



ANNUAL REPORT 2020



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INTRODUCTION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



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

Dear Shareholders,

The year 2020 will undoubtedly go down in the history of Slovakia, Europe and the world. Everyone had to fight the COVID-19 pandemic. It is unbelievable how the world has had to cope with the pandemic, how little it has learned from it, and how hard it has affected large, medium and small businesses, self-employed persons and citizens of all countries. For me personally, it was startling that no one in Slovakia understood that people sent to quarantine needed to be given preventive medicines to alleviate the disease.

INTRODUCTION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Železiarne Podbrezová a.s. had a very difficult time coping with 2020. In Q1 2020, we still had enough orders and the Company produced, sold and operated more or less in the normal mode. However, the next three quarters were very difficult for us. There were months when we did not have enough orders and we had to literally “do magic” and come up with incredible ways to keep employees. We knew that the pandemic and the crisis will go away. We have very skilled employees and we must protect them.

Thanks to our pressure with other large companies, we managed to persuade the Government of the Slovak Republic to partially use the funds obtained from the European Union to strengthen companies in order to maintain employment. During the individual months of 2020, our production was not optimal and the prices of some inputs grew. Therefore, our problem was to maintain the rise in output prices, as a result of which we ended the year with a loss.

In my opinion, however, the economic result was much better than we expected at the beginning of 2020. Our subsidiaries generated good results the previous year and the Company profited by earning dividends. The consolidated loss of EUR 3.8 million was not so bad after all.

I am very pleased that we have managed to maintain employment and moved smoothly into 2021. In 2021, however, we were hit by another crisis with huge increases in the prices of all inputs, starting with crude iron, steel scrap, ferro-additives, but also rising prices of electricity, gas and everything we need for production.

The year 2021 will certainly be marked by this crisis and will have similar, if not greater consequences and impacts on the reduction of employment in the Slovak Republic.

The overall results of the Slovak economy were much better than expected by the Slovak government. This was mainly due to industrial business, which contribute to the state budget.

I would like to use the annual report of our Company to thank the health professionals, doctors and other staff who took care of the health of citizens during the pandemic with the utmost effort. I am very glad that we, too, made the right decision to give employees preventive vitamins to help protect their health.

I would like to thank all our business partners for the economic results achieved in 2020. I highly appreciate their payment discipline in 2020. It is admirable that, despite the difficult situation, we did not have problems with payments from our customers.

I believe, even though 2021 is not without problems, that we will certainly achieve better results than last year. Despite the crisis, we are a company that works with sufficient inventories of input materials needed for our production. I am convinced that we can take advantage of our rich experience from good and bad times to achieve the best possible economic results and to fulfil the expectations of our customers and employees. I believe that we will be able to generate a profit.

I would like to thank all those who were involved in carrying out the tasks in 2020 in any form and in any area. I believe that we will continue good cooperation in the future.

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. Mária NIKLOVÁ

Member of the Board of Directors and Human Resources Director

She was born in 1958 and has been a member of the Company's statutory body and management since 2006.



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. Milan SRNKA, PhD.

Member of the Board of Directors and Technical Director

He was born in 1971. He became the Technical Director and a member of the Company's statutory body in 2017.

Note: Ing. Július Kriváň was a member of the Board of Directors until 29 June 2020.



SUPERVISORY BOARD



Ing. Ján BANAS

Chairman of the Supervisory Board



Ing. Jozef MARČOK

Vice-Chairman of the Supervisory Board



Luigi CUZZOLIN

Member of the Supervisory Board



Ing. Ludovít IHRING

Member of the Supervisory Board



Ing. Vladimír ZVARÍK

Member of the Supervisory Board



Ing. Tomáš IHRING

Member of the Supervisory Board



Ing. Július KRIVÁŇ

Member of the Supervisory Board
(since 29 June 2020)



Ing. Jaroslav ROMANČÍK

Member of the Supervisory Board
elected by employees



Ing. Ivan SETVÁK

Member of the Supervisory Board
elected by employees
(since 23 October 2020)



Ján CIPCIAR

Member of the Supervisory Board
elected by employees
(since 15 January 2021)

Note: Members of the Supervisory Board in 2020 were also Soňa Lopušná (until 23 October 2020), Pavol Košťál (until 20 November 2020) and Ing. Miroslav Vrabec (from 20 November 2020 to 15 January 2021).



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, File No. 69/S.

The separate and consolidated financial statements and the annual report for 2020 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.



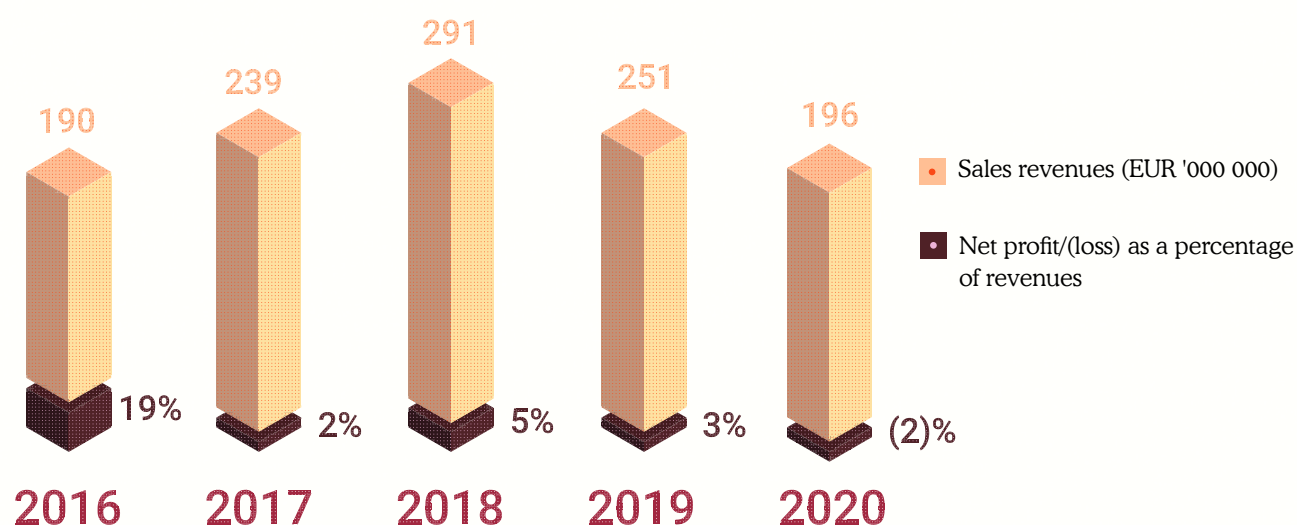
KEY FINANCIAL INDICATORS

Development of selected non-consolidated data (under IFRS, in EUR '000)

	2016	2017	2018	2019	2020
Sales revenues	189 796	238 613	290 932	251 057	196 414
Operating profit/(loss)	(4 279)	2 970	14 163	2 739	(7 942)
Net profit/(loss)	36 235	4 048	13 306	7 239	(3 011)
Return on sales revenues	19%	2%	5%	3%	(2%)
Net operating cash flow	(2 134)	1 265	14 410	8 423	9 318
Total assets	258 319	269 029	289 609	280 642	291 029
Financial investments	75 162	75 924	75 923	77 960	79 026
Equity	197 884	199 548	208 086	211 034	205 639
Equity to total assets ratio	77%	74%	72%	75%	71%
Interest-bearing loans and borrowings	19 570	29 852	35 933	32 230	47 922
Debt to total assets ratio	8%	11%	12%	11%	16%
Equity per share (EUR)	83	84	87	89	86
Net profit/(loss)per share (EUR)	15	2	6	3	(1)
Approved dividends per share (EUR)	12	1	2	1.80	1

KEY FINANCIAL INDICATORS

Sales revenues and their return



Development of selected consolidated data (under IFRS, in EUR '000)

	2016	2017	2018	2019	2020
Sales revenues	329 031	333 506	397 579	344 036	285 460
Operating profit/(loss)	(504)	10 781	25 120	11 086	(2 588)
Net profit/(loss)	(21 519)	6 952	18 232	8 395	(3 535)
of which: share attributable to the Company's shareholders	(21 985)	6 377	17 480	8 025	(3 900)
Return on sales revenues	(7%)	2%	4%	2%	(1%)
Net operating cash flow	24 817	(3 514)	15 788	31 488	12 918
Total assets	328 190	343 934	374 377	369 397	375 481
Equity	201 144	204 908	217 920	221 658	214 929
of which: share attributable to the Company's shareholders	190 506	194 584	207 182	210 999	204 372
Interest-bearing loans and borrowings	62 340	79 304	90 036	92 531	105 753
Return on equity	(12%)	3%	8%	4%	(2%)
Return on assets	(7%)	2%	5%	2%	(1%)
Profit/(loss) per share (EUR)	(9)	3	7	3	(2)
Equity per share (EUR)	80	82	87	89	86



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

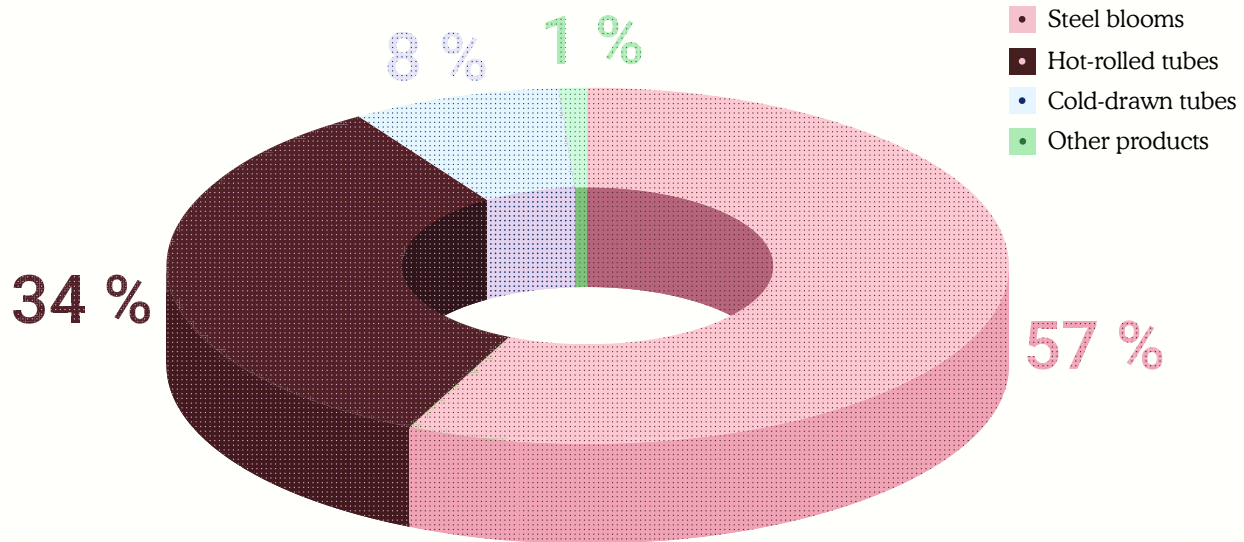
Semi-finished tubes

Butt welding elbows and reducers

Con cast steel blooms

PRODUCTION AND SALES

Production structure in 2020



Certification

Our quality management system is certified under ISO 9001:2015 by SGS United Kingdom Ltd.

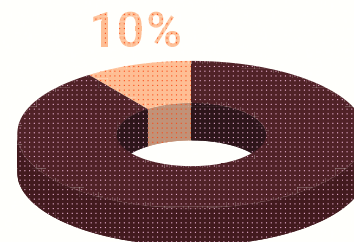
Our automotive industry products are certified under IATF 16949:2016, issued by SGS United Kingdom Ltd.

Železiarne Podbrezová a.s. has been issued product certificates by renowned certification companies such as Bureau Veritas, Lloyd's Register of EMEA, Det Norske Veritas – Germanischer Lloyd, 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.

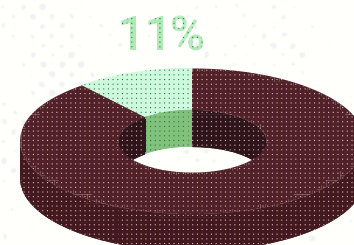
Share in the production of selected products in the EU in 2020

Seamless hot-rolled tubes



- ŽP a.s.
- Other EU producers

Precision seamless cold-drawn tubes



- ŽP a.s.
- Other EU producers



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

Dear Shareholders,

The past year 2020 was very challenging for our Company and the entire ŽP GROUP, mainly due to the outbreak of the global COVID-19 pandemic. The constantly-changing situation, which was unprecedented for us, our customers, suppliers and employees, as well as political decisions, which were often very confusing and unpredictable, caused a significant drop in global economic activity starting in Q2 2020.

REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

The year 2020 was complicated for global metallurgy that has long been struggling with low utilisation of its production capacities and uneven regional demand for its products. After three years of growth in global steel production, there was a slight decline last year (-0.2%). According to any analysis of the World Steel Association, this decline added to regional disparities, as steel production grew mainly in Asia (by 1.5%), by as much as 5.2% in China alone, and by 1.5% in Russia, while in developed economies, there was a significant decrease due to the pandemic. The production fell in the EU (11.8%), in Japan (16.2%) and in the USA (17.2%). As a result, China reinforced its dominant position last year, with a market share of over 57% of world steel production (an increase from 53%).

In the tube production segment, there was a decline in demand by warehouse and end consumers starting from Q2 2020 due to the pandemic and the associated restrictions that decreased economic activity and demand for these products. This trend continued until the end of 2020 with signs of recovery in early 2021. Since the outbreak of the pandemic, the Company's actual economic results began to differ significantly from the business and financial plan for 2020 and we had to respond flexibly to the evolving situation. In the first months of the pandemic, the Company's production exceeded the planned volumes, but this was due to a short-term effect of our customers stocking up, as they often feared a complete lockdown and subsequent shutdown of logistics chains. After the initial demand, however, there was a slump in orders, especially in Q3 and Q4 2020, comparable to the 2008/2009 crisis. We had to respond by taking a large number of extraordinary measures, significantly reducing production shifts and reducing the number of employees, especially those who worked for a definite period of time and employees of retirement age.

As a result, in addition to reduced demand, there was a significant reduction in the prices of our products in the seamless tube markets, which resulted in the Company's operating loss. However, despite the extremely complicated situation on the markets and a significant decline in revenues, most of the subsidiaries in the ŽP GROUP reported positive financial results and maintained their market positions.

The Company used subsidies from the Government of the Slovak Republic to maintain employment, i.e. First Aid and subsequently First Aid Plus, to partially compensate for the significant decreases in revenues at the existing fixed costs given its size and type of production. As a result, the Company maintained sufficient employment and retained key employees so the subsequent and relatively rapid increase in demand, and hence production in the Q1 2021, was problem-free and without significant limitations caused by staff shortages.

In December 2020, the Company ended the programme of employing people from marginalised groups, which started in 2018 in cooperation with the Ministry of Labour, Social Affairs and Family of the Slovak Republic. From a large number of trained and tested employees, we eventually offered contracts for an indefinite period to only seven of them, who underwent the adaptation process and proved to be reliable.

Due to the decline in demand and the situation on the markets for steel products, the prices of several inputs, raw materials and alloy additions decreased during the year. The price of the most important raw material, scrap steel, first fell, but rose again at the end of the year to the level from the beginning of the year (the price curve was V-shaped). This did not correspond to the movement of prices of our products, which continuously decreased. As a result, Železiarne Podbrezová recorded a significant decrease in operating revenues in 2020 by more than EUR 47 million (-18%) compared to 2019. The Company's operating expenses decreased by approximately EUR 37 million (-14%) compared to 2019, mainly due to lower prices of input raw materials. Personnel expenses decreased by EUR 8 million (-10%) due to a reduction in the number of employees and shifts. Consequently, the Company incurred a significant operating loss in 2020. The difference in the result of operations compared to 2019 was almost 11 million euro, and it could have been significantly greater without numerous measures taken by the Board of Directors.

The overall result of Železiarne Podbrezová was positively affected by the profit from financing activities. Dividends received from subsidiaries linked to the Group's results in 2019 reduced the total loss to EUR 3 million. At the end of 2020, the Company's assets amounted to EUR 291 million and were covered by own funds at 71%.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

The business and financial plan for 2021 takes into account the market situation in late 2020 and early 2021, and information, trends and estimates regarding prices of input raw materials, expected volumes and estimated prices of our Company's final products. However, in the first weeks of 2021, there was a dramatic increase in the prices of some input raw materials, especially scrap steel. The price of this raw material increased by more than 40% in a few weeks. However, this is not taken into account in the financial plan and it is currently very difficult to make a qualified estimate of how long raw material prices will be at such high price levels.

One of the most important factors affecting the tube production industry is the price of crude oil and the volume of investment in its extraction and processing, as OCTGs are a major part of production. The past year was also been turbulent for this sector, with significant fluctuations in oil demand and consumption. They were caused by the decline in consumer demand due to lower economic activity during the pandemic and the complications of the largest oil producers when reaching a consensus on the redistribution of oil extraction.

For these reasons, the Board of Directors carefully and constantly evaluates the situation on the markets and adjusts production and the related management areas accordingly. Despite the unstable and unpredictable situation, we believe that our management experience, sound financial situation, support by financing banks, loyal customers and our own sales and supply network will help the Company to overcome this crisis and maintain its position in the market and, consequently, its solid financial situation.

BUSINESS ACTIVITIES

PRODUCTION AND SALES

Železiarne Podbrezová a.s. has its own sales network, which is managed on a geographical basis via our subsidiaries, PIPEX ITALIA S.p.A., ŽP Trade Bohemia, a.s., SLOVRUR Sp. z o. o., Pipex Deutschland GmbH and TRANSMESA. After three operationally successful years with several production records, the year 2020 will go down in history as a special one. In the second half of 2019, there was a significant decline in orders and subsequently in the market prices of our products, which resulted in lower utilisation of the Company's production facilities. In the first months of 2020, orders began to increase slowly, and after the outbreak of the pandemic in Europe, the months of March, April and May were strong as our customers were stocking up. A significant decrease started in June and lasted throughout the summer and the volumes increased again in autumn 2020. The Company therefore began to reduce shifts in its facilities during the year.

In 2020, we produced 279 949 tonnes of steel in total, which is 47 833 tonnes less than in the previous year, and a 7% decrease compared to the plan. In Q1 2020, the production of the steel plant was relatively high, at the 2019 level, with an average monthly volume of 27 thousand tonnes of steel blooms. Unfortunately, in Q2 and Q3 2020, the monthly production fell to 25 thousand tonnes and under 18 thousand tonnes, respectively. There was a decrease in the sale of steel blooms to external customers and in demand from downstream tube production plants, which had a negative impact on the fulfilment of the production plan. Of the total quantity produced, 216 322 tonnes of steel were used for own production of steel tubes and 63 627 tonnes were sold to external customers. In 2020, we again improved the development of the key operational indicator of the trial balance, but we also slightly increased production downtime compared to the previous year, mainly due to lower utilisation of production capacities and sub-optimal shift work.

In 2020, the steel plant continuously cooperated with the subsidiaries ŽP VVC s.r.o. and ŽIAROMAT a.s. when introducing technological changes in the production process to improve the quality of



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

products and reduce the wear and tear and repairs of production equipment. The changes involved the materials used in refractory ceramics and also modifications to the flow of steel. In 2020, the steel plant cast a new type of steel for the production of and heat exchanger tubes, which had previously been purchased externally.

In 2020, the tube rolling mill produced 169 504 tonnes of tubes in total, 25 496 tonnes less than in the previous year and approx. 12% less than planned for 2020. Of the produced volume, 114 914 tonnes were for sale to external customers and 54 590 tonnes of rolled tubes were further processed by Železiarne Podbrezová. The lower volume of production of rolled tubes, caused by smaller orders, had a negative impact on production efficiency due to a higher number of reconfigurations and reduced shifts. As a result, we did not achieve the planned operating indicators comparable to 2019.

We also made several important technological investments in the tube rolling mill in 2020. We installed and put into operation a new treatment line for processing tubes for internal consumption. It made the process of dividing, blowing and weighing tubes in automatic mode significantly simpler in terms of logistics. As a result, we save unproductive handling time and increase the surface quality of tubes intended for further processing. In December 2020, we upgraded the process of dividing tubes behind the rolling line. The original saws were replaced with tungsten carbide ones and the logistics of the product flow was modified.

The tube drawing mill did not meet the plan in 2020 either, producing 41 861 tonnes of cold-drawn precision tubes, a decrease of 8 841 tonnes compared to 2019. In 2020, we sold 41 073 tonnes of precision drawn tubes to external customers, of which 1 112 tonnes were with a galvanised finish and 1 475 tonnes were divided and hydraulic tubes. Demand for precision drawn tubes was relatively stable considering the market situation. One of the most important investments in the tube drawing mill in 2020 was the construction of a new automated inspection grate. This workplace enables brushing of tube ends and weighing of tubes in an automatic cycle. Since November, we have been working on a new finishing line, directly connected to the straightening and dividing line. This line combines finishing processes in a fully

automatic mode, from inspection through division, marking to weighing and packaging.

