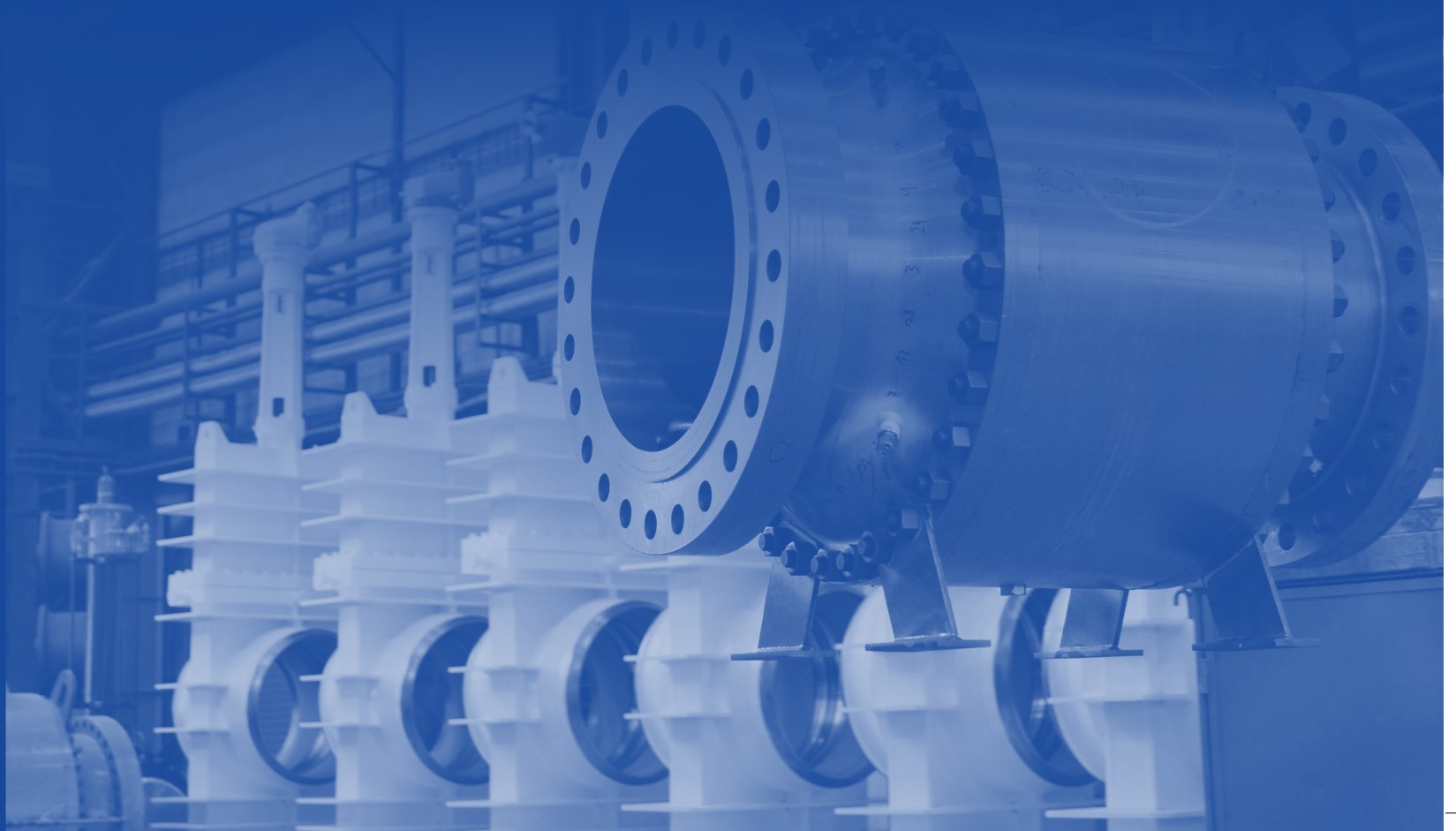


MSA

ANNUAL REPORT

as of December 31, 2023



ABOUT THE COMPANY

MSA, a.s. is a long-established manufacturer of industrial valves. With a presence in the market for over 130 years, it is one of the most significant valve manufacturers in the former Czechoslovakia. Since 1975, the company has also specialized in valves for nuclear power applications.

The headquarters of MSA, a.s. (hereinafter referred to as the "Company") is located in the town of Dolní Benešov, situated in the Hlučínsko region, Opava district, in the Moravian-Silesian Region, near the Polish border. The first historical mention of Dolní Benešov dates back to 1312, and it was granted town status in 1493. The town's dominant landmark is a neoclassical château, originally a fortress built in 1411. Dolní Benešov is also known as the town of ponds, boasting the highest number of ponds in the Opava district. Today, it has a population of over 4,000 residents.

The Company's core production program primarily includes ball valves, gate valves, check valves, globe valves, and special valves for nuclear power applications. These products are used in the transportation, processing, and distribution of oil and gas, as well as in district heating, water supply, the chemical industry, and both conventional and nuclear power generation.

Currently, the Company exports its products to nearly every part of the world, with an active customer base ranging from Australia to North America. In recent years, the Company has increasingly focused on servicing and cooperative manufacturing activities.

Thanks to highly skilled employees and state-of-the-art manufacturing technologies, the Company designs and produces valves that perform reliably even in the most demanding climatic and operational conditions. The key to its success lies in the combination of a long-standing tradition of industrial valve manufacturing in the Moravian-Silesian Region and the transfer of know-how from generation to generation.

It is also important to highlight the Company's high-quality service offerings, which include both warranty and post-warranty service. These services are a crucial component of the Company's commitment to providing comprehensive customer support, ensuring long-term customer satisfaction.

In recent years, the Company has focused on manufacturing valves for extreme conditions, responding to evolving market demands and the transition from conventional oil and gas pipeline valves to technologically advanced solutions. MSA, a.s. plays a key role in supporting its partners in the implementation of these specialized projects.

Since 2021, the Company has been part of TMK*.

During the reporting period, the Company did not acquire any of its own shares.

**Trubnaya Metallurgicheskaya Kompaniya, (hereinafter referred to as „TMK“), is a leading global manufacturer and supplier of steel pipes for the oil and gas industry. The company operates multiple production plants in Russia, the United States, Canada, Oman, the United Arab Emirates, and Kazakhstan, as well as two research and development centers located in Russia and the United States. The company's headquarters is situated in Moscow, the capital of Russia.*

1. Research, Development, and Innovation

Conventional Valves

The primary objective in the field of conventional valves was to align the production program with the requirements of the 25th edition of the API SPEC 6D standard. The Company conducted a detailed analysis of the changes compared to the previous 24th edition and assessed their impact on the design, manufacturing, and testing of valves.

The key challenges introduced by the 25th edition of API SPEC 6D included:

- Ensuring full compliance with API SPEC 6DX,
- Meeting new requirements for bolted joints,
- Implementing the new Annex F – Design Validation,
- Addressing Annexes K and L – Deviations and Additional Requirements.

All changes were thoroughly documented and successfully integrated into the Company's production program.

As part of its product portfolio, the Company manufactures the following API SPEC 6D-compliant products:

- Ball valves,
- Check valves (C09.4),
- Gate valves (S85).

The Company is actively preparing for the future implementation of hydrogen technologies and is currently engaged in the development of valves, specifically ball valves suitable for hydrogen operation.

Based on a detailed analysis of the existing standard design, it was recommended that these valves be used for gas mixtures containing up to 20% hydrogen. At the same time, the necessary modifications to conventional valves were defined in the following key areas:

- Design adjustments
- Use of specific materials
- Optimization of sealing systems
- Enhanced testing requirements.

The result of this effort should be the approval of selected valves for H₂ operation. With this step, the Company confirms its readiness to respond to the growing market demands and to support the transition to environmentally friendly and sustainable energy sources.

