Železiarne Podbrezová a.s.

2022
ANNUAL REPORT

Deloitte.

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Section Sro, File 4444/B
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VAT ID: SK2020325516

Železiarne Podbrezová a.s.

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT to Section Report on Information Presented in the Annual Report

To the Shareholders, Supervisory Board and Board of Directors of Železiarne Podbrezová a.s.:

We have audited the separate financial statements of Železiarne Podbrezová a.s. (the "Company") as at 31 December 2022 presented in Appendix to the accompanying consolidated annual report of the Company, on which we issued an independent auditor's report on 30 March 2023 that is presented on pages 1 – 2 of the Appendix to Company's consolidated annual report. We have also audited the consolidated financial statements of Železiarne Podbrezová a.s. and its subsidiaries (the "Group") as at 31 December 2022 presented on pages 44 – 71 of the accompanying consolidated annual report of the Company, on which we issued an independent auditor's report on 2 May 2023 that is presented on pages 45 - 46 of the Company's consolidated annual report. We have prepared this supplement in accordance with Article 27 (6) of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Statutory Audit Act").

Based on the performed procedures described in section "Report on Information Presented in the Annual Report" of the independent auditor's reports specified above, in our opinion:

- Information presented in the Company's consolidated annual report prepared for 2022 is consistent with its separate and consolidated financial statements for the relevant year; and
- The consolidated annual report includes information pursuant to Act No. 431/2002 Coll. on Accounting, as amended.

Furthermore, based on our understanding of the Group and its position obtained during our audits of the separate financial statements and the consolidated financial statements, we are required to disclose whether material misstatements were identified in the consolidated annual report. There are no findings that should be reported in this regard.

Bratislava, 22 September 2023

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

This is a translation of the original supplement to the auditor's report issued in the Slovak language to the accompanying annual report translated into the English language.

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Foreword by the Chairman of the Board of Directors

Ing. Vladimír SOTÁK
Chairman of the Board of Directors
and Chief Executive Officer

Dear Shareholders and Business Partners,

On the occasion of the evaluation of our economic results for 2022, I would like to thank you all of you for your good cooperation – suppliers, customers, financial institutions and all other parties with which we cooperated in 2022. I wish to emphasise that 2022 was a year that will go down in history as the year when the electricity and gas markets were upended in an unprecedented way. Electricity producers sold energy prior to its generation to trading companies, banks and pension funds, which found a way to manipulate market prices via stock exchanges. Electricity prices reached extremely high levels, which caught most companies off-guard, as this situation could not be anticipated.

Foreword by the Chairman of the Board of Directors

Fortunately, Železiarne Podbrezová a.s. purchased electricity for 2022 at fixed prices, which allowed us to cope with the enormous spike in input and wage costs. The real value of money started to fall and this trend continues, partly also due to high inflation, which was a previously unseen situation.

Last year was marked by the military conflict in Ukraine. I would like to stress that the Company stands in total opposition to this war. The older generation still recall the horrors of war from accounts, films and from school. We know how many millions of people died on battlefields, in concentration camps, and the atrocities which were committed during all wars throughout history. I very much wish for the military conflict in Ukraine to end and for those responsible for instigating it to reconcile and overcome the obstacles that hinder Europe's peaceful development instead of war. The EU faces great challenges due to its failure to keep energy prices low, which has caused problems for many businesses. I worry that industrial production in the EU will decline as a result. I do not trust all the statistics reported by Brussels and many of the indicators presented in Slovakia. For many years, Železiarne Podbrezová has worked with a business cost model that provides precise information on production costs and enables us to set fair prices of the products we sell to our customers. The employees in the sales department led by our Sales Director deserve a huge thank you for this.

Dear Shareholders,

In 2022, Železiarne Podbrezová a.s. reported its highest ever profit in the 183 years of its history. It was also a year in which we fully developed our investment activities, primarily focussing on the modernisation of our technological equipment in the tube drawing and rolling mills, and we also plan steel mill modernisation. These investments will continue in 2023. I am very pleased that we implemented the record high increase of employee wages in 2022. I would also like to thank the employees of Železiarne Podbrezová and all our production, business and service subsidiaries. Thanks to their commitment, good communication and cooperation, their sound economic performance and good management, ŽP GROUP as a whole was able to achieve excellent economic results. I am proud of our great work in 2022 and I believe that despite the challenges we face in 2023, it will be a successful year for us.

In conclusion, I must unfortunately note that despite the very high volume of EU funds allocated to Slovakia, the Slovak Government which has run Slovakia since the last election, has failed to take this opportunity to increase the share of industry in Slovakia's GDP. Politicians have little interest in producers, they do not pay attention to taking care of employees and sometimes I am concerned they are uninterested in taking care of Slovak citizens. This cannot make any one of us happy. On the other hand, in 2021 and 2022 we paid record high amounts to the state budget. I hope these funds will be used better than those obtained by the Slovak Government from the sale of emission allowances. I very much wish we could live to see that politicians become statesmen in our small country.

I wish you every success in the future, first of all good health and also successful business at the companies for which you work.

Ing. Vladimír Soták
Chairman of the Board of Directors
and Chief Executive Officer

Board of Directors

Ing. Vladimír SOTÁK
Chairman of the Board of Directors and CEO

He was born in 1955 and has been a member of the Board of Directors since the incorporation of the joint-stock company in 1992. He has held the office of Chairman of the Board of Directors and CEO of the Company since 1994.

Board of Directors

Ing. Marian KURČÍK

Vice-Chairman of the Board of Directors and CFO

He was born in 1958 and has been a member of Company management since 1993. He has been a member of the Board of Directors since 1994 and was elected Vice-Chairman of the Board of Directors in 2002.

Ing. Miloš DEKRÉT

Member of the Board of Directors and Production Director

He was born in 1965 and became the Production Director in July 2014. He has been a member of the Company's statutory body since 2015.

Ing. Vladimír SOTÁK, jr.

Member of the Board of Directors and Sales Director

He was born in 1977. He became a member of the Board of Directors in 2015 and the Sales Director in 2019.

Ing. Martin DOMOVEC

Member of the Board of Directors and Technical Director

He was born in 1980. He has been Technical Director at the Company since 2021 and became a member of the Board of Directors in 2022.

Ing. Ján VILLIM

Member of the Board of Directors and Human Resources Director

He was born in 1979. Since January 2022, he has been the HR Director of the Company and in June 2022, he was appointed a member of the Board of Directors.

Note: Ing. Mária Niklová was a member of the Board of Directors until 27 June 2022.

Supervisory Board

Ing. Ján BANAS
Chairman of the
Supervisory Board

Ing. Vladimír ZVARÍK
Member of the Supervisory Board

Ing. Jozef MARČOK
Vice-Chairman of the
Supervisory Board

Ing. Tomáš IHRING
Member of the Supervisory Board

Luigi CUZZOLIN
Member of the Supervisory Board

Ing. Ivan SETVÁK
Member of the Supervisory Board
elected by employees

Ing. Ľudovít IHRING
Member of the Supervisory Board

Ján CIPCIAR
Member of the Supervisory Board
elected by employees

Ing. Július KRIVÁŇ
Member of the Supervisory Board

Ing. Peter KOHÚT
Member of the Supervisory Board
elected by employees
(since 31 May 2022)

Note: Ing. Jaroslav Romančík was a member of the Supervisory Board until 31 May 2022.

Key Information

Business name:	Železiarne Podbrezová a.s. (abbreviated ŽP a.s.)
Legal form:	Joint-stock company
Registered office:	Kolkáreň 35 976 81 Podbrezová Slovak Republic
Date of establishment:	21 april 1992
Date of incorporation:	1 may 1992
Company ID:	31 562 141
VAT ID:	SK2020458704

Železiarne Podbrezová a.s. is registered in the Business Register of the Banská Bystrica District Court, Section: Sa, Insert No. 69/S.

The separate and consolidated financial statements and the annual report for 2022 are subject to approval by the General Meeting and are available for inspection by shareholders at the Company's registered office and on the Company's website.

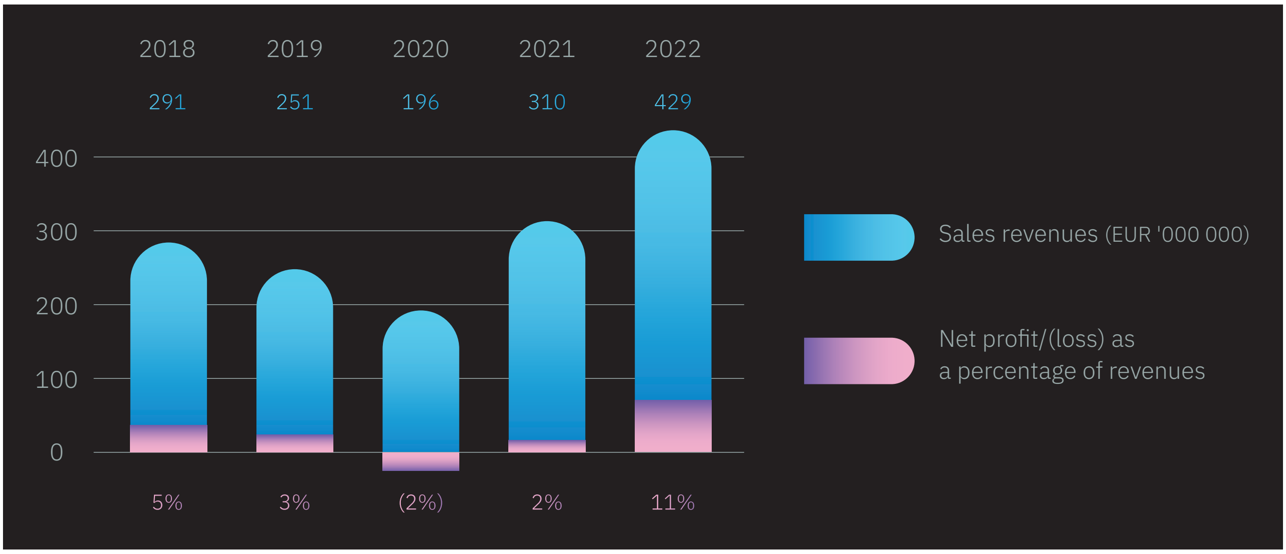
Key Financial Indicators

Development of Selected Non-consolidated Data (under IFRS, in EUR '000)

	2018	2019	2020	2021	**2022**
Sales revenues	290 932	251 057	196 414	310 159	**428 595**
Operating profit/(loss)	14 163	2 739	(7 942)	2 043	**61 298**
Net profit/(loss)	13 306	7 239	(3 011)	5 659	**49 192**
Return on sales revenues	5%	3%	(2%)	2%	**11%**
Net operating cash flow	14 410	8 423	9 318	12 674	**11 444**
Total assets	289 609	280 642	291 029	324 686	**369 764**
Financial investments	75 923	77 960	79 026	79 891	**75 336**
Equity	208 086	211 034	205 639	211 298	**256 434**
Equity to total assets ratio	72%	75%	71%	65%	**69%**
Interest-bearing loans and borrowings	35 933	32 230	47 922	61 628	**33 758**
Debt to total assets ratio	12%	11%	16%	19%	**9%**
Equity per share (EUR)	87	89	86	89	**108**
Net profit/(loss) per share (EUR)	6	3	(1)	2	**21**
Approved dividends per share (EUR)	2	1,80	1	-	**2**

Key Financial Indicators

Sales Revenues and their Return



Development of Selected Consolidated data (under IFRS, in EUR '000)

	2018	2019	2020	2021	2022
Sales revenues	397 579	344 036	285 460	428 556	**575 214**
Operating profit/(loss)	25 120	11 086	(2 588)	21 701	**88 705**
Net profit/(loss)	18 232	8 395	(3 535)	18 700	**66 411**
of which: share attributable to the Company's shareholders	17 480	8 025	(3 900)	16 640	**64 328**
Return on sales revenues	4%	2%	(1%)	4%	**11%**
Net operating cash flow	15 788	31 488	12 918	(3 275)	**76 364**
Total assets	374 377	369 397	375 481	437 345	**502 142**
Equity	217 920	221 658	214 929	234 016	**296 002**
of which: share attributable to the Company's shareholders	207 182	210 999	204 372	221 328	**282 015**
Interest-bearing loans and borrowings	90 036	92 531	105 753	126 521	**98 118**
Return on equity	8%	4%	(2%)	8%	**23%**
Return on assets	5%	2%	(1%)	4%	**13%**
Profit/(loss) per share (EUR)	7	3	(2)	7	**27**
Equity per share (EUR)	87	89	86	93	**118**

Production and Sales

Production Programme

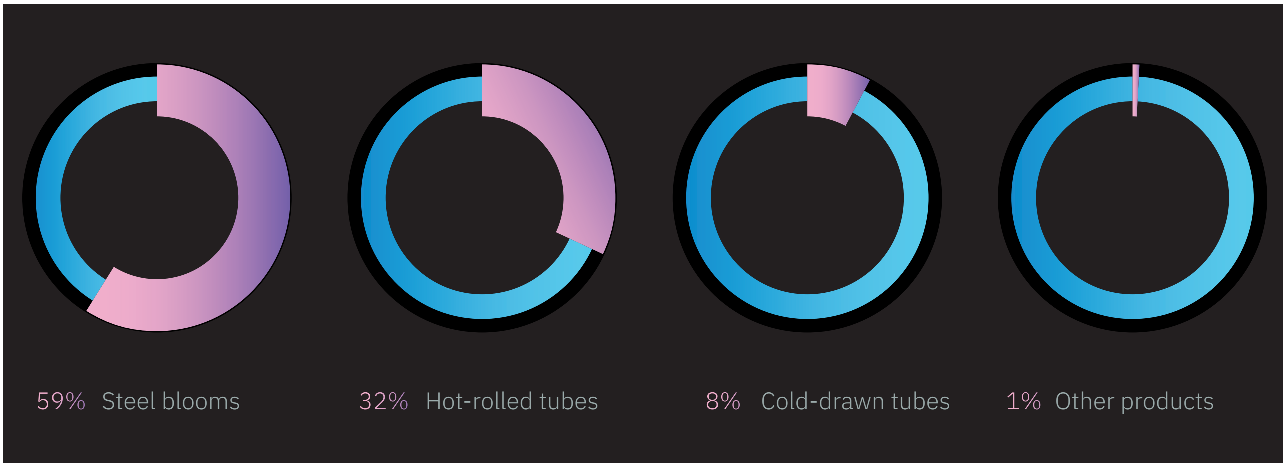
Seamless hot-rolled steel tubes
- Tubes for steel constructions
- Tubes for parts of machines and general technical purposes
- Tubes for pressure equipment and heat exchangers
- Tubes for welding and threading
- Tubes for transportation of flammable media
- Oil tubes

Precision seamless cold-drawn steel tubes
- Standard precision tubes
- Tubes for the automotive industry
- Tubes for heat exchangers
- Tubes for hydraulic and pneumatic cylinders
- Tubes for hydraulic and pneumatic lines (HPL type)
- Tubes with internal ribs
- Galvanized tubes
- Tubes for the production of bearings

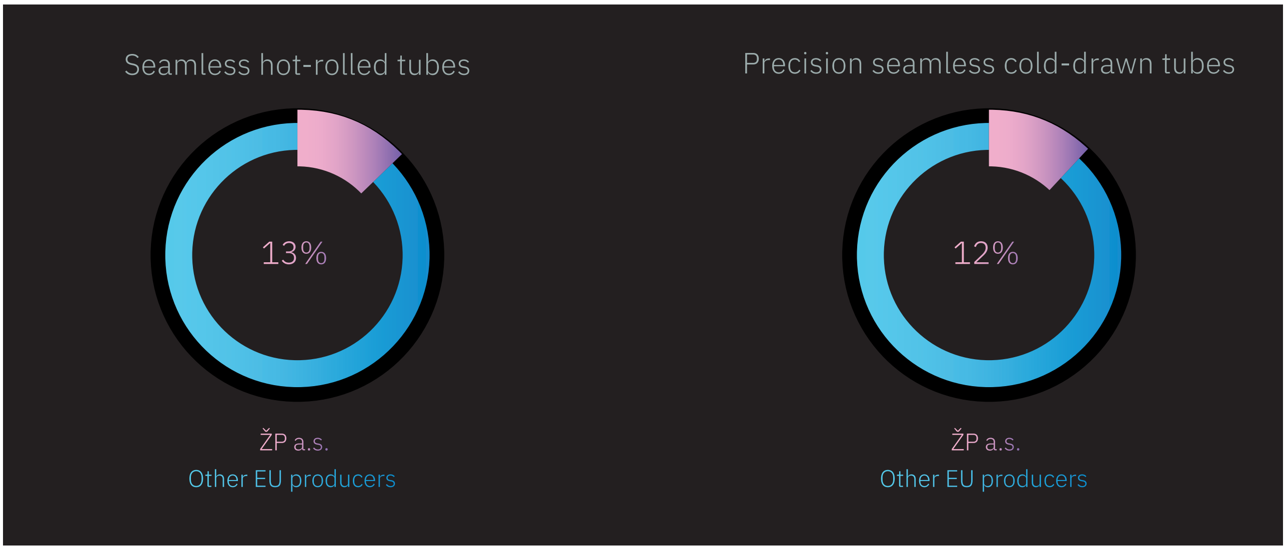
Semi-finished tubes
Butt welding elbows and reducers
Con cast steel blooms

Production and sales

Production Structure in 2022



Share in the Production of Selected Products in the EU in 2022



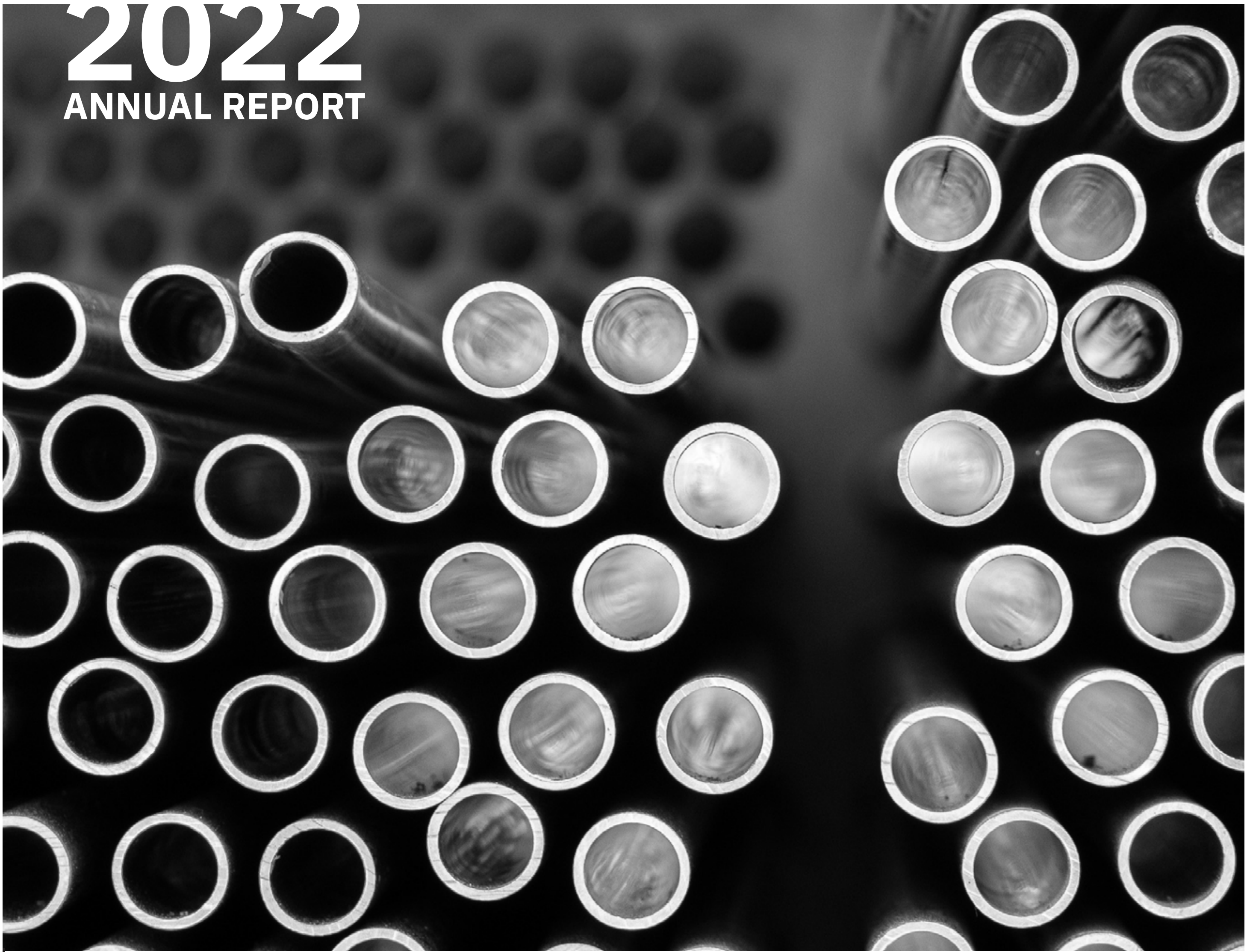
Certification

Our quality management system is certified under ISO 9001:2015 by SGS Slovakia spol. s r.o.

Our automotive industry products are certified under IATF 16949:2016, issued by SGS United Kingdom Ltd.

Železiarne Podbrezová a.s. has been issued product certificates by renowned certification companies such as Bureau Veritas, Lloyd's Register, DNV, TÜV NORD, American Petroleum Institute, individually for the production and testing of steel, seamless rolled tubes, precision tubes, and butt welding elbows.

The environmental management system and the occupational safety management system are certified by SGS Slovakia spol. s r.o. in accordance with ISO 14001:2015 and ISO 45001:2018.



Report by the Board of Directors
on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

Dear Shareholders,

2022 was a very difficult year for the Slovak economy. Two years of the global COVID-19 pandemic, its impact and economic restrictions caused a shortage of various semi-finished goods and many issues regarding global logistics, which were unheard of during problem-free operation in the past. This situation had a significant impact on most businesses as regards restrictions to supply chains and production and in implementing large-scale investments, which were excessively prolonged. In February 2022, the outbreak of the military conflict in Ukraine added substantial uncertainty to the above factors as regards security and energy. Many well-functioning supply chains were severed. Reduced energy flows and uncertainty connected with significant limitations in energy-intensive sectors during the winter of 2022/2023 caused a rapid increase in costs for most producers and an unprecedented increase in the cost of a number of goods and products. Ultimately, inflation reached all-time highs globally. In Q3 2022, inflation was in double digits and currently it is at a multiple of ECB targets. In response, the ECB started to raise its base interest rate in Q3, with the highest-ever half-year raise. Despite the challenging situation, the EU economy grew by 3.6% year-on-year in 2022 and the labour market was in a situation similar to that in the past, with steady employment growth and a shortage of skilled workers in many countries and industries, which put additional pressure on wage growth.

Report by the Board of Directors
on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

Production in the energy-intensive sector was particularly affected by extreme fluctuations in energy prices on spot markets in 2022. In a period of great political uncertainty and insecurity, gas flow restrictions and operational issues in the energy sector, the prices of natural gas and the associated electricity in Europe shot to historically unprecedented heights, causing panic among producers and consumers. The situation in the manufacturing industry was exacerbated by the rising prices of European Emissions Trading Scheme (EU ETS) allowances, which reached a new record high average price in 2022. These factors also had a significant impact on cost and price levels in the sector of seamless steel tubes.

In 2022, the global metallurgical and steel industry recorded a decrease of 4.2% in steel production. According to the data and analyses of the World Steel Association, after growth in 2021, 2022 was marked by a production decrease in 8 of the 10 largest steel-producing countries, notably in China, Japan, USA and the EU. The drop in steel production in Russia was in double digits. Among large steel produces, only production in India recorded growth. After years of strong growth, China recorded a decrease in steel production for the second consecutive year, although its relative share of the global production increased by 1% year-on-year, to almost 53%.

Conversely, in the relatively small steel segment of seamless tubes, we saw strong demand for our products on most markets in 2022. Despite this challenging period, our Company and most ŽP Group members were able to take full advantage of this situation. We demonstrated the advantages of being a stable company, having an experienced management team, and skilled and loyal employees. All this enabled us to achieve record financial results.

The production of seamless tubes driven by demand reached high levels in 2022, which were comparable with 2021, a particularly strong year for production. In the first half of the year, producers, including our Company, were only able to meet customer demand with difficulties. A very slight decrease in demand occurred in the second half of 2022. Since 2023, however, we have witnessed a substantial fall in orders caused by the downturn in business activity, inter alia, due to high finance costs and the restricting of investments by businesses and public entities. Our customers are currently extremely cautious and are only making essential purchases. The reason for this is the impending/ongoing recession and the related expectations of commodity, product and energy price decreases.

The number of Company's employees decreased slightly due to natural wastage. On the other hand, the Group recorded a slight year-on-year employee increase, particularly at companies processing scrap steel. However, the Group has long suffered from a shortage of staff in blue-collar and highly skilled positions.

Even in this unstable and unpredictable situation for the world economy and global community, the Company's Board of Directors is continuously monitoring and evaluating the economic and political situation on markets, and taking steps to ensure the Company's ability to flexibly respond as regards production, purchasing, personnel, and investment management.

In 2022, Železiarne Podbrezová recorded another significant increase in operating revenues by more than EUR 126 million (38%) compared to 2021. The Company's operating expenses increased by approx. EUR 67 million (20%) compared to 2021, primarily due to higher prices of input raw materials. Personnel expenses increased by EUR 27 million (37%), despite the slight decrease in the number of employees. The reason was significant wage growth, by which the Company sought to compensate the impact of high inflation on employees. As a result, in 2022, Železiarne Podbrezová recorded an extremely high operating profit of more than EUR 61 million, an increase of over 59 million compared to 2021.

The Company's overall results were also positively influenced by revenues from financing activities. Dividends of EUR 7 million received from subsidiaries were substantially higher than in 2021. These dividends related to the 2021 financial year, in which subsidiaries reported higher profits than the parent company. These revenues contributed to a record high net profit after tax of nearly EUR 50 million. At the end of 2022, the Company's assets amounted to EUR 370 million and were covered by own funds at 69%.

Report by the Board of Directors

on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

BUSINESS ACTIVITIES

PRODUCTION AND SALES

After the transformation to a joint-stock company in the 1990s, Železiarne Podbrezová a.s. has built its own sales network comprising the following subsidiaries: PIPEX ITALIA S.p.A., ŽP Trade Bohemia, a.s., SLOVRUR Sp. z o. o., Pipex Deutschland GmbH and TRANSMESA. Some of these companies have been in the Group's portfolio for almost three decades, and they sell about 60% of the Company's products to end customers. The Company sells the rest of its production directly to customers via its Sales Department.

2022 was marked by strong demand, which began in 2021 and continued throughout the first half of 2022, despite the outbreak of war in February 2022. Demand was strongest in Q1, with a gradual decrease towards the end of the year. The sale of steel blooms was about 10% lower than in 2021, and there was also a very slight decrease in the sale of precision tubes. Sales volumes of rolled tubes were approximately at 2021 levels. In terms of the business plan, the sales volumes of steel blooms and rolled tubes were met and the sales volumes of precision tubes were close to those planned in 2022.

In 2022, we produced a total of 365 526 tonnes of steel, which is 4 766 tonnes (1%) less than the year before. Due to a slight decrease in the demand for steel in the second half of 2022, we reduced the production of con cast steel blooms for sale and increased the inventories of input semi-finished goods for the seamless tube rolling mill. The steel mill successfully undertook the tasks set by the financial plan for 2022 in each month. Of the total quantity produced, 265 354 tonnes of steel were used for own production of steel tubes and 100 172 tonnes were sold to external customers. Under the "Modification of the melting mode of the first two baskets in the EAF", we verified the option of steelmaking with closed slag doors when melting the first two baskets. We determined that this melting mode significantly reduces melting loss, oxygen consumption, lump and crushed anthracite consumption, slightly increases electricity and natural gas consumption, and has no negative impact on the quality of the cast steel.

In 2022, the steel mill continued to cooperate with subsidiaries – ŽP Výskumno-vývojové centrum s.r.o. (ŽP VVC) and ŽIAROMAT a.s. Kalinovo, on solving additional research tasks. Varying crushed anthracite (foaming agent) dosages for slag foaming in the electric arc furnace (EAF) were tested to achieve savings with unchanged quality of slag foaming. Our in-house development tested different variants for optimising production parameters and casting alloyed boiler-quality steel.

In 2022, we produced a total of 198 302 tonnes of tubes, which is 4 719 tonnes (2%) less than the previous year and approx. 1% less than planned. Of the produced volume, 134 970 tonnes were sold to external customers and 63 332 tonnes of rolled tubes were subsequently processed by Železiarne Podbrezová. There was positive development in the melting loss achieved in the production of rolled tubes. On the other hand, we exceeded the set limit of production downtime in the tube mill, primarily due to an increase in the technologically required downtime and conversions to change steel grades. We introduced multiple technological innovations in 2022. In the December shutdown, we installed new recuperators in the flue gas chambers of the carousel furnace. A new crane was installed above the hydrocyclone.

We were slightly behind the planned production volume of precision cold drawn tubes, particularly in the second half of 2022, and the total annual production was 5% lower than planned. We produced a total of 49 343 tonnes of cold drawn precision tubes, 1 010 tonnes (2%) less than the year before. In 2022, we sold 49 425 tonnes of drawn precision tubes to external customers, of which 1 434 tonnes had a galvanised finish and 1 290 tonnes were divided and hydraulic tubes. Orders decreased in the second half of 2022 in most core product groups of the tube rolling mill, due to a decline in the automotive production, lower demand and a reassessment and termination of production of unprofitable orders. An important innovation in the tube rolling mill in 2022 was the completion of a line for processing tubes from 6 meters long to exchanger tubes with a length of 20 metres. In 2022, we upgraded another drawing bench, which was equipped with automatic dividing units. This increased labour productivity and eliminated additional handling of products. We have now upgraded five drawing benches in this way.

Con cast steel blooms, seamless hot-rolled tubes and precision cold-drawn tubes accounted for over 99% of total production of Železiarne Podbrezová a.s. in 2022.

Other supplementary products with high added value were butt welding elbows and reducers. In 2022, we produced 1 516 tonnes of these products, which was a lower volume than in previous years, due to a shortage of workers at this facility. We sold 1 369 tonnes of welded elbows and 40 tonnes of reducers to our customers.

Report by the Board of Directors

on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

Sales of Core Products in 2022

	Total Sales of Products			Slovakia – 6%		Export – 94%	
	tonnes	**EUR '000**	**Share in sales**	**tonnes**	**EUR '000**	**tonnes**	**EUR '000**
Steel blooms	100 172	**78 093**	18%	152	109	100 020	77 984
Seamless hot-rolled tubes	134 970	**208 785**	50%	8 622	14 375	126 348	194 411
Precision seamless cold-drawn tubes	49 425	**130 501**	31%	4 172	11 328	45 253	119 173
Butt welding elbows and reducers	1 408	**4 155**	1%	74	227	1 334	3 927
Total	**285 975**	**421 534**	**100%**	**13 020**	**26 039**	**272 955**	**395 495**

In 2022, supervision audits according to ISO 9001:2015 and IATF 16949:2016 were performed as part of the quality management system at Železiarne Podbrezová a.s. The production processes were verified by the certification process and are in compliance with the requirements specified in the relevant standards. We also passed supervision audits for the environmental management system under EN ISO 14001:2015 and the occupational safety management system under ISO 45001:2018.

Total revenues from the sale of products, merchandise and services to our customers in 2022 totalled EUR 428 595 thousand, of which over 92% were exports. Sales increased by EUR 118 436 thousand (38%) compared to 2021. This was primarily due to an increase in the sales prices of finished products to levels reflecting the soaring prices of input raw materials and energies on global markets, and a significant labour cost increase in all related industries and companies of ŽP Group.

The geographical structure of sales in 2022 did not change. EU countries remained our main markets in the following order: Germany, Poland, Czech Republic, Italy, Slovakia, Hungary, Spain and Austria.

There were no significant changes compared to previous years in the sectors in which our products were used. They are primarily used in the production of machinery and equipment (35-48%), energy industry (26-49%), hydraulic equipment, oil and gas transportation and the automotive industry.