Continually-cast blooms, seamless hot-rolled tubes and precision cold-drawn tubes accounted for over 99% of the total production of Železiarne Podbrezová a.s. in 2020.

Other products with high added value – butt welding elbows and reducers comprised a supplementary product range. In 2020, we produced 2 412 tonnes and sold 2 296 tonnes of welded elbows and 73 tonnes of reducers to our customers.

In 2020, recertification audit according to ISO 9001:2015 and supervision audit according to IATF 16949:2016 were performed as part of the quality management system at Železiarne Podbrezová a.s. The retained certificates show that the production processes are verified and in compliance with the requirements specified in the relevant standards. We also passed supervision audits for the environmental management system according to EN ISO 14001:2015 and the occupational safety management system according to ISO 45001:2018.

Total revenues from the sale of products, merchandise and services to our customers in 2020 totalled EUR 196 414 thousand, of which 89% were exports. Compared to the previous year, revenues decreased by EUR 54 644 thousand (21.8%) due to a significant drop in the volume of sales of all products – drawn tubes, rolled tubes and steel blooms. However, lower revenues were also due to lower prices, especially of rolled tubes and steel blooms.

The geographical structure of sales in 2020 remained similar to previous years. European Union countries remained our main markets in the following order: Germany, Poland, the Czech Republic, Italy, Slovakia, Hungary 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 (35-43%), energy industry (29-49%), hydraulic equipment, oil and gas transportation and the automotive industry.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

Sales of core products in 2020

	Total Sales of Products			Slovakia - 6%		Export - 94%	
	tonnes	EUR '000	Share in sales	tonnes	EUR '000	tonnes	EUR '000
Steel blooms	63 627	29 448	16%	24	11	63 603	29 437
Seamless hot-rolled tubes	114 914	88 631	48%	5 809	5 075	109 105	83 556
Precision seamless cold-drawn tubes	41 073	63 885	34%	4 003	6 580	37 070	57 305
Butt welding elbows and reducers	2 369	4 216	2%	70	135	2 299	4 081
Company store ⁽¹⁾	246	286	0%	246	286	-	-
Total	222 229	186 466	100%	10 152	12 087	212 077	174 379

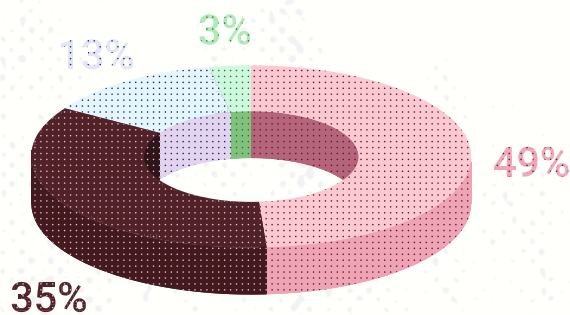
(1) Retail of seamless and welded tubes and welded elbows.

Changes in total sales by geographical structure (revenues in EUR '000)

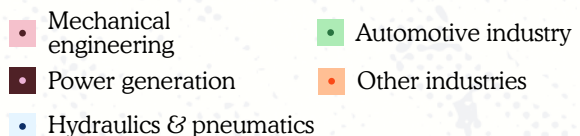
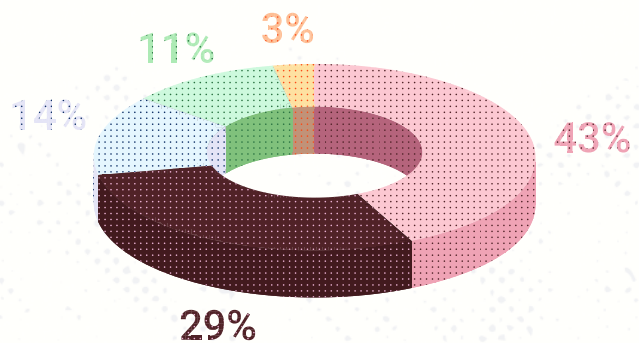
	2016	2017	2018	2019	2020
Slovakia	27 422	26 301	26 140	24 568	21 842
Czech Republic	22 637	31 601	42 963	31 058	21 130
Other EU countries	122 278	156 718	193 156	169 024	131 890
Other European countries	10 586	13 471	17 008	13 198	14 587
U.S.A.	5 058	8 523	11 053	9 924	5 905
Other export	1 815	1 999	612	3 285	1 060
Total sales	189 796	238 613	290 932	251 057	196 414

Application of tubes in 2020

Seamless hot-rolled tubes



Precision seamless cold-drawn tubes



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

PURCHASE OF STRATEGIC RAW MATERIALS AND ENERGY

The Company applies ISO standards in business relationships with suppliers of input raw materials and our regular good communication and payment discipline enabled us to maintain a high level of supply activities in terms of quality and delivery times. Q1 2020 saw relatively stable prices of scrap metal and alloy additions. However, after the outbreak of the pandemic in the second half of the year, the prices decreased mainly due to reduced demand from processors, as many production and processing companies operated in a limited mode. In late 2020, scrap prices returned to their original pre-crisis level. In Q2 2021, they soared by more than 40% in a few weeks and still remain exceptionally high.

In 2020, we purchased raw materials totalling EUR 97 141 thousand, a decrease of EUR 28 065 thousand resulting from lower production volumes. Imports amounted to 24% of purchased inputs. The purchased raw materials mainly consisted of scrap steel, crude iron, cast iron, ferro-additives, refractory materials and important spare parts for production and service facilities. We traded with 857 business partners when purchasing raw materials in 2020.

In 2020, we purchased a total of 229 609 tonnes of scrap steel, of which, as in the last year, 90% were supplies from our subsidiaries ŽP EKO QELET a.s. and KBZ s.r.o.

In 2020, we purchased a total of 155 280 MWh of electricity, a 17% decrease compared to the previous year. Our small hydroelectric power plants and the co-generation unit produced 66 376 MWh of electricity, and generated 30% of our total annual consumption internally. In 2020, electricity prices increased by 14.6% compared to the previous year. We purchased 40 million m³ of natural gas from Slovenský plynárenský priemysel, a.s. for our consumption, a 6% decrease compared to 2019.

CAPITAL INVESTMENTS AND CARE FOR TECHNOLOGICAL EQUIPMENT

The investment plan for 2020 relied on the approved medium-term investment plan, which aims to ensure the necessary technological renewal in the near future and to maintain the competitiveness of seamless tube production given the constant growth in labour costs and declining availability of skilled blue-collar workers. Therefore, during the third year of implementation of the medium-term investment plan, total investments amounted to EUR 13 442 thousand, which significantly exceeds the amount of standard annual depreciation charges.

The most significant technological investment in 2020 was the upgrade of tube division at the rolling mill, including the bypass to streamline the intracompany production flow. We also purchased a new three-piece toothed bar for the rolling line. Significant investments included the relocation of the straightening and dividing line and preparation for its completion with a finishing line in the tube drawing mill, new compressed air production, a special straddle carrier for intracompany transport of tubes and new energy-saving lighting in production halls.

Important construction investments included the complete replacement of skylights in production halls, completion of the reconstruction of the semi-finished product warehouse, complete reconstruction of the welding school and significant reconstruction of workshops at the secondary vocational school, SSS ŽP a.s.

In 2020, the Company spent a total of EUR 32 266 thousand, a decrease of EUR 1 393 thousand compared to 2019, to ensure the reliable operation of the technical equipment and to repair and maintain structures and buildings.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

RESEARCH AND DEVELOPMENT

In 2020, we spent EUR 842 thousand on R&D. R&D was performed primarily by contractual cooperation with the subsidiary, ŽP Výskumno-vývojové centrum (ŽP VVC s.r.o.), which worked on six research tasks for the Company. The tasks were focused on research in optimisation of technological processes, increasing the life of ceramics, implementation of data analytics in the production and processing of waste and secondary raw materials.

ENVIRONMENTAL POLICY

The Company's long-term priority is protection of the environment and of the safety and health of employees at work. This is evidenced by a functional safety and health management system, which is 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.

In 2020, SGS Slovakia spol. s r.o. performed a supervision audit of SEM and a recertification audit of SRBP's compliance with ISO 45 001. The audit results showed that the integrated management system works.

We performed a total of 11 environmental activities (amounting to EUR 565 thousand) and fulfilled 32 SRBP objectives to improve occupational health and safety (total costs: EUR 8 629 thousand) under the SEM programme in 2020.

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 2020, as in every year, Company management adopted two fundamental documents: the 2020 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 548 thousand was spent from the social fund in 2020. The most significant items were as follows:

- Catering services for employees EUR 417 thousand;
- 24/7 accident insurance for all employees EUR 54 thousand;
- Children's holiday camps EUR 35 thousand;
- Social aid EUR 22 thousand;
- Employee rehabilitation vouchers EUR 15 thousand;
- Recovery stays for employees who are blood donors EUR 4 thousand.

The Employee Care Programme was extended to include the following:

- Employer's contribution to employee supplementary pension savings schemes EUR 1 109 thousand;
- Retirement and severance payments to employees EUR 897 thousand;
- Protective equipment and employees' hydration regime EUR 521 thousand;
- Preparation of future workforce and granting of scholarships EUR 385 thousand;



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

- Recovery stays and preventative medical checks for employees EUR 207 thousand;
- Bonuses for major work and life anniversaries EUR 105 thousand;
- Improvement and enhancement of employee qualifications EUR 88 thousand;
- Comprehensive programme of health recovery measures (SRBP) EUR 8 629 thousand.

A contribution for recreation in 2020 was provided to 323 employees in the total amount of EUR 61 thousand.

To improve the working environment and in accordance with the approved regulations, the Company ensures safe workplaces, provides its

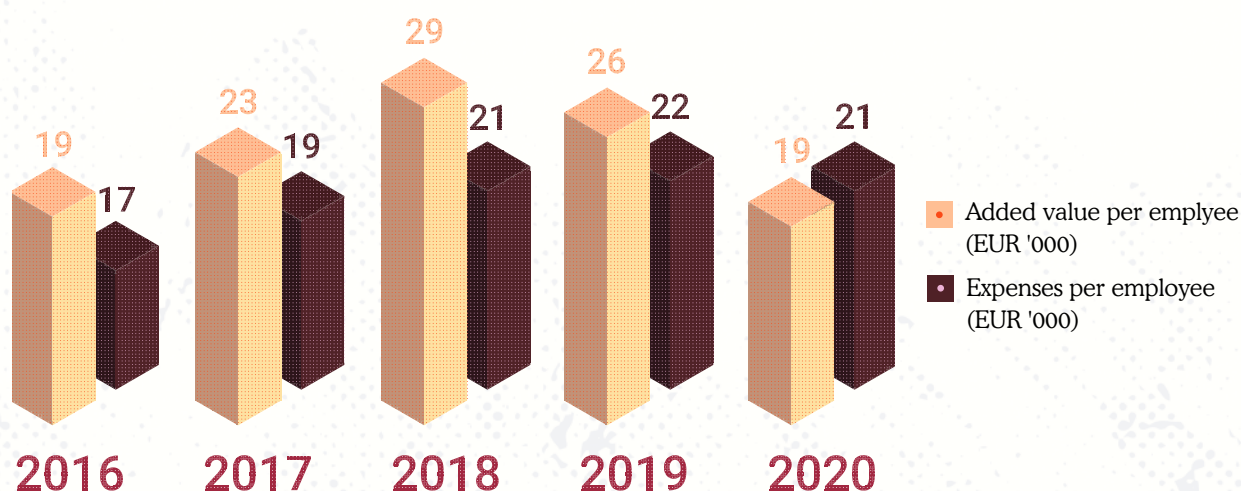
employees with appropriate protective equipment, and regularly communicates with employee representatives and employees. The Company provides its employees with regular training in occupational health and safety, cooperates and regularly communicates with employee representatives responsible for work safety monitoring focused on injury prevention and avoidance. A total of 75 employee representatives from various units monitored the situation and sent monthly reports – a total of 743. In 2020, there were 36 registered occupational injuries at the Company, an increase of 6 compared to the previous year. The average treatment time increased from 74 calendar days in 2019 to 88 days in 2020.

Changes to personnel expenses (EUR '000)

	2016	2017	2018	2019	2020
Wages and salaries	36 897	42 831	48 697	49 735	44 637
Mandatory contributions from wages and salaries	12 098	14 763	16 613	17 160	15 339
Training, education	716	681	864	890	499
Protective equipment	399	526	501	504	521
Social fund – drawing	377	470	596	632	548
Other expenses ⁽¹⁾	210	224	253	206	136
Total	50 697	59 495	67 524	69 127	61 680
Expenses per employee	17	19	21	22	21

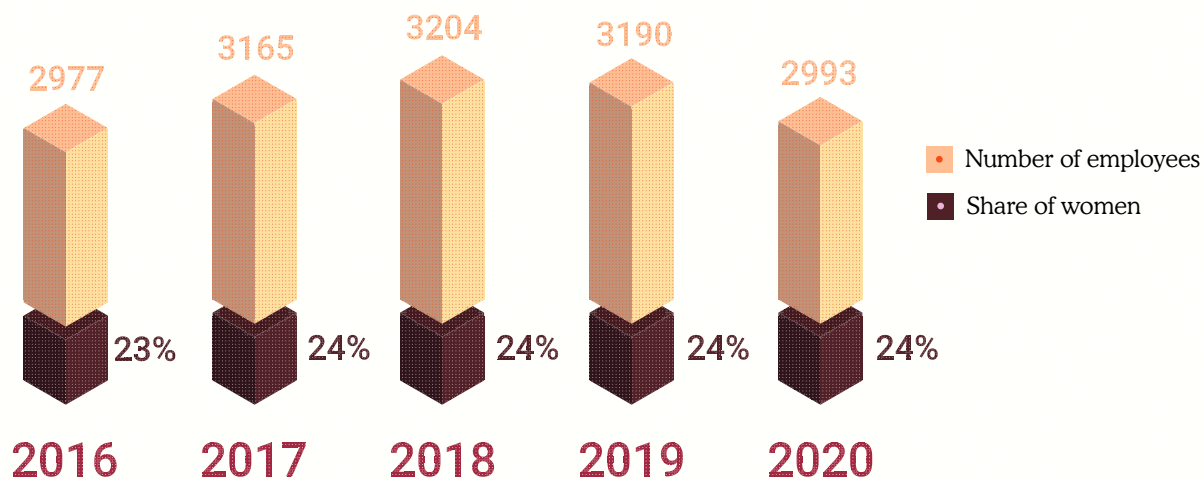
(1) Other expenses primarily comprise health centre and employee recovery expenses.

Added value & expenses per employee



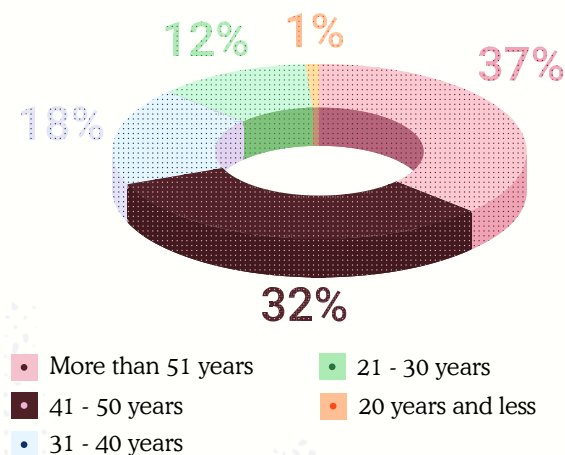
REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

Number of employees (FTE)

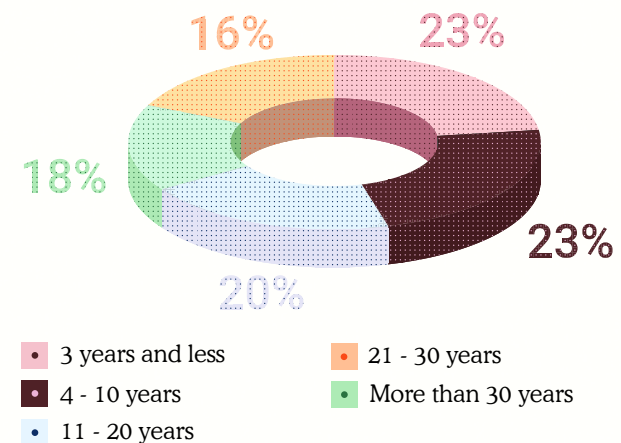


Employee structure in 2020

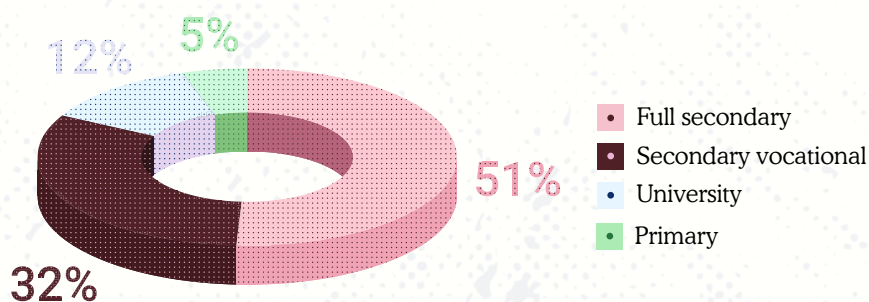
Age structure



Number of years worked



Educational attainment



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

The Company has long trained its own qualified employees at its Private United School of Železiarne Podbrezová (SSŠ ŽP). High-quality specialist education of students: metal workers, metallurgists, electrical engineers, mechanics and mechatronics engineers with work habits, which they acquire during practical learning and on-the-job training at the parent company, enable their problem-free employment. In 2020, 29 school 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 746 graduates have been employed by the Company, and almost a half of them worked for the Company at the end of 2020. A total of 249 instructors trained the students and the school paid motivational scholarships and incentives for productive work to students undergoing on-the-job training. The school joined the dual learning process that combines school education with on-the-job training with an employer. This is the way the school has operated since its reopening by Železiarne Podbrezová in 2003 and we will continue to support this education system for creating a qualified workforce.

In 2020, the Company supported 16 employees to study while working to increase their qualification with work concessions. Fifteen of them are studying for a bachelor's degree in metallurgy at the Technical University of Košice and one employee was studying for an engineering degree at the Faculty of Materials Science and Technology of the Slovak Technical University. In 2020, one employee was awarded a bachelor's degree at the Technical University of Košice.

Železiarne Podbrezová has a tradition of cooperating with universities, also thanks to a memorandum on cooperation with eight universities signed in 2017. We have cooperated most with the Faculty of Materials, Metallurgy and Recycling of the Technical University in Košice, with which 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 Matej Bel University, especially with the IT Department,

in connection with secondary 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.

In 2020, the Company's full-time equivalent decreased to 2 993, a decrease by 197 employees (6%) compared to the previous year. The decrease correlated with the decrease in contracts and shift work to which work schedules and staffing norms were adjusted during the year.

The average monthly income of Company employees in 2020 was EUR 1 248, a 4% decrease compared to 2019, but it is 5% more than the average wage of employees in industry in the Slovak Republic. The added value work productivity amounted to EUR 19 070 per employee, which is a decrease (26%) compared to the previous year. The average income for 2020 for blue-collar employees was EUR 1 073 per employee, down by EUR 46 (4%) compared to 2019.

The subsidiaries of the ŽP GROUP employed an additional 1 053 employees in 2020, a decrease of 61 employee compared to 2019. Of the total number of employees of subsidiaries, in Slovakia 794 employees worked in production and services and 48 employees worked at ŽP's private school. Another 211 employees worked for other companies abroad. In total, the ŽP GROUP employed 4 046 employees in 2020.

Our newspaper, Podbrezovan, which has been published for more than 70 years, is the oldest company newspaper in Slovakia. Podbrezovan is distributed to current and retired employees, who receive 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. 5 750 copies.

Our Company's reputation is also enhanced by our management of Lupča Castle, which is open to the general public. In cooperation with conservation authorities, Lupča Castle is being restored to its original appearance using grant programmes.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

As a result of these activities and various cultural events, the interest of the general public in this historical monument continues to grow. Despite the COVID-19 pandemic restrictions, 21 575 visitors visited the castle in 2020, which is comparable to 2019.

CORPORATE SOCIAL RESPONSIBILITY

In addition to business activities, the Company and its management have supported socially beneficial activities mainly in the Horehronie region. It cooperates with and supports its current employees and also pensioners in social or healthcare need. Since 2000, the Company has used the Železiarne Podbrezová Foundation for systematic support, which distributes funds to individuals, legal entities and interest groups in healthcare, education, culture and sports every year.