In 2023, one of the main tasks in the field of "classic" valves was their preparation for hydrogen operation. These valves must ensure safe and durable use in various hydrogen applications while complying with leading industry standards. The design of ball valves (KK) for hydrogen service focused on four key areas:

1. Materials

The manufacturing of ball valves utilizes high-quality materials, which are essential for ensuring the safe operation of the final product. All materials used are fully compatible with various hydrogen applications, considering operating temperature, pressure, and hydrogen concentration. Pressure-stressed components and pressure-regulating parts are made from forgings, ensuring high quality.

Components in contact with the medium are made from materials compliant with the NACE MR0175 standard, guaranteeing their compatibility for use in hydrogen environments.

2. Sealing

Seals with the lowest helium permeability coefficient are used, including:

- Elastomer seals: HNBR and FKM with AED certification
- Thermoplastics: PEEK and RPTFE
- Secondary graphite seals: TA-LUFT certified, also serving as FIRE SAFE protection

3. Design

Ball valve components are manufactured with the highest machining tolerances, ensuring smooth surfaces without sharp edges or abrupt angles, which could lead to stress concentration and increase the risk of material degradation in hydrogen environments.

4. Testing

In addition to standard tests, the testing of ball valves for hydrogen operation can include the following upon agreement:

- Leakage test according to ISO 5208, medium helium
- Non-destructive testing (NDT): Ultrasonic Testing (UT) and Magnetic Particle Testing (MT) for selected components
- Fugitive emissions testing (FTE) according to EN ISO 15848-1,2
- Fire safety testing (FIRE SAFE) according to API 607, API 6FA
- Pressure Equipment Directive (PED) compliance: PED 2014/68/EU
- ATEX compliance for hazardous environments

Valves for Nuclear Power Applications

The development and production of specialized valves for nuclear power applications are the result of extensive research and engineering activities. These processes include:

- Designing valves in compliance with standards and regulations of various countries
- Performing specialized calculations of static and dynamic properties
- Validating technological and manufacturing processes
- Conducting lifetime testing, seismic resistance tests, flow characteristics analysis, pressure tests, and hydraulic loop tests.

In 2023, the development and design of the following products took place:

1. Wedge components for gate valves DN400 Pp 11.0 MPa and DN800 Pp 9.0 MPa

- The design included both the wedges themselves and the valves intended for high-pressure applications.
- Control calculations were performed, construction documentation was prepared, and testing was conducted at the Company's testing facility.

2. Venturi-effect check valves without a bonnet, flanged for nuclear power applications (Type A15, DN250, DN450, and DN500) with pressures from Pp 1.0 MPa to Pp 4.0 MPa:

- These check valves were designed for delivery to the Akkuyu nuclear power plant in Turkey.
- They feature enhanced hydraulic characteristics, including low hydraulic resistance and reduced pressure surges.
- Manufacturing was carried out at MSA, and testing was performed at the MSA testing facility.
- Control calculations were conducted, and technical documentation was prepared.

Technology

In 2022, two electro-permanent magnetic clamping plates MTG 406 were purchased. These plates were used for clamping S85 DN800 plates on the DMF 260 machine, where the manufacturing technology was modified. By switching from turning on SK25/50 and milling on WHN13 to milling surfaces on the DMF 260, not only was machine time reduced, but all dimensional, tolerance, and surface roughness requirements specified by the design were met.

In 2023, a new machining technology was tested for valve A00 DN400 guide grooves using an angular head. This head was loaned for trial purposes, replacing the traditional groove shaping method with milling on a horizontal boring machine.

Since this angular head proved effective and enabled precise positioning of the groove relative to the valve axis, a tender was launched for the purchase of a new angular head. The selected head, custom-made by Benz, is scheduled for delivery in the sixth month of 2024.

2. Integrated Management System

The Company holds a broad portfolio of system and product certifications, confirming its ability to meet customer requirements and regulatory standards. These certifications support the manufacturing and distribution of products in both domestic and international markets.

The established integrated management system (IMS) connects three key areas:

- Quality management system (QMS) according to ISO 9001
- Environmental management system (EMS) according to ISO 14001
- Occupational health and safety management system (OHSMS) according to ISO 45001.

IMS provides the Company with a comprehensive overview of essential business processes and their interconnections. This system contributes to increasing process efficiency with a focus on sustainability, environmental protection, and customer and employee satisfaction.

In 2023, the Company successfully completed the following audits:

- Second surveillance audit for ISO 9001 and ISO 14001, confirming the validity of existing certifications.
- First surveillance audit for ISO 45001, ensuring compliance with occupational health and safety management standards.
- Revalidation of compliance with API Spec. Q1 and PED 2014/68/EU requirements.

As product quality is a fundamental priority, product certifications are an integral part of the integrated management system. These certifications confirm that products meet the requirements of specific technical regulations. The process includes risk analysis, testing in accredited laboratories, quality stability control of certified products, and other validation procedures.

In 2023, the Company successfully:

- maintained compliance of our products with EN 488:2015, ČSN ISO 14141:2013, and API 6D.
- Obtained a key certification from the Nuclear Regulatory Authority (NDK), which is essential for supplying valves to nuclear energy projects in Turkey.
- Renewed our license based on German regulations, including AD-2000 Merkblatt HP0 and DIN EN ISO 3834-2.
- A surveillance audit for ISO 17025 was conducted in 2021 for the non-destructive testing laboratory, resulting in a certificate valid until 2025.

3. Environmental Protection

The Company engages in a wide range of environmental activities, which it continues to operate in compliance with all legal standards and regulations despite challenging economic conditions. Water management includes operating a wastewater treatment plant (WWTP) and a demulsification station. Air quality management focuses on metal grinding, paint shop operations including pre-treatment by blasting, pickling and passivation line operations, and gas boiler operations. In collaboration with authorized companies, the Company ensures the collection and disposal of waste generated from both manufacturing and administrative activities.

Air Quality Protection

All air pollution sources (metal grinding, paint shop operations including blasting, pickling and passivation lines, and gas boilers) comply with emission limits and operate under valid permits.

Water Management

The Company's drinking water supply comes from the Kružberk water pipeline, owned by SmVaK. Sanitary and industrial wastewater is discharged through the sewage network to the Company's WWTP, ensuring compliance with discharge limits for industrial water.

Waste Management

The Company is a producer of both general and hazardous waste. Iron filings, shavings, and scrap metal (iron and steel) account for approximately 90% of all waste, and these secondary raw materials are sold for recycling. Hazardous waste, mainly used cutting emulsions from machining, is the most prevalent type associated with manufacturing activities.

Legacy Environmental Burdens

In October 2023, the project "Measures Leading to the Remediation of Environmental Liabilities in the MSA, a.s. Dolní Benešov Site" was successfully completed. The project was carried out in the former Company site from 2004 to 2023 with support from the Ministry of Finance of the Czech Republic under Environmental Contract No. 0244/2004, dated October 6, 2004.

Companies owning land and buildings in the former Company site, such as MSA, a.s., ARMATURY Group a.s., RKL Slévárna, and RKL Opava, took advantage of the opportunity to remove monitoring wells and restore their land to its original state. The Ministry of Finance of the Czech Republic approved this plan.



INDEPENDENT AUDITOR'S REPORT

to the shareholders of
MSA, a.s.

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of entity

MSA, a.s.

having its registered office at Hlučínská 641, 747 22 Dolní Benešov; company ID: 451 92 278

Company Registration: in the Commercial Register of the District Court of Ostrava, file B 388

(hereinafter also the "Company")

prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31st December 2023, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of MSA, a.s. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The company has been declared insolvent pursuant to the resolution of the Regional Court in Ostrava dated 8th August 2023. The potential impact of this fact, as well as other adjustments to the financial statements that we would consider necessary and appropriate, has not been quantified. However, it can be assumed that they would have a significant impact on the overall presentation of the financial statements, as well as on the individual reported values of the company's assets and liabilities, related transactions included in the income statement, and supplementary information in the notes to the financial statements.

These include, but are not limited to:

- The accuracy of the reported and comparative period in connection with the insolvency process.
- Furthermore, these circumstances indicate the existence of significant (material) uncertainty regarding the accounting assumption of the company's ability to continue as a going concern.



