371	2 656
E.	Adjustments to values in operating activities	354 186	345 821
E.1.	<i>Adjustments to values of intangible and tangible fixed assets</i>	352 645	344 809
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	352 645	344 809
E.2.	Adjustments to values of inventories	1 542	1 008
E.3.	Adjustments to values of receivables	-1	4
III.	Other operating income	212 915	339 754
III.1.	Sales of fixed assets	750	
III.2.	Sales of material	1 725	2 857
III.3.	Sundry operating income	210 440	336 897
F.	Other operating expenses	1 229 950	1 519 237
F.2.	Material sold	1 029	2 578
F.3.	Taxes and charges	8 759	7 545
F.4.	Reserves relating to operating activities and complex deferred expenses	-197 959	863 923
F.5.	Sundry operating expenses	1 418 121	645 191
*	Operating profit or loss (+/-)	186 382	264 211
VI.	Interest income and similar income	3 156	1 675
VI.2.	Other interest income and similar income	3 156	1 675
J.	Interest expenses and similar expenses	67 792	53 321
J.2.	Other interest expenses and similar expenses	67 792	53 321
VII.	Other financial income	-272	702
K.	Other financial expenses	5 089	6 147
*	Financial profit or loss (+/-)	-69 997	-57 091
**	Profit or loss before tax (+/-)	116 385	207 120
L.	Income tax	57 408	74 528
L.1.	Due income tax	-40	194 801
L.2.	Deferred income tax (+/-)	57 448	-120 273
**	Profit or loss net of tax (+/-)	58 977	132 592
***	Profit or loss for the current period (+/-)	58 977	132 592
*	Net turnover for the current period	3 811 892	4 229 493

**STATEMENT OF
CHANGES IN EQUITY**

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

Year ended
31.12.2019
(in CZK thousand)

Vratimovská 689/117
719 00 Ostrava - Kunčice

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2017	2 572 200			349 892	143 586	3 065 678
Profit shares paid				-38 914	-143 586	-182 500
Profit or loss for the current period					132 592	132 592
Balance at 31 December 2018	2 572 200			310 978	132 592	3 015 770
Profit shares paid				-37 408	-132 592	-170 000
Profit or loss for the current period					58 977	58 977
Balance at 31 December 2019	2 572 200			273 570	58 977	2 904 747

CASH FLOW STATEMENT

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

Year ended
31.12.2019
(in CZK thousand)

Vratimovská 689/117
719 00 Ostrava - Kunčice

		Year ended 31.12.2019	Year ended 31.12.2018
P.	Opening balance of cash and cash equivalents	955 866	609 949
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	116 385	207 120
A.1.	Adjustments for non-cash transactions	220 136	1 260 818
A.1.1.	Depreciation of fixed assets	352 645	344 809
A.1.2.	Change in provisions and reserves	-196 418	864 935
A.1.3.	Profit/(loss) on the sale of fixed assets	-750	
A.1.5.	Interest expense and interest income	64 636	51 646
A.1.6.	Adjustments for other non-cash transactions	23	-572
A.*	Net operating cash flow before changes in working capital	336 521	1 467 938
A.2.	Change in working capital	516 782	-167 227
A.2.1.	Change in operating receivables and other assets	448 379	-282 306
A.2.2.	Change in operating payables and other liabilities	146 197	56 540
A.2.3.	Change in inventories	-77 794	58 539
A.**	Net cash flow from operations before tax	853 303	1 300 711
A.3.	Interest paid	-67 792	-53 321
A.4.	Interest received	3 156	1 675
A.5.	Income tax paid from ordinary operations	-248 296	-78 371
A.***	Net operating cash flows	540 371	1 170 694
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-134 170	-351 954
B.2.	Proceeds from fixed assets sold	750	
B.***	Net investment cash flows	-133 420	-351 954
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-290 322	-290 323
C.2.	Impact of changes in equity	-170 000	-182 500
C.2.6.	Profit shares paid	-170 000	-182 500
C.***	Net financial cash flows	-460 322	-472 823
F.	Net increase or decrease in cash and cash equivalents	-53 371	345 917
R.	Closing balance of cash and cash equivalents	902 495	955 866

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 2019.

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

None.

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 2019, 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	Manfred Wawrzynosek
	"B" Statutory Executive	Tomasz Božek

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 2019, for the calendar year ended 31 December 2019.

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 2018 and ending on 31 December 2018.

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. The amount of the reserve is determined based on the market price of emission allowances as of the balance sheet date.