In 2020, the Company used its foundation to distribute a total of EUR 596 thousand in the region, most of which for healthcare support. The specific supported project was “Reconstruction and Modernisation of Hospital with Polyclinic in Brezno”: we funded the complete project documentation in the amount of EUR 500 thousand via the foundation.

The Company also supports a healthy lifestyle of children and young people. We support young footballers in the Football Academy via FK Železiarne Podbrezová. The academy covers 13 different boys' and girls' categories: preparatory (U7 to U11), junior (U12 to U15) and youth teams (U16 to U19). A total of 280 children are engaged in youth training with the total expenses for 2020 amounting to EUR 389 thousand.

Via ŠK Železiarne Podbrezová a.s., we support 12 talented young athletes in the biathlon club, 19 racers in the cycling club, 17 children and young people in bowling and a downhill skiing club. The total support for these clubs in 2020 amounted to approx. EUR 80 thousand.

REPORT ON ASSETS AND FINANCIAL MANAGEMENT

ASSETS AND FUNDS

The Company's assets recognised as at 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) amounted to EUR 291 029 thousand, a year-on-year increase of EUR 10 386 thousand. The overall increase was mainly due to an increase in non-current assets by EUR 6 362 thousand as a result of higher investments in machinery, equipment and buildings, exceeding depreciation charges by EUR 5 172 thousand (5%), and an increase in financial investments. Current assets increased by EUR 4 025 thousand, despite the decline of their largest group – inventories by almost EUR 1 400 thousand, to EUR 53 453 thousand. The only item of current assets that grew were trade receivables (by EUR 7 383 thousand). The Company's cash decreased by EUR 487 thousand.

As at 31 December 2020, the Company's equity decreased by EUR 5 395 thousand to EUR 205 639 thousand due to the payment of dividends and the recognition of a loss for 2020. The increase in assets combined with a decrease in equity resulted in a lower equity-to-assets ratio from 75.2% to 70.7% as at 31 December 2020. Liabilities increased by EUR 15 781 thousand. The highest growth was recorded in short-term interest-bearing loans and borrowings (EUR 15 692 thousand) and trade payables (EUR 1 756 thousand). In total, interest-bearing loans and borrowings amounted to EUR 47 922 thousand, and their share of total funds was 16.5% as at 31 December 2020.

As at 31 December 2020, the Company's trade receivables amounted to EUR 40 439 thousand, an increase of EUR 7 383 thousand over the previous year. Inventories amounted to EUR 53 453 thousand and trade payables amounted to EUR 22 216 thousand as at 31 December 2020. 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 decreased to 70.7%.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

FINANCIAL MANAGEMENT

To finance its OPEX and CAPEX needs, Železiarne Podbrezová a.s. uses syndicated bank financing, allowing it to use a long-term non-amortised loan and short-term fixed tranches with maturity in July 2024, with a total credit line of EUR 30 million. The Company's credit facility is supplemented by separate contractual relationships for short-term financing with two commercial banks, so the credit line totals EUR 48.3 million. This method of financing guarantees the Company's financial stability, unifies the lending terms and reduces the complexity of loan management.

The gearing ranged between 7% and 11% in 2020 and the average loan drawdown amounted to EUR 22.6 million. Bank loan interests are tied to the variable Euribor market rate. The average interest rate on drawn loans was 1.35% p. a. 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 15.4 million, which supported the Company's financial stability.

As at 31 December 2020, the Company recorded open derivative positions under currency swaps and currency forwards at a face value of EUR 3.36 million and EUR 0.53 million, respectively. As at 31 December 2020, the fair value of the open derivative positions amounted to EUR 87 thousand.

SETTLEMENT OF PAYABLES

The Company's financial situation was balanced and stable despite the loss for 2020 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.

EXPENSES, REVENUES AND PROFIT/(LOSS)

In 2020, the Company generated a loss of EUR 3 011 thousand, recognised as the difference between total revenues (EUR 220 475 thousand) and total expenses (EUR 223 486 thousand).

Operating revenues contributed most (almost 98%) to the Company's total revenues. Financial income of EUR 5 368 thousand amounted to 2% of total revenues and mainly consisted of dividends received from subsidiaries, interest income and foreign exchange gains.

There were minor changes to the structure of expenses compared to the previous year. The share of expenses for raw materials and consumables used of total operating expenses decreased again, from 59% to 56%. On the other hand, the share of personnel expenses increased from 28% to 29% of total operating expenses and the share of services increased from 8.7% to 9.4%. Total operating expenses for 2020 decreased by almost EUR 37 million (14%), mainly due to the decrease in production volume and the decrease in prices of input raw materials.

The return on total revenues and total expenses was negative due to the loss reported for 2020 (-1.4% and -1.3%, respectively).



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

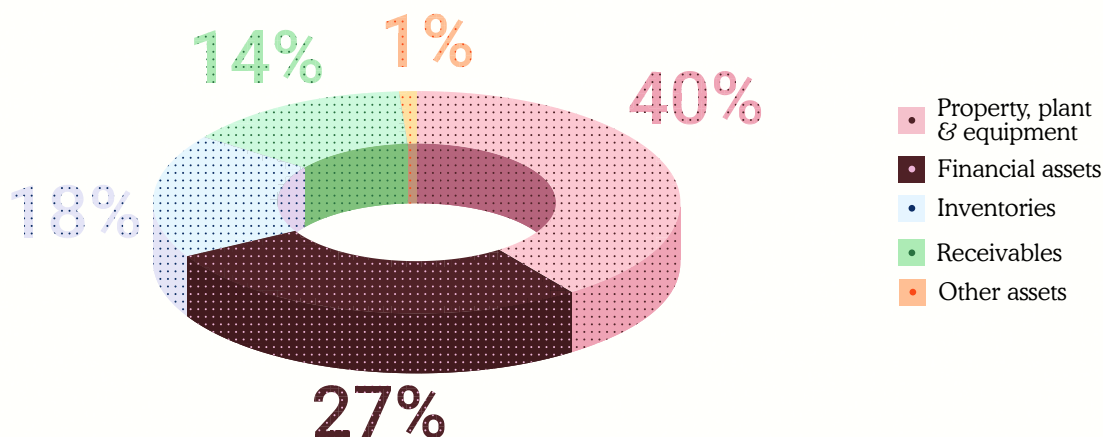
Information from the separate statement of financial position under IFRS
as at 31 December 2020 (in EUR '000)

	31 December 2020	31 December 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	116 691	111 519
Intangible assets	84	5
Investments in subsidiaries and joint ventures	78 932	77 866
Available-for-sale investments	94	94
Other assets	277	232
Total non-current assets	196 078	189 716
CURRENT ASSETS		
Inventories	53 453	54 851
Trade receivables and other financial assets	40 439	33 056
Current tax asset	12	865
Other assets	568	1 188
Cash and cash equivalents	479	966
Total current assets	94 951	90 926
TOTAL ASSETS	291 029	280 642
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	81 061	81 061
Legal and other funds	16 212	16 212
Retained earnings	108 366	113 761
Total equity	205 639	211 034
LIABILITIES		
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	27 370	27 370
Other liabilities	2 178	1 910
Provision for employee benefits	7 404	7 906
Deferred tax liability	5 670	7 103
Total non-current liabilities	42 622	44 289
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	20 552	4 860
Trade and other payables	22 216	20 460
Current tax liability	-	-
Total current liabilities	42 768	25 320
Total liabilities	85 390	69 609
TOTAL EQUITY AND LIABILITIES	291 029	280 642

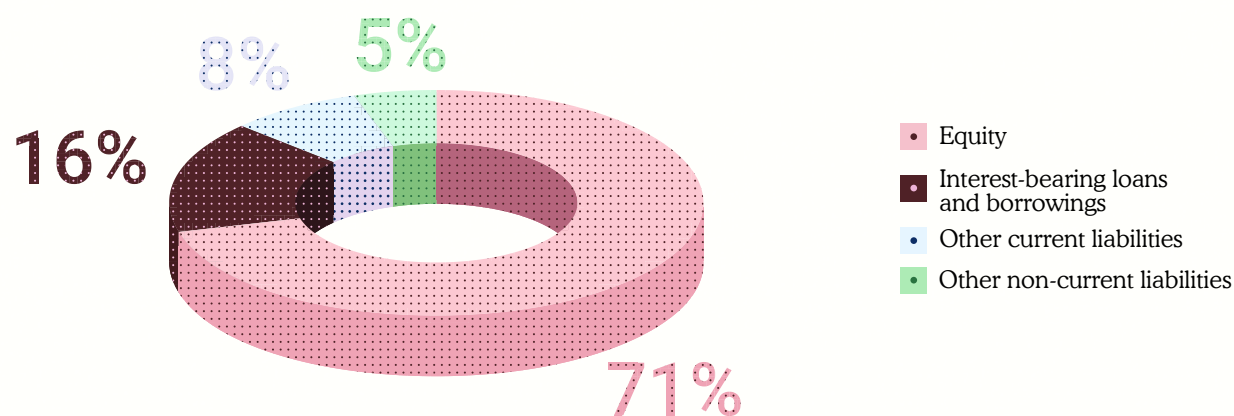


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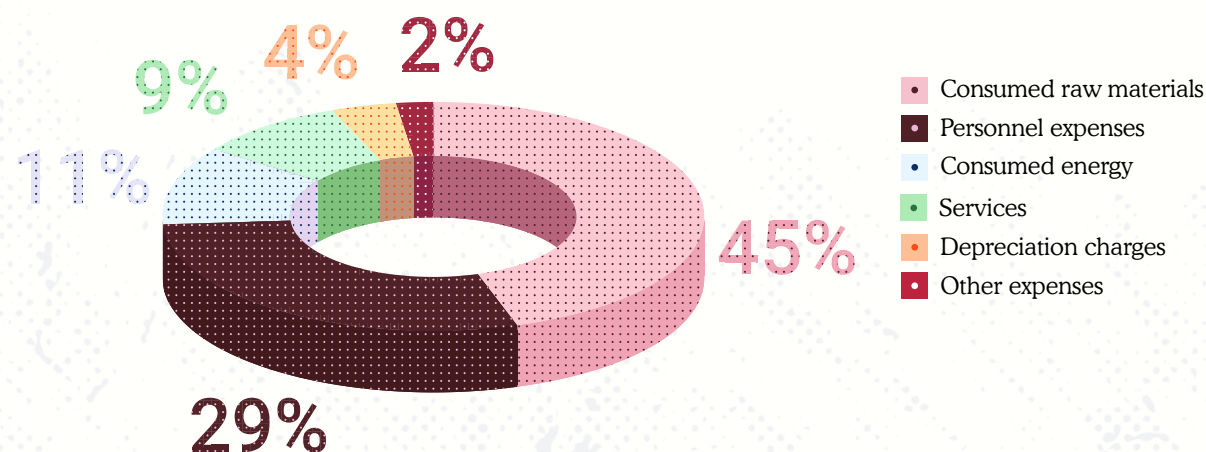
Assets as at 31 Dec 2020



Equity & liabilities as at 31 Dec 2020



Structure of total expenses in 2020



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

Information from the separate statement of comprehensive income under IFRS for the year ended 31 December 2020 (in EUR '000)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Sales of own products and merchandise	191 101	245 285
Sales of services	5 312	5 773
Changes in inventories of finished products and work in progress	1 785	2 231
Own work capitalised	6 570	6 734
Raw materials and consumables used	(126 575)	(154 853)
Services	(21 117)	(22 659)
Personnel expenses	(65 652)	(73 281)
Depreciation and amortisation	(7 950)	(7 962)
Other operating revenues	12 123	4 647
Other operating expenses	(3 541)	(3 177)
Interest income	149	319
Interest expense	(619)	(517)
Other financial income	5 219	5 038
Other financial expenses	(1 251)	(453)
Profit/(loss) before tax	(4 443)	7 126
Income tax	1 432	113
PROFIT/(LOSS) FOR THE YEAR	(3 011)	7 239
Other comprehensive income and losses after tax	-	-
Total profit/(loss) for the year	(3 011)	7 239



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

Information from the separate statement of changes in equity under IFRS for the year ended 31 December 2020 (in EUR '000)

	Share capital	Legal reserve fund	Retained earnings	Total
Opening balance as at 1 Jan 2019	81 061	16 212	110 813	208 086
Dividends paid	-	-	(4 291)	(4 291)
Total comprehensive income for the year	-	-	7 239	7 239
Closing balance as at 31 Dec 2019	81 061	16 212	113 761	211 034
Dividends paid	-	-	(2 384)	(2 384)
Total comprehensive income for the year	-	-	(3 011)	(3 011)
Closing balance as at 31 Dec 2020	81 061	16 212	108 366	205 639

The financial information presented in the annual report is consistent with the financial information presented in the separate financial statements. Under 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 2020 to 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

SIGNIFICANT EVENTS THAT OCCURRED AFTER THE REPORTING DATE

From 31 December 2020 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 financial statements.



REPORT ON THE ACTIVITIES OF CONSOLIDATED ENTITIES

The amount of investments in subsidiaries and affiliates as at 31 December 2020 recognised in line with IFRS amounted to EUR 79 026 thousand, a 27.2% share of the Company's total assets.

In April 2020, the Company acquired 12 shares in UHL Holding, a.s., thus becoming a 100% owner of this company and indirectly of its subsidiary, UHL, s.r.o. In August 2020, the Company acquired a 10% ownership interest in ZANINONI SLOVAKIA, s.r.o. In December 2020, Tále ski & golf resorts s.r.o. was established as a joint venture of Tále, a.s., and Tále Invest a.s., in which the subsidiary Tále, a.s., owns a 40% share in the registered capital. In December 2020, Železiarne Podbrezová a.s. sold 65% of all shares in FK Železiarne Podbrezová a.s. to three new shareholders.

REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

Financial investments and other ownership interests as at 31 December 2020

Company name	Registered office	Investment (EUR '000)	Share in share capital	Type of ownership interest	Consoli- dated
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	✓
ŽP EKO QELET a.s.	Martin, Slovakia	26 925	66,27%	Direct	✓
ŽIAROMAT a.s.	Kalinovo, Slovakia	4 844	100%	Direct	✓
KBZ s.r.o.	Košice, Slovakia	3 649	70%	Direct	✓
TOM-FERR Zrt.	Budapest, Hungary	1 938	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 & Indirect	✓
Transmesa USA, Inc.	Englewood Cliffs, NJ, USA	-	100%	Indirect	✓
SERVICES					
Tále, a.s.	Horná Lehota, Slovakia	16 394	94,66%	Direct	✓
Tále ski & golf resorts s.r.o.	Horná Lehota, Slovakia	-	40,00%	Indirect	✓
UHL Holding, a.s.	Podbrezová, Slovakia	1 377	100%	Direct	✓
UHL, s.r.o.	Podbrezová, Slovakia	-	100%	Indirect	✓
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	✓
FK Železiarne Podbrezová a.s.	Podbrezová, Slovakia	149	35%	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	✓
OTHER OWNERSHIP INTERESTS					
Nadácia Železiarne Podbrezová (Foundation)	Podbrezová, Slovakia	-	100 %	Direct	✓
STABILITA, d.d.s., a.s.	Košice, Slovakia	94	5.17 %	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 December 2020.



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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.

The situation on the market of metallurgical products and precision seamless tubes in 2020 was difficult, as many of the companies' customers were hit by the pandemic and demand fluctuated greatly.

The two-week lockdown of Spanish industrial companies and anti-pandemic measures across countries significantly affected the situation on the sales markets. The decline in orders led to a significant reduction in production volumes, especially in Q2 and Q3 2020, during which both companies had to reduce working hours. In Q3 2020, the situation stabilised and a significant improvement at the end of the year again allowed the full utilisation of production capacity.

In 2020, both TRANSMESA and the subsidiary TAP produced 6 752 tonnes of precision steel tubes and profiles, a significant 21% y/y decrease. Given the product mix and a decrease in orders in the automotive industry, the total length of produced tubes decreased by 41% y/y to 14 846 thousand meters. Of the total volume, 1 701 tonnes of tubes were finalised by electrolytic galvanising and 2 069 tonnes by mechanical division.

In 2020, both manufacturing companies supplied their customers with tubes in a total amount of 10 316 tonnes (of which 7 310 tonnes were of own production) and the consolidated revenues from the sale of merchandise, products and services totalled EUR 29.9 million. The 14% y/y decrease in revenues was driven by a 15% decrease in the sale of own products, and a decrease in the sale of merchandise of ŽP GROUP by 9% (amounting to EUR 4.7 million). In 2020, the companies posted a consolidated profit after tax of EUR 469 thousand (TRANSMESA: EUR 453 thousand and TAP: EUR 16 thousand). Total assets as at 31 December 2020 amounted to EUR 41 118 thousand. Current assets amounted to EUR 18 839 thousand and equity amounting to EUR 19 772 thousand covered 48% of total assets.

In 2020, TRANSMESA shipped its products and merchandise to 39 countries, and the Spanish market comprised 32.5% of its total revenues. EU Member States, North America and Australia continued to be the main export markets.

In 2020, the companies implemented investment projects totalling EUR 772 thousand. The companies invested mainly in the modification and improvement of production lines and a new dividing centre.

In 2021, the management of both companies keeps optimising production processes. The investment plan totalling approx. EUR 2.3 million focuses on quality control of products, expansion of storage facilities for finished products and automation of production processes to reduce costs and improve the quality of their products.

The companies plan that invoicing and production volume in 2021 will be higher than in 2020. If the situation does not change significantly, 2021 should surpass 2020 in revenues, profit and investments.

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 has been a leader in the collection, sorting and processing of steel waste in Slovakia in recent years. ŽP EKO QELET a.s. is the most important supplier of scrap steel to Železiarne Podbrezová a.s., and supplied 67% of total scrap steel purchases last year. Fluctuations in scrap steel prices on the regional and European markets have been the company's biggest problem for operations and economic results in recent years. There is certain risk connected with the economic development and the stability of strategic scrap steel buyers in the region` however, as the main customer is the parent company, the purchase of merchandise and products is relatively stable. The company retained its position in 2020. Investments were made in the expansion of the headquarters in Hliník nad Hronom and in the modernisation of machinery and handling facilities. The company has 47 collection



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

points and one processing plant. It employed 208 employees as at 31 December 2020.

In 2020, the company processed and disposed of 7 939 automobile wrecks at its ecological plant for processing metal waste and old vehicles using SHREDER processing technology in Hliník nad Hronom, a 31% y/y decrease. Nevertheless, the limit for processing old vehicles, set for 2020 as a condition for obtaining a subsidy from the Recycling Fund, was exceeded by a factor of two.

The company shipped 5 942 tonnes of non-ferrous metals in 2020, a slight y/y decrease (2%). The average prices of non-ferrous metals decreased by approx. 17% compared to 2019, more than the drop in the scrap steel prices.

The company shipped 208 thousand tonnes of scrap steel and non-ferrous metals in 2020, a y/y decrease of almost 7% (15 thousand tonnes). The supplies to Železiarne Podbrezová decreased by almost 18% (34 thousand tonnes). The share of sales on the Slovak market decreased to 88%. The remaining 12% of the sales of scrap steel were exported abroad, mainly to the Czech Republic, Poland and Italy, where approx. 26 thousand tonnes of production were exported last year.

The company's funding was balanced in 2020, and the company also made use of overdraft facilities from two banking institutions to finance its working capital, as in previous years. The purchasing, production and supplies of scrap steel were regular and steady throughout the year.

Last year, the company spent a total of EUR 3 469 thousand on new investments, in particular to purchase land near the headquarters, new transport and handling equipment and containers. The costs of repairs of technological and transport equipment totalled EUR 1 549 thousand.

In 2020, the company posted revenues of EUR 48 519 thousand, a decrease of almost 16% compared to 2019. The decrease was mainly caused by a decrease in prices of all categories of scrap and non-ferrous metals during the year as well as a decrease in the sales volume. Nevertheless, the company reported a net profit of EUR 423 thousand in 2020, which is a significant

increase in profitability compared to the loss for 2019. The key expense items were the purchase of merchandise and raw materials and consumables used, which accounted for 70%. The company's equity as at 31 December 2020 amounted to EUR 19 112 thousand, which is approx. 55% of the asset coverage.

Ensuring regular scrap metal supplies of the required quantity and quality for the parent company, Železiarne Podbrezová a.s., remains the main task of ŽP EKO QELET a.s. The company naturally seeks to make a profit, so in 2021 it will focus on efficient utilisation of its personnel, technical and technological capacities with respect to feasible possibilities of the production of scrap steel and non-ferrous metals. Therefore, it will be important for the company to stabilise supplies of scrap steel to other strategic customers and maintain the supplier network, while focusing on regular supplies from manufacturing plants.

KBZ s.r.o.

