

Liberty Ostrava a.s.

Annual Report
for the Period from 1 January 2019
to 30 June 2020

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I. GENERAL INFORMATION ABOUT THE COMPANY

Company Profile

Business Name:	Liberty Ostrava a.s.
Registered Office:	Vratimovská 689/117, Kunčice, 719 00 Ostrava
Legal Status:	Joint stock company
Corporate ID:	45193258
Tax ID:	CZ45193258
The Company's Core Business:	The Company is primarily engaged in the production and processing of hot metal and steel and secondary metallurgical production. Long and flat rolled products account for the largest portion of the metallurgical production. Engineering manufacturing principally produces mine supports and road crash barriers. Servicing and maintenance activities are predominantly provided by the Company's own service plants.
Registration of the Company in the Register of Companies was performed by:	Regional Court in Ostrava, file ref. B 297
Established:	22 January 1992
Majority Shareholder as of 30 June 2020:	LIBERTY OSTRAVA LIMITED (100%)

On 15 January 2019, the Board of Directors approved the intention to establish a new legal entity under the laws of the Republic of Poland for the purposes of trading in the Company's steel products on the Polish market, including the Deed of Incorporation.

On 15 March 2019, the Board of Directors approved the intention to establish a new legal entity under the laws of the Federal Republic of Germany for the purposes of trading in the Company's steel products on the German market, including the Deed of Incorporation.

On 19 July 2019, the General Meeting decided on an amendment of the Articles of Association, changing the name of the Company to Liberty Ostrava a.s.

On 20 November 2019, the General Meeting decided on an amendment to the Articles of Association, amending the authority of the Supervisory Board and increasing the number of the Supervisory Board members from three to six, effective from 1 December 2019.

On 25 November 2019, the Board of Directors approved the intention to perform a merger by amalgamation with Liberty Tubular Products Ostrava a.s., with the effective date of the merger being 1 January 2019.

On 26 November 2019, the General Meeting decided on an amendment to the Articles of Association, involving, inter alia, an increase in the number of members of the Board of Directors from five to six, effective from 1 December 2019.

On 27 September 2019, the Board of Directors decided on a change of the reporting period from a calendar year to a fiscal year starting from 1 July and ending on 30 June of the following year.

On 20 March 2020, the General Meeting decided on an amendment to the Articles of Association, decreasing the number of the members of the Board of Directors from six to four.

On 17 April 2020, the General Meeting decided on an amendment to the Articles of Association, increasing the number of the Supervisory Board members from six to nine.

Composition of the Company's Board of Directors and Top Management as of 30 June 2020:

Ashok Virupaksha Gowda Patil

- Chairman of the Board of Directors

Pradhan Suyash Kumar

- Member of the Board of Directors
- Chief Finance Officer

Václav Habura

- Chief Operations Officer

Pavel Šedivý

- Head of Operational Services

Jiří Michálek

- Chief Health & safety Officer

Aditya Nath Sen

- Chief Investments & Engineering Officer

Pascal Herve Martin Marie Genest

- Vice-Chairman of the Board of Directors
- Chief Executive Officer

Shahab Husain

- Chief Sales and Marketing Officer

Veronika Muroňová

- Chief HR Officer

Petr Baranek

- Chief Environmental Officer

Ivo Bouda

- Chief Purchasing Officer

The Composition of the Supervisory Board as of 30 June 2020:

Members:

Roland Jean Pierre Junck
Arnaud Nicolas Joseph Maurice de Weert
Virinder Bahadur Garg
Eduard Muřický
Petr Slanina
Alena Sobolová

In the reporting period from 1 January 2019 to 30 June 2020, the below-listed changes were made in the composition of the Board of Directors and the Supervisory Board:

On 24 January 2019, the employees appointed Petr Slanina as a member of the Supervisory Board.

On 25 January 2019, the General Meeting recalled Augustine Kochuparampil, Sanjay Samaddar, Tapas Rajderkar, František Chowaniec and Roman Bečica from their positions as members of the Supervisory Board. On the same day, the General Meeting appointed Augustine Kochuparampil and Sanjay Samaddar as members of the Supervisory Board, in connection with the amendment to the Articles of Association, involving a decrease in the number of the Supervisory Board members from 5 to 3, when 2 members are appointed by the General Meeting and one member is appointed by the Company's employees.

On 27 June 2019, Augustine Kochuparampil and Sanjay Samaddar resigned from their positions of members of the Supervisory Board.

On 17 July 2019, the General Meeting appointed Virinder Bahadur Garg and Rajeev Gandhi as members of the Supervisory Board.

On 26 November 2019, the General Meeting appointed Pascal Herve Martin Marie Genest as a member of the Board of Directors, effective from 1 December 2019.

On 17 December 2019, the General Meeting appointed Eduard Muřický as a member of the Supervisory Board.

On 13 February 2020, the employees appointed Alena Sobolová as a member of the Supervisory Board.

On 18 March 2020, the General Meeting recalled Tomáš Telúch, Václav Habura and Shahab Husain from their positions as members of the Board of Directors. On the same day, the General Meeting recalled Rajeev Gandhi from his position as a member of the Supervisory Board and appointed Roland Jean Pierre Junck and Arnaud Nicolas Joseph Maurice de Weert as members of the Supervisory Board.

On 18 March 2020, the General Meeting appointed Petr Baranek as a member of the Board of Directors, effective from 19 March 2020.

On 24 March 2020, the General Meeting recalled Petr Baranek from his position as a member of the Board of Directors.

Plant Directors as of 30 June 2020

Plant 10 – Coke Plant	Kamil Kičmer
Plant 12 – Blast Furnaces Plant	Jan Haščin
Plant 13 – Steel Plant	Jiří Kaluža
Plant 14 – Rolling Mills	David Božoň
Plant 15 – Tube Mills	Martin Klosko
Plant 3 – Maintenance Plant	Roland Hinterreiter
Plant 5 – Transport Plant	Peter Dudáš
Plant 45 – Automation	Miroslav Hýbl

Majority Shareholders as of 30 June 2020

LIBERTY OSTRAVA LIMITED	100%
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Securities Issued by the Company:

Type:	Shares
Form:	Bearer shares
Status:	Book-entered, filed by the Central Depository of Securities, Rybná 14, 110 05 Prague 1
No. of shares issued:	12,390,257

In connection with its manufacturing and business activities, Liberty Ostrava a.s. holds equity investments in a number of companies.

The Company does not have a branch or other business part abroad.

Brief Characteristics of the Company's Individual Plants

Plant 10 – Coke Plant

Plant 10 – Coke Plant is one of the producers of coke in the Czech Republic. Two coke batteries with ramming operation and a large-capacity coke battery with pouring operation together produce approximately 1.2 million tonnes of coke per year. The chemical section of the Plant produces chemical products (raw coke oven tar, raw coke-oven benzol, coke-oven gas, liquid sulphur), which are distributed to the Czech and foreign markets.

Plant 12 – Blast Furnaces Plant

Plant 12 – Blast Furnaces Plant has four blast furnaces in place. At present, the operation of two blast furnaces is sufficient to meet the requirements of pig iron customers, having an annual production capacity of over 2 million tonnes of pig iron.

The major part of production of liquid pig iron is consumed by Plant 13 – Steel Plant, approximately under 10% of the production of pig iron is strengthened on the casting machine in several range classes in accordance with customer requirements regarding the chemical composition these firm types of iron for steelworks or foundries. The smallest portion of production in terms of volume (under 1%) is intended for the foundry of Liberty Engineering Products Ostrava.

Beside the production of pig iron and sinter for internal use only, external customers are sold products from blast furnace slag, both slag aggregates in several granulometric sorts primarily used for construction purposes, and the blast furnace granulation product for further processing in cement factories or glass works.

Plant 13 – Steel Plant

Plant 13 – Steel Plant is the largest producer of steel in the Czech Republic. Steel is made by the oxygen process in tandem furnaces with an annual production capacity of more than 3 million tonnes. Prior to continuous casting, all liquid steel is processed in ladle furnaces. The liquid steel for modernised continuous casting machine No. 1 with electromagnetic stirring of steel can be processed at the vacuum station to achieve the required parameters, in particular, to degas steel and increase its purity. Subsequently, all liquid steel is cast in sequences on three continuous casting machines into slabs and square or round billets.

Plant 14 – Rolling Mills

Plant 14 – Rolling Mills are the largest final producer of Liberty Ostrava a.s. They process mostly steel that is transported from the Steel Plant (Plant 13) in the form of continuously cast billets. The plant produces and supplies rolled products for domestic and foreign markets. Finishing mills are represented by two section mills (the heavy section rolling and Medium-Fine Section Mills), wire mill and a wide range of sections and wire.

The Heavy Section Rolling Mill produces medium and heavy steel sections ranging from simple round-section bars to simple shaped sections and shaped steel of special cross-sections. This rolling mill also produces steel sections for mine supports and flat steel of a width from 130 to 200 mm.

The Medium-Fine Section Mill produces a broad assortment of rolled products, fine and medium steel sections of basic shapes, round and flat bars, rebars and the range of threaded bars for reinforced concrete and some special sections for the automotive industry.

The Wire Rod Rolling Mill produces hot steel rolled wire with diameters of 5.5-14 mm in coils for further processing in the wire drawing shops and the production plant of steel for reinforced concrete.

Plant 15 – Tube Mills

Plant 15 – Tube Mills – is the final producer of steel tubes of Liberty Ostrava a.s. It mainly processes steel delivered from Plant 13 (Steel Plant) in the form of continuously cast billets and from Plant 64 (Strip Rolling Mills) in the form of hot rolled steel strips. Plant 15 manufactures and supplies steel tubes for domestic and foreign markets. Finishing mills include two (St 4-10'' and St 140) large and small Stiefel mills for a range of seamless tubes, from smooth tubes to threaded tubes, flanged tubes and oil tubes, and a Welding Plant for spirally welded tubes.

Tubes on mills St 4-10'' and St 140 are manufactured only from continuously cast billets. The most difficult product are seamless oil tubes – casing tubes, pumping tubes, drill tubes and oil line tubes. Since 1957, the Company has been authorised to label oil tubes with the American Petroleum Institute (API) logo. Apart from standard API threads, the Company also sells casing tubes and pumping tubes with gas-tight threaded joints.

From the hot rolled steel strips, the Welding Plant manufactures welded tubes with a helical weld both in black design and for the needs of the gas industry with an external protection of the tubes by a three-layer PE insulation, or, alternatively, external or internal FZM-type fibre cement insulation.

We believe our top-class products include the Hunting casing tubes with gas-tight threaded joints, which are resistant to external distortion, and welded tubes for high-pressure gas pipelines furnished with external polyethylene insulation reinforced with a fibre cement layer.

Operation 64 – Strip Rolling Mills

Operation 64 – hot production of rolled flat steel in coils.

Operation 65 – Crash Barriers and Mining Supports

Operation 65 – Crash Barriers and Mining Supports is a producer of steel road restraint systems (crash barriers) and steel mining supports.

Plant 3 – Maintenance Plant

Plant 3 – Maintenance Plant is a repair and maintenance facility that provides for the needs of the production plants with respect to maintenance, repairs and modernisation of production equipment, and investment construction.

In addition, it ensures inspection reviews and maintenance (machinery, electro, hydraulics and automated management systems), the preparation of the annual repairs plan, monitoring of repair costs, inspections of steel structures and diagnostics measurements. It maintains the brickwork (coke battery, blast and tandem furnaces, mobile blenders and heating furnaces) and repairs of metallurgical vehicles.

Plant 5 – Transport Plant

In order to satisfy the transportation requirements of the Company, the plant has locomotives, special railway vehicles, railway cars and railway infrastructure.

The railway transports raw material, material, semi- finished and finished steel products.

Plant 5 – Transport Plant operates railway siding and railway transport on this railway siding, provides for customs clearance, coordinates the services of external suppliers in railway and road freight transport and the transport of employees.

Other services include the operation of passenger vehicles, weighing on railway and road scales, and the measuring of radiation levels of shipped goods.

The plant also acts as an administrator of the “Cold dump”, where the Company’s waste generated during the production process within the company is processed and then stored.

In addition, the competences of Plant 5 – Transport Plant include unloading of raw materials for the production of the Blast Furnaces Plant.

Principal Products

Metallurgic Primary Production

- Hot metal production
- Metallurgic coke with the relevant associated coke and chemical products (crude benzol, coking tar, coking gas, liquid sulphur)

Metallurgic Production

- Plain steel grades, micro alloyed and alloyed steels
- Electro-technical steels under KN 41 3161, KN 41 3162, KN 41 3163 and KN 41 3164 and KN 41 3170 (transformer steel) for production of coils designed for cold rolling, steels resistant to atmospheric corrosion under ČSN EN 10 025-5 (ČSN EN 10 155)
- Continuously cast slabs and billets of a square, quadrangular and circular profile
- Cast formats
Squares: 115 mm, 130 mm, 160 mm and 180 mm
Circular: D 130 mm, D 160 mm, D 200 mm, D 270 mm, D 350 mm, D 400 mm
Slabs: 740-1,575 mm x 150 mm
- Plain steel grades, micro alloyed and alloyed steels
- Electro technical steel pursuant to KN 41 3161, KN 41 3162, KN 41 3163 and KN 41 3164, KN 41 3170 (transformer steel) for the production of strips intended for cold rolling, steel resistant to atmospheric corrosion pursuant to ČSN EN 10 025-5 (ČSN EN 10 155)
- Hot rolled bars with a simple and shaped cross section
- Hot rolled strip on line P 1500
- Rolling of a strip with oval overhangs on line P 1500
- Rolled wires
- Threaded bars and spring steel
- Production of cold-moulded thin-walled sections
- Mining reinforcements and tunnels
- Steel traffic barriers
- Reinforcing bars
- Blast furnace slag and processed steel slag
- Blast furnace sinter
- Seamless tubes with an outer diameter from 21.3 mm to 273.1 mm – smooth tubes to threaded tubes, flanged tubes and oil tubes
- Welded tubes with a helical weld with an outer diameter from 323.9 mm to 1,016 mm – both in black design and with an external protection of the tubes by a three-layer PE insulation, or, alternatively, external or internal FZM-type fibre cement insulation.