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, consumption of emission allowances, 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 2019 include greenhouse emission allowances (hereinafter referred to as the "Allowances" – refer to Note 3.2.1.). As of 31 December 2019, other intangible fixed assets amounted to CZK 0 thousand.

As of 31 December 2019 and 31 December 2018, the Company did not report any balance of EUA emission allowances.

In 2019, free-of-charge allowance allocations were reported in the amount specified below:

- a) 172,872 EUA allowances – allocated as of 28 February 2019, valued at: CZK 94,485 thousand.

In addition, on 21 February 2019, the Company purchased 1,900,000 EUA allowances of CZK 985,598 thousand from Liberty Ostrava a.s. to cover the 2018 consumption.

Valuation 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.

Based on the dioxide emission forecast for 2019, the consumption for 2019 was determined anticipating 1,931,670 emission allowances. As the Company did not record any emission allowances as of the balance sheet date, a reserve for the purchase of allowances was created in respect of this consumption. The reserve was calculated presuming that a part of the 2019 consumption would be covered by emission allowances for 2019 allocated free of charge as well as purchased emission allowances remaining from 2019 in the aggregate amount of 387,359 pieces. As of 31 December 2019, the additional 165,454 pieces of allowances for the year 2019, claimed under the allocation plan, were not allocated free of charge; the claim was recorded as of 31 December 2019 under 'Other operating income' and 'State – tax receivables'. As of 31 December 2019, the entire amount was charged to cover part of the 2019 consumption to 'Other operating expenses' and to decrease balance of the 'State – tax receivables' account.

A reserve amounting to CZK 978,277 thousand was created for the remaining consumption of 1,544,311 allowances.

The balance of emission allowances reported as of 31 December 2019 amounts to nil as all emission allowances were recognised in the consumption for covering allowances for 2019.

4.2. Tangible Fixed AssetsCost

	('000 CZK)								
	Balance at 31 Dec 2017	Additions	Disposals	Transfers	Balance at 31 Dec 2018	Additions	Disposals	Transfers	Balance at 31 Dec 2019
Land	38 544	-	-	-	38 544	-	-	-	38 544
Buildings	1 534 607	-	-75	25 745	1 560 277	-	-	-	1 560 277
Individual movable assets and their sets	4 402 280	-	-8 732	500 322	4 893 870	-	-619	479 678	5 372 929
Other tangible fixed assets	8	-	-	-	8	-	-	-	8
Tangible fixed assets under construction	540 088	370 086	-	-526 067	384 107	138 629	-	-479 678	43 058
Valuation difference on acquired assets	2 715 821	-	-	-	2 715 821	-	-	-	2 715 821
Paid advances to TFA	24 592	14 700	-30 997	-	8 295	4 098	-11 710	-	683
Total	9 255 940	384 786	-39 804	-	9 600 922	142 727	-12 329	-	9 731 320

Accumulated Depreciation and Provisions

	('000 CZK)						
	Balance at 31 Dec 2017	Additions	Disposals	Balance at 31 Dec 2018	Additions	Disposals	Balance at 31 Dec 2019
Buildings	-496 167	-27 840	75	-523 932	-27 913	-	-551 845
Individual movable assets and their sets	-2 907 036	-135 914	8 732	-3 034 218	-143 677	619	-3 177 276
TFA under construction	-	-	-	-	-	-	-
Valuation difference on acquired assets	-1 403 174	-181 055	-	-1 584 229	-181 055	-	-1 765 284
Total	-4 806 377	-344 809	8 807	-5 142 379	-352 645	619	-5 494 405

Net Book Value

	('000 CZK)	
	Balance at 31 Dec 2018	Balance at 31 Dec 2019
Land	38 544	38 544
Buildings	1 036 345	1 008 432
Individual movable assets and their sets	1 859 652	2 195 653
Other tangible fixed assets	8	8
Tangible fixed assets under construction	384 107	43 058
Valuation difference on acquired assets	1 131 592	950 537
Paid advances to FTA	8 295	683
Total	4 458 543	4 236 915

Additions to tangible fixed assets under construction in the reporting period principally include an investment related to DeNOx renewal in the aggregate amount of CZK 107,425 thousand. This investment is funded by a long-term loan (refer to Note 4.9.5.).

In the year ended 31 December 2019, the Company capitalised interest related to a loan provided for acquiring tangible fixed assets of CZK 15,267 thousand (CZK 23,707 thousand in 2018). This amount was used in full for the DeNOx investment project. Interest is capitalised in assets until the assets have been capitalised.