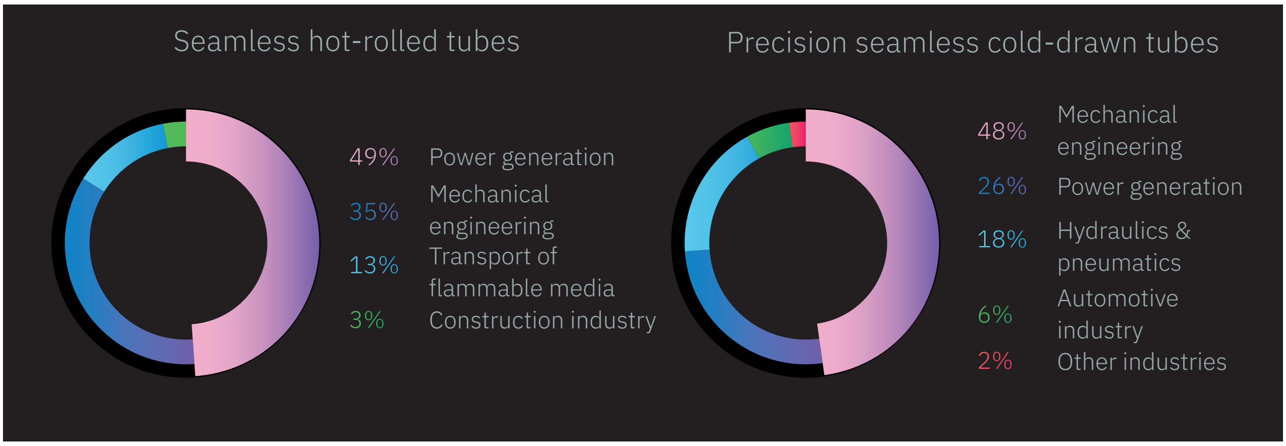
Changes in Total Sales by Geographical Structure (Revenues in EUR ’000)

	2018	**2019**	**2020**	**2021**	**2022**
Slovakia	26 140	24 568	21 842	25 865	**32 585**
Czech Republic	42 963	31 058	21 130	42 975	**57 249**
Other EU countries	193 156	169 024	131 890	208 232	**288 544**
Other European countries	17 008	13 198	14 587	25 530	**30 421**
U.S.A.	11 053	9 924	5 905	6 219	**15 910**
Other export	612	3 285	1 060	1 338	**3 886**
Total sales	**290 932**	**251 057**	**196 414**	**310 159**	**428 595**

Report by the Board of Directors

on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

Application of Tubes in 2022



PURCHASE OF STRATEGIC RAW MATERIALS AND ENERGY

The Company applies ISO standards to business relationships with suppliers of input raw materials and our good communication and payment discipline enabled us to maintain a high level of supply activities in terms of quality and delivery times. In 2022, the Company struggled with extremely high prices of key raw material inputs, which started to rise significantly in 2021 following the global economic recovery. In response to the outbreak of war in Ukraine, scrap steel prices reached historic highs as a result of concerns about shortages of various raw materials on EU markets. Extremely high scrap steel prices prevailed throughout the first half of 2022, with a slight decrease and stabilisation in the second half of the year, but still at an above-average price level. The prices of most important alloy additives for the steel industry, semi-finished products and chemical compounds required in production remained high. Prices were negatively affected by the disruption of logistics chains and restricted raw material purchases from Russia, which required importing of raw materials over longer distances.

In 2022, we purchased raw materials and other materials totalling EUR 221 440 thousand, a year-on-year increase of EUR 35 872 thousand (18%), caused primarily by higher prices and a slightly different structure of purchased raw materials. Imports accounted for approximately 16% of purchases. The purchased raw materials consisted predominantly of scrap steel, followed by crude iron, cast iron, ferro-additives, refractory materials and important spare parts for production and service facilities. We traded with 847 business partners when purchasing raw and other materials in 2022.

In 2022, the Company purchased a total of 331 511 tonnes of scrap steel, a 5% increase compared to 2021. As in 2021, 94% of scrap steel was purchased from our subsidiaries ŽP EKO QELET a.s. and KBZ s.r.o.

In 2022, we purchased 238 478 MWh of electricity, a 16% increase compared to the previous year. This is connected with the suspension of our production from a gas-fired cogeneration unit in February 2022 due to the extremely high increase in energy and ETS allowance prices. The Company produced 22 717 MWh of electricity at its small hydroelectric plants and the cogeneration unit, an annual decrease of 61%, primarily due to low precipitation that had a negative impact on the flow in local watercourses. In 2022, our power generation accounted for only 9% of total annual consumption.

The increase in electricity prices continued in 2022, spot prices shot to record highs and reached multiples of average market prices from previous years. Thanks to forward-looking electricity purchases, our prices only increased by approximately 11% in 2022. However, in 2022, the electricity price per MWh was almost 40% higher compared to the average for the last five years. Record high spot and futures prices are reflected in electricity purchase prices in 2023. These are more than 70% higher than in 2022, which will have a significant impact on Company costs in 2023.

In 2022, we purchased 35 million m^3 of natural gas from Slovenský plynárenský priemysel, a.s. for our consumption, an 18% decrease compared to 2021. The price of purchased natural gas for the Company increased by 23% year-on-year. Currently, the situation in the natural gas market is even more problematic than for electricity. The Company is purchasing natural gas at a 170% higher price than in 2022, which will have an extremely negative impact on the Company's operating expenses.

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CAPITAL INVESTMENTS AND CARE FOR TECHNOLOGICAL EQUIPMENT

In 2022, the Company's planned investments totalled EUR 17.6 million. From an investment perspective, 2022 was one of the most important of recent years. Investments were undertaken based on our medium-term investment plan and were primarily focused on essential technological renovation of production facilities. The primary objective of high investments is to maintain the competitiveness of the production of seamless tubes and reflect the accelerating growth of labour costs and the growing problem of shortages of qualified blue-collar workers. In the fifth year of the medium-term investment plan, total investments amounted to EUR 16 898 thousand, which is almost double the Company's annual asset depreciation charges.

Major technological investments included a small-diameter treatment line and new recuperators in the flue gas chamber of the carousel furnace. A significant investment which started in 2021 – the relocation and expansion of the RDL line was completed, including the preparation for its completion with a finishing section in the tube drawing mill. In 2022, we launched investments that will be completed in the first half of 2023 and include complete modernisation of three locomotives to a new 740 series, a photovoltaic plant on workshop roofs, modernisation of two drawing benches in the tube rolling mill, and fitting of an ultrasonic head, including electronic equipment and steering on the tube rolling line.

Energy investments included the preparation of the automation of an entry substation, which will be completed in 2023 and is designed to streamline management and increase labour productivity.

As part of construction investments, Phase I of the renovation of Železiarne Podbrezová Private Secondary Combined School, cofinanced from MIRRI, was implemented

In 2022, the Company spent EUR 40 851 thousand on repairs and maintenance of technical equipment and buildings, a substantial increase of EUR 6 740 thousand compared to 2021.

RESEARCH AND DEVELOPMENT

In 2022, the Company continued to perform R&D by contractual cooperation with our subsidiary, ŽP Výskumno-vývojové centrum (ŽP VVC s.r.o.), and expenses totalled EUR 883 thousand. We cooperated on six research tasks, which focused on research into optimisation of technological processes, increasing the life of ceramics, implementation of data analytics in production, production quality assessment and processing of waste and secondary raw materials.

ENVIRONMENTAL POLICY

Environmental protection and the occupational health and safety of employees is a long-term Company priority. The occupational health and safety system and the environmental management system are a permanent part of the Company's business activities.

Based on the previous effectiveness and functionality analyses of individual management systems, the Company implemented a joint internal combined audit of the two management systems for the environment and occupational health and safety. The integrated management system combines:

- The environmental management system (SEM) under ISO 14001; and
- the occupational health and safety management system (SRBP) under ISO 45001.

SGS Slovakia spol. s r.o., a certification company, conducted supervision audits of the environmental management and occupational health and safety management systems on 2 June 2022. The auditors confirmed the high level of functioning of the integrated management system.

We performed a total of 14 environmental activities (total costs: EUR 1 145 thousand) and fulfilled 32 objectives to improve occupational health and safety (total costs: EUR 3 180 thousand) under the SEM programme, the OSH Improvement Programme and other improvement measures in 2022.

EU TAXONOMY

Under its policy on goals following the UN Programme from September 2015 – Agenda 2030 and the objectives of the Paris Agreement from October 2016 on sustainability in three areas: economic, social and environmental, the European Commission decided to establish an external group to create an EU general strategy for sustainable finance in December 2016. The group prepared a draft system of a reliable classification of activities which qualify as “green” and “sustainable” as regards climate change.

In June 2020, the European Commission published the basic underlying documents for the EU Taxonomy – Regulation (EU) 2020/852 of the European Parliament and of the Council. The EU Taxonomy is a classification system intended to be a framework for directing capital flows and financing to activities which are in line with sustainable growth objectives. The EU Taxonomy defines six fundamental environmental objectives. To be defined as environmentally sustainable, an economic activity must contribute to at least one of these objectives and must not cause significant harm as regards the remaining objectives. The following Commission Delegated Regulation (EU) 2021/2139 of June 2021 laid down technical evaluation criteria for individual economic activities under the EU Taxonomy. This delegated act strictly defines a list of sustainable activities based on technical screening criteria.

Železiarne Podbrezová a.s. provides information on compliance with the EU Taxonomy on an individual basis, i.e. for itself as the parent company. Its business activities under NACE Code 24.20 – Manufacture of tubes, pipes, hollow profiles and related fittings, of steel are classified under the EU Taxonomy activities. This economic activity is classified in Annex I of Commission Delegated Regulation 2021/2139, Section 3.9, as transitional. Under the EU Taxonomy, transitional economic activities qualify as contributing substantially to climate change mitigation if their greenhouse gas emissions are substantially lower than the sector or industry average, they do not hamper the development and deployment of low-carbon alternatives and they do not lead to a lock-in of assets incompatible with the objective of climate-neutrality, given the economic lifetime of those assets. Železiarne Podbrezová meets the technical screening criterion for the following objective: Climate change mitigation – Manufacture of carbon steel in electric arc furnaces, defined in Section 3.9 (b), according to which the input volume of scrap steel in proportion to the manufactured product is 90% or more. The Company causes no significant harm to any of the remaining environmental objectives under the EU Taxonomy.

The Company is currently establishing a team of employees responsible for implementing the EU Taxonomy and ESG policies as a wider framework for sustainable activities. The team will report directly to the Board of Directors and aims to implement and correctly set up, within the Company and the ŽP GROUP, a system for internal reporting, goal-setting and updating, including the preparation of a sustainability report in line with the upcoming EU Taxonomy legislation and standards and the new EU directive on non-financial reporting 2022/2464 (CSRD) valid for the Company as of 1 January 2024.

The EU Taxonomy requires large companies to disclose the share of their turnover, operating expenditure (OpEx) and capital expenditure (CapEx) which are associated with environmentally sustainable activities as defined in the Taxonomy Regulation and the delegated acts.

Reporting of Turnover from Environmentally Sustainable Activities within the Framework of the EU Taxonomy

Economic activities	Code	Absolute turnover (EUR '000)	Proportion of turnover (%)	Substantial contribution criteria: Climate change mitigation (%)	Climate change adaptation (%)	Water and maritime resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	DNSH criteria ("Does No Significant Harm"): Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and maritime resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of turnover, year 2022 (%)	Taxonomy-aligned proportion of turnover, year 2021 (%)*	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of iron and steel	3.9	422 336	98.5%	100%						Y	Y	Y	N/A	Y	Y	Y	98.5%	N/A		T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		422 336	98.5%																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1.+ A.2.)		422 336																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		6 259	1.5%																	
Total (A+B)		428 595	100%																	

Reporting of Capital Expenditure (CapEx) on Environmentally Sustainable Economic Activities within the Framework of the EU Taxonomy

Economic activities	Code	Absolute CapEx (EUR' 000)	Proportion of CapEx (%)	Substantial contribution criteria: Climate change mitigation (%)	Climate change adaptation (%)	Water and maritime resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	DNSH criteria ("Does No Significant Harm"): Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and maritime resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of CapEx, year 2022 (%)	Taxonomy-aligned proportion of CapEx, year 2021 (%)*	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of iron and steel	3.9	14 311	84.7%	100%						Y	Y	Y	N/A	Y	Y	Y	84.7%	N/A		T
CapEx on environmentally sustainable activities (Taxonomy-aligned) (A.1.)		14 311	84.7%																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx on Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1.+ A.2.)		14 311																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx on taxonomy-non-eligible activities (B)		2 588	15.3%																	
Total (A+B)		16 899	100%																	

Reporting of Operating Expenditure (OpEx) on Environmentally Sustainable Economic Activities within the Framework of the EU Taxonomy

				Substantial contribution criteria						DNSH criteria ("Does No Significant Harm")										
Economic activities	Code	Absolute OpEx (EUR' 000)	Proportion of OpEx (%)	Climate change mitigation (%)	Climate change adaptation (%)	Water and maritime resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and maritime resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of OpEx, year 2022 (%)	Taxonomy-aligned proportion of OpEx, year 2021 (%)*	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of iron and steel	3.9	8 810	100%	100%						Y	Y	Y	N/A	Y	Y	Y	100%	N/A		T
OpEx on environmentally sustainable activities (Taxonomy-aligned) (A.1.)		8 810	100%																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx on Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1.+ A.2.)		8 810																		
B. ČINNOSTI NEOPRÁVNENÉ V RAMCI TAXONÓMIE																				
OpEx on taxonomy-non-eligible activities (B)																				
Total (A+B)		8 810	100%																	

ACCOUNTING POLICY

Key performance indicators (KPIs) include measures of turnover, capital and operating expenditure aligned to the EU Taxonomy relative to the Company's total turnover, capital and operating expenditure. The Company used templates from Commission Delegated Regulation 2021/2178 on disclosures to present these KPIs. The Company is reporting KPIs for the first time, so there is no comparable period.

REVENUE REPORTING UNDER THE EU TAXONOMY

The Company's core business activity is the manufacture of seamless steel tubes (NACE Code 24.20). The Company's turnover consists of revenues from the sale of own products and related services. These are defined in Note 19 to the IFRS financial statements. The Company's core business activity is an economic activity defined under the EU Taxonomy, and the Company also meets the technical screening criteria. Revenues from the sale of own products are aligned with the Taxonomy and are sustainable in terms of environmental objectives. Revenues from the sale of merchandise and revenues from the sale of services are an insignificant part of the Company's total turnover and, as they are support activities, they are reported in Part B as Taxonomy-non-eligible activities.

REPORTING OF CAPITAL EXPENDITURE UNDER THE EU TAXONOMY

Capital expenditure (CapEx), i.e. investments, comprises additions to real estate, machinery and equipment, including investments in real estate and right-of-use assets and intangible assets (Notes 5 and 6 to the IFRS financial statements). CapEx also comprises technical improvements to non-current assets. CapEx was assessed using the EU Taxonomy and the bulk of CapEx is directly linked to the Company's Taxonomy-aligned activities, as they relate directly to production. A smaller portion of CapEx relates to the Company's support activities and is, therefore, reported in Part B as Taxonomy-non-eligible activities.

REPORTING OF OPERATING EXPENDITURE UNDER THE EU TAXONOMY

Operating expenditure (OpEx) comprises non-capitalised expenses related to the Company's production, except for amortisation/depreciation charges, costs of creating a provision for CO_2, FX gains and losses, and comprises direct R&D expenses, building reconstruction, repairs and maintenance of assets or short-term leases, which relate to the eligible core economic activity. All operating expenditure was assessed as eligible under the EU Taxonomy, as it relates to production and eligible activities directly or indirectly and/or is required by legislation.

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ASSESSMENT OF THE DO NO SIGNIFICANT HARM PRINCIPLE IN RELATION TO OTHER ENVIRONMENTAL OBJECTIVES

The Company examined the relevant conditions to determine whether its activities meet the do not significantly harm (DNSH) principle as regards the meeting of other environmental objectives of the Taxonomy, as detailed in the Appendices to Commission Delegated Regulation 2021/2139.

The Company assessed climate hazards and risks in relation to Appendix A – do no significant harm as regards climate change adaptation. Železiarne Podbrezová identified a flood hazard. Some production facilities near the Hron River are subject to flood risk. The Company prepared a flood plan as part of its internal directives to eliminate the flood risk. The Company also prepared a flood plan for the safety works on water structures – offtake facilities on watercourses operated by Železiarne Podbrezová. Both flood plans were approved by the Brezno District Office.

The Company complies with the measures defined in EC Directive 2000/60 for water management in relation to Appendix B – do no significant harm as regards sustainable use and protection of water resources. Železiarne Podbrezová uses surface water in accordance with Slovak law, in particular for the cooling of furnace aggregates and machinery. For this purpose, the Company built closed circulation cooling systems, to which surface water is added. Železiarne Podbrezová operates a public water supply system and uses underground drinking water from the water source "Prameň Kráľa Matyáša" for drinking and hygienic purposes. Drinking water from this water source is supplied to the entire Company production site and the Podbrezová municipality.

In relation to Appendix C – do no significant harm as regards pollution prevention and control, Železiarne Podbrezová manufactures products that comply with EU Regulation 2019/1021 on persistent organic pollutants, EU Regulation 2017/852 on mercury, EU Regulation 1005/2009 on substances that deplete the ozone layer, EU Regulation 2011/65 on the restriction of the use of certain hazardous substances in electronic equipment and EC Regulation 1907/2006 concerning the registration, authorisation and restriction of chemicals (REACH). The Company systematically verifies compliance with applicable EU legislation and requirements and assesses products and components for risk factors on a regular basis. Manufactured steel products for sale are checked cyclically for compliance with the regulations on prohibited substances and obligations under European Parliament and Council regulations. Suppliers undertake in the form of a declaration to comply with all regulations on prohibited substances. The Company's products do not contain any substances listed in the relevant EU and EC regulations.

Pollution prevention and control also aims to use pollution-producing technologies at the level of Best Available Techniques (BAT). These technologies are regulated by EU Directive 2010/75 on industrial emissions and EU Implementing Decision 2012/135 establishing the best available techniques (BAT) conclusions for iron and steel production in Section 1.7, which have been transposed into Slovak law. The Company complies with these emission limits, water pollution limits and the generation of waste and residues from production, which are regularly measured and audited by environmental protection authorities.

In relation to Appendix D – do no significant harm as regards protection and restoration of biodiversity and ecosystems, the Company complies with the requirements of EU Directive 2011/92 and the Environmental Impact Assessment Act. All new investments include a comprehensive assessment of the activities and the performed investment in accordance with Slovak and European regulations on biodiversity and ecosystem protection.

MINIMUM SAFEGUARDS

The Company examined minimum safeguard conditions set out in Article 3 and Article 18 of the EU Taxonomy. The Company's activities are in compliance with OECD Guidelines for Multinational Enterprises on Business and Human Rights and the International Labour Organization (ILO) Declaration. Železiarne Podbrezová complies with all applicable Slovak laws and operates a system of internal standards and directives that regulate the relationship between the employee and the Company which covers the selection process, continuous assessment, education, training and career growth. The Company's remuneration goes beyond collective agreements and legal requirements and the Board of Directors has developed its own long-term employee remuneration programme. The Company also has a system for reporting corrupt behaviour and a code of ethics and takes this area very seriously in cooperation with its suppliers and customers.

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HUMAN RESOURCES

Železiarne Podbrezová a.s., as a major employer, has addressed HR management in the long-term and systemically. Looking after our employees is a Company priority and encompasses recruitment, selection and education of young people, remuneration, an occupational health and safety system, and continual education and benefits.

In 2022, as in every year, two fundamental documents were adopted: the 2022 Collective Agreement concluded between VZO OZ KOVO of Železiarne Podbrezová (the KOVO trade union works council) and the Board of Directors of Železiarne Podbrezová a.s., and the Programme of the Board of Directors of Železiarne Podbrezová a.s., which cover a comprehensive personnel, wage, social and occupational health and safety policy programme. The Company fully met its obligations arising from the above documents.

The total amount of EUR 781 thousand was spent from the social fund in 2022.

- Catering services for employees EUR 613 thousand;
- Children's holiday camps EUR 62 thousand;
- Group life insurance of employees EUR 48 thousand;
- Social aid EUR 23 thousand;
- Employee rehabilitation vouchers EUR 18 thousand.

The Employee Care Programme was extended to include the following:
- Employer's contribution to employee supplementary pension savings schemes EUR 1 451 thousand;
- Retirement and severance payments to employees EUR 715 thousand;
- Preparation of future workforce and granting of scholarships EUR 603 thousand;
- Protective equipment and employees' hydration regime EUR 574 thousand;
- Recovery stays and preventative medical checks for employees EUR 276 thousand;
- Bonuses for major work and life anniversaries EUR 145 thousand;
- Improvement and enhancement of employee qualifications EUR 63 thousand;
- Comprehensive programme of health recovery measures (SRBP) EUR 3 180 thousand.

A contribution for recreation in 2022 was provided to 583 employees in the total amount of EUR 123 thousand.

To improve the working environment and in accordance with the approved regulations, the Company ensures safe workplaces, provides its employees with appropriate protective equipment, and regularly communicates with employee representatives and employees. The Company provides its employees with regular training in occupational health and safety.

Pursuant to Act of the National Council of the Slovak Republic No. 124/2006 Coll. on Occupational Health and Safety, as amended, 74 employee representatives monitored work safety at Železiarne Podbrezová in 2022, focusing on injury prevention. In the above period, a total of 796 reports by safety employee representatives were submitted to the Company. In 2022, there were 35 registered occupational injuries at the Company, a decrease of 6 compared to the previous year. The average treatment time increased from 61 calendar days in 2021 to 90 days in 2022.

The Company is the founder of Private United School of Železiarne Podbrezová (SSŠ ŽP), with the organisational units: Private Secondary School of Metallurgy of Železiarne Podbrezová (SSOŠH ŽP) and Private Grammar School of Železiarne Podbrezová, which train the qualified employees of the future. The Company and its school place emphasis on high-quality vocational training for students: metallurgists, electrical engineers, mechanics and mechatronics engineers in graduation specialisations and for metal workers and metallurgists in vocational specialisations. The students acquire work habits during practical learning and on-the-job training at the parent company, which ensures their problem-free employment.

In 2022, 23 SSŠ ŽP graduates were employed at the Company after completing their studies and others will continue their studies at universities. Since the establishment of the school, a total of 795 graduates have been employed by the Company, and 34% worked for the Company at the end of 2022. A total of 245 instructors trained the students and the school paid motivational scholarships and incentives for productive work to students undergoing on-the-job training. SSOŠH ŽP is part of the dual education process that combines school education with practical experience with an employer. The school has operated in this way since it was reopened by Železiarne Podbrezová in 2003 and we will continue to support this educational system for creating a qualified workforce.

In 2022, the Company supported 5 employees during their study, while working to increase their qualifications with work concessions. Four employees studied for an engineering degree at the Technical University of Košice – three employees at the Faculty of Materials, Metallurgy and Recycling and one employee at the Faculty of Civil Engineering. One employee studied for an engineering degree at the Faculty of Materials Science and Technology in Trnava of the Slovak University of Technology in Bratislava.

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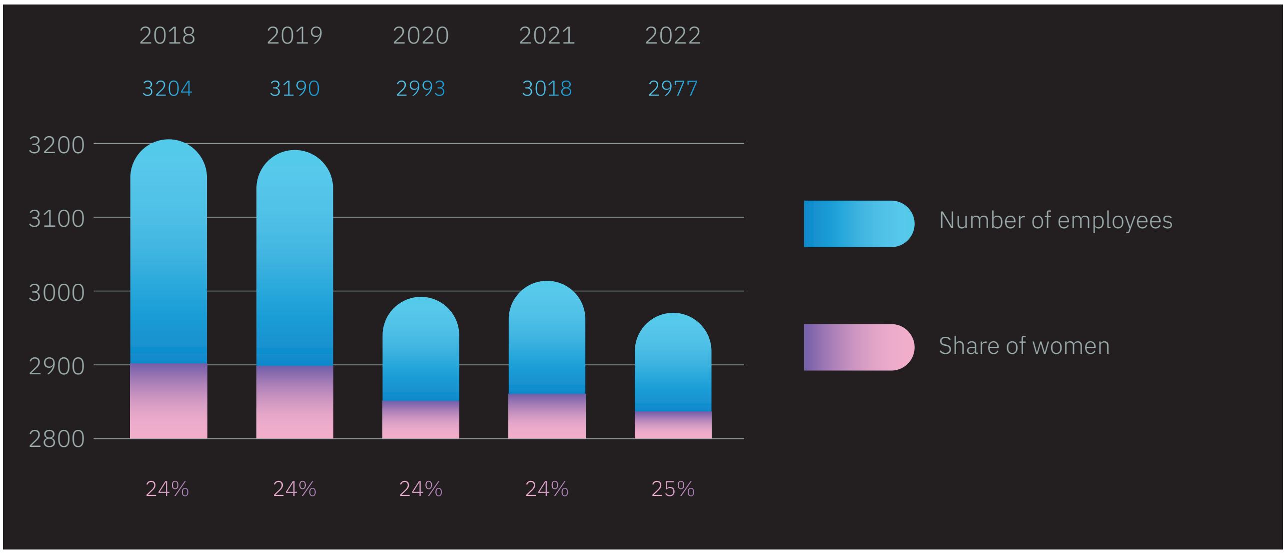
Železiarne Podbrezová cooperates with eight universities based on a memorandum signed in 2017. We have a long-term close cooperation with the Faculty of Materials, Metallurgy and Recycling of the Technical University in Košice, and together we organise open-door days at our school and at the faculty, where we present study opportunities and graduate job opportunities at our Company. The Company offers university scholarships to selected talented secondary school students from our private schools. We cooperate with the IT Department of the Matej Bel University, in connection with grammar school IT classes and our subsidiary, ŽP Informatika, s.r.o. Targeted cooperation with universities includes scholarships, professional internships, and graduation theses and is focused on obtaining qualified employees for the Company.

Changes to Personnel Expenses (EUR '000)

	2018	2019	2020	2021	2022
Wages and salaries	48 697	49 735	44 637	50 331	**67 892**
Mandatory contributions from wages and salaries	16 613	17 160	15 339	17 332	**23 138**
Training, education	864	890	499	396	**565**
Protective equipment	501	504	521	486	**574**
Social fund – drawing	596	632	548	565	**781**
Other expenses (1)	253	206	136	251	**289**
Total	**67 524**	**69 127**	**61 680**	**69 361**	**93 239**
Expenses per employee	**21**	**22**	**21**	**23**	**31**

(1) Other expenses primarily comprise health centre and employee recovery expenses.

Number of Employees (FTE)



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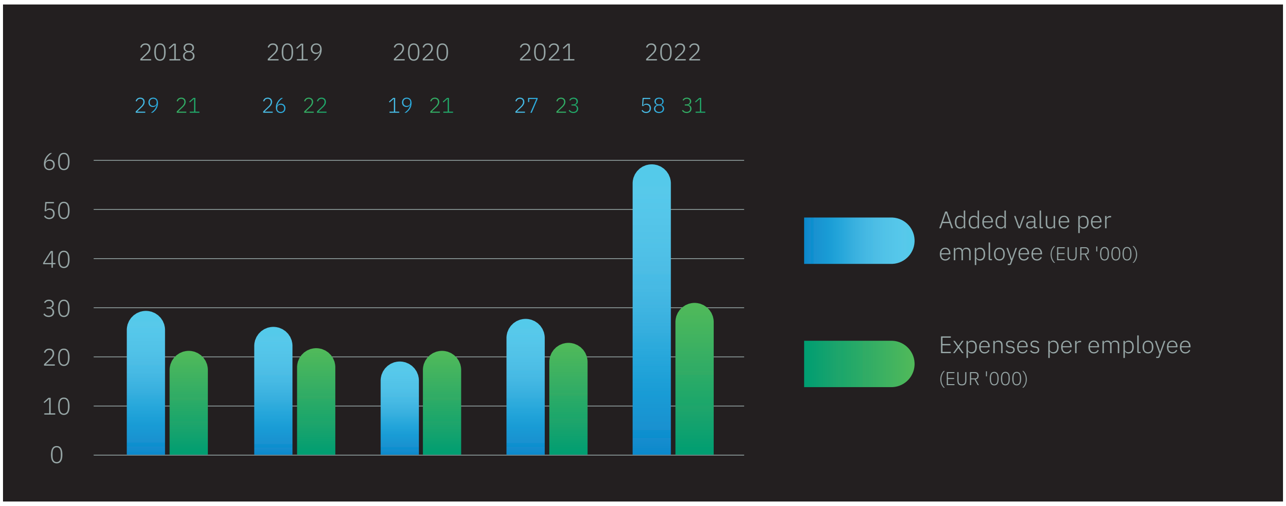
Added Value & Expenses per Employee



In 2022, the Company's full-time equivalent slightly decreased to 2 977, a decrease by 41 employees (1.36%) compared to the previous year. This decrease is related to continuous retirement of employees, and lower number of employees starting the employment and being hired.

The average monthly income of Company employees in 2022 was EUR 1 674, a 23% increase compared to 2021. This is 22% more than the average industrial wage in the Slovak Republic. The added value work productivity amounted to EUR 57 639 per employee, a sharp increase of 111% compared to 2021. The average income for 2022 for blue-collar employees was EUR 1 453 per employee, up by EUR 277 (23.6%) compared to 2021.

ŽP GROUP subsidiaries employed another 1 136 employees in 2022, an increase of 62 compared to 2021. Of the total number of employees of subsidiaries, 846 employees worked in production and services in Slovakia and 47 at ŽP's private school. Another 243 employees worked for other companies abroad. In total, the ŽP GROUP employed 4 113 employees in 2022.

CORPORATE SOCIAL RESPONSIBILITY

In addition to business activities, the Company and its management support socially-beneficial activities, primarily in the Horehronie region. The Company cooperates with and supports its current employees and pensioners in social or healthcare need. Since 2000, the Company's Železiarne Podbrezová Foundation has provided systematic support and annually distributes funds to individuals, legal entities and interest groups operating in healthcare, education, culture and sports.

In 2022, the Company distributed a total of EUR 639 thousand in the region via its foundation, most of which supported sports clubs.

We contribute to the running of youth sports clubs organised by our subsidiaries to promote a healthy lifestyle for children and young people. FK Železiarne Podbrezová a.s. brings together young footballers in the football academy in 13 different boys' and girls' categories: preparatory (U-8 to U-11), junior (U-12 to U-15), youth (U-16 to U-19) and girls' teams (WU-15 and WU-19). 280 children participate in our youth training with total costs of EUR 522 thousand in 2022.

Via ŠK Železiarne Podbrezová a.s., we support 12 talented young athletes at the biathlon club, 17 cyclists at the cycling club, 18 children and young people at the bowling club and a downhill skiing club. Total support for these clubs in 2022 was approximately in the amount of EUR 115 thousand.

Company management systematically supports the Hospital with Polyclinic in Brezno via the appointed members of the Board of Directors and the Supervisory Board of the Hospital, who strive to continually improve

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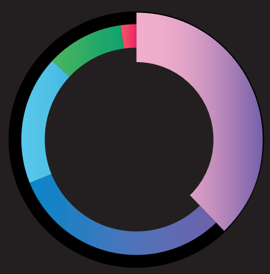
Employee Structure in 2022

Age structure

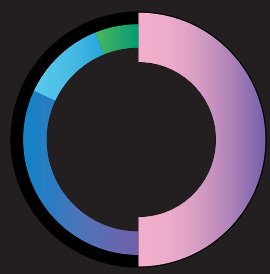


38%	More than 51 years
31%	41-50 years
18%	31-40 years
11%	21-30 years
2%	20 years and less

Number of years worked

17%	More than 30 years
17%	21-30 years
22%	11-20 years
23%	4-10 years
21%	3 years and less

Educational attainment



50%	Full secondary
32%	Secondary vocational
12%	University
6%	Primary

the quality of healthcare and provide methodological support and assistance as regards investments and negotiations with state and public administration authorities.

The Company has contributed EUR 600 thousand in the last five years via the Železiarne Podbrezová Foundation to support the Hospital with Polyclinic in Brezno. The most significant supported projects included complete project documentation for the reconstruction of the Hospital with Polyclinic in Brezno, electrical wiring for the installation of a state-of-the-art MRI device, hospital beds, and other minor investments.

The Company's newspaper, Podbrezovan, is the oldest company newspaper in Slovakia and has been published continuously for almost 80 years. Podbrezovan is distributed to current and retired employees, and provides information about Company life. The newspaper is an irreplaceable source of information for Company employees and the general public in the region about operations at the parent company and its subsidiaries and is published every two weeks with a circulation of approx. 5 450 copies.