II. Report of the board of directors on the business activities and on the balance of assets of Liberty Ostrava a.s.

1. Activities of the Board of Directors

In the period from 1 January 2019 to 30 November 2019, business activities were managed by the Company's Board of Directors with the following composition:

Chairman of the Board of Directors	-	Ashok Virupaksha Gowda Patil
Members of the Board of Directors	-	Shahab Husain
	-	Pradhan Suyash Kumar
	-	Tomáš Telúch
	-	Václav Habura

On 1 December 2019, the General Meeting appointed Pascal Herve Martin Marie Genest as the sixth member of the Board of Directors, in accordance with the amendment to the Articles of Association, involving an increase in the number of the members of the Board of Directors to six. On 2 December 2019, the Board of Directors appointed Pascal Herve Martin Marie Genest as Vice-Chairman of the Board of Directors.

In the period between 1 December 2019 and 18 March 2020, business activities were managed by the Company's Board of Directors with the following composition:

Chairman of the Board of Directors	-	Ashok Virupaksha Gowda Patil
Vice-Chairman of the Board of Directors	-	Pascal Herve Martin Marie Genest
Members of the Board of Directors	-	Shahab Husain
	-	Pradhan Suyash Kumar
	-	Tomáš Telúch
	-	Václav Habura

On 18 March 2020, the General Meeting recalled Tomáš Telúch, Václav Habura and Shahab Husain from their positions as members of the Board of Directors.

On 20 March 2020, the General Meeting decided on an amendment to the Articles of Association, decreasing the number of the members of the Board of Directors from six to four.

In the period between 18 March 2020 and 30 June 2020, business activities were managed by the Company's Board of Directors with the following composition:

Chairman of the Board of Directors	-	Ashok Virupaksha Gowda Patil
Vice-Chairman of the Board of Directors	-	Pascal Herve Martin Marie Genest
Members of the Board of Directors	-	Pradhan Suyash Kumar

In the period from 1 January 2019 to 30 June 2020, 45 meetings of the Company's Board of Directors took place, of which 19 *per rollam*.

2. Results of Operations

In the reporting period from 1 January 2019 to 30 June 2020, the Company generated a profit before tax of CZK 361 million. The total profit after tax amounts to CZK 305 million.

In the reporting period, the Company made an operating loss of CZK 61 million and a financial profit of CZK 422 million.

The total sales of own products and services amounted to CZK 36,942 million in the reporting period.

As of 30 June 2020, the Company reported total assets of CZK 28,838 million. Fixed assets totalled CZK 15,284 million, of which tangible fixed assets represented CZK 9,734 million and non-current financial assets amounted to CZK 670 million. Assets are presented in net amounts. Equity amounted to CZK 15,557 million.

3. Production and Sales

In the reporting period, the Company produced 1,578,472 tonnes of long products (Heavy Section Mill, Medium-Fine Section Mill, Wire Rod Mill and machinery production), and 739,099 tonnes of flat products (Steckel Mill). The aggregate tube production amounted to 247,650 tonnes.

The produced volume of wet coke amounted to 1,310,509 tonnes; the production of pig iron amounted to 2,260,413 tonnes and liquid steel to 2,669,213 tonnes.

4. Environmental Protection

In the period between 1 January 2019 and 30 June 2020, the Company complied with all environmental limits.

The Czech Environmental Inspectorate of the Trade Inspection Authority Ostrava (CEI) carried out 13 inspections in the period between 1 January 2019 and 30 June 2020 related to the compliance with obligations in the area of air protection, including the reporting obligations. Of these, three inspections focused on compliance with the "Special conditions of operations when the signal of smog situation is given", the remaining ten inspections focused on compliance with the conditions of valid integrated permits, compliance with reporting obligations and check of the continuous emission measuring system. Four inspections were performed in Plant 10 – Coke Plant, three inspections in Plant 13 – Steel Plant, two inspections in Plant 12 – Blast Furnaces Plant, and one inspection in Operation 65.

The inspections identified no breach of the conditions of Act No. 201/2012 Coll., on Air Protection, or breach of the conditions set in the valid integrated permits or the special conditions of operations when the smog regulation is announced for the period between 1 January 2019 and 30 June 2020.

All conditions set for waste water drained from Liberty Ostrava a.s. to surface water and ground water and the sewerage system for public use and for the consumption of surface water from the Žermanice hydraulic structure and the Ostravice River were complied with in 2019 and in the period between 1 January 2020 and 30 June 2020.

Within the deadline of 30 June 2019, the Company filed a request with the Ministry of the Environment to be allocated free emission allowances for the period between 2021 and 2025. The decision on the allocation of free emission allowances has not yet been issued by the Ministry of the Environment.

All obligations resulting from the Greenhouse Gas Emission Trading Act were met in the period between 1 January 2019 and 30 June 2020 within the stipulated deadlines.

The topic of dealing with the environmental undertakings originating prior to the privatisation is still dealt with on the basis of two separate agreements with the government. The deadlines for clean-up works were set for 2024 for sites on the Company's premises in Ostrava and 2023 for Skatulův Hliník in Frýdek Místek.

At present, clean-up works of the Skatulův Hliník site are underway, with the completion date in August 2022. Preparation of clean-up work of the Incinerator Plant site – tar lagoon – in Frýdek Místek and the preparation of clean-up work of the Company's premises in Ostrava has started.

5. Investments

In the period between 1 January 2019 and 30 June 2020, the Company's investments totalled CZK 682 million, of which CZK 138 million were investments in environmental improvements, CZK 370 million were investments in the renovation of facilities, and CZK 58 million were investments in increased safety.

The largest investment project in the reporting period was the Modernisation of electrostatic waste gas separators at Agglomeration Plant North of CZK 125 million. The project addresses the reconstruction of the electrostatic waste gas separators following the sinter belts of Agglomeration Plant North.

Structure of investments by individual plants:

- Plant 10 – Coke Plant implemented the projects Deacidification Equipment and Ammonia Stripper Column, KB1 & 2 – Service Machinery – engineering services, Automatic Loading of Coke KB 1 & 2 and other projects, amounting to CZK 81 million.
- Plant 12 – Blast Furnaces implemented the projects Modernisation of electrostatic waste gas separators at Agglomeration Plant North, Replacement of Ignition Heads at Agglomeration Plant North – Belt B and C, Combustion Gas Temperature Reduction at Agglomeration Plant North, Single-Furnace Operations – Phase 1 and other projects, amounting to CZK 196 million.
- Plant 13 – Steel Plant continued in the project Continuous Casting Machines 2 New Segments, Infrastructure for New MES Z13, Reconstruction of Drying and Heating Stations for Ladles (7 pieces), Feasibility Study for the Installation of hybrid furnace and other projects, amounting to CZK 86 million.
- Plant 14 – Rolling Mills implemented the projects End Shears on the Wire Rod Rolling Mill, Heavy Section Rolling Mill – Reconstruction of Straighteners – 2nd Phase, Wire Rod Rolling Mill – Gearboxes for Double Blocks and Quad Blocks, Modernisation of Cassettes in Medium-Fine Section Mill, Straightener Dust Off in Medium-Fine Section Mill and other projects. Investments in the Rolling Mills amounted to CZK 177 million in total.
- Plant 15 – Tube Mills implemented the projects Renovation of the Rotomat 4 NDT Line, Unloading Billets from Waggon Using Electromagnets, Replacement of VAX + Servers and other projects. Investments in the Tube Mills amounted to CZK 57 million in total.

The Company also conducted minor projects in the area of occupational health and safety, for example, Fire Protection of P14 and 72 Belts, Tuyere Replacement Manipulator, FIMI Line Security Fencing, Modernisation of Sirens for Civil Defence, Scrap Input Delivery Automation, etc.

6. Research and Development

Research and development constitutes an integral part of the business activities of Liberty Ostrava a.s. The research and development activities concentrated mainly on two principal areas of production – production of continuously-cast billets and slabs, and hot rolling of finished products, with a focus on addressing the issue of optimising production technology and implementing new products. The aforementioned two areas include projects related to coke and liquid pig iron manufacture.

The Company also implemented research and development (R&D) projects in considering the investments made, namely in respect of producing HAV grade (high added value grade).

In implementing a series of R&D projects, the Company worked closely with specialised external institutions. The Company continued cooperation with the VŠB – Technical University of Ostrava – in the form of traineeships of the students.

The most significant R&D projects in the area of coke production included the project addressing the reduction of sulphurous compounds in the technological equipment for the transport of fuel coke gas, which was successfully completed in May 2020. Another completed R&D project was of a research nature, concerning a study of the reactivity of coke with regard to a potential optimisation of high furnace charge.

The Company successfully completed an R&D project study focused on the re-testing of Sinter Pot Test machine, on which three alternative fuels for agglomerate production were verified.

In the area of steel manufacturing, a study was successfully completed in an R&D project focused on verifying a new version of dynamic cooling model on slab continuous casting machine no. 2. Research continued in projects focused on demanding HAV-grade products, namely those produced using the VD technology and continuous casting machine No. 1. In this context, we could mention the R&D project for implementing the production of new grades to be applied in the engineering industry (e.g., high alloyed steel of grade 18CrNiMo6). As part of another R&D project, the Company continued with the production of round D 400 mm blocks for railway applications (Bonatrans Group). The HAV grades group also included an R&D project related to introducing the production of spring-grade steel. As part of the production of this special-grade steel in the Steel Plant, a water model for the tundish area was used.

In respect of ladle metallurgy, a new R&D project was started with the financial support of the Technology Agency of the Czech Republic. The aim of the project is to develop a new temperature model for the prediction and management of steel temperature in the ladle for the Steel Plant of Liberty Ostrava a.s. This Industry 4.0 project is implemented in cooperation with VŠB – Technical University of Ostrava, R.T.S. cs, spol. s r.o. and other plants and sections of Liberty Ostrava a.s.

In the area of long products manufacture, an R&D project was successfully completed in November 2019 that focused on optimising the chemical composition of steel to achieve the required mechanical properties of a selected range of products on the Medium-Fine Section Mill and Heavy Section Rolling Mill. As part of an R&D project focused on mathematical modelling of forming, a study was successfully completed, on the basis of which the Simufact Forming software was purchased.

In the area of long products, R&D projects continued to be implemented in the area of development of B500SP grade rib wire in coils with higher malleable properties for the Polish market, as well as in the area of introduction of spring-grade products on the Medium-Fine Section Mill. A new R&D project was initiated focused on the possibility of managed forming on the Heavy Section Rolling Mill, development of steel mine supports in grades of minimum yield point of 550MPa, cooling of rolled products on the Heavy Section Rolling Mill, the possibility of delivery of new grades in the +N delivery state.

In the area of steel strips, the Company continued with the implementation of a demanding project focused on the re-introduction and verification of the production of high-strength microalloyed steel, especially of the X60ME and X70ME grades for the production of spirally welded tubes. In December 2019, an R&D project study was successfully completed that focused on the verification of the laminar cooling model. Possibilities for the improvement of the flatness of hot rolled steel strips were researched. A new R&D project was initiated that focuses on the production of transformer steel for Liberty Technotron.

In the area of seamless tubes, two R&D products continued to be implemented, focused on new levels of oil line tubes and casing tubes and the development of higher strength grades of tubes supplied in a post hot rolling state (after normalisation).

In the period from 1 January 2019 to 30 June 2020, 33 R&D projects were implemented in Plant 10, Plant 12, Plant 13, Plant 14, Plant 15 and Operation 64. In total, 7 R&D projects were completed. The implementation of R&D projects is being carried out by Section Q – Research. Projects in Plant 10 are carried out by 10/C Section – Pilot Plant Coke Research.

The total costs of the research and development projects in 2019, calculated for the purposes of the Czech Statistical Office, amounted to CZK 23,657 thousand.

Section Q – Research is carrying out a grant project with the financial support of the Technology Agency of the Czech Republic.

7. Patents and Licences

1. The Company is the owner of five combined trademarks:



and two verbal trademarks:

“Tanec pro život” and “Dance for life”

2. The Company additionally owns fifteen utility models for the production and assembly of road crash barriers that are registered with the Czech Industrial Property Office and with the Slovak Industrial Property Office.
3. The Company also owns six Community industrial designs protecting the design of selected types of crash barriers.
4. Along with OKD, a.s., Liberty Ostrava is the co-owner of know-how for the production of mine steel supports.

8. Integrated Management System (IMS)

The integrated system is composed of the organisational structure, responsibilities, processes, activities, procedures and sources necessary for the management and implementation of quality, environmental protection, energy management, occupational health and safety. It includes all plants and units of LIBERTY Ostrava a.s. and selected subsidiaries.

The top management of the Company and subsidiaries announces the IMS Policy and Objectives as an expression of its attitude towards IMS assurance. To this end, IMS programmes and tasks are adopted at the plants, Company management units and subsidiaries.

- Within the area of QMS (Quality Management System), the Company proves its ability to permanently provide a product that complies with the requirements of customers. The objectives and tasks announced in respect of QMS primarily focus on the preparation and development of new products, processes and production technology; changes in products, technologies or processes; meeting the requirements of customers; defining limits in production quality and increasing the professional qualifications of employees.
- Within the area of EMS (Environmental Management System), the Company identifies environmental aspects that impact, or may impact, the environment. Objectives, programmes and tasks focus on the reduction of negative effects of the Company on the environment.
- Within HSMS (Health and Safety Management System), safety risks are identified, assessed and managed. Objectives, programmes and tasks focus on the removal of risks or the reduction of irremovable risks.
- Within EnMS (Energy Management System), the Company seeks to improve energy savings and energy efficiency, use and consumption.
- Within the serious accident prevention system, the Company aims to prevent extraordinary events the effects of which could have a negative impact on the health of employees, the environment and assets of the Company.