As of 31 December 2019, the aggregate amount of capitalised interest is CZK 151,888 thousand (2018: CZK 136,621 thousand).

In the year ended 31 December 2019, the Company did not record any unutilised assets.

The depreciation of assets recognised in expenses in the reporting period amounting to CZK 171,590 thousand (2018: CZK 163,754 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 (2018: CZK 181,055 thousand) to the total amount of CZK 352,645 thousand (2018: CZK 344,809 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 2019, the Company records assets held under operating leases at the acquisition cost of CZK 6,066 thousand (2018: CZK 6,598 thousand). In the year ended 31 December 2019, lease instalments were made in the amount of CZK 1,174 thousand (2018: CZK 932 thousand). The figures above are net of VAT if input VAT recovery is possible.

Finance Leases

As of 31 December 2019, 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

	('000 CZK)			
Provisions against:	Balance at 31 Dec 2018	Recognition	Release	Balance at 31 Dec 2019
Inventory	9 202	2 424	882	10 744

4.4. Receivables

4.4.1. Long-Term Receivables

As of 31 December 2019 and 2018, other long-term receivables principally included loans to employees in the amounts of CZK 550 thousand and CZK 621 thousand, respectively, and a deferred tax asset of CZK 25,552 thousand (2018: a deferred tax asset of CZK 83,000 thousand). As of 31 December 2019, the Company reported no long-term receivables maturing within more than five years.

4.4.2. Short-Term Receivables

As of 31 December 2019, short-term receivables in the amount of CZK 784,387 thousand principally included trade receivables in the amount of CZK 300,277 thousand and estimated receivables in the amount of CZK 319,451 thousand which principally included unbilled electricity supplies. As of 31 December 2018, short-term receivables amounting to CZK 1,090,037 thousand particularly included trade receivables amounting to CZK 521,730 thousand and estimated receivables amounting to CZK 537,767 thousand.

Aging of Short-term Trade Receivables:

('000 CZK)				
Balance at	Category	Before due date	Past due date	Total
31 Dec 2019	Gross	296 271	4 683	300 954
	Provisions	-	-677	-677
	Net	296 271	4 006	300 277
31 Dec 2018	Gross	521 686	722	522 408
	Provisions	-	-678	-678
	Net	521 686	44	521 730

4.4.3.State – Tax Receivables

Receivables from the State can be analysed as follows:

('000 CZK)		
	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Receivables from corporate income tax	137 514	-
Receivables from value added tax	26 990	23 099
Total	164 504	23 099

4.4.4.Intercompany Receivables

On 1 July 2019, the owner of Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.) changed and as of 31 December 2019, the company is no longer included in related parties.

('000 CZK)			
Entity	Relation to the Company	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.)	Related party until 30 June 2019	-	1 048 060
Receivables from other group entities	Related party	386	24
Trade receivables		386	1 048 084
Total		386	1 048 084

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 2019 and 2018, deferred expenses principally include expenses related to a loan provided for the acquisition of fixed assets in the amounts of CZK 30,373 thousand and CZK 36,023 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.

The profit for 2018 was distributed based on the decision of 27 March 2019 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 sole shareholder received a profit share of CZK 170,000 thousand for the 2018 reporting period, of which CZK 37,408 thousand was paid out from the Company's retained earnings and CZK 132,592 thousand from the 2018 profit.

The Company proposes paying out a dividend in the amount of the 2019 profit and partially also from retained earnings.

4.8. Reserves

	Balance at 31 Dec 2018	Recognition	Use/ Release	Balance at 31 Dec 2019
Reserve for removal of environmental burdens	5 415	93	-	5 508
Reserve for outstanding vacation days	1 634	3 727	-4 349	1 012
Reserve for employee benefits and life jubilees	7 083	1 383	-	8 466
Reserve for bonuses	11 762	25 189	-28 969	7 982
Reserve for emission allowances	1 173 309	978 276	-1 173 309	978 276
Reserve for other expenses	206 022	-	-	206 022
Total reserves	1 405 225	1 008 668	-1 206 627	1 207 266

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 (ČIŽP). 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 2019. 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 2019 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 2019 and 2018, the Company's long-term payables particularly include payables to credit institutions as disclosed in Note 4.9.5. As of 31 December 2019 and 2018, a part of the loan maturing within more than five years amounted to CZK 145,161 thousand and CZK 435,484 thousand, respectively.

As of 31 December 2019, 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

	('000 CZK)		
Balance at	Before due	Past due	Total
31 Dec 2019	179 958	7 690	187 648
31 Dec 2018	157 062	45 218	202 280

As of 31 December 2019 and as of 31 December 2018, the Company reported no overdue payables arising from social security and health insurance.

