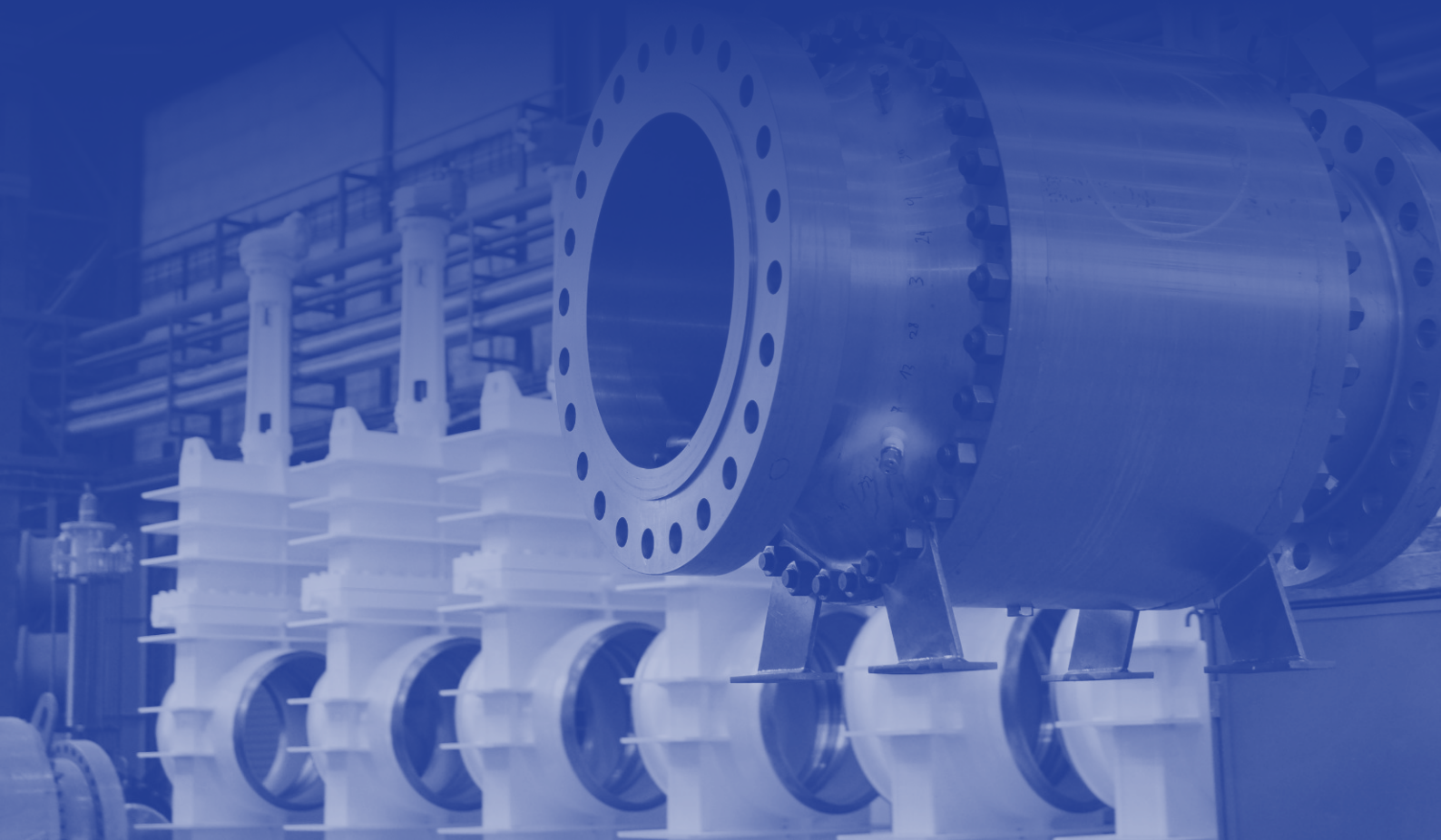


MSA

ANNUAL REPORT

as of December 31, 2022



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 relies on its core product portfolio, which primarily includes ball valves, gate valves, check valves, globe valves, and special valves for nuclear power applications, as well as cryogenic valves, which are a global trend. The Company's products are used in the transportation, processing, and distribution of oil and gas, as well as in power plants (including nuclear power), district heating, and the chemical industry.

MSA, a.s. is an export-oriented company, with more than 90% of its production directed to international markets, while the remaining products are supplied to the domestic market. Currently, the Company delivers its products to nearly every continent and has more than 150 active customers, spanning from Australia to North America.

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.