The individual IMS components are regularly certified by authorised companies:

- QMS, EMS and HSMS, which meet the requirements of EN ISO 9001, EN ISO 14001 and ISO 45001, were audited in October 2019 as part of the recertification audit performed by BUREAU VERITAS;
- EnMS, which meets the requirements of EN ISO 50001, will be audited in February 2020 as part of the first review audit by TÜV Nord Czech; and

The serious accident prevention system in LIBERTY Ostrava a.s. is built in line with Act No. 224/2015 Coll., and it is audited every year by the integrated inspection of state authorities.

Companies hold certificates for the relevant products for target export countries in line with customer requirements and applicable legislative requirements.

All organisational changes in the Company in 2019 were successful in terms of IMS.

9. Human Resources Policy

The average salary at the Company was CZK 38,782. The final number of employees was 4,863 persons as of 30 June 2020. The average recalculated number of employees was 4,973 persons in the period between January 2019 and June 2020.

In June 2019, 13 employees successfully completed the requalification course “Production Foreman” accredited by the Ministry of Education, Youth and Sports, and received a “Requalification Certificate” valid throughout the country. The graduates of the requalification course, which comprises 11 modules of 146 lessons, gained basic management knowledge and team leadership skills, they familiarised themselves with labour legislation, basic financial indicators of the Company, and lean production principles, and they are therefore ready to perform the role of a managing employee at a very important position – foreman.

At the Liberty Ostrava training centre, we endeavour to keep innovating our training to make sure it is not just beneficial, but also interesting for the participants. Employees can now take away more real impressions from the training thanks to virtual reality, which is used in our health and safety training entitled “DÁVEJ BACHA”. The course participants have to find safety defects at a specific worksite and resolve the problems presented in real time. 188 foremen took the course in September, 371 employees holding worker roles attended the course from October to December 2019.

Employee training is also organised within the Support of Specialised Employee Education II project (“POVEZ II”), which deals with the issues of adaptability of labour force in enterprises to the constantly changing situation on the market. The project is co-financed from the European Social Fund as part of the Operational Programme Employment and the state budget of the Czech Republic. In 2019, the Company obtained a contribution for employee education and salary refund over the period of training in the total amount of CZK 430,000.

In the period between 1 January 2019 and 30 June 2020, the Company recorded 135 serious events and 19 lost time injuries, of which two lost time injuries were sustained by agency employees and five lost time injuries were sustained by employees of external companies. All lost time injuries and serious events were investigated using the method of analysis of root causes.

The lost time due to the aforementioned work injuries corresponded to 4,524 lost calendar days in the analysed period; 621 for external employees. In the period from 1 January 2019 to 30 June 2020, the number of acknowledged occupational illnesses was 38.

10. Significant Events Occurring in the Period from 1 January 2019 to 30 June 2020

The Company’s owner changed as of 30 June 2019. As of this date, the ArcelorMittal group sold the Company, with the Liberty House Group as the buyer. This sale was preceded by the approval of the European Commission, which approved the Liberty House Group on 17 April 2019 as a suitable and appropriate buyer of Liberty Ostrava (then ArcelorMittal Ostrava a.s.), with the justification that the buyer was able and motivated to continue operating the purchased assets going forward.

Since 1 July 2019, the Company has been part of the Liberty House Group. After the change of owner, the Group gradually replaced activities such as sales, procurement, accounting or financing, that had been provided by the original owner, the ArcelorMittal group. Some of these activities have been replaced with external providers, such as accounting. Financing is now realised within the Liberty House Group and activities related to sales and procurement are performed by the Company’s own employees or via its subsidiaries.

Another significant event was the merger with Liberty Tubular Products Ostrava a.s., with the effective date of 1 January 2019. The objective of the merger was the overall restructuring of the group, consisting primarily of simplifying the organisational, administrative and logical structure of the group's activities and the related reduction in overall expenses.

In late 2019, the first news arrived from China about COVID-19 (coronavirus). In the first months of 2020, the virus spread worldwide, negatively affecting many countries. The impact on the Company primarily consisted in a reduction in steel production, since the operation of one blast furnace was temporarily suspended. The operation of the furnace was suspended from April 2020 to August 2020. In this period, the Company operated only one blast furnace and sold products that it had in stock. This fact had no impact on the recognition of reserves, provisions and impairment as of 30 June 2020.

11. Post Balance Sheet Events

On 1 July 2020, all activities of Liberty Distribution Ostrava, s.r.o. in the area of distribution, product machining, separation and other related production activities were transferred directly to the parent company Liberty Ostrava a.s., which continues to perform these activities, including production, sale of guardrails, metallurgical reinforcements, and sale of the entire portfolio of the Metallurgical Store. All business relations realised after 30 June 2020 are therefore arranged directly under the name of the parent company Liberty Ostrava a.s. to simplify processes and increase customer service efficiency. In line with Section 338 of the Labour Code, all rights and obligations arising from the employment relations of Liberty Distribution Ostrava, s.r.o.'s employees were consequently transferred to Liberty Ostrava a.s. Liberty Distribution Ostrava, s.r.o. remains a subsidiary, it does not cease to exist, but at present it will not perform any business activities.

On 22 July 2020, the sole shareholder acting in the capacity of the general meeting changed the Company's Articles of Association; the change consisted in the decrease in the number of Supervisory Board members from nine to six. In addition, the sole shareholder recalled Mr Virinder Bahadur Garg from the position of Supervisory Board member and appointed Mr Paramjit Singh Kahlon.

In August 2020, the Company drew a long-term loan from Greensill Bank AG in the amount of EUR 76 million. The loan matures in June 2023.

On 26 August 2020, the sole shareholder acting in the capacity of the general meeting appointed Mr Sanjeev Gupta member of the Board of Directors.

In November 2020, the Company's Board of Directors decided to change the reporting period. The new fiscal year will be the period from 1 April 2021 to 31 March 2022. The current reporting period beginning on 1 July 2020 will end on 31 March 2021. The reason for this change is to unify the fiscal year across the Liberty House Group.

On 15 December 2020, the sole shareholder acting in the capacity of the general meeting recalled Mr Pascal Hervé Martin Marie Genest from the position of member and vice-chairman of the Board of Directors and appointed Mr Ajay Kumar Aggarwal new member of the Board of Directors.

Although COVID-19 (coronavirus) had an impact on the economy especially in late 2019 and in the first half of 2020, when the virus spread worldwide and had a negative impact on many countries, after the end of the reporting period and as of the date of preparation of the financial statements, we are aware that after successfully dealing with the first wave, the Czech and global economies are affected by the second wave of this pandemic. Although the situation keeps changing as of the date of publication of these financial statements, it seems that the negative impact of this pandemic on global trade, companies and individuals may be more serious than initially expected. As the situation keeps developing, the Company's management is currently unable to reliably quantify the potential impacts of these events on the Company. Any negative effects and impacts of this second wave and any potential losses will be included in the accounting records and the financial statements for the period beginning on 1 July 2020.

The Company's management has assessed the potential impacts of COVID-19 on its activities and business and concluded that they do not have a material impact on the going concern assumption. Therefore, the financial statements for the period ended 30 June 2020 were prepared on the assumption that the Company will be able to continue as a going concern.

12. Expected Development and Strategy of Liberty Ostrava a. s. in 2020 – 2021

The primary strategy of the Company consists in safe and sustainable production of steel products in an environmentally friendly manner. The Company focuses on the quality of products and services in all areas of production as well as services leading to customer satisfaction.

In Ostrava
Board of Directors
Liberty Ostrava a.s.

This report was discussed and approved at the meeting of the Board of Directors of Liberty Ostrava a.s.

III. Report on relations between the controlling and the controlled entities and relations between the controlled entity and other entities controlled by the same controlling entity according to section 82 of the business corporations act for the period ended 30 June 2020

The Company's owner changed as of 30 June 2019. As of this date, the ArcelorMittal group sold the Company, with the Liberty House Group as the buyer.

Based on this sale, the controlling entity changed from **ARCELORMITTAL S.A.**, to **Liberty Steel Group Holdings Pte Ltd.** Both companies are referred to hereafter as the "Controlling Entity".

For the period from 1 January 2019 to 30 June 2019, the Report on Relations between **ARCELORMITTAL S.A.**, having its registered office at 24-26, Boulevard d'Avranches, L - 1160 Luxembourg, Grand Duchy of Luxembourg (hereinafter the 'Controlling Entity'), as the controlling entity, and **Liberty Ostrava a.s.**, having its registered office at Vratimovská 689/117, Kunčice, 719 00 Ostrava (hereinafter the 'Controlled Entity'), as the controlled entity, and relations between the controlled entity and other entities controlled by the same controlling entity was prepared in compliance with Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended.

For the period from 1 July 2019 to 30 June 2020, the Report on Relations between **Liberty Steel Group Holdings Pte Ltd.**, having its registered office at 8 Marina View, #40-06 Asia Square Tower 1, Singapore 018960 (hereinafter the 'Controlling Entity'), as the controlling entity, and **Liberty Ostrava a.s.**, having its registered office at Vratimovská 689/117, Kunčice, 719 00 Ostrava (hereinafter the 'Controlled Entity'), as the controlled entity, and relations between the controlled entity and other entities controlled by the same controlling entity was prepared in compliance with Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended.

In this report, the Company reports transactions with related parties which are part of the ArcelorMittal Group for the period from 1 January 2019 to 30 June 2019, and transactions with related parties which are part of the Liberty House Group for the period from 1 July 2019 to 30 June 2020.

The sole shareholder controls the Company through the activity of the General Meeting.

The role of the controlled entity in relation to the controlling entity and other entities controlled by the same controlling entity is to produce long products and flat steel products, wet coke, pig iron and liquid steel, and their subsequent sale.

Based on available information, the Company's Board of Directors assessed the advantages and disadvantages arising from the Company's position in the group and concluded that advantages prevailed for Liberty Ostrava a.s., (the Company uses group financing and profits from the group's good name) and the Company incurred no significant disadvantages or risks. After thorough consideration, the Board of Directors declares that it is not aware of any risks arising between the entities described, aside from common business risks.

The contracts concluded with the Controlling Entity and the entities controlled by the same Controlling Entity respect the conditions of common business transaction and are considered by the contracting parties as bilaterally advantageous.

The Board of Directors of the Controlled Entity declares, to the best of their knowledge, that the below noted list of related parties with which the Controlled Entity effected performance and counter-performance for the period ended 30 June 2020 represents all such entities that are known to Liberty Ostrava a.s. as of today's date.

I. Performance and Counter-performance based on Contracts

In the period ended 30 June 2020, the performance and counter-performance between the Controlled Entity and the Controlling Entity and between the Controlled Entity and other entities controlled by the same Controlling Entity based on the concluded contracts were implemented as follows.

The Controlled Entity incurred no detriment from the provided performance and counter-performance.

The Company did not conclude any other legal acts or adopt other measures that would be in the interest or at the initiative of the Controlling Entity or in the interest or at the initiative of other entities controlled by the same Controlling Entity.

All amounts are presented net of VAT in thousands of CZK.

ArcelorMittal Treasury SNC (related party until 30 June 2019)

In order to optimise banking fees, credit interests, and payments made within the ArcelorMittal Group, on 30 June 2014, the Company concluded a Bilateral Contract for Finance Management and Financial Transactions ("Contract"), which came into force on 1 July 2014. This contract was terminated as of 30 June 2019.

The relevant part of interest income recognised for the period from 1 January 2019 to 30 June 2019 amounts to CZK 5,764 thousand and the relevant part of interest expenses for the same period amounts to CZK 3,029 thousand.

Liberty Steel East Europe Bidco Limited (related party from 1 July 2019)

The Company concluded a loan contract with Liberty Steel East Europe Bidco Limited, effective from 1 July 2019. The loan provided by Liberty Steel East Europe Bidco Limited bears EUR interest on the basis of three-month EURIBOR with a margin of 5%. Interest expenses for the period from 1 July 2019 to 30 June 2020 amount to CZK 26,998 thousand.

Liberty Finance Management Limited (related party from 1 July 2019)

The Company concluded a loan contract with Liberty Finance Management Limited, effective from 1 July 2019. The loan provided by Liberty Finance Management Limited bears EUR interest on the basis of three-month EURIBOR with a margin of 5%. Interest expenses for the period from 1 July 2019 to 30 June 2020 amount to CZK 14,573 thousand.

Liberty Ostrava Limited (related party from 1 July 2019)

The Company concluded a loan contract with Liberty Ostrava Limited, effective from 1 July 2019. The loan provided by Liberty Ostrava Limited bears EUR interest on the basis of three-month EURIBOR with a margin of 5%. Interest expenses for the period from 1 July 2019 to 30 June 2020 amount to CZK 92,801 thousand. In addition, the Company concluded a loan contract with Liberty Ostrava Limited and provided this entity with a loan bearing EUR interest on the basis of three-month EURIBOR with a margin of 5%. Interest income for the period from 1 July 2019 to 30 June 2020 amount to CZK 34,882 thousand.

Liberty Engineering Products Ostrava s.r.o.

On 1 June 2020, a loan contract was signed between Liberty Ostrava a.s. and Liberty Engineering Products Ostrava s.r.o. concerning the balances of the former IHB, effective from 1 July 2019. The loan bears EUR interest on the basis of one-month EURIBOR with a margin of 0.45%. Interest expenses for the period from 1 July 2019 to 30 June 2020 amount to CZK 1,505 thousand.