KBZ s.r.o. is the second-largest supplier of scrap steel to Železiarne Podbrezová a.s. In 2020, the company generated revenues from the sale of merchandise and own outputs amounting to EUR 16 386 thousand, an almost 11% decrease compared to the previous year. In 2020, KBZ s.r.o. supplied almost 74 thousand tonnes of metal waste to its customers, of which 53 thousand tonnes of scrap steel were supplied to the parent company. For Železiarne Podbrezová a.s., this amounted to almost 23% of total purchases of scrap steel for steel production. The company's equity as at 31 December 2020 amounted to EUR 2 523 thousand, which is approx. 30% of the overall asset coverage. Despite the decrease in revenues and selling prices of scrap metal, the company posted a profit of EUR 204 thousand in 2020.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

ŽIAROMAT a.s.

Žiaromat a.s. is an established producer of heat-resistant materials. The core of the production programme are heat-resistant concretes, fire clay, magnesite-carbon building materials and other heat-resistant mixtures.

In 2020, there was a decrease in revenues and profitability, mainly due to the pandemic. This applied to the entire metallurgical industry, to which the company's production is tied and which generates 89% of revenues. However, the company is succeeding in new Eastern European markets, thus compensating for the decline in orders from traditional customers.

Heat-resistant mixtures and panels amounted to 35%, magnesite-carbon building materials to 20%, fire clay building materials to 19%, and other materials to 25% of total revenues in 2020. Last year, the company generated revenues from the sale of merchandise and own products and services totalling EUR 9 308 thousand, a 12% y/y decrease. Exports accounted for 58% of total sales. The company's equity as at 31 December 2020 amounted to EUR 2 831 thousand, which is approx. 32% of the asset coverage. Profitability decreased very significantly compared to 2019, but the company was able to post a profit despite the difficult situation.

PIPEX ITALIA S.p.A.

PIPEX ITALIA S.p.A. has been traditionally the most important sales and distribution channel for the products of Železiarne Podbrezová a.s., with a nearly 28% share of total sales. In 2020, the company's revenues from the sale of merchandise and services decreased by 20% compared to 2019 to EUR 76 992 thousand. The company's equity as at 31 December 2020 amounted to EUR 9 484 thousand, which is approx. 25% of the asset coverage. In 2020, the company generated a profit after tax of EUR 501 thousand, an over 70% y/y decrease.

SLOVRUR Sp. z o. o.

In 2020, SLOVRUR Sp. z o. o. was the second major distribution channel for the parent company. The company sold the products of Železiarne Podbrezová a.s. on the Polish market, and its share of the total sales amounted to almost 13%. In 2020, the company generated revenues totalling EUR 25 787 thousand, a 27% y/y decrease. The company's equity as at 31 December 2020 amounted to EUR 3 499 thousand, which is approx. 41% of the asset coverage. The company reported a profit after tax amounting to EUR 296 thousand at the year-end, a significant 70% decrease.

ŽP Trade Bohemia, a.s.

ŽP Trade Bohemia, a.s. sells the parent company's products on the Czech market, and is the fourth most important sales and distribution channel for the products of Železiarne Podbrezová a.s., with a 10% share of total sales. The company's equity as at 31 December 2020 amounted to EUR 2 238 thousand, which is approx. 50% of the asset coverage. In 2020, the company reported total revenues of EUR 19 453 thousand and a profit of EUR 140 thousand in 2020, a 60% decrease in profit.

Pipex Deutschland GmbH

Since 2013, Pipex Deutschland GmbH has been taking over customers of PIPEX (International) AG, PIPEX ITALIA S.p.A. and the German agent, RS GmbH, with the objective of increasing the market share in Germany. In 2020, the company reported revenues from the sales of products of Železiarne Podbrezová a.s. totalling EUR 20 948 thousand and a profit of EUR 217 thousand. The company's equity as at 31 December 2020 amounted to EUR 858 thousand, which is approx. 29% of the asset coverage.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

Transmesa USA, Inc.

The Spanish company, TRANSMESA, established a company in 2015 in the US, which serves 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 own 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 early 2019, the installation of the second grinding line was completed, which increased the company's capacity for its customers. In 2020, the company generated sales revenues totalling EUR 4 060 thousand, an over 40% y/y increase, and reported a profit of EUR 388 thousand.

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 all global markets and services for the parent company and subsidiaries. Last year, the company provided services in the total amount of EUR 10 253 thousand and reported a profit after tax of EUR 522 thousand. The company's equity as at 31 December 2020 amounted to EUR 2 199 thousand, which is almost 65% of the asset coverage. In July 2020, the parent company acquired the last 10% of the shares from its Italian partner and completed the process of ownership consolidation.

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 had night lighting since 2017. The resort includes two hotels, which in addition to the standard services, also provide congress tourism and golf vacation packages. The company regularly invests in upgrading 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 and big slopes, the winter ski centre mainly serves families with children and is also popular with schools and downhill skiing courses. This is good for hotels and restaurants, which are fully booked during the peak season – Christmas and spring holidays.

In 2020, the sports resort in Tále was affected by the coronavirus pandemic, which essentially ended the winter skiing season in March. The summer season was also worse than usual, as a number of corporate sports events were cancelled. Strict anti-pandemic restrictions returned in the autumn and the company operated in a very limited mode. Subsequently, with the deteriorating epidemic situation, tourism services were essentially banned, which will be reflected in significantly worse operating results for 2021.

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 to improve them and introduce new know-how.

In 2020, the company generated revenues from the sale of merchandise and services amounting to EUR 2 851 thousand, an almost 19% decrease compared to the previous year. The company incurred a loss of EUR 303 thousand for 2020. As at 31 December 2020, the company's assets totalled EUR 16 445 thousand, with 94% covered by equity.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

ŽP – Gastroservis, s.r.o.

The company produces fresh, refrigerated and frozen meals, and provides comprehensive catering services for the parent company's employees, several subsidiaries as well as external customers. In 2020, the company supplied 24% of meals outside the parent company. In 2020, the company sold products, services and merchandise totalling EUR 2 652 thousand, a decrease of more than 16% due to limited meals for employees and external entities. The company reported a profit after tax of EUR 12 thousand. The company's equity as at 31 December 2020 amounted to EUR 1 027 thousand, which is 77% of the asset coverage.

FK Železiarne Podbrezová a.s.

The company is one of two successor companies of ŽP Šport, a.s. Its main task is to operate the professional first-league football club and all youth teams. In the 2019/2020 season, the A-team football team left the top flight after 6 years and moved to the 2nd league. The 2nd league had lower number of matches due to the pandemic and FK Železiarne Podbrezová finished in 4th place. The team will continue in the 2nd league in the following season 2020/2021. The youth teams retained the status of Football Academy.

In December 2020, the parent company sold 65% of the company's shares to new investors to gain access to new ways of management and care for the football club and to diversify income.

In 2020, the company generated revenues from the sale of merchandise and services totalling EUR 1 553 thousand and reported a loss of EUR 186 thousand. The company's equity as at 31 December 2020 amounted to EUR 293 thousand, which is approx. 52% of the asset coverage.

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. The bowling team has achieved notable successes in club competitions. Unfortunately, the team did not make it to the Final Four tournament, which was postponed to 2021. Due to a number of restrictions in 2020, the Team World Cup in Podbrezová was also cancelled.

In 2020, the company generated revenues totalling EUR 513 thousand and reported a profit of EUR 78 thousand. The company's equity as at 31 December 2020 amounted to EUR 412 thousand, which is 84% of the asset coverage.

ŽP Informatika s.r.o.

ŽP Informatika s.r.o. provides comprehensive outsourcing services to Železiarne Podbrezová a.s. in information technology and information systems. The company provides comprehensive services to all ŽP GROUP companies and its services are also provided to external entities. In 2020, the company generated revenues from the sale of merchandise and own outputs totalling EUR 4 345 thousand and reported a profit after tax of EUR 58 thousand. The company's equity as at 31 December 2020 amounted to EUR 2 313 thousand, which is 78% of the asset coverage.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

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 also cooperates with external security service companies. In 2020, the company generated revenues from the sale of own outputs totalling EUR 1 683 thousand. The company's equity as at 31 December 2020 amounted to EUR 360 thousand and the company reported a profit of EUR 37 thousand. The company had 84 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 are mainly carried out for the parent company's needs and the company also cooperates with universities and research entities. In 2020, the company generated revenues from the sale of own outputs totalling EUR 905 thousand. The company's equity as at 31 December 2020 amounted to EUR 234 thousand and the company reported a profit after tax of EUR 39 thousand.

ŽP Rehabilitácia s.r.o.

The company was established in 2011 and provides outpatient physiotherapy, balneology and therapeutic rehabilitation services primarily for ŽP GROUP employees, and for the public. In 2020, the company's activities were limited by pandemic measures, resulting in a decline in outputs and rehabilitation treatments were postponed to months when they were allowed by the situation. The company generated own outputs totalling EUR 210 thousand. The company's equity as at 31 December 2020 amounted to EUR 172 thousand and the company reported a profit of EUR 37 thousand.

UHL Holding, a.s.

In 2020, Železiarne Podbrezová a.s. acquired 100% of the shares of UHL Holding, a.s., planning strategic synergy in the tourism sector. The company was established in 2019 and its main asset is the 100% share in the subsidiary UHL s.r.o., which owns significant shares in the local forest landowners association. The company's revenues are very low and it ended 2020 with a loss of EUR 6 thousand. The company's equity as at 31 December 2020 amounted to EUR 554 thousand. As part of the rationalisation of ŽP GROUP, Železiarne Podbrezová a.s., as the sole shareholder of UHL Holding, a.s., plans to decide on its dissolution in 2021 by merger with the parent company.



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

BUSINESS PLAN

Železiarne Podbrezová a.s. planned to celebrate its 180th anniversary last summer, but the planned celebrations were cancelled due to the pandemic. This impressive anniversary shows that the management was able to steer the Company at key moments to meet the needs of its customers and to be competitive and profitable in the long run.

In its modern history, the Company has focused for over 40 years on its core business: production of seamless rolled steel tubes and cold-drawn precision tubes. The Company transformed to a joint-stock company almost 30 years ago and has consolidated all important parts of tube production and sales into the ŽP GROUP. The Group integrates the purchase of scrap metal, as the main raw material, production of heat-resistant materials, steel and seamless steel tubes, research into steel production and metal forming and sale of products by its trading companies. The Board of Directors is aware of the importance of continuous investments and follows the medium-term investment plan with the primary goal to increase the efficiency of production processes and labour productivity by modernising and renewing the company's technology.

The year 2019 saw declining demand and prices for producers in the metallurgical industry across Europe. However, 2020 saw a sharp decline in economic activity due to an external factor, the COVID-19 pandemic. In the second half of the year, the demand for our products and, hence, revenues plummeted and the Company made an operating loss. The operating loss, significant investments and higher working capital increased credit exposure by approximately EUR 15.7 million at the end of the year.

The world economy is recovering relatively quickly after the challenging year 2020. The economic downturn in 2020 was replaced by strong growth in most sectors in the first half of 2021. Forecasts for 2021 and 2022 are positive and, overall, the economy should return to the 2019 GDP level sooner than economists predicted last autumn. However, there are a number of potentially unfavourable factors that could jeopardize the

rapid recovery of economies. The significant drop in economic activity in 2020 has had a profound impact on the production of important raw materials and products: scrap steel, semiconductor chips, flat steel products, chemicals and finished products with high added value. The global logistics chain has been disrupted as we feared a year ago.

After the extremely challenging winter of 2020/2021, with strong waves of the COVID-19 pandemic in all economic powers and with advancing vaccination, it will be very important how governments contain the pandemic, vaccinate as many people as possible and set up prevention systems and processes against new waves of the pandemic. If they succeed and the population will be able to work and live relatively normally, it is likely that the recovery of the economy will be smooth. The European Commission estimates 4% growth for the next two years. According to the World Steel Association, global steel consumption is expected to grow by a strong 5.8% in 2021 and by 10.2% in the EU. The risk for traditional producers, and a strategic issue for the future, is the EU's strong pressure to reduce carbon dioxide production too fast. The support for electromobility will lead to lower consumption of steel tubes, either directly in the automotive sector or in the downstream sectors of oil extraction and processing, and fuel transport. Similar pressure is being exerted on the production of electricity from non-renewable sources, and the price of emission allowances has risen exponentially in recent years. Prices for the next period of emission allowance trading will be important for producers of energy from coal and later also gas, but also for producers of materials and raw materials with high energy consumption, such as the production of aluminium, steel, chemical semi-finished products, fertilisers etc. Decarbonisation of the largest producers of carbon dioxide will be extremely expensive and the final cost of this process will be paid by consumers due to more expensive production inputs and, consequently, final products or services.

In Q1 2021, the demand for rolled and precision drawn tubes was high compared to late 2020. Given the number of orders, there was a faster recovery in demand than the producers are able to cover. This is partly due to the lack of input raw materials in several important sectors. Shortages of



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

inputs significantly increase their prices, and this is quickly reflected in the prices of final producers across the EU. We do not expect this situation to change in the coming months, as there is strong demand in many industries and they are struggling with similar problems, i.e. to obtain all the necessary resources for production and logistics. Continued growth in prices of final products across sectors can be expected, which will ultimately increase inflation. Only some kind of external shock could reverse the situation.

In the tube industry, as in most industries, we have seen a significant increase in orders since the beginning of the year. On the other hand, input costs are growing significantly faster than the prices of our products, and this must be reflected in our final prices. We expect that the situation will stabilise in the second part of the year and we will be able to meet the requests of our long-term customers, like in the past. In order to be able to produce a sufficient volume, the Company was forced to increase production shifts and this resulted in the need to recruit new employees in Q1 2021.

The business and financial plan of Železiarne Podbrezová a.s. for 2021 was negative, but given the current situation, we expect that the second half of 2021 will be more successful financially, we will exceed the planned revenues and achieve a positive overall economic result, also thanks to dividends paid in the ŽP GROUP.

In 2021, the investment plan follows from the medium-term development plan and its amount of EUR 14.5 million significantly exceeds the Company's annual depreciation charges. The most important technological investments will include a new finishing line in the tube drawing plant, and a relocation and modification of the straightening and dividing line, as well as another tube cutting system directly on the drawing bench. In the tube rolling mill, we plan to modernise the most important parts of the punching press. In 2021, we are also moving to a more environmentally friendly way of backup heat management: from heavy fuel oil to diesel. Like last year, we plan to spend a total of EUR 34 million on repairs and maintenance of technological facilities and buildings in 2021.

In 2021, our subsidiary ŽP Výskumno-vývojové centrum will carry out 6 internal R&D projects for us, with planned expenses of EUR 824 thousand. The research aims to improve the quality of production, optimise the materials of metallurgical ceramics, optimise production processes and processing of waste and scrap materials from production. The Company will continue to implement multi-year R&D projects on tools, modelling, simulation of production processes and production data analytics, which can be applied by the Company to production.

We keep improving the quality management system under ISO 9001:2015 and IATF 16949:2016. The Company will continue to develop and optimise the integrated management system that combines the environmental management system under ISO 14001:201 and the occupational health and safety management system under ISO 45001:2018.

In 2021, the Board of Directors will continue the 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, 24-hour insurance outside working hours, retirement payment and severance pay exceeding the legal minimum. We have been preparing and educating new employees for almost 20 years at our Private United School (Súkromná spojená škola ŽP).

In 2021, we will continue our cooperation with the subsidiary ŽP Informatika s.r.o., which operates and develops new information systems for the parent company and other companies in the ŽP GROUP as needed, by IT outsourcing. As regards the development of application software, the focus in 2021 will continue to be on the medium-term project of comprehensive change to the production information system to improve the planning, monitoring, and management of production and technical processes in the Company.

In 2021, Železiarne Podbrezová a.s. will again fund its OPEX and CAPEX needs using the club credit facility with a limit of EUR 30 million, extended until July 2024, and other separate loans for short-term financing, which the Company draws according to



REPORT BY THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES, ASSETS AND FINANCIAL PERFORMANCE IN 2020 AND INFORMATION ON THE BUSINESS PLAN

its operating needs. The total credit facility limit is sufficient for continuous funding next year.

The financial plan for 2021 was prepared at the beginning of the year and took into account available information from the market and suppliers. The planned revenues of EUR 226.4 million and a loss from operating activities is expected to be offset by a profit from financing activities, in particular by dividends received from subsidiaries. However, this plan does not reflect the significant growth in prices of raw materials in Q1 2021 and the gradual increase in selling prices of our products. We believe that the situation for producers will stabilise in the second half of 2021 and the Company will make a profit.

The Group also operates in tourism via its subsidiary Tále a.s. With new partners, it is taking steps to improve marketing, expand and improve services and, by new investments, making Tále and the southern part of the central Low Tatras more attractive to increase profitability.

Subsidiaries in the consolidated ŽP GROUP work closely with the parent company and contribute to the overall results of operations. We plan to generate a profit in almost all companies in 2021 and we expect it to be better than last year. As a result, the companies will develop and generate dividends for the parent company. Consolidated revenues from the sale of merchandise, products and services for 2021 are planned in the amount of EUR 300 million, with a consolidated loss after tax.

CONCLUSION

In 2021, Železiarne Podbrezová a.s. celebrates 181 years of existence. Over the years, the Company went through good times and bad times. It was the same in recent years: stagnation followed by strong growth and good economic results, supported by significant new investments. The year 2020 was very specific and difficult for everyone, but the management did well to maintain production, all key employees and long-term customers during the critical months thanks to the Company's own sales network. Therefore, we believe that the current crisis will leave our Company more efficient, and that it will maintain its market position thanks to its high-quality products, competitive prices and very good service for our customers.

In 2020, we utilised the Company's production capacity at least to an extent that production could continue without major outages. Despite the operating loss, we made most of the planned investments in accordance with the investment plan, as they are investments in the Company's future.

Despite significant risks in the global economy, pressure to decarbonise production, fluctuating commodity prices, complicated logistics and frequent disruptions of supply of raw materials and semi-finished products, we believe that global population growth, greater urbanisation, long-term demand for personal mobility and the associated manufacturing in the automotive sector ensures a permanent place for the steel tube industry in the economy.

The Company's Board of Directors considers 2020 as one of the most difficult in the last decades. However, with regard to production and economic results, Železiarne Podbrezová a.s. seized every opportunity that the market offered in a very complicated period. All employees, including the management and employees of subsidiaries, contributed to the Company's success.

The 2020 loss amounted to EUR 3 011 thousand, with earnings per share of EUR -1.3. In the current uncertain situation, the Board of Directors proposes



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to the General Meeting not to pay out dividends and retain reserves in the Company to maintain its financial position in the future.

Sales revenues within the consolidation group amounted to EUR 285 460 thousand and the consolidated net loss amounted to EUR 3 535 thousand, of which a loss of EUR 3 900 thousand pertained to the shareholders of Železiarne Podbrezová. There was a 17% decrease in consolidated revenues compared to 2019 and the result of operations of the ŽP GROUP was a loss.

Železiarne Podbrezová continues to be a reliable partner for many small and medium-sized entrepreneurs in the region and a number of established suppliers. As the largest employer in the region, the Company guarantees 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 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. We hope our good business relations will continue to develop successfully.

We thank you for your trust.

Approved by the Board of Directors' decision on 19 May 2021.



INFORMATION FOR SHAREHOLDERS

Dear Shareholders,

Under the Company's separate financial statements prepared in line with IFRS, the Company's 2020 result of operations was a loss after tax of EUR 3 010 511, ie EUR -1.3 per share. The Board of Directors proposes that the General Meeting do not pay dividends to the Company's shareholders or royalties to members of the Board of Directors and the Supervisory Board due to the negative results for 2020 and the current uncertain market and economic situation caused by the pandemic. In this way, the Board of Directors seeks to support the financial stability of the Company in the current circumstances.

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

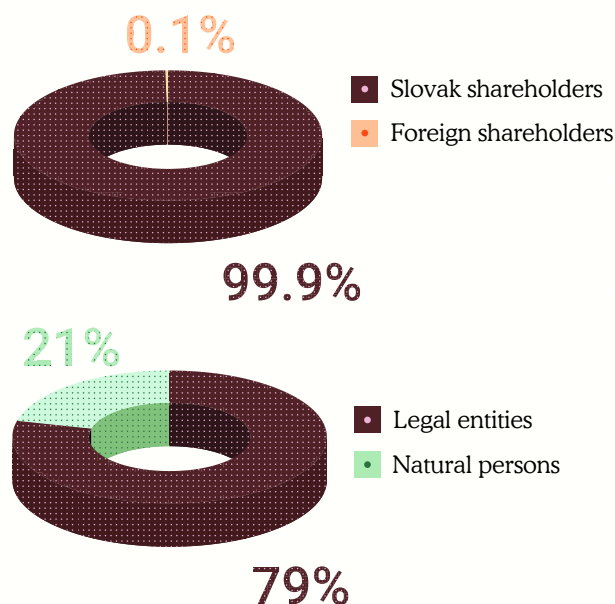
INFORMATION FOR SHAREHOLDERS

The Company's share capital in the amount of EUR 81 060 590 comprises 2 384 135 ordinary paper registered shares. The face value is EUR 34 per share. 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.