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 2022, the development and design of the following products took place:

1. Wedge sleeve for gate valves DN300 Pp 12.5 MPa and DN800 Pp 9.0 MPa

- This involved designing the wedge itself along with a high-pressure valve.

- Testing of these valves has not yet commenced; however, control calculations were carried out, and the technical documentation was prepared.

2. Venturi-effect check valves without with a cover, for nuclear power applications (Type A14, DN150, DN200, and DN400) with pressures from Pp 1.0 MPa to Pp 11.0 MPa:

- These valves were designed for delivery to the Ruppur nuclear power plant in Bangladesh.
- They feature enhanced hydraulic characteristics, including low hydraulic resistance and minimal pressure surges.
- Testing of these valves has not yet commenced; however, control calculations were carried out, and the technical documentation was prepared.

Technology

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 a change in production technology was implemented. By milling surfaces on the DMF 260 instead of turning on the SK25/50 and milling on the WHN13, not only was machining time reduced, but all required dimensions, tolerances, and surface roughness specified by the design were also maintained.

2. Integrated Management System

The Integrated Management System (IMS) connects various management systems. In the case of the Company, this involves the integration of Quality Management (QMS), Environmental Management (EMS), and Occupational Health and Safety Management (OHSMS). The Integrated Management System is also supplemented by the requirements of API Spec. Q1 and the European Parliament and Council Directive PED 2014/68/EU. The purpose of this integration is to create a comprehensive, unified, and harmonized management system that serves as the foundation of a modern enterprise.

The purpose of IMS is to create an environment that supports meeting customer requirements, improving the quality of our products, and continuous development. All these activities are carried out with a focus on sustainability, environmental protection, customer satisfaction, and employee well-being.

In connection with product quality, product certifications are an integral part of IMS. This process confirms the compliance of product properties with the requirements of specific technical regulations. In addition to risk analysis, accredited laboratory testing, and comparison of product properties with regulatory requirements, it typically includes oversight to ensure the continued stability of certified product quality throughout the certificate's validity period.

In 2022, the Company successfully passed surveillance audits for ISO 9001:2015 and ISO 14001:2015. A recertification audit was conducted for compliance with ISO 45001:2018. Additionally, the Company reaffirmed the compliance of its Integrated Management System with the requirements of API Spec. Q1 and the European Parliament Directive PED 2014/68/EU. Both cases involved recertification audits.

Regarding product certifications, the Company confirmed compliance with EN 488:2015, ČSN ISO 14141:2013, and API 6D. Furthermore, the Company expanded its significant certification from the Nuclear Regulatory Authority of Turkey (NDK) to cover additional valve types from various nuclear power plant projects.

Beyond the certifications mentioned above, the Company also underwent surveillance audits for licensing based on German regulations, such as AD-2000 Merkblatt HP0 and DIN EN ISO 3834-2. In addition, a surveillance audit was conducted in 2022 to verify compliance with ISO 17025 for the non-destructive testing laboratory, leading to the successful renewal of the certificate, which remains valid until 2025.

In 2022, the Company's Integrated Management System was also assessed for compliance with customer requirements. These assessments involved key customers from nuclear power plant projects, including ČEZ, MVM PAKS, and ARAKO. Following the successful completion of these audits, the Company was granted the authorization to supply its products for projects conducted under the supervision of these companies.

In 2023, the Company will seek to reaffirm certifications for compliance with the European Parliament Directive PED 2014/68/EU, API Spec. Q1, and API 6D, with the audits scheduled for Q1 2023. In Q2 2023, the compliance of the non-destructive testing laboratory with ISO 17025 will be reassessed, along with surveillance audits of product certifications. Q3 2023 will focus on reaffirming ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certifications. Additionally, in 2023, the Company will prepare samples for the certification of hydrogen-ready valves (H2 READY), with the actual certification process planned for Q1 2024.

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.



INDEPENDENT AUDITOR'S REPORT

to the shareholders of
MSA, a.s.

Adverse Opinion

We have audited 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 2022, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of MSA, a.s. as at 31st December 2022, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Adverse Opinion

The Company is facing a difficult economic situation, characterized primarily by loss-making operations, a significant volume of overdue short-term liabilities, and an increase in short-term liabilities towards a controlled or controlling entity. Additionally, as of 31st December 2022, the Company reported negative equity.

In response to its unsatisfactory financial situation, the Company filed for insolvency on 24th July 2023. The Regional Court in Ostrava approved the reorganization, which became legally effective on 13th December 2023. The Company's management is taking steps to ensure the Company can continue its operations.