In the period from 1 January 2019 to 30 June 2020, the Company received dividend income, profit shares and other income from non-current financial assets from the below entities:

Entity	(in CZK '000)
Liberty Engineering Products Ostrava s.r.o.	56 379
Liberty Distribution Ostrava, s.r.o.	25 916
První Signální a.s.	984
Liberty Technotron s.r.o.	-1 576
Czech Slag - Nová Huť s.r.o.	123
Total	81 826

Based on the contracts concluded, the Company realised the following volume of sales:

1. Sales for the period 1 – 6 / 2019

Entity	Sales for the period 1 – 6/2019		
	(in CZK '000)		
	inventory	services	fixed assets
ArcelorMittal Distribution Hungary	4 755	-	-
TAMEH Czech s.r.o.	30 763	375 673	985 598
TAMEH Polska Sp z.o.o.	-	1 276	-
GO Steel Frýdek Místek a.s.	-	160	-
ArcelorMittal International America	207	-	-
ArcelorMittal Belval & Differdange	150 322	-	-
ArcelorMittal Commercial Germany Koeln	427 881	-	-
ArcelorMittal Commercial Italy	295 566	-	-
ArcelorMittal Commercial Sections SA	2 740 930	260	-
ArcelorMittal Distribution Czech Republic, s.r.o.	168 981	17	-
ArcelorMittal Europe CZ s.r.o.	-	63	-
ArcelorMittal Flat Carbon Europe S.A.	615 238	-	-
ArcelorMittal Projects Europe B.V.	320 212	-	-
ArcelorMittal Hamburg GmbH	-	181	-
ArcelorMittal Poland S.A.	-	42	-
ArcelorMittal Europe SA	-	-38	-
ArcelorMittal Refractories Sp. z o.o.	1 232	3	-
ArcelorMittal Ringmill S.A.	9 718	-	-
ArcelorMittal Belgium N.V.	3 013	-	-
ArcelorMittal S.A.	-	2 794	-
ArcelorMittal Tubular Product Krakow	6	10	-
ArcelorMittal Tubular Products Roman SA	48	-	-
ArcelorMittal Tubular Products Jubail	550 945	4 565	-
Stalprofil S.A.	102 093	-	-
Total	5 421 910	385 006	985 598

Sales performed with related parties for the period of six months, i.e. from 1/2019 to 6/2019, represent sales to related parties that are part of the ArcelorMittal Group, and Liberty Ostrava was part of this group only until 30 June 2019. Starting from 1 July 2019, sales with the aforementioned companies are no longer considered to be related party sales because Liberty Ostrava is part of the Liberty House Group.

2. Sales for the period 1/2019 – 6/2020

Entity	Sales for the period 1/2019 – 6/2020 (in CZK '000)		
	inventory	services	fixed assets
	Liberty Engineering Products Ostrava s.r.o.	186 455	174 684
Liberty Technotron s.r.o.	3 298	3 207	-
Czech Slag - Nová Huť, s.r.o.	-	123	-
MG Odra Gas, spol. s r.o.	-	422 845	-
První Signální, a.s.	-	90	-
Liberty Commercial Czech Republic k.s.	7 600 878	1 332	-
Liberty Commercial PL sp. z o.o.	2 795 757	454	-
Liberty Commercial Germany GmbH	1 006 229	89	-
Liberty Distribution Ostrava, s.r.o.	101 227	14 227	-
Liberty Primary Steel & Mining Pte. Ltd.	-	1 051 974	-
Liberty Galati S A	242 979	-	-
Total	11 936 823	1 669 025	10 944

Sales performed with related parties for the period of 18 months, i.e. from 1/2019 to 6/2020, represent sales to related parties that are part of the ArcelorMittal group until 30 June 2019 as well as part of the Liberty House Group from 1 July 2019 to 30 June 2020.

Based on the contracts concluded, the Company realised the following volume of purchases:

1. Purchases for the period 1 – 6 / 2019

Entity	Purchases for the period 1 – 6/2019 (in CZK '000)		
	inventory	services	fixed assets
	TAMEH Czech s.r.o.	452	2 213 351
GO Steel Frýdek Místek a.s.	2 220	3 321	-
ArcelorMittal Projects Europe BV	-	-10 297	-
ArcelorMittal Commercial RPS S.A.R.L.	30	-581	-
ArcelorMittal Commercial Sections SA	16	-	-
ArcelorMittal Eisenhüttenstadt GmbH	-40 818	-	-
ArcelorMittal Tubular Products Krakow	-	570	-
ArcelorMittal Flat Carbon Europe S.A.	-	341	-
ArcelorMittal Construction Slovakia	58	-	-
ArcelorMittal Logistics Belgium N.V.	-	41 583	-
ArcelorMittal Tubular Products Roman	-	-15	-
ArcelorMittal Poland S.A.	-10 055	1 936	-
ArcelorMittal Refractories Sp. z o.o.	434 787	-	-
ArcelorMittal Business Center of Excellence Poland Sp. z o.o. Sp k.	-	8 178	-
ArcelorMittal Sourcing SA	3 176 111	-	-
HK Produkcyjny Ośrodek Maszynowy Suwałki	20	-	-
Przedsiębiorstwo Usług Kolejowych KOLPREM Sp. z o. o.	-	29 762	-
Total	3 562 821	2 288 149	-

Purchases performed with related parties for the period of six months, i.e. from 1/2019 to 6/2019, represent purchases from related parties that are part of the ArcelorMittal Group, and Liberty Ostrava was part of this group only until 30 June 2019. Starting from 1 July 2019, purchases with the aforementioned companies are no longer considered to be related party purchases because Liberty Ostrava is part of the Liberty House Group.

2. Purchases for the period 1/2019 – 6/2020

Entity	Purchases for the period 1/2019 – 6/2020 (in CZK '000)		
	inventory	services	fixed assets
Liberty Commercial Czech Republic k.s.	371 774	1	-
Liberty Engineering Products Ostrava s.r.o.	272 796	520 543	23 949
Liberty Distribution Ostrava, s.r.o.	1 216	174 893	-
Czech Slag - Nová Huť, s.r.o.	-	23 580	-
MG Odra Gas, spol. s r.o.	-	414 682	-
Steeltrade, s.r.o.	46 572	-	-
První Signální, a.s.	67	11 902	-
Ocelářská unie a.s.	-	3 776	-
Speciality Steel UK Limited*	4 774	-	-
Liberty Galati S A	-112	2 947	-
Liberty Steel East Europe Bidco Limited*	-	21 944	-
Liberty Magona S.r.l.*	-	2 969	-
Wyelands Capital Ltd*	-	55 990	-
Total	697 087	1 233 227	23 949

Purchases performed with related parties for the period of 18 months, i.e. from 1/2019 to 6/2020, represent purchases from related parties that are part of the ArcelorMittal group until 30 June 2019 as well as part of the Liberty House Group from 1 July 2019 to 30 June 2020.

* Purchases from companies marked with an asterisk concern only the period from 1 July 2019 to 30 June 2020, i.e. 12 months, since these companies are only part of Liberty House Group since 1 July 2019.

Transactions were performed primarily based on the following contracts, concluded or valid in the relevant period:

Liberty Commercial Czech Republic k.s. - Distribution Agreement

Liberty Commercial PL sp. z o.o. - Distribution Agreement

Liberty Commercial Germany GmbH - Distribution Agreement

Wyelands Capital Ltd - Central Service Agreement

Liberty Distribution Ostrava, s.r.o. – agreements (Sales Agency Agreement, Framework Tooling Agreement, Service Agreement, Business Representation Agreement, Agreement on the Sale of Metal Waste)

Liberty Engineering Products Ostrava s.r.o. – agreements (Service Agreement - TSA, Energy Supply Agreement, Material Supply Agreement, Service Agreement outside of the TSA, Transportation Agreement, Investment Purchase Agreement, Business Agreements).

Liberty Primary Steel & Mining Pte. Ltd. – On 31 March 2020, Liberty Ostrava concluded an agreement on cost compensation (charge-back) with Liberty Primary Steel & Mining Pte. Ltd., based on which Liberty Ostrava was provided with performance of CZK 1,051,974 thousand and which is related to the change of the Company's owner.

Business transactions also take place based on orders.

II. Other Legal Acts and Measures

The Company performed no other legal acts and adopted no other measures in the interest or at the instigation of the Controlling Entity or in the interest or at the instigation of other entities controlled by the same controlling entity, except for:

- Decision of the sole owner made by the Board of Directors of the parent company regarding the following acts: approval of the 2018 financial statements and distribution of the 2018 profit.
- A portion of the loan received by the Company from Liberty Ostrava Limited was forgiven in the amount of CZK 3,567,900 thousand. The forgiveness of the loan gave rise to income for the Company of CZK 3,567,000 thousand.
- Liberty Ostrava recorded income with Liberty Primary Steel & Mining Pte. Ltd. in the amount of CZK 1,051,974 thousand, which represents compensation for increased costs arising during the acquisition and other costs incurred by Liberty Ostrava following the shareholder's decision. This amount was broken down as follows: CZK 48.3 million as a decrease in services, CZK 810.6 million as other operating income and CZK 193.1 million as a decrease in material consumption.

In Ostrava
Board of Directors
Liberty Ostrava a.s.

This report was discussed and approved at the meeting of the Board of Directors of Liberty Ostrava a.s.

IV. FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

**FINANCIAL STATEMENTS AS OF 30 JUNE 2020
AND FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020**

Name of the Company: Liberty Ostrava a.s.
Registered Office: Vratimovská 689/117, Kunčice, 719 00 Ostrava
Legal Status: Joint Stock Company
Corporate ID: 451 93 258

Components of the Financial Statements:

Balance Sheet

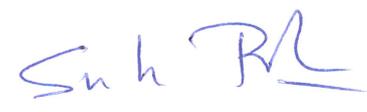
Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 20 January 2021.

Statutory body of the reporting entity:	Signature
Ashok Virupaksha Gowda Patil Chairman of the Board	
Pradhan Suyash Kumar Member of the Board	

BALANCE SHEET
full version

As of
30.06.2020
(in CZK thousand)

Liberty Ostrava a.s.
Corporate ID 451 93 258

Vratimovská 689/117, Kunčice
719 00 Ostrava

		30.06.2020			01.01.2019
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	71 838 928	43 000 626	28 838 302	26 650 269
B.	Fixed assets	55 934 632	40 650 796	15 283 836	12 674 737
<i>B.I.</i>	<i>Intangible fixed assets</i>	<i>5 247 281</i>	<i>367 361</i>	<i>4 879 920</i>	<i>1 897 281</i>
B.I.1.	Development	371	371		
B.I.2.	Valuable rights	374 341	366 910	7 431	38 285
B.I.2.1.	Software	371 260	363 829	7 431	38 285
B.I.2.2.	Other valuable rights	3 081	3 081		
B.I.4.	Other intangible fixed assets	4 849 065		4 849 065	1 843 042
B.I.5.	<i>Prepayments for intangible fixed assets and intangible fixed assets under construction</i>	<i>23 504</i>	<i>80</i>	<i>23 424</i>	<i>15 954</i>
B.I.5.2.	Intangible fixed assets under construction	23 504	80	23 424	15 954
<i>B.II.</i>	<i>Tangible fixed assets</i>	<i>49 718 569</i>	<i>39 984 960</i>	<i>9 733 609</i>	<i>10 112 110</i>
B.II.1.	Land and structures	14 230 410	9 849 794	4 380 616	4 619 697
B.II.1.1.	Land	1 249 795		1 249 795	1 250 464
B.II.1.2.	Structures	12 980 615	9 849 794	3 130 821	3 369 233
B.II.2.	Tangible movable assets and sets of tangible movable assets	34 390 166	29 853 953	4 536 213	4 428 745
B.II.4.	Other tangible fixed assets	1 456		1 456	4 898
B.II.4.3.	Other tangible fixed assets	1 456		1 456	4 898
B.II.5.	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	<i>1 096 537</i>	<i>281 213</i>	<i>815 324</i>	<i>1 058 770</i>
B.II.5.1.	Prepayments for tangible fixed assets	78 293	26 664	51 629	76 409
B.II.5.2.	Tangible fixed assets under construction	1 018 244	254 549	763 695	982 361
<i>B.III.</i>	<i>Non-current financial assets</i>	<i>968 782</i>	<i>298 475</i>	<i>670 307</i>	<i>665 346</i>
B.III.1.	Equity investments - controlled or controlling entity	549 236		549 236	543 647
B.III.3.	Equity investments in associates	129 862	9 042	120 820	121 446
B.III.5.	Other non-current securities and investments	289 684	289 433	251	253
C.	Current assets	15 868 297	2 349 830	13 518 467	13 945 601
<i>C.I.</i>	<i>Inventories</i>	<i>8 166 936</i>	<i>1 740 588</i>	<i>6 426 348</i>	<i>8 776 947</i>
C.I.1.	Material	3 663 244	1 006 534	2 656 710	4 579 620
C.I.2.	Work in progress and semifinished goods	2 987 873	391 413	2 596 460	2 806 569
C.I.3.	Products and goods	1 298 594	342 473	956 121	1 369 635
C.I.3.1.	Products	1 298 313	342 473	955 840	1 369 112
C.I.3.2.	Goods	281		281	523
C.I.5.	Prepayments for inventories	217 225	168	217 057	21 123
<i>C.II.</i>	<i>Receivables</i>	<i>6 248 281</i>	<i>609 242</i>	<i>5 639 039</i>	<i>5 091 057</i>
C.II.1.	Long-term receivables	115 434	7	115 427	9 886
C.II.1.1.	Trade receivables	747		747	3 399
C.II.1.5.	Receivables - other	114 687	7	114 680	6 487
C.II.1.5.2.	Long-term prepayments made	109 634		109 634	
C.II.1.5.4.	Sundry receivables	5 053	7	5 046	6 487
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>6 132 847</i>	<i>609 235</i>	<i>5 523 612</i>	<i>5 081 171</i>
C.II.2.1.	Trade receivables	3 267 716	605 793	2 661 923	2 829 247
C.II.2.2.	Receivables - controlled or controlling entity	686 198		686 198	1 446 315
C.II.2.4.	Receivables - other	2 178 933	3 442	2 175 491	805 609
C.II.2.4.3.	State - tax receivables	368 444		368 444	534 442
C.II.2.4.4.	Short-term prepayments made	95 374	1 168	94 206	40 213
C.II.2.4.5.	Estimated receivables	1 622 507		1 622 507	224 269
C.II.2.4.6.	Sundry receivables	92 608	2 274	90 334	6 685
<i>C.IV.</i>	<i>Cash</i>	<i>1 453 080</i>		<i>1 453 080</i>	<i>77 597</i>
C.IV.1.	Cash on hand	5 765		5 765	3 128
C.IV.2.	Cash at bank	1 447 315		1 447 315	74 469
D.	Other assets	35 999		35 999	29 931
D.1.	Deferred expenses	35 999		35 999	29 931