As of 31 December 2019, estimated payables particularly included unbilled material supplies in the amount of CZK 61,791 thousand, unbilled services supplies in the amount of CZK 187,980 thousand and estimated interest paid of CZK 9,309 thousand. Estimated payables as of 31 December 2018 particularly included unbilled material supplies in the amount of CZK 9,672 thousand, unbilled services supplies in the amount of CZK 76,321 thousand and estimated interest paid of CZK 11,068 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 2019 (CZK 290,323 thousand as of 31 December 2018) is deemed a short-term payable.

4.9.3. State – Tax Payables and Grants / Subsidies

Payables to the State can be analysed as follows:

	('000 CZK)	
	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Payable arising from corporate income tax	-	110 822
Payable arising from personal income tax	1 623	1 663
Payable arising from other taxes	1 920	2 390
Total	3 543	114 875

4.9.4. Intercompany Payables

On 1 July 2019, the owner of Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.) changed and as of 31 December 2019, the company is no longer included in related parties.

		('000 CZK)	
Name of the entity	Relation	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.)	Related party until 30 June 2019	-	74 626
Payables to group entities	Related party	238	872
Total		238	75 498

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 of CZK 140,000 thousand, which the Company did not draw in 2019 (Term and Revolving Facilities Agreement). The loan will mature on 15 May 2025. In the year ended 31 December 2019, the Company made repayments of the loan for financing investments in the total amount of CZK 290,323 thousand and the loan balance as of 31 December 2019 is CZK 1,596,775 thousand.

The interest rate for CZK is based on 3M PRIBOR plus a fixed margin. Total interest paid in 2019 amounted to CZK 84,817 thousand.

In 2015 and 2016, the Company concluded derivative transactions – interest rate SWAPs (hereinafter “IRS”) in order to hedge the interest rate carried by the Term and Revolving Facilities Agreement, in line with the obligation arising from the loan documentation. In respect of these derivative transactions, TAMEH Czech s.r.o. is obliged to pay interest to the bank providing the hedging, determined as a fixed interest rate, and accepted a floating 3M PRIBOR interest rate from the hedging bank.

As of 31 December 2019, the IRS served to hedge CZK 0 thousand at a fixed interest rate.

As of 31 December 2019, the interest rate swap was remeasured at fair value with gains in the amount of CZK 2,900 thousand.

4.10. Income Tax

4.10.1. Deferred Tax

The deferred tax asset is analysed as follows:

	Balance at 31 Dec 2019	Balance at 31 Dec 2018
		('000 CZK)
Difference between the net and tax book values of fixed assets	-230 267	-185 741
Other deferred tax items arising from temporary differences:		
Provisions against inventory	2 041	1 748
Reserve for environmental liabilities	1 047	1 029
Reserve for outstanding vacation days	192	310
Reserve for employee benefits	1 160	966
Reserve for bonuses	1 517	2 235
Reserve for life jubilees	449	380
Reserve for the consumption of emission allowances	185 872	222 929
Other reserves	39 144	39 144
Tax loss from the current period	24 396	-
Total	25 552	83 000

4.10.2. Income Tax - Due

The corporate income tax for the years 2019 and 2018 was fixed under the Income Tax Act applying the 19% tax rate. For 2020, the tax rate will amount to 19%.

Calculation of the effective tax rate:

	('000 CZK)	
	Balance at 31 Dec 2019	Balance at 31 Dec 2018
Profit before tax	102 328	207 120
Income tax payable	-	194 852
Income tax relating to prior periods	-40	-51
Deferred tax	57 448	-120 273
Total income tax	57 408	74 528
Effective tax rate	53.49%	35.98%

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 29.56 percentage points. If this item had not been accounted for, the effective rate would have been 19.77%.

4.11. Details of Income by Principal Activity (Revenues)

	Year ended 31 Dec 2019			Year ended 31 Dec 2018		
	In- country	Cross- border	Total	In- country	Cross- border	Total
Sales of goods	-	-	-	-	-	-
Sales of products	-	-	-	-	-	-
Sales of services	3 596 093	-	3 596 093	3 887 362	-	3 887 362
Total sales of own products and services	3 596 093	-	3 596 093	3 887 362	-	3 887 362

4.12. Related Party Transactions**4.12.1. Income Generated with Related Parties**

Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.) was a related party until 30 June 2019 as the owner of the company changed on 1 July 2019. The table below represents revenue realised with Liberty Ostrava a.s. from 1 January 2019 to 30 June 2019.