Ľupča Castle has been associated with Železiarne Podbrezová for more than a decade. Our support for the reconstruction helps spread the Company's reputation among the public and locals, as the castle is open to the general public. In cooperation with conservation authorities, Ľupča Castle is being restored to its original appearance using grant programmes. As a result of these activities and various cultural events, the interest of the general public in this historical monument continues. In 2022, 19 571 visitors visited the castle.

REPORT ON ASSETS AND FINANCIAL MANAGEMENT

ASSETS AND FUNDS

The carrying amount of the Company's assets recognised as at 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) amounted to EUR 369 764 thousand, a year-on-year increase of EUR 45 078 thousand (13.9%). The increase was due to an increase in non-current assets by EUR 4 416 thousand as a result of investments in machinery, equipment and buildings, exceeding depreciation charges for the assets by EUR 7 424 thousand (6.3%). Due to the creation of provisions for contributions to subsidiaries (Tále, a.s. and ŽIAROMAT a.s.), the total net value of financial investments decreased by EUR 4 556 thousand (-5.7%). Current assets increased by EUR 40 662 thousand (32.3%), primarily due to an increase in their largest item, inventories, by EUR 30 919 thousand (42.9%) to EUR 102 920 thousand. Trade receivables and other financial assets also increased, by EUR 7 401 thousand (14.3%). The Company's cash increased by EUR 1 219 thousand.

As at 31 December 2022, the Company's equity increased by EUR 45 136 thousand to EUR 256 434 thousand (21.4%), primarily due to a record profit for 2022. As a result, the equity-to-assets ratio increased from 65.1% to 69.4%. Liabilities remained unchanged compared to 2021. As at 31 December 2022, interest-bearing loans and borrowings totalled EUR 33 758 thousand, and their share of total funds decreased to 9%. The most significant decline was recorded in short-term interest-bearing loans and borrowings (by EUR 33 401 thousand, i.e. -87.7%). On the other hand, trade payables increased by EUR 13 903 thousand (38.2%) and long-term loans and borrowings increased by EUR 5 530 thousand (23.5%).

As at 31 December 2022, the Company's trade receivables amounted to EUR 59 184 thousand, an increase of EUR 7 401 thousand over the previous year. Inventories amounted to EUR 109 920 thousand and trade payables amounted to EUR 50 343 thousand as at 31 December 2022. Throughout the period, the Company's overdue receivables and overdue payables were at no time a significant percentage of total receivables and payables.

The equity-to-total-assets ratio increased to 69.4%.

FINANCIAL MANAGEMENT

Železiarne Podbrezová a.s. uses syndicated bank financing to finance its OpEx and CapEx needs.

In 2022, the Company required additional funds to finance an increasing volume of working capital and due to a large volume of planned investments. After negotiations with the financing banks, the Company increased the amount of a credit facility by an investment tranche of EUR 15 million to the total amount of EUR 45 million, and extended the original loan maturity from 2024 to 2028. The Company's credit facility is supplemented by bilateral credit lines from a number of commercial banks amounting to EUR 32.8 million to be used by the Company. At year-end, the credit facility totalled EUR 77.8 million. This financing setup guarantees the Company's financial stability and unifies the lending terms and reduces the complexity of loan management in the times of rapid price increases and a large volume of working capital.

In 2022, gearing ranged between 6.5% and 16.2% and the average loan drawdown amounted to EUR 38.8 million. Bank loan interests are tied to the variable Euribor market rate. The average interest rate on drawn loans was 1.45% p. a. Bank credit facilities are secured by a pledge over the Company's movable and immovable assets. The value of the assets pledged is proportionate to the Company's credit exposure with a bank.

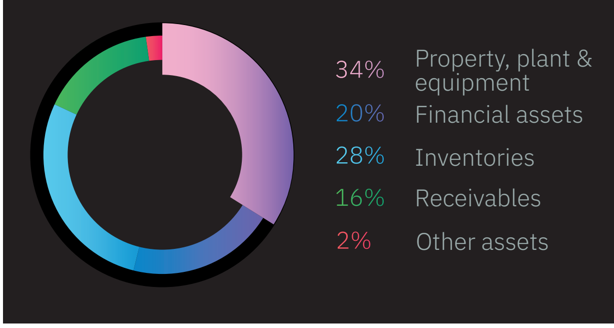
A significant source of the Company's external funding were loans from natural and legal persons totalling EUR 9.6 million at the year-end, which supported the Company's financial stability. The Company also received borrowings from its subsidiaries amounting to EUR 6.6 million, which were repaid during 2022. The average rate of non-bank external funding was 1.78% p. a. and the average drawdown was 16.3%.

To partially eliminate the risk of interest rate changes due to a further tightening policy of the central banks, the Company acquired interest rate swaps (IRSs), which hedge the interest rate on the unpaid portion of the syndicated loan. The fixed interest rate on swaps until loan maturity, i.e. by 2028, is 1.93% p. a.

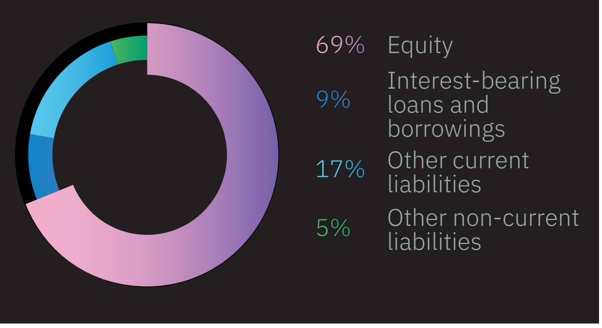
SETTLEMENT OF PAYABLES

The Company's financial situation was balanced and stable and the Company fulfilled its obligations to financial institutions, state and public authorities, employees, shareholders and suppliers in a due and timely manner and in the agreed amounts.

Assets as at 31 Dec 2022



Equity & Liabilities 31 Dec 2022



Report by the Board of Directors

on Business Activities, Assets and Financial Performance
in 2022 and Information on the Business Plan

Information from the Separate Statement of Financial Position

as at 31 December 2022 (in EUR ’000)

	31 Dec 2022	31 Dec 2021
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	126 064	118 640
Intangible assets	188	75
Investments in subsidiaries and joint ventures	75 336	79 891
Available-for-sale investments	-	-
Other assets	1 561	126
Total non-current assets	**203 148**	**198 732**
CURRENT ASSETS		
Inventories	102 920	72 002
Trade receivables and other financial assets	59 184	51 783
Current tax asset	-	3
Other assets	3 116	1 991
Cash and cash equivalents	1 395	176
Total current assets	**166 615**	**125 954**
TOTAL ASSETS	**369 764**	**324 686**
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	81 061	81 061
Legal and other funds	16 924	16 212
Retained earnings	158 449	114 025
Total equity	**256 434**	**211 298**
LIABILITIES		
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	29 080	23 550
Other liabilities	3 914	3 091
Provision for employee benefits	11 032	8 104
Deferred tax liability	3 988	4 124
Total non-current liabilities	**48 014**	**38 870**
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	4 678	38 078
Trade and other payables	50 343	36 440
Current tax liability	10 295	-
Total current liabilities	**65 316**	**74 518**
Total liabilities	**113 330**	**113 388**
TOTAL EQUITY AND LIABILITIES	**369 764**	**324 686**

Information from the Separate Statement of Changes in Equity
for the year ended 31 December 2022 (in EUR ’000)

	Share capital	Legal reserve fund	Hedging derivatives	Retained earnings	Total
Opening balance at 1 Jan 2021	81 061	16 212	-	108 366	205 639
Dividends paid	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	5 659	5 659
Closing balance at 31 Dec 2021	**81 061**	**16 212**	**-**	**114 025**	**211 298**
Dividends paid	-	-	-	(4 768)	(4 768)
Total comprehensive income/(loss) for the year	-	-	712	49 192	49 904
Closing balance at 31 Dec 2022	**81 061**	**16 212**	**712**	**158 449**	**256 434**

EXPENSES, REVENUES AND PROFIT/(LOSS)

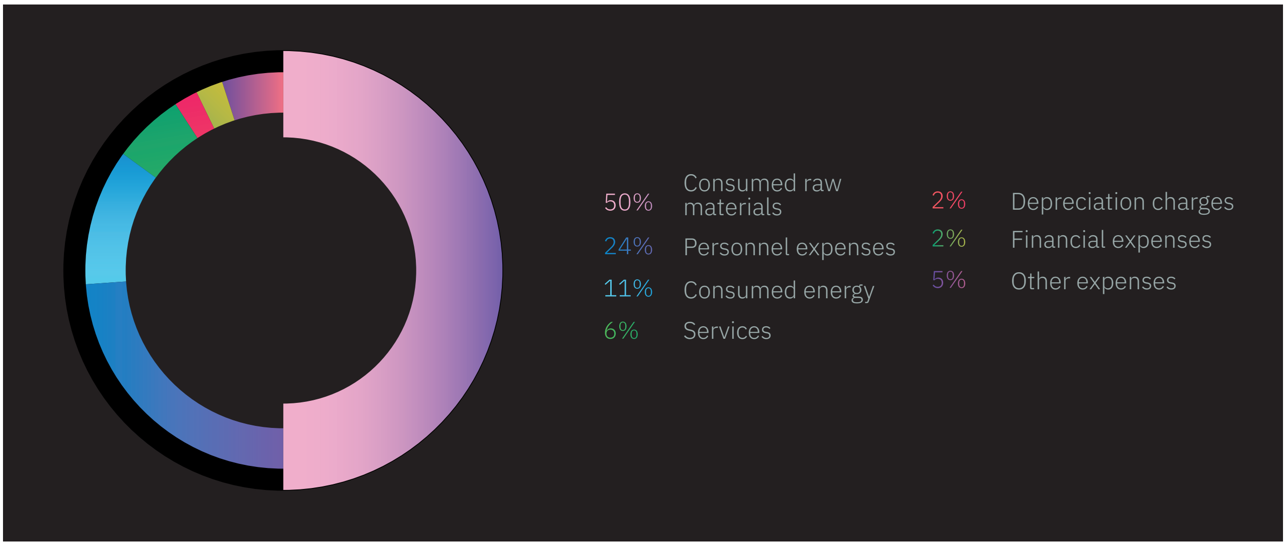
In 2022, the Company posted a profit of EUR 49 192 thousand, recognised as the difference between total revenues (EUR 465 555 thousand) and total expenses (EUR 416 363 thousand).

Operating revenues contributed most (98%) to the Company’s total revenues. Sales revenues amounted to EUR 428.6 million, which was almost 14% higher than planned. Financial income of EUR 8 091 thousand amounted to 2% of total revenues and primarily consisted of dividends received from subsidiaries, interest income and foreign exchange gains.

Total operating expenses for 2022 increased by almost EUR 67 million (20%), primarily due to increased personnel expenses, increased prices of input raw materials, energy and costs of services. There were only moderate changes to the structure of expenses compared to the previous year. The share of expenses incurred for raw materials and energy of total operating expenses decreased from 65% to 61%. On the other hand, the share of personnel expenses of total expenses increased from 22% to 24%. The share of services accounted for 6% of total expenses.

The return on total revenues and total expenses significantly increased to 10.6% and 11.8%, respectively.

Structure of Total Expenses in 2022



Report by the Board of Directors
on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

Information from the Separate Statement of Comprehensive Income
for the year ended 31 December 2022 (in EUR ’000)

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Sales of own products and merchandise	**426 359**	**308 964**
Sales of services	**2 236**	**1 195**
Changes in inventories of finished products and work in progress	18 236	7 639
Own work capitalised	7 212	7 688
Raw materials and consumables used	(257 739)	(222 409)
Services	(24 713)	(20 748)
Personnel expenses	(100 376)	(73 297)
Depreciation and amortisation	(9 172)	(9 135)
Other operating revenues	3 421	5 923
Other operating expenses	(4 167)	(3 776)
Interest income	107	55
Interest expense	(900)	(840)
Other financial income	7 983	3 218
Other financial expenses	(9 326)	(364)
Profit/(loss) before tax	59 162	4 113
Income tax expense	(9 970)	1 546
PROFIT/(LOSS) FOR THE YEAR	**49 192**	**5 659**
Other comprehensive income and losses after tax	712	-
Total profit/(loss) for the year	**49 904**	**5 659**

The financial information presented in the annual report is consistent with the financial information presented in the separate financial statements. In line with Slovak legislation, in particular Act No. 431/2002 Coll. on Accounting, Železiarne Podbrezová a.s. prepared its separate financial statements for the period from 1 January 2022 to 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Significant Events that Occurred after the Reporting Date

From 31 December 2022 up to the preparation date of the financial statements, there were no such events that would have a significant impact on the Company’s assets and liabilities, except for those already disclosed in the attached notes to the accompanying financial statements.

Report on the Activities of Consolidated Entities

The amount of investments in subsidiaries and affiliates as at 31 December 2022 recognised in line with IFRS amounted to EUR 75 336 thousand (20.4% of the Company's total assets).

Financial investments and other ownership interests
as at 31 Dec 2022

Company name	Registered office	Investment (EUR '000)	Share in share capital	Type of ownership interest
MANUFACTURING COMPANIES				
Transformaciones Metalurgicas, S.A.U. (TRANSMESA)	Barcelona, Spain	16 981	100%	direct
TAP Tubos de Acero de Precision, S.L.U.	Barcelona, Spain	-	100%	indirect
Transmesa USA, Inc.	Englewood Cliffs, NJ, USA	-	100%	indirect
ŽP EKO QELET a.s.	Martin, Slovakia	26 925	66.27%	direct
ŽIAROMAT a.s.	Kalinovo, Slovakia	2 899	100%	direct
KBZ s.r.o.	Košice, Slovakia	3 649	70%	direct
TOM-FERR Zrt.	Budapest, Hungary	2 032	24.89%	direct
TRADE & DISTRIBUTION COMPANIES				
ŽP Trade Bohemia, a.s.	Prague, Czech Republic	1 780	100%	direct
ZANINONI SLOVAKIA, s.r.o.	Valaská, Slovakia	985	100%	direct
SLOVRUR Sp. z o. o.	Stalowa Wola, Poland	712	90%	direct
PIPEX ITALIA S.p.A.	Arona, Italy	320	85%	direct
Pipex Deutschland GmbH	Munich, Germany	131	88.50%	direct and indirect
Pipex Energy S.r.l.	Milan, Italy	-	41.65%	indirect
SERVICES				
Tále, a.s.	Horná Lehota, Slovakia	14 122	92.87%	direct
Tále ski & golf resorts s.r.o.	Horná Lehota, Slovakia	-	37.15%	indirect
UHL, s.r.o.	Podbrezová, Slovakia	2 041	100%	direct
ŽP Informatika s.r.o.	Podbrezová, Slovakia	1 034	100%	direct
ŽP – Gastroservis, s.r.o.	Valaská, Slovakia	1 000	100%	direct
ŠK Železiarne Podbrezová a.s.	Podbrezová, Slovakia	330	99.50%	direct
ŽP Bezpečnostné služby s.r.o.	Podbrezová, Slovakia	200	100%	direct
ŽP Rehabilitácia s.r.o.	Podbrezová, Slovakia	150	100%	direct
ŽP Výskumno-vývojové centrum s.r.o. (ŽP VVC s.r.o.)	Podbrezová, Slovakia	33	100%	direct
FK Železiarne Podbrezová a.s.	Podbrezová, Slovakia	12	55%	direct
ŽP EKO QELET PLUS s.r.o.	Hliník nad Hronom, Slovakia	-	29.82%	indirect
OTHER OWNERSHIP INTERESTS				
Nadácia Železiarne Podbrezová (Foundation)	Podbrezová, Slovakia	-	100%	direct

Net book value of the investment in line with IFRS. The amount of the contribution and the reported financial results of the companies in a foreign currency presented in the report are converted using the exchange rate of the European Central Bank as at 31 Dec 2022.

Report by the Board of Directors
on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

In July 2022, ŽP EKO QELET a.s. (subsidiary) entered ŽP EKO QELET PLUS s.r.o., which plans to carry out waste management activities.

TRANSMESA & TAP

The product portfolios of TRANSMESA and TAP (Spanish companies) strengthen and complement the international market position of the ŽP GROUP as regards production and sales of precision cold-drawn steel tubes.

In 2022, the situation on the small-diameter precision seamless tube market was good from the perspective of manufacturers, and strong demand for products meant production capacity limits were reached again. As a result of demand for their own products, many customers maintained a large production volume, which resulted in strong demand for small-diameter tubes.

This situation continued throughout 2022 despite the energy crisis and the widespread instability caused by the war in Ukraine and the resulting structural changes to energy flows and the energy sector across Europe. Last year, companies utilised their production capacity efficiently.

In 2022, TRANSMESA and its subsidiary, TAP, produced 8 351 tonnes of precision steel tubes and profiles, a slight decrease by 1.7% compared to the previous year (2021: 8 493 tonnes). Given the product mix structure, the total length of produced tubes decreased by approx. 4% y/y to 22 206 thousand metres (2021: 23 154 thousand metres). Of the total volume, 3 025 tonnes of tubes were finalised by electrolytic galvanising and 2 686 tonnes (13.9 million items) by mechanical division.

In 2022, both Spanish companies (TRANSMESA and TAP) supplied their customers with 13 526 tonnes of tubes (2021: 13 879 tonnes), of which 8 718 tonnes were of own production (2021: 9 226 tonnes). Consolidated revenues from the sale of merchandise, products and services totalled EUR 58.8 million (2021: EUR 45.9 million), an increase in sales by 28% y/y. This was due to an increased sales volume by the ŽP GROUP and higher prices of products and merchandise. In 2022, the companies posted a consolidated profit after tax of EUR 5 781 thousand (2021: EUR 4283 thousand), of which TRANSMESA: EUR 5 320 thousand, and TAP: EUR 461 thousand. Total assets as at 31 December 2022 amounted to EUR 56 346 thousand. Current assets amounted to EUR 31 811 thousand and equity amounting to EUR 27 335 thousand covered 49% of total assets.

In 2022, TRANSMESA shipped its products and merchandise to 35 countries, and the Spanish market comprised 32% of its total revenues. The EU, North America and Australia continued to be the main export markets.

In 2022, the companies launched several significant investment projects totalling EUR 6 968 thousand to be completed in 2023. Investments primarily comprised the expansion of production premises and technical equipment, extension of TAP's halls, new drawing benches, annealing furnaces, and a new system for automatic storage and transport of coils.

In 2023, management of these companies plans to complete the investments and operate successful and efficient production. The 2023 investment plan totalling EUR 5.65 million focuses on a new stainless-steel tube line in a new production hall in Sant Ramon, optimisation of production processes, quality and safety improvement, and investments in energy self-sufficiency in the form of new photovoltaic panels.

The companies plan for slightly higher sales and production volume in 2023 than in 2022, with a gradual increase in revenues but lower profitability, due to the high costs of input semi-finished goods and energy. The market situation and the macroeconomic situation on the three main markets of the companies will also be a significant factor.

Transmesa USA, Inc.

The Spanish company, TRANSMESA, established a subsidiary in 2015 in the US to serve US customers. In autumn 2017, a processing technology for short tubes was installed in a leased warehouse and production premises to provide these services in the US. The proximity of customers and the company's warehouse with a higher number of products increased the flexibility, security and speed of supplies and reduced the cost of transporting TRANSMESA's products to the US. In 2019, the installation of the second grinding line was completed, which increased the company's capacity for its customers. In 2022, the company benefited from its established and stable operations, experienced employees and long-term business relationships with customers. The company posted sales revenues totalling EUR 11 200 thousand, a more than 57% increase y/y, and reported a profit of EUR 1 193 thousand, a 25% increase y/y. The company's equity as at 31 December 2022 amounted to EUR 3 081 thousand, which is approx. 58% of the asset coverage.

Report by the Board of Directors

on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

ŽP EKO QELET a.s.

The company's main activities are purchasing and selling new and collected scrap metal and automobile wrecks, and waste metal processing. The company has a dominant position on the steel waste market in western and central Slovakia and for a number of years has been the leader in the collection, sorting and processing of steel waste in Slovakia. ŽP EKO QELET a.s. is the major supplier of scrap steel to Železiarne Podbrezová a.s., and supplied over 70% of scrap steel purchases in 2022.

ŽP EKO QELET a.s., as the major supplier of scrap steel to the parent company, is significantly dependent on the steel industry economic cycle and fluctuations in scrap steel prices on the CE market. In recent years, the scrap steel price has fluctuated more significantly than in the past. Last year, scrap steel prices reached historic highs for a few months.

After an extraordinarily successful 2021, ŽP EKO QELET a.s. again invested in its operational and personnel capacities and due to strong demand and a significant increase in scrap prices in 2022, the company increased the volume of purchased and processed scrap, thus increasing revenues and maintaining its profitability. In 2022, the company invested in the renovation of its machines and handling equipment, as well as in the purchase of new collection points, strategic immovable assets and land. In total, the company has 53 collection points and one processing plant. As at 31 December 2022, the company employed 259 employees.

In 2022, the company processed and disposed of 8 957 automobile wrecks (a 7% decrease y/y) at its ecological plant for processing metal waste and old vehicles using SHREDER processing technology at Hliník nad Hronom. Despite the above, the limit for processing old vehicles set for 2022, as a condition for obtaining a subsidy from the Recycling Fund, was exceeded more than twofold.

In 2022, the company sold 10 369 tonnes of non-ferrous metals, a more than 37% increase y/y. The average prices of non-ferrous metals increased sharply by 34% compared to 2021, which significantly exceeded the y/y increase in scrap prices.

The company shipped 270 thousand tonnes of scrap steel and non-ferrous metals in 2022, a 2% y/y increase (6 thousand tonnes). Scrap supplies to the parent company increased by 7% (16 thousand tonnes). The share of sales on the Slovak market remained at the similar level as in 2021, i.e. almost 96% of total volume. The remaining 4% of sales of scrap steel were primarily exported to the Czech Republic, Poland and Italy, where approx. 12 thousand tonnes of production were exported last year.

To ensure balanced financing of its working capital, the company used overdraft facilities from two banking institutions in 2022. The purchase, production and supply of scrap steel were stable and relatively even throughout the year, with the normal fluctuations in the summer months and at year end, depending on the production volume of suppliers and customers.

In 2022, the company spent EUR 6 043 thousand on investments, in particular to purchase transport and handling equipment, containers, new collection points and land, and to construct new collection points. The costs of repairs to technological and transport equipment totalled EUR 2 936 thousand.

In 2022, the company posted revenues of EUR 126 234 thousand, an increase of 21% compared to 2021. The significant increase in revenues was primarily due to an increase in prices of all scrap metals and non-ferrous metals, and a slight increase in sales volumes. As a result, the company reported a net profit of EUR 2 855 thousand in 2022, which is similar to 2021. The key expense items were the purchase of merchandise and consumed raw materials and energy, which accounted for 84% of expenses. The company's equity as at 31 December 2022 amounted to EUR 23 830 thousand, which is approx. 53% of the asset coverage.

Ensuring regular scrap metal supplies of the required quantity and quality for the parent company, Železiarne Podbrezová, remains the main task of ŽP EKO QELET a.s. In 2023, the company will focus on the efficient use of technical, technological and personnel capacities as regards the production of scrap steel and non-ferrous metals, in which the company has invested significantly in the previous years. The company plans to expand its network of steel scrap collection points at production sector locations to further stabilise its purchases in the future and to ensure it is able to provide processed scrap to other strategic customers.

KBZ s.r.o.

KBZ s.r.o. was the second-major supplier of scrap steel to Železiarne Podbrezová a.s. in 2022. In 2022, the company posted record revenues from the sale of merchandise and own outputs totalling EUR 38 331 thousand, a slight increase of 2% compared to the previous year. In 2022, the company supplied its customers with approx. 91 thousand tonnes of scrap, a 9% decrease compared to the record year for volume in 2021. The company supplied 77 thousand tonnes of scrap steel to the parent company. For Železiarne Podbrezová a.s., this amounted to over 23% of total purchases of scrap steel for steel production. The company's equity as at 31 December 2022 amounted to EUR 3 997 thousand, which is approx. 33% of the overall asset coverage. Despite a y/y increase in selling prices of scrap steel and non-ferrous metals, and the resulting record revenues, the company was not able to operate as efficiently as in 2021. Higher costs of merchandise and raw materials, energy costs, and personnel expenses meant the company posted a profit for 2022 of EUR 636 thousand, i.e. a 61% decrease y/y. Despite the above, 2022 was one of the most successful years and the company met planned supply volumes of scrap steel and made a number of investments in the amount of EUR 1 003 thousand.

ŽIAROMAT a.s.

ŽIAROMAT a.s. is an established producer of heat-resistant materials. The core of the production programme is heat-resistant concretes, fire clay, magnesite-carbon building materials and other heat-resistant mixtures. Most of the company's production (89% of revenues) is supplied to the steelwork and foundry market. The remaining portion comprises production for cement plants and other industries. In recent years, the company has focused on new customers, primarily in Ukraine.

In 2022, the company posted record revenues totalling EUR 13 757 thousand, a 24% increase compared to the previous year. However, due to a rapid increase in prices of raw materials and energy, the company was not able to fully reflect higher costs in the prices of its products, which resulted in an operating loss of EUR 226 thousand. Thanks to a profit from financing activities – the sale of saved emission allowances, total profit after tax amounted to EUR 8 thousand. After the outbreak of the war in Ukraine, supplies to this market were completely halted and the company records overdue receivables of EUR 783 thousand, for which the company has created a partial (50%) provision.

In 2022, heat-resistant mixtures and panels amounted to 33% of revenues, magnesite-carbon building materials to 21% of revenues, fire clay building materials to 24% of revenues, and other materials to 22% of revenues. Exports accounted for almost 58% of total sales. The company's equity as at 31 December 2022 amounted to EUR 2 901 thousand, which is 27% of the asset coverage. In 2022, the company posted a profit after tax of EUR 8 thousand.

PIPEX ITALIA S.p.A.

PIPEX ITALIA S.p.A. has traditionally been the most important sales and distribution channel for the products of Železiarne Podbrezová a.s., and contributed almost 26% of total sales in 2022. In 2022, the company's revenues from the sale of merchandise and services increased by 47% to a record EUR 153 090 thousand compared to the previous year. The company's equity as at 31 December 2022 amounted to EUR 15 540 thousand, which is approx. 24% of the asset coverage. In 2022, the company posted a record-high profit after tax of EUR 5 200 thousand, a more than 84% increase y/y.

SLOVRUR Sp. z o. o.

In 2022, SLOVRUR Sp. z o. o. was the second major distribution channel for the parent company. This company sells the products of Železiarne Podbrezová a.s. on the Polish market and had a more than 14% share of total sales. In 2022, the company posted record revenues in the amount of EUR 67 343 thousand, an increase of 66% compared to the previous year. The 2022 profit after tax was EUR 3 065 thousand, which is the best result in the company's history and a y/y increase in profitability of more than 104%. As at 31 December 2022, the company's equity amounted to EUR 6 308 thousand, which is approx. 43% of the asset coverage.

ŽP Trade Bohemia, a.s.

ŽP Trade Bohemia, a.s. sells the parent company's products on the Czech market, and was the third most important sales and distribution channel for the products of Železiarne Podbrezová a.s. in 2022, with a 12% share of total sales. The total revenues increased to a record EUR 55 393 thousand, which is more than a 27% increase y/y. The company posted a profit for 2022 of EUR 1 140 thousand, a 77% increase in profitability and the highest profit in its history. The company's equity as at 31 December 2022 amounted to EUR 3 446 thousand, which is approx. 45% of the asset coverage.

Pipex Deutschland GmbH

Pipex Deutschland GmbH sells the parent company's products on the German market, with a 7% share of total sales of the parent company's products. In the 10 years of its existence, the company has established an experienced team of employees and a stable customer portfolio. In 2022, the company recognised revenues from the sales of products in a record amount of EUR 34 077 thousand, i.e. a 42% increase y/y, and reported a profit of EUR 774 thousand, i.e. a 153% increase. The company's equity as at 31 December 2022 amounted to EUR 1 508 thousand, which is approx. 26% of the asset coverage.

Report by the Board of Directors
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ZANINONI SLOVAKIA, s.r.o.

The company's core business is the provision of forwarding services for the transportation of Železiarne Podbrezová's products to global markets and services for the parent company and subsidiaries. In 2022, the company provided services totalling EUR 14 762 thousand and reported a profit after tax of EUR 938 thousand. The company's equity as at 31 December 2022 amounted to EUR 2 645 thousand, which is 58% of the asset coverage.

Tále, a.s.

Tále, a.s. is a part of the business of Železiarne Podbrezová a.s., which operates in the tourism sector. It operates a sports resort comprising a ski centre, the Gray Bear 18-hole championship golf course and the Little Bear 9-hole training course, which has night lighting. The resort includes a hotel, which in addition to standard services offers congress tourism and golf vacation packages. The company regularly invests in upgrading its assets and increasing the level of provided services.

Tále offers a high-quality golf course, which is popular with individuals, and a venue for commercial, sports and club tournaments. Given the high-quality snowmaking facilities and extensive slopes, the winter ski centre is popular with families with children and schools, and downhill skiing courses. As a result, the hotel and restaurants are fully booked during the peak season, i.e. Christmas and spring holidays.

For the sports resort at Tále, 2022 marked a return to a stable customer footfall comparable to the pre-pandemic period. The fully utilised winter ski season 2022/2023 generated high revenues and hotel and restaurant services were adequately utilised. However, the 2022 summer season did not quite reach the set plans based on the strong 2021 summer season. Last year, the company also faced a significant increase in prices of food, energy, services in the tourism sector and personnel expenses, and the related lack of qualified staff and/or high employee turnover.

In December 2020, the company established a joint venture, Tále ski & golf resorts s. r. o., with a partner from the tourism business to jointly invest in new hotel and restaurant services. After obtaining all the required permits, including a comprehensive environmental impact assessment ("EIA"), the former Golf hotel will be fully renovated to improve the quality of provided services.

In 2022, the company posted revenues from the sale of merchandise and services amounting to EUR 3 357 thousand, a 66% increase compared to the previous year. The company incurred a loss after tax of EUR 536 thousand for 2022. As at 31 December 2022, the company's assets totalled EUR 16 935 thousand, with 89% covered by equity.

ŽP – Gastroservis, s.r.o.

The company produces fresh, refrigerated and frozen meals, and provides comprehensive catering services for the parent company's employees, a number of subsidiaries and external customers. In 2022, the company supplied 86% of prepared meals to Group companies. In 2022, the company sold products, services and merchandise totalling EUR 3 144 thousand, an 18% increase compared to 2021. During the year, the company had to increase meal prices due to the increased costs of ingredients and a significant increase in personnel expenses. This also contributed to the company's low profit of EUR 1.4 thousand in 2022. The company's equity as at 31 December 2022 amounted to EUR 1 108 thousand, which is 70% of the asset coverage.

FK Železiarne Podbrezová a.s.

The company took over the activities of the former company, ŽP Šport, a.s., and its primary task is to run the professional football club and youth teams. FK Železiarne Podbrezová focuses on developing Slovak youth football talents by training them in its U-8 to U-19 youth teams. The best talents are given the opportunity to play in the professional A-team. Several of our youth players also play for Slovak national age group teams. Our youth teams have football academy status.

In the 2019/2020 season, the A-team was relegated to the 2nd league from the top flight after 6 years. After the 2020/2021 season, when FK Železiarne Podbrezová finished in 4th place, the following organisational changes took place in 2021: A new coach was appointed and a clear goal was set – return to the top flight. Team management succeeded and the team played in the first tier Fortuna league in the 2022/2023 season.

Return to the first league proved to be very successful as FK Železiarne Podbrezová, a re-established newcomer to the first league, finished in 4th place after the autumn part of the season and retained its position throughout the 2022/2023 season. The club achieved its most important goals and the club's youth football retained its football academy status.

In 2022, the company generated revenues from the sale of merchandise and services totalling EUR 1 156 thousand. Despite that, the company incurred a loss of EUR 381 thousand due to expenses increasing faster than revenue growth, primarily at the end of 2022. To avoid a decrease in equity to a negative value, the parent company increased its contribution to the capital fund of FK Železiarne Podbrezová a.s. by EUR 210 thousand. The company's equity as at 31 December 2022 amounted to EUR 18 thousand, which is only approx. 4% of the asset coverage. In 2023, the company plans to increase revenues significantly by engaging external entities, increasing advertising sales and advertising cooperation. The company also plans to benefit from the sale of talented players to foreign clubs. Last but not least, the Board of Directors will consistently monitor compliance with the financial plan to achieve positive economic results.

ŠK Železiarne Podbrezová a.s.