Information for Shareholders Pursuant to Article 218c (6), Article 218k (1) and (2) of the Commercial Code Železiarne Podbrezová a.s., as the parent company and sole shareholder of UHL Holding, a.s., plans to decide on its dissolution by merger with the parent company in accordance with Article 218k of the Commercial Code. The draft merger agreement, financial statements and annual reports of the merging companies are available to shareholders for inspection at the company's registered office and for download and printing on the company's website from 28 May 2021. Shareholders have the right to request copies of these documents or parts thereof, or request that they be sent to the address specified by them (including by e-mail). Shareholders holding shares with a face value of at least 5% of the company's share capital have the right to request the convening of a general meeting to decide on the approval of the merger and the merger agreement.

Company's shareholders as at 31 December 2020

	Share in the share capital & voting rights
CPA s.r.o.	79.44%
Other legal entities	0.02%
Natural persons	20.54%



Proposal for the settlement of loss for 2020

submitted to the Annual General Meeting of Shareholders on 21 June 2021 (in EUR)

Result of operations for the year ended 31 December 2020 (under IFRS)	(3 010 511)
- Mandatory allotment to the reserve fund	-
- Settlement of the loss from retained earnings of previous years	(3 010 511)
Balance of Reserve fund after profit distribution	16 212 118
Balance of Retained earnings of previous years after profit distribution	108 366 257



REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD IN 2020



Ing. Ján BANAS
Chairman of the Supervisory
Board

Dear Shareholders,

In 2020, the Supervisory Board consisted of members elected by the General Meeting: Ing. Ján Banas, Ing. Jozef Marčok, Luigi Cuzzolin, Ing. Ľudovít Ihring, Ing. Vladimír Zvarík, Ing. Tomáš Ihring, Ing. Július Kriváň, and members of the Supervisory Board elected by the Company's employees: Ing. Jaroslav Romančík, Soňa Lopušná (until 23 October 2020), Ing. Ivan Setvák (since 23 October 2020), Pavol Košťal (until 20 November 2020). Ing. Miroslav Vrabec was a member of the Supervisory Board elected by the employees from 20 November 2020. However, he resigned at the meeting of the Supervisory Board on 17 December 2020 and was replaced by Ján Cipciar on 15 January 2021 after additional election by employees.

REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD IN 2020

The members of the Supervisory Board had adequate access to information related to the supervision over the actions of the Board of Directors and business activities. They were informed about all important decisions being prepared. Several members of the Supervisory Board regularly attended meetings of the Board of Directors. As a result, the Supervisory Board was receiving up-to-date information on the economic activities and financial situation of the Company and the balance of its assets, liabilities and receivables.

The outcome of the Supervisory Board's supervisory activities is the conclusion that the Company's business activities in 2020 were performed in accordance with the legal regulations, the Company's Articles of Association and the General Meeting's instructions. The members of the Board of Directors acted within the scope of their powers with professional diligence and in line with the interests of the Company and all its shareholders.

We have undoubtedly survived one of the most difficult years. The Supervisory Board appreciates that the Board of Directors was able to secure sufficient orders and maintain employment even in such difficult conditions. The Supervisory

Board also appreciates that it was not necessary to significantly limit long-term planned investments during this very challenging period.

The Supervisory Board examined the separate and consolidated financial statements for the reporting period ended 31 December 2020, audited by Deloitte Audit s.r.o., and identified no irregularities. It recommends that the General Meeting approve both financial statements.

The Supervisory Board recommends that the General Meeting approve the proposal of the Board of Directors to settle the loss for 2020.

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 starting on 1 January 2021.

In Podbrezová, 17 June 2021

Ing. Ján Banas
Chairman of the Supervisory Board





CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, 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 2020, 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 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.

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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 the 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 2020 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, 30 April 2021



Ing. Patrik Ferko, FCCA
Responsible Auditor
Licence UDVA No. 1045

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (IN EUROS)

	Note	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	209 090 157	203 916 444
Intangible assets	7	1 518 753	1 490 978
Goodwill	7	1 768 335	1 768 335
Other financial assets	8	2 619 779	2 542 867
Deferred tax asset	9	450 001	491 291
Total non-current assets		215 447 025	210 209 915
CURRENT ASSETS			
Inventories	10	78 772 930	83 196 336
Trade receivables and other financial assets	11	65 481 764	61 353 303
Current tax asset		386 267	1 357 319
Other assets		952 297	1 590 172
Cash and cash equivalents	12	14 440 278	11 690 438
Total current assets		160 033 536	159 187 568
TOTAL ASSETS		375 480 561	369 397 483
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	81 060 590	81 060 590
Legal and other funds	13	17 161 910	17 505 212
Retained earnings		106 149 428	112 432 907
Equity attributable to equity holders of ŽP		204 371 928	210 998 709
Minority interests		10 557 269	10 659 065
Total equity		214 929 197	221 657 774
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	47 052 653	41 174 454
Other financial and other non-current liabilities	15	3 244 758	3 199 159
Provisions for employee benefits	16	8 801 482	9 299 077
Provisions for liabilities	17	576 022	884 626
Deferred tax liability	9	8 822 463	10 113 651
Total non-current liabilities		68 497 378	64 670 967
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	58 699 920	51 356 155
Trade and other financial payables	18	32 594 122	31 062 948
Current tax liabilities		165 926	46 874
Other liabilities		594 018	602 765
Total current liabilities		92 053 986	83 068 742
Total liabilities		160 551 364	147 739 709
TOTAL EQUITY AND LIABILITIES		375 480 561	369 397 483



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

	Note	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Sales of own products and merchandise	19	275 763 368	333 462 421
Sales of services	19	9 696 451	10 573 620
Changes in inventories of finished goods and work in progress		(1 817 646)	3 451 880
Own work capitalised	20	10 544 207	11 224 645
Consumed material and energy, costs of merchandise sold		(160 993 284)	(190 612 336)
Services		(34 055 365)	(38 006 494)
Personnel expenses	21	(95 895 292)	(104 697 125)
Depreciation and amortisation		(15 829 939)	(15 612 503)
Other operating income	22	14 219 314	6 221 181
Other operating expenses	22	(4 220 198)	(4 919 675)
Interest income		137 057	384 177
Interest expense		(1 304 729)	(1 508 414)
Gain/(loss) from financial investments		(47 414)	146 789
Other financial income	23	2 336 343	862 748
Other financial expenses	23	(2 323 378)	(825 660)
Profit/(loss) before tax		(3 790 505)	10 145 254
Income tax expense	24	255 573	(1 750 231)
PROFIT/(LOSS) FOR THE YEAR		(3 534 932)	8 395 023
Profit/(loss) attributable to:			
- Equity holders of ŽP		(3 899 683)	8 024 667
- Minority interest		364 751	370 356
Total		(3 534 932)	8 395 023
Other comprehensive income and losses that may be reclassified subsequently to profit or loss			
Hedging derivatives		-	-
Foreign currency translation reserve		(355 104)	77 120
Deferred tax related to other comprehensive income	9	-	-
Other comprehensive income/(losses) after tax		(355 104)	77 120
Total comprehensive income/(loss) attributable to:			
- ŽP Shareholders		(4 242 646)	8 107 977
- Minority shareholders		352 610	364 166



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020 (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 2019	81 060 590	17 333 654	(24 459)	108 812 390	207 182 175	10 737 599	217 919 774
Dividends paid	-	-	-	(4 291 443)	(4 291 443)	(442 700)	(4 734 143)
Distribution of profit	-	112 707	-	(112 707)	-	-	-
Net profit/(loss) for the year	-	-	-	8 024 667	8 024 667	370 356	8 395 023
Changes in interests in subsidiaries	-	-	-	-	-	-	-
Other comprehensive income	-	-	83 310	-	83 310	(6 190)	77 120
Closing Balance at 31 December 2019	81 060 590	17 446 361	58 851	112 432 907	210 998 709	10 659 065	221 657 774
Dividends paid	-	-	-	(2 384 135)	(2 384 135)	(286 729)	(2 670 864)
Distribution of profit	-	54 259	-	(54 259)	-	-	-
Net profit/(loss) for the year	-	-	-	(3 899 683)	(3 899 683)	364 751	(3 534 932)
Changes in interests in subsidiaries	-	(54 598)	-	54 598	-	(167 677)	(167 677)
Other comprehensive income	-	-	(342 963)	-	(342 963)	(12 141)	(355 104)
Closing Balance at 31 December 2020	81 060 590	17 446 022	(284 112)	106 149 428	212 171 294	10 557 269	214 929 197



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

	<i>Year ended</i>	<i>Year ended</i>
	<i>Note</i> 31 Dec 2020	31 Dec 2019
OPERATING ACTIVITIES		
Profit/(loss) before taxation	(3 790 505)	10 145 254
Depreciation and amortisation and creation/reversal of provisions	6 15 829 939	15 612 503
Provisions for liabilities	17 (308 604)	(1 799)
Provisions for receivables, inventories and investments, net	22 536 638	268 228
Loss on impairment of property, plant and equipment	22 (75 507)	(58 689)
Unrealised foreign exchange differences	23 (246 464)	77 120
Interest, net	1 167 672	1 124 237
Proceeds from the sale of property, plant and equipment and non-current intangible assets	22 (587 935)	(434 722)
Loss/(profit) from the sale of financial investments	(181 885)	-
Employee benefits	16 (497 595)	818 717
Other non-cash items	(495 346)	(115 784)
Cash flows from operating activities before changes in working capital	<u>11 350 408</u>	<u>27 435 065</u>
Change in receivables	11 (4 261 746)	21 602 773
Change in inventories	10 3 641 016	(1 433 065)
Change in trade and other payables	18 2 607 759	(8 301 187)
Change in other assets and liabilities	629 128	(37 265)
Cash flows from operating activities	<u>13 966 565</u>	<u>39 266 321</u>
Interest received	149 180	318 828
Interest paid	(1 304 729)	(1 508 414)
Income taxes (paid)/received	24 106 778	(6 589 171)
Net cash flows from operating activities	<u>12 917 794</u>	<u>31 487 564</u>
INVESTING ACTIVITIES		
Proceeds from the sale of property, plant and equipment and non-current intangible assets	22 1 179 185	995 846
Acquisition of property, plant and equipment and intangible assets	6 (20 718 723)	(27 355 814)
Acquisition of financial investments	-	(2 032 232)
Acquisition of an investment in an associate	(12 000)	-
Sale of subsidiaries net of cash and cash equivalents	313 438	-
Net cash flows used in investing activities	<u>(19 450 828)</u>	<u>(28 392 200)</u>
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	14 28 049 312	16 012 816
Expenditures for the repayment of loans and borrowings	14 (14 489 836)	(12 043 922)
Expenditures for paid obligations under finance lease	14 (1 605 738)	(1 474 650)
Dividends paid	(2 670 864)	(4 734 143)
Net cash (used in)/generated by financing activities	<u>9 282 874</u>	<u>(2 239 899)</u>
Net (decrease)/increase in cash and cash equivalents	12 2 749 840	855 465
Cash and cash equivalents at the beginning of the year	12 11 690 438	10 834 973
Cash and cash equivalents at the end of the year	<u>14 440 278</u>	<u>11 690 438</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (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 2020 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, machine-industry production, and tourism (see Note 3c).

1.2 Structure of shareholders and their shares in registered capital

As at 31 December 2020, the Company's shares were held by CPA s.r.o. (79.44%) and other minority shareholders (20.56%). The shareholders' voting rights equal their ownership interest in the registered 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
 Ing. Vladimír Zvarík – Member
 Ing. Július Kriváň – Member since 29 Jun 2020
 Soňa Lopušná – Member until 23 Oct 2020
 Pavol Košťal – Member until 20 Nov 2020
 Ing. Ivan Setvák – Member since 23 Oct 2020
 Ing. Miroslav Vrabec – Member from 20 Nov 2020 until 15 Jan 2021
 Ján Cipciar – Member since 15 Jan 2021

Board of Directors

Ing. Vladimír Soták – Chairman
 Ing. Marian Kurčík – Deputy Chairman
 Ing. Miloš Dekrét – Member
 Ing. Mária Niklová – Member
 Ing. Vladimír Soták, Jr. – Member
 Ing. Milan Srnka, PhD – Member
 Ing. Július Kriváň – Member until 29 Jun 2020

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 ŽP 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 2020 to 31 December 2020 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 2019 Consolidated Financial Statements

On 29 June 2020, the Annual General Meeting approved the consolidated financial statements of Železiarne Podbrezová a.s. for the year ended 31 December 2019.

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 2019. For expenses and revenues, comparatives for the previous reporting period, ie year ended 31 December 2019, 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 2020.

Initial application of new and amended IFRS standards effective for the current reporting period

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

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of this period),



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 “Leases”** – Covid-19-Related Rent Concessions – adopted by the EU on 9 October 2020 (effective for annual periods beginning on or after 1 January 2020, no later than on 1 June 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the financial statements of the Company.

New and amended IFRS 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:

- **Amendments to IFRS 4 “Insurance Contracts”** – Extension of the Temporary Exemption from Applying IFRS 9 – adopted by the EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** – Interest Rate Benchmark Reform – Phase 2 – adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

The Group has elected not to adopt these new standards, amendments to the existing standards and new interpretation in advance of their effective dates.

New and amended IFRS 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 reporting date (the effective dates stated below are for IFRS as issued by the IASB):

- **IFRS 17 “Insurance Contracts” and Amendments to IFRS 17** (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 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 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 various standards due to “Annual Improvements to IFRS Standards (2018 – 2020 Cycle)”** resulting from the annual IFRS improvement project (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.),
- **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 further 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, amendments to the existing standards and new interpretations will have no material impact on the consolidated 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 consolidated financial assets or liabilities pursuant to **IAS 39 “Financial Instruments: Recognition and Measurement”** would not significantly impact the consolidated financial statements if applied as at the reporting date.

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.

(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 despite the fact that Group management anticipates a negative result of operations (loss) in 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

(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, ie 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		Effective ownership (%)		Voting rights (%)		Principal activity
		2020	2019	2020	2019	
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	94.66%	94.66%	94.66%	94.66%	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%	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
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%	90.00%	100.00%	90.00%	Transportation services
ŠK Železiarne Podbrezová a.s., Podbrezová	Slovakia	99.50%	99.50%	99.50%	99.50%	Sport, advertising and promotion
UHL Holding, a.s., Podbrezová	Slovakia	100.00%	0.00%	100.00%	0.00%	Trading activities
UHL s.r.o., Podbrezová	Slovakia	100.00%	0.00%	100.00%	0.00%	Trading activities

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



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(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		Ownership interest (%)		Voting rights (%)		Business activities
		2020	2019	2020	2019	
TOM-FERR Zrt.	Hungary	24.89%	24.89%	24.89%	24.89%	Production of steel pipes and products
FK Železiarne Podbrezová, a.s., Podbrezová	Slovakia	35.02%	100%	35.02%	100%	Sport, advertising and promotion
Tále ski & golf resorts s. r. o.	Slovakia	37.86%	-	40.00%	-	Tourism

(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



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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



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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.



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(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.

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 28.3.



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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

In 2020, the Group acquired a 100% share in UHL holding a.s., purchased the remaining 10% in ZANINONI SLOVAKIA, s.r.o. (subsidiary), and sold a 64.98% share in FK Železiarne Podbrezová a.s. in December, as a result of which the Group lost control over the company and now has substantial influence in it.

6 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Assets under construction</i>	<i>Total</i>
Cost				
At 1 Jan 2020	211 823 589	319 289 212	5 746 825	536 859 626
Additions	1 755	30 814	20 170 178	20 202 747
Additions from the acquisition of a share in a subsidiary	1 889 414	-	-	1 889 414
Disposals	(938 377)	(4 581 208)	(89 605)	(5 609 190)
Disposals from the sale of a subsidiary	(181 304)	(263 732)	-	(445 036)
Transfers	5 329 657	12 675 309	(18 004 966)	-
Foreign exchange differences	(99 340)	(62 510)	-	(161 850)
At 31 Dec 2020	217 825 394	327 087 885	7 822 432	552 735 711
Accumulated depreciation and impairment				
At 1 Jan 2020	98 322 008	234 573 573	47 601	332 943 182
Depreciation, recognition of the net book value	4 615 499	11 331 895	-	15 947 394
Additions from the acquisition of a share in a subsidiary	-	-	-	-
Impairment loss	(87 302)	13 099	(1 304)	(75 507)
Disposals	(421 199)	(4 581 208)	-	(5 002 407)
Disposals from the sale of a subsidiary	(33 647)	(80 590)	-	(114 237)
Foreign exchange differences	(27 053)	(25 818)	-	(52 871)
At 31 Dec 2020	102 368 306	241 230 951	46 297	343 645 554
Carrying amount				
At 1 Jan 2020	113 501 581	84 715 639	5 699 224	203 916 444
At 31 Dec 2020	115 457 088	85 856 934	7 776 135	209 090 157

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Assets under construction</i>	<i>Total</i>
Cost				
At 1 Jan 2019	204 462 346	307 010 255	6 158 526	517 631 127
Additions	4 907 578	353 595	21 818 908	27 080 081
Additions from the acquisition of a share in a subsidiary	-	-	-	-
Disposals	(683 695)	(7 041 521)	(161 154)	(7 886 370)
Disposals from the sale of a subsidiary	-	-	-	-
Transfers	3 112 423	18 960 633	(22 073 056)	-
Foreign exchange differences	24 937	6 250	3 601	34 788
At 31 Dec 2019	211 823 589	319 289 212	5 746 825	536 859 626
Accumulated depreciation and impairment				
At 1 Jan 2019	93 892 733	230 721 022	176 597	324 790 352
Depreciation, recognition of the net book value	4 620 758	10 890 069	-	15 510 827
Additions from the acquisition of a share in a subsidiary	-	-	-	-
Impairment loss	70 304	-	(128 996)	(58 689)
Disposals	(267 780)	(7 041 346)	-	(7 309 126)
Disposals from the sale of a subsidiary	-	-	-	-
Foreign exchange differences	5 993	3 825	-	9 818
At 31 Dec 2019	98 322 008	234 573 573	47 601	332 943 182
Carrying amount				
At 1 Jan 2019	110 569 613	76 289 233	5 981 929	192 840 775
At 31 Dec 2019	113 501 581	84 715 639	5 699 224	203 916 444



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

	<i>Land and buildings</i>	<i>Plant, machinery and equipment</i>	<i>Total</i>
Cost			
At 1 Jan 2020	4 907 578	5 340 714	10 248 292
Additions	93 826	1 314 860	1 408 686
Disposals	(361 392)	(24 367)	(385 759)
31 Dec 2020	4 640 012	6 631 207	11 271 219
Accumulated depreciation			
At 1 Jan 2020	412 936	1 084 118	1 497 054
Depreciation	386 022	730 967	1 116 989
Disposals	(31 806)	(11 436)	(43 242)
31 Dec 2020	767 152	1 803 649	2 570 801
Net book value			
At 1 Jan 2020	4 494 642	4 256 596	8 751 238
31 Dec 2020	3 872 860	4 827 558	8 700 418

As at 31 December 2020, the cost of fully-depreciated items of property, plant and equipment, which were still in use, was EUR 94 470 thousand (31 December 2019: EUR 98 288 thousand).

Property, plant and equipment include Slovenská Ľupča castle at a net book value of EUR 2 926 thousand (31 December 2019: EUR 2 998 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. As a result of revising the useful life, the depreciation charges of non-current tangible assets were reduced by EUR 355 thousand in 2020.

Major additions to non-current tangible assets in 2020 included technical improvements to entry rod production – replacement of a rack at a cost of EUR 1 079 thousand, technical improvements to tube production – replacement of cut-off saws No. 2 and No. 3 from Framag at a cost of EUR 2 269 thousand, technical improvements to finishing lines I. and II. at a cost of EUR 848 thousand. Lighting was reconstructed in the tube drawing mill halls at a cost of EUR 731 thousand, reconstruction of SSOSH ŽP – workshop and laboratory at a cost of EUR 778 thousand. There is a significant increase in the acquisition of new assets, Bypass finishing line No. 3 at a cost of EUR 1 789 thousand (ŽP a.s.).

Assets under lien

At 31 December 2020, the immovable and movable assets of ŽP with a carrying amount of EUR 27 347 thousand (fair value of approx. EUR 53 million) and immovable and movable assets of other consolidated companies with a carrying amount of EUR 28 963 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 2 500 thousand.