These matters indicate the existence of significant (material) uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern. The financial statements were prepared in March 2023 under the assumption of going concern. At that time, the Company also had a support declaration from its parent company. The above mentioned subsequent developments and their potential impacts are only minimally reflected in the Company's financial statements, specifically in point 21 of the notes to the financial statements.

The potential impact of these circumstances, 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.

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Statutory Body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

**Responsibilities of the Company's Statutory 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above mentioned laws and regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Body.
- Conclude on the appropriateness of the Statutory Body'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's



report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Body and Supervisory Body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Ostrava on 30th April 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, 2022

Company Name: MSA, a.s.
Registered Office: Hlučinská 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 November 30, 2023

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

BALANCE SHEET
full version
MSA, a.s.
IČO 451 92 278

As of
12/31/2022
(in CZK thousand)

Hlučinská 641
747 22 Dolní Benešov

		12/31/2022			12/31/2021
		Gross	Adjustment	Net	Net
B.	Fixed assets	1 156 242	826 307	329 935	357 708
<i>B.I.</i>	<i>Intangible fixed assets</i>	24 813	24 541	272	753
B.I.2.	Valuable rights	24 597	24 325	272	453
B.I.2.1.	Software	24 460	24 188	272	453
B.I.2.2.	Other valuable rights	137	137		
B.I.4.	Other intangible fixed assets	216	216		
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction				300
B.I.5.2.	Intangible fixed assets under construction				300
<i>B.II.</i>	<i>Tangible fixed assets</i>	1 121 216	801 766	319 450	346 432
B.II.1.	Land and structures	526 676	272 601	254 075	273 866
B.II.1.1.	Land	10 767		10 767	10 767
B.II.1.2.	Structures	515 909	272 601	243 308	263 099
B.II.2.	Tangible movable assets and sets of tangible movable assets	590 635	529 165	61 470	71 773
B.II.4.	Other tangible fixed assets	18		18	18
B.II.4.3.	Other tangible fixed assets	18		18	18
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	3 887		3 887	775
B.II.5.1.	Prepayments for tangible fixed assets				5
B.II.5.2.	Tangible fixed assets under construction	3 887		3 887	770
<i>B.III.</i>	<i>Non-current financial assets</i>	10 213		10 213	10 523
B.III.1.	Equity investments - controlled or controlling entity	9 271		9 271	9 581
B.III.5.	Other non-current securities and investments	942		942	942
C.	Current assets	557 555	122 811	434 744	481 306
<i>C.I.</i>	<i>Inventories</i>	325 304	111 139	214 165	199 353
C.I.1.	Material	157 728	35 315	122 413	107 075
C.I.2.	Work in progress and semifinished goods	72 325	14 990	57 335	47 271
C.I.3.	Products and goods	79 034	60 834	18 200	24 484
C.I.3.1.	Products	79 034	60 834	18 200	24 484
C.I.5.	Prepayments for inventories	16 217		16 217	20 523
<i>C.II.</i>	<i>Receivables</i>	227 570	11 672	215 898	265 031
<i>C.II.2.</i>	<i>Short-term receivables</i>	227 570	11 672	215 898	265 031
C.II.2.1.	Trade receivables	210 812	11 672	199 140	254 912
C.II.2.4.	Receivables - other	16 758		16 758	10 119
C.II.2.4.3.	State - tax receivables	2 544		2 544	
C.II.2.4.4.	Short-term prepayments made	8 663		8 663	6 268
C.II.2.4.6.	Sundry receivables	5 551		5 551	3 851
<i>C.IV.</i>	<i>Cash</i>	4 681		4 681	16 922
C.IV.1.	Cash on hand	18		18	7
C.IV.2.	Cash at bank	4 663		4 663	16 915
D.	Other assets	7 988		7 988	12 652
D.1.	Deferred expenses	7 986		7 986	12 339
D.3.	Accrued income	2		2	313