The company is the second successor company of ŽP Šport, a.s. The minority shareholders include the municipality of Podbrezová and the civic association, Telovýchovná jednota ŽP Šport Podbrezová. The company operates a professional bowling club and youth cross-country skiing, cycling and downhill skiing teams. In 2021/2022, the bowling team won the Czech-Slovak Interleague for the sixth time in a row and became the Slovak champion for the 22nd time. In October 2022, the bowling team ranked seventh in team qualification at the World Cup held in Munich, Germany. The Podbrezová team qualified for the Champions League in the 2021/2022 season and won the final match against the German team from Zerbst held in Pápa, Hungary.

In 2022, the company posted revenues totalling EUR 568 thousand and reported a profit of EUR 16 thousand. The company's equity as at 31 December 2022 amounted to EUR 448 thousand, which is 80% of the asset coverage.

ŽP Informatika s.r.o.

ŽP Informatika s.r.o. provides comprehensive outsourcing services to Železiarne Podbrezová a.s. for IT and design and administration of information systems. The company provides comprehensive services to all ŽP GROUP companies and also provides its services to external entities. In 2022, the company posted revenues from the sale of merchandise and own outputs totalling EUR 5 343 thousand, i.e. a 21% increase in revenues, and reported a profit after tax of EUR 76 thousand. The company's equity as at 31 December 2022 amounted to EUR 2 340 thousand, which is 70% of the asset coverage.

ŽP Bezpečnostné služby s.r.o.

ŽP Bezpečnostné služby provides comprehensive private security services for Železiarne Podbrezová a.s. and its subsidiaries in the ŽP GROUP and cooperates with external security service companies. In 2022, the company posted revenues from the sale of own outputs totalling EUR 1 919 thousand. The company's equity as at 31 December 2022 amounted to EUR 342 thousand and the company reported a profit of EUR 11 thousand. The company had 73 employees.

ŽP VVC s.r.o.

The company performs research and development activities in physical metallurgy, metal forming, material engineering, modelling, process simulation and data engineering. Applied research and development is carried out for the parent company and the company also cooperates with universities and research entities. In 2022, the company posted revenues from the sale of own outputs totalling EUR 907 thousand. The company's equity as at 31 December 2022 amounted to EUR 218 thousand and the company reported a profit after tax of EUR 10 thousand.

ŽP Rehabilitácia s.r.o.

The company was established in 2011 and provides outpatient physiotherapy, balneology and therapeutic rehabilitation services primarily to ŽP GROUP employees, and the public. In the past, the company participated in recovery stays of employees of Železiarne Podbrezová a.s. at Tále, and resumed this system of cooperation and provision of services in cooperation with Tále a.s. as of 2023. In 2022, the company provided services totalling EUR 250 thousand. The company's equity as at 31 December 2022 amounted to EUR 215 thousand and the company reported a profit of EUR 21 thousand.

UHL s.r.o.

Via UHL s.r.o., Železiarne Podbrezová implements a long-term investment plan, as the company owns significant shares in the local forest landowners' association. The company's revenues are minimal and the company incurred a loss of EUR 13 thousand in 2022. The company's equity as at 31 December 2022 amounted to EUR 1 213 thousand.

Report by the Board of Directors
on Business Activities, Assets and Financial Performance in 2022 and Information on the Business Plan

BUSINESS PLAN

For more than 180 years, Železiarne Podbrezová a.s. has been a reliable partner for its customers on European and global markets with steel products. Company management makes vision-driven decisions to ensure the ŽP GROUP as a whole meets the needs of its customers in the long term, generates a profit for its shareholders and acts as a guarantor of meaningful work for its employees.

For more than four decades, the Company has primarily focused on the production of steel seamless rolled tubes and drawn precision tubes. Thirty years ago, after the political changes in Slovakia, the Company was transformed into a joint-stock company, and management consolidated all important parts of the tube production and sales process by gradual acquisitions and organic growth of the ŽP GROUP. The Group integrates the purchase of scrap metal, as the main raw material, production of heat-resistant materials and steel and seamless steel tubes, research into steel production and metal forming and sale of products by its trading companies, including logistics. The Group also includes ancillary companies that provide IT, security, catering, advertising and social responsibility services. The Board of Directors continually monitors the situation and analyses potential acquisition opportunities, as it is aware of the importance of well-directed investments at a time when not only the European Union, but also customers and partners are increasingly pursing a transition to renewable energy and more sustainable functioning of the economy, and stricter requirements for industry as well as countries.

2022 was again a difficult year for metallurgical producers. The majority of industries saw a cyclical decline in demand, lower product prices and production reductions. However, steel tube producers recorded the trend of a slight sales decrease at the year end. Thanks to an extraordinarily favourable market situation, revenues in 2022 again significantly increased and exceeded the 2021 level. Sales amounted to EUR 428.6 million (a 38% increase). In addition, the operating profit was record-breaking: EUR 61.3 million thanks to stable demand and adequate prices of finished goods. The Company ended the year with negative financial results (EUR -2.1 million) due to the creation of several provisions for financial investments. Thanks to a significant increase in equity, credit exposure decreased by 45% y/y to EUR 33.8 million at the end of EUR 2022

The global economy grew in 2022. However, the 3.6% growth of the global economy was roughly a half of that recorded in 2021. In addition to problems regarding global logistics, a shortage of raw materials and pandemic-related economic restrictions, there were also negative impacts due to the war in neighbouring Ukraine, which began in February 2022. In addition to the tragic consequences of the war, this new geopolitical situation significantly affected the global economy, primarily by an extraordinary increase in prices of energy resources, their regional shortages and an exceptional increase in inflation in the majority of the global economies.

The EU's plans related to the transition to the green economy, the European Green Deal and the related legislative changes create pressure on all single market entities to deploy low-carbon or zero-carbon systems. The extension of the ETS allowance system to include new sectors, the introduction of a carbon duty (EBAM) and financial institutions' obligation to assess compliance of financed companies and projects using the metrics of green objectives to reduce emissions by 2030 to 2050 – all of this will represent a very difficult process for companies as regards costs and administration. The ongoing economic slowdown will demonstrate that this is a highly ambitious project at a time when companies face declining orders, higher costs and lower revenues, which have a significant impact on profit margins required for additional funding for green investments.

The period of continuing strong demand, in combination with high market prices of industrial products, may be coming to an end. This is indicated by signs of falling demand for various product types. The central banks' plan to reduce inflation by raising interest rates is starting to impact the affected economies. However, high prices of purchased and contracted energy and increased wage costs will force companies to lower their profit margins. Therefore, we expect that in the second half of the year the price levels of our products will slightly decline and then hold steady, which could lead to a decrease in revenues and limited hiring of new employees.

The business and financial plan of Železiarne Podbrezová a.s. for 2023 counts with lower volumes of production and sales compared to 2022, but a positive operating and financial result. For Q1 2023, our financial position has been in line with the plan. However, as there are increasing signs of a decline in orders and further decreased demand, the situation in the second half of the year may be very different.

For 2023, the Company has approved an investment plan in the record amount of EUR 26.2 million, an almost threefold increase in the Company's current annual depreciation charges. The investment plan again builds on the medium-term development plan. The major technological investments will include the completion of current projects – two ultrasound testing centres at two separate treatment lines, completion of the modernisation of two drawing benches, modernisation of three shunter locomotives, implementation of the second and third stage of the photovoltaic plant, and automation of the entry substation. We will also invest in a new rotor for the push bench in the tube rolling mill. The final stage of replacement of heavy fuel oil for a state-of-the-art gas steam boiler should be implemented, which will substantially reduce the environmental burden. The Company also plans to invest in the preparation of new rented company flats, to be implemented in stages. We plan to spend almost EUR 40 million on repairs and maintenance of technological facilities and buildings in 2023, a decrease by approx. EUR 0.8 million compared to 2021.

In 2023, our subsidiary ŽP Výskumno-vývojové centrum will carry out R&D projects for us, with planned expenses of EUR 871 thousand. This research will focus on the long-term improvement of the quality of production, effective use of the materials used in metallurgical ceramics, optimisation of production processes and the processing of waste and scrap materials from production. In 2023, the Company will continue to implement multi-year R&D projects on tools, modelling, simulation of production processes and production data analytics, for application by the Company to production.

Company management supports and improves the quality management system under ISO 9001 and IATF 16949. The Company will continue to develop and optimise the integrated management system that combines the environmental management system under ISO 14001 and the occupational health and safety management system under ISO 45001.

In 2023, the Board of Directors continues the updated personnel, payroll and social policy programme for Company employees. This provides employees with guaranteed benefits over and above legal requirements, such as contributions to the 3rd pension pillar, affordable meals, life insurance, retirement payments and severance pay exceeding the legal minimum. Training of new employees is undertaken at our Private United School (Súkromná spojená škola ŽP).

In cooperation with our subsidiary, ŽP Informatika s.r.o., we will continue a long-term project on comprehensive change to the production information system. The project aims to ensure more efficient planning, monitoring, and management of production and technical processes at the Company, and the follow-up process for business cases in cooperation with subsidiary trading companies.

In 2023, Železiarne Podbrezová will again fund its OpEx and CapEx needs using the club credit facility with a limit of EUR 45 million, including an investment credit line. The loan maturity of the total club credit facility has been extended until 2028. This syndicated facility is complemented by other separate loans for short-term financing, which the Company may use according to operational needs. The total credit facility limit is sufficient for continuous funding in the next and future financial years.

The Group also operates in the tourism sector via its subsidiary Tále a.s. Tále a.s., in cooperation with partners from the tourism sector, is expanding and improving its provided services and seeks to make Tále and the southern part of the central Low Tatras more attractive via the planned investments.

The financial plan for 2023 took into account all information from the market and suppliers available at the time of its preparation. Since then, there has been a significant decline in demand and the number of orders. Therefore, the plans for the second half of the year may not be up to date. In the event of the expected developments, the Board of Directors expects sales of approx. EUR 390 million and a positive operating result, which is likely to be complemented by strong financial results, in particular dividends from subsidiaries. We believe the Company will have sufficient orders to maintain employment and solid profitability in the second half of the year.

As regards the companies in the consolidation group (ŽP GROUP), in 2023 we expect positive operational results, with a few exceptions, and we expect that, due to the changing economic situation, there will be a decrease in revenues and profitability. Almost all the companies have approved investment plans focused on development and efficiency improvement, and provide the parent company with regular dividends via their operational results. Consolidated revenues from the sale of merchandise, products and services for 2023 are planned in the amount of EUR 430 million, with positive consolidated results of operations.

Report by the Board of Directors
on Business Activities, Assets and Financial Performance
in 2022 and Information on the Business Plan

CONCLUSION

Despite the current global economic turbulence, the ongoing war and ever-increasing pressure to decarbonise the industry, we know that the steel tube industry has a continuing strong place in the economy. The reason for our optimism is the stable growth of the world population and the increase in urbanisation, and the long-term demand for housing and personal mobility.

The Company's Board of Directors considers 2022 to have been extraordinarily successful, despite a challenging geopolitical situation, and the unprecedented negative impact of the tragic war on millions of people and extreme fluctuations in energy commodities. With regard to production and economic results, Železiarne Podbrezová a.s. took advantage of the majority of market opportunities which occurred. All employees and Company management, including a wide range of the management and employees of subsidiaries, contributed to the Company's success.

The 2022 profit amounted to EUR 49.2 million, with earnings per share of EUR 20.6. The Board of Directors proposes to the General Meeting that a dividend of EUR 2 per share be paid.

In 2022, sales revenues in the consolidation group amounted to EUR 575.2 million and the consolidated net profit amounted to EUR 66.4 million, of which EUR 64.3 million is attributable to the shareholders of Železiarne Podbrezová. There was a 34% increase in consolidated revenues compared to 2021 and the operational results of the ŽP GROUP significantly improved by EUR 47.7 million.

Company management believes that thanks to a strong and efficient ŽP GROUP, production of quality products, competitive prices and provision of top quality services, the Company will retain its market position and key employees, and ensure sufficient sales volume of products using its own business network and a number of loyal long-term customers.

The Company, as the major employer in the region, acts responsibly to its suppliers, local SMEs and strives to remain a guarantor of social security in the Brezno district and across the Banská Bystrica region.

The Board of Directors of Železiarne Podbrezová a.s. would like to thank all our employees and colleagues, as without their contribution, these results could not have been achieved. We would also like to extend our thanks to our suppliers, customers, financial institutions and all our business partners for their cooperation, and we hope our good business relations will continue to develop successfully.

Thank you for your trust.

Approved by a decision of the Board of Directors on 30 May 2023.

Information for Shareholders

Dear Shareholders,

Under the Company's separate financial statements prepared in line with IFRS, the Company's 2022 result of operations was a profit after tax of EUR 49 192 332, i.e. EUR 20.63 per share. The Board of Directors proposes to the General Meeting that a dividend of EUR 2 per share be paid to Company shareholders from retained earnings of previous years.

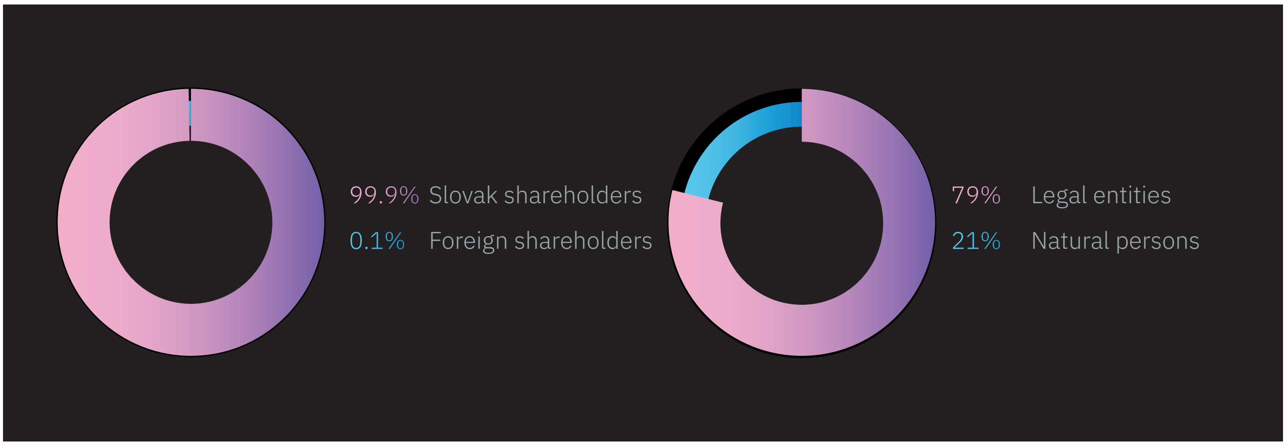
We appreciate your confidence and the trust you have expressed in Železiarne Podbrezová a.s. to date.

Information for Shareholders

The Company's share capital in the amount of EUR 81 060 590 comprises 2 384 135 ordinary paper registered shares. The face value of shares is EUR 34. According to general binding legal regulations and the Company's Articles of Associations, a share is associated with the shareholder's right to participate in the management of the Company, and in its profit and liquidation balance upon the dissolution of the Company by liquidation. The shares are not publicly tradable on the stock market. The transfer of the shares is subject to the Company's approval.

Company's Shareholders
as at 31 December 2022

	Share in the share capital & voting rights
CPA s.r.o., Podbrezová	79.46%
Other legal entities	0.02%
Natural persons	20.52%



Proposal for the payment of dividends and royalties from Retained earnings of previous years and the proposal for the distribution of the 2022 profit,
submitted to the Annual General Meeting of Shareholders on 26 June 2023 (in EUR)

Retained earnings of previous years	**109 257 010.00**
Use of retained earnings for 2004-2010:	
- Payment of dividends to shareholders: EUR 0.45 per share *(i.e. 1.32% of the face value of shares)*	1 072 860.75
Use of retained earnings for 1995-2003:	
- Payment of dividends to shareholders: EUR 1.55 per share *(i.e. 4.56% of the face value of shares)*	3 695 409.25
- Payment of royalties to the members of the Board of Directors	550 000.00
- Payment of royalties to the members of the Supervisory Board	180 000.00
Net profit for 2022	**49 192 332.00**
- Mandatory allotment to the reserve fund	**-**
- Transfer to Retained earnings of previous years	**49 192 332.00**
Balance of the reserve fund after profit distribution	**16 212 118.00**
Balance of Retained earnings of previous years after profit distribution	**153 681 072.00**

Report on the Activities of the Supervisory Board in 2022

Ing. Ján Banas
Chairman of the Supervisory Board

Dear Shareholders,

The following were members of the Supervisory Board in 2022: Ing. Ján Banas, Ing. Jozef Marčok, Ing. Ľudovít Ihring, Ing. Vladimír Zvarík, Ing. Július Kriváň, Luigi Cuzzolin, Ing. Tomáš Ihring – elected by the General Meeting; Ing. Ivan Setvák, Ján Cipciar, Ing. Jaroslav Romančík (until 31 May 2022) and Ing. Peter Kohút (since 31 May 2022) – elected by the Company's employees.

Report on the Acrivities of the Supervisory Board in 2022

All information, explanations and documents necessary to supervise the actions of the Board of Directors and the Company's business activities were made available to the Supervisory Board. The Supervisory Board received timely information on the business activities and financial situation of the Company and on cash flows, and on balance of its assets, liabilities and receivables. The majority of its members participated in the Board of Directors' meetings and key work meetings. The Chairman of the Supervisory Board was in daily contact with members of the Board of Directors and was informed about all important facts and upcoming decisions.

Based on the results of its supervisory activities, the Supervisory Board concludes that the Company's business activities in 2022 were performed in accordance with legal regulations, the Company's Articles of Association and the General Meeting's instructions. The members of the Board of Directors exercised their powers with professional diligence and in line with the interests of the Company and all its shareholders.

The Supervisory Board recognises the results of the work of the Board of Directors in addressing challenges in this turbulent year, which saw an enormous increase in input prices due to increases in energy prices and inflation. Thanks to the setup of process management, risk management and the rapid response of the statutory body to the continually-changing situation, in 2022 the Company achieved the best business and financial results in its history.

The Supervisory Board reviewed the separate and consolidated financial statements for the reporting period ended 31 December 2022, audited by Deloitte Audit s.r.o., and did not identify any irregularities or non-compliance with legislation, regulations or the Company's Articles of Association. It recommends that the General Meeting approve both financial statements.

The Supervisory Board recommends that the General Meeting approve the Board of Director's proposal for profit distribution and for the use of a portion of retained earnings of previous years to pay dividends and royalties.

The Supervisory Board recommends that the General Meeting approve Deloitte Audit s.r.o., SKAu licence No. 014, to audit the financial statements for the period beginning 1 January 2023.

In Podbrezová, 21 June 2023

Ing. Ján Banas
Chairman of the Supervisory Board

Consolidated Financial Statements

For the Year Ended 31 December 2022

Prepared in Accordance with International Financial Reporting Standards as Adopted by the EU

Independent Auditor's Report

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VAT ID: SK2020325516

Železiarne Podbrezová a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of Železiarne Podbrezová a.s.:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Železiarne Podbrezová a.s. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the consolidated financial statements, 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

Independent Auditor’s Report

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s 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 Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Consolidated Annual Report

The statutory body is responsible for information disclosed in the consolidated annual report prepared under the requirements of Act on Accounting No. 431/2002 Coll. as amended (the “Act on Accounting”). Our opinion on the consolidated financial statements stated above does not apply to other information in the consolidated annual report.

In connection with the audit of consolidated financial statements, our responsibility is to gain an understanding of the information disclosed in the consolidated annual report and consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

As at the issuance date of the auditor’s report on the audit of consolidated financial statements, the consolidated annual report was not available to us.

When we obtain the consolidated annual report, we will assess whether the Group’s annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the consolidated financial statements, we will express an opinion on whether:

- Information disclosed in the consolidated annual report prepared for 2022 is consistent with the consolidated financial statements for the relevant year; and
- The consolidated annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the consolidated annual report based on our understanding of the Group and its position, obtained in the audit of the consolidated financial statements.

Bratislava, 2 May 2023

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

This is a translation of the original auditor’s report issued in the Slovak language to the accompanying financial statements translated into the English language.

Consolidated Statement of Financial Position

As at 31 December 2022 (in euros)

	Note	*31 December 2022*	*31 December 2021*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	227 789 273	211 509 218
Intangible assets	7	1 727 964	1 533 598
Goodwill	7	1 768 335	1 768 333
Other financial assets	8	5 743 688	4 451 712
Deferred tax asset	9	321 897	309 146
Total non-current assets		**237 351 157**	**219 572 007**
CURRENT ASSETS			
Inventories	10	146 507 316	106 529 904
Trade receivables and other financial assets	11	93 831 430	97 023 792
Current tax asset		135 055	34 590
Other assets		4 665 232	2 497 299
Cash and cash equivalents	12	19 652 034	11 687 851
Total current assets		**264 791 067**	**217 773 436**
TOTAL ASSETS		**502 142 224**	**437 345 443**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	81 060 590	81 060 590
Legal and other funds	13	18 805 261	17 520 875
Retained earnings		182 149 452	122 746 308
Equity attributable to equity holders of ŽP		**282 015 303**	**221 327 773**
Minority interests		13 986 946	12 687 788
Total equity		**296 002 249**	**234 015 561**
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	51 475 634	39 393 322
Other financial and other non-current liabilities	15	4 707 955	4 001 493
Provisions for employee benefits	16	12 744 462	9 569 001
Provisions	17	874 964	875 384
Deferred tax liability	9	7 732 537	7 016 825
Total non-current liabilities		**77 535 552**	**60 856 025**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	46 641 881	87 127 858
Trade and other financial payables	18	65 170 358	52 145 387
Provisions for liabilities	17	3 639 220	52 964
Current tax liabilities		12 523 399	2 491 181
Other liabilities		629 565	656 467
Total current liabilities		**128 604 423**	**142 473 857**
Total liabilities		**206 139 975**	**203 329 882**
TOTAL EQUITY AND LIABILITIES		**502 142 224**	**437 345 443**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022 (in euros)

	Note	*Year ended 31 Dec 2022*	*Year ended 31 Dec 2021*
Sales of own products and merchandise	19	**566 424 352**	**422 152 855**
Sales of services	19	**8 789 291**	**6 402 921**
Changes in inventories of finished goods and work in progress		27 385 936	10 985 833
Own work capitalised	20	12 016 965	12 123 953
Consumed material and energy, costs of merchandise sold		(319 977 511)	(267 615 644)
Services		(47 813 005)	(40 201 733)
Personnel expenses	21	(140 749 567)	(108 020 511)
Depreciation and amortisation		(18 373 898)	(17 559 832)
Other operating income	22	5 227 519	8 772 404
Other operating expenses	22	(4 224 616)	(5 339 580)
Interest income		132 689	70 907
Interest expense		(1 792 950)	(1 522 839)
Gain/(loss) from financial investments		-	-
Other financial income	23	3 118 733	2 224 890
Other financial expenses	23	(5 963 566)	(846 876)
Profit/(loss) before tax		**84 200 372**	**21 626 748**
Income tax expense	24	(17 789 022)	(2 926 678)
PROFIT/(LOSS) FOR THE YEAR		**66 411 350**	**18 700 070**
Profit/(loss) attributable to:			
- Equity holders of ŽP		**64 327 965**	**16 639 960**
- Minority interest		2 083 385	2 060 110
Total		66 411 350	18 700 070
Other comprehensive income and losses that may be reclassified subsequently to profit or loss			
Hedging derivatives	25	901 392	-
Foreign currency translation reserve		314 139	300 699
Deferred tax related to other comprehensive income	9	(189 292)	-
Other comprehensive income/(losses) after tax		**1 026 239**	**300 699**
Total comprehensive income/(loss) attributable to:			
- Equity holders of ŽP		65 366 611	16 955 845
- Minority interest		2 070 978	2 044 924

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (in euros)

	Share capital	*Legal reserve fund*	*Hedging and translation reserve*	*Retained earnings*	*Equity attributable to equity holders of ŽP*	*Minority interests*	*Total*
Opening Balance at 1 January 2021	81 060 590	17 446 022	(284 112)	106 149 428	204 371 928	10 557 269	214 929 197
Dividends paid	-	-	-	-	-	(242 261)	(242 261)
Distribution of profit	-	43 080	-	(43 080)	-	-	-
Net profit/(loss) for the year	-	-	-	16 639 960	16 639 960	2 060 110	18 700 070
Changes in interests in subsidiaries	-	-	-	-	-	327 856	327 856
Other comprehensive income	-	-	315 885	-	315 885	(15 186)	300 699
Closing Balance at 31 December 2021	**81 060 590**	**17 489 102**	**31 773**	**122 746 308**	**221 327 773**	**12 687 788**	**234 015 561**
Dividends paid	-	-	-	(4 768 270)	(4 768 270)	(771 820)	(5 540 090)
Distribution of profit	-	245 740	-	(245 740)	-	-	-
Net profit/(loss) for the year	-	-	-	64 327 964	64 327 964	2 083 385	66 411 349
Changes in interests in subsidiaries	-	-	-	-	-	-	-
Other comprehensive income	-	-	1 038 646	-	1 038 646	(12 407)	1 026 239
Other	-	-	-	89 189	89 189	-	89 189
Closing Balance at 31 December 2022	**81 060 590**	**17 734 842**	**1 070 419**	**182 149 452**	**282 015 303**	**13 986 946**	**296 002 249**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022 (in euros)

	Note	*Year ended 31 Dec 2022*	*Year ended 31 Dec 2021*
OPERATING ACTIVITIES			
Profit/(loss) before taxation		84 200 372	21 626 748
Depreciation and amortisation and creation/reversal of provisions	6	18 373 898	17 559 832
Provisions for liabilities	17	(420)	299 362
Provisions for receivables, inventories and investments, net	22	946 535	(1 020 319)
Loss on impairment of property, plant and equipment	22	94 510	395 731
Unrealised foreign exchange differences	23	990 668	211 225
Interest, net		1 660 261	1 451 932
Proceeds from the sale of property, plant and equipment and non-current intangible assets	22	(486 202)	(808 535)
Loss/(profit) from the sale of financial investments		-	(424 423)
Employee benefits	16	3 175 461	767 519
Other non-cash items		(361 146)	(316 250)
Cash flows from operating activities before changes in working capital		108 593 937	39 742 822
Change in receivables	11	1 674 939	(31 486 300)
Change in inventories	10	(40 188 059)	(26 605 655)
Change in trade and other payables	18	17 317 689	19 993 220
Change in other assets and liabilities		(2 194 836)	(1 522 605)
Cash flows from operating activities		85 203 670	121 482
Interest received		107 360	54 930
Interest paid		(1 792 950)	(1 522 839)
Income taxes (paid)/received	24	(7 154 308)	(1 928 788)
Net cash flows from operating activities		**76 363 772**	**(3 275 215)**
INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment and non-current intangible assets	22	1 342 749	2 634 000
Proceeds from the sale of financial investments, share in profit/loss of associates		-	518 810
Acquisition of property, plant and equipment and intangible assets	6	(33 116 648)	(17 493 524)
Acquisition of subsidiaries net of cash and cash equivalents acquired		-	(14 042)
Acquisition of financial investments		(33 966)	-
Acquisition of additional shares in existing subsidiaries		-	-
Acquisition of an investment in an associate		-	(9 800)
Sale of subsidiaries net of cash and cash equivalents		-	-
Decrease in shares in subsidiaries		-	327 856
Payments for provided loans and borrowings		(90 000)	(1 647 556)
Net cash flows used in investing activities		**(31 897 865)**	**(15 684 256)**
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	14	11 288 059	26 649 842
Expenditures for the repayment of loans and borrowings	14	(39 438 138)	(8 001 211)
Expenditures for paid obligations under finance lease	14	(2 811 555)	(2 199 326)
Dividends paid		(5 540 090)	(242 261)
Net cash (used in)/generated by financing activities		**(36 501 724)**	**16 207 044**
Net (decrease)/increase in cash and cash equivalents	12	7 964 183	(2 752 427)
Cash and cash equivalents at the beginning of the year	12	11 687 851	14 440 279
Cash and cash equivalents at the end of the year	12	**19 652 034**	**11 687 851**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022 (in euros)

1 GENERAL INFORMATION

1.1 Description of the Company

Železiarne Podbrezová a.s. (hereinafter also the "Company" or "ŽP") is a joint stock company that was incorporated on 21 April 1992 and established on 1 May 1992. The Company's registered seat is at Kolkáreň 35, 976 81 Podbrezová, Slovakia (Company ID: 31 562 141, Tax ID: 2020458704). The Company produces steel pipes for industrial purposes, which are mainly sold to customers in Europe. The Company's consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group"), and the Group's share in a joint venture. The Group is active in the production and sale of steel pipes and tourism (see Note 3c).

1.2 Structure of shareholders and their shares in share capital

As at 31 December 2022, the Company's shares were held by CPA s.r.o. (79.46%) (31 December 2021: 79.45%) and other minority shareholders (20.54%) (31 December 2021: 20.55%). The shareholders' voting rights equal their ownership interest in the share capital.
The Company's shares are certified registered shares and have been publicly non-tradable since 2007.

1.3 Members of Company's bodies

Supervisory Board

Ing. Ján Banas – Chairman
Ing. Jozef Marčok – Deputy Chairman
Luigi Cuzzolin – Member
Ing. Ľudovít Ihring – Member
Ing. Tomáš Ihring – Member
Ing. Jaroslav Romančík – Member until 31 May 2022
Ing. Vladimír Zvarík – Member
Ing. Július Kriváň – Member
Ing. Ivan Setvák – Member
Ján Cipciar – Member
Ing. Peter Kohút – Member since 31 May 2022

Board of Directors

Ing. Vladimír Soták – Chairman
Ing. Marian Kurčík – Deputy Chairman
Ing. Miloš Dekrét – Member
Ing. Mária Niklová – Member until 27 June 2022
Ing. Vladimír Soták, ml. – Member
Ing. Martin Domovec – Member since 27 June 2022
Ing. Ján Vilim – Member since 27 June 2022

1.4 Unlimited guarantee

The Company is not a partner to any unlimited liability company.

1.5 Legal basis for preparing the financial statements

These financial statements are the annual consolidated financial statements of Železiarne Podbrezová a.s. and its subsidiaries as prepared under Act No. 431/2002 Coll. on Accounting, as amended. The consolidated financial statements were prepared for the reporting period from 1 January 2022 to 31 December 2022 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The financial statements are intended for general use.

1.6 Approval of the 2021 Consolidated Financial Statements

On 27 June 2022, the Annual General Meeting approved the consolidated financial statements of Železiarne Podbrezová a.s. for the year ended 31 December 2021.

1.7 Consolidated financial statements of the parent company

The Company's consolidated financial statements are included in the consolidated financial statements of the parent company, CPA s.r.o. The consolidated financial statements of CPA s.r.o. are available at the Company's registered seat (Kolkáreň 35, Nový závod, 976 81 Podbrezová) and at the Registry Court in Banská Bystrica (Skuteckého 28, 975 59).

1.8 Comparatives

As comparatives for the previous reporting period relating to assets, liabilities, and equity items, the financial statements present data reflecting balances as of 31 December 2021. For expenses and revenues, comparatives for the previous reporting period, i.e. year ended 31 December 2021, were used.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted all new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of IASB as endorsed by the European Union that are relevant to its operations and are effective for the reporting periods beginning on 1 January 2022.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- The Group applied **the amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 in the financial statements for 2021 – i.e. before its effective date.
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (2018 – 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relates to an illustrative example, so no effective date is stated.).

The adoption of the amendments to the existing standards has not led to any material changes in the Group's financial statements.

New standards and amendments to the existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standard and amendments to the existing standards were issued, but are not yet effective:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued on 25 June 2020 and amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9" issued on 9 December 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and other amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Group anticipates that the adoption of the standard and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (2018 – 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relates to an illustrative example, so no effective date is stated.).

The adoption of the amendments to the existing standards has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU and are not yet effective:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by the IASB on 25 June 2020 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the date of publication of the financial statements (the effective dates stated below are for IFRS as issued by the IASB):

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and other amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39 "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements if applied as at the reporting date.

- **IFRS 17 "Insurance Contracts"** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. The amendments to IFRS 17 "Insurance Contracts" issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the standard and provide additional reliefs when applying IFRS 17 for the first time.

- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 issued by the IASB on 14 May 2020. The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 issued by the IASB on 31 March 2021. The amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that only reduce lease payments due on or before 30 June 2022.
- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback issued by the IASB on 22 September 2022. The amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that no part of the gain or loss that relates to the right of use it retains is recognised. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.
- **Amendments to IFRS 17 "Insurance Contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information issued by the IASB on 9 December 2021. These are narrow-scope amendments to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current issued by the IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by the IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies issued by the IASB on 12 February 2021. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants issued by the IASB on 31 October 2022. The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates issued by the IASB on 12 February 2021. The amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by the IASB on 6 May 2021. According to the amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use issued by the IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing such items, in profit or loss.
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract issued by the IASB on 14 May 2020. The amendments specify that the 'cost of fulfilling' a contract comprises 'costs that relate directly to the contract'. Costs that relate directly to a contract are either incremental costs of fulfilling such a contract, or an allocation of other costs that relate directly to fulfilling contracts.
- **Amendments to various standards due to "Improvements to IFRSs (2018 – 2020 Cycle)"** issued by the IASB on 14 May 2020. The amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that a subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 when assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to remove any potential confusion regarding the treatment of lease incentives that could arise due to how lease incentives are illustrated in this example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).
- **IFRS 14 "Regulatory Deferral Accounts"** issued by the IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture issued by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and on the going concern assumption. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for certain standards and interpretations that have not been endorsed by the EU as described above.

The Group assessed the impact of recent macroeconomic changes, including the impacts of the ongoing military conflict in Ukraine, the impact of the COVID-19 pandemic, a rapid increase in inflation and the energy crisis, on the consolidated financial statements for the year ended 31 December 2022. The assessment comprises the Group's best estimate as to the ability to collect receivables, settle liabilities and generate future revenues, the impact of a potential decline in prices, access to financing and its restrictions, and a reassessment of the Group's judgments applied when making estimates and other matters. According to the Group's estimate, these circumstances have no significant negative impact on its financial performance.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments and business combinations under IFRS 3 "Business Combinations". The principal accounting policies adopted are set out below. The accompanying consolidated financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of the Group companies in order to conform the Slovak statutory and other financial statements to financial statements prepared in accordance with IFRS as adopted by the EU.

The reporting currency is the euro. The data in the consolidated financial statements are reported in euros unless otherwise stated.

The accounting policies have been consistently applied by the Group and are consistent with those of the previous year.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements were prepared under the assumption that the Group will continue as a going concern.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of controlled reporting entities ("subsidiaries"). The control arises if the reporting entity:

- Has power over an investee;
- Has an exposure or rights to variable returns from its involvement with the investee; and
- Has the ability to use its power over the investee to affect its returns.

The subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date when control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the subsidiary. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on an acquisition is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquired identifiable assets as at the acquisition date net of the liabilities assumed. If, after reassessment, the assets acquired net of the liabilities assumed exceed the sum of the referred consideration, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is initially recognised as an asset and is subsequently measured at cost less any accumulated impairment loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. The impairment of goodwill is tested annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the profit or loss on disposal.

All intra-group transactions, balances, unrealised profits or losses from transactions have been eliminated on consolidation.

Minority interest of other investors in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interests represent the other investors' proportionate share of the fair value at the acquisition date of the assets and liabilities of the relevant subsidiary, adjusted for the minorities' share of subsequent profits and losses. Loss applicable to minority interests in excess of the minorities' interest in the subsidiary's equity is accounted for along with the Group's interest except for the amount that represents contractual liability of minority shareholders and may represent an additional investment to cover losses.

The acquisition of shares in subsidiaries from entities under common control is recognised using the Pooling of Interests method. The difference between the cost of investment and the Group's share in the book value of assets and liabilities of the acquiree as of the acquisition date is recognised immediately in equity, i.e. in "Retained Earnings". The minority interest refers to the proportion of the book value of assets and liabilities of the acquiree as of the date of its acquisition net of the minority interest in gains/losses after the aforementioned date.

The list of the consolidated subsidiaries in the Group is as follows:

Name	*Country of incorporation*	*Effective ownership % 2022*	*Effective ownership % 2021*	*Voting rights % 2022*	*Voting rights % 2021*	*Principal activity*
PIPEX ITALIA S.p.A., Arona (Novara)	Italy	85.00%	85.00%	85.00%	85.00%	Trading activities
Pipex Deutschland GmbH, Munich	Germany	88.50%	88.50%	88.50%	88.50%	Trading activities
SLOVRUR Sp. z o.o., Stalowa Wola	Poland	90.00%	90.00%	90.00%	90.00%	Trading activities
ŽP Trade Bohemia, a.s., Prague	Czech Republic	100.00%	100.00%	100.00%	100.00%	Trading activities
Tále, a.s., Tále	Slovakia	92.87%	92.87%	92.87%	92.87%	Tourism
ŽP - Gastroservis, s.r.o., Valaská	Slovakia	100.00%	100.00%	100.00%	100.00%	Catering services
Nadácia Železiarne Podbrezová, Podbrezová	Slovakia	100.00%	100.00%	100.00%	100.00%	Foundation
ŽIAROMAT a.s., Kalinovo	Slovakia	100.00%	100.00%	100.00%	100.00%	Production of refractory products
ŽP Informatika s.r.o., Podbrezová	Slovakia	100.00%	100.00%	100.00%	100.00%	IT services
ŽP EKO QELET a.s., Martin	Slovakia	66.27%	66.27%	66.27%	66.27%	Purchase and sale of scrap
Transformaciones Metalurgicas S.A.U., Arenys de Mar	Spain	100.00%	100.00%	100.00%	100.00%	Production of steel pipes
TAP Tubos de Acero de Precisión, S.L.U., Arenys de Mar	Spain	100.00%	100.00%	100.00%	100.00%	Production of steel pipes
Transmesa USA, Inc., Englewood Cliffs, NJ	USA	100.00%	100.00%	100.00%	100.00%	Production and trading activities
ŽP VVC s.r.o., Podbrezová	Slovakia	100.00%	100.00%	100.00%	100.00%	Research and development
KBZ s.r.o., Košice	Slovakia	70.00%	70.00%	70.00%	70.00%	Purchase and sale of scrap
ŽP Bezpečnostné služby s.r.o., Podbrezová	Slovakia	100.00%	100.00%	100.00%	100.00%	Operation of security guards

Name	Country of incorporation	Effective ownership % 2022	2021	Voting rights % 2022	2021	Principal activity
ŽP Rehabilitácia s.r.o., Podbrezová	Slovakia	100.00%	100.00%	100.00%	100.00%	Operation of a health-care facility
ZANINONI SLOVAKIA, s.r.o., Valaská*	Slovakia	100.00%	100.00%	100.00%	100.00%	Transportation services
ŠK Železiarne Podbrezová a.s., Podbrezová	Slovakia	99.50%	99.50%	99.50%	99.50%	Sport, advertising and promotion
FK Železiarne Podbrezová a.s., Podbrezová	Slovakia	55.00%	55.00%	55.00%	55.00%	Sport, advertising and promotion
UHL, s.r.o., Podbrezová	Slovakia	100.00%	100.00%	100.00%	100.00%	Trading activities

For details on changes in the Group during the current reporting period, see Note 5.

(ii) Associates

Associates are companies in which the Group has a substantial but not controlling influence. A substantial influence is the power to participate in decisions on the financial and operating plans of an associate, but it does not mean control or joint control over such plans. Investments in associates are recognised using the equity method from the date such a substantial influence originated until the date of its termination. Under the equity method, investments in associates are recognised in the consolidated statement of financial position at cost adjusted for the Group's shares in changes in equity of an associate after the acquisition date, less any impairment of individual investments. Losses of an associate exceeding the Group's share in the associate are not recognised. The Group's associates are listed in Note 5.

Any amount by which a cost exceeds the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of an associate recognised as at the acquisition date is recognised as goodwill. Goodwill is included in the carrying amount of an investment and is considered to be a part of the investment when assessing an impairment. All of the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities that exceed the cost after the reassessment are reported directly in the statement of comprehensive income.

Unrealised gains and losses on transactions between the Group and the associate are eliminated up to the amount of the Group's share in the associate. The Group's share in net assets of an associate is recognised as "Investments in associates" in the accompanying statement of financial position and its share in the net profit is recognised as "Share in profit of associates" in the accompanying statement of comprehensive income.

The Group's associates are listed below:

Name	Country of incorporation	Effective ownership % 2022	2021	Voting rights % 2022	2021	Principal activity
TOM-FERR Zrt.	Hungary	24.89%	24.89%	24.89%	24.89%	Production of steel pipes and products
Pipex Energy S.r.l.	Italy	41.65%	41.65%	49.00%	49.00%	Research and development
Tále ski & golf resorts s.r.o.	Slovakia	37.15%	37.15%	40.00%	40.00%	Tourism
ŽP EKO QELET PLUS s.r.o.	Slovakia	29.82%	-	45.00%	-	Bookkeeping and advisory services

(d) Foreign currency

(i) Transactions in foreign currencies

Cash items denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank (ECB) or the National Bank of Slovakia (NBS) on the date preceding the transaction date. At each end of a reporting period, cash items denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank (ECB) or the National Bank of Slovakia (NBS) on the reporting date. Non-refundable advances received and made in a foreign currency are not translated as at the reporting date.

Non-cash items measured at a fair value and denominated in a foreign currency are translated using the exchange rate prevailing at the date of the fair value measurement. Non-cash items measured at a historical cost and denominated in a foreign currency are not translated.

For foreign currency purchases and sales in euros, and upon the transfer of funds from an account established in a foreign currency to an account established in euros and from an account established in euros to an account established in a foreign currency, the exchange rates at which these amounts were purchased or sold were applied. If the sale or purchase of a foreign currency is performed at an exchange rate other than the one offered by a commercial bank in its foreign exchange list, the exchange rate offered by such commercial bank in its foreign exchange list on the transaction settlement date is used. If the sale or purchase is not performed with a commercial bank, the reference exchange rate determined and announced by the ECB or the NBS on the date preceding the transaction settlement date is used.

(ii) Financial statements of foreign operation

The individual financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of individual entities are expressed in EUR, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements. Foreign operations are not considered an integral part of the operations of the parent company. The assets and liabilities of foreign operations, with functional currency other than euro, including goodwill and fair value adjustments on consolidation, are translated to EUR using the rate of exchange ruling at the reporting date. The income and expenses of these foreign operations are translated into EUR using the average exchange rate for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange rates arising are included in equity as a translation reserve. Such a translation reserve is recognised in the statement of comprehensive income in the period in which the foreign operation is disposed of.

(e) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party of the contractual provisions of the financial instrument. Financial instruments of the Group represent available-for-sale investments, receivables, interest-bearing loans and borrowings, payables and financial derivatives.

(f) Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency and interest rate forward contracts and options) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Group fulfilled the conditions for accounting for its financial derivatives as hedging derivatives.

Derivative financial instruments are initially measured at cost and are remeasured to fair value at the reporting date. The unrealised gain or loss from fixed-term transactions is calculated using the anticipated forward rate based on a standard mathematical formula which takes into account the NBS spot rate and interest rates effective as of the reporting date and is reported in the item "Other financial income, net" or "Other financial expenses" in the statement of comprehensive income and in the item "Hedging derivatives" in the shareholder's equity.

Hedging derivatives are defined as derivatives that comply with the Group's risk management strategy, the hedging relationship is formally documented at the inception of the hedging relationship and the hedge is effective, that is, at inception and throughout the period, changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within the range of 80% to 125%.
The Group designates hedging derivatives as hedges of highly-probable future cash flows attributable to a forecasted transaction (cash flow hedge).
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. Amounts accumulated in equity are recorded to the statement of comprehensive income in the periods in which the hedged item will affect the statement of comprehensive income (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative fair value adjustments reported in equity at that time remain in equity and are recognised in the statement of comprehensive income when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative fair value adjustments reported in equity are immediately recorded to the statement of comprehensive income.
Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in "Other financial income" or "Other financial expenses" in the statement of comprehensive income.

(g) Property, plant and equipment

(i) Owned assets

Property, plant and equipment ("non-current tangible assets") are carried at cost less any accumulated depreciation and provisions (impairment loss). Cost includes all costs directly attributable to bringing the asset to working conditions for its intended use. Internally-generated non-current tangible assets are measured at own costs that include the cost of material, direct wages and overhead costs directly associated with the production of non-current tangible assets until the asset is put into use.
Where some significant parts of non-current assets have different useful lives, they are accounted for and depreciated as separate items.

(ii) Leased assets

Assets acquired under a lease are recognised at their cost as assets as at the acquisition date.
The related lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the interest rate implicit in the lease if such a rate can be readily determined. If this rate cannot be readily determined, the lessee must use their incremental borrowing rate. The related payable to the lessor is recognised as a lease liability in the balance sheet. Finance costs representing the difference between the total lease liability and the fair value of acquired assets are recognised through profit or loss over the lease term (IFRS 16).
IFRS 16 "Leases" - issued by IASB on 13 January 2016 - effective for the annual period beginning on or after 1 January 2019 defines a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises right-of-use assets and a lease liability in accordance with IFRS 16 where the Group is a lessee. An exemption is applied to short-term leases with the lease term of 12 months or less and to leases where the underlying asset is of low value. Upon the initial recognition under IFRS 16, the Group applied a partially retrospective approach.
The right-of-use asset is measured at the same amount as the lease liability adjusted for the lease payments recognised before or at the date of initial application, less lease payments received and initial direct expenses. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and provisions.
The right-of-use asset is depreciated over the shorter of the term of a lease contract and the useful life of the underlying asset. If the ownership title to the underlying asset is transferred to the lessee at the end of the lease term or if it is probable that the lessee will exercise an option to purchase the underlying asset, the right-of-use asset is depreciated over the useful life of the underlying asset. Assets are depreciated starting on the first day of the lease contract.

(iii) Subsequent expenditures

Any subsequent expenditures incurred to replace a component of non-current tangible assets that is recognised separately, including inspections and general overhauls, are capitalised provided that they meet the basic criteria for the recognition of non-current tangible assets, and the cost of the component can be measured reliably. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of assets exceeding their original performance. All other expenditure made after the acquisition of non-current tangible assets to restore or maintain the extent of future economic benefits is recognised as an expense when incurred (insignificant repairs and maintenance).

(h) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition is initially measured at cost, as stated above in paragraph (c) (i). When adopting IFRS 3, the cost of goodwill is adjusted for impairment losses, if any.
Goodwill that arose on business combination is allocated upon an acquisition to cash-generating units (CGU) that are expected to benefit from the synergies of the business combination. The impairment of goodwill is tested annually or more frequently when there is an indication that the unit may be impaired. The recoverable amount of the cash-generating unit is determined based on the value in use calculation. Underlying assumptions used in calculating the value in use are assumptions related to the discount rate, growth rate and estimated revenues and expenses during the period. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the relevant CGU.

(ii) Software

Software is measured at cost less accumulated depreciation. Software is depreciated using linear depreciation over the expected useful life, which is 4 - 5 years.

(iii) Research and development

Costs of research and development are recognised as expenses except those costs incurred on development projects that are recognised as intangible assets to the extent of future economic benefits. However, development costs initially recognised as an expense are not capitalised in subsequent periods.

(iv) Subsequent expenditures

Subsequent expenditures are capitalised only when it is assumed that they meet the definition of non-current intangible assets and the basic requirements for their recognition. All other expenditures are expensed as incurred.

(i) Investment in securities

Investments in securities are recognised as at the transaction date and are measured upon acquisition at cost less impairment losses, if any.
Held-to-maturity investments are initially recognised at cost and subsequently at amortised cost using the effective interest rate method.

Available-for-sale investments represent insignificant unconsolidated subsidiaries and insignificant participations in equity of various companies in which the Group neither holds, directly or indirectly, more than 20% of the voting rights nor exercises substantial influence.
Available-for-sale investments are recognised as at the transaction date and are measured at cost at their acquisition. At the reporting date they are measured at fair value based on quoted market prices assuming there is an active market. Unrealised gains and losses are recognised directly in equity until such financial investments are sold or impaired; at which time the accumulated gains and losses are recognised in the statement of comprehensive income. In the event the fair value of available-for-sale investments cannot be reliably estimated, the investments are carried at cost less any items reflecting their permanent impairment. These provisions are recognised in the statement of comprehensive income.

(j) Trade and other receivables

Trade and other receivables are measured at expected realisable value, including provisions for bad and doubtful receivables.

(k) Inventories

Inventories are measured at the lower of cost, own costs, or net realisable value. Net realisable value represents the estimated selling price less the estimated costs of completion and costs of distribution. A provision is mainly created for slow-moving and obsolete inventories based on an individual assessment.
Material is measured by weighted average cost that includes the cost of acquisition of the material and other costs related to acquisition that arose on bringing the assets to their current condition and location.
Work in progress, semi-finished goods and finished goods are measured at own costs, which include the costs of material, wages and salaries, other direct expenses and production overheads depending on the stage of completion of the inventory.
A provision is created for slow-moving and obsolete inventories based on an individual assessment.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in bank accounts, placements and other highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(m) Impairment of assets

The Group assesses at each reporting date the carrying amounts of its non-current tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to determine the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.
The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the 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. An impairment loss is recognised immediately in the statement of comprehensive income ("other operating expenses"). Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised directly in the statement of comprehensive income.
The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted by the original effective interest rate inherent in the asset. Short-term receivables are not discounted. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market value of the time value of money and the risks specific to the asset. For assets not generating sufficient independent cash flows, the realisable value is determined for the cash-generating unit to which the assets pertain. In accordance with IFRS 9, the Group implemented a simplified model for the impairment of trade receivables, under which the Group creates provisions for trade receivables without a significant element of financing in the amount of lifetime expected losses.

(n) Dividends

Dividends paid are recognised as a liability in the period in which they are declared.

(o) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. Any difference between cost and redemption value of the borrowing on an effective interest rate basis is recognised in the statement of comprehensive income over the period of the borrowings on a straight-line basis.

(p) Provision for employee benefits

The Group operates unfunded defined long-term benefit programs - the defined benefit plan comprising one-off retirement benefits, long service and jubilee benefits. According to IAS 19 "Employee benefits", the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees. The liabilities related to the benefits are measured at the present value of the estimated future cash outflows discounted by market yields on government bonds, which have maturity periods approximating the maturity periods of the related liability. All actuarial gains and losses are recognised in the statement of comprehensive income. Past service cost is recognised when incurred up to the amount of benefits paid, and the remaining amount is amortised on a straight-line basis during the average period until the moment of the settlement of benefits.

(q) Social security and pension schemes

The Group is required to make contributions to various obligatory Government insurance schemes, together with contributions by employees. The cost of social security payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Group contributes to a supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No additional liabilities arise to the Group from the payment of pensions to employees in the future.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.
A provision is measured on the basis of the best estimate made by the management of the cost of the liability settlement as at the reporting date. If

the effect is material, provisions are determined by discounting the expected future cash flows by a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) Accruals

The Group makes an estimate of expenses and liabilities that have not been invoiced at the reporting date. These expenses and liabilities are recorded in the accounting records on an accrual basis and recognised in the financial statements in the period to which they relate.

(t) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

(u) Revenue recognition

(i) Goods sold and services rendered

In relation to the sale of goods and merchandise, revenues are recognised when all significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the collection of consideration, associated costs and possible claims or returning of goods. Revenues are stated net of taxes and discounts, after eliminating sales within the Group. No revenue is recognised if there are significant uncertainties regarding the settlement of the consideration due, the associated costs or the possible return of goods, or regarding the continuous involvement of the Group in the management of the goods. Revenues from the provision of services are recognised when the relevant services are rendered in proportion to the stage of their completion at the reporting date.

(ii) Government grants

Grants are not recognised unless there is a reasonable assurance that the Group will meet the grant-related conditions.

Grants are systematically recognised in the statement of comprehensive income in the periods in which the Group recognises as costs the related expenditures to be compensated by the grants. In particular, grants whose principal condition is for the Group to acquire, construct or otherwise obtain non-current assets are recognised as deferred income in the statement of financial position and reclassified on a systematic basis in the statement of comprehensive income over the useful life of the related assets.

The grants which are to be received as compensation for expenditures or losses already incurred or the aim of which is to provide immediate financial aid to the Group without related future expenditures are recognised in the statement of comprehensive income on an accrual basis.

(v) Expenses

(i) Financial costs and financial income

Financial costs and financial income comprise interest payable on borrowings calculated using the effective interest rate method, interest received, dividend income, proceeds on the sale of financial investments, foreign exchange gains and losses, and bank fees. Borrowing costs directly related to the acquisition of non-current tangible assets are included in the cost of the assets. Interest income is recognised in the statement of comprehensive income as it occurs using the effective yield method. Dividend income is recognised in the statement of comprehensive income on the date when the dividend is declared.

(w) Taxation

Income tax for the year comprises current and deferred tax.

Current tax is calculated from the taxable income for the year using tax rates enacted at the reporting date, and any adjustments to current tax in respect of previous years.

Deferred income tax is calculated, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the income tax rates that are expected to apply to the period when the asset is to be realised or the liability settled. Deferred tax is charged or credited to the statement of comprehensive income, except for those items of receivables and payables that are credited or charged directly to equity.

Deferred tax is not calculated for the following temporary differences:

- Arising from goodwill - not deductible for tax purposes;
- Arising from the initial recognition of assets or liabilities that do not affect accounting or taxable profit in a transaction other than a business combination; and
- Arising from investments in subsidiaries and the joint venture, where the Group controls the settlement of temporary differences and temporary differences are unlikely to be utilised in the near future.

When calculating deferred tax, the expected method of realisation or settlement of the carrying amount of assets and liabilities is also considered. A deferred tax asset is recognised only to the extent that it is probable that the Group will generate a sufficient tax base in the future against which the asset can be utilised. Carrying amounts of deferred tax assets are always assessed as at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the Group's management has made the following judgements concerning uncertainties and estimates that have an effect on the amounts recognised in the financial statements. There is risk of potential adjustments in future periods relating to such matters, including the following:

Impairment of property, plant and equipment

The Group calculated and recognised a loss on the impairment of property, plant and equipment based on the assessment of their future use, planned disposals and sales. The Group does not believe that any material adjustments are needed in the future owing to impairment of the Group's assets considering the production and sales levels (also see Note 6).

Depreciation

Non-current tangible assets are depreciated on a straight-line basis over the estimated useful life of individual items of the non-current tangible assets. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

Golf course and hotels	30 - 90 years,
Buildings, halls and constructions	12 - 80 years,
Plant and equipment and vehicles	4 - 20 years.

Non-current tangible assets acquired under finance lease are depreciated over their expected useful lives on the same basis as owned assets. The gain or loss arising on the disposal or retirement of an item of non-current tangible assets is fully reflected in the statement of comprehensive income.

For the year ended 31 December 2022 (in euros)

Provisions for legal and court proceedings

The Group is involved in various legal proceedings for which the management has assessed the probability of loss that will result in a cash outflow for the Group. In making this assessment, the Group has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings and on an internal evaluation of the likely outcome. The final amount of any potential losses in relation to legal proceedings is not known and based on the Group management judgement will not result in a material adjustment to previous estimates. Details of the legal cases are included in Note 29.3.

Provision for employee benefits

The Group uses a model to calculate employee benefits (see Note 3(p) above), which reflects the expected employee turnover, wage growth, discount factor and all of the benefits the Company plans to pay to the employees.

5 CHANGES IN THE GROUP

On 2 July 2022, ŽP EKO QELET a.s. entered ŽP EKO QELET PLUS s.r.o., in which the Group holds a 29.82% share.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	*Plant and equipment*	*Assets under construction*	*Total*
Cost				
At 1 Jan 2022	219 231 298	339 567 669	7 006 210	565 805 177
Additions	1 715 991	-	34 037 053	35 753 044
Additions from the acquisition of a share in a subsidiary	-	-	-	-
Disposals	(74 115)	(4 492 581)	(869 433)	(5 436 129)
Transfers	4 683 975	17 511 885	(22 195 860)	-
Foreign exchange differences	46 000	43 492	25 299	114 791
At 31 Dec 2022	**225 603 149**	**352 630 465**	**18 003 269**	**596 236 883**
Accumulated depreciation and impairment				
At 1 Jan 2022	105 899 854	248 349 821	46 284	354 295 959
Depreciation, recognition of the net book value	4 721 538	13 869 624	-	18 591 162
Additions from the acquisition of a share in a subsidiary	-	-	-	-
Impairment loss	-	24 400	70 110	94 510
Disposals	(73 922)	(4 492 586)	-	(4 566 508)
Foreign exchange differences	14 468	18 019	-	32 487
At 31 Dec 2022	**110 561 938**	**257 769 278**	**116 394**	**368 447 610**
Carrying amount				
At 1 Jan 2022	113 331 444	91 217 848	6 959 926	211 509 218
At 31 Dec 2022	**115 041 211**	**94 861 187**	**17 886 875**	**227 789 273**

	Land and buildings	*Plant and equipment*	*Assets under construction*	*Total*
Cost				
At 1 Jan 2021	217 825 394	327 087 885	7 822 432	552 735 711
Additions	9 153	-	22 443 473	22 452 626
Additions from the acquisition of a share in a subsidiary	187 092	345 262	-	532 354
Disposals	(2 876 532)	(6 505 118)	(680 915)	(10 062 565)
Transfers	3 999 758	18 581 894	(22 581 652)	-
Foreign exchange differences	86 433	57 746	2 872	147 051
At 31 Dec 2021	**219 231 298**	**339 567 669**	**7 006 210**	**565 805 177**
Accumulated depreciation and impairment				
At 1 Jan 2021	102 368 306	241 230 951	46 297	343 645 554
Depreciation, recognition of the net book value	5 615 505	13 393 584	-	19 009 089
Additions from the acquisition of a share in a subsidiary	45 580	174 143	-	219 723
Impairment loss	365 840	29 904	(13)	395 731
Disposals	(2 526 606)	(6 505 109)	-	(9 031 715)
Foreign exchange differences	31 229	26 348	-	57 577
At 31 Dec 2021	**105 899 854**	**248 349 821**	**46 284**	**354 295 959**
Carrying amount				
At 1 Jan 2021	115 457 088	85 856 934	7 776 135	209 090 157
At 31 Dec 2021	**113 331 444**	**91 217 848**	**6 959 926**	**211 509 218**

For the year ended 31 December 2022 (in euros)

Right-of-use assets are included in land and buildings, and plant, machinery and equipment as follows:

	Land and buildings	*Plant, machinery and equipment*	*Total*
Cost			
At 1 Jan 2022	4 606 422	10 347 123	14 953 545
Additions	1 934 257	2 876 638	4 810 895
Disposals	(213 637)	(510 485)	(724 122)
31 Dec 2022	**6 327 042**	**12 713 276**	**19 040 318**
Accumulated depreciation			
At 1 Jan 2022	1 059 433	2 776 124	3 835 557
Depreciation	616 035	1 430 394	2 046 429
Disposals	(287 439)	(493 027)	(780 466)
31 Dec 2022	**1 388 029**	**3 713 491**	**5 101 520**
Net book value			
At 1 Jan 2022	3 546 989	7 570 999	11 117 988
31 Dec 2022	**4 939 013**	**8 999 785**	**13 938 798**

As at 31 December 2022, the cost of fully-depreciated items of property, plant and equipment, which were still in use, was EUR 91 988 thousand (31 December 2021: EUR 91 479 thousand).

Property, plant and equipment include Slovenská Ľupča castle at a net book value of EUR 2 782 thousand (31 December 2021: EUR 2 879 thousand), which is partly available to the public and partly used for representation purposes. Based on the assessment of impairment indications as per IAS 36 "Impairment of assets", the Group decided that there was no need to quantify an impairment loss with regard to the castle.

The Group revised the estimated remaining useful lives of non-current tangible assets and for the purpose of depreciation, it broke down material items of assets into material parts as required by IAS 16 – Property, Plant and Equipment. Depreciation charges of non-current tangible assets were increased by EUR 636 thousand in 2022 due to revisions of useful life.

Assets under lien

At 31 December 2022, the immovable and movable assets of ŽP with a carrying amount of EUR 24 177 thousand (fair value of approx. EUR 81 000 thousand) and immovable and movable assets of other consolidated companies with a carrying amount of EUR 31 033 thousand are subject to a registered debenture to secure certain bank loans (see Note 14). The net book value of non-current tangible assets with restricted handling by the Group (easement) was EUR 5 484 thousand.

Insurance of assets

Insured assets	*Type of insurance*	*Name and address of the insurance company*	*Amount insured*
Set of immovable assets	Against all risks	Allianz-Slovenská poisťovňa, a.s., Bratislava; AXA Seguros Generales; ZURICH; Allianz pojišťovna, a.s., Prague; ZURICH+UNIPOL (AON GENOA); Sopockie Towarzystwo Ubezpieczeń Ergo Hestia; STU Ergo Hestia; Aon Risk services Northeats - Century Surety Company; Premium insurance Company Limited.	379 759 442
Set of movable assets	Against all risks	Allianz-Slovenská poisťovňa, a.s., Bratislava; AXA Seguros Generales; ZURICH; Allianz pojišťovna, a.s., Prague; ZURICH+UNIPOL (AON GENOA); Sopockie Towarzystwo Ubezpieczeń Ergo Hestia; Aon Risk services Northeats - Century Surety Company.	377 229 955
Acquisition of new non-current tangible assets	Against all risks	Allianz-Slovenská poisťovňa, a.s., Bratislava	2 185 820

7 INTANGIBLE ASSETS AND GOODWILL

	Software	*Goodwill*	*Assets under construction*	*Total*
Cost				
At 1 Jan 2022	6 987 339	1 768 335	163 428	8 919 102
Additions	-	-	506 108	506 108
Additions from the acquisition of a share in a subsidiary	-	-	-	-
Disposals	(28 594)	-	-	(28 594)
Transfers	271 520	-	(271 520)	-
Foreign exchange differences	130	-	3 344	3 474
At 31 Dec 2022	**7 230 395**	**1 768 335**	**401 360**	**9 400 090**
Accumulated amortisation				
At 1 Jan 2022	5 610 565	-	6 606	5 617 171
Amortisation	315 062	-	-	315 062
Additions from the acquisition of a share in a subsidiary	-	-	-	-
Disposals	(28 594)	-	-	(28 594)
Transfers	-	-	-	-
Foreign exchange differences	152	-	-	152
At 31 Dec 2022	**5 897 185**	**-**	**6 606**	**5 903 791**
Carrying amount				
At 1 Jan 2022	1 376 774	1 768 335	156 822	3 301 931
At 31 Dec 2022	**1 333 210**	**1 768 335**	**394 754**	**3 496 299**

For the year ended 31 December 2022 (in euros)

	Software	Goodwill	Assets under construction	Total
Cost				
At 1 Jan 2021	6 605 617	1 768 335	234 175	8 608 127
Additions	-	-	317 607	317 607
Additions from the acquisition of a share in a subsidiary	-	106 846	-	106 846
Disposals	(7 795)	(106 846)	-	(114 641)
Transfers	388 354	-	(388 354)	-
Foreign exchange differences	1 163	-	-	1 163
At 31 Dec 2021	**6 987 339**	**1 768 335**	**163 428**	**8 919 102**
Accumulated amortisation				
At 1 Jan 2021	5 314 433	-	6 606	5 321 039
Amortisation	302 652	-	-	302 650
Additions from the acquisition of a share in a subsidiary	-	106 846	-	106 846
Disposals	(7 795)	(106 846)	-	(114 641)
Transfers	-	-	-	-
Foreign exchange differences	1 275	-	-	1 275
At 31 Dec 2021	**5 610 565**	**-**	**6 606**	**5 617 171**
Carrying amount				
At 1 Jan 2021	1 291 184	1 768 335	227 569	3 287 088
At 31 Dec 2021	**1 376 774**	**1 768 335**	**156 822**	**3 301 931**

The subsidiary, PIPEX ITALIA S.p.A., is allocated goodwill amounting to EUR 1 183 thousand as at 31 December 2022 (31 December 2021: EUR 1 183 thousand). As at 31 December 2022, no impairment of goodwill was identified by testing the goodwill for impairment.
Goodwill amounting to EUR 585 thousand arose on the acquisition of a 31.74% ownership interest in ŽP EKO QELET a.s. in 2005, which was recognised in the statement of financial position. No goodwill arose upon the acquisition of a 34.51% share in ŽP EKO QELET a.s. in 2007, as the transaction was between entities under common control, and the Company accounted for such transaction using the Pooling of Interests method. Upon the acquisition of the additional 0.02% ownership interest owing to an increase in the Company's share capital in June 2008, negative goodwill arose, which was fully written off in the statement of comprehensive income for the year ended 31 December 2008.