Other Information in the Annual Report

Furthermore, we are required to state whether, based on the knowledge and understanding of the Company that we obtained during our audit, the other information contains any material misstatements. If, based on the work performed, we determine that the other information is materially incorrect, we are required to report these findings in our report.

As described above in the section Basis for Disclaimer of Opinion, the financial statements do not take into account facts related to the Company's insolvency. Consequently, we were unable to reach any conclusion as to whether the other information is materially misstated in this regard.

Responsibilities of the Company's Statutory Representatives for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines, and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In Ostrava on 10th May 2024

V4 Audit, s.r.o.
Jurečkova 643/20

Moravská Ostrava
702 00 Ostrava
Certificate KA ČR no. 064

Ing. Michal Groborz
Authorized Person & Responsible Auditor
Certificate KA ČR no. 2101



FINANCIAL STATEMENT AS OF DECEMBER 31, 2023

Company Name: MSA, a.s.
Registered Office: Hlučínská 641, 747 22 Dolní Benešov, Czech Republic
Legal Form: Joint-stock company
Company ID: 451 92 278

Components of the Financial Statement:

- Balance Sheet
- Income Statement
- Statement of Changes in Equity
- Cash Flow Statement
- Notes to the Financial Statement

The Financial Statement was prepared on March 31, 2024

Statutory Body of the Accounting Entity	Signature
Martin Hofman, Chairman of the Board of Directors Michal Matuš, Member of the Board of Directors	

BALANCE SHEET
full version

As of
12/31/2023
(in CZK thousand)

MSA, a.s.
IČO 451 92 278

Hlučinská 641
747 22 Dolní Benešov

		12/31/2023			12/31/2022
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	1 661 650	964 503	697 147	772 668
A.	Receivables for subscribed capital				
B.	Fixed assets	1 154 670	844 101	310 569	329 936
<i>B.I.</i>	<i>Intangible fixed assets</i>	24 813	24 813		272
B.I.2.	<i>Valuable rights</i>	24 597	24 597		272
B.I.2.1.	Software	24 460	24 460		272
B.I.2.2.	Other valuable rights	137	137		
B.I.4.	Other intangible fixed assets	216	216		
<i>B.II.</i>	<i>Tangible fixed assets</i>	1 119 489	819 288	300 201	319 451
B.II.1.	<i>Land and structures</i>	526 676	284 038	242 639	254 076
B.II.1.1.	Land	10 767		10 767	10 767
B.II.1.2.	Structures	515 909	284 038	231 871	243 308
B.II.2.	Tangible movable assets and sets of tangible movable assets	588 907	535 250	53 658	61 470
B.II.4.	<i>Other tangible fixed assets</i>	18		18	18
B.II.4.3.	Other tangible fixed assets	18		18	18
B.II.5.	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	3 887		3 887	3 887
B.II.5.2.	Tangible fixed assets under construction	3 887		3 887	3 887
<i>B.III.</i>	<i>Non-current financial assets</i>	10 368		10 368	10 213
B.III.1.	Equity investments - controlled or controlling entity	9 426		9 426	9 271
B.III.5.	Other non-current securities and investments	942		942	942
C.	Current assets	503 422	120 402	383 020	434 744
<i>C.I.</i>	<i>Inventories</i>	320 976	109 982	210 993	214 165
C.I.1.	Material	107 656	34 980	72 676	122 414
C.I.2.	Work in progress and semifinished goods	118 091	14 826	103 265	57 335
C.I.3.	<i>Products and goods</i>	76 286	60 177	16 109	18 200
C.I.3.1.	Products	76 286	60 177	16 109	18 200
C.I.5.	Prepayments for inventories	18 943		18 943	16 217
<i>C.II.</i>	<i>Receivables</i>	171 016	10 419	160 597	215 898
<i>C.II.2.</i>	<i>Short-term receivables</i>	171 016	10 419	160 597	215 898
C.II.2.1.	Trade receivables	158 225	10 419	147 806	199 140
C.II.2.4.	<i>Receivables - other</i>	12 790		12 790	16 759
C.II.2.4.3.	State - tax receivables				2 544
C.II.2.4.4.	Short-term prepayments made	6 146		6 146	8 663
C.II.2.4.6.	Sundry receivables	6 644		6 644	5 551
<i>C.IV.</i>	<i>Cash</i>	11 430		11 430	4 681
C.IV.1.	Cash on hand	22		22	18
C.IV.2.	Cash at bank	11 408		11 408	4 663
D.	Other assets	3 558		3 558	7 988
D.1.	Deferred expenses	3 557		3 557	7 986
D.3.	Accrued income	1		1	2

		12/31/2023	12/31/2022
	TOTAL LIABILITIES & EQUITY	697 147	772 668
A.	Equity	-186 342	-39 251
<i>A.I.</i>	<i>Share capital</i>	<i>351 172</i>	<i>351 172</i>
A.I.1.	Share capital	351 172	351 172
<i>A.II.</i>	<i>Share premium and capital funds</i>	<i>-456 985</i>	<i>-457 140</i>
A.II.2.	<i>Capital funds</i>	<i>-456 985</i>	<i>-457 140</i>
A.II.2.1.	Other capital funds	5 199	5 199
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	1 205	1 050
A.II.2.3.	Gains or losses from the revaluation upon transformations of business corporations (+/-)	-463 388	-463 388
<i>A.III.</i>	<i>Funds from profit</i>	<i>326 372</i>	<i>326 372</i>
A.III.1.	Other reserve funds	100 986	100 986
A.III.2.	Statutory and other funds	225 386	225 386
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	<i>-259 434</i>	<i>-131 622</i>
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-211 872	-83 839
A.IV.2.	Other profit or loss from prior years (+/-)	-47 562	-47 783
A.V.	<i>Profit or loss for the current period (+/-)</i>	<i>-147 468</i>	<i>-128 033</i>
B.+C.	Liabilities	883 489	811 919
B.	Reserves	9 965	10 909
B.IV.	Other reserves	9 965	10 909
C.	Payables	873 524	801 010
C.I.	<i>Long-term payables</i>	<i>475</i>	<i>841</i>
C.I.2.	Payables to credit institutions	475	841
C.II.	<i>Short-term payables</i>	<i>873 049</i>	<i>800 169</i>
C.II.2.	Payables to credit institutions	366	366
C.II.3.	Short-term prepayments received	206 703	169 492
C.II.4.	Trade payables	404 697	416 009
C.II.6.	Payables - controlled or controlling entity	1 500	185 415
C.II.8.	<i>Other payables</i>	<i>259 784</i>	<i>28 887</i>
C.II.8.3.	Payables to employees	9 188	10 259
C.II.8.4.	Social security and health insurance payables	38 365	8 992
C.II.8.5.	State - tax payables and subsidies	6 453	1 604
C.II.8.6.	Estimated payables	2 381	7 824
C.II.8.7.	Sundry payables	203 398	207

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method
MSA, a.s.
IČO 451 92 278

Year ended
12/31/2023
(in CZK thousand)