		12/31/2022	12/31/2021
	TOTAL LIABILITIES & EQUITY	772 667	851 666
A.	Equity	-39 251	88 511
<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>-457 139</i>	<i>-456 829</i>
A.II.2.	<i>Capital funds</i>	<i>-457 139</i>	<i>-456 829</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 (+/-)	1 050	1 360
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>-131 622</i>	<i>-64 014</i>
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-83 839	-15 649
A.IV.2.	Other profit or loss from prior years (+/-)	-47 783	-48 365
<i>A.V.</i>	<i>Profit or loss for the current period (+/-)</i>	<i>-128 034</i>	<i>-68 190</i>
B.+C.	Liabilities	811 918	763 155
B.	Reserves	10 909	43 409
B.IV.	Other reserves	10 909	43 409
C.	Payables	801 009	719 746
<i>C.I.</i>	<i>Long-term payables</i>	<i>841</i>	<i>1 206</i>
C.I.2.	Payables to credit institutions	841	1 206
<i>C.II.</i>	<i>Short-term payables</i>	<i>800 168</i>	<i>718 540</i>
C.II.2.	Payables to credit institutions	366	179 507
C.II.3.	Short-term prepayments received	169 492	54 487
C.II.4.	Trade payables	416 009	457 215
C.II.6.	Payables - controlled or controlling entity	185 415	1 700
<i>C.II.8.</i>	<i>Other payables</i>	<i>28 886</i>	<i>25 631</i>
C.II.8.3.	Payables to employees	10 259	10 050
C.II.8.4.	Social security and health insurance payables	8 992	5 104
C.II.8.5.	State - tax payables and subsidies	1 604	5 092
C.II.8.6.	Estimated payables	7 824	5 159
C.II.8.7.	Sundry payables	207	226

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

Year ended
12/31/2022
(in CZK thousand)

MSA, a.s.
IČO 451 92 278

Hlučinská 641
747 22 Dolní Benešov

		Period ended 12/31/2022	Period ended 12/31/2021
I.	Sales of products and services	466 732	1 092 863
II.	Sales of goods	82	755
A.	Purchased consumables and services	398 213	861 857
A.2.	Consumed material and energy	312 419	750 537
A.3.	Services	85 794	111 320
B.	Change in internally produced inventory (+/-)	-3 680	101 536
C.	Own work capitalised (-)	-1 207	-2 435
D.	Staff costs	199 727	208 178
D.1.	Payroll costs	144 079	151 535
D.2.	Social security and health insurance costs and other charges	55 648	56 643
D.2.1.	Social security and health insurance costs	47 657	51 036
D.2.2.	Other charges	7 991	5 607
E.	Adjustments to values in operating activities	22 238	22 875
E.1.	Adjustments to values of intangible and tangible fixed assets	22 515	25 307
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	22 554	25 346
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	-39	-39
E.2.	Adjustments to values of inventories	47	-717
E.3.	Adjustments to values of receivables	-324	-1 715
III.	Other operating income	20 355	16 397
III.1.	Sales of fixed assets	449	
III.2.	Sales of material	9 887	10 995
III.3.	Sundry operating income	10 019	5 402
F.	Other operating expenses	-1 112	-11 189
F.2.	Material sold	3 542	1 389
F.3.	Taxes and charges	865	955
F.4.	Reserves relating to operating activities and complex deferred expenses	-32 500	-31 003
F.5.	Sundry operating expenses	26 981	17 470
*	Operating profit or loss (+/-)	-127 010	-70 807
IV.	Income from non-current financial assets - equity investments	490	630
IV.1.	Income from equity investments - controlled or controlling entity	490	630
J.	Interest expenses and similar expenses	5 056	4 387
J.1.	Interest expenses and similar expenses - controlled or controlling entity	61	56
J.2.	Other interest expenses and similar expenses	4 995	4 331
VII.	Other financial income	31 291	44 575
K.	Other financial expenses	27 749	38 201
*	Financial profit or loss (+/-)	-1 024	2 617
**	Profit or loss before tax (+/-)	-128 034	-68 190
**	Profit or loss net of tax (+/-)	-128 034	-68 190
***	Profit or loss for the current period (+/-)	-128 034	-68 190
*	Net turnover for the current period	518 950	1 155 220

STATEMENT OF CHANGES IN EQUITY		MSA, a.s. IČO 451 92 278 Hlučinská 641 747 22 Dolní Benešov						
Year ended 12/31/2022 (in CZK thousand)		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 2022		351 172	-456 426	100 986	225 386	-31 334	-32 680	157 104
Distribution of profit or loss						-32 680	32 680	
Revaluation Differences			-403					
Profit or loss for the current period							-68 190	-68 190
Balance at 31 December 2023		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			-310			582		
Profit or loss for the current period							-128 034	-128 034
Balance at 31 December 2024		351 172	-457 139	100 986	225 386	-131 622	-128 034	-39 251

CASH FLOW
STATEMENT

Year ended
12/31/2022
(in CZK thousand)

MSA, a.s.
IČO 451 92 278

Hlučinská 641
747 22 Dolní Benešov

		Period ended 12/31/2022	Period ended 12/31/2021
P.	Opening balance of cash and cash equivalents	16 922	13 940
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	-128 034	-68 190
A.1.	Adjustments for non-cash transactions	-12 536	-8 645
A.1.1.	Depreciation of fixed assets	22 554	25 346
A.1.2.	Change in provisions and reserves	-32 816	-33 474
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A.2.2.	Change in operating payables and other liabilities	81 588	-51 400
A.2.3.	Change in inventories	-14 859	70 095
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A.***	Net operating cash flows	-24 292	17 942
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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 Hlučínská 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, 2022, the sole shareholder of the Company is the Limited Liability Company "TMK ETERNO," registered at Mashinostroiteley 21, Chelyabinsk, Postal Code 454129, Russian Federation, with registration number 1147449006814.