Insurance of assets

<i>Insured assets</i>	<i>Type of insurance</i>	<i>Name and address of the insurance company</i>	<i>Amount insured</i>
Set of immovable assets	Against all risks	ALLIANZ Slovenská poisťovňa a. s., Bratislava; AXA Seguros Generales; ZURICH; Allianz poisťovňa, a.s. Prague; UNIQA (AON Genova); Sopockie Towarzystwo Ubezpieczeń Ergo Hestia, Sopot; STU Ergo Hestia Aon Risk services Northeats - Century Surety Company	360 927 220
Set of movable assets	Against all risks	ALLIANZ Slovenská poisťovňa a. s., Bratislava; AXA Seguros Generales; ZURICH; Allianz poisťovňa, a.s. Prague; UNIQA (AON Genova)	358 168 924
Acquisition of new non-current tangible assets	Against all risks	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia, Sopot; STU Ergo Hestia Allianz-Slovenská poisťovňa, a.s. Bratislava	2 185 820

7 INTANGIBLE ASSETS AND GOODWILL

	<i>Software</i>	<i>Goodwill</i>	<i>Assets under construction</i>	<i>Total</i>
Cost				
At 1 Jan 2020	6 380 630	1 768 335	289 723	8 438 688
Additions	-	-	311 513	311 513
Disposals	(138 158)	-	-	(138 158)
Transfers	367 061	-	(367 061)	-
Foreign exchange differences	(3 916)	-	-	(3 916)
At 31 Dec 2020	6 605 617	1 768 335	234 175	8 608 127
Accumulated amortisation				
At 1 Jan 2020	5 172 769	-	6 606	5 179 375
Amortisation	282 207	-	-	282 207
Disposals	(138 158)	-	-	(138 158)
Transfers	-	-	-	-
Foreign exchange differences	(2 385)	-	-	(2 385)
At 31 Dec 2020	5 314 433	-	6 606	5 321 039
Carrying amount				
At 1 Jan 2020	1 207 861	1 768 335	283 117	3 259 313
At 31 Dec 2020	1 291 184	1 768 335	227 569	3 287 088



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	Software	Goodwill	Assets under construction	Total
Cost				
At 1 Jan 2019	6 207 243	1 768 335	180 311	8 155 889
Additions	-	-	444 559	444 559
Disposals	(162 325)	-	-	(162 325)
Transfers	335 147	-	(335 147)	-
Foreign exchange differences	565	-	-	565
At 31 Dec 2019	6 380 630	1 768 335	289 723	8 438 688
Accumulated amortisation				
At 1 Jan 2019	5 055 177	-	6 606	5 061 783
Amortisation	279 607	-	-	279 607
Disposals	(162 325)	-	-	(162 325)
Transfers	-	-	-	-
Foreign exchange differences	310	-	-	310
At 31 Dec 2019	5 172 769	-	6 606	5 179 375
Carrying amount				
At 1 Jan 2019	1 152 066	1 768 335	173 705	3 094 106
At 31 Dec 2019	1 207 861	1 768 335	283 117	3 259 313

The subsidiary, PIPEX ITALIA S.p.A., is allocated goodwill amounting to EUR 1 183 thousand as at 31 December 2020 (31 December 2019: EUR 1 183 thousand). As at 31 December 2020, 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 registered 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 2020	31 Dec 2019
Investments available for sale:		
STABILITA, d.d.s., a.s., Slovakia	94 387	94 387
PROJECT STEEL SUPPLIES PTY LTD, Australia	65 000	65 000
Impairment	-	-
Investments available-for-sale, net	159 387	159 387
TOM-FERR Zrt.	1 937 713	2 178 794
FK Zeleziarne Podbrezova a.s.	98 170	-
Tále ski & golf resorts s. r. o.	12 000	-
Investments in associates	2 047 883	2 178 794
Other non-current receivables	412 509	204 686
Total other financial assets	2 619 779	2 542 867

Investments available for sale mainly include unconsolidated subsidiaries and insignificant companies in which the Group has an ownership interest of less than 20%. These companies are based in Slovakia or in the Czech Republic, and one company is based in Australia. 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 2020	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 2020
Property, plant and equipment	(13 191 950)	-	1 325 690	-	(11 866 260)
Inventories	643 897	-	150 637	-	794 534
Receivables	13 402	-	(1 383)	-	12 019
Liabilities	261 297	-	12 720	-	274 017
Provisions	273 029	-	(74 286)	-	198 743
Employee benefits	1 703 703	-	(113 327)	-	1 590 376
Tax loss carry-forward	77 504	-	(19 376)	-	58 128
Subsidies, research and development	627 536	-	(61 555)	-	565 981
Investment in joint ventures	(30 778)	-	30 778	-	-
Net deferred tax	(9 622 360)	-	1 249 898	-	(8 372 462)



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	1 Jan 2019	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 2019
Property, plant and equipment	(12 648 494)	-	(543 456)	-	(13 191 950)
Inventories	588 966	-	54 931	-	643 897
Receivables	19 133	-	(5 731)	-	13 402
Liabilities	375 072	-	(113 775)	-	261 297
Provisions	283 207	-	(10 178)	-	273 029
Employee benefits	1 555 471	-	148 232	-	1 703 703
Tax loss carry-forward	-	-	77 504	-	77 504
Subsidies, research and development	188 365	-	439 171	-	627 536
Investment in joint ventures	-	-	(30 778)	-	(30 778)
Net deferred tax	(9 638 280)	-	15 920	-	(9 622 360)

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 2020	31 Dec 2019
Deferred tax asset	450 001	491 291
Deferred tax liability	(8 822 463)	(10 113 651)
Total	(8 372 462)	(9 622 360)

10 INVENTORIES

	31 Dec 2020	31 Dec 2019
Material and spare parts	32 224 374	34 259 821
Work in progress	16 352 153	16 377 622
Finished goods	30 693 375	32 485 552
Merchandise	1 502 097	1 293 226
Provision	(1 999 069)	(1 219 885)
Total inventories	78 772 930	83 196 336

As at 31 December 2020, no inventories were pledged to secure bank loans (31 December 2019: EUR 0) (see Note 14).

As at 31 December 2020, 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; Zurich (AONGenova); Axa, Zurich	68 313 242

11 TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

	31 Dec 2020	31 Dec 2019
Trade receivables	50 168 904	56 935 091
Receivables from related parties	3 195	3 086
Other tax receivables	3 959 406	3 466 130
Receivables from subsidies	1 962 063	50 337
Other receivables	10 604 431	2 357 440
Allowance for doubtful amounts	(1 216 235)	(1 458 781)
Total trade and other receivables	65 481 764	61 353 303
Total trade receivables and other financial assets	65 481 764	61 353 303

Receivables from subsidies are further described in Note 25. Other receivables totalling EUR 10 446 thousand primarily comprise a notarial custody and a provided short-term borrowing (31 December 2019: EUR 2 031 thousand).

As at 31 December 2020, trade receivables with a carrying amount of EUR 8 913 thousand (31 December 2019: EUR 8 078 thousand) were pledged to secure certain bank loans (see Note 14).

The following is a breakdown of trade and other receivables:

	31 Dec 2020	31 Dec 2019
Current receivables	60 993 694	50 820 355
Overdue receivables	5 704 305	11 991 729
Total	66 697 999	62 812 084

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

	31 Dec 2020	31 Dec 2019
Less than 90 days	4 682 491	10 380 713
90–180 days	243 803	517 141
180–360 days	7 273	3 047
More than 360 days	3 171	-
Total	4 936 738	10 900 901



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The ageing structure of overdue receivables that were provided for:

	31 Dec 2020	31 Dec 2019
Less than 90 days	-	-
90–180 days	-	-
180–360 days	18 424	1 343
More than 360 days	749 143	1 089 485
Total	767 567	1 090 828

12 CASH AND CASH EQUIVALENTS

	31 Dec 2020	31 Dec 2019
Cash on hand	220 709	225 233
Bank balances and deposits	14 219 569	11 465 205
Cash and cash equivalents in the statement of financial position	14 440 278	11 690 438
Cash and cash equivalents in the statement of cash flows	14 440 278	11 690 438

As at 31 December 2020 and 31 December 2019, the Group had no restrictions on the handling of cash and cash equivalents.

13 CAPITAL AND RESERVES

Share capital

As at 31 December 2020, the share capital comprised 2 384 135 ordinary shares (31 December 2019: 2 384 135 ordinary shares), with a face value of EUR 34 each, fully paid as at 31 December 2020 and 31 December 2019. 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 -284 thousand (31 December 2019: EUR 59 thousand).

14 INTEREST-BEARING LOANS AND BORROWINGS

	31 Dec 2020	31 Dec 2019
Loans	63 050 578	45 453 239
Interest-bearing liability to the parent company and ultimate owners	17 655 226	22 581 554
Overdraft facilities	17 445 511	16 500 322
Obligations under finance leases	7 601 258	7 995 494
Total interest-bearing loans and borrowings	105 752 573	92 530 609
Loans by currency:		
EUR - Fixed interest rate	33 594 509	34 569 524
EUR - Floating interest rate	62 748 177	48 897 390
USD - Floating interest rate	906 408	385 833
CZK - Floating interest rate	134 627	682 368
PLN - Fixed interest rate	767 594	-
Total	98 151 315	84 535 115
Repayments of loans are scheduled as follows:		
Within one year	57 144 409	49 824 847
More than one year, less than two years	21 027 143	19 773 220
More than two years, less than three years	2 828 556	1 643 254
More than three years, less than four years	2 215 040	848 902
More than four years, less than five years	13 436 885	12 444 892
More than five years	1 499 282	-
Total	98 151 315	84 535 115
Current portion		
Loans and borrowings	57 144 408	49 824 847
Obligations under finance leases	1 555 512	1 531 308
Total	58 699 920	51 356 155
Non-current portion		
Loans and borrowings	41 006 907	34 710 268
Obligations under finance lease	6 045 746	6 464 186
Total	47 052 653	41 174 454

As at 31 December 2020, bank loans and borrowings of EUR 53 587 thousand and of EUR 44 564 thousand were secured and not secured, respectively. The provided bank loans and borrowings were secured over movable and immovable assets of the Group with a carrying amount of EUR 56 378 thousand (see Note 6), trade receivables with a carrying amount of EUR 8 892 thousand (see Note 11). Part of loans is secured by blank promissory notes.



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Interest rates of loans and borrowings:

EUR - Fixed interest rate	1.10% - 3%
EUR - Floating interest rate	1M, 3M, 6M, 12M EURIBOR, EONIA + (0.75% p.a. – 1.75% p.a.)
CZK - Floating interest rate	PRIBOR + 0.75% p.a.
USD - Fixed interest rate	3.00%
USD - Floating interest rate	12M LIBOR + 1.00% 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 2020, the Group had the amount of EUR 32 420 thousand in the form of undrawn loan commitments in respect of which all the conditions for drawing have been fulfilled.

The Group's management has been in contact with the financing banks regarding compliance with the requirements resulting from the signed loan agreements. Given the fact that based on the reported 2020 operating results, the Company was unable to comply with the financial covenants as at 31 December 2020 under the loan agreements, the financing banks granted the Company an exemption from non-compliance as at 31 December 2020, and thus waived all their rights under the existing loan agreements in this respect.

Issued bonds in the amount of EUR 4 900 thousand bore interest at 3% p.a. and were paid in February 2020.

Obligations under finance leases

Obligations under finance leases are payable as follows:

	<i>Minimum lease payments</i>		<i>Present value of minimum lease payments</i>	
	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Obligations under finance leases				
Due within 1 year inclusive	1 599 859	1 575 471	1 555 512	1 531 308
Due from 1 to 5 years inclusive	3 837 488	4 085 479	3 691 466	3 920 640
Due after 5 years	4 715 947	5 047 983	2 354 280	2 543 546
	10 153 294	10 708 933	7 601 258	7 995 494
Less: unrealised financial expenses	(2 552 036)	(2 713 439)	n/a	n/a
Present value of obligations under financial leases	7 601 258	7 995 494	7 601 258	7 995 494
Less: Principal value due within 1 year inclusive (recorded in current loans and borrowings)			(1 555 512)	(1 531 308)
Principal value due in over 1 year (recorded in non-current loans and borrowings)			6 045 746	6 464 186

In accordance with internal policies, the Group leases certain production equipment under finance lease contracts (see Note 5). The average lease term is 9 years. For the year ended 31 December 2020, the average effective interest rate was 1.81%. The interest rates are fixed as at the date of the contract, and hence the Group 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

	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Deferred income on subsidies (Note 25)	3 159 588	3 121 170
Other	85 170	77 989
Total	3 244 758	3 199 159

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 2020, the programme was applicable to 3 287 employees (31 December 2019: 3 324) of the Group. As of the aforementioned date, the programme was unfunded, ie no specific assets were determined to cover liabilities arising from the scheme.

	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Present value of retirement benefits	7 656 448	8 120 501
Present value of length-of-service benefits	944 715	975 512
Present value of jubilee benefits	200 319	203 064
Total	8 801 482	9 299 077

Key assumptions used in actuarial valuation:

	<i>31 Dec 2020</i>
Annual future real rate of salary increases	0% - 2.0%
Annual employee turnover	1.0% - 9.7%
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.



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17 PROVISIONS

	<i>Warranties</i>	<i>Litigations</i>	<i>Total 2020</i>	<i>Total 2019</i>
Balance at 1 Jan	110 297	800 346	910 643	921 096
Provisions created during the year	-	4 717	4 717	60
Use/reversal of a provision during the year	(8 604)	(304 017)	(312 621)	(10 513)
Balance at 31 Dec	101 693	501 046	602 739	910 643

The provisions are included in liabilities as follows:

	<i>Current liabilities (included in trade and other payables)</i>	<i>Non-current liabilities</i>	<i>Total</i>
As at 31 Dec 2019	26 017	884 626	910 643
As at 31 Dec 2020	26 717	576 022	602 739

18 TRADE AND OTHER FINANCIAL PAYABLES

	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Trade payables	20 492 677	16 772 752
Payables to related parties	13 465	47 161
Payables to employees and social security payables	9 373 951	10 377 805
Other tax payables	1 733 358	1 728 268
Other payables	980 671	2 136 962
Total trade and other financial payables	32 594 122	31 062 948

Breakdown of trade and other financial payables:

	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Payables within due date	31 951 701	30 429 438
Payables after due date	642 421	633 510
Total	32 594 122	31 062 948

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

	<i>Amount</i>
Opening balance as at 1 Jan 2020	97 314
Total creation	687 126
Total drawing	(669 625)
Closing balance as at 31 Dec 2020	114 815

19 REVENUES

Revenues comprise the following items:

	<i>Year ended</i>	
	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Own products and merchandise	275 763 368	333 462 421
Services	9 696 451	10 573 620
Total revenues	285 459 819	344 036 041

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

	<i>Year ended</i>	
	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Slovak Republic	111 491 811	126 535 343
Czech Republic	19 296 599	30 044 742
Poland	25 770 065	33 896 445
Germany	20 948 048	22 689 262
Italy	76 513 761	96 227 824
Spain	27 357 671	31 757 532
USA	4 081 864	2 884 892
Total revenues	285 459 819	344 036 041

20 OWN WORK CAPITALISED

	<i>Year ended</i>	
	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Own work capitalised – raw material	5 543 754	6 147 327
Own work capitalised – internal services	3 715 296	4 172 757
Own work capitalised – non-current tangible and intangible assets	1 285 157	904 561
Total own work capitalised	10 544 207	11 224 645

“Own work capitalised – raw material” represents the processing of material by own capacities for its further use in production.



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21 PERSONNEL EXPENSES

	Year ended	
	31 Dec 2020	31 Dec 2019
Wages and salaries	68 289 132	74 572 978
Social security contributions	27 606 160	30 124 147
Total	95 895 292	104 697 125

The Group had 3 941 employees as at 31 December 2020, of which 200 were managers (31 December 2019: 4 198, of which 181 were managers). The full-time equivalent of the Group's employees for the year ended 31 December 2020 was 4 013, of which 194 were managers (31 December 2019: 4 268, of which 181 managers).

22 OTHER OPERATING REVENUES AND OTHER OPERATING EXPENSES

Other operating revenues comprise the following:

	Year ended	
	31 Dec 2020	31 Dec 2019
Profit on the sale of property, plant, equipment and intangibles	574 165	425 818
Profit on the sale of raw materials	498 238	271 557
Proceeds from subsidiaries (Note 25)	10 073 182	3 267 878
Insurance benefits from insurance companies	450 388	1 089 776
Other operating revenues	2 623 341	1 166 152
Total other operating revenues	14 219 314	6 221 181

Other operating expenses comprise the following:

	Year ended	
	31 Dec 2020	31 Dec 2019
Additions to/(release) of provisions for receivables and inventories	1 238 855	969 291
Change in impairment of property, plant and equipment	(6 313)	83 251
Insurance premium	1 632 798	1 629 432
Other taxes and charges	1 132 271	1 394 199
Other operating expenses	222 587	843 502
Total other operating expenses	4 220 198	4 919 675

23 OTHER FINANCIAL INCOME/OTHER FINANCIAL EXPENSES

Other financial income comprises the following items:

	Year ended	
	31 Dec 2020	31 Dec 2019
Foreign exchange gains	1 035 216	862 748
Other financial income	1 301 127	-
Total other financial income	2 336 343	862 748

Other financial income mainly comprises unpaid proceeds from the sale of unclaimed certified shares, and a write-off of liabilities from statute-barred dividends and the gain from the sale of emission rights.

Other financial expenses comprise the following items:

	Year ended	
	31 Dec 2020	31 Dec 2019
Foreign exchange losses	1 919 990	587 899
Losses from financial derivatives	4 136	3 793
Other financial expenses	399 252	233 968
Total other financial expenses	2 323 378	825 660

24 INCOME TAX

	Year ended	
	31 Dec 2020	31 Dec 2019
Current tax expense for current period	(1 505 471)	1 734 311
Deferred tax expense for current period	1 249 898	15 920
Total income tax	(255 573)	1 750 231

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

	Year ended	
	31 Dec 2020	31 Dec 2019
Profit/(loss) before tax	(3 790 505)	10 145 254
Tax at local tax rate of 21% (2019: 21%)	(796 006)	2 130 503
Tax effect of permanent differences, net	306 251	(565 933)
Effect of different tax rates of subsidiaries operating in other jurisdictions	111 794	282 064
Effect of a change in the tax rate	-	-
Unrecognised deferred taxes	120 802	(24 721)
Additional income tax charges, exchange rate differences on conversions	1 586	(71 682)
Total income tax	(255 573)	1 750 231



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The actual tax rate differs from the tax rate of 21% (2019: 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, ie 21%.

In Slovakia, the 2016 to 2020 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 SUBSIDIES

	<i>Receivables from subsidiaries</i>	<i>Deferred income on subsidiaries, non-current (Note 15)</i>	<i>Deferred income on subsidiaries, current</i>	<i>Release of subsidies in the statement of comprehensive income</i>
31 Dec 2020				
Investment subsidies	190 370	3 159 588	504 823	502 960
Operating subsidies	1 771 693	-	-	9 570 222
Total subsidies	1 962 063	3 159 588	504 823	10 073 182
31 Dec 2019				
Investment subsidies	-	3 121 170	474 784	480 056
Operating subsidies	50 337	-	-	2 787 822
Total subsidies	50 337	3 121 170	474 784	3 267 878

The statement of comprehensive income mainly includes the parent company's revenues from: an investment subsidy for the "Reconstruction of the Dust-Collection System of the Electric Arc and Ladle Furnace" project (EUR 182 thousand), an investment subsidy for the "Tungsten and Boiler Steel" project (EUR 9 thousand), an investment subsidy for the "Refurbishment, Modernisation and Construction of a Football Stadium" project (EUR 45 thousand), an investment subsidy for the "Construction of FA Skalica" project (EUR 40 thousand), support during the Covid-19 pandemic (EUR 6 398 thousand), compensation to entrepreneurs for the production of electricity from renewable energy sources (EUR 2 050 thousand), compensation from the environmental fund (EUR 112 thousand), dual education support (EUR 85 thousand) and a "Šanca pre všetkých" operating subsidy (EUR 79 thousand) and revenues from subsidies in the subsidiaries, primarily ŽP EKO-QELET (EUR 472 thousand) and Tále (EUR 230 thousand).

26 FINANCIAL RISK MANAGEMENT POLICIES

26.1 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 2019.