8 OTHER FINANCIAL ASSETS

	31 Dec 2022	31 Dec 2021
PROJECT STEEL SUPPLIES PTY LTD, Australia	65 000	65 000
Rafako S.A.	30 978	-
Investments available for sale	**95 978**	**65 000**
TOM-FERR Zrt.	2 770 144	2 408 998
Pipex Energy S.r.l.	9 800	9 800
ŽP EKO QELET PLUS s.r.o.	2 988	-
Tále ski & golf resorts s. r. o.	-	-
Investments in associates	**2 782 932**	**2 418 798**
Long-term loans provided to associates	1 737 555	1 647 555
Other non-current receivables	1 127 223	320 359
Total other financial assets	**5 743 688**	**4 451 712**

Investments available for sale mainly include associates and insignificant companies in which the Group has an ownership interest of less than 20%. These companies are based in Australia and Poland. The companies are not registered on a stock exchange. The investments are recognised at a cost less impairment, if any, as their fair value cannot be reasonably estimated.

9 DEFERRED TAX ASSET AND LIABILITY

The table below presents the most significant deferred tax assets and (liabilities) reported by the Group and movements in these items during the current and previous accounting period:

	1 Jan 2022	(Debit)/ Credit to profit for current year	(Debit)/Credit to other comprehensive income and losses	(Debit)/ Credit to equity	31 Dec 2022
Property, plant and equipment	(12 600 927)	(881 021)	-	88 144	(13 393 804)
Inventories	709 842	360 538	-	-	1 070 380
Receivables	7 929	914	-	-	8 843
Financial derivatives	-	-	(189 292)	-	(189 292)
Liabilities	273 785	2 866 728	-	-	3 140 513
Provisions for liabilities	269 931	38 392	-	-	308 323
Employee benefits	1 748 712	625 372	-	-	2 374 084
Tax loss carry-forward	186 636	(167 260)	-	-	19 376
Subsidies, research and development	2 696 413	(2 444 645)	-	-	251 768
Investment in associates	-	(1 000 831)	-	-	(1 000 831)
Net deferred tax	**(6 707 679)**	**(601 813)**	**(189 292)**	**88 144**	**(7 410 640)**

For the year ended 31 December 2022 (in euros)

	1 Jan 2021	*Changes owing to the sale of interests in subsidiaries*	*(Debit)/ Credit to profit for current year*	*(Debit)/Credit to other comprehensive income and losses*	*31 Dec 2021*
Property, plant and equipment	(11 866 260)	-	(734 667)	-	(12 600 927)
Inventories	794 534	-	(84 692)	-	709 842
Receivables	12 019	-	(4 090)	-	7 929
Liabilities	274 017	-	(232)	-	273 785
Provisions for liabilities	198 743	-	71 188	-	269 931
Employee benefits	1 590 376	-	158 336	-	1 748 712
Tax loss carry-forward	58 128	-	128 508	-	186 636
Subsidies, research and development	565 981	-	2 130 432	-	2 696 413
Investment in associates	-	-	-	-	-
Net deferred tax	**(8 372 462)**	**-**	**1 664 783**	**-**	**(6 707 679)**

In accordance with the Group's accounting policies, certain deferred tax assets and liabilities were offset. The table below presents the balances of deferred tax (after offsetting) for their reporting in the statement of financial position:

	31 Dec 2022	*31 Dec 2021*
Deferred tax asset	321 897	309 146
Deferred tax liability	(7 732 537)	(7 016 825)
Total	**(7 410 640)**	**(6 707 679)**

10 INVENTORIES

	31 Dec 2022	*31 Dec 2021*
Material and spare parts	58 302 703	45 932 239
Work in progress	39 247 360	20 395 239
Finished goods	46 169 937	37 636 122
Merchandise	3 849 180	3 417 521
Provision	(1 061 864)	(851 217)
Total inventories	**146 507 316**	**106 529 904**

As at 31 December 2022, no inventories were pledged to secure bank loans (31 December 2021: EUR 0) (see Note 14).
As at 31 December 2022, due to a decrease in the net realisable value of inventories, the Group created a provision for inventories based on their ageing structure or due to a decrease in their net realisable value. The change in the balance of the provision for inventories is included in "Other operating expenses" and "Other operating income".

Insurance of inventories

Insured assets	Type of insurance	*Name and address of the insurance company*	*Amount insured*
Inventories (work in progress, semi-finished goods, finished products)	Against all risks	Allianz-Slovenská poisťovňa, a.s., Bratislava; AXA Seguros Generales; ZURICH; Aon Risk services Northeats - Century Surety Company; UNIPOL (AON GENOA)	94 003 651

11 TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

	31 Dec 2022	*31 Dec 2021*
Trade receivables	86 640 218	87 211 878
Receivables from related parties	1 327 474	3 980 107
Other tax receivables	5 714 001	6 057 834
Receivables from subsidies	-	83 672
Other receivables	2 229 393	1 034 069
Allowance for doubtful amounts	(2 079 656)	(1 343 768)
Total trade and other receivables	93 831 430	97 023 792
Total trade receivables and other financial assets	**93 831 430**	**97 023 792**

Detailed information on receivables from subsidies is given in Note 26. Other receivables totalling EUR 1 738 thousand comprise short-term borrowings provided to parties outside the consolidated group (31 December 2021: EUR 739 thousand).
As at 31 December 2022, trade receivables with a carrying amount of EUR 15 824 thousand (31 December 2021: EUR 16 809 thousand) were pledged to secure certain bank loans (see Note 14).

The following is a breakdown of trade and other receivables:

	31 Dec 2022	*31 Dec 2021*
Current receivables	84 665 986	88 039 795
Overdue receivables	11 245 100	10 327 765
Total	**95 911 086**	**98 367 560**

For the year ended 31 December 2022 (in euros)

The ageing structure of overdue receivables that were not provided for:

	31 Dec 2022	*31 Dec 2021*
Less than 90 days	8 482 093	8 860 556
90-180 days	288 800	129 759
180-360 days	398 430	1 631
More than 360 days	517	1 703
Total	**9 169 840**	**8 993 649**

The ageing structure of overdue receivables that were provided for:

	31 Dec 2022	*31 Dec 2021*
Less than 90 days	1 103 308	-
90-180 days	56 503	378 867
180-360 days	424 551	60 359
More than 360 days	490 898	894 890
Total	**2 075 260**	**1 334 116**

12 CASH AND CASH EQUIVALENTS

	31 Dec 2022	*31 Dec 2021*
Cash on hand	294 125	234 947
Bank balances and deposits	19 357 909	11 452 904
Cash and cash equivalents in the statement of financial position	**19 652 034**	**11 687 851**
Cash and cash equivalents in the statement of cash flows	**19 652 034**	**11 687 851**

As at 31 December 2022 and 31 December 2021, the Group had no restrictions on the handling of cash and cash equivalents.

13 CAPITAL AND RESERVES

Share capital

As at 31 December 2022, the share capital comprised 2 384 135 ordinary shares (31 December 2021: 2 384 135 ordinary shares), with a face value of EUR 34 each, fully paid as at 31 December 2022 and 31 December 2021. The share capital was registered with the Commercial Register.

Legal reserve fund

The legal reserve fund may not be distributed among the shareholders. It is designed to cover future losses from operations and to increase the share capital in accordance with valid regulations.

Foreign currency translation reserve

The foreign currency translation reserve includes all foreign exchange losses arising from the translation of financial statements of foreign operations that are not an integral part of the Group's operations in the amount of EUR 358 thousand (31 December 2021: EUR 32 thousand).

14 INTEREST-BEARING LOANS AND BORROWINGS

	31 Dec 2022	*31 Dec 2021*
Loans	58 638 589	74 923 977
Interest-bearing liability to the parent company and ultimate owners	9 861 268	12 123 900
Overdraft facilities	17 788 151	29 621 194
Obligations under finance leases	11 829 507	9 852 109
Total interest-bearing loans and borrowings	**98 117 515**	**126 521 180**
Loans by currency:		
EUR - Fixed interest rate	47 872 921	25 990 294
EUR - Floating interest rate	37 901 947	89 451 300
USD - Floating interest rate	418 925	658 743
CZK - Floating interest rate	-	280 931
PLN - Fixed interest rate	94 215	287 803
Total	**86 288 008**	**116 669 071**
Repayments of loans are scheduled as follows:		
Within one year	43 891 040	84 923 319
More than one year, less than two years	14 210 503	14 560 058
More than two years, less than three years	3 749 514	14 300 511
More than three years, less than four years	3 415 891	1 399 186
More than four years, less than five years	937 624	1 056 500
More than five years	20 083 436	429 497
Total	**86 288 008**	**116 669 071**
Current portion		
Loans and borrowings	43 891 040	84 923 319
Obligations under finance leases	2 750 841	2 204 539
Total	**46 641 881**	**87 127 858**
Non-current portion		
Loans and borrowings	42 396 968	31 745 752
Obligations under finance lease	9 078 666	7 647 570
Total	**51 475 634**	**39 393 322**

As at 31 December 2022, bank loans and borrowings of EUR 55 836 thousand and of EUR 30 452 thousand were secured and not secured, respectively. The provided bank loans and borrowings were secured over immovable and movable assets of the Group with a carrying amount of EUR 71 462 thousand (see Note 6), trade receivables with a carrying amount of EUR 15 824 thousand (see Note 11). Part of loans is secured by blank promissory notes.
Interest rates of loans and borrowings:

EUR - Fixed interest rate	1.00% – 3.90%
EUR - Floating interest rate	1M, 3M, 6M, 12M EURIBOR, EONIA + (0.65% p.a. – 1.50% p.a.), 12M BRIBOR, 1D €STR
CZK - Floating interest rate	0.75 – 0.95% + PRIBOR, 1D PRIBOR
USD - Floating interest rate	12M LIBOR + 1.15 % p.a.
PLN - Fixed interest rate	0%

The fair value of loans and borrowings approximates their carrying amount. The fair value represents cash flows discounted with the interest rate that, according to the assumption of the Group's management, may be collected on the reporting date.
As at 31 December 2022, the Group had the amount of EUR 45 391 thousand in the form of undrawn loan commitments in respect of which all the conditions for drawing have been fulfilled.
Group management is in contact with the financing banks regarding compliance with the requirements of concluded loan agreements. As at 31 December 2022, the Company complied with all monitored financial covenants.

Obligations under finance leases
Obligations under finance leases are payable as follows:

	Minimum lease payments		*Present value of minimum lease payments*	
	31 Dec 2022	*31 Dec 2021*	*31 Dec 2022*	*31 Dec 2021*
Obligations under finance leases				
Due within 1 year inclusive	2 836 308	2 275 623	2 750 841	2 204 539
Due from 1 to 5 years inclusive	7 259 056	3 731 747	6 967 312	3 597 181
Due after 5 years	4 555 985	6 384 724	2 111 354	4 050 389
	14 651 349	**12 392 094**	**11 829 507**	**9 852 109**
Less: unrealised financial expenses	(2 821 842)	(2 539 985)	n/a	n/a
Present value of obligations under financial leases	**11 829 507**	**9 852 109**	**11 829 507**	**9 852 109**
Less: Principal value due within 1 year inclusive (recorded in current loans and borrowings)			(2 750 841)	(2 204 539)
Principal value due in over 1 year (recorded in non-current loans and borrowings)			**9 078 666**	**7 647 570**

In accordance with internal policies, the Company leases certain production equipment under finance lease contracts (see Note 5). The average lease term is 8 years. For the year ended 31 December 2022, the average effective interest rate was 1.79% (31 December 2021: 1.71%). The interest rates are fixed as at the date of the contract, and hence the Company is exposed to the risk that the fair value of interest rates will change. All leases have fixed payments and no agreements were made on contingent future lease payments.
The obligations under finance leases are denominated in euros.
The Group's obligations under finance leases are secured by ownership rights of the lessor to the leased assets.

15 OTHER FINANCIAL AND OTHER NON-CURRENT LIABILITIES

	31 Dec 2022	*31 Dec 2021*
Deferred income on subsidies (Note 26)	4 511 889	3 891 329
Other	196 066	110 164
Total	**4 707 955**	**4 001 493**

16 PROVISIONS FOR EMPLOYEE BENEFITS

In accordance with Slovak, Czech and Italian labour legislation, and in accordance with the Board of Directors' programme, the Group pays benefits to its employees as described below.
The long-term employee benefit scheme is the programme of defined benefits under which employees are entitled to a one-off bonus upon retirement, or disability, and depending on the defined terms also to regular service loyalty bonuses for years with the Company, and jubilee bonuses. As at 31 December 2022, the programme was applicable to 3 085 employees (31 December 2021: 3 290) of the Group. As of the aforementioned date, the programme was unfunded, i.e. no specific assets were determined to cover liabilities arising from the scheme.

	31 Dec 2022	*31 Dec 2021*
Present value of retirement benefits	11 125 057	8 132 429
Present value of length-of-service benefits	1 247 976	1 242 519
Present value of jubilee benefits	371 429	194 053
Total	**12 744 462**	**9 569 001**

An increase in the provision is primarily due to a y/y increase in wages and an increase in a loyalty bonus under the Board of Directors' programme.

Key assumptions used in actuarial valuation:

	31 Dec 2022
Annual future real rate of salary increases	2023: 5%, after 2023: 2%
Annual employee turnover	9.40%
Retirement age	64 years or less, as per applicable legislation

To calculate the provision for employee benefits, the Group applied the NBS current average interest rate provided to non-financial entities in the Eurozone.

For the year ended 31 December 2022 (in euros)

17 PROVISIONS

	Warranties	Litigations	Other	Total 2022	Total 2021
Balance at 1 Jan	101 055	801 406	25 887	928 348	602 739
Provisions created during the year	-	3 564 074	48 069	3 612 143	330 964
Use/reversal of a provision during the year	(420)	-	(25 887)	(26 307)	(5 355)
Balance at 31 Dec	**100 635**	**4 365 480**	**48 069**	**4 514 184**	**928 348**

The provisions are included in liabilities as follows:

	Current liabilities	Non-current liabilities	Total
As at 31 Dec 2021	52 964	875 384	928 348
As at 31 Dec 2022	3 639 220	874 964	4 514 184

18 TRADE AND OTHER FINANCIAL PAYABLES

	31 Dec 2022	31 Dec 2021
Trade payables	31 636 224	33 972 219
Payables to related parties	3 068	15 333
Payables to employees and social security payables	27 265 279	11 977 530
Other tax payables	3 338 273	3 288 983
Other payables	2 927 514	2 891 322
Total trade and other financial payables	**65 170 358**	**52 145 387**

Payables to employees and social security payables significantly increased due to an increase in the average wages and the creation of a provision for unpaid bonuses, including social and health insurance contributions in the amount of EUR 10 000 thousand.

Breakdown of trade and other financial payables:

	31 Dec 2022	31 Dec 2021
Payables within due date	62 868 668	50 814 904
Payables after due date	2 301 690	1 330 483
Total	**65 170 358**	**52 145 387**

Social Fund liabilities (included in payables to employees and social security payables):

	Amount
Opening balance as at 1 Jan 2022	214 904
Total creation	1 013 113
Total drawing	(978 696)
Closing balance as at 31 Dec 2022	**249 321**

19 REVENUES

Revenues comprise the following items:

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Own products and merchandise	566 424 352	422 152 855
Services	8 789 291	6 402 921
Total revenues	**575 213 643**	**428 555 776**

Geographical breakdown of generated revenues by the registered office of the parent company and its subsidiaries:

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Slovak Republic	208 143 392	173 948 233
Czech Republic	54 377 935	40 902 384
Poland	67 266 929	40 909 242
Germany	34 066 013	23 923 858
Italy	150 527 430	102 077 306
Spain	49 605 273	39 659 539
USA	11 226 671	7 135 214
Total revenues	**575 213 643**	**428 555 776**

20 OWN WORK CAPITALISED

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Own work capitalised - raw material	6 255 391	5 910 571
Own work capitalised - internal services	4 481 782	4 107 062
Own work capitalised - non-current tangible and intangible assets	1 279 792	2 106 320
Total own work capitalised	**12 016 965**	**12 123 953**

"Own work capitalised - raw material" represents the processing of material by own capacities for its further use in production.

For the year ended 31 December 2022 (in euros)

21 PERSONNEL EXPENSES

	Year ended	
	31 Dec 2022	*31 Dec 2021*
Wages and salaries	99 584 311	76 984 831
Social security contributions	41 165 256	31 035 680
Total	**140 749 567**	**108 020 511**

The Group had 4 035 employees as at 31 December 2022, of which 207 were managers (31 December 2021: 4 027, of which 197 were managers). The full-time equivalent of the Group's employees for the year ended 31 December 2022 was 4 066, of which 203 were managers (31 December 2021: 4 050, of which 194 managers).

22 OTHER OPERATING REVENUES AND OTHER OPERATING EXPENSES

Other operating revenues comprise the following:

	Year ended	
	31 Dec 2022	*31 Dec 2021*
Profit on the sale of property, plant, equipment and intangibles	486 202	721 072
Profit on the sale of raw materials	783 236	377 627
Proceeds from subsidies (Note 26)	3 042 646	5 859 281
Insurance benefits from insurance companies	305 116	345 574
Other operating revenues	610 319	1 468 850
Total other operating revenues	**5 227 519**	**8 772 404**

Other operating expenses comprise the following:

	Year ended	
	31 Dec 2022	*31 Dec 2021*
Additions to/(release) of provisions for receivables and inventories	716 455	(30 541)
Change in impairment of property, plant and equipment	70 110	21 932
Insurance premium	2 008 291	1 787 848
Other taxes and charges	1 169 176	981 323
Other operating expenses	260 584	2 579 018
Total other operating expenses	**4 224 616**	**5 339 580**

23 OTHER FINANCIAL INCOME/OTHER FINANCIAL EXPENSES

Other financial income comprises the following items:

	Year ended	
	31 Dec 2022	*31 Dec 2021*
Foreign exchange gains	2 790 350	1 574 620
Other financial income	328 383	650 270
Total other financial income	**3 118 733**	**2 224 890**

Other financial income primarily comprises a share in profit of TOM-FERR Zrt.

Other financial expenses comprise the following items:

	Year ended	
	31 Dec 2022	*31 Dec 2021*
Foreign exchange losses	2 310 090	778 559
Losses from financial derivatives	(126 163)	(20 861)
Other financial expenses	3 779 639	89 178
Total other financial expenses	**5 963 566**	**846 876**

Other financial expenses primarily include a provision for litigation related to the squeeze-out of minority shareholders of ŽĎAS a. s. in the amount of EUR 3 409 thousand (31 December 2021: EUR 0).

24 INCOME TAX

	Year ended	
	31 Dec 2022	*31 Dec 2021*
Current tax expense for current period	17 187 209	1 261 895
Deferred tax expense for current period	601 813	1 664 783
Total income tax	**17 789 022**	**2 926 678**

The table below shows the reconciliation of income tax recognised and theoretical income tax calculated using the standard tax rates:

	Year ended	
	31 Dec 2022	*31 Dec 2021*
Profit/(loss) before tax	84 200 372	21 626 748
Tax at local tax rate of 21% (2021: 21%)	17 682 078	4 541 617
Tax effect of permanent differences, net	(1 100 932)	89 844
Effect of different tax rates of subsidiaries operating in other jurisdictions	895 760	514 682
Unrecognised deferred taxes	981 313	(42 925)
Additional income tax charges, exchange rate differences on conversions	(157)	(39 454)
Other	(669 040)	(2 137 086)
Total income tax	**17 789 022**	**2 926 678**

For the year ended 31 December 2022 (in euros)

The actual tax rate differs from the tax rate of 21% (2021: 21%) set by law mainly owing to differences in the classification of certain items of expenses and income for accounting and tax purposes, and tax rules for a group of companies that prepares consolidated financial statements in Slovakia. At present, companies in Slovakia are required to present their tax returns individually and the law does not allow for the preparation of common tax declaration for a group of companies.
Deferred tax is calculated at the income tax rate that is expected to be applied in the period when the asset is to be realised or the liability settled. As a result, the Company applied the income tax rate effective in the following reporting period, i.e. 21%.
In Slovakia, the 2018 to 2022 taxation periods remain open and are subject to inspection by the Tax Authority.
The Group prepared documentation on related-party transactions in accordance with effective Slovak tax legislation.

25 FINANCIAL DERIVATIVES

As at 31 December 2022, the Company recorded open derivative positions in the form of interest rate swaps which cover a portion of the club credit facility with a face value of EUR 15 million. As at 31 December 2022, the fair value of the open derivative positions amounted to EUR 901 thousand and is recognised in equity.
The Company performed derivative transactions during 2022. In 2022, the Company posted a profit of EUR 154 thousand from currency derivative transactions (31 December 2021: EUR 21 thousand) and incurred a loss of EUR 28 thousand from interest derivative transactions (31 December 2021: EUR 0), which are recognised in the statement of comprehensive income.

26 SUBSIDIES

31 Dec 2022	*Receivables from subsidies*	*Deferred income on subsidies, non-current (Note 15)*	*Deferred income on subsidies, current*	*Release of subsidies in the statement of comprehensive income*
Investment subsidies	-	4 511 889	496 045	535 607
Operating subsidies	-	-	-	2 507 039
Total subsidies	**-**	**4 511 889**	**496 045**	**3 042 646**
31 Dec 2021				
Investment subsidies	15 000	3 891 329	545 210	548 076
Operating subsidies	68 672	-	-	5 311 205
Total subsidies	**83 672**	**3 891 329**	**545 210**	**5 859 281**

The statement of comprehensive income primarily includes revenues from: an investment subsidy for the "Reconstruction of the Dust-collection System of the Electric Arc and Ladle Furnace" project (EUR 144 thousand), an investment subsidy for the "Energy Intensity Reduction of ŽP" project (EUR 98 thousand), an investment subsidy for the "Refurbishment, Modernisation and Construction of a Football Stadium" project (EUR 41 thousand), an investment subsidy for the "Construction of FA Skalica" project (EUR 18 thousand), compensation to entrepreneurs for the production of electricity from renewable energy sources (EUR 2 133 thousand), dual education support (EUR 151 thousand), and financial compensation for Ag testing (EUR 23 thousand).

27 FINANCIAL RISK MANAGEMENT POLICIES

27.1 Capital risk management

The Group manages its capital to ensure that the Group is able to continue as a going concern with the aim of achieving an optimum debt and equity balance. The Group's overall strategy remains unchanged from 2021.

The gearing ratio at the year-end was as follows:

	31 Dec 2022	*31 Dec 2021*
Debt [i]	(98 117 515)	(126 521 180)
Cash and cash equivalents	19 652 034	11 687 851
Net debt	(78 465 481)	(114 833 329)
Equity	(296 002 249)	(234 015 561)
Net debt to equity ratio	**27%**	**49%**

(i) Debt is defined as current and non-current interest bearing loans and borrowings.

27.2 Categories of financial instruments

	31 Dec 2022	*31 Dec 2021*
Available-for-sale investments	95 978	65 000
Investments in associates	2 782 932	2 418 798
Loans, borrowings and receivables (including cash and cash equivalents)	116 348 243	110 679 558
Financial assets	**119 227 153**	**113 163 356**
Bank loans recognised at amortised costs	86 288 008	116 669 071
Obligations under finance lease	11 829 507	9 852 109
Trade payables and other liabilities	73 517 533	56 199 845
Financial liabilities	**171 635 048**	**182 721 025**

a) Financial risk factors

The Group's activities expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates and loan interest rates, bonds and obligations under financial leases. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to manage certain exposures.

Credit risk

Group management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. At the reporting date there were no significant concentrations of credit risk. Derivative counter-parties and cash transactions are limited to high credit quality financial institutions. The Group did not limit the amount of credit exposure to any financial institution.

For the year ended 31 December 2022 (in euros)

Interest rate risk

The Group's operating income and operating cash flows are relatively independent of changes in market interest rates. Interest rate risk arises on long-term borrowings, which are issued at fixed rates and expose the Group to fair value interest rate risk.

The sensitivity analysis (see below) has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would increase/decrease by EUR 321 thousand (2021: increase/decrease by EUR 386 thousand). This is mainly attributable to the Group's exposure to interest rates for variable rate borrowings.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency. The Group uses forward currency contracts and options to hedge its foreign currency risk. Most of the derivatives have maturities of less than one year after the reporting date.

The Group has a number of financial investments in foreign subsidiaries whose net assets are exposed to currency translation risk.

The Group records currency derivatives as trading instruments with fair value adjustments recorded in the statement of comprehensive income, and as instruments designed as cash flows hedges where changes in fair value are recorded in equity.

The carrying amount of cash assets and cash liabilities of the Group denominated in a foreign currency as at the reporting date is as follows:

	Liabilities		*Assets*	
	31 Dec 2022	*31 Dec 2021*	*31 Dec 2022*	*31 Dec 2021*
USD	1 461 882	2 601 995	13 190 010	9 160 214
CZK	320 236	569 934	4 186 856	2 601 485
PLN	121 133	370 885	8 496 671	9 779 885

The following table presents the Group's sensitivity to a 25% increase/decrease in the euro against the US dollar, a 20% increase/decrease in the euro against the Czech crown and Polish zloty. The sensitivity analysis includes monetary items denominated in foreign currencies, and adjusts their translation at the end of the reporting period for the aforementioned change in foreign currency rates. Positive balances indicate an increase in profit and other equity items upon the decrease of the euro against the respective currency. Appreciation of the euro against the respective currency would result in a similar, however opposite impact on profit and other equity items, while the data presented below would be negative.

	USD		*CZK*		*PLN*	
	31 Dec 2022	*31 Dec 2021*	*31 Dec 2022*	*31 Dec 2021*	*31 Dec 2022*	*31 Dec 2021*
Profit or loss	2 932 032	1 639 555	773 324	406 310	1 675 108	1 881 800

To decrease risks resulting from fluctuations in foreign currency exchange rates, the Group uses financial derivatives.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash with adequate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines, and the ability to close out market positions.

The following tables summarise the residual maturity period of the Group's non-derivative financial liabilities. The tables have been prepared based on undiscounted cash flows from financial liabilities, assuming the earliest possible date on which the Group can be required to settle the liabilities. The table includes cash flows from both interest and principal during the term of a loan agreement.

	Weighted average effective interest rate	*Up to 1 year*	*1-5 years*	*5+ years*	*Total*
2022					
Interest-free liabilities		69 439 145	4 707 955	-	74 147 100
Floating interest rate instruments (loans)	1.69%	11 858 444	6 974 717	20 346 886	39 180 047
Fixed interest rate instruments (loans)	2.21%	32 942 098	16 491 630	83 131	49 516 859
Finance lease obligations		2 599 283	5 975 515	4 403 847	12 978 645
		116 838 970	**34 149 817**	**24 833 864**	**175 822 651**
2021					
Interest-free liabilities		52 854 819	4 001 493	-	56 856 312
Floating interest rate instruments (loans)	1.05%	80 566 096	11 304 284	-	91 870 380
Fixed interest rate instruments (loans)	4.31%	5 411 144	22 502 320	530 288	28 443 752
Finance lease obligations		2 275 623	3 731 747	6 384 724	12 392 094
		141 107 682	**41 539 844**	**6 915 012**	**189 562 538**

b) Fair value estimation

The fair value of publicly-traded derivatives and available-for-sale investments is based on quoted market prices at the reporting date. The fair value of currency swap contracts, forwards and options is determined using foreign exchange rates at the reporting date.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and market assumptions that are based on the market conditions existing at the reporting date. Other techniques, mainly the estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments.

The face values of financial assets and liabilities less any estimated credit adjustments with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Fair value measurement in the Statement of Financial Position

The fair value measurement of the recognised financial instruments refers only to those that are derived from inputs other than quoted prices (unadjusted) in active markets for identical assets or liabilities that are observable on the market for the asset or liability, directly or indirectly (Level 2 hierarchy as applied by IFRS 7).

For the year ended 31 December 2022 (in euros)

28 RELATED PARTY TRANSACTIONS

28.1 Members of statutory, supervisory and other bodies

Remuneration paid to the members of the Group's statutory, supervisory and other bodies for the year ended 31 December 2022 amounted to EUR 5 659 thousand (year ended 31 December 2021: EUR 3 973 thousand). Remuneration is included in personnel expenses.

28.2 Other related parties

CPA s.r.o., Slovak Republic is the parent company of Železiarne Podbrezová a.s.

During the year, the Group entered into the following transactions with related parties that did not represent consolidated entities in these consolidated financial statements:

	Purchases of goods and services in 2022	*Payables as at 31 Dec 2022*	*Sales of goods and services in 2022*	*Receivables as at 31 Dec 2022*
Parent company and ultimate owners	161 595	9 580 480	9 170	3 810
Associates	54 654	238	7 273 832	4 667 572
Other related parties	-	-	492 263	115 249
Total	**216 249**	**9 580 718**	**7 775 265**	**4 786 631**

	Purchases of goods and services in 2021	*Payables as at 31 Dec 2021*	*Sales of goods and services in 2021*	*Receivables as at 31 Dec 2021*
Parent company and ultimate owners	178 725	14 361 180	5 752	3 179
Associates	18 528	14 153	8 552 771	5 607 484
Other related parties	2 203	-	201 253	32 666
Total	**199 456**	**14 375 333**	**8 759 776**	**5 643 329**

Transactions with the parent company and ultimate owners mainly represent received borrowings, advisory services, and lease of premises. Transactions with fellow subsidiaries and other related parties mainly represent the sale of products of the Group, and transport services.

29 COMMITMENTS AND CONTINGENCIES

29.1 Environmental matters

Company management believes that the Group complies with the relevant existing legislation in all material respects. It is not expected that the Group may become liable to make significant payments relating to the environment in the future.

29.2 Capital expenditure

The Group prepared an investment plan for 2023 totalling EUR 41 142 thousand, of which EUR 15 991 thousand was contracted as at 31 December 2022 (31 December 2021: investment plan for 2022 totalled EUR 34 415 thousand, of which EUR 11 878 thousand was contracted as at 31 December 2021).

29.3 Litigation and potential losses

At present, the Group is involved in a number of litigation and other disputes that arose as a result of ordinary business activities and it is expected that, individually or in the aggregate, they could have a significant negative impact on the accompanying consolidated financial statements. The Group increased a long-term provision for litigation against Tále, a.s. by EUR 155 thousand and against Železiarne Podbrezová a.s. by EUR 3 409 thousand, as Company management, based on the advice of its legal advisors, is of the opinion that the final outcome of the litigation is uncertain.

29.4 Emission rights

During 2005, the EU-wide greenhouse gas emission rights trading scheme came into effect together with the Act on Emission Rights Trading passed by the Slovak Parliament in order to implement the related EU Directive in Slovakia. Under this legislation, the Group is required to deliver emission rights to the Slovak Environmental Office to offset actual greenhouse gas emissions.

The Group has opted to recognise the allocated emission rights at a nominal amount. In 2022, the Group received a pro rata share of emission rights, but the Group's emission production in 2022 exceeded this share. The difference of EUR 1 034 thousand is recognised in profit or loss.

In 2022, the Group purchased emission rights in the amount of EUR 2 515 thousand.

The Group has an obligation to deliver emission rights for actual emissions. This obligation was fulfilled by the delivery of emission rights for the 2022 monitored period in April 2023.

29.5 Guarantee for loans provided to other entities

The Company provides its assets as collateral for the liabilities of joint debtors, ŽP Informatika s.r.o. and ŽIAROMAT a.s., under a loan agreement with SLSP up to EUR 6 million (31 December 2021: EUR 6 million). The outstanding principal as at 31 December 2022 amounts to EUR 4 777 thousand (31 December 2021: EUR 4 996 thousand).

Company management believes given the financial positions of ŽP Informatika s.r.o. and ŽIAROMAT a.s. that the subsidiaries will repay the loans, therefore the Group recorded no provision in the accompanying consolidated financial statements.

29.6 Audit firm fees

The total fees paid to Deloitte Audit s.r.o. for the statutory audit of the separate financial statements and consolidated financial statements for the year ended 31 December 2022 prepared in accordance with IFRS as adopted by the EU were EUR 195 thousand (for the year ended 31 December 2021: EUR 173 thousand). Costs of audit are recognised as services in the statement of profit or loss.

30 EVENTS AFTER THE REPORTING PERIOD

From 31 December 2022 up to the issue date of the financial statements, there were no such events that would have a significant impact on the Group's assets and liabilities, except for those resulting from the ordinary course of business operations.

30 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared and approved for issue on 20 April 2023.

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Separate Financial Statements

For the year ended 31 December 2022

Presented in accordance with the Act on Accounting and International Financial Reporting Standards as adopted by the EU

Independent Auditor's Report

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Železiarne Podbrezová a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of Železiarne Podbrezová a.s.:

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Železiarne Podbrezová a.s. (the "Company"), which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the separate financial statements, 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.

Responsibilities of Management and Those Charged with Governance for Separate the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 International Standards on Auditing 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 separate financial statements.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

Independent Auditor’s Report

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 management.
- Conclude on the appropriateness of management’s 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the “Act on Accounting”). Our opinion on the separate financial statements stated above does not apply to other information in the annual report.