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

Name	Position	Date of Appointment
Denis Makienko	Chairman	December 22, 2021
Dmitry Pyatkov	Member	March 20, 2021

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

Name	Position	Date of Appointment
Sergey Chikalov	Chairman	December 22, 2021

The Company is organised into the following departments: Sales Department, Purchasing Department, Economic Department, Production and Technical Department, Department of NPP Projects 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 statement.

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

No changes were recorded in the commercial register during the year 2022.

1.3 Group Identification

MSA, a.s. is a subsidiary of Company with Limited Liability TMK ETERNO (Общество с ограниченной ответственностью "ТМК ЭТЕРНО"), which is part of the Public Joint Stock Company Pipe Metallurgical Company (Публичное акционерное общество "Трубная Металлургическая Компания"), headquartered at Pokrovka 40, 101000 Moscow, Russian Federation, with registration number 1027739217758. This company serves as the consolidating accounting entity of the group, and its consolidated financial statements are also 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 statement is prepared as of the balance sheet date, December 31, 2022, for the calendar year 2022.

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

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, 2022	as of December 31, 2021
Cash on hand and cash in transit	18	7
Stamps and vouchers	0	0
Bank accounts	4,663	16,915
- of which term deposits	0	0
Total cash and cash equivalents (in CZK thousand)	4,681	16,922

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	24,160	300	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	300	0	0
Total as of 31.12.2022	24,813	300	300	0	24,813
Total as of 31.12.2021	24,432	644	263	0	24,813

Provisions and accumulated amortisation

					(in CZK thousand)	
	Opening Balance	Additions	Disposals	Closing Balance	Depreciation	Net Book Value
Software	23,707	480	0	24,188	0	272
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 31.12.2022	24,060	480	0	24,541	0	272
Total as of 31.12.2021	23,545	515	0	24,060	0	453

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	524,079	449	0	8,619	515,909
Tangible movable assets and sets thereof	592,470	111	1,946	0	590,635
Other TFA	18	0	0	0	18
Prepayments made for TFA	5	0	5	0	0
TFA under construction	770	3,677	560	0	3,887
Total as of 31.12.2022	1,128,109	4,237	2,511	8,619	1,121,216
Total as of 31.12.2021	1,135,582	6,892	14,365	0	1,128,109

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	260,111	11,660	0	271,771	830	243,308
Tangible movable assets and sets thereof	520,697	10,413	1,946	529,164	0	61,470
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 31.12.2022	780,808	22,073	1,946	800,935	830	320,281
Total as of 31.12.2021	766,642	24,978	10,812	780,808	869	346,432

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, 2022, the outstanding future lease obligations under existing financial lease agreements amounted to CZK 493 thousand excluding VAT (December 31, 2021: CZK 597 thousand).

4. Equity Investments – Controlled Entities and Associates

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

in CZK thousand as of December 31, 2021	Equity Investment	Acquisition Cost	Equity	Revaluation	Company's Share
Foreign Investments					
MSA Slovakia s.r.o.	100%	744	40*	-709	35
Domestic Investments					
Oprávérenský závod MSA, s.r.o.	70%	7,477	13,188*	2,069	9,546
Total		8,221	13,228	1,360	9,581
Allowance		0	0	0	0
Net Book Value		8,221	13,228	1,360	9,581

*unaudited

For all subsidiaries and associates listed, there is no difference between the ownership percentage and the percentage of voting rights. In 2022, the Company recorded income of CZK 490 thousand (2021: CZK 630 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:

- Opravárenský závod MSA, s.r.o. – Hlučínská 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, 2022, the Company reports an inventory allowance of CZK 111,139 thousand (as of December 31, 2021: CZK 111,092 thousand).

6. Receivables

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

As of December 31, 2022, past-due receivables¹ amounted to CZK 128,528 thousand (as of December 31, 2021: CZK 142,497 thousand).

The allowance for receivables as of December 31, 2022, was CZK 11,672 thousand (as of December 31, 2021: CZK 11,997 thousand).

Receivables from group companies are disclosed in Note 16.

7. Equity

Throughout 2022, 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 2022 and 2021, 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 2022 loss of CZK 128,034 thousand to the account of retained losses from previous years.