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

	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Debt (i)	(105 752 573)	(92 530 609)
Cash and cash equivalents	14 440 278	11 690 438
Net debt	(91 312 295)	(80 840 171)
Equity	(214 929 197)	(221 657 774)
Net debt to equity ratio	42%	36%

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

26.2 Categories of financial instruments

	<i>31 Dec 2020</i>	<i>31 Dec 2019</i>
Available-for-sale investments	159 387	159 387
Investments in associates	2 047 883	2 178 794
Loans, borrowings and receivables (including cash and cash equivalents)	80 334 551	73 248 427
Financial assets	82 541 821	75 586 608
Bank loans recognised at amortised costs	98 151 315	84 535 115
Obligations under finance lease	7 601 258	7 995 494
Trade payables and other liabilities	35 838 880	34 262 107
Financial liabilities	141 591 453	126 792 716

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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

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 2020 would increase/decrease by EUR 283 thousand (2019: increase/decrease by EUR 258 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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
USD	1 157 148	966 671	7 938 739	6 444 824
CZK	156 077	942 269	1 805 366	3 001 788
PLN	822 964	61 281	7 590 182	8 503 741

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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Profit or loss	1 695 398	1 369 538	329 858	411 904	1 353 444	1 688 492

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	1-5 years	5+ years	Total
		1 year			
2020					
Interest-free liabilities		33 188 140	3 244 758	-	36 432 898
Floating interest rate instruments (loans)	0.97%	50 158 389	15 052 482	-	65 210 871
Fixed interest rate instruments (loans)	3.20%	7 708 867	26 526 056	1 754 905	35 989 828
Finance lease obligations		1 599 859	3 837 488	4 715 947	10 153 294
		92 655 255	48 660 784	6 470 852	147 786 891
2019					
Interest-free liabilities		31 665 713	3 199 159	-	34 864 872
Floating interest rate instruments (loans)	1.43%	37 971 489	12 717 144	-	50 688 633
Fixed interest rate instruments (loans)	3.01%	12 760 966	23 683 994	-	36 444 960
Finance lease obligations		1 575 471	4 085 479	5 047 983	10 708 933
		83 973 639	43 685 776	5 047 983	132 707 398

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).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

27 RELATED PARTY TRANSACTIONS

27.1 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 2020 amounted to EUR 3 454 thousand (year ended 31 December 2019: EUR 3 798 thousand). Remuneration is included in personnel expenses.

27.2 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:

	<i>Purchases of goods and services in 2020</i>	<i>Payables as at 31 Dec 2020</i>	<i>Sales of goods and services in 2020</i>	<i>Receivables as at 31 Dec 2020</i>
Parent company and ultimate owners	160 155	17 370 480	13 833	3 195
Other related parties	2 101	-	95 035	3 322
Total	162 256	17 370 480	108 868	6 517
	<i>Purchases of goods and services in 2019</i>	<i>Payables as at 31 Dec 2019</i>	<i>Sales of goods and services in 2019</i>	<i>Receivables as at 31 Dec 2019</i>
Parent company and ultimate owners	157 770	22 270 480	8 493	3 086
Other related parties	296 451	225 470	83 028	23 083
Total	454 221	22 495 950	91 521	26 169

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.

28 COMMITMENTS AND CONTINGENCIES

28.1 Environmental matters

The Company's 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.

28.2 Capital expenditure

The Group prepared a capital expenditure plan for 2021 amounting to EUR 20 932 thousand, of which EUR 10 404 thousand is contracted as at 31 December 2020.

28.3 Litigation and potential losses

At present, the Group is involved in a number of legal cases and other disputes that arise as a result of ordinary business activities. The Group created a provision for litigation against PIPEX ITALIA S.p.A in the amount of EUR 496 thousand. The Group did not create a provision for other Group litigations in the accompanying consolidated financial statements, and based on the advice of its legal counsels, believes that the final outcome of the litigations is uncertain, and no material negative impact, individually or in aggregate, is anticipated on the Company's consolidated financial statements.

28.4 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 2020, the Group received a pro rata share of emission rights, but the Group's emission production in 2020 exceeded this share. The difference of EUR 304 thousand is recognised in profit or loss.

In 2020, the Group purchased and sold emission rights resulting in a gain of EUR 135 thousand recognised in the income statement.

The Group has an obligation to deliver emission rights for actual emissions. This obligation was fulfilled by the delivery of emission rights for the 2020 monitored period in March 2021.

28.5 Guarantee for loans provided to other entities

The Group 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 SLSF up to EUR 6 million. The outstanding principal as at 31 December 2020 amounts to EUR 4.8 million.

The Company's 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 EVENTS AFTER THE REPORTING PERIOD

From 31 December 2020 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 23 April 2021.



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SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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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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 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 2020, 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 2020, 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.

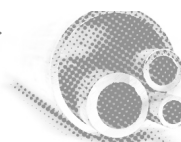
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

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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 2020 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, 25 March 2021



Ing. Patrik Ferko, FCCA
Responsible Auditor
Licence UDVA No. 1045

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



SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (IN EUROS)

	Note.	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	116 690 955	111 518 954
Intangible assets	6	84 430	4 680
Investments in subsidiaries, joint-ventures and associates	7	78 931 577	77 865 833
Available-for-sale investments		94 387	94 387
Other assets	8	276 426	232 486
Total non-current assets		196 077 775	189 716 340
CURRENT ASSETS			
Inventories	9	53 452 625	54 851 345
Trade receivables and other financial assets	10	40 438 610	33 055 436
		12 000	864 671
Other assets	11	568 623	1 188 216
Cash and cash equivalents	12	479 260	966 275
Total current assets		94 951 118	90 925 943
TOTAL ASSETS		291 028 893	280 642 283
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	81 060 590	81 060 590
Legal and other funds	13	16 212 118	16 212 118
Retained earnings		108 366 257	113 760 903
Total equity		205 638 965	211 033 611
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	27 370 000	27 370 000
Other liabilities	15	2 177 357	1 910 273
Provision for employee benefits	16	7 403 664	7 905 811
Deferred tax liability	17	5 670 487	7 102 977
Total non-current liabilities		42 621 508	44 289 061
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	20 552 374	4 859 905
Trade and other payables	18	22 216 046	20 459 706
Current tax liability		-	-
Total current liabilities		42 768 420	25 319 611
Total liabilities		85 389 928	69 608 672
TOTAL EQUITY AND LIABILITIES		291 028 893	280 642 283



SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Sales of own products and merchandise	19	191 101 403	245 284 744
Sales of services	19	5 312 413	5 772 737
Changes in inventories of finished products and work in progress		1 784 599	2 230 826
Own work capitalised	20	6 570 156	6 734 161
Raw materials and consumables used	21	(126 574 818)	(154 852 582)
Services		(21 116 658)	(22 658 939)
Personnel expenses	22	(65 651 635)	(73 280 642)
Depreciation and amortisation		(7 949 626)	(7 962 203)
Other operating revenues	23	12 123 129	4 647 390
Other operating expenses	23	(3 541 048)	(3 176 836)
Interest income	24	149 180	318 827
Interest expense	25	(618 533)	(516 918)
Other financial income	26	5 219 097	5 038 255
Other financial expenses	26	(1 250 659)	(452 929)
Profit/(loss) before tax		(4 443 000)	7 125 891
Income tax expense	27	1 432 489	113 368
PROFIT/(LOSS) FOR THE YEAR		(3 010 511)	7 239 259
Other comprehensive income and losses that may be reclassified subsequently to profit or loss			
Other comprehensive income and losses after tax		-	-
Total profit/(loss) for the year		(3 010 511)	7 239 259

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

	Share capital	Legal reserve fund	Retained earnings	Total
Opening balance at 1 January 2019	81 060 590	16 212 118	110 813 087	208 085 795
Dividends paid	-	-	(4 291 443)	(4 291 443)
Total comprehensive income/(loss) for the year	-	-	7 239 259	7 239 259
Closing balance at 31 December 2019	81 060 590	16 212 118	113 760 903	211 033 611
Dividends paid	-	-	(2 384 135)	(2 384 135)
Total comprehensive income/(loss) for the year	-	-	(3 010 511)	(3 010 511)
Closing balance at 31 December 2020	81 060 590	16 212 118	108 366 257	205 638 965



SEPARATE STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

	Note	2020	2019
Cash flows from core business activities			
Profit/(loss) from ordinary activities		(4 443 000)	7 125 891
Non-cash transactions affecting profit/loss from ordinary activities		8 405 022	9 364 045
Depreciation charges		7 949 626	7 962 203
Net book value of non-current assets		19 009	14 482
Write-off of receivables		1 266	1 102
Revenues from assigned receivables		(3)	(17)
Provision for employee benefits		592 645	1 058 200
Change in temporary accounts of assets		11 519	195 196
Change in temporary accounts of liabilities		278 000	(286 144)
Provisions for assets		564 982	542 953
Interest expense		618 533	516 918
Interest income		(149 180)	(318 827)
Unrealised foreign exchange losses		58 503	11 083
Unrealised foreign exchange gains		(12 357)	(32 673)
Gain/(loss) from the sale of non-current assets		(451 267)	(300 431)
Other non-cash items		(1 076 254)	-
Change in working capital		9 628 236	1 081 601
Receivables		(6 602 989)	19 138 483
Payables		15 547 548	(16 001 025)
Inventories		683 677	(2 055 857)
Interest paid		(608 930)	(516 378)
Interest received		243 296	267 059
Paid employee benefits		(1 094 792)	(370 407)
Emission rights		478 225	(375 000)
Items excluded from operating activities		(3 481 895)	(4 612 772)
Dividends		(3 486 031)	(4 669 798)
Expenditures recognised in respect of derivatives		5 039	3 842
Income recognised in respect of derivatives		(903)	(49)
Foreign exchange losses		203 872	53 551
Foreign exchange gains		(15)	(318)
Specific items		(12 001)	(3 541 199)
Corporate income tax paid		(12 001)	(3 541 199)
Net cash generated by operating activities		9 318 018	8 422 840
Cash flows from investing activities			
Expenditures for the acquisition of property, plant and equipment		(12 066 393)	(16 876 819)
Acquisition of non-current intangible assets		(80 242)	-
Acquisition of non-current tangible assets		(13 369 923)	(13 637 635)
Acquisition of non-current financial assets		(1 589 954)	(2 032 232)
Change in liabilities of investment nature		2 973 726	(1 206 952)
Proceeds on the sale of non-current assets		1 061 841	741 023
Proceeds on the sale of non-current tangible and intangible assets		686 017	740 960
Proceeds on the sale of non-current financial assets		375 824	63



SEPARATE STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

	<i>Note</i>	2020	2019
Cash flows from loans and borrowings		315 366	(650 000)
Proceeds from repayment of loans and borrowings		2 363 590	-
Payments for provided loans and borrowings		(2 048 224)	(650 000)
Dividends received		3 486 031	4 673 306
Net cash generated by investing activities		(7 203 155)	(12 112 490)
Cash flows from financing activities			
Change in non-current (current) liabilities		-	7 800 000
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		-	(1 200 000)
Expenditures related to derivatives		(5 039)	(3 842)
Income related to derivatives		903	49
Expenditures for dividends paid		(2 393 885)	(4 283 185)
Net cash generated by financing activities		(2 398 021)	3 513 022
Net increase or net decrease in cash		(283 158)	(176 628)
Cash and cash equivalents at the beginning of the reporting period	12	966 275	1 196 136
Cash and cash equivalents before reflecting foreign exchange differences at the end of the reporting period		683 117	1 019 508
Foreign exchange differences for cash and cash equivalents at the end of the reporting period	12	(203 857)	(53 233)
Foreign exchange losses		(203 872)	(53 551)
Foreign exchange gains		15	318
Cash and cash equivalents at the end of the reporting period	12	479 260	966 275



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (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 2020, the Company's shares were held by CPA s.r.o. (79.44%) and other minority shareholders (20.56%). 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. Ludovít Ihring – Member
 Ing. Tomáš Ihring – Member
 Ing. Jaroslav Romančík – Member
 Ing. Vladimír Zvarík – Member
 Ing. Július Kriváň – Member since 29 Jun 2020
 Soňa Lopušná – Member until 23 Oct 2020
 Pavol Košťal – Member until 20 Nov 2020
 Ing. Ivan Setvák – Member since 23 Oct 2020
 Ing. Miroslav Vrabec – Member from 20 Nov 2020 until 15 Jan 2021
 Ján Cipciar – Member since 15 Jan 2021

Board of Directors

Ing. Vladimír Soták – Chairman
 Ing. Marian Kurčík – Deputy Chairman
 Ing. Miloš Dekrét – Member
 Ing. Mária Niklová – Member
 Ing. Vladimír Soták, Jr. – Member
 Ing. Milan Srnka, PhD – Member
 Ing. Július Kriváň – Member until 29 Jun 2020

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 2020 to 31 December 2020 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 2019 financial statements

The Company's 2019 financial statements for the year ended 31 December 2019 were approved by the Annual General Meeting held on 29 June 2020.

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 2019. For expenses and revenues, comparatives for the previous reporting period, i.e. year ended 31 December 2019, 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 2020.

Initial application of new and amended IFRS standards effective for the current reporting period

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

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 3 "Business Combinations" – Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of this period),



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 “Leases”** – Covid-19-Related Rent Concessions – adopted by the EU on 9 October 2020 (effective for annual periods beginning on or after 1 January 2020, no later than on 1 June 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the financial statements of the Company.

New and amended IFRS 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:

- **Amendments to IFRS 4 “Insurance Contracts”** – Extension of the Temporary Exemption from Applying IFRS 9 – adopted by the EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021).
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** – Interest Rate Benchmark Reform – Phase 2 – adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

The Company has elected not to adopt these new standards, amendments to the existing standards and the new interpretation in advance of their effective dates.

New and amended IFRS 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 reporting date (the effective dates stated below are for IFRS as issued by the IASB):

- **IFRS 17 “Insurance Contracts” and Amendments to IFRS 17** (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 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 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 various standards due to “Annual Improvements to IFRS Standards (2018 – 2020 Cycle)”** resulting from the annual IFRS improvement project (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.),
- **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 further 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 reporting date.

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.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

(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) Non-current 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.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

(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.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

(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 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 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).

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 will not 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.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

5 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Assets under construction</i>	<i>Total</i>
Cost				
At 1 January 2020	126 428 243	214 193 100	4 787 405	345 408 748
Additions	-	-	13 378 857	13 378 857
Disposals	(584 652)	(1 774 039)	(22 374)	(2 381 065)
Transfers	2 701 881	8 389 722	(11 091 603)	-
At 31 December 2020	128 545 472	220 808 783	7 052 285	356 406 540
Accumulated depreciation, provisions				
At 1 January 2020	74 536 299	159 305 895	47 600	233 889 794
Depreciation, recognition of the net book value	2 453 321	5 580 177	-	8 033 498
Impairment loss	(87 302)	-	(1 304)	(88 606)
Disposals	(345 062)	(1 774 039)	-	(2 119 101)
Transfers	-	-	-	-
At 31 December 2020	76 557 256	163 112 033	46 296	239 715 585
Carrying amount				
At 1 January 2020	51 891 944	54 887 205	4 739 805	111 518 954
At 31 December 2020	51 988 216	57 696 750	7 005 989	116 690 955

The Company does not use any manufacturing equipment leased under a finance lease. As at 31 December 2020, the cost of fully-depreciated items of property, plant and equipment that are still in use was EUR 50 388 thousand (31 December 2019: EUR 54 559 thousand).

Property, plant and equipment include the Slovenská Ľupča castle at a net book value of EUR 2 926 thousand (31 December 2019: EUR 2 998 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 revising the useful life, the depreciation charges of non-current tangible assets were reduced by EUR 355 thousand in 2020.

Major additions to non-current tangible assets in 2020 included technical improvements to entry rod production – replacement of a rack at a cost of EUR 1 079 thousand, technical improvements to tube production – replacement of cut-off saws No. 2 and No. 3 from Framag at a cost of EUR 2 269 thousand, technical improvements to finishing lines I. and II. at a cost of EUR 848 thousand. Lighting was reconstructed in the tube drawing mill halls at a cost of EUR 731 thousand, reconstruction of SSOSH ŽP – workshop and laboratory at a cost of EUR 778 thousand. There is a significant increase in the acquisition of new assets, Bypass finishing line No. 3 at a cost of EUR 1 789 thousand.

Assets under lien

As at 31 December 2020, the net book value of the Company's non-current tangible assets pledged to secure bank loans amounted to EUR 27 347 thousand (fair value of approx. EUR 53 million). The net book value of non-current tangible assets with restricted handling by the Company (easement) was EUR 2 500 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.

<i>Insured Assets</i>	<i>Type of insurance</i>	<i>Name and seat of the insurance company</i>	<i>Insured amount</i>
Set of immovable assets	Against all risks	Allianz-Slov. poisťovňa, a.s., Bratislava	301 780 244
Set of movable assets	Against all risks	Allianz-Slov. poisťovňa, a.s., Bratislava	294 694 841
Acquisition of new non-current tangible assets	Against all risks	Allianz-Slov. poisťovňa, a.s., Bratislava	2 000 000

6 INTANGIBLE ASSETS

	<i>Software</i>	<i>Investments in progress</i>	<i>Total</i>
Cost			
At 1 January 2020	597 491	-	597 491
Additions	-	80 242	80 242
Disposals	(2 759)	-	(2 759)
Transfers	-	-	-
At 31 December 2020	594 732	80 242	674 974
Accumulated amortisation			
At 1 January 2020	592 811	-	592 811
Amortisation	492	-	492
Disposals	(2 759)	-	(2 759)
At 31 December 2020	590 544	-	590 544
Carrying amount			
At 1 January 2020	4 680	-	4 680
At 31 December 2020	4 188	80 242	84 430



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

7 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

	<i>31 December 2020</i>	<i>31 December 2019</i>
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
Pipex Deutschland GmbH	130 722	130 722
UHL Holding, a.s.	1 377 226	-
Tále, a.s.	16 394 480	16 394 480
FK Železiarne Podbrezová a.s.	-	578 285
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	772 237
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
Subsidiaries, total	<u>76 845 270</u>	<u>75 833 601</u>
Investments in associates		
TOM-FERR Zrt.	2 032 232	2 032 232
FK Železiarne Podbrezová a.s.	202 499	-
Total associates	<u>2 234 731</u>	<u>2 032 232</u>
Provision for associates	<u>(148 424)</u>	<u>-</u>
Total, net	<u>78 931 577</u>	<u>77 865 833</u>

In 2020, the Company acquired a 100% share in UHL Holding, a.s. in the amount of EUR 1 377 thousand and purchased the remaining 10% in ZANINONI SLOVAKIA, s.r.o. in the amount of EUR 213 thousand. The Company sold a 64.98% share in FK Železiarne Podbrezová a.s. in the amount of EUR 376 thousand. The Company created a provision for investments in TOM-FERR Zrt. and FK Železiarne Podbrezová a.s. in the amount of EUR 148 thousand.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

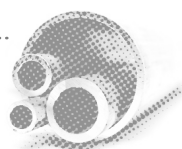
Information on the subsidiaries as at 31 December 2020 may be summarised as follows:

Name	Country of incorporation	Ownership share/ Voting rights %		Principal activity	Equity		Profit/(loss)	
		2020	2019		31 December 2020	31 December 2019	2020	2019
ŽP Informatika s.r.o.	Slovak Republic	100.00 %	100.00 %	IT services	2 312 888	2 296 841	58 047	49 721
Transformaciones Metalurgicas S.A.U. *	Spain	100.00 %	100.00 %	Production of steel pipes	19 909 783	18 759 766	455 251	1 257 135
Žp - Gastroservis, s.r.o.	Slovak Republic	100.00 %	100.00 %	Catering services	1 026 812	1 014 709	12 103	1 805
Žp EKO QLEET a.s. *	Slovak Republic	66.27 %	66.27 %	Purchase and sale of scrap	19 111 839	18 688 886	422 942	(128 347)
Pipex Deutschland GmbH *	Germany	80.00 %	80.00 %	Trading activities	823 535	766 061	182 474	298 531
Táje, a.s. *	Slovak Republic	94.66 %	94.66 %	Travel industry	15 548 638	15 839 770	(291 133)	(304 308)
UHL Holding, a.s.	Slovak Republic	100.00 %	100.00 %	Trading activities	554 078	-	(6 221)	-
ŠK Železiarne Podbrezová a.s.	Slovak Republic	99.50 %	99.50 %	Sports, advertising and promotion	411 967	333 501	78 466	4 603
SLOVRUR Sp. z o. o.	Poland	90.00 %	90.00 %	Trading activities	3 499 149	4 264 471	288 742	917 485
Žp VVC s.r.o.	Slovak Republic	100.00 %	100.00 %	Research and development activities	234 118	225 544	38 574	52 684
PIPEX ITALIA S.p.A. *	Italy	85.00 %	85.00 %	Trading activities	9 030 144	9 624 378	405 765	1 864 818
ŽIAROMAT a.s.	Slovak Republic	100.00 %	100.00 %	Metallurgy	2 830 583	2 801 461	29 123	211 212
ZANINONI SLOVAKIA, s.r.o. *	Slovak Republic	100.00 %	90.00 %	Transportation services	2 199 077	2 127 031	522 046	471 004
Žp Bezpečnostné služby s.r.o.	Slovak Republic	100.00 %	100.00 %	Operation of security guards	359 563	372 999	36 564	73 556
KBZ s.r.o.	Slovak Republic	70.00 %	70.00 %	Purchase and sale of scrap	2 522 571	2 319 799	203 772	1 182
Žp Rehabilitácia s.r.o.	Slovak Republic	100.00 %	100.00 %	Organisation of events, advertising, marketing, transport health services	172 416	135 317	37 100	20 306
Žp Trade Bohemia a.s.	Czech Republic	100.00 %	100.00 %	Trading activities	2 268 033	2 485 222	140 459	345 748

* 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 2020, the Company had no financial assets pledged to secure bank loans.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

8 OTHER NON-CURRENT ASSETS

	31 December 2020	31 December 2019
Non-current borrowing provided	53 394	
Deferred expenses	85 018	91 463
Other non-current receivables	138 014	141 023
Total	276 426	232 486

The provided borrowing represents a non-current portion of gradually paid funds to UHL s.r.o. in line with the concluded Borrowing Agreement.