Hlučinská 641
747 22 Dolní Benešov

		Period ended 12/31/2023	Period ended 12/31/2022
I.	Sales of products and services	228 359	466 732
II.	Sales of goods		82
A.	Purchased consumables and services	206 202	398 214
A.2.	Consumed material and energy	157 872	312 419
A.3.	Services	48 330	85 794
B.	Change in internally produced inventory (+/-)	-43 018	-3 680
C.	Own work capitalised (-)	-1 512	-1 207
D.	Staff costs	177 321	199 727
D.1.	Payroll costs	129 074	144 079
D.2.	Social security and health insurance costs and other charges	48 247	55 648
D.2.1.	Social security and health insurance costs	41 909	47 657
D.2.2.	Other charges	6 338	7 991
E.	Adjustments to values in operating activities	17 113	22 237
E.1.	Adjustments to values of intangible and tangible fixed assets	19 522	22 515
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	19 562	22 554
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	-39	-39
E.2.	Adjustments to values of inventories	-1 156	47
E.3.	Adjustments to values of receivables	-1 253	-324
III.	Other operating income	12 166	20 354
III.1.	Sales of fixed assets	70	449
III.2.	Sales of material	3 655	9 887
III.3.	Sundry operating income	8 441	10 019
F.	Other operating expenses	21 283	-1 113
F.1.	Net book value of sold fixed assets		
F.2.	Material sold	459	3 542
F.3.	Taxes and charges	799	865
F.4.	Reserves relating to operating activities and complex deferred expenses	-944	-32 500
F.5.	Sundry operating expenses	20 969	26 981
*	Operating profit or loss (+/-)	-136 863	-127 009
IV.	Income from non-current financial assets - equity investments	700	490
IV.1.	Income from equity investments - controlled or controlling entity	700	490
J.	Interest expenses and similar expenses	3 057	5 056
J.1.	Interest expenses and similar expenses - controlled or controlling entity	45	61
J.2.	Other interest expenses and similar expenses	3 012	4 995
VII.	Other financial income	17 139	31 291
K.	Other financial expenses	25 386	27 749
*	Financial profit or loss (+/-)	-10 605	-1 024
**	Profit or loss before tax (+/-)	-147 468	-128 033
**	Profit or loss net of tax (+/-)	-147 468	-128 033
***	Profit or loss for the current period (+/-)	-147 468	-128 033
*	Net turnover for the current period	258 363	518 949

STATEMENT OF CHANGES IN EQUITY Year ended 12/31/2023 (in CZK thousand)							MSA, a.s. IČO 451 92 278 Hlučinská 641 747 22 Dolní Benešov	
	Share Capital	Capital Funds	Profit Funds, Reserve Fund	Statutory and Other Funds	Retained Earnings or Accumulated Loss from Previous Years	Profit or Loss for the Current Accounting Period	TOTAL EQUITY	
Balance at 31 December 2021	351 172	-456 829	100 986	225 386	-64 014	-68 190	88 511	
Distribution of profit or loss					-68 190	68 190		
Revaluation Differences		-311			582			
Profit or loss for the current period						-128 033		-147 468
Balance at 31 December 2022	351 172	-457 140	100 986	225 386	-131 622	-128 033	-39 251	
Distribution of profit or loss					-128 033	128 033		
Revaluation Differences		155			221			
Profit or loss for the current period						-147 468		-147 468
Balance at 31 December 2023	351 172	-456 985	100 986	225 386	-259 434	-147 468	-186 343	

CASH FLOW STATEMENT		MSA, a.s. IČO 451 92 278	
Year ended 12/31/2023 (in CZK thousand)		Hlučinská 641 747 22 Dolní Benešov	
		Period ended 12/31/2023	Period ended 12/31/2022
P.	Opening balance of cash and cash equivalents	4 681	16 923
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	-147 468	-128 033
A.1.	Adjustments for non-cash transactions	19 777	-12 537
A.1.1.	Depreciation of fixed assets	19 562	22 554
A.1.2.	Change in provisions and reserves	-3 393	-32 817
A.1.3.	Profit/(loss) on the sale of fixed assets	-70	-449
A.1.4.	Revenues from profit shares	-700	-490
A.1.5.	Interest expense and interest income	3 057	5 056
A.1.6.	Adjustments for other non-cash transactions	1 320	-6 391
A.*	Net operating cash flow before changes in working capital	-127 691	-140 570
A.2.	Change in working capital	321 257	120 844
A.2.1.	Change in operating receivables and other assets	61 072	54 115
A.2.2.	Change in operating payables and other liabilities	255 857	81 588
A.2.3.	Change in inventories	4 328	-14 859
A.2.4.	Change in current financial assets		
A.**	Net cash flow from operations before tax	193 566	-19 726
A.3.	Interest paid	-3 057	-5 056
A.4.	Interest received		
A.5.	Income tax paid from ordinary operations		
A.6.	Received profit shares	700	490
A.***	Net operating cash flows	191 209	-24 292
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-470	6 811
B.2.	Proceeds from fixed assets sold	70	449
B.3.	Loans and borrowings to related parties		
B.***	Net investment cash flows	-400	7 260
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-184 059	4 790
C.2.	Impact of changes in equity		
C.2.1.	Cash increase in share capital		
C.2.2.	Capital payments to partners		
C.2.3.	Other cash contributions made by partners		
C.2.4.	Settlement of loss by partners		
C.2.5.	Payments from capital funds		
C.2.6.	Profit shares paid		
C.***	Net financial cash flows	-184 059	4 790
F.	Net increase or decrease in cash and cash equivalents	6 749	-12 242
R.	Closing balance of cash and cash equivalents	11 430	4 681

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1. General Information

1.1 Basic Information about the Company

MSA, a.s. (hereinafter the "Company") was registered in the Commercial Register on April 30, 1992, with its registered office at Hlučinská 641, 747 22 Dolní Benešov, Czech Republic. The Company's main business activity is the manufacturing of valves. The Company's identification number is 451 92 278.

As of December 31, 2023, the Company's sole shareholder was Obshchestvo s Ogranichennoy Otvetstvennostyu "TMK STEEL TECHNOLOGY", headquartered in Chelyabinsk, Postal Code: 454 129, Mashinostroiteley 21, Russian Federation, with registration number 1147449006814.

The members of the Board of Directors as of December 31, 2023, were as follows:

Name	Position	Date of Appointment
Martin Hofman	Chairman	November 13, 2023
Michal Matuš	Member	November 13, 2023
Denis Makienko	Member	December 22, 2021

The members of the Supervisory Board as of December 31, 2022, were as follows:

Name	Position	Date of Appointment
Ing. et Ing. Michal Kršík	Chairman	November 13, 2023

The Company is organised into the following departments: Sales Department, Purchasing Department, Economic Department, Production Department, Technical, and Quality Department.

In accordance with Section 22a(3) of Act No. 563/1991 Coll., on Accounting, the Company is not required to prepare consolidated financial statements.

The Company adopted the Business Corporations Act (Act No. 90/2012 Coll.) in its entirety by amending its articles of association. This change became effective upon registration in the Commercial Register on June 9, 2014.

1.2. Changes and Amendments in the Commercial Register During the Reporting Period

In 2023, the following changes occurred in the Commercial Register. The previous Board of Directors and Supervisory Board were dismissed, and on November 13, 2023, a new Board of Directors and Supervisory Board were appointed in the personnel composition stated above.

1.3. Group Identification

The Company MSA, a.s., is a subsidiary of Company with Limited Liability TMK STEEL TECHNOLOGIES (Obshchestvo s Ogranichennoy Otvetstvennostyu "TMK STALNYE TEKHNologii"), which is part of the Public Joint Stock Company Pipe Metallurgical Company (Publichnoye Aktsionernoye Obshchestvo "Trubnaya Metallurgicheskaya Kompaniya"), headquartered in Moscow, Postal Code 101000, Pokrovka 40, Russian Federation, with registration number 1027739217758. The Public Joint Stock Company Pipe Metallurgical Company serves as the consolidating entity of the group, and its consolidated financial statements are made available at its registered office.

2. Accounting Policies

2.1. Basic Principles of Financial Statement Preparation

The Company's accounting records are maintained, and the financial statements have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree No. 500/2002 Coll., which implements certain provisions of Act No. 563/1991 Coll., on Accounting, for accounting entities that are entrepreneurs using the double-entry bookkeeping system, as amended, and the Czech Accounting Standards for Entrepreneurs, as amended.

The accounting records comply with general accounting principles, particularly the historical cost principle for asset valuation (unless stated otherwise), the accrual principle, the prudence principle, and the going concern assumption, ensuring the Company's ability to continue its activities.

The Company's financial statements are prepared as of the balance sheet date, December 31, 2023, for the calendar year 2023.

The financial data presented in the financial statements are expressed in thousands of Czech crowns (CZK), unless otherwise stated.

It should be noted that due to the ongoing insolvency proceedings, where many uncertainties remain regarding the Company's financial situation and future as of the date of the financial statement preparation, some recorded balances may not fully reflect the actual state of affairs.