		30.06.2020	01.01.2019
	TOTAL LIABILITIES & EQUITY	28 838 302	26 650 269
A.	Equity	15 556 673	15 251 564
A.I.	Share capital	12 390 257	12 390 257
A.I.1.	Share capital	12 390 257	12 390 257
A.IV.	Retained earnings (+/-)	2 861 307	2 861 307
A.IV.1.	Accumulated profits or losses brought forward (+/-)	2 861 307	2 861 307
A.V.	Profit or loss for the current period (+/-)	305 109	
B.+C.	Liabilities	13 281 607	11 398 683
B.	Reserves	804 412	778 235
B.IV.	Other reserves	804 412	778 235
C.	Payables	12 477 195	10 620 448
C.I.	Long-term payables	1 737 039	223 923
C.I.6.	Payables - controlled or controlling entity	1 464 923	
C.I.8.	Deferred tax liability	271 286	223 096
C.I.9.	<i>Payables - other</i>	830	827
C.I.9.3.	Sundry payables	830	827
C.II.	Short-term payables	10 740 156	10 396 525
C.II.2.	Payables to credit institutions	13	
C.II.3.	Short-term prepayments received	28 669	40 786
C.II.4.	Trade payables	2 855 279	3 716 840
C.II.5.	Short-term bills of exchange to be paid	860	
C.II.6.	Payables - controlled or controlling entity	337 828	
C.II.8.	<i>Other payables</i>	7 517 507	6 638 899
C.II.8.3.	Payables to employees	138 892	156 276
C.II.8.4.	Social security and health insurance payables	93 087	101 785
C.II.8.5.	State - tax payables and subsidies	4 883 081	1 872 125
C.II.8.6.	Estimated payables	2 280 372	4 490 259
C.II.8.7.	Sundry payables	122 075	18 454
D.	Other liabilities	22	22
D.2.	Deferred income	22	22

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

Liberty Ostrava a.s.
Corporate ID 451 93 258

Period ended
30.06.2020
(in CZK thousand)

Vratimovská 689/117, Kunčice
719 00 Ostrava

		Period from 1/1/2019 to 6/30/2020
I.	Sales of products and services	36 942 398
II.	Sales of goods	76 602
A.	Purchased consumables and services	37 473 743
A.1.	Costs of goods sold	69 765
A.2.	Consumed material and energy	31 209 281
A.3.	Services	6 194 697
B.	Change in internally produced inventory (+/-)	163 143
C.	Own work capitalised (-)	-318 347
D.	Staff costs	4 883 775
D.1.	Payroll costs	3 512 332
D.2.	Social security and health insurance costs and other charges	1 371 443
D.2.1.	Social security and health insurance costs	1 299 216
D.2.2.	Other charges	72 227
E.	Adjustments to values in operating activities	2 283 907
E.1.	Adjustments to values of intangible and tangible fixed assets	1 090 827
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	1 094 515
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	-3 688
E.2.	Adjustments to values of inventories	1 192 224
E.3.	Adjustments to values of receivables	856
III.	Other operating income	9 795 208
III.1.	Sales of fixed assets	3 160 071
III.2.	Sales of material	267 157
III.3.	Sundry operating income	6 367 980
F.	Other operating expenses	2 388 987
F.1.	Net book value of sold fixed assets	940
F.2.	Material sold	273 145
F.3.	Taxes and charges	60 629
F.4.	Reserves relating to operating activities and complex deferred expenses	26 177
F.5.	Sundry operating expenses	2 028 096
*	Operating profit or loss (+/-)	-61 000
IV.	Income from non-current financial assets - equity investments	80 842
IV.1.	Income from equity investments - controlled or controlling entity	80 717
IV.2.	Other income from equity investments	125
G.	Costs of equity investments sold	2
V.	Income from other non-current financial assets	984
V.2.	Other income from other non-current financial assets	984
VI.	Interest income and similar income	41 018
VI.1.	Interest income and similar income - controlled or controlling entity	40 645
VI.2.	Other interest income and similar income	373
I.	Adjustments to values and reserves relating to financial activities	-1 337
J.	Interest expenses and similar expenses	138 907
J.1.	Interest expenses and similar expenses - controlled or controlling entity	138 907
VII.	Other financial income	1 505 313
K.	Other financial expenses	1 068 277
*	Financial profit or loss (+/-)	422 308
**	Profit or loss before tax (+/-)	361 308
L.	Income tax	56 199
L.1.	Due income tax	8 009
L.2.	Deferred income tax (+/-)	48 190
**	Profit or loss net of tax (+/-)	305 109
***	Profit or loss for the current period (+/-)	305 109
*	Net turnover for the current period	48 442 365

**STATEMENT OF
CHANGES IN EQUITY**

Liberty Ostrava a.s.
Corporate ID 451 93 258

Period ended
30.06.2020
(in CZK thousand)

Vratimovská 689/117, Kunčice
719 00 Ostrava

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Other profit or loss from prior years	Profit share prepayments declared	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2018	12 390 257			9 999			4 123 582	16 523 838
Distribution of profit or loss				4 123 582			-4 123 582	
Effect of the merger with Liberty Tubular Products Ostrava a.s.				-1 272 274				-1 272 274
Balance after the merger at 1 January 2019 - according to the opening balance sheet	12 390 257			2 861 307				15 251 564
Profit or loss for the current period							305 109	305 109
Balance at 30 June 2020	12 390 257			2 861 307			305 109	15 556 673

**CASH FLOW
STATEMENT**

**Liberty Ostrava a.s.
Corporate ID 451 93 258**

Period ended
30.06.2020
(in CZK thousand)

Vratimovská 689/117, Kunčice
719 00 Ostrava

	Period from 1/1/2019 to 6/30/2020	
P.	Opening balance of cash and cash equivalents - after merged as at 1.1.2019	1 522 335
	<i>Cash flows from ordinary activities (operating activities)</i>	
Z.	Profit or loss before tax	361 308
A.1.	Adjustments for non-cash transactions	-1 119 948
A.1.1.	Depreciation of fixed assets	1 094 515
A.1.2.	Change in provisions and reserves	1 214 232
A.1.3.	Profit/(loss) on the sale of fixed assets	-3 159 131
A.1.4.	Revenues from profit shares	-81 824
A.1.5.	Interest expense and interest income	97 889
A.1.6.	Adjustments for other non-cash transactions	-285 627
A.1.7.	Proceeds from the sale of shares in controlled entities	-2
A.*	Net operating cash flow before changes in working capital	-758 640
A.2.	Change in working capital	-3 138 693
A.2.1.	Change in operating receivables and other assets	-1 587 939
A.2.2.	Change in operating payables and other liabilities	-2 709 127
A.2.3.	Change in inventories	1 158 373
A.**	Net cash flow from operations before tax	-3 897 333
A.3.	Interest paid	-3 029
A.4.	Interest received	8 700
A.5.	Income tax paid from ordinary operations	6 902
A.***	Net operating cash flows	-3 884 760
	<i>Cash flows from investing activities</i>	
B.1.	Fixed assets expenditures	-892 901
B.2.	Proceeds from fixed assets sold	3 160 071
B.4.	Received dividends and profit shares	83 400
B.***	Net investment cash flows	2 350 570
	<i>Cash flow from financial activities</i>	
C.1.	Change in payables from financing	1 464 935
C.***	Net financial cash flows	1 464 935
F.	Net increase or decrease in cash and cash equivalents	-69 255
R.	Closing balance of cash and cash equivalents	1 453 080

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020**

Name of the Company:	Liberty Ostrava a.s.
Registered Office:	Vratimovská 689/117, Kunčice, 719 00 Ostrava
Legal Form:	Joint Stock Company
Corporate ID:	451 93 258

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1. GENERAL INFORMATION

1.1 Incorporation of the Company and Characteristics of the Company

Liberty Ostrava a.s. (hereinafter referred to as the "Company") was established by the National Property Fund of the Czech Republic having registered office at Rašínovo nábřeží 42, Prague 2, Zip Code 128 00 as the sole founder under the Founder's Deed dated 13 January 1992 in form of a Notary's Public Deed. The Company was incorporated following its registration in the Register of Companies of the District Court in Ostrava on 22 January 1992. The Company is primarily engaged in steel-making, iron production and metallurgical processing of iron and steel.

The Company's registered office: Vratimovská 689/117, Kunčice, Zip Code 719 00 Ostrava

The Company's share capital is CZK 12,390,257 thousand.

The Company's financial statements have been compiled as of 30 June 2020.

Entities with an equity interest greater than 10%:

Shareholder	Ownership percentage
LIBERTY OSTRAVA LIMITED, W1J7RH London, 7 Hertford Street, the United Kingdom of Great Britain and Northern Ireland; Registration No. 12055100	100.00
Total	100.00

On 15 January 2019, the Board of Directors approved the intention to establish a new legal entity under the laws of the Republic of Poland for the purposes of trading in the Company's steel products on the Polish market, including the Deed of Incorporation.

On 15 March 2019, the Board of Directors approved the intention to establish a new legal entity under the laws of the Federal Republic of Germany for the purposes of trading in the Company's steel products on the German market, including the Deed of Incorporation.

On 19 July 2019, the General Meeting decided on an amendment of the Articles of Association, changing the name of the Company to Liberty Ostrava a.s.

On 20 November 2019, the General Meeting decided on an amendment to the Articles of Association, amending the authority of the Supervisory Board and increasing the number of the Supervisory Board members from three to six, effective from 1 December 2019.

On 25 November 2019, the Board of Directors approved the intention to perform a merger by amalgamation with Liberty Tubular Products Ostrava a.s., with the effective date of the merger being 1 January 2019.

On 26 November 2019, the General Meeting decided on an amendment to the Articles of Association, involving, inter alia, an increase in the number of members of the Board of Directors from five to six, effective from 1 December 2019.

On 27 September 2019, the Board of Directors decided on a change of the reporting period from a calendar year to a fiscal year starting from 1 July and ending on 30 June of the following year.

On 20 March 2020, the General Meeting decided on an amendment to the Articles of Association, decreasing the number of the members of the Board of Directors from six to four.

On 17 April 2020, the General Meeting decided on an amendment to the Articles of Association, increasing the number of the Supervisory Board members from six to nine.

1.1.1 Change in the Company's Shareholder

The Company's owner changed as of 30 June 2019. As of this date, the ArcelorMittal group sold the Company, with the Liberty House Group as the buyer. This sale was preceded by the approval of the European Commission, which approved the Liberty House Group on 17 April 2019 as a suitable and appropriate buyer of Liberty Ostrava (then ArcelorMittal Ostrava a.s.), with the justification that the buyer was able and motivated to continue operating the purchased assets going forward.

Since 1 July 2019, the Company has been part of the Liberty House Group. After the change of owner, the Group gradually replaced activities such as sales, procurement, accounting or financing, that had been provided by the original owner, the ArcelorMittal group. Some of these activities have been replaced with external providers, such as accounting. Financing is now realised within the Liberty House Group and activities related to sales and procurement are performed by the Company's own employees or via its subsidiaries.

1.2 Year-on-Year Changes and Amendments to the Register of Companies

During the reporting period from 1 January 2019 to 30 June 2020, the following changes were recorded in the Register of Companies:

On 21 February 2019:

- František Chowaniec, Roman Bečica and Tapas Rajderkar were removed as members of the Supervisory Board and the number of members of the Supervisory Board was changed to 3.

On 22 July 2019:

- Liberty Ostrava a.s. was recorded as the new name of the Company and LIBERTY OSTRAVA LIMITED was recorded as the new shareholder of the Company.

On 21 October 2019:

- Augustine Kochuparampil was removed as the Chairman of the Supervisory Board and Sanjay Samaddar was removed as a member of the Supervisory Board.
- The delivery code 707 02 was removed.

On 20 December 2019:

- Pascal Herve Martin Marie Genest was appointed as the Vice-Chairman of the Board of Directors. The number of the members of the Board of directors was changed from 5 to 6 and the number of the members of the Supervisory Board was changed from 3 to 6.