8. Reserves

(in CZK thousand)	December 31, 2022	December 31, 2021
Reserve for Warranty Repairs	2,065	5,147
Reserve for Contractual Penalties	2,015	32,736
Reserve for Unused Vacation	2,402	2,019
Reserve for Commissions	1,016	3,507
Reserve for Bonuses	3,411	0
Total Reserves	10,909	43,409

¹ Includes only receivables outside the group.

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

9. Payables

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

As of December 31, 2022, past-due trade payables² amounted to CZK 406,499 thousand (as of December 31, 2021: CZK 134,981 thousand), of which payables overdue by more than 90 days totaled CZK 289,737² thousand (as of December 31, 2021: CZK 56,174 thousand).

As of December 31, 2022, the Company recorded short-term received advances amounting to CZK 169,492 thousand, compared to CZK 47,733 thousand as of December 31, 2021. 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, 2022	December 31, 2021
Bank loans due within one year (including the portion of long-term loans maturing within one year)	0	179,141
Long-term bank loans with a maturity of 1 - 5 years	0	0
Total bank loans and overdrafts	0	179,141
Other borrowings due within one year	1,500	1,700
Other borrowings with a maturity of more than one year	0	0
Total other borrowings	1,500	1,700

A short-term operational revolving bank loan of EUR 8 million was provided by AO GAZPROMBANK and was transferred to the parent company in 2022.

Other loans include an operational loan from a subsidiary, with a balance of CZK 1.5 million as of December 31, 2022.

The Company does not currently utilize any loans or credits other than those mentioned above.

11. Income Tax

As of December 31, 2022, and December 31, 2021, 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 2019 and subsequent years).

² Includes only receivables outside the group.

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

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

(in CZK thousand)	December 31, 2022	December 31, 2021
Deferred tax asset arising from:		
Difference between the value of assets for accounting and tax purposes	12,816	8,533
Reserves and provisions	25,407	31,800
Other temporary differences	0	0
Tax losses from previous years	48,115	37,706
Total deferred tax asset		
Adjustment (uncertainty of future utilization)	-86,338	-78,039
Net deferred tax asset	0	0

A potential deferred tax asset of CZK 86,338 thousand as of December 31, 2022 (as of December 31, 2021: CZK 78,039 thousand) was not recognized due to uncertainty regarding its future utilization.

12. Sales

Income from operating activities:

(in CZK thousand)	2022	2021
Production of valves and manufacturing activities		
- Foreign markets	392,235	843,679
- Domestic market	53,722	220,806
Production of thermal energy, compressed air, electricity distribution, waste disposal, water distribution, R&D, asset rental, transport, repairs		
- Foreign markets	814	351
- Domestic market	19,961	28,028
Total sales of own products and services	466,732	1,092,864
Sale of goods – sale of commercial goods		
- Foreign markets	82	755
- Domestic market	0	0
Total merchandise sales	82	755
Sale of fixed assets and materials	10,336	10,995
Other income	10,019	5,402
Total other operating income	20,355	16,397
Total income from operating activities	487,169	1,110,016

13. Services

Services can be analyzed as follows:

(in CZK thousand)	2022	2021
Repairs and maintenance	14,123	13,312
Travel and representation costs	2,287	2,011
Subcontracting (Cooperation)	9,919	12,258
Transport costs	16,865	15,417
Commissions	8,650	26,312
Leases and rent	2,255	4,018
Legal services	2,901	2,775
Receipts related to Work Orders	5,130	6,661
Other	23,367	28,556
Total	85,497	111,320

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	
	2022	2021	2022	2021
Company Management	18,068	14,461	6	9
Other Employees	175,332	187,128	355	388
Total	193,400	201,589	361	397

16. Related Parties Transactions

This note discloses all significant transactions with related parties.

(in CZK thousand)	2022	2021
Income		
Sale of services	1,212	839
Sale of finished products, materials, and goods	45,301	96,742
Other income	576	1,070
Total	47,089	98,651

Expenses / Purchases		
Purchase of materials	1,462	332,977
Purchase of services	10,414	13,200
Interest expenses	1,811	999
Other expenses	1,776	1,113
Total	15,463	348,289

The Company Reported the Following Balances with Related Parties:

(in CZK thousand)	2022	2021
Receivables		
Trade receivables	2,763	6,650
Total receivables	2,763	6,650
Payables		
Trade payables	4,625	245,508
Short-term advances received	130,780	27,110
Borrowings received	185,415	1,700
Total payables	320,820	274,318

The remuneration of the Company's Board of Directors in 2022 amounted to CZK 0 thousand (2021: CZK 651 thousand). The remuneration of the Company's Supervisory Board members in 2022 amounted to CZK 0 thousand (2021: 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 2022 amounted to CZK 335 thousand (2021: CZK 285 thousand).