2.2. Tangible and Intangible Fixed Assets

Intangible and tangible assets with a useful life exceeding one year and an acquisition cost exceeding 60,000 CZK for intangible assets and 80,000 CZK for tangible assets are classified as long-term intangible and tangible assets. An exception applies to models, which are recorded as other long-term tangible assets. Assets purchased at the end of a lease term are recorded as long-term assets at their purchase price.

Purchased intangible and tangible fixed assets are initially recognized at acquisition cost, which includes the purchase price and related acquisition costs.

Intangible and tangible fixed assets acquired before the end of 2007 are depreciated based on a depreciation plan using accumulated depreciation according to the expected useful life. These depreciation rates differ from tax depreciation rates. Long-term tangible and intangible assets acquired between January 1, 2008, and December 31, 2010, are depreciated based on tax depreciation rates converted to a monthly basis. As of January 1, 2011, the Company returned to accounting depreciation based on the expected useful life for newly acquired assets.

If the net book value of an asset exceeds its estimated recoverable amount, the carrying value is reduced to this amount through an impairment allowance. The recoverable amount is determined based on the expected future cash flows generated by the asset.

Repair and maintenance costs of long-term tangible assets are recognized directly as expenses. Capital improvements exceeding the threshold set by the Income Tax Act (until the end of 2013) and, from 2014 onwards, the amount set by internal accounting regulations are capitalized into the asset value.

Depreciation of tangible and intangible assets begins in the month following the month in which the asset is put into use, except for capital improvements, which are depreciated from the month in which they are capitalized. When an asset is disposed of before being fully depreciated, the final depreciation charge is recorded in the month preceding the disposal date.

Intangible and tangible fixed assets are depreciated using the straight-line depreciation method based on their expected useful life as follows:

Long-Term Intangible and Tangible Assets	Depreciation Period
Buildings	30 years
Machinery and Equipment	5-20 years
Automobiles and Other Motor Vehicles	5-8 years
Software	3-4 years
Other Intangible Assets	3-5 years

2.3. Investments in Subsidiaries and Associates

Investments in subsidiaries represent equity interests in business corporations that are controlled or managed by the Company (hereinafter referred to as "subsidiary").

Investments in subsidiaries and associates are measured using the equity method. Under this method, the initial acquisition cost of the investment is subsequently adjusted to reflect the Company's proportionate share of the subsidiary's or associate's equity as of the balance sheet date. Revaluation using the equity method is recognized against the Company's equity.

2.4. Inventories

Purchased inventories are valued at acquisition cost, reduced by an allowance for impairment. The acquisition cost includes all costs related to procurement, such as transportation, customs duties, and other related expenses. The Company applies the actual cost method for the consumption of purchased inventories.

Inventories from own production, including work in progress and finished goods, are valued at own production costs, reduced by an allowance for impairment. Own production costs include direct material, direct labor, subcontracting costs, transportation costs, and other variable expenses.

2.5. Receivables

Receivables are recognized at their nominal value, reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is established based on an individual assessment of debtor creditworthiness. The Company does not create an allowance for receivables from related parties.

2.6. Cash and Cash Equivalents

Cash includes cash on hand, cash equivalents, and bank account balances.

Cash equivalents refer to short-term liquid financial assets that are easily and readily convertible into a known amount of cash, with no significant expected changes in value over time. Cash equivalents include deposits with a maturity of up to three months and liquid debt securities traded on public markets.

2.7. Foreign Currency Translation

Transactions conducted in foreign currencies are converted and recorded using the exchange rate of the Czech National Bank (ČNB) applicable to the Company on the day following its official announcement by the ČNB. For domestic supplier invoices issued in foreign currencies, the exchange rate stated by the supplier is used for conversion.

Balances of monetary assets, receivables, and liabilities denominated in foreign currencies are translated using the exchange rate published by the Czech National Bank as of the balance sheet date. All foreign exchange gains and losses from the translation of monetary assets, receivables, and liabilities are recorded in the income statement and presented in aggregate form.

2.8. Sales

Sales are recognized on the date the delivery terms under INCOTERMS are met, along with any additional conditions specified in the sales contract, or on the date the service is provided. Sales are reported net of discounts and value-added tax (VAT).

For Bill and Hold sales (invoicing without physical dispatch), revenue is recognized when the customer requests this delivery method and accepts invoicing, transfer of ownership, and associated risks. To recognize revenue under a Bill and Hold arrangement, the following conditions must also be met:

- The physical delivery is highly probable.
- At the time of revenue recognition, the goods are physically available, specifically designated for the customer, and ready for dispatch.
- The customer confirms the terms of the Bill and Hold transaction.
- The transaction follows the Company's standard payment terms.

2.9. Leases

The acquisition cost of assets obtained through finance or operating leases is not capitalized as long-term assets. Lease payments are recorded as expenses on a straight-line basis over the lease term. Future lease payments not yet due as of the balance sheet date are disclosed in the notes to the financial statements but are not recognized on the balance sheet.

2.10. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, as well as the reported revenues and expenses for the given period. Management determines these estimates and assumptions based on all relevant information available at the time. However, due to the nature of estimates, actual values may differ from these estimates in the future.

2.11. Grants

A grant is recognized at the moment of receipt or when there is an indisputable entitlement to receive it.

Grants received to cover expenses are recorded in operating or financial income, in line with the related expenses incurred for the specified purpose. Grants received for the acquisition of long-term assets, including capital improvements and interest costs included in the acquisition cost, reduce the acquisition cost or own production costs.

If a grant is required to be repaid in a subsequent period after it was received, the Company recognizes a liability to the relevant government institution and adjusts the value of the long-term asset to which the grant was originally applied. This adjustment is made upon receiving the payment order from the tax authority or other authorized institution. The increased acquisition cost is then depreciated over the useful life of the asset.

2.12. Reserves

The Company recognizes reserves when it has a present obligation, it is probable that settling this obligation will require outflows of resources, and the amount of the obligation can be reliably estimated.

The Company also creates a reserve for future income tax liabilities, reduced by income tax prepayments. If the prepaid income tax exceeds the estimated tax liability, the difference is recorded as a short-term receivable.

2.13. Interest Expenses

Interest expenses are recorded as costs, except for interest on investment loans incurred before the asset is put into use, which is capitalized as part of the asset's acquisition cost.

2.14. Deferred Tax

Deferred tax is recognized for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax value. A deferred tax asset is recorded only if it is probable that it can be utilized for tax purposes in the future.

2.15. Related Parties

Related parties of the Company include:

- Entities that, directly or indirectly, have control or significant influence over the Company and companies where these entities exercise control or significant influence.
- Entities that, directly or indirectly, have significant influence over the Company.
- Members of statutory, supervisory, and management bodies of the Company or its parent company, as well as close persons of these individuals, including businesses where these members and individuals have significant or controlling influence.
- Subsidiaries and associates.

Significant transactions and balances with related parties are disclosed in Note 16.

2.16. Cash Flow Statement

The Company has prepared the statement of cash flows using the indirect method. Cash equivalents represent short-term liquid assets that can be easily and promptly converted into a known amount of cash.

Cash and cash equivalents can be analyzed as follows:

(in CZK thousand)	as of December 31, 2023	as of December 31, 2022
Cash on hand and cash in transit	22	6
Stamps and vouchers	0	0
Bank accounts	11,408	4,663
- of which term deposits	0	0
Total cash and cash equivalents	11,430	4,669

Cash flows from operating, investing, and financing activities are presented on a gross basis in the statement of cash flows.

2.17. Differences from Changes in Accounting Policies and Correction of Errors from Prior Years

Differences arising from changes in accounting methods (including the impact of deferred tax) and corrections due to incorrect or omitted recognition of expenses and revenues in prior periods are recorded in the Other Retained Earnings from Previous Years account, provided they are material.

No other changes in accounting methods or significant corrections of prior period errors occurred.

2.18. Subsequent Events

The impact of events occurring between the balance sheet date and the date of financial statement preparation is reflected in the financial statements only if these events provide additional information about conditions that existed as of the balance sheet date.

If significant events occur after the balance sheet date that represent new facts, they are disclosed in the notes to the financial statements but are not recorded in the financial statements.