On 31 December 2019:

- The merger of Liberty Ostrava a.s. with Liberty Tubular Products Ostrava a.s. as the dissolving company was recorded, with the effective merger date of 1 January 2019

On 20 March 2020:

- Eduard Muřický was recorded as a member of the Supervisory Board

On 6 April 2020:

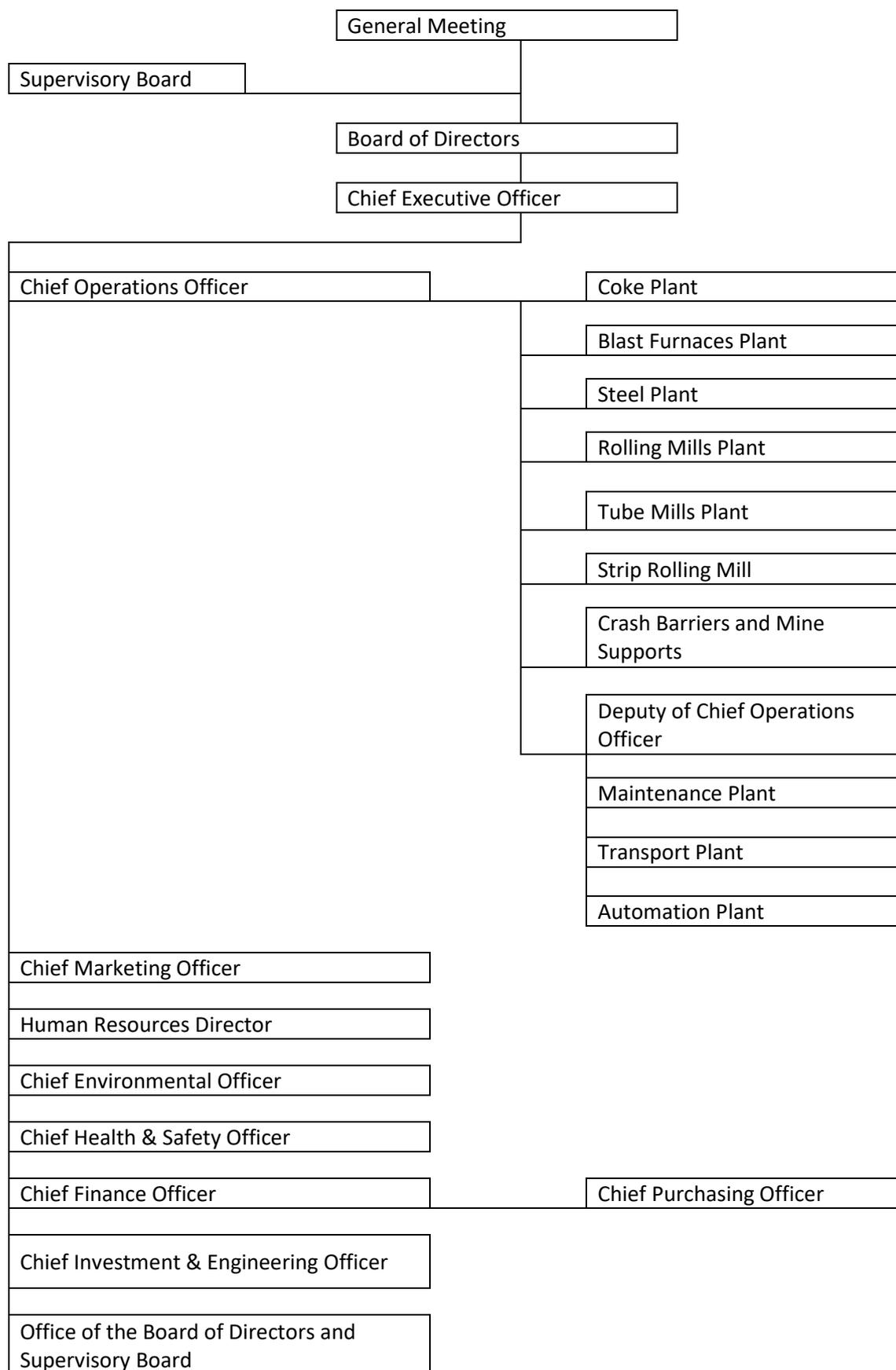
- Alena Sobolová and Virinder Bahadur Garg were recorded as members of the Supervisory Board.

On 17 April 2020:

- Shahab Husain, Tomáš Telúch and Václav Habura were removed as members of the Board of Directors. The number of members of the Board of Directors changed from 6 to 4.

1.3 Structure of Organisation the Company

Structure of organisation as of 30 June 2020:



1.4 Group Identification

Until 30 June 2019, the Company was included in the ArcelorMittal S.A. consolidation group, based in Luxembourg. ArcelorMittal S.A. used to prepare the consolidated financial statements in which Liberty Ostrava a.s. (then ArcelorMittal Ostrava a.s.) was included.

On 30 June 2019, the owner of the Company changed. As of that date, the ArcelorMittal group sold the Company, with the Liberty House Group as the acquirer.

Since 1 July 2019, the Company has been included in the Liberty House Group.

The narrowest consolidation group is the consolidation group of Liberty Ostrava a.s. The consolidated financial statements will be prepared for the period from 1 January 2019 to 30 June 2020 and will be accessible in the Register of Companies.

1.5 Board of Directors and Supervisory Board

The composition of the Board of Directors and Supervisory Board as of 30 June 2020 was as follows:

	Position	Name
Board of Directors	Chairman	Ashok Virupaksha Gowda Patil
	Vice-Chairman	Pascal Herve Martin Marie Genest
	Member	Pradhan Suyash Kumar
Supervisory Board	Member	Roland Jean Pierre Junck
	Member	Arnaud Nicolas Joseph Maurice de Weert
	Member	Virinder Bahadur Garg
	Member	Eduard Muřický
	Member	Petr Slanina
	Member	Alena Sobolová

In the reporting period from 1 January 2019 to 30 June 2020, the below-listed changes were made in the composition of the Board of Directors and the Supervisory Board:

On 24 January 2019, the employees appointed Petr Slanina as a member of the Supervisory Board.

On 25 January 2019, the General Meeting recalled Augustine Kochuparampil, Sanjay Samaddar, Tapas Rajderkar, František Chowanec and Roman Bečica from their positions as members of the Supervisory Board. On the same day, the General Meeting appointed Augustine Kochuparampil and Sanjay Samaddar as members of the Supervisory Board, in connection with the amendment to the Articles of Association, involving a decrease in the number of the Supervisory Board members from 5 to 3, when 2 members are appointed by the General Meeting and one member is appointed by the Company's employees.

On 27 June 2019, Augustine Kochuparampil and Sanjay Samaddar resigned from their positions of members of the Supervisory Board.

On 17 July 2019, the General Meeting appointed Virinder Bahadur Garg and Rajeev Gandhi as members of the Supervisory Board.

On 26 November 2019, the General Meeting appointed Pascal Herve Martin Marie Genest as a member of the Board of Directors, effective from 1 December 2019.

On 17 December 2019, the General Meeting appointed Eduard Muřický as a member of the Supervisory Board.

On 13 February 2020, the employees appointed Alena Sobolová as a member of the Supervisory Board.

On 18 March 2020, the General Meeting recalled Tomáš Telúch, Václav Habura and Shahab Husain from their positions as members of the Board of Directors. On the same day, the General Meeting recalled Rajeev Gandhi from his position as a member of the Supervisory Board and appointed Roland Jean Pierre Junck and Arnaud Nicolas Joseph Maurice de Weert as members of the Supervisory Board.

On 18 March 2020, the General Meeting appointed Petr Baranek as a member of the Board of Directors, effective from 19 March 2020.

On 24 March 2020, the General Meeting recalled Petr Baranek from his position as a member of the Board of Directors.

2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of Accounting Act 563/1991 Coll. for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns ('CZK thousand') unless stated otherwise below.

As its reporting/fiscal period, the Company applies a fiscal year starting on 1 January 2019 and ending on 30 June 2020. On 27 September 2019, the Board of Directors decided on changing the reporting period from a calendar year to a fiscal year starting on 1 July and ending on 30 June of the following year.

These financial statements of the Company were prepared as of the balance sheet date of 30 June 2020 for the period from 1 January 2019 to 30 June 2020.

These financial statements are ordinary financial statements and have not been prepared for any special purpose, transaction or user. Users should not rely exclusively on these financial statements in making decisions and should undertake other appropriate inquiries before making decisions.

2.1 Comparative Data

The comparable period for the purposes of the financial statements (balance sheet, statement of changes in equity, notes to the financial statements) is the opening balance sheet prepared as of 1 January 2019.

On 31 December 2019, a merger with Liberty Tubular Products Ostrava a.s. as the dissolving company was recorded in the Register of Companies and all net assets of the dissolving company were transferred to Liberty Ostrava a.s. Since the effect of the merger was assessed as material for the financial statements, the opening balance sheet as of 1 January 2019 was used as a comparative period. The profit and loss account and cash flow statement do not disclose information for the prior reporting period as it is not comparable with the information for current reporting period, due to the size of the merging companies.

The opening balance sheet includes the information of Liberty Ostrava a.s., as well as the information of Liberty Tubular Products Ostrava a.s., adjusted for elimination adjustments as of 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING RULES AND PROCEDURES

3.1 Tangible Fixed Assets

Tangible fixed assets include land, buildings, individual movable assets and sets of movable assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses.

Tangible fixed assets developed internally are valued at direct costs, incidental costs directly attributable to the internal production of assets (production overheads).

The following tangible fixed assets are stated at replacement cost: tangible fixed assets acquired through donation, fixed assets recently entered in the accounting records and a contribution of tangible fixed assets. Replacement cost is the cost for which the assets would be acquired in the period of recognition.

The cost of fixed asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related tangible fixed asset.

The valuation of tangible fixed assets is reduced by the amount of the undisputable legal claim for a subsidy relating to the acquisition of these assets.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method, on the following basis:

	Number of years
Buildings	30 - 50
Production machinery	4 - 50
Vehicles	6 - 20
Furniture and fixtures	6 - 17

Things made of precious metals are expensed upon disposal.

Provisions were made against tangible fixed assets based on the results of the inventory taking, to the extent that the carrying value temporarily does not match the actual value. The provisioning balance is determined on an individual basis by reference to the level of asset impairment.

3.2 Intangible Fixed Assets

Intangible fixed assets include development, software and valuable rights with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis and greenhouse gas emission allowances.

Purchased intangible fixed assets are measured at cost.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The cost of fixed asset improvements exceeding CZK 60 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets, with the exception of greenhouse emission allowances, is recorded on a straight-line basis over their estimated useful lives as follows:

	Years
Software	3 - 10
Valuable rights	6

If a right of use is established for a fixed period in respect of intangible fixed assets, the annual amortisation charge is determined as the proportion of the input price and the contractually agreed period.

Provisions were made against intangible fixed assets based on the results of the inventory taking, to the extent that the carrying value temporarily does not match the actual balance. The provisioning balance is determined on an individual basis with reference to the level of asset impairment.

3.2.1 Greenhouse Emission Allowances

Greenhouse emission allowances are recognised as non-depreciable intangible fixed assets and are stated at cost, or replacement cost when acquired free of charge. An initial free-of-charge acquisition of the allowances is recognised as a grant not reducing the carrying amount of the intangible fixed assets. This 'grant' is released into income on a systematic basis in the same amount as the allowances are used and charged to expenses and sold.

The use of emission allowances is accounted for using the FIFO method in respect of emission allowances of the same kind at the balance sheet date as a minimum, on the basis of the level of greenhouse emissions estimated to be produced by the Company in the relevant period. Identical emission allowance types include allowances of the same kind (such as EUA, CER, ERU) acquired in the same method (eg free-of-charge allocation or via purchase). After the actual use is ascertained by an independent reviewer, the use is adjusted in the period when the relevant matters were identified.

If greenhouse emission allowances allocated free of charge are sold, they are recognised in expenses and the grant is recognised in income at the same time and in the same amount. The sale of greenhouse emission allowances is recognised in income from the sale of long-term fixed assets.

If, at the financial statements date, the market value of emission allowances allocated free of charge is materially lower than the replacement cost used for valuing these emission allowances upon acquisition, the allowances are measured at market value in the financial statements. Concurrently, the 'grant' is reduced by the same amount and the whole re-measurement is recognised without having any impact on the profit and loss account. In the event of material changes in the market value of purchased emission allowances, a provision is created.

3.3 Non-Current Financial Assets

Non-current financial assets principally consist of loans with maturity exceeding one year, non-current term deposits, equity investments, securities and equity investments available for sale and debt securities with maturity over one year held to maturity.

Upon acquisition securities and equity investments are carried at cost. The cost of securities or equity investments includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity, or securities and equity investments available for sale.

If securities and equity investments were acquired in exchange for a non-cash contribution made to a company, they are recorded at the carrying value of the non-cash contribution.

Investments in enterprises in which the Company has a significant power to govern the financial and operating policies are treated as 'Equity investments in Subsidiaries'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies which is not decisive are treated as 'Equity Investments in Associates'.

As of the date of the financial statements, the Company reports:

- Equity investments at cost less provisions.
- Debt securities held to maturity are carried at cost increased to reflect interest income (including amortisation of the premium or discount, if any).

Provisions against non-current financial assets are recognised when the share of equity of the relevant entity is lower than its acquisition cost in the amount of the difference. If the share of equity is negative, a provision is recorded in an amount equal to the cost of the investment.

3.4 Derivative Financial Transactions

As of the date of the financial statements, derivative financial instruments are carried at fair value in the balance sheet. Nominal values of derivatives are maintained off balance sheet. The fair value is determined as the present value of anticipated future cash flows.

Fair value changes in respect of trading derivatives are recognised as an expense or income from derivative transactions, as appropriate.

3.5 Inventory

Purchased inventory is valued at acquisition costs. Acquisition cost includes the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees, commissions, insurance charges and discounts. From intra-company services relating to the acquisition of inventory through purchase and the processing of inventory, only transportation charges and material processing costs are capitalised.

Internally developed inventory (including work in progress, semi-finished products, products and goods) is valued at the cost of producing the inventory, which consist of the direct costs of production or any other activity, and the portion of indirect costs relating to production or any other activity.

Internally developed inventory is valued at actual costs of production on the basis of the figures for the last month of the reporting period (with respect to the inventory movements).

Inventory is issued out of stock using the cost determined by the weighted arithmetic average method, or predetermined stock prices on the level of calculated own costs that are adjusted at the year-end according to actual costs.

The Company recognised provisions against inventory whose impairment is not deemed permanent by reference to, for instance, its aging analysis and an analysis of idle, redundant or unusable components, taking into account the achievable selling prices of the inventory and the anticipated selling prices of products that will be produced from this inventory.

3.6 Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Bad debts are written off only after the completion of the debtor's insolvency proceedings.

Provisions against receivables are recorded based on an aging analysis of receivables and individual assessment of the solvency of debtors. Receivables past due for more than 180 days are provided for in full (100%). As a policy, the Company does not create any provisions against receivables from related parties.

3.7 Trade Payables

Trade payables are stated at their nominal value.