Entity	Relation to the Company	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.)	Related party until 30 June 2019	2 003 126	3 968 285
Income from other companies in the group	Related party	93	231
Total income from companies in the group		2 003 219	3 968 516

4.12.2. Related Party Purchases

Of the total purchases volume in 2019 amounting to CZK 1,395,256 thousand from the related party Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.), which was a related party until 30 June 2019, the related party rebilled transactions in the amount of CZK 2,937 thousand. In 2018, the total purchases from ArcelorMittal Ostrava a.s. amounted to CZK 827,216 thousand, of which transactions were executed in the amount of CZK 4,922 thousand in the form of rebilling.

Entity	Relation to the Company	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Liberty Ostrava a.s. (former ArcelorMittal Ostrava a.s.)	Related party until 30 June 2019	1 395 256	827 216
Purchases from other companies in the group	Related party	2 119	3 869
Total		1 397 375	831 085

4.13. Other Significant Items of the Profit and Loss Account**4.13.1. Year Ended 31 December 2019**

Other operating revenues particularly include the release of the subsidy for emission allowances in the amount of CZK 199,296 thousand and sanctions for breaches of contracts in the amount of CZK 11,062 thousand.

Other operating expenses particularly include the consumption of emission allowances in the amount of CZK 1,184,894 thousand (refer to Note 4.1), the effect of price decrease of CO2 allowances of CZK 230,146 thousand purchased from Liberty Ostrava a.s (former ArcelorMittal Ostrava a.s.) and insurance amounting to CZK 8,378 thousand.

Other financial revenues include foreign exchange rate gains amounting to CZK 109 thousand and income from the settlement and revaluation of interest rate derivatives of CZK (381) thousand.

Other financial expenses particularly include foreign exchange rate losses amounting to CZK 204 thousand and banking fees in the amount of CZK 4,885 thousand.

4.13.2. Year Ended 31 December 2018

Other operating revenues particularly include the release of the subsidy for emission allowances in the amount of CZK 198,945 thousand, invoicing of the effect of price increases of CO2 allowances of CZK 110,978 thousand to ArcelorMittal Ostrava a.s and default interest of CZK 29,249 thousand.

Other operating expenses particularly include the consumption of emission allowances in the amount of CZK 632,782 thousand (refer to Note 4.1) and insurance premium amounting to CZK 12,015 thousand.

Other financial revenues include foreign exchange rate gains amounting to CZK 148 thousand and income from the settlement and revaluation of interest rate derivatives of CZK 554 thousand.

Other financial expenses particularly include foreign exchange rate losses amounting to CZK 1,267 thousand and banking fees in the amount of CZK 4,880 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 2019 and 2018, respectively:

Year Ended 31 December 2019

	Number of staff	Payroll costs	Social security and health insurance	Other social costs	Total
Staff	334	155 324	58 504	3 361	217 189
Management	11	16 967	4 006	10	20 983
Total	345	172 291	62 510	3 371	238 172

('000 CZK)

Year Ended 31 December 2018

	Number of staff	Payroll costs	Social security and health insurance	Other social costs	Total
Staff	336	145 443	55 874	2 646	203 963
Management	11	16 030	3 695	10	19 735
Total	347	161 473	59 569	2 656	223 698

('000 CZK)

4.15. Granted Loans, Facilities and Other Facts

In 2019, the members of the Statutory and Management Bodies received no bonuses or loans.

In 2018, 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 2019 and 2018, the Company incurred costs of the fees paid to the statutory auditor in the amounts of CZK 388 thousand and CZK 476 thousand, respectively.

5. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

5.1. Provided and Received Guarantees

As of 31 December 2019, the Company did not accept any bank guarantees. As of 31 December 2018, the Company accepted bank guarantees in the total amount of CZK 178,230 thousand.

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.

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. POST BALANCE SHEET EVENTS

On 6 March 2020 following changes of the Statutory Executives of TAMEH Czech s.r.o. occurred:

- Mr. Tomasz Bożek was recalled from the function of Statutory Executive (B);
- Mr. Manfred Wawrzynosek was recalled from the function of Statutory Executive (B);

- Mr. Włodzimierz Liberacki was appointed as Statutory Executive (B);
- Mr. Zbigniew Opałko was appointed as Statutory Executive (B).

No other events occurred subsequent to the balance sheet date that would have a significant impact on the financial statements.

VI. 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 2019, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

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 6 March 2020

Audit firm:

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



Statutory auditor:

Petr Michalík
registration no. 2020