3. Intangible and Tangible Fixed Assets

3.1. Intangible Fixed Assets (IFA)

Cost

					(in CZK thousand)
	Opening Balance	Additions	Disposals	Transfers	Closing Balance
Software	24,460	0	0	0	24,460
Other valuable rights	137	0	0	0	137
Other IFA	216	0	0	0	216
Prepayments made for IFA	0	0	0	0	0
IFA under construction	0	0	0	0	0
Total as of 31.12.2023	24,813	0	0	0	24,813
Total as of 31.12.2022	24,813	300	300	0	24,813

Provisions and accumulated amortisation

						(in CZK thousand)
	Opening Balance	Additions	Disposals	Closing Balance	Depreciation	Net Book Value
Software	24,188	272	0	24,460	0	0
Other valuable rights	137	0	0	137	0	0
Other IFA	216	0	0	216	0	0
Prepayments made for IFA	0	0	0	0	0	0
IFA under construction	0	0	0	0	0	0
Total as of 31.12.2023	24,541	272	0	24,813	0	0
Total as of 31.12.2022	24,06	481	0	24,541	0	272

3.2. Tangible Fixed Assets (TFA)

Cost

					(in CZK thousand)
	Opening Balance	Additions	Disposals	Grants	Closing Balance
Land	10,767	0	0	0	10,767
Buildings	515,909	0	0	0	515,909
Tangible movable assets and sets thereof	590,635	0	1,728	0	590,635
Other TFA	18	0	0	0	18
Prepayments made for TFA	0	0	0	0	0
TFA under construction	3,877	0	0	0	3,887
Total as of 31.12.2023	1,121,216	0	1,728	0	1,119,488
Total as of 31.12.2022	1,128,109	4,237	2,511	8,619	1,121,216

Provisions and accumulated amortisation

						(in CZK thousand)
	Opening Balance	Additions	Disposals	Closing Balance	Depreciation	Net Book Value
Land	0	0	0	0	0	10,767
Buildings	271,771	11,476	0	283,247	790	232,662
Tangible movable assets and sets thereof	529,164	7,813	1,728	535,249	0	55,386
Other TFA	0	0	0	0	0	18
Prepayments made for TFA	0	0	0	0	0	0
TFA under construction	0	0	0	0	0	3,887
Total as of 31.12.2023	800,935	19,289	1,728	818,496	790	302,720
Total as of 31.12.2022	780,808	22,073	1,946	800,935	830	320,781

The Company also uses assets acquired through financial leasing; however, these are recognized as long-term tangible assets only after the lease term ends and ownership is transferred.

As of December 31, 2023, the outstanding future lease obligations under existing financial lease agreements amounted to CZK 348 thousand excluding VAT (December 31, 2022: CZK 493 thousand).

4. Equity Investments – Controlled Entities and Associates

in CZK thousand as of December 31, 2023	Equity Investment	Acquisition Cost	Equity	Revaluation	Company's Share
Foreign Investments					
MSA Slovakia s.r.o.	100%	744	47*	-699	45
Domestic Investments					
Oprávérenský závod MSA, s.r.o.	70%	7,477	9,492*	1,904	9,381
Total		8,221	9,539	1,205	9,426
Allowance		0	0	0	0
Net Book Value		8,221	9,539	1,205	9,426

*unaudited

in CZK thousand as of December 31, 2022	Equity Investment	Acquisition Cost	Equity	Revaluation	Company's Share
Foreign Investments					
MSA Slovakia s.r.o.	100%	744	44*	-705	39
Domestic Investments					
Oprávérenský závod MSA, s.r.o.	70%	7,477	13,400*	1,756	9,233
Total		8,221	13,444	1,051	9,272
Allowance		0	0	0	0
Net Book Value		8,221	13,444	1,051	9,272

*unaudited

For all subsidiaries and associates listed, there is no difference between the ownership percentage and the percentage of voting rights. In 2023, the Company recorded income of CZK 700 thousand (2022: CZK 490 thousand) from profit distributions received from Oprávérenský závod MSA, s.r.o. During 2019, the Company's stake in LOZNICA GAS A.D. decreased, and it now holds less than a 5% share in the company's registered capital.

As a result of reducing the shareholding in the subsidiary LOZNICA-GAS A.D. below 20%, this investment was reclassified as of December 31, 2019, from the line item "Investments in Controlled or Controlling Entities" (as reported on December 31, 2018) to the line item "Other Long-Term Securities and Investments." Although the value of the investment increased from CZK 52 thousand to CZK 942 thousand, due to the disproportionate allocation of capital contributions, the share in the company's share capital dropped below 2%.

Registered Offices of Subsidiaries and Associates:

- Oprávérenský závod MSA, s.r.o. – Hlučinská 41, Dolní Benešov, Postal Code 747 22, Czech Republic
- LOZNICA-GAS A.D. – ul. Vojvode Mišića 4, Loznica, Serbia
- MSA Slovakia s.r.o. – Bajkalská 2/C, Bratislava, Postal Code 831 04, Slovak Republic.

5. Inventories

As of December 31, 2023, the Company reports an inventory allowance of CZK 109,982 thousand (as of December 31, 2022: CZK 111,139 thousand).

6. Receivables

Outstanding trade receivables are unsecured, and none have a maturity exceeding five years.

As of December 31, 2023, past-due receivables¹ amounted to CZK 59,444 thousand (as of December 31, 2022: CZK 128,528 thousand).

The allowance for receivables as of December 31, 2023, was CZK 10,419 thousand (as of December 31, 2022: CZK 11,672 thousand).

Receivables from group companies are disclosed in Note 16.

7. Equity

Throughout 2023, the Company's sole shareholder was Obshchestvo s Ogranichennoy Otvetstvennostyu "TMK ETERNO", headquartered in Chelyabinsk, Postal Code 454129, Mashinostroiteley 21, Russian Federation, with registration number 1147449006814 (hereinafter referred to as "TMK ETERNO"). The parent company of the entire group is AO TMK, registered in the Russian Federation.

The reserve fund continues to be formed from profit, and its use is governed by the Company's Articles of Association.

The Company's registered capital remained unchanged in 2023 and 2022, amounting to CZK 351,172 thousand. It consists of: 1,534,632 ordinary registered shares in paper form, with a nominal value of CZK 15 each, and 3,646,141 ordinary registered shares in paper form, with a nominal value of CZK 90 each.

The Company anticipates transferring the full-year 2023 loss of CZK 147,468 thousand to the account of retained losses from previous years.

8. Reserves

(in CZK thousand)	December 31, 2023	December 31, 2022
Reserve for Warranty Repairs	1,136	2,065
Reserve for Contractual Penalties	2,689	2,015
Reserve for Unused Vacation	3,829	2,402
Reserve for Commissions	394	1,016
Reserve for Severance Pay	1,250	0
Reserve for Bonuses	666	3,411
Total Reserves	9,964	10,909

Due to tax losses from previous years and considering the financial result for 2023, the Company does not anticipate a corporate income tax liability and therefore did not create a provision for income tax. As of December 31, 2023, the income tax prepayments made by the Company amounted to CZK 0 thousand (December 31, 2022: CZK 0 thousand).

¹ Includes only receivables outside the group.

9. Payables

Trade payables are not secured by any Company assets, and none have a maturity exceeding five years.

As of December 31, 2023, past-due trade payables² amounted to CZK 381,352 thousand (as of December 31, 2022: CZK 406,499 thousand), of which payables overdue by more than 90 days totaled CZK 376,744³ thousand (as of December 31, 2022: CZK 289,737⁴ thousand).

As of December 31, 2023, the Company recorded short-term received advances amounting to CZK 206,703 thousand, compared to CZK 169,492 thousand as of December 31, 2022. These primarily represent advances provided by customers for ongoing or future contracts.

Liabilities to group companies are disclosed in Note 16.