3.8 Reserves

Reserves are intended to cover future risks, obligations or expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise. Such reserves include, for example, a reserve for environmental liabilities, a reserve for commitments arising from legal disputes, business discounts, outstanding vacation days, bonuses and employee benefits.

3.9 Foreign Currency Translations to Czech Crowns

Transactions denominated in foreign currencies during the year are translated using the exchange rate of the Czech National Bank prevailing on the date of the transaction.

At the date of the financial statements, financial assets, short-term receivables and payables denominated in a foreign currency are translated using the effective exchange rate promulgated by the Czech National Bank as of that date. Any resulting foreign exchange rate gains and losses are recorded through the current year's financial expenses or revenues as appropriate.

3.10 Taxes

3.10.1 Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is usually calculated using the accelerated method for tax purposes in accordance with the Income Taxes Act.

3.10.2 Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. The taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

3.10.3 Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.

Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised.

The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

3.11 Grants

Grants received to offset costs are recognised as other operating and financial income over the period necessary to match them with the related costs. Grants received to acquire tangible and intangible fixed assets and technical improvements and grants towards interest expenses and other costs added to the cost are deducted in reporting their cost.

3.12 Impairment

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

The recoverable amount is the greater of the net selling price and the value in use.

In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

3.13 Revenue Recognition

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods, products and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenues from the sale of products and goods are recognised when products and goods are delivered and underlying title has passed to the customer on the basis of the fulfilment of contractual delivery terms. The revenue for provided services is recognised as of the date when these services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income is recognised when the shareholders' rights to receive dividends have been declared.

3.14 Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, equity and financial position of the Company at the date of the financial statements and the reported amounts of profit and loss during the reporting period. Management of the Company has made estimates and assumptions on the basis of all relevant information available as of the date of the financial statements in order to give a true and fair view of the assets, liabilities, equity and financial position of the Company as of the date of the financial statements and the results of its operations for the reporting period. Pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

3.15 Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. For cash flow reporting purposes, cash equivalents additionally include cash deposits in accordance with the Bilateral Contract for Finance Management and Financial Transactions (refer to Note 4.4.3.) classified in the financial statements as short-term intercompany receivables recognised in the balance sheet in line C.II.2.2. Receivables – controlled or controlling entity.

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

3.16 Subsequent Events

The effect of events that occurred between the balance sheet date and the date of preparation of the financial statements is recorded in the financial statements, provided that these events provided additional information about the facts that existed as of the balance sheet date (adjusting subsequent events).

If significant events occurred between the balance sheet date and the date of preparation of the financial statements that constitute post balance sheet events, the consequences of these events are described and their effects quantified in the notes to the financial statements but they are not recorded in the financial statements (non-adjusting subsequent events).

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**4.1 Fixed Assets****4.1.1 Intangible Fixed Assets (Intangible FA)**Cost

	(CZK thousand)						
	Balance at 31 Dec 2018	Merger	Balance at 1 Jan 2019	Additions	Disposals	Transfers	Balance at 30 June 2020
Intangible R&D results	371	-	371	-	-	-	371
Software	305 039	64 661	369 700	-	-232	1 792	371 260
Other valuable rights	1 915	1 166	3 081	-	-	-	3 081
Other intangible FA	1 843 042	-	1 843 042	4 870 899	-1 864 876	-	4 849 065
Intangible FA under construction	80	15 954	16 034	9 262	-	-1 792	23 504
Total	2 150 447	81 781	2 232 228	4 880 161	-1 865 108	-	5 247 281

Accumulated amortisation and provisions

	(CZK thousand)						
	Balance at 31 Dec 2018	Merger	Balance at 1 Jan 2019	Additions	Disposals		Balance at 30 June 2020
Intangible R&D results	-371	-	-371	-	-	-	-371
Software	-294 494	-36 921	-331 415	-32 647	233		-363 829
Valuable rights	-1 915	-1 166	-3 081	-	-		-3 081
Other intangible FA	-	-	-	-	-		-
Provision for intangible FA under construction	-80	-	-80	-	-		-80
Total	-296 860	-38 087	-334 947	-32 647	233		-367 361

Net Book Value

	(CZK thousand)		
	Balance at 31 Dec 2018	Balance at 1 Jan 2019	Balance at 30 June 2020
Software	10 545	38 285	7 431
Valuable rights	-	-	-
Other intangible FA	1 843 042	1 843 042	4 849 065
Intangible FA under construction	-	15 954	23 424
Total	1 853 587	1 897 281	4 879 920

The “Merger” column includes asset items assumed by the Company as the successor company from the dissolved company Liberty Tubular Products Ostrava a.s. based on the implemented merger by acquisition.

Other intangible fixed assets include greenhouse emission allowances (hereinafter referred to as the “allowances” – see Note 3.2.1).

As of 1 January 2019, the Company recorded 9,577,526 EUA allowances, amounting to CZK 1,843,042 thousand. This accounting balance represents the figures recorded in the OTE Allowance Register and on the allowance account maintained by AM Treasury SNC after deduction of the anticipated transfer of emission allowances reported in 2018.

In February 2019, a total of 4,208,101 EUA allowances in the amount of CZK 2,299,980 thousand were allocated. In February 2020, a total of 4,121,327 EUA allowances in the amount of CZK 2,448,893 thousand were allocated. Based on the estimate of CO₂ emissions for 2019, allowance consumption was recognised at 2,442,876 pieces in the amount of CZK 345,862 thousand, and consumption of 1,127,543 allowances in the amount of CZK 289,485 thousand was recognised for the first half of 2020.

Aside from the aforementioned allowance consumption, disposals of tangible fixed assets in the table of movements are also affected by the sale of emission allowances. In the reporting period, the Company sold 5,495,500 allowances in the total amount of CZK 1,089,695 thousand to third parties.

In the Company’s accounting records as of 30 June 2020, a total of 8,726,811 EUA allowances was recorded, valued at CZK 4,849,065 thousand.

This balance was not remeasured as of 30 June 2020 as the cost of EUA allowances on the stock exchange market was higher as of that date than the cost used for valuation in the accounting records.

4.1.2 Tangible Fixed Assets (Tangible FA)Cost

	(CZK thousand)						
	Balance at 31 Dec 2018	Merger	Balance at 1 Jan 2019	Additions	Disposals	Transfers	Balance at 30 June 2020
Land	1 140 289	110 175	1 250 464	-	-669	-	1 249 795
Buildings	12 491 546	450 067	12 941 613	-	-1 538	40 540	12 980 615
Movable assets	31 596 085	2 133 417	33 729 502	-	-245 582	906 246	34 390 166
Other tangible FA (works of art)	1 456	22 309	23 765	-	-	-22 309	1 456
Tangible FA under construction	1 201 710	35 616	1 237 326	705 395	-	-924 477	1 018 244
Prepayments for tangible FA	103 073	-	103 073	58 354	-83 134	-	78 293
Total	46 534 159	2 751 584	49 285 743	763 749	-330 923	-	49 718 569

Accumulated Depreciation

	(CZK thousand)						
	Balance at 31 Dec 2018	Merger	Balance at 1 Jan 2019	Additions	Disposals		Balance at 30 June 2020
Buildings	-9 152 000	-394 400	-9 546 400	-280 315	1 426		-9 825 289
Movable assets	-27 539 511	-1 752 453	964	-797 346	242 355		-29 846 955
Other tangible FA	-	-18 867	-18 867	18 867	-		-
Total	-36 691 511	-2 165 720	-38 857 231	-1 058 794	243 781		-39 672 244

Provisions

	(CZK thousand)						
	Balance at 31 Dec 2018	Merger	Balance at 1 Jan 2019	Increase	Decrease		Balance at 30 June 2020
Buildings	-25 980	-	-25 980	-	1 475		-24 505
Movable assets	-8 793	-	-8 793	-201	1 996		-6 998
Tangible FA under construction	-253 996	-969	-254 965	-	416		-254 549
Prepayments for tangible FA	-26 664	-	-26 664	-	-		-26 664
Total	-315 433	-969	-316 402	-201	3 887		-312 716

Net Book Value

	(CZK thousand)		
	Balance at 31 Dec 2018	Balance at 1 Jan 2019	Balance at 30 June 2020
Land	1 140 289	1 250 464	1 249 795
Buildings	3 313 566	3 369 233	3 130 821
Movable assets	4 047 781	4 428 745	4 536 213
Other tangible fixed assets (works of art)	1 456	4 898	1 456
Tangible fixed assets under construction	947 714	982 361	763 695
Prepayments for tangible fixed assets	76 409	76 409	51 629
Total	9 527 215	10 112 110	9 733 609

The "Merger" column includes asset items assumed by the Company as the successor company from the dissolved company Liberty Tubular Products a.s. based on the implemented merger by acquisition as of 1 January 2019.

The most significant additions to tangible fixed assets under construction in the reporting period included modernisation of ESP AS in the aggregate amount of CZK 141,069 thousand, the acidity remover and ammonia stripper in the amount of CZK 59,411 thousand, end scissors for the wire rod rolling mill of CZK 31,781 thousand, project ZPO2 New segments of CZK 20,960 thousand and reconstruction of ladle drying and heating stations of CZK 20,480 thousand.

As of 30 June 2020 and 1 January 2019, low-value tangible and intangible assets not presented in the balance sheet amounted to CZK 447,028 thousand and CZK 447,899 thousand, respectively, at acquisition cost. These primarily include economic fixtures, tools and equipment. These assets are directly charged to operations.

The acquisition cost of tangible fixed assets that were not used by the Company as of 30 June 2020 and 1 January 2019 and were kept for liquidation or alternative use amounted to CZK 628,017 thousand and CZK 615,254 thousand, respectively. The Company also recognises a provision in an amount corresponding to the net book value of those assets.

The Company uses part of buildings located outside the Company's production area, e.g. residential units, medical facilities and sports and accommodation facilities. The net book value of those buildings as of 30 June 2020 and 1 January 2019 amounts to CZK 5,801 thousand and CZK 6,662 thousand, respectively.

As of 30 June 2020 and 1 January 2019, none of the Company's tangible fixed assets were pledged.

4.1.3 Assets Held under Finance and Operating Lease Agreements

Operating Leases

As of 30 June 2020 and 1 January 2019, the Company records assets acquired in the form of operating lease in the acquisition cost of CZK 880,539 thousand and CZK 798,090 thousand, respectively. Actual payments made in the period from 1 January 2019 to 30 June 2020 amounted to CZK 183,178 thousand, estimated payments for the year ending 30 June 2021 amount to CZK 121,881 thousand. These data are net of VAT provided that such tax can be applied as an input tax deduction.

Financial Leases

As of 30 June 2020, the Company held no assets under finance lease.

4.2 Non-Current Financial Assets

	(CZK thousand)			
	Balance at 1 Jan 2019	Additions	Disposals	Balance at 30 June 2020
Equity investments in controlled or controlling entities	545 612	3 624	-	549 236
Equity investments in associates	129 861	1	-	129 862
Other non-current securities and equity investments	289 686	-	-2	289 684
Provisions against equity investments in controlled or controlling entities	-1 965	-	1 965	-
Provisions against equity investments in associates	-8 415	-627	-	-9 042
Provisions against other non-current securities and equity investments	-289 433	-	-	-289 433
Total	665 346	2 998	1 963	670 307

During 2019, Liberty Ostrava a.s. founded two new subsidiaries. Liberty Commercial PL sp. z o.o. was registered in Poland on 5 April 2019 and Liberty Commercial Germany GmbH was registered in Germany on 7 May 2019.

4.2.1 Equity Investments in Controlled or Controlling EntitiesBalance as of 30 June 2020

(CZK thousand)									
Company	Registered office	Cost	Provision	Valuation as of 30 June 2020	Ownership in %	Voting power in %	Equity	Profit or loss	Income from non-current financial assets
Liberty Distribution Ostrava,s.r.o.	Ostrava	262	-	262	100	100	74 873	44 746	25 916
Liberty Engineering Products Ostrava s.r.o.	Ostrava	504 550	-	504 550	100	100	643 325	-9 765	56 379
Liberty Technotron s.r.o.	Frýdek-Místek	40 800	-	40 800	100	100	35 041	-4 879	-1 576
Liberty Commercial Germany GmbH.**	Dusseldorf	640	-	640	100	100	-2 382	-3 017	-
Liberty Commercial PL sp. z o.o.**	Katowice	2 984	-	2 984	100	100	5 082	2 097	-
Liberty Commercial Czech Republic k.s	Ostrava	-	-	-	99.99	99.99	29 134 986*	-	-
Total		549 236		549 236			755 968	164 168	80 719

* Profit/loss before the transfer of share to partners, of which 99.99% is transferred to Liberty Ostrava a.s. and reported in 'Other financial income' in the current period.

** Financial statements of these companies were prepared as of 31.12.2019

Balance as of 1 January 2019

(CZK thousand)							
Company	Registered office	Cost	Provision	Valuation as of 1 Jan 2019	Ownership in %	Voting power in %	Equity
Liberty Distribution Ostrava,s.r.o. (former ArcelorMittal Distribution Solutions CR,s.r.o.)	Ostrava	262		262	100	100	56 045
Liberty Engineering Products Ostrava s.r.o. (former ArcelorMittal Engineering Products Ostrava s.r.o.)	Ostrava	504 550		504 550	100	100	709 467
Liberty Technotron s.r.o. (former ArcelorMittal Technotron s.r.o.)	Frýdek-Místek	40 800	-1 965	38 835	100	100	38 343
Liberty Commercial Czech Republic k.s (former ArcelorMittal Commercial CZ, k.s.)	Ostrava	0	0	-	99,99	99,99	16
Total		545 612	-1 965	543 647			803 871

4.2.2 Equity Investments in AssociatesBalance as of 30 June 2020

(CZK thousand)									
Company	Registered office	Cost	Provision	Valuation as of 30 June 2020	Ownership in %	Voting power in %	Equity	Profit or loss	Income from non-current financial assets
Czech Slag - Nová Huť s.r.o.	Ostrava	70	-	70	35.00	35.00	12 421	582	123
Ocelářská unie, a.s.	Prague 10	25 001	-9 042	15 959	38.02	38.02	43 578	-1 764	-
MG Odra Gas, spol. s r.o.	Vratimov	104 791	-	104 791	30.00	30.00	479 696	37 857	-
Total		129 862	-9 042	120 820			535 695	36 675	123

The financial statements of the above-listed companies have been prepared for 12 months ended 31 December 2019.