18. Contingent Liabilities

The Company's management is not aware of any contingent liabilities as of December 31, 2022.

19. Business Continuity

In the calendar year 2022, the Company reported a loss of CZK 128,034 thousand. The primary reason for this loss was the impact of the conflict in Ukraine, which led to a further decline in orders from Russia and the reluctance of certain customers to cooperate with a company owned by Russian capital. These factors, combined with the already reduced volume of actual orders that the Company has been facing in recent years, are expected to lead to a further decline in performance in 2023. The Company's management is actively seeking ways to improve performance to avert the threat of insolvency.

The Company's loss-making operations continue to be financed mainly through short-term loans and liabilities to related parties (see Section 16).

The Company is dependent on financial support from its parent company, which has expressed and confirmed its commitment to provide financial assistance for at least 12 months from the approval of this support, i.e., until November 30, 2023.

Given the fact that, at the time of preparing the 2022 financial statements, the Company was informed that companies within the TMK Group had assigned almost all their receivables from MSA, a.s. to the company Bagdala, based in the United Arab Emirates, the Company perceives an increased risk to its financial stability, caused by this substantial increase in its debt outside the Group.

20. Off-Balance Sheet Commitments

As of December 31, 2022, off-balance sheet liabilities related to open documentary letters of credit amounted to CZK 31,420 thousand with ALFA BANK.

21. Subsequent Events

The financial statements were prepared on March 31, 2023. However, due to the inability of the Board members to sign them, as they were citizens of the Russian Federation and could not be physically present, we provide the following updated information as of November 30, 2023:

On July 24, 2023, the Company was forced to file for insolvency due to the withdrawal of support from its parent company. The Company is now seeking a new strategic partner and will pursue its reorganization.

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 2022

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

a) Controlling Entity:

The controlling entity within the meaning of the Corporations Act as of December 31, 2022, was TMK STEEL HOLDING LIMITED, registered at Agiou Andreou 332, Patrician Chambers, Limassol, Cyprus, Postal Code 3035, with registration number HE 347505 (hereinafter referred to as the "Controlling Entity").

b) 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, 2022, 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, 2022:

- PAO "TMK", ID 1027739217758, Pokrovka 40, 101000, Moscow, Russian Federation;
- OOO "TMK ETERNO", 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;
- MSA Slovakia s.r.o., ID 35879904, Bajkalská 2A, 831 04, Bratislava, Slovakia.

c) Method and Means of Control:

The Controlling Entity exercises control over the Company through its ownership of shares representing 100% of the business interest in Company with Limited Liability TMK ETERNO (Общество с ограниченной ответственностью "ТМК ЭТЕРНО"), which, in turn, owns 100% of the business interest in MSA, a.s., following the hierarchical structure outlined below:

- Limited Liability Company TMK ETERNO (ООО «ТМК ЭТЕРНО»), registered in Chelyabinsk, Postal Code 454129, Mashinostroiteley 21, Russian Federation, Registration Number 1147449006814;

- Joint Stock Company CHTPZ (AO «ЧТПЗ»), registered in Chelyabinsk, Postal Code 454129, Mashinostroiteley 21, Russian Federation, Registration Number 1027402694186;
- Public Joint Stock Company TMK (PAO «TMK»), registered in Moscow, Postal Code 101000, Pokrovka 40, Russian Federation, Registration Number 1027739217758;
- TMK STEEL HOLDING LIMITED, registered in Limassol, Postal Code 3035, Agiou Andreou 332, Patrician Chambers, Cyprus, Registration Number HE 347505.

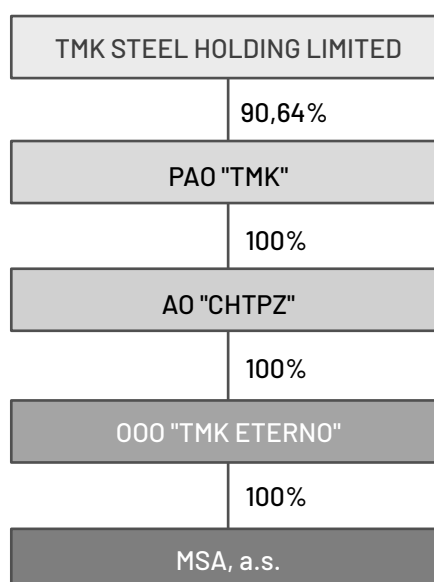
The sole shareholder exercises control over the Company through its authority in the general meeting of shareholders.