In connection with the audit of separate financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated.

As at the issuance date of the auditor’s report on the audit of separate financial statements, the annual report was not available to us.

When we obtain the annual report, we will assess whether the Company’s annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the separate financial statements, we will express an opinion on whether:

- Information disclosed in the annual report prepared for 2022 is consistent with the separate financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its position, obtained in the audit of the separate financial statements.

Bratislava, 30 March 2023

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

This is a translation of the original auditor’s report issued in the Slovak language to the accompanying financial statements translated into the English language.

Separate Statement of Financial Position

As at 31 December 2022 (in euros)

	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	126 063 876	118 639 690
Intangible assets	6	187 840	74 869
Investments in subsidiaries, joint-ventures and associates	7	75 335 554	79 891 418
Available-for-sale investments		-	-
Other assets	8	1 561 198	126 139
Total non-current assets		**203 148 468**	**198 732 116**
CURRENT ASSETS			
Inventories	9	102 920 260	72 001 511
Trade receivables and other financial assets	10	59 184 053	51 782 764
Current tax asset		-	3 000
Other assets	11	3 116 178	1 990 613
Cash and cash equivalents	12	1 394 916	175 998
Total current assets		**166 615 407**	**125 953 886**
TOTAL ASSETS		**369 763 875**	**324 686 002**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	81 060 590	81 060 590
Legal and other funds	13	16 924 218	16 212 118
Retained earnings		158 449 342	114 025 280
Total equity		**256 434 150**	**211 297 988**
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	29 080 000	23 550 000
Other liabilities	15	3 914 369	3 091 200
Provision for employee benefits	16	11 032 273	8 104 349
Deferred tax liability	17	3 987 545	4 124 154
Total non-current liabilities		**48 014 187**	**38 869 703**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	4 677 557	38 078 198
Trade and other payables	18	50 343 238	36 440 113
Current tax liability		10 294 743	-
Total current liabilities		**65 315 538**	**74 518 311**
Total liabilities		**113 329 725**	**113 388 014**
TOTAL EQUITY AND LIABILITIES		**369 763 875**	**324 686 002**

Separate Statement of Comprehensive Income

For the year ended 31 December 2022 (in euros)

	Note	*Year ended 31 December 2022*	*Year ended 31 December 2021*
Sales of own products and merchandise	19	**426 358 846**	**308 964 236**
Sales of services	19	**2 236 341**	**1 194 976**
Changes in inventories of finished products and work in progress		18 235 827	7 638 578
Own work capitalised	20	7 212 009	7 687 643
Raw materials and consumables used	21	(257 738 590)	(222 408 915)
Services		(24 712 778)	(20 747 664)
Personnel expenses	22	(100 376 078)	(73 297 079)
Depreciation and amortisation		(9 172 014)	(9 135 338)
Other operating revenues	23	3 421 130	5 922 805
Other operating expenses	23	(4 167 180)	(3 776 244)
Interest income	24	107 360	54 930
Interest expense	25	(899 606)	(839 650)
Other financial income	26	7 983 329	3 217 971
Other financial expenses	26	(9 326 486)	(363 559)
Profit/(loss) before tax		59 162 110	4 112 690
Income tax expense	27	(9 969 778)	1 546 333
PROFIT/(LOSS) FOR THE YEAR		**49 192 332**	**5 659 023**
Other comprehensive income and losses that may be reclassified subsequently to profit or loss		**712 100**	-
Other comprehensive income and losses after tax		712 100	-
Total profit/(loss) for the year		**49 904 432**	**5 659 023**

Separate Statement of Changes in Equity

For the year ended 31 December 2022 (in euros)

	Share capital	*Legal reserve fund*	*Hedging derivatives*	*Retained earnings*	*Total*
Opening balance at 1 January 2021	81 060 590	16 212 118	-	108 366 257	205 638 965
Dividends paid	-	-	-	-	-
Total comprehensive income or loss for the year	-	-	-	5 659 023	5 659 023
Closing balance at 31 December 2021	**81 060 590**	**16 212 118**	**-**	**114 025 280**	**211 297 988**
Dividends paid	-	-	-	(4 768 270)	(4 768 270)
Total comprehensive income or loss for the year	-	-	712 100	49 192 332	49 904 432
Closing balance at 31 December 2022	**81 060 590**	**16 212 118**	**712 100**	**158 449 342**	**256 434 150**

Separate Statement of Cash Flow

For the year ended 31 December 2022 (in euros)

	Note	2022	2021
Cash flows from core business activities			
Profit/(loss) from ordinary activities		59 162 110	4 112 690
Non-cash transactions affecting profit/loss from ordinary activities, of which:		19 128 894	10 436 160
Depreciation charges		9 172 014	9 135 338
Net book value of non-current assets		64 554	6 664
Write-off of receivables		641	77 276
Revenues from assigned receivables		-	(404)
Provision for employee benefits		3 829 894	1 378 079
Change In temporary accounts of assets		(130 360)	(39 419)
Change in temporary accounts of liabilities		777 216	946 172
Provisions for assets		4 616 855	(1 390 695)
Interest expense		899 606	839 650
Interest income		(107 360)	(54 930)
Unrealised foreign exchange losses		88 813	5 141
Unrealised foreign exchange gains		(32 897)	(92 325)
Loss on the sale of non-current assets		(39 066)	(337 059)
Other non-cash items		(11 016)	(37 328)
Change in working capital, of which:		(57 168 982)	3 294 391
Receivables		(6 118 274)	(11 657 838)
Payables		(20 002 798)	32 355 879
Inventories		(31 047 910)	(17 403 649)
Interest paid		(944 522)	(799 001)
Interest received		15 943	66 920
Paid employee benefits		(901 970)	(677 394)
Emission rights		(928 107)	(1 362 489)
Items excluded from operating activities, of which:		(6 922 472)	(2 406 592)
Dividends		(6 936 675)	(2 311 232)
Expenditures recognised in respect of derivatives		29 552	13 622
Income recognised in respect of derivatives		(155 715)	(121 842)
Foreign exchange losses		140 734	18 846
Foreign exchange gains		(368)	(5 986)
Specific items, of which:		3 000	9 000
Corporate income tax paid		3 000	9 000
Net cash generated by operating activities		**11 443 894**	**12 673 685**
Cash flows from investing activities			
Expenditures for the acquisition of property, plant and equipment, of which:		(15 189 024)	(14 838 244)
Acquisition of non-current intangible assets		(129 039)	-
Acquisition of non-current tangible assets		(16 743 059)	(11 271 016)
Acquisition of non-current financial assets		(210 000)	(115 536)
Change in liabilities of investment nature		1 893 074	(3 451 692)
Proceeds on the sale of non-current assets, of which:		67 328	621 302
Proceeds on the sale of non-current tangible and intangible assets		67 328	102 493
Proceeds on the sale of non-current financial assets		-	518 809

Separate Statement of Cash Flow

For the year ended 31 December 2022 (in euros)

	Note	2022	2021
Cash flows from loans and borrowings, of which:		(1 498 530)	(158 718)
Proceeds from repayment of loans and borrowings		70 000	767 888
Payments for provided loans and borrowings		(1 568 530)	(926 606)
Dividends received		6 936 675	2 314 673
Net cash generated by investing activities		**(9 683 551)**	**(12 060 987)**
Cash flows from financing activities			
Change in non-current (current) liabilities, of which:		4 220 000	(1 010 000)
Repayments of long-term (short-term) bank loans		-	-
Proceeds from long-term other loans and borrowings		9 000 000	-
Repayments of long-term (short-term) other loans and borrowings		(4 780 000)	(1 010 000)
Expenditures related to derivatives		(29 552)	(13 622)
Income related to derivatives		155 715	121 842
Expenditures for dividends paid		(4 747 222)	(1 319)
Net cash generated by financing activities		**(401 059)**	**(903 099)**
Net increase or net decrease in cash		**1 359 284**	**(290 401)**
Cash and cash equivalents at the beginning of the reporting period	12	175 998	479 260
Cash and cash equivalents before reflecting foreign exchange differences at the end of the reporting period		1 535 282	188 859
Foreign exchange differences for cash and cash equivalents at the end of the reporting period, of which:	12	(140 366)	(12 861)
Foreign exchange losses		(140 734)	(18 846)
Foreign exchange gains		368	5 985
Cash and cash equivalents at the end of the reporting period	12	**1 394 916**	**175 998**

Notes to the Separate Financial Statements

For the year ended 31 December 2022 (in euros)

1 GENERAL INFORMATION

1.1 Description of the Company

Železiarne Podbrezová a.s. (hereinafter the "Company" or "ŽP") is a joint stock company that was incorporated on 21 April 1992 and established on 1 May 1992. The Company's registered seat is at Kolkáreň 35, 976 81 Podbrezová, Slovak Republic and its identification numbers are as follows: IČO: 31 562 141; DIČ: 2020458704. The Company produces steel pipes for industrial purposes, which are mainly sold to customers in Europe.

1.2 Structure of shareholders and their shares in the share capital

As at 31 December 2022, the Company's shares were held by CPA s.r.o. (79.46%) (31 December 2021: 79.45%) and other minority shareholders (20.54%) (31 December 2021: 20.55%). The shareholders' voting rights equal their ownership interest in the share capital.
The Company's shares are certified registered shares and have not been publicly tradable since 2007.

1.3 Members of Company's bodies

Supervisory Board

Ing. Ján Banas – Chairman
Ing. Jozef Marčok – Deputy Chairman
Luigi Cuzzolin – Member
Ing. Ľudovít Ihring – Member
Ing. Tomáš Ihring – Member
Ing. Vladimír Zvarík – Member
Ing. Július Kriváň – Member
Ing. Ivan Setvák – Member
Ján Cipciar – Member
Ing. Jaroslav Romančík – Member until 31 May 2022
Ing. Peter Kohút – Member since 31 May 2022

Board of Directors

Ing. Vladimír Soták – Chairman
Ing. Marian Kurčík – Deputy Chairman
Ing. Miloš Dekrét – Member
Ing. Vladimír Soták, Jr. – Member
Ing. Mária Niklová – Member until 27 Jun 2022
Ing. Martin Domovec – Member since 27 Jun 2022
Ing. Ján Villim – Member since 27 Jun 2022

1.4 Unlimited guarantee

The Company is not a partner in any unlimited liability company.

1.5 Legal basis for preparing the financial statements

These financial statements are the annual separate financial statements of Železiarne Podbrezová a.s. as prepared under Act No. 431/2002 Coll. on Accounting, as amended. The separate financial statements were prepared for the reporting period from 1 January 2022 to 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These financial statements also represent the statutory financial statements of the Company. The financial statements have been presented for general use.

1.6 Approval of the 2021 financial statements

The Company's financial statements for the year ended 31 December 2021 were approved by the Annual General Meeting held on 27 June 2022.

1.7 Consolidated financial statements

The Company also prepares consolidated financial statements, which are available at the Company's registered seat and at the Registry Court in Banská Bystrica (Section Sa, File No. 69/S). The Company's consolidated financial statements are included in the consolidated financial statements of the parent company, i.e. CPA s.r.o. The parent company's consolidated financial statements are available at the Company's registered seat and at the Registry Court in Banská Bystrica (Skuteckého 28, 975 59).
The consolidated financial statements provide a comprehensive view on the operation of the Company and its subsidiaries. The business names of subsidiaries and joint ventures are specified in Note 7.

1.8 Comparatives

As comparatives for the previous reporting period relating to assets, liabilities, and equity items, the financial statements present data reflecting balances as at 31 December 2021. For expenses and revenues, comparatives for the previous reporting period, i.e. year ended 31 December 2021, were used.

2 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company adopted all new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of IASB as endorsed by the European Union that are relevant to its operations and are effective for the reporting periods beginning on 1 January 2022.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- The Company applied **the amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 in the financial statements for 2021 – i.e. before its effective date.
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (2018 – 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1,

IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relates to an illustrative example, so no effective date is stated.).

The adoption of the amendments to the existing standards has not led to any material changes in the Company's financial statements.

New standards and amendments to the existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standard and amendments to the existing standards were issued, but are not yet effective:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued on 25 June 2020 and amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9" issued on 9 December 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and other amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of this standard and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (2018 – 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relates to an illustrative example, so no effective date is stated.).

The adoption of the amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU, but are not yet effective:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by the IASB on 25 June 2020 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

New standards and amendments to the existing standards issued by the IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the date of publication of the financial statements (the effective dates stated below are for IFRS as issued by the IASB):

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and other amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements if applied as at the reporting date.

- **IFRS 17 "Insurance Contracts"** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. The amendments to IFRS 17 "Insurance Contracts" issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 issued by the IASB on 14 May 2020. The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 issued by the IASB on 31 March 2021. The amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that only reduce lease payments due on or before 30 June 2022.
- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback issued by the IASB on 22 September 2022. The amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that no part of the gain or loss that relates to the right of use it retains is recognised. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.
- **Amendments to IFRS 17 "Insurance Contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information issued by the IASB on 9 December 2021. These are narrow-scope amendments to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current issued by the IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments to IAS 1 issued by the IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies issued by the IASB on 12 February 2021. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants issued by the IASB on 31 October 2022. The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates issued by the IASB on 12 February 2021. The amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by the IASB on 6 May 2021. According to the amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.
- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use issued by the IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing such items, in profit or loss.
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract issued by the IASB on 14 May 2020. The amendments specify that the 'cost of fulfilling' a contract comprises 'costs that relate directly to the contract'. Costs that relate directly to a contract are either incremental costs of fulfilling such a contract, or an allocation of other costs that relate directly to fulfilling contracts.
- **Amendments to various standards due to "Improvements to IFRSs (2018 – 2020 Cycle)"** issued by the IASB on 14 May 2020. The amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that a subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 when assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to remove any potential confusion regarding the treatment of lease incentives that could arise due to how lease incentives are illustrated in this example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).
- **IFRS 14 "Regulatory Deferral Accounts"** issued by the IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The separate financial statements have been prepared in accordance with the Act on Accounting and IFRS as adopted by the EU and on the going concern assumption. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for certain standards and interpretations that have not been endorsed by the EU as described above. Under the Slovak Act on Accounting No. 431/2002 Coll. as amended, the Company is also required to prepare its consolidated financial statements in compliance with IFRS as adopted by the EU (see also Note 1.7).

(b) Basis of preparation of the separate financial statements

The separate financial statements are prepared under the historical cost convention, except for certain financial instruments. The principal accounting policies adopted are set out below. In order that the Slovak statutory financial statements conform to IFRS as adopted by the EU, the accompanying separate financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of the company.

The reporting currency and the functional currency is the euro (EUR). The data in the separate financial statements are reported in euro unless stated otherwise.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for the separate financial statements are disclosed in Note 4.

The financial statements have been prepared under the going concern assumption.

(c) Transactions in foreign currencies

Cash items denominated in a foreign currency are translated to euro using the reference exchange rate determined and announced by the European Central Bank (ECB) or the National Bank of Slovakia (NBS) on the date preceding the transaction date. At each end of a reporting period, cash items denominated in a foreign currency are translated to euro using the reference exchange rate determined and announced by the European Central Bank (ECB) or the National Bank of Slovakia (NBS) on the reporting date. Non-refundable advances received and made in a foreign currency are not translated as at the reporting date.

Non-cash items measured at a fair value and denominated in a foreign currency are translated using the exchange rate prevailing at the date of the fair value measurement. Non-cash items measured at a historical cost and denominated in a foreign currency are not translated.

For foreign currency purchases and sales in euro, and upon the transfer of funds from an account established in a foreign currency to an account established in euro and from an account established in euro to an account established in a foreign currency, the exchange rates at which these amounts were purchased or sold were applied. If the sale or purchase of a foreign currency is performed at an exchange rate other than the one offered by a commercial bank in its foreign exchange list, the exchange rate offered by such commercial bank in its foreign exchange list on the transaction settlement date is used. If the sale or purchase is not performed with a commercial bank, the reference exchange rate determined and announced by the ECB or the NBS on the date preceding the transaction settlement date is used.

(d) Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. The Company's financial instruments represent available-for-sale investments, receivables, interest-bearing loans and borrowings, payables and financial derivatives.

(e) Property, plant and equipment

(i) Owned assets

Property, plant and equipment (the "non-current tangible assets") are carried at cost less any accumulated depreciation and provisions (impairment loss). Cost includes all costs directly attributable to bringing the asset to working conditions for its intended use. Internally-generated non-current tangible assets are measured at own costs, which include the cost of raw materials, direct wages and overhead costs directly associated with the production of non-current tangible assets, until the asset is put into use.

Where some significant parts of non-current assets have different useful lives, they are recognised and depreciated as separate items.

(ii) Subsequent expenditures

Any subsequent expenditures incurred to replace a component of non-current tangible assets that is recognised separately, including inspections and general overhauls, are capitalised provided that they meet the basic criteria for the recognition of non-current tangible assets, and the cost of the component can be measured reliably. All other expenditures made, after the acquisition of non-current tangible assets, to restore or maintain the extent of future economic benefits are recognised as expenses when incurred (insignificant repairs and maintenance).

(f) Intangible assets

(i) Software

Software is measured at cost less accumulated depreciation. Software is depreciated using linear depreciation over the expected useful life, which is 4 – 5 years.

(ii) Research and development

Research and development costs are recognised as expenses except costs incurred on development projects, which are recognised as non-current intangible assets in the extent of their future economic benefits. Development costs initially recognised as an expense, however, are not capitalised in subsequent periods.

(iii) Subsequent expenditures

Subsequent expenditures are capitalised only when it may be expected that they will increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

(g) Investment in securities

Investments in securities are recognised as at the transaction date and are measured at cost less any impairment loss.

Investments in subsidiaries, joint-ventures, and associates are measured at cost.

Held-to-maturity investments are initially recognised at cost and subsequently at amortised cost, using the effective interest rate method.

Available-for-sale investments represent insignificant participations in the equity of various companies in which the Company neither holds, directly or indirectly, more than 20% of the voting rights, nor exercises substantial influence.

Investments available for sale are recognised as at the transaction date and are measured at their acquisition cost. At the reporting date they are measured at fair value based on quoted market prices if there is an active market. Unrealised gains and losses are recorded directly in equity until such financial investments are sold or impaired, at which time the accumulated gains and losses are recognised in the statement of profit and loss. In the event that the fair value of available-for-sale investments cannot be reliably estimated, the investments are carried at cost less any items reflecting their permanent impairment; provisions are recognised in the statement of comprehensive income.

(h) Trade and other receivables

Trade and other receivables are measured at the expected realisable value, including provisions for bad and doubtful receivables.

(i) Inventories

Inventories are measured at the lower of cost, own costs, or net realisable value. Net realisable value represents the estimated selling price less the estimated costs of completion and costs of distribution. A provision is mainly created for slow-moving and obsolete inventories based on an individual assessment.

Raw materials are measured by weighted average cost, which includes the cost of acquiring the materials and other costs related to the acquisition that arose on bringing the assets to their current condition and location.

A provision for raw materials is created for purchased inventories with no movement based on the following criteria:

- If a period of more than one year has lapsed from the receipt to a warehouse, a provision in the amount of 25% is created;
- If a period of more than two years has lapsed from the receipt to a warehouse, a provision in the amount of 50% is created;
- If a period of more than three years has lapsed from the receipt to a warehouse, a provision in the amount of 75% is created; and
- If a period of more than four years has lapsed from the receipt to a warehouse, a 100% provision is created.

Work in progress, semi-finished products, and finished products are measured at own cost, which includes the costs of raw materials, wages and salaries, other direct expenses and production overheads depending on the stage of completion of the inventory.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in bank accounts, placements and other highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(k) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its non-current tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to determine the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and the value-in-use. In assessing the value-in-use, the 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. An impairment loss is recognised immediately in the statement of profit and loss (other operating expenses). Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised directly in the statement of profit and loss.

The recoverable amount of the Company's receivables is calculated as the present value of expected future cash flows, discounted by the original effective interest rate inherent in the asset. Current receivables are not discounted. The recoverable amount of other assets is the greater of their net selling price and their value-in-use. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market value of the time value of money and the risks specific to the asset. In accordance with IFRS 9, the Company implemented a simplified model for the impairment of trade receivables, under which the Company creates provisions for trade receivables without a significant element of financing in an amount equal to lifetime expected losses.

(l) Dividends

Dividends are recognised in the period in which they are declared.

(m) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value of the borrowing on an effective interest rate basis is recognised in the statement of profit and loss over the period of the borrowings on a straight-line basis.

(n) Provision for employee benefits

The Company operates a defined long-term benefit programme – a defined benefit plan consisting of a one-off contribution upon retirement, a loyalty benefit for the number of years of service and jubilee benefits, for which no separate funds were allocated. According to IAS 19 "Employee benefits", the employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of profit and loss so as to spread the regular cost over the service lives of employees. The liabilities related to the benefits are measured at the present value of the estimated future cash outflows discounted by market yields on Slovak government bonds, which have maturity periods approximating the maturity periods of the related liability. All actuarial gains and losses are recognised in the statement of comprehensive income. Past service cost is recognised when incurred up to the amount of benefits paid, and the remaining amount is amortised on a straight-line basis during the average period until the moment of the settlement of benefits.

(o) Social security and pension schemes

The Company is required to make contributions to various obligatory government insurance schemes, together with contributions by employees. The cost of social security payments is charged to the statement of profit and loss in the same period as the related salary cost. The Company contributes to a supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No further liabilities arise for the Company from the payment of pensions to employees in the future.

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. A provision is measured on the basis of the best estimate made by management of the cost of the liability settlement as at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows by a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Accruals

The Company makes an estimate of the expenses and liabilities that have not been invoiced at the reporting date. These expenses and liabilities are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

(r) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

(s) Revenue recognition

(i) Goods sold and services rendered

In relation to the sale of goods and merchandise, revenues are recognised when all significant risks and rewards of ownership have been transferred to the buyer and no significant uncertainties remain regarding the collection of the consideration, associated costs and possible claims or returning of goods. Revenues are stated net of taxes and discounts. No revenue is recognised if there are significant uncertainties regarding the settlement of the consideration due, the associated costs or the possible return of goods, or regarding the continuous involvement of the Company in the management of the goods. Revenues from the provision of services are recognised when the relevant services are rendered in proportion to the stage of completion of the transaction at the reporting date.

(ii) Government grants

Grants are not recognised unless there is a reasonable assurance that the Company will meet the grant-related conditions.

Grants are systematically recognised in the statement of comprehensive income in the periods in which the Company recognises as costs the related expenditures to be compensated by the grants. In particular, grants whose principal condition is for the Company to acquire, construct or otherwise obtain non-current assets are reported as deferred income in the statement of financial position and recognised on a systematic basis in the statement of comprehensive income over the useful life of the related assets.

The grants which are to be received as compensation for expenditures or losses already incurred or the aim of which is to provide immediate financial aid to the Company without related future expenditures are recognised in the statement of comprehensive income on an accrual basis.

(t) Expenses

(i) Operating lease payments

For operating leases, the lease payments are expensed on a straight-line basis over the lease period.

(ii) Financial expenses and financial income

Financial expenses and financial income comprise interest payable on borrowings calculated using the effective interest rate method, interest received, dividend income, proceeds on the sale of financial investments, foreign exchange gains and losses, and bank fees. Borrowing costs directly related to the acquisition of non-current tangible assets are included in the cost of the assets.

Interest income is recognised in the statement of profit and loss as it occurs using the effective yield method. Dividend income is recognised in the statement of profit and loss on the date when the dividend is declared.

(u) Segment reporting

Based on the Company's management and internal reporting structure, the Company is presented as one business segment, i.e. the production and sale of steel pipes in particular for industrial purposes and supporting services.

(v) Income tax

Income tax for the year comprises current and deferred tax.

Current tax is calculated from the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to current tax in respect of previous years.

Deferred income tax is calculated, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated at the income tax rates that are expected to apply to the period when the asset is to be realised or the liability settled. Deferred tax is charged or credited to the statement of profit and loss, except for those items of receivables and payables that are credited or charged directly to equity.

Deferred tax is not calculated for the following temporary differences:

- Arising from goodwill – not deductible for tax purposes;
- Arising from the initial recognition of assets or liabilities that neither affect accounting nor taxable profit and are attributable to other than business combination transactions; and
- Arising from investments in subsidiaries, joint ventures and associates, where the Company controls the settlement of temporary differences and it is probable that they will not reverse in the foreseeable future.

When calculating deferred tax, the expected method of realisation or settlement of the carrying amount of assets and liabilities is also considered.

A deferred tax asset is recognised only to the extent that it is probable that the Company will generate a sufficient tax base in the future against which the asset can be utilised. Carrying amounts of deferred tax assets are always considered as at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in Note 3, the Company's management has made the following judgements concerning uncertainties and estimates that have an effect on the amounts recognised in the financial statements. There is a risk of potential adjustments in future periods relating to such matters, including the following:

Impairment of property, plant and equipment

The Company calculated and recognised a loss on the impairment of property, plant and equipment based on the assessment of their future use, planned disposals and sales. The Company does not believe that any material adjustments are needed in the future owing to the impairment of the Company's assets considering the production and sales levels (see also Note 5).

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Litigation
The Company is involved in various legal proceedings for which management has assessed the probability of a loss that would result in a cash outflow for the Company. In making this assessment, the Company has relied on the advice of external legal counsel, on the latest available information on the status of the court proceedings, and on an internal evaluation of the likely outcome. The final amount of any potential losses in relation to legal proceedings is not known and based on the management judgement it may result in a material adjustment to previous estimates. Details of the legal cases are included in Note 32.3.

Depreciation
Non-current tangible assets are depreciated on a straight-line basis over the estimated useful life of individual items of the non-current tangible assets. Land and assets under construction are not depreciated. The estimated useful lives are as follows:
- Buildings, halls and structures 12 – 80 years,
- Plant, equipment and vehicles 4 – 20 years.

Non-current tangible assets acquired under a finance lease are depreciated over their expected useful lives on the same basis as owned assets. The gain or loss arising on the disposal or retirement of an item of non-current tangible assets is fully reflected in the statement of profit and loss. Software is depreciated on a straight-line basis over the estimated useful life from 4 – 5 years.

Provision for employee benefits
The Company uses a model to calculate employee benefits (see Note 3(n) above), which reflects the expected employee turnover, wage growth, discount factor and all of the benefits the Company plans to pay to the employees.

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	*Plant and equipment*	*Assets under construction*	*Total*
Cost				
At 1 January 2022	130 955 537	228 482 064	4 536 180	363 973 781
Additions	-	-	16 743 059	16 743 059
Disposals	(1 825)	(1 502 108)	(84 734)	(1 588 667)
Transfers	664 445	6 075 792	(6 740 237)	-
At 31 December 2022	131 618 157	233 055 748	14 454 268	379 128 173
Accumulated depreciation, provisions				
At 1 January 2022	79 110 607	166 177 201	46 283	245 334 091
Depreciation, recognition of the net book value	2 544 423	6 639 592	-	9 184 015
Impairment loss	-	-	70 110	70 110
Disposals	(1 632)	(1 502 107)	(20 180)	(1 523 919)
Transfers	-	-	-	-
At 31 December 2022	81 653 398	171 314 686	96 213	253 064 297
Carrying amount				
At 1 January 2022	51 844 930	62 304 863	4 489 897	118 639 690
At 31 December 2022	**49 964 759**	**61 741 062**	**14 358 055**	**126 063 876**

The Company does not use any manufacturing equipment leased under a finance lease. As at 31 December 2022, the cost of fully-depreciated items of property, plant and equipment that are still in use was EUR 43 579 thousand (31 December 2021: EUR 45 343 thousand).
Property, plant and equipment include the Slovenská Ľupča castle at a net book value of EUR 2 782 thousand (31 December 2021: EUR 2 854 thousand), which is partly open to the public and partly used for representation purposes. Based on the assessment of indications of impairment as per IAS 36 – Impairment of Assets, the Company decided that there was no need to quantify the impairment loss with regard to the castle.
In 2007, the Company began to revise the remaining estimated useful lives of non-current tangible assets and for the purpose of depreciation, it broke down material items of assets into material parts as required by IAS 16 – Property, Plant and Equipment. As a result of a reassessment of useful life, depreciation charges for non-current tangible assets were decreased by EUR 636 thousand in 2022.
The most significant additions to non-current tangible assets in 2022 included technical improvements to a carousel furnace – replacement of recuperators at a cost of EUR 628 thousand, technical improvements to entry rod production at a cost of EUR 305 thousand, and technical improvements to a drawing line at a cost of EUR 1 365 thousand. There is a significant increase in the acquisition of new assets – a double girder crane in the amount of EUR 361 thousand.

Assets under lien
As at 31 December 2022, the net book value of the Company's non-current tangible assets pledged to secure bank loans amounted to EUR 40 429 thousand (fair value of approx. EUR 81 million). The net book value of non-current tangible assets with restricted handling by the Company (easement) was EUR 5 484 thousand.

Insurance of assets
Non-current assets are insured with Allianz-Slovenská poisťovňa a.s. against all risks up to the amount of their cost.
Costs of non-current assets are updated to new values that were calculated by re-indexing original costs to amounts corresponding to the fair value of insured assets.

Insured Assets	*Type of insurance*	*Name and seat of the insurance company*	*Insured amount*
Set of immovable assets	Against all risks	Allianz-Slov. poisťovňa, a.s., Bratislava	315 855 957
Set of movable assets	Against all risks	Allianz-Slov. poisťovňa, a.s., Bratislava	291 315 881
Acquisition of new non-current tangible assets	Against all risks	Allianz-Slov. poisťovňa, a.s., Bratislava	2 000 000

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6 INTANGIBLE ASSETS

	Software	*Assets under construction*	*Total*
Cost			
At 1 January 2022	674 974	-	674 974
Additions	-	129 039	129 039
Disposals	(24 754)	-	(24 754)
Transfers	-	-	-
At 31 December 2022	650 220	129 039	779 259
Accumulated amortisation			
At 1 January 2022	600 105	-	600 105
Amortisation	16 068	-	16 068
Disposals	(24 754)	-	(24 754)
At 31 December 2022	591 419	-	591 419
Carrying amount			
At 1 January 2022	74 869	-	74 869
At 31 December 2022	**58 801**	**129 039**	**187 840**

7 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The investments in subsidiaries and associates comprise the following ownership interests:

	31 December 2022	*31 December 2021*
Investments in subsidiaries		
ŽP Informatika s.r.o.	1 034 078	1 034 078
Transformaciones Metalurgicas, S.A.U. (TRANSMESA)	16 980 734	16 980 734
ŽP-Gastroservis, s.r.o.	1 000 000	1 000 000
ŽP EKO QELET a.s.	26 924 835	26 924 835
UHL s.r.o.	2 073 107	2 073 107
Pipex Deutschland GmbH	130 722	130 722
Tále, a.s.	16 394 480	16 394 480
FK Železiarne Podbrezová a.s.	528 035	318 035
ŠK Železiarne Podbrezová a.s.	330 306	330 306
SLOVRUR Sp. z o. o.	711 774	711 774
ZANINONI SLOVAKIA s.r.o.	984 965	984 965
ŽP VVC s.r.o.	33 194	33 194
PIPEX ITALIA S.p.A.	320 124	320 124
ŽIAROMAT a.s.	4 843 951	4 843 951
ŽP Bezpečnostné služby s.r.o.	200 000	200 000
KBZ s.r.o.	3 649 286	3 649 286
ŽP Rehabilitácia s.r.o.	150 000	150 000
ŽP Trade Bohemia a.s.	1 779 595	1 779 595
Total subsidiaries	**78 069 186**	**77 859 186**
Investments in associates		
TOM-FERR Zrt.	2 032 232	2 032 232
Total associates	**2 032 232**	**2 032 232**
Provision for subsidiaries		
UHL s.r.o.	31 666	-
Tále, a.s.	2 272 728	-
FK Železiarne Podbrezová a.s.	516 508	-
ŽIAROMAT a.s.	1 944 962	-
Total provision for subsidiaries	**4 765 864**	**-**
Total, net	**75 335 554**	**79 891 418**

In 2022, the Company increased its contribution in FK Železiarne Podbrezová a.s. by EUR 210 thousand.

In recent years, Tále, a.s. has been significantly affected by the negative developments in the tourism and hospitality sector due to the COVID-19 pandemic. In 2022, the Company did not meet its financial plan. Margins were affected by higher energy costs and inflation, which increased every month last year. Inflation impacts wage increase negotiations and the purchasing power of people and companies, which has negatively affected revenues and expenses. As a result, Tále, a.s. recognised a record loss in 2022 and ŽP a.s. decided to create a provision for this financial investment.