9 INVENTORIES

	31 December 2020	31 December 2019
Raw materials and spare parts	24 488 444	26 800 877
Work in progress	14 373 910	14 588 830
Finished products	16 065 489	14 065 970
Merchandise	396 356	552 200
Provision	(1 871 574)	(1 156 532)
Total	53 452 625	54 851 345

At 31 December 2020 and 31 December 2019, none of the inventories were pledged to secure bank loans.

Provisions for inventories

	Balance as at 1 January 2020	Creation	Use	Cancellation	Balance as at 31 December 2020
Raw materials and spare parts	645 729	277 318	313 919	13 025	596 103
Work in progress	-	-	-	-	-
Finished products	442 270	1 174 649	442 270	-	1 174 649
Merchandise	68 533	57 689	25 400	-	100 822
Total	1 156 532	1 509 656	781 589	13 025	1 871 574

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	55 000 000

10 TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

	31 December 2020	31 December 2019
Trade receivables	24 788 425	28 681 919
Borrowings provided to related parties	1 054 685	500 000
Other tax assets	2 971 429	2 678 022
Receivables from subsidies	1 770 053	50 337
Other receivables	10 446 001	2 031 378
Allowance for doubtful amounts	(591 983)	(886 220)
Total trade and other receivables	40 438 610	33 055 436

Other tax assets of EUR 2 971 thousand (31 December 2019: EUR 2 678 thousand) represent VAT receivables. Provided borrowings comprise borrowings provided to UHL holding a.s., UHL s.r.o. and KBZ s.r.o. in the amount of EUR 1 055 thousand (31 December 2019: EUR 500 thousand). Receivables from subsidies are described in Note 29. Other receivables of EUR 10 446 thousand primarily comprise a notarial custody and a provided short-term borrowing (31 December 2019: EUR 2 031 thousand).

As at 31 December 2020 and 31 December 2019, 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 2020	31 December 2019
Current receivables	39 473 281	28 280 689
Overdue receivables	1 557 312	5 660 967
Total	41 030 593	33 941 656

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

	31 December 2020	31 December 2019
Within 90 days	956 822	4 562 880
90 – 180 days	-	211 810
180 – 360 days	-	-
Over 360 days	2 000	-
Total	958 822	4 774 690



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

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

	31 December 2020	31 December 2019
Within 90 days	-	-
90 – 180 days	-	-
180 – 360 days	13 013	114
Over 360 days	585 477	886 163
Total	598 490	886 277

11 OTHER ASSETS

Other current assets consist of the following:

	31 December 2020	31 December 2019
Prepaid expenses	133 916	139 009
Accrued income	15 732	152 007
Emission rights	418 975	897 200
Total	568 623	1 188 216

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 2019 and 2020.

12 CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	38 706	35 927
Bank balances and deposits	440 554	930 348
Cash and cash equivalents in the balance sheet	479 260	966 275
Cash and cash equivalents in the statement of cash flows	479 260	966 275

13 EQUITY

Share capital

The authorised share capital comprised 2 384 135 ordinary shares (31 December 2019: 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 2020 and 31 December 2019. 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 the profit generated in 2019

Based on the decision of the General Meeting held on 29 June 2020, the profit for the year ended 31 December 2019 totalling EUR 7 239 thousand was distributed as follows: transfer to retained earnings in the amount of EUR 7 239 thousand.

14 INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2020	31 December 2019
Loans	27 600 000	13 800 000
Overdraft facilities	4 952 374	3 059 905
Borrowing received from the Company's ultimate owners	15 370 000	15 370 000
Total interest-bearing loans and borrowings	47 922 374	32 229 905
Loans by currency:		
EUR - Fixed interest rate	15 370 000	15 370 000
EUR - Floating interest rate	32 552 374	16 859 905
Total	47 922 374	32 229 905
Repayments of loans are scheduled as follows:		
Within one year	20 552 374	4 859 905
More than one year, less than two years	15 370 000	15 370 000
More than two years, less than three years	-	-
More than three years, less than four years	-	-
More than four years, less than five years	12 000 000	12 000 000
More than five years	-	-
Total	47 922 374	32 229 905
Current portion		
Loans and borrowings	20 552 374	4 859 905
Total	20 552 374	4 859 905



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

Loans and borrowings

Interest rates of loans and borrowings:

EUR - Fixed interest rate	2.00%
EUR - Floating interest rate	1M – 3M EURIBOR +1.2 – 1.45% p.a.; EONIA+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. Given the fact that based on the reported 2020 operating results, the Company was unable to comply with the financial covenants as at 31 December 2020 under the loan agreements, the financing banks granted the Company an exemption from non-compliance and thus waived all their rights under the existing loan agreements in this respect.

15 OTHER NON-CURRENT LIABILITIES

	31 December 2020	31 December 2019
Deferred income	2 130 147	1 867 143
Of which: Subsidies	2 110 738	1 845 594
Other	19 409	21 549
Other non-current liabilities	47 210	43 130
Total	2 177 357	1 910 273

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 2020, the programme was applicable to 2 921 employees of the Company. 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 2020	31 December 2019
Present value of benefits paid on retirement	6 273 462	6 743 621
Present value of length of service benefits	934 368	964 128
Present value of jubilee benefits	195 834	198 062
Total	7 403 664	7 905 811

Key assumptions used in the actuarial valuation:	31 December 2020
Annual future real rate of salary increases	2.00%
Annual employee turnover	9.7%
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 2020	(Debited)/credited to the current-year profit	(Debited)/ credited to equity	31 December 2020
Property, plant and equipment	(9 762 664)	1 444 794	-	(8 317 870)
Inventories	248 454	148 588	-	397 042
Receivables	13 402	(4 139)	-	9 263
Liabilities	251 409	9 597	-	261 006
Employee benefits	1 660 220	(105 451)	-	1 554 769
Research and development	395 308	-	-	395 308
Subsidies	90 894	(60 899)	-	29 995
Total	(7 102 977)	1 432 490	-	(5 670 487)

	1 January 2019	(Debited)/credited to the current-year profit	(Debited)/ credited to equity	31 December 2019
Property, plant and equipment	(9 287 114)	(475 550)	-	(9 762 664)
Inventories	145 739	102 715	-	248 454
Receivables	19 133	(5 731)	-	13 402
Liabilities	330 303	(78 894)	-	251 409
Employee benefits	1 515 784	144 436	-	1 660 220
Research and development	-	395 308	-	395 308
Subsidies	59 764	31 130	-	90 894
Total	(7 216 391)	113 414	-	(7 102 977)

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



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

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

	31 December 2020	31 December 2019
Deferred tax asset	3 671 014	3 155 926
Deferred tax liability	<u>(9 341 501)</u>	<u>(10 258 903)</u>
Total	<u>(5 670 487)</u>	<u>(7 102 977)</u>

18 TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Trade payables	14 748 482	10 862 977
Dividends	73 541	381 909
Payables to employees and social security payables	6 264 546	7 200 370
Other tax payables	428 974	531 731
Payable to previous shareholders	-	781 819
Deferred income on subsidies, current	304 967	266 592
Other payables	<u>395 536</u>	<u>434 308</u>
Total	<u>22 216 046</u>	<u>20 459 706</u>

A liability to former shareholders, representing cash not assumed by the former shareholders who did not enforce their right to exchange shares during 2007, was declared statute-barred.

Breakdown of trade and other payables:

	31 December 2020	31 December 2019
Current payables	20 971 354	19 433 597
Overdue payables	<u>1 244 692</u>	<u>1 026 109</u>
Total	<u>22 216 046</u>	<u>20 459 706</u>

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

	Amount
Opening balance as at 1 January 2020	25 347
Total creation	575 413
Total drawing	<u>548 400</u>
Closing balance as at 31 December 2020	<u>52 360</u>

19 REVENUES

Revenues comprise the following items:

Commodity	Year ended		Year ended	
	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Own products	189 698 299	96.58	242 164 608	96.46
Merchandise	1 403 104	0.71	3 120 136	1.24
Services	<u>5 312 413</u>	<u>2.71</u>	<u>5 772 737</u>	<u>2.30</u>
Total revenues	<u>196 413 816</u>	<u>100.00</u>	<u>251 057 481</u>	<u>100.00</u>

Revenues by geographical segment:

	Year ended	
	31 December 2020	31 December 2019
Slovak Republic	21 841 533	24 567 835
Czech Republic	21 129 877	31 058 066
Other EU Member States	131 889 814	169 024 309
Other European countries	14 587 062	13 198 193
Middle East	300 608	1 908 529
Far East	306 627	1 318 471
USA	5 904 923	9 924 103
Other exports	<u>453 372</u>	<u>57 975</u>
Total revenues	<u>196 413 816</u>	<u>251 057 481</u>

20 OWN WORK CAPITALISED

	Year ended	
	31 December 2020	31 December 2019
Own work capitalised – raw materials	5 432 505	6 020 149
Own work capitalised – internal services	142 962	194 452
Own work capitalised – non-current tangible assets	<u>994 689</u>	<u>519 560</u>
Total own work capitalised	<u>6 570 156</u>	<u>6 734 161</u>

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



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

21 RAW MATERIALS AND CONSUMABLES USED

	Year ended	
	31 December 2020	31 December 2019
Consumed raw materials	99 787 811	124 485 521
Consumed energy	25 524 996	27 475 577
Costs of goods sold	1 262 011	2 891 484
Total raw materials and consumables used	126 574 818	154 852 582

22 PERSONNEL EXPENSES

	Year ended	
	31 December 2020	31 December 2019
Wages and salaries	45 756 065	50 875 074
Social security contributions	19 895 570	22 405 568
Total	65 651 635	73 280 642

The Company's had 2 921 employees as at 31 December 2020, of which 102 were managers (31 December 2019: 3 121 employees, of which 99 were managers). The full-time equivalent of employees for the year ended 31 December 2020 was 2 993 (31 December 2019: 3 190).

23 OTHER OPERATING REVENUES AND EXPENSES

Other operating revenues, net comprise the following:

	Year ended	
	31 December 2020	31 December 2019
Profit on the sale of property, plant, equipment and intangibles	451 228	289 030
Profit on the sale of raw materials	321 486	280 959
Proceeds from grants	9 018 165	2 990 254
Insurance benefits from insurance companies	267 544	869 033
Other operating revenues	2 064 706	218 114
Total other operating revenues, net	12 123 129	4 647 390

A significant increase in revenues from subsidies is described in Note 29.

Other operating revenues of EUR 2 065 thousand mainly comprise refunded cash from the contribution paid in excess to the Nuclear Fund in the amount of EUR 1 467 thousand and proceeds from the sale of full project and tender documentation for the reconstruction of the Brezno hospital in the amount of EUR 500 thousand.

Other operating expenses, net comprise the following:

	Year ended	
	31 December 2020	31 December 2019
(Additions to)/release of provisions for receivables and inventories	1 034 391	877 159
Change in impairment of property, plant and equipment	(6 313)	75 251
Insurance premium	949 709	963 770
Other taxes and charges	334 392	351 202
Other operating expenses	1 228 869	909 454
Total other operating expenses	3 541 048	3 176 836

24 INTEREST INCOME

	Year ended	
	31 December 2020	31 December 2019
Interest income on bank accounts	-	241
Interest income on borrowings	149 180	318 586
Total interest income	149 180	318 827

25 INTEREST EXPENSE

	Year ended	
	31 December 2020	31 December 2019
Loans and borrowings	617 110	516 918
Other	1 423	-
Total interest expense	618 533	516 918



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (IN EUROS)

26 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income comprises the following items:

	Year ended	
	31 December 2020	31 December 2019
Dividends from financial investments	3 486 031	4 669 798
Foreign exchange gains	433 175	368 457
Revenues from financial derivatives	903	-
Proceeds from the sale of financial investments	134 634	-
Other financial income	1 164 354	-
Total other financial income	5 219 097	5 038 255

Proceeds from the sale of financial investments of EUR 135 thousand represent the gain from the sale of emission rights. Other financial income of EUR 1 164 thousand comprises unpaid proceeds from the sale of unclaimed certified shares, and a write-off of liabilities from statute-barred dividends.

Other financial expenses comprise the following items:

	Year ended	
	31 December 2020	31 December 2019
Foreign exchange losses	882 250	304 788
Losses from financial derivatives	5 039	3 793
Other financial expenses	363 370	144 348
Total other financial expenses	1 250 659	452 929

27 INCOME TAX

	Year ended	
	31 December 2020	31 December 2019
Current tax expense for current period	1	46
Deferred tax expense for current period	(1 432 490)	(113 414)
Total income tax	(1 432 489)	(113 368)

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

	Year ended	
	31 December 2020	31 December 2019
Profit/(loss) before tax	(4 443 000)	7 125 891
Tax at the local tax rate of 21% (2019: 21%)	(933 030)	1 496 437
Permanent differences		
- Non-deductible expenses	1 811 898	512 502
- Non-taxable income	(2 367 161)	(2 122 307)
Effect of a change in the tax rate	-	-
Unrecognised deferred taxes	55 804	-
Total income tax	(1 432 489)	(113 368)

The actual tax rate differs from the tax rate of 21% (2019: 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 2015 until 2019 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 2020, the Company recorded open derivative positions under currency swaps and forwards at a face value of EUR 3.36 million and EUR 0.53 million, respectively. As at 31 December 2020, the fair value of the open derivative positions amounted to EUR 87 thousand.

The Company performed derivative transactions during 2020. In 2020, the Company generated a loss of EUR 4 137 from currency derivative transactions.

29 SUBSIDIES

	Receivables from subsidiaries	Deferred income on subsidies, non-current	Deferred income on subsidiaries, current	Release of subsidies in the statement of comprehensive income
31 December 2020				
Investment subsidies	190 370	2 110 738	304 967	294 800
Operating subsidies	1 579 683	-	-	8 723 365
Total subsidies	1 770 053	2 110 738	304 967	9 018 165
31 December 2019				
Investment subsidies	-	1 845 593	266 592	271 865
Operating subsidies	50 337	-	-	2 718 389
Total subsidies	50 337	1 845 593	266 592	2 990 254



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Receivables from a subsidy amounting to EUR 1 770 thousand comprise funds in the amount of EUR 190 thousand awarded for the "Zníženie energetickej náročnosti v ŽP" project (*Reduction of energy intensity at ŽP*) and support provided by the MPSVaR during the Covid-19 pandemic in the amount of EUR 1 580 thousand.

The statement of comprehensive income mainly includes revenues from: an investment subsidy for the "Reconstruction of the Dust-Collection System of the Electric Arc and Ladle Furnace" project (EUR 182 thousand), an investment subsidy for the "Tungsten and Boiler Steel" project (EUR 9 thousand), an investment subsidy for the "Refurbishment, Modernisation and Construction of a Football Stadium" project (EUR 45 thousand), an investment subsidy for the "Construction of FA Skalica" project (EUR 40 thousand), support during the Covid-19 pandemic (EUR 6 398 thousand), compensation to entrepreneurs for the production of electricity from renewable energy sources (EUR 2 050 thousand), compensation from the environmental fund (EUR 112 thousand), dual education support (EUR 85 thousand) and a "Šanca pre všetkých" operating subsidy (EUR 79 thousand).

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 2019.

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

	31 December 2020	31 December 2019
Debt (i)	(47 922 374)	(32 229 905)
Cash and cash equivalents	479 260	966 275
Net debt	(47 443 114)	(31 263 630)
Equity	(205 638 965)	(211 033 611)
Net debt to equity ratio	23%	15%

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

30.2 Categories of financial instruments

	31 December 2020	31 December 2019
Available-for-sale investments	94 387	94 387
Loans and receivables (including cash and cash equivalents)	41 109 279	34 162 735
Financial assets	41 203 666	34 257 122
Bank loans and borrowings recognised at amortised costs	47 922 374	32 229 905
Trade payables and other liabilities	24 393 402	22 369 976
Financial liabilities	72 315 776	54 599 881

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 2020 would have increased/decreased by EUR 113 thousand (2019: increase/decrease by EUR 75 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 2020	31 December 2019	31 December 2020	31 December 2019
USD	142 935	216 341	294 257	916 018
CZK	3 431	247 559	1 153 335	1 466 309
PLN	103	29 097	3 147 847	4 529 827
CHF	-	-	3 224	3 209

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 zloty 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.



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	USD		CZK		PLN		CHF	
	31 December		31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
Profit or loss	37 831	174 919	229 981	243 750	629 549	900 146	645	642

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.

	Weighted average effective interest rate	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years	Total
2020							
Interest-free liabilities		19 561 825	457 041	1 891 267	48 114	40	21 958 287
Floating interest rate instruments (loans)	1.2 – 1.45	4 958 104	58 070	132 917	12 455 783	-	17 604 874
Fixed interest rate instruments (loans)	2.00%	26 471	50 379	234 819	15 681 669	-	15 993 338
		24 546 400	565 490	2 259 003	28 185 566	40	55 556 499
2019							
Interest-free liabilities		16 370 948	527 415	3 284 350	53 490	40	20 236 243
Floating interest rate instruments (loans)	1.2 – 1.45	4 861 700	43 983	132 917	12 632 200	-	17 670 800
Fixed interest rate instruments (loans)	2.00%	26 471	51 233	234 819	15 680 815	-	15 993 338
		21 259 119	622 631	3 652 086	28 366 505	40	53 900 381

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 2020 amounted to EUR 1 119 thousand (year ended 31 December 2019: EUR 1 141 thousand). Remuneration is included in personnel expenses.

31.2 Other related parties

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

During 2020, the Company entered into the following transactions with related parties:

	Receivables as at 31 December 2020	Payables as at 31 December 2020	Sales of goods and services in 2020	Purchases of goods and services in 2020
Ultimate owners	-	15 370 000	-	312 523
CPA s.r.o. - parent company	3 130	800	8 549	128 703
Subsidiaries and joint ventures	15 653 126	4 002 778	121 630 022	60 330 927
Associates	1 618 922	18 784	4 690 255	847 363
Other related parties	19 337	192 848	623 617	939 853
	17 294 515	19 585 210	126 952 443	62 559 369

During 2019, the Company entered into the following transactions with related parties:

	Receivables as at 31 December 2019	Payables as at 31 December 2019	Sales of goods and services in 2019	Purchases of goods and services in 2019
Ultimate owners	-	15 370 000	-	-
CPA s.r.o. - parent company	3 036	700	3 508	112 284
Subsidiaries and joint ventures	14 735 823	4 122 282	161 186 434	76 562 233
Associates	2 500 763			
Other related parties	36 920	243 225	147 073	1 143 296
	17 276 542	19 736 207	161 337 015	77 817 813

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.



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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 2021 amounting to EUR 13 652 thousand, of which EUR 9 170 thousand is covered by contracts at 31 December 2020.

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 not expected that the disputes will have a significant negative impact, individually or jointly, on the accompanying separate financial statements. In the accompanying separate financial statements, the Company recorded no 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 2020, the Company received a pro rata share of emission rights but the Company's emission production in 2020 exceeded this share. The difference in the amount of EUR 304 thousand is recognised in the statement of profit and loss.

In 2020, the Company purchased and sold emission rights resulting in a gain of EUR 135 thousand recognised in the income statement.

ŽP has an obligation to deliver emission rights to cover produced emissions. This obligation was fulfilled by delivering emission rights for the monitored 2020 period in April 2021.

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. The outstanding principal as at 31 December 2020 amounts to EUR 4 786 thousand.

Since the Company's management believes based on the financial positions of ŽP Informatika s.r.o. and ŽIAROMAT a.s., Kalinovo, that the subsidiaries will repay the loans. ŽP 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.

The Company's customs debt is secured by a bank guarantee of up to EUR 200 thousand and customs debt from representing third parties by a bank guarantee for the approved guarantor of up to EUR 50 thousand. The Company issued blank promissory notes to secure both guarantees.

33 POST-BALANCE SHEET EVENTS

From 31 December 2020 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.

34 APPROVAL OF SEPARATE FINANCIAL STATEMENTS

The separate financial statements were prepared and approved for release on 18 March 2021.