d) 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, 2022



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 the loan of funds;
- Contract No. 505, concluded with PAO ČTPZ on January 11, 2016, concerning the commercial terms for the sale of the Company's products;
- Framework Purchase Agreement No. 2071, concluded with PAO ČTPZ on June 17, 2017, concerning the commercial terms for the sale of the Company's products;
- Contract No. E 157 (22-ET)08112017, concluded with 000 ETERNO on November 8, 2017, concerning 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-01/2012-SPM, concluded with Opravárenský závod MSA on January 9, 2012, 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;
- Contract EG VO 02/2003, for the supply of drinking water, the discharge of wastewater into the MSA, a.s. sewer system, and waste disposal, concluded with Opravárenský závod MSA, covering the pricing for drinking water consumption and wastewater disposal fees;
- Agency Agreement No. 881, concluded with PAO ČHTPZ on March 11, 2019, for the arrangement of bank guarantees;
- Contract No. 190527, concluded on May 22, 2019, with AO SOT, concerning the commercial terms for the purchase of products by the Company;
- Service Agreement, concluded on October 5, 2020, with MSA Slovakia s.r.o., for the provision of economic and market information to the Company;
- Contract No. 02-09/20-01/DUF(CH), concluded on September 2, 2020, with AO PNTZ, for the supply of goods;
- Framework Agreement for Work Execution, concluded on September 1, 2020, with 000 ETERNO, for the provision of servicing and technical services by the Company;
- Contract No. 1060/2020, concluded with PAO ČHTPZ on April 1, 2020, for the testing of metal products.
- Contract concluded with AO PNTZ, No. 2146, dated November 30, 2021, for the provision of bank guarantees;
- Framework Agreement for Service Activities, concluded on June 18, 2021, with 000 ČHTPZ TRUBNYI SERVIS, for the provision of servicing and technical services for the Company;
- Contract concluded with AO SOT, dated 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:

- Framework Agreement for the Supply of Goods, No. E/2022/66, dated February 17, 2022, concluded with 000 TMK ETERNO, for the supply of products and goods by the Company;
- Maintenance and Repair Agreement, concluded with Opravárenský závod MSA on February 22, 2022, specifying the conditions for the maintenance and repair of the Company's production equipment.

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 2-E/2022/66, concluded with 000 TMK ETERNO on April 29, 2022;
- Specification 4-E/2022/66, concluded with 000 TMK ETERNO on May 20, 2022;
- Specification 5-E/2022/66, concluded with 000 TMK ETERNO on May 27, 2022;
- Specification 6-E/2022/66, concluded with 000 TMK ETERNO on September 2, 2022;
- Specification 7-E/2022/66, concluded with 000 TMK ETERNO on September 30, 2022;
- Specification 9-E/2022/66, concluded with 000 TMK ETERNO on November 11, 2022;
- Specification 10-E/2022/66, concluded with 000 TMK ETERNO on November 18, 2022;
- Specification 4-E/2022/66, concluded with 000 TMK ETERNO on April 29, 2022.
- Specification 89-505, concluded with PAO ČTPZ on January 25, 2022;
- Specification 90-505, concluded with PAO ČTPZ on February 25, 2022;
- Specification 94-505, concluded with PAO ČTPZ on May 16, 2022.

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

(in CZK thousand)	2022	2021
Revenues		
Sale of services	1,212	839
Sale of finished products, materials, and goods	45,301	96,742
Other revenues	576	1,070
Total revenues	47,089	98,651
Expenses / Purchases		
Purchase of materials	1,462	332,977
Purchase of services	10,414	13,200
Interest expenses	1,811	999
Other expenses	1,776	1,113
Total expenses	15,463	348,289

The Company reported the following balances with related parties:

(in CZK thousand)	December 31, 2022	December 31, 2021
Receivables		
Trade receivables	2,763	6,650
Total receivables	2,763	6,650
Liabilities		
Trade payables	4,625	245,508
Short-term advances received	130,780	27,110
Loans received	185,415	1,700
Total liabilities	320,820	274,318

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.

Section VI.

Conclusion

This report was prepared by the statutory body of the Company, MSA, a.s., on March 31, 2023. 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, 2023

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

Given the changes in the structure of the company's statutory bodies and the initiation of insolvency proceedings, MSA, a.s. signs this report as of March 31, 2023, through the Chairman of the Board of Directors and a Member of the Board of Directors on November 15, 2023.

Martin Hofman
Chairman of the Board

Michal Matus
Member of the Board