10. Loans and Other Borrowings

(in CZK thousand)	December 31, 2023	December 31, 2022
Bank loans due within one year (including the portion of long-term loans maturing within one year)	0	0
Long-term bank loans with a maturity of 1 - 5 years	0	0
Total bank loans and overdrafts	0	0
Other borrowings due within one year	6,402	1,500
Other borrowings with a maturity of more than one year	0	0
Total other borrowings	6,402	1,500

Other loans include a working capital loan from a subsidiary, with a balance of CZK 1.5 million, and a loan from RKL Opava s.r.o., with a balance of CZK 4.902 million.

The Company does not currently utilize any loans or borrowings other than those stated here.

11. Income Tax

As of December 31, 2023, and December 31, 2022, the Company did not recognize an expense for current income tax due to a negative tax base.

Deferred tax was calculated using a tax rate of 19% (the tax rate applicable for 2021 and subsequent years).

The deferred tax asset (+) / liability (-) can be analyzed as follows:

(in CZK thousand)	December 31, 2023	December 31, 2022
Deferred tax asset arising from:		
Difference between the value of assets for accounting and tax purposes	16,288	12,816
Reserves and provisions	24,920	25,407
Other temporary differences	0	0
Tax losses from previous years	51,734	48,115
Total deferred tax asset		
Adjustment (uncertainty of future utilization)	-92,942	-86,338
Net deferred tax asset	0	0

A potential deferred tax asset of CZK 92,942 thousand as of December 31, 2023 (as of December 31, 2022: CZK 86,338 thousand) was not recognized due to uncertainty regarding its future utilization.

² Includes only liabilities outside the group

³ Of which assigned liabilities amount to CZK 218,587 thousand

⁴ Of which assigned liabilities amount to CZK 218,587 thousand

12. Sales

Income from operating activities:

(in CZK thousand)	2023	2022
Production of valves and manufacturing activities		
- Foreign markets	138,102	392,235
- Domestic market	44,290	53,722
Production of thermal energy, compressed air, electricity distribution, waste disposal, water distribution, R&D, asset rental, transport, repairs		
- Foreign markets	3,731	814
- Domestic market	42,236	19,961
Total sales of own products and services	228,359	466,732
Sale of goods – sale of commercial goods		
- Foreign markets	0	82
- Domestic market	0	0
Total merchandise sales	0	82
Sale of fixed assets and materials	3,724	10,336
Other income	8,441	10,019
Total other operating income	12,165	20,355
Total income from operating activities	240,524	487,169

13. Services

Services can be analyzed as follows:

(in CZK thousand)	2023	2022
Repairs and maintenance	7,682	14,123
Travel and representation costs	2,173	2,287
Subcontracting (Cooperation)	6,711	9,919
Transport costs	3,539	16,865
Commissions	1,870	8,650
Leases and rent	1,573	2,255
Legal services	1,611	2,901
Receipts related to Work Orders	495	5130
Other	22,676	23,367
Total	48,330	85,497

14. Other Operating Income and Expenses

Other operating income and expenses primarily include the residual value of sold assets and inventories, costs and income from the assignment of receivables and liabilities, costs related to fines and penalties, and other operating income and expenses.

15. Employees

Company Management includes executive members of the Board of Directors and other directors.

	Personnel Costs (in CZK thousand)		Average Full-Time Equivalent (FTE) Employees During the Year	
	2023	2022	2023	2022
Company Management	17,492	18,068	7	6
Other Employees	154,353	175,332	282	355
Total	171,845	201,589	289	361

16. Related Parties Transactions

This note discloses all significant transactions with related parties.

(in CZK thousand)	2023	2022
Income		
Sale of services	982	1,212
Sale of finished products, materials, and goods	14,799	45,301
Other income	311	576
Total	16,092	47,089
Expenses / Purchases		
Purchase of materials	795	1,462
Purchase of services	6,536	10,414
Interest expenses	45	1,811
Other expenses	80	1,776
Total	7,456	15,463

The Company Reported the Following Balances with Related Parties:

(in CZK thousand)	2023	2022
Receivables		
Trade receivables	1,249	2,763
Total receivables	1,249	2,763
Payables		
Trade payables	9,076	4,625
Short-term advances received	166,902	130,780
Borrowings received	1,500	185,415
Total payables	177,478	320,820

The remuneration of the Company's Board of Directors in 2023 amounted to CZK 0 thousand (2022: CZK 0 thousand). The remuneration of the Company's Supervisory Board members in 2023 amounted to CZK 0 thousand (2022: CZK 0 thousand). These remunerations are included in the Company's personnel expenses.

17. Audit Firm Remuneration

The total remuneration paid to the audit firm for the statutory audit of the financial statements for 2023 amounted to CZK 335 thousand (2022: CZK 335 thousand).

18. Contingent Liabilities

The Company's management is not aware of any contingent liabilities as of December 31, 2023.

19. Business Continuity

On July 24, 2023, due to the termination of financial support from its parent company, the Company was forced to file for insolvency. On December 7, 2023, the court approved reorganization as a solution to the insolvency proceedings. The Company has developed a reorganization plan, which envisions the entry of a new investor, who would also become the sole shareholder, resulting in the termination of the current shareholder's ownership stake. During the second half of 2023, the Company implemented workforce reductions and took further measures to reduce overall costs. At present, the Company is making every effort to enhance its performance, particularly in cooperation and service activities, to bridge the period in which it lacks a sufficient number of orders for its core operations. The insolvency status and the presence of a sanctioned Russian owner prevent the Company from participating in most tenders. Based on the reorganization plan, which is expected to be completed within a few months and will simultaneously remove the sanctioned entity from the ownership structure, the Company anticipates an increase in received orders in the second half of 2024. This is expected to enable the Company to achieve at least operational profitability.

20. Off-Balance Sheet Commitments

As of December 31, 2023, off-balance sheet liabilities related to open documentary letters of credit amounted to CZK 18,996 thousand with ALFA BANK and SBERBANK.

21. Subsequent Events

On April 11, 2024, the reorganization plan was approved and is now awaiting legal effect. The plan anticipates the entry of a new investor, who will also become the sole shareholder of the Company, leading to the termination of the current shareholder's ownership stake.

Report on Relationships

of MSA, a.s. pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations, for the financial period of the calendar year 2023

The statutory body of MSA, a.s., with its registered office at Hlučinská 641, Dolní Benešov, 747 22, ID No. 451 92 278, registered in the Commercial Register maintained by the Regional Court in Ostrava, Section B, Insert 388 (hereinafter referred to as the "Company" in this report), has prepared the following Report on Relationships pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations (hereinafter referred to as the "Business Corporations Act") for the financial period from January 1, 2023, to December 31, 2023 (hereinafter referred to as the "Relevant Period").

Section I.

Relationships between the Controlling and Controlled Entity

1. Controlling Entity:

As of December 31, 2023, the controlling entity within the meaning of the Business Corporations Act was TMK STEEL HOLDING, International Limited Liability Company, with its registered office at Melkovodnyi 8, Ostrov Russkii, Vladivostok Urban District, Primorskyi Krai, Russian Federation, OGRN 1232500016374 (hereinafter referred to as the "Controlling Entity").

2. Organizational Structure:

According to the information available to the Company's statutory body, the Company was part of the Group headed by the Controlling Entity throughout the Relevant Period (hereinafter referred to as the "Group"). The details of the entities belonging to the Group below are as of December 31, 2023, based on the information available to the Company's statutory body acting with due diligence. The structure of relationships within the Group is graphically illustrated in Section I, point 5 of this report.

List of Group companies with which the Company had business relationships as of December 31, 2023:

- PAO "TMK", ID 1027739217758, Pokrovka 40, 101000, Moscow, Russian Federation;
- OOO "TMK STALNYE TECHNOLOGII", ID 1147449006814, Mashinostroiteley 21, 454129, Chelyabinsk, Russian Federation;
- AO "SOT", ID 1047422506966, Kosmonavtov 26, 456656, Kopeysk, Russian Federation;
- AO "PNTZ", ID 1026601503840, Torgovaya 1, 623100, Pervouralsk, Russian Federation;
- AO "ChTPZ", ID 1027402694186, Mashinostroiteley 21, 454129, Chelyabinsk, Russian Federation;
- Opravárenský závod MSA s.r.o., ID 62301926, Hlučinská 41, 747 22, Dolní Benešov, Czech Republic; and
- MSA Slovakia s.r.o., ID 35879904, Bajkalská 2A, 831 04, Bratislava, Slovakia.