Since 2015, ŽIAROMAT a.s. has been developing its business activities in Ukraine and considered this market to be promising and with growth potential for the Company. In 2015, sales in Ukraine accounted for 4% and by 2021 had increased to 9%. The business plan for 2022 included new contracts and envisaged the Ukraine's share of sales at approx. 15%. After 24 February 2022, the Company immediately suspended sales on this market and as at 31 December 2022 it records overdue receivables of EUR 783 thousand from two Ukrainian entities from Mariupol, which are members of the Metinvest holding. As a result of the above and also due to the Company's continued low profitability, the Company decided to create a provision for this investment.

For the year ended 31 December 2022 (in euros)

Information on the subsidiaries as at 31 December 2022 may be summarised as follows:

Name	*Country of incorporation*	*Ownership share/ Voting rights 2022*	*Ownership share/ Voting rights 2021*	*Principal activity*	*Equity 31 December 2022*	*Equity 31 December 2021*	*Profit/(loss) 2022*	*Profit/(loss) 2021*
ŽP Informatika s.r.o.	Slovak Republic	100.00%	100.00%	IT services	2 340 451	2 346 547	75 905	85 658
Transformaciones Metalurgicas S.A.U.	Spain	100.00%	100.00%	Production of steel pipes	24 828 564	21 508 874	5 319 689	3 795 797
ŽP - Gastroservis, s.r.o.	Slovak Republic	100.00%	100.00%	Catering services	1 107 706	1 017 108	1 409	(9 705)
ŽP EKO QELET a.s. *	Slovak Republic	66.27%	66.27%	Purchase and sale of scrap	23 830 302	21 647 191	2 854 911	2 819 908
Pipex Deutschland GmbH	Germany	80.00%	80.00%	Trading activities	1 508 395	984 281	774 114	306 352
Tále, a.s.*	Slovak Republic	92.87%	92.87%	Travel industry	15 121 608	15 682 591	(560 983)	(151 982)
UHL s.r.o.	Slovak Republic	100.00%	100.00%	Trading activities	1 213 118	1 226 221	(13 103)	(18 701)
FK Železiarne Podbrezová a.s.	Slovak Republic	55.00%	55.00%	Sports, advertising and promotion	18 362	189 090	(380 728)	(103 875)
ŠK Železiarne Podbrezová a.s.	Slovak Republic	99.50%	99.50%	Sports, advertising and promotion	447 805	431 729	16 075	19 762
SLOVRUR Sp. z o. o.	Poland	90.00%	90.00%	Trading activities	6 308 077	4 689 465	3 064 552	1 512 975
ŽP VVC s.r.o.	Slovak Republic	100.00%	100.00%	Research and development activities	218 400	239 937	10 462	35 820
PIPEX ITALIA S.p.A. *	Italy	85.00%	85.00%	Trading activities	15 300 343	11 839 162	4 987 325	2 830 115
ŽIAROMAT a.s.	Slovak Republic	100.00%	100.00%	Metallurgy	2 901 255	2 893 091	8 164	62 508
ZANINONI SLOVAKIA, s.r.o.	Slovak Republic	100.00%	100.00%	Transportation services	2 645 454	2 397 859	937 594	698 782
ŽP Bezpečnostné služby s.r.o.	Slovak Republic	100.00%	100.00%	Operation of security guards	341 871	347 730	11 141	18 167
KBZ s.r.o.	Slovak Republic	70.00%	70.00%	Purchase and sale of scrap	3 997 367	3 975 601	635 766	1 626 030
ŽP Rehabilitácia s.r.o.	Slovak Republic	100.00%	100.00%	Organisation of events, advertising, marketing, transport health services	215 196	193 763	21 432	21 347
ŽP Trade Bohemia a.s.	Czech Republic	100.00%	100.00%	Trading activities	3 446 263	2 840 630	1 140 226	605 758

** Value data for the respective companies were not audited by an auditor as at the preparation date of the parent company's notes; they are based on figures prepared pursuant to statutory regulations valid in the country of their establishment.*

Pledged assets
As at 31 December 2022, the Company had no financial assets pledged to secure bank loans.

For the year ended 31 December 2022 (in euros)

8 OTHER NON-CURRENT ASSETS

	31 December 2022	*31 December 2021*
Non-current borrowing provided	500 000	-
Deferred expenses	103 246	78 926
Derivative financial instruments	901 392	-
Other non-current receivables	56 560	47 213
Total	**1 561 198**	**126 139**

9 INVENTORIES

	31 December 2022	*31 December 2021*
Raw materials and spare parts	45 801 926	33 178 463
Work in progress	35 669 367	17 855 736
Finished products	20 644 437	20 222 241
Merchandise	1 660 028	1 471 409
Provision	(855 498)	(726 338)
Total	**102 920 260**	**72 001 511**

At 31 December 2022 and 31 December 2021, none of the inventories were pledged to secure bank loans.

Provisions for inventories

	Balance as at 1 January 2022	*Creation*	*Use*	*Cancellation*	*Balance as at 31 December 2022*
Raw materials and spare parts	635 512	521 927	306 827	29 801	820 811
Work in progress	-	-	-	-	-
Finished products	43 122	-	-	43 122	-
Merchandise	47 704	11 943	24 960	-	34 687
Total	**726 338**	**533 870**	**331 787**	**72 923**	**855 498**

Movements in provisions for inventories are included in "Other operating expenses and income".

Insurance of inventories

Insured assets	*Type of insurance*	*Name and address of the insurance company*	*Amount insured*
Inventories (work in progress, semi-finished products, finished products)	Against all risks	Allianz-Slov, poisťovňa, a.s., Bratislava	72 000 000

10 TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

	31 December 2022	*31 December 2021*
Trade receivables	52 925 565	46 263 538
Borrowings provided to related parties	500 000	500 000
Other tax assets	4 169 001	4 724 081
Receivables from subsidies	-	52 200
Other receivables	1 737 823	738 985
Allowance for doubtful amounts	(148 336)	(496 040)
Total trade and other receivables	**59 184 053**	**51 782 764**

Other tax assets of EUR 4 169 thousand (31 December 2021: EUR 4 724 thousand) represent VAT receivables. Provided borrowings comprise borrowings provided to KBZ s.r.o. in the amount of EUR 500 thousand (31 December 2021: EUR 500 thousand). Other receivables of EUR 1 738 thousand comprise short-term borrowings provided to parties outside the consolidated Group (31 December 2021: EUR 739 thousand).
As at 31 December 2022 and 31 December 2021, none of the Company's receivables were subject to a lien established as collateral for bank loans.

The breakdown of trade and other receivables:

	31 December 2022	*31 December 2021*
Current receivables	57 426 499	49 797 677
Overdue receivables	1 905 890	2 481 127
Total	**59 332 389**	**52 278 804**

The ageing structure of overdue receivables for which no provision was recorded:

	31 December 2022	*31 December 2021*
Within 90 days	1 559 787	1 979 535
90 – 180 days	186 717	4 262
180 – 360 days	5 446	943
Over 360 days	-	-
Total	**1 751 950**	**1 984 740**

The ageing structure of overdue receivables for which provisions were recorded:

	31 December 2022	*31 December 2021*
Within 90 days	288	-
90 – 180 days	-	-
180 – 360 days	11 843	1 330
Over 360 days	141 809	495 057
Total	**153 940**	**496 387**

For the year ended 31 December 2022 (in euros)

11 OTHER ASSETS

Other current assets consist of the following:

	31 December 2022	31 December 2021
Prepaid expenses	302 774	188 591
Accrued income	103 833	20 558
Emission rights	2 709 571	1 781 464
Total	**3 116 178**	**1 990 613**

Prepaid expenses mainly represent prepaid insurance premiums and prepaid expenses from overhead invoices. Accrued income represents accrued interest. Emission rights comprise emission rights purchased in 2021 and 2022.

12 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	30 593	25 896
Bank balances and deposits	1 364 323	150 102
Cash and cash equivalents on the balance sheet	**1 394 916**	**175 998**
Cash and cash equivalents in the statement of cash flows	**1 394 916**	**175 998**

13 EQUITY

Share capital
The authorised share capital comprised 2 384 135 ordinary shares (31 December 2021: 2 384 135 ordinary shares) with a face value of EUR 34 per share. The authorised share capital was fully paid as at 31 December 2022 and 31 December 2021. The share capital was registered with the Commercial Register.
Legal reserve fund
The legal reserve fund may not be distributed among the shareholders. It is designed to cover future losses from operations and to increase the share capital in accordance with the valid regulations.
Distribution of profit for 2021
Based on a decision of the General Meeting held on 27 June 2022, a profit of EUR 5 659 thousand for the year ended 31 December 2021 was transferred to Retained earnings from previous years.

14 INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2022	31 December 2021
Loans	21 000 000	41 300 000
Overdraft facilities	3 177 557	5 968 198
Borrowing received from the Company's ultimate owners	9 580 000	14 360 000
Total interest-bearing loans and borrowings	**33 757 557**	**61 628 198**
Loans by currency:		
EUR - Fixed interest rate	9 580 000	14 360 000
EUR - Floating interest rate	24 177 557	47 268 198
Total	**33 757 557**	**61 628 198**
Repayments of loans are scheduled as follows:		
Within one year	4 677 557	38 078 198
More than one year, less than two years	9 580 000	11 550 000
More than two years, less than three years	-	12 000 000
More than three years, less than four years	-	-
More than four years, less than five years	-	-
More than five years	19 500 000	-
Total	**33 757 557**	**61 628 198**
Current portion		
Loans and borrowings	4 677 557	38 078 198
Total	**4 677 557**	**38 078 198**

Loans and borrowings
Interest rates of loans and borrowings:

EUR - Fixed interest rate	2.00%, 1.25%, 1.20%
EUR - Floating interest rate	1M – 6M EURIBOR +1.2 – 1.45% p.a.; ESTER +1.15 – 1.20%

The fair value of loans and borrowings approximates their carrying amount. The fair value represents cash flows discounted with the relevant interest rate that, according to the assumption of the Company's management, may be collected on the reporting date.
The Company's management has been in contact with the financing banks regarding compliance with the requirements resulting from the signed loan agreements. As at 31 December 2022, the Company complied with all the monitored financial covenants.

For the year ended 31 December 2022 (in euros)

15 OTHER NON-CURRENT LIABILITIES

	31 December 2022	*31 December 2021*
Deferred income	3 836 151	3 026 961
Of which: Subsidies	*3 826 146*	*3 016 373*
Other	*10 005*	*10 588*
Accrued expenses	7 120	7 682
Other non-current liabilities	71 098	56 557
Total	**3 914 369**	**3 091 200**

16 PROVISION FOR EMPLOYEE BENEFITS

In accordance with Slovak labour legislation and in accordance with the Board of Directors' programme, the Group pays certain benefits to its employees as described below.

The long-term employee benefit scheme is a programme of defined benefits under which employees are entitled to a one-off bonus upon retirement or disability, and depending on the defined terms also to regular service loyalty bonuses for years served with the Company, and jubilee benefits. As at 31 December 2022, the programme was applicable to 2 959 employees of the Company (31 December 2021: 2 977 employees). As at the aforementioned date, the programme was unfunded, i.e. no specific assets were allocated to cover liabilities arising from the scheme.

	31 December 2022	*31 December 2021*
Present value of benefits paid on retirement	9 434 324	6 678 945
Present value of length of service benefits	1 234 591	1 234 731
Present value of jubilee benefits	363 358	190 673
Total	**11 032 273**	**8 104 349**

An increase in the provision is primarily due to a y/y increase in wages and an increase in a loyalty bonus under the Board of Directors' programme.

Key assumptions used in the actuarial valuation:

	31 December 2022
Annual future real rate of salary increases	2023: 5%; future years: 2.00%
Annual employee turnover	9.4%
Retirement age	64 years or less, as per applicable legislation

To calculate the provision for employee benefits, the Company applied the current average NBS interest rate provided to non-financial institutions in the Eurozone.

17 DEFERRED TAX LIABILITY

The table below provides details on the major items of deferred tax assets and liabilities recognised by the Company, and debits/credits made to the items during the current and prior reporting periods:

	1 January 2022	*(Debited)/credited to the current-year profit*	*(Debited)/ credited to equity*	*31 December 2022*
Property, plant and equipment	(8 946 885)	(567 991)	-	(9 514 876)
Inventories	158 767	28 172	-	186 939
Receivables	5 581	866	-	6 447
Tax loss	147 884	(147 884)	-	-
Financial derivatives	-	-	(189 292)	(189 292)
Liabilities	251 315	2 843 181	-	3 094 496
Employee benefits	1 701 913	614 864	-	2 316 777
Research and development	2 489 416	(2 489 416)	-	-
Subsidies	67 855	44 109	-	111 964
Total	**(4 124 154)**	**325 901**	**(189 292)**	**(3 987 545)**

	1 January 2021	*(Debited)/credited to the current-year profit*	*(Debited)/ credited to equity*	*31 December 2021*
Property, plant and equipment	(8 317 870)	(629 015)	-	(8 946 885)
Inventories	397 042	(238 275)	-	158 767
Receivables	9 263	(3 682)	-	5 581
Tax loss	-	147 884	-	147 884
Liabilities	261 006	(9 691)	-	251 315
Employee benefits	1 554 769	147 144	-	1 701 913
Research and development	395 308	2 094 108	-	2 489 416
Subsidies	29 995	37 860	-	67 855
Total	**(5 670 487)**	**1 546 333**	**-**	**(4 124 154)**

Following the existing accounting principles, the Company offset its deferred tax assets against deferred tax liabilities.

The table below provides resulting deferred tax balances (after clearing) to be disclosed on the balance sheet:

	31 December 2022	*31 December 2021*
Deferred tax asset	7 248 843	5 448 997
Deferred tax liability	(11 236 388)	(9 573 151)
Total	**(3 987 545)**	**(4 124 154)**

For the year ended 31 December 2022 (in euros)

18 TRADE AND OTHER PAYABLES

	31 December 2022	*31 December 2021*
Trade payables	22 325 121	25 840 170
Dividends	44 927	34 894
Payables to employees and social security payables	22 050 857	7 959 918
Other tax payables	1 082 937	525 053
Deferred income on subsidies, current	316 917	352 748
Other payables	4 522 479	1 727 330
Total	**50 343 238**	**36 440 113**

Other liabilities mainly include a provision for litigation related to the squeeze-out of minority shareholders of ŽĎAS a.s. – in the amount of EUR 3 409 thousand (31 December 2021: EUR 0), and a provision for emission rights in the amount of EUR 1 034 thousand (31 December 2021: EUR 1 587 thousand).

Breakdown of trade and other payables:

	31 December 2022	*31 December 2021*
Current payables	47 563 544	35 209 493
Overdue payables	2 779 694	1 230 620
Total	**50 343 238**	**36 440 113**

Social Fund liabilities (included in payables to employees and social security payables):

	Amount
Opening balance as at 1 January 2022	140 313
Total creation	785 192
Total drawing	780 677
Closing balance as at 31 December 2022	**144 828**

19 REVENUES

Revenues comprise the following items:

	Year ended 31 December 2022		*Year ended 31 December 2021*	
Commodity	*Amount*	*%*	*Amount*	*%*
Own products	421 786 432	98.41	299 917 206	96.70
Merchandise	4 572 414	1.07	9 047 030	2.91
Services	2 236 341	0.52	1 194 976	0.39
Total revenues	**428 595 187**	**100.00**	**310 159 212**	**100.00**

Revenues by geographical segment:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Slovak Republic	32 584 620	25 865 232
Czech Republic	57 249 323	42 974 545
Other EU Member States	288 543 998	208 231 926
Other European countries	30 421 412	25 530 174
Middle East	-	331 627
Far East	3 878 437	560 952
USA	15 909 508	6 218 897
Other exports	7 889	445 859
Total revenues	**428 595 187**	**310 159 212**

20 OWN WORK CAPITALISED

	Year ended 31 December 2022	*Year ended 31 December 2021*
Own work capitalised – raw materials	6 148 282	5 822 102
Own work capitalised – internal services	175 731	179 830
Own work capitalised – non-current tangible assets	887 996	1 685 711
Total own work capitalised	**7 212 009**	**7 687 643**

"Own work capitalised – raw materials" represents the processing of raw materials by the Company's own capacities for its further use in production.

21 RAW MATERIALS AND CONSUMABLES USED

	Year ended 31 December 2022	*Year ended 31 December 2021*
Consumed raw materials	207 874 123	175 999 430
Consumed energy	45 426 088	37 680 405
Costs of goods sold	4 438 379	8 729 080
Total raw materials and consumables used	**257 738 590**	**222 408 915**

For the year ended 31 December 2022 (in euros)

22 PERSONNEL EXPENSES

	Year ended	
	31 December 2022	*31 December 2021*
Wages and salaries	69 088 587	50 725 204
Social security contributions	31 287 491	22 571 875
Total	**100 376 078**	**73 297 079**

An increase in personnel expenses was due to an increase in the average wages and the recognition of a provision for unpaid bonuses in the amount of EUR 10 million.
The Company had 2 959 employees as at 31 December 2022, of which 106 were managers (31 December 2021: 2 977 employees, of which 102 were managers). The full-time equivalent of employees for the year ended 31 December 2022 was 2 977 (31 December 2021: 3 018).

23 OTHER OPERATING REVENUES AND EXPENSES

Other operating revenues, net comprise the following:

	Year ended	
	31 December 2022	*31 December 2021*
Profit on the sale of property, plant, equipment and intangibles	39 066	-
Profit on the sale of raw materials	552 805	574 592
Proceeds from grants	2 633 200	5 100 776
Insurance benefits from insurance companies	57 775	67 213
Other operating revenues	138 284	180 224
Total other operating revenues, net	**3 421 130**	**5 922 805**

Revenues from subsidies are described in Note 29.

Other operating expenses, net comprise the following:

	Year ended	
	31 December 2022	*31 December 2021*
(Additions to)/release of provisions for receivables and inventories	469 756	(527 836)
Change in impairment of property, plant and equipment	70 110	21 929
Insurance premium	1 218 759	1 085 858
Other taxes and charges	344 037	338 534
Other operating expenses	2 064 518	2 857 759
Total other operating expenses	**4 167 180**	**3 776 244**

Other operating expenses primarily comprise provisioning for emission rights of EUR 1 034 thousand (31 December 2021: EUR 1 587 thousand) and provided donations of EUR 595 thousand (31 December 2021: EUR 844 thousand).

24 INTEREST INCOME

	Year ended	
	31 December 2022	*31 December 2021*
Interest income on bank accounts	5 580	-
Interest income on borrowings	101 780	54 930
Total interest income	**107 360**	**54 930**

25 INTEREST EXPENSE

	Year ended	
	31 December 2022	*31 December 2021*
Loans and borrowings	879 147	840 755
Interest on factoring	20 459	-
Other	-	(1 105)
Total interest expense	**899 606**	**839 650**

26 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income comprises the following items:

	Year ended	
	31 December 2022	*31 December 2021*
Dividends from financial investments	6 936 675	2 311 232
Foreign exchange gains	879 407	411 246
Revenues from financial derivatives	155 715	33 742
Proceeds from the sale of financial investments	-	424 423
Other financial income	11 532	37 328
Total other financial income	**7 983 329**	**3 217 971**

For the year ended 31 December 2022 (in euros)

Other financial expenses comprise the following items:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Foreign exchange losses	916 790	338 004
Losses from financial derivatives	29 552	12 881
Provisions for financial investments	4 765 864	-
Other financial expenses	3 614 280	12 674
Total other financial expenses	**9 326 486**	**363 559**

Other financial expenses mainly include a provision for litigation related to the squeeze-out of minority shareholders of ŽĎAS a. s. – in the amount of EUR 3 409 thousand (31 December 2021: EUR 0).

27 INCOME TAX

	Year ended 31 December 2022	*Year ended 31 December 2021*
Current tax expense for current period	10 295 679	-
Deferred tax expense for current period	(325 901)	(1 546 333)
Total income tax	**9 969 778**	**(1 546 333)**

The table below shows the reconciliation of income tax recognised and theoretical income tax calculated using the standard tax rates:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Profit/(loss) before tax	59 162 110	4 112 690
Tax at the local tax rate of 21% (2021: 21%)	12 424 043	863 665
Tax effect of permanent and temporary differences		
- Permanent differences	1 203 646	800 567
- Temporary differences	(3 913 294)	(1 017 675)
Effect of a change in the tax rate	-	-
Unrecognised deferred taxes	924 423	(55 804)
Other	(669 040)	(2 137 086)
Total income tax	**9 969 778**	**(1 546 333)**

The actual tax rate differs from the tax rate of 21% (2021: 21%) set by law mainly as a result of differences in the classification of certain items of expenses and income for accounting and tax purposes.

Deferred tax is calculated at the income tax rate that is expected to be applied in the period when the asset is to be realised or the liability settled. As a result, the Company applied the income tax rate effective in the following reporting period, i.e. 21%.

In the Slovak Republic, the taxation periods from 2018 until 2022 may be subject to review by the tax authority.

The Company prepared the transfer pricing documentation for transactions with foreign related parties in compliance with the tax legislation valid in the Slovak Republic.

28 FINANCIAL DERIVATIVES

As at 31 December 2022, the Company had open derivative positions in the form of interest rate swaps which hedge a portion of the club credit facility with a face value of EUR 15 million. As at 31 December 2022, the fair value of the open derivative positions amounted to EUR 901 thousand and is recognised in equity.

The Company undertook derivative transactions in 2022. In 2022, the Company generated a profit of EUR 154 thousand from currency derivative transactions (31 December 2021: EUR 21 thousand) and incurred a loss of EUR 28 thousand from interest rate derivative transactions (31 December 2021: EUR 0), recognised in the statement of comprehensive income.

29 SUBSIDIES

	Receivables from subsidies	*Deferred income on subsidies, non-current*	*Deferred income on subsidies, current*	*Release of subsidies in the statement of comprehensive income*
31 December 2022				
Investment subsidies	-	3 826 146	316 917	333 060
Operating subsidies	-	-	-	2 300 140
Total subsidies	**-**	**3 826 146**	**316 917**	**2 633 200**
31 December 2021				
Investment subsidies	15 000	3 016 373	352 748	344 746
Operating subsidies	37 200	-	-	4 756 030
Total subsidies	**52 200**	**3 016 373**	**352 748**	**5 100 776**

The statement of comprehensive income primarily includes revenues from: an investment subsidy for the “Reconstruction of the Dust-collection System of the Electric Arc and Ladle Furnace” project (EUR 144 thousand), an investment subsidy for the “Energy Intensity Reduction of ŽP” project (EUR 98 thousand), an investment subsidy for the “Refurbishment, Modernisation and Construction of a Football Stadium” project (EUR 41 thousand), an investment subsidy for the “Construction of FA Skalica” project (EUR 18 thousand), compensation to entrepreneurs for the production of electricity from renewable energy sources (EUR 2 133 thousand), dual education support (EUR 151 thousand), and financial compensation for Ag testing (EUR 23 thousand).

For the year ended 31 December 2022 (in euros)

30 FINANCIAL RISK MANAGEMENT POLICIES

30.1 Capital risk management

The Company manages its capital to ensure that the Company is able to continue as a going concern with the objective of achieving an optimal debt and equity balance. The Company's overall strategy remains unchanged from 2021.
The gearing ratio at the year-end was as follows:

	31 December 2022	*31 December 2021*
Debt [(i)]	(33 757 557)	(61 628 198)
Cash and cash equivalents	1 394 916	175 998
Net debt	(32 362 641)	(61 452 200)
Equity	(256 434 150)	(211 297 988)
Net debt to equity ratio	**13%**	**29 %**

(i) Debt is defined as current and non-current interest-bearing loans and borrowings.

30.2 Categories of financial instruments

	31 December 2022	*31 December 2021*
Loans and receivables (including cash and cash equivalents)	61 135 529	52 005 975
Financial assets	**61 135 529**	**52 005 975**
Bank loans and borrowings recognised at amortised costs	33 757 557	61 628 198
Trade payables and other liabilities	54 257 608	39 531 310
Financial liabilities	**88 015 165**	**101 159 508**

a) Financial risk factors

The Company's activities expose it to a variety of financial risks, which include the effects of changes in foreign currency exchange rates and loan and bond interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. At the reporting date there were no significant concentrations of credit risk. Cash transactions are only carried out using renowned financial institutions.

Interest rate risk

The Company's operating income and operating cash flows are relatively independent of changes in market interest rates. Interest rate risk arises on long-term borrowings, which are issued at variable interest rates and expose the Company to a fair value interest rate risk.
The sensitivity analysis (see below) was determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared under the assumption that the amount of liability outstanding at the reporting date was outstanding for the whole year.
If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2022 would have increased/decreased by EUR 191 thousand (2021: increase/decrease by EUR 199 thousand). This is mainly attributable to the Company's exposure to interest rates for variable rate borrowings.

Foreign currency risk

The Company incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the euro.
The carrying amount of the Company's cash assets and cash liabilities denominated in a foreign currency as at the reporting date is as follows:

	Liabilities		*Assets*	
	31 December 2022	*31 December 2021*	*31 December 2022*	*31 December 2021*
USD	-	1 105 833	4 021 185	859 010
CZK	274 248	244 703	2 905 342	1 882 399
PLN	-	45 231	2 960 391	4 894 283
CHF	-	-	3 527	3 371

The following table presents the Company's sensitivity to a 25% increase/decrease in the euro against the US dollar, a 20% increase/decrease in the euro against the Czech crown, Polish złoty and Swiss franc. The sensitivity analysis includes monetary items denominated in foreign currencies and adjusts their translation at the end of the reporting period for the aforementioned change in foreign currency rates. Positive balances indicate an increase in profit and other equity items upon a decrease of euro against the relevant currency. Appreciation of the euro against the relevant currency would result in a similar but opposite impact on profit and other equity items, while data presented below would be negative.

	USD		*CZK*		*PLN*		*CHF*	
	31 December		*31 December*		*31 December*		*31 December*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
Profit or loss	1 005 296	(61 706)	526 219	327 539	592 078	969 810	707	674

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash with adequate due date and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.
The following tables summarise the residual maturity period of the Company's non-derivative financial liabilities. The tables have been prepared based on undiscounted cash flows from financial liabilities assuming the earliest possible date on which the Company can be required to settle the liabilities. The table includes cash flows from both the interest and principal during the term of a loan agreement.

For the year ended 31 December 2022 (in euros)

	Weighted average effective interest rate	*Up to 1 month*	*1 – 3 months*	*3 months to 1 year*	*1 – 5 years*	*5+ years*	*Total*
2022							
Interest-free liabilities		35 927 092	1 138 093	12 925 390	106 846	-	50 097 421
Floating interest rate instruments (loans)	1.2 – 1.45 %	3 177 492	193 860	2 153 020	7 196 030	15 368 313	28 088 715
Fixed interest rate instruments (loans)	2.00 %	16 499	47 102	219 542	9 871 589	-	10 154 732
		39 121 083	**1 379 055**	**15 297 952**	**17 174 465**	**15 368 313**	**88 340 868**
2021							
Interest-free liabilities		32 501 628	873 258	2 712 420	56 576	40	36 143 922
Floating interest rate instruments (loans)	1.2 – 1.45 %	12 272 333	18 067 680	5 148 917	12 279 367	-	47 768 297
Fixed interest rate instruments (loans)	2.00 %	24 731	715 617	2 349 153	11 783 567	-	14 873 068
		44 798 692	**19 656 555**	**10 210 490**	**24 119 510**	**40**	**98 785 287**

b) Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

31 RELATED PARTY TRANSACTIONS

31.1 Members of statutory and supervisory bodies

Remuneration paid to the members of the Company's Board of Directors and Supervisory Board for the year ended 31 December 2022 amounted to EUR 1 197 thousand (year ended 31 December 2021: EUR 394 thousand). Remuneration is included in personnel expenses.

31.2 Other related parties

CPA s.r.o. is the parent company of ŽP.

During 2022, the Company entered into the following transactions with related parties:

	Receivables as at 31 December 2022	*Payables as at 31 December 2022*	*Sales of goods and services in 2022*	*Purchases of goods and services in 2022*
Ultimate owners	-	9 580 000	-	235 598
CPA s.r.o. - parent company	3 638	18 080	3 168	181 677
Subsidiaries and joint ventures	35 841 724	9 051 211	281 243 797	149 350 851
Associates	1 323 664	238	7 271 255	-
Other related parties	35 794	35 208	198 787	1 118 336
	37 204 820	**18 684 737**	**288 717 007**	**150 886 462**

During 2021, the Company entered into the following transactions with related parties:

	Receivables as at 31 December 2021	*Payables as at 31 December 2021*	*Sales of goods and services in 2021*	*Purchases of goods and services in 2021*
Ultimate owners	-	14 360 000	-	302 774
CPA s.r.o. - parent company	3 123	14 730	2 769	178 844
Subsidiaries and joint ventures	26 730 202	11 042 481	184 274 519	128 114 075
Associates	3 977 285	3 669	6 909 265	163
Other related parties	68 828	29 915	180 057	885 186
	30 779 438	**25 450 795**	**191 366 610**	**129 481 042**

Transactions with ultimate owners comprise received borrowings. Transactions with the parent company represent advisory services and rental of premises. Transactions with subsidiaries and associates represent sales of ŽP products, catering services, IT services, accommodation, leisure-time services, purchase of metal scrap, and, transportation services.

32 COMMITMENTS AND CONTINGENCIES

32.1 Environmental matters

Management believes that the Company complies with the relevant existing legislation in all material respects. It is not expected that the Company will become liable to make significant payments relating to the environment in the future.

32.2 Capital expenditure

The Company prepared a capital expenditure plan for 2023 amounting to EUR 26 180 thousand, of which EUR 11 838 thousand is covered by contracts at 31 December 2022.

32.3 Litigation and potential losses

At present, the Company is involved in a number of legal cases and other disputes that have arisen as a result of its ordinary business activities. It is expected that the disputes may have a significant negative impact, individually or jointly, on the accompanying separate financial statements. In the accompanying separate financial statements, the Company recorded provisions for litigation as the Company's management, based on the advice of its legal counsel, believes that the final outcome of the litigation is uncertain.

32.4 Emission rights

During 2005, the European Union-wide greenhouse gas emission rights trading scheme came into effect, together with the Act on Emission Rights Trading passed by the Slovak Parliament in order to implement the related EU Directive in Slovakia. Under this legislation, the Company is required to deliver emission rights to the Slovak Environmental Office to offset actual greenhouse gas emissions.
ŽP has opted to recognise the allocated emission rights at a face value. In 2022, the Company received a pro rata share of emission rights but the Company's emission production in 2022 exceeded this share. The difference in the amount of EUR 1 034 thousand is recognised in the statement of profit and loss.
ŽP has an obligation to surrender emission rights to cover produced emissions. This obligation was fulfilled by surrendering emission rights for the monitored 2022 period in April 2023.

32.5 Guarantee for loans provided to other entities

The Company provided its assets as collateral for the liabilities of joint debtors ŽP Informatika s.r.o. and ŽIAROMAT a.s. arising from a loan agreement with SLSP up to EUR 6 million (31 December 2021: EUR 6 million). The outstanding principal as at 31 December 2022 amounts to EUR 4 777 thousand (31 December 2021: EUR 4 996 thousand).
Since the Company's management believes based on the financial positions of ŽP Informatika s.r.o. and ŽIAROMAT a.s. that the subsidiaries will repay the loans. ŽP a.s. recorded no provision in the accompanying separate financial statements.

32.6 Bank guarantees

The Company's liabilities to Graftech Switzerland S.A. arising from the Graphite Electrode Supply Agreement dated 30 November 2017 are secured by a bank guarantee up to a total amount of EUR 1 676 thousand.

33 POST-BALANCE SHEET EVENTS

From 31 December 2022 to the preparation date of the financial statements, there were no such events that would have a significant impact on the Company's assets and liabilities, except for those resulting from the ordinary course of business operations.
The conflict in Ukraine may require the reassessment of assumptions and estimates used in the preparation of the financial statements. They may require significant adjustments to the carrying amount of assets and liabilities in the next financial year.
The Company is highly dependent on natural gas supplies and Company management is currently unable to reliably estimate the development of the situation in the near future, or any potential negative impact.
The long-term impact may also affect volumes of business transactions, cash flows and profitability of the Company. However, as at the preparation date of these financial statements, the Company continues to meet its liabilities and expects to continue as a going concern.

35 APPROVAL OF SEPARATE FINANCIAL STATEMENTS

The separate financial statements were prepared and approved for release on 17 March 2023.