3. Method and Means of Control:

The Controlling Entity controls the Company through ownership of shares representing a 100% business interest in Company with Limited Liability TMK STEEL TECHNOLOGIES (ООО "ТМК СТАЛЬНЫЕ ТЕХНОЛОГИИ"), which in turn holds shares representing a 100% business interest in MSA, a.s., following the hierarchical structure outlined below:

- Limited Liability Company "TMK STEEL TECHNOLOGIES" (ООО «ТМК СТАЛЬНЫЕ ТЕХНОЛОГИИ»), registered in Chelyabinsk, Postal Code 454129, Mashinostroiteley 21, Russian Federation, registration number 1147449006814;
- Joint Stock Company "ChTPZ" (АО «ЧТПЗ»), registered in Chelyabinsk, Postal Code 454129, Mashinostroiteley 21, Russian Federation, registration number 1027402694186;
- Public Joint Stock Company "TMK" (ПАО «ТМК»), registered in Moscow, Postal Code 101000, Pokrovka 40, Russian Federation, registration number 1027739217758;
- TMK STEEL HOLDING, International Limited Liability Company (МООО «ТМК Стил Холдинг»), registered in Vladivostok, Russkyi Ostrov, Melkovodnyi 8, Russian Federation, registration number 1232500016374.

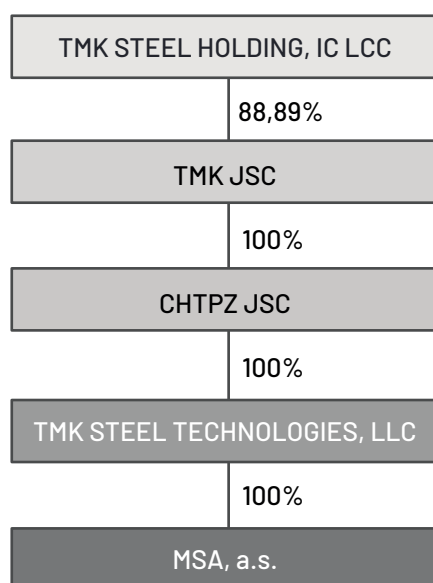
The sole shareholder exercises control over the Company through its authority in the general meeting of shareholders.

4. Role of the Company within the Group:

The Company is part of a Group that ranks among the top 10 metallurgical groups worldwide. The Company's role within the Group is the manufacturing and sale of valves.

e) Structure of Relationships within the Group:

Structure of Relationships within the Group as of December 31, 2023



Section II.

Overview of Actions Taken During the Relevant Period

During the Relevant Period, no actions were taken at the initiative or in the interest of the Controlled Entity or its controlled entities that involved assets exceeding 10% of the Company's equity as determined by the latest financial statements.

Section III.

Overview of Mutual Agreements

The following is an overview of mutual agreements between the Controlled Entity and the Company or between companies within the Group that were valid during the Relevant Period, i.e., agreements concluded before the Relevant Period:

- Contract for Work No. 3/2017, concluded with Opravárenský závod MSA on May 30, 2017, for the provision of cleaning services.
- Loan Agreement, concluded with Opravárenský závod MSA on July 30, 2012, for a monetary loan.
- Agreement No. 505, concluded with PAO CHTPZ on January 11, 2016, specifying the commercial terms for the sale of the Company's products.
- Framework Purchase Agreement No. 2071, concluded with PAO CHTPZ on June 17, 2017, specifying the commercial terms for the sale of the Company's products.
- Agreement No. E 157 (22-ET)08112017, concluded with OOO ETERNO on November 8, 2017, specifying the commercial terms for the sale of the Company's products.
- Lease Agreement No. N-01/2018-SPM, concluded with Opravárenský závod MSA on April 25, 2018, for the lease of non-residential premises.
- Lease Agreement No. N-02/2018-SPM, concluded with Opravárenský závod MSA on April 25, 2018, for the lease of non-residential premises.
- Lease Agreement No. N-04/2011-SPM, concluded with Opravárenský závod MSA on December 19, 2011, for the lease of non-residential premises.
- Lease Agreement No. N-03/2012-SPM, concluded with Opravárenský závod MSA on April 30, 2012, for the lease of non-residential premises.
- Agreement EG VO 02/2003, for the supply of drinking water, wastewater disposal into MSA, a.s. sewer system, and waste disposal, concluded with Opravárenský závod MSA, specifying the pricing for consumed drinking water and sewage charges.
- Framework Agreement for Performing Work, concluded on September 1, 2020, with OOO ETERNO, for the provision of maintenance and technical services by the Company.
- Agreement No. 1060/2020, concluded with PAO CHTPZ on April 1, 2020, for metal product testing services.
- Agreement No. 2146, concluded with AO PNTZ on November 30, 2021, for securing bank guarantees.
- Framework Agreement for Service Activities, concluded on June 18, 2021, with OOO CHTPZ TRUBNYI SERVIS, for the provision of maintenance and technical services for the Company.
- Agreement with AO SOT, concluded on June 7, 2021, for the supply of products and goods.

Overview of Mutual Agreements Between the Controlled Entity and the Company or Between Companies Within the Group Concluded During the Relevant Period:

- No such agreements were concluded.

Additionally, the following agreements were concluded, covering the delivery of the Company's products to group companies or the procurement of goods from group companies:

- Specification 11-E/2022/66, concluded with OOO TMK ETERNO on February 3, 2023.

Based on these agreements, the following significant transactions with related parties took place:

(in CZK thousand)	2023	2022
Revenues		
Sale of services	982	1,212
Sale of finished products, materials, and goods	14,799	45,301
Other revenues	311	576
Total revenues	16,092	47,089
Expenses / Purchases		
Purchase of materials	795	1,462
Purchase of services	6,536	10,414
Interest expenses	45	1,811
Other expenses	80	1,776
Total expenses	7,456	15,463

The Company reported the following balances with related parties:

(in CZK thousand)	December 31, 2023	December 31, 2022
Receivables		
Trade receivables	1,249	2,763
Total receivables	1,249	2,763
Liabilities		
Trade payables	9,076	4,625
Short-term advances received	166,902	130,780
Loans received	1,500	185,415
Total liabilities	177,478	320,820

Section IV.

Assessment of Damage and Its Compensation

As a result of actions taken at the initiative or in the interest of the Controlled Entity or Group companies involving assets exceeding 10% of the Company's equity, nor as a result of contracts concluded in the Relevant Period between the Controlled Entity and the Company or between Group companies, the Company did not suffer any damage pursuant to Sections 71 and 72 of the Business Corporations Act.

Section V.

Evaluation of Benefits, Disadvantages, and Risks Arising from Relationships Between the Company, the Controlling Entity, and Group of Companies

The advantage of the Company's participation in the Group is its integration into the network of a leading global pipe manufacturer and a comprehensive technical solution in the energy sector, which the Company benefits from, particularly in contract negotiations with its customers and suppliers.

There are no disadvantages or risks arising from the relationships within the Group that are not adequately reflected in the pricing of services and products or other potential obligations provided by the Company to entities within the Group. However, for transactions outside the Group, the disadvantages of Group membership include the impact of national and international sanctions due to the Group being controlled by Russian capital, its inclusion on sanction lists, and the general cautious approach of business partners to transactions with companies that have Russian ownership.

Section VI.

Conclusion

This report was prepared by the statutory body of the Company, MSA, a.s., on March 31, 2024.

The statutory body hereby declares that this report has been prepared with due managerial care and that all relationships between the Controlled Entity and the Company or Group companies known to the statutory body as of the date of preparation of this report have been included. The statutory body has made the necessary efforts to obtain the legally required information for the preparation of this report on relationships.

In Dolní Benešov on March 31, 2024

Signature of a member of the statutory body of the controlled entity, MSA, a.s.

Martin Hofman
Chairman of the Board

Michal Matuš
Member of the Board