Balance as of 1 January 2019

(CZK thousand)								
Company	Registered office	Cost	Provision	Valuation as of 1 January 2019	Ownership in %	Voting power in %	Equity	
Czech Slag - Nová Huť s.r.o.	Ostrava	70	-	70	35.00	35.00	12 191	
Ocelářská unie, a.s.*	Prague 10	25 000	-8 415	16 585	36.85	36.85	44 832	
MG Odra Gas, spol. s r.o.	Vratimov	104 791	-	104 791	30.00	30.00	441 839	
Total		129 861	-8 415	121 446			498 862	

The financial statements of the above-listed companies have been prepared for 12 months ended 31 December 2018.

4.2.3 Other Non-Current Securities and Equity InvestmentsBalance as of 30 June 2020

Type of security and equity investment	(CZK thousand)		
	Cost at 30 June 2020	Provision	Valuation at 30 June 2020
Union Group, a.s. (in liquidation)	194 034	-194 034	-
Moravia Banka, a.s., (in liquidation)	94 799	-94 799	-
STEELTRADE, s.r.o.	101	-	101
První Signální, a.s.	150	-	150
FERROMET a.s.	600	-600	-
Total	289 684	-289 433	251

Balance as of 1 January 2019

Type of security and equity investment	(CZK thousand)		
	Cost at 1 Jan 2019	Provision	Valuation at 1 Jan 2019
Union Group, a.s. (in liquidation)	194 034	-194 034	-
Moravia Banka, a.s., (in liquidation)	94 799	-94 799	-
STEELTRADE, s.r.o.	101	-	101
První Signální, a.s.	150	-	150
FERROMET a.s.	600	-600	-
Liberty Commercial Czech Republic k.s (former ArcelorMittal Commercial CZ, k.s.)	2	-	2
Total	289 686	-289 433	253

4.2.4 Pledged Non-Current Financial Assets

As of 30 June 2020 and 1 January 2019, the Company did not own any pledged non-current financial assets.

4.3 Inventory

The valuation of redundant and non-usable inventories is reduced to the selling price by means of provisions. A provision against inventory of material was determined based on an analysis of the inventory turnover in the amounts of CZK 288,998 thousand as of 30 June 2020 and CZK 233,045 thousand as of 1 January 2019.

With regard to the current situation on the steel market, the Company created another provision against inventory in the amounts of CZK 1,451,422 thousand as of 30 June 2020 and CZK 315,151 thousand as of 1 January 2019. This provision was created with respect to the level of net realisable value reflecting that the valuation of assets should not exceed the anticipated effects of their sale or use. This provision is created in view of the current selling price and as of 30 June 2020 it grew significantly due to the negative trend on the steel market anticipated for the third quarter of 2020.

4.4 Receivables**4.4.1 Long-Term Receivables**

As of 30 June 2020, the Company's other long-term receivables primarily include a long-term deposit reported as a long-term prepayment made in the amount of CZK 109,634 thousand.

As of 30 June 2020 and 1 January 2019, the Company reported no long-term receivables with maturity exceeding five years.

4.4.2 Short-Term Receivables

The aging structure of short-term trade receivables is as follows:

(CZK thousand)				
Balance at	Category	Before maturity	Past due date	Total
30 June 2020	Gross	2 033 157	1 234 559	3 267 716
	Provisions	0	-605 793	-605 793
	Net	2 033 157	628 766	2 661 923
1 Jan 2019	Gross	2 308 079	1 126 454	3 434 533
	Provisions	0	-605 286	-605 286
	Net	2 308 079	521 168	2 829 247

Receivables past their due dates by more than one year also include receivables from FARADIT ROHRWERK GMBH in the amount of CZK 401,660 thousand dated 2002 - 2008. In the past and also as of 30 June 2020, those receivables were provisioned by the Company in full. The provision was transferred to the Company as part of a merger with NOVÁ HUŤ EXPORT a.s.

In addition, receivables past their due dates by more than one year include receivables from customers in bankruptcy proceedings in the amounts of CZK 16,338 thousand and CZK 36,278 thousand as of 30 June 2020 and 1 January 2019, respectively, which were provisioned in full.

As of 30 June 2020 and 1 January 2019, estimated receivables principally consist of unbilled supplies of material and services in the amounts of CZK 1,587,125 thousand and CZK 221,155 thousand, respectively. As of 30 June 2020 and 1 January 2019, the Company also reports an estimate of received interest in the amounts of CZK 34,882 thousand and CZK 2,563 thousand, respectively.

As of 30 June 2020 and 1 January 2019, no trade receivables were pledged.

Changes in the provision against short-term trade receivables and short-term prepayments provided can be analysed as specified below:

(CZK thousand)		
	Period ended 30 June 2020	Period ended 1 Jan 2019
Opening balance	605 871	619 722
Creation	37 093	27 568
Release	-36 003	-41 419
Closing balance	606 961	605 871

Aside from the above, the Company recognised a provision against other receivables in the amounts of CZK 2,274 thousand and CZK 2,382 thousand as of 30 June 2020 and 1 January 2019, respectively.

As of 30 June 2020, the Company had escrow grant accounts with Komerční banka, a.s. in the amount of CZK 3,596 thousand.

In addition, the Company reports short-term receivables from group companies arising from a loan:

Entity	Relation	Balance at 30 June 2020	Balance at 1 Jan 2019
Liberty Ostrava Limited	Related party	686 198	-
Total		686 198	-

4.4.3 Inter-company Receivables

The Company showed the below-specified balances of short-term intercompany receivables (trade receivables + estimated receivables + prepayments made):

Entity	Relation	(CZK thousand)	
		Balance at 30 June 2020	Balance at 1 Jan 2019
Liberty Engineering Products Ostrava s.r.o.	Subsidiary	136 937	36 298
Liberty Distribution Ostrava,s.r.o.	Subsidiary	6 600	3 205
Liberty Technotron s.r.o.	Subsidiary	7 140	1 572
Liberty Commercial Czech Republic k.s	Subsidiary	658 857	351 244
Liberty Commercial PL s. z o.o.	Subsidiary	484 868	-
Liberty Commercial Germany Gmbh	Subsidiary	174 253	-
Liberty Galati S.A.(former ArcelorMittal Galati S.A.)	Related party	57 603	868
Liberty Liège-Dudelage (LU) S.A.	Related party	4	-
Liberty Ostrava Limited	Related party	34 882	-
APERAM Stainless and Solution*	Related party	-	34
Wyelands Capital Ltd	Related party	55 990	-
Liberty Primary Steel & Mining Pte. Ltd.	Related party	1 107 036	-
ArcelorMittal Belval et Differdange S.A. *	Related party	-	8 687
ArcelorMittal Commercial Italy Srl. *	Related party	-	4 869
ArcelorMittal Commercial Long Czech, s.r.o. *	Related party	-	131
ArcelorMittal Commercial Section SA*	Related party	-	236 039
ArcelorMittal Distribution Czech Republic, s.r.o. *	Related party	-	9 920
ArcelorMittal Europe S.A. *	Related party	-	378
ArcelorMittal Flat Carbon Europe S.A. *	Related party	-	31 663
Ocelářská unie a.s.	Related party	-	2
MG Odra Gas, spol. s r.o.	Related party	84 833	84 146
Czech Slag - Nová Huť s.r.o.	Related party	7	6
ArcelorMittal International Luxembourg S.A. *	Related party	-	3 250
ArcelorMittal Poland SA*	Related party	-	34 082
ArcelorMittal Refractories Sp. z o.o. *	Related party	-	978
ArcelorMittal Ringmill S.A. *	Related party	-	11 057
ArcelorMittal Tubular Products Karviná a.s.*	Related party	-	8 684
TAMEH Czech s.r.o.*	Related party	-	76 823
TAMEH Polska sp. z o.o. *	Related party	-	214
GO Steel Frýdek Místek a.s. *	Related party	-	1 513
ArcelorMittal Mazaires Resarch S.A. *	Related party	-	1 791
ArcelorMittal S.A. *	Related party	-	5 495
ArcelorMittal Shipping Ltd. London*	Related party	-	336
ArcelorMittal Temirtau JSC*	Related party	-	780
ArcelorMittal Treasury SNC*	Related party	-	117
ArcelorMittal Tubular Products Roman SA*	Related party	-	138 937
ArcelorMittal Tubular Product Jubail Co. *	Related party	-	141 779
Eisen Wagner GmbH *	Related party	-	304
Stalprofil S.A. *	Related party	-	26 056
ArcelorMittal International America, LLC *	Related party	-	2 912
ArcelorMittal Projects Europe BV *	Related party	-	299 922
Other related parties *	Related party	-	4 893
Receivables		2 809 010	1 528 985
ArcelorMittal Treasury SNC*	Related party	-	1 444 739
Liberty Ostrava Limited	Related party	686 198	-
Liberty Technotron s.r.o.	Subsidiary	-	1 576
Receivables – controlled or controlling entity		686 198	1 446 315
Total		3 495 208	2 975 300

*These companies were part of the ArcelorMittal group and they were related until 30 June 2019, they are not part of the Liberty House Group and they are therefore not related as of 30 June 2020, their balances are therefore not included in the table above. As of 30 June 2020, they represent regular third parties and their balances are not specified.

In order to optimise bank fees, loan interest and payments made within the AM Group, on 30 June 2014, the Company made the Bilateral Contract for Finance and Cash Management and Financial Transactions Agreement with effect from 1 July 2014. This contract with ArcelorMittal Treasury SNC was terminated as of 30 June 2019.

4.5 Deferred Expenses

As of 30 June 2020 and 1 January 2019, deferred expenses principally include the costs relating to the Quality System Certification in the amounts of CZK 30,647 thousand and CZK 25,350 thousand, respectively. The balances on accruals and deferrals accounts are presented by the Company in the items of accruals and deferrals as before.

4.6 Equity

The Company's share capital consists of 12,390,257 ordinary bearer shares, fully subscribed and paid up, with a nominal value of CZK 1 thousand per share.

The Company generated net profit for the period from 1 January 2019 to 30 June 2020 in the amount of CZK 305,109 thousand. The Board of Directors has proposed to transfer the profit to accumulated profits or losses brought forward.

4.7 Reserves

Reserves can be analysed as follows:

	(CZK thousand)					
	Balance at 31 Dec 2018	Merger	Balance at 1 Jan 2019	Creation	Use/ Release	Balance at 30 June 2020
Reserves for removing environ. burdens	206 716	3 610	210 326	4 490	-	214 816
Reserve for outstanding vacation days	40 219	8 047	48 266	104 498	-67 401	85 363
Reserve for claims and customer discounts	66 333	14 098	80 431	47 681	-80 432	47 680
Reserve for employee benefits	80 177	18 372	98 549	-	-6 462	92 087
Reserve for late tax payments	5 635	-	5 635	-	-	5 635
Reserve for the social needs fund	771	-	771	-	-456	315
Reserve for bonuses	171 511	28 335	199 846	555 895	-584 452	171 289
Other reserves	134 411	-	134 411	103 797	-50 981	187 227
Total reserves:	705 773	72 462	778 235	816 361	-790 184	804 412

Reserve for eliminating environmental damage

The reserve in the amount of CZK 214,816 thousand represents the present value of costs anticipated to be incurred by the Company to 2024 as the Company's share in clean-up work and removal of the so-called old environmental burdens under the Decision made by the Czech Environmental Inspectorate. The costs to be spent on those activities, not reflecting the time value of money, are estimated at CZK 233,050 thousand. The change in the balance of this reserve reflects the change in the time value of money for the period.

Reserve for employee benefits

The reserve shall be used for life jubilee bonuses, retirement bonuses and bonuses for work jubilees. The amount of the reserve is based on the effective Collective Labour Agreement and includes social security and health insurance.

Reserve for bonuses

The reserve shall be used for quarterly and annual bonuses to the employees and the Company's management relating to the period ended 30 June 2020. The reserve was prepared with regard to the effective Collective Labour Agreement.

4.8 Payables**4.8.1 Long-Term Payables**

As of 30 June 2020, long-term payables particularly include payables to controlled and controlling entities and a deferred tax liability. As of 1 January 2019, long-term payables particularly include a deferred tax liability (see Note 4.10.1).

Long-term payables to group entities:

(CZK thousand)			
Entity	Relation	Balance at 30 June 2020	Balance at 1 Jan 2019
Liberty Steel East Europe Bidco Limited	Related party	788 830	-
Liberty Finance Management Limited	Related party	379 624	-
Liberty Ostrava Limited	Related party	296 469	-
Total		1 464 923	-

As of 30 June 2020 and 1 January 2019, the Company reported no long-term payables with maturity of more than five years. The above loans are due on 30 June 2023.

4.8.2 Short-Term Payables

Aging analysis of short-term trade payables is as follows:

(CZK thousand)			
As of	Before maturity	Past due date	Total
30 June 2020	2 701 058	154 221	2 855 279
1 Jan 2019	3 159 158	557 682	3 716 840

The Company reports no overdue payables arising from social security and health insurance and no other payables towards the state institutions.

Payables to the Czech State can be analysed as follows:

	(CZK thousand)	
	Balance at 30 June 2020	Balance at 1 Jan 2019
Payable arising from personal income tax and other taxes	32 787	29 083
Grants for settling costs	1 229	-
Grants for emission allowances	4 849 065	1 843 042
Closing balance	4 883 081	1 872 125

As of 30 June 2020 and 1 January 2019, estimated payables particularly include non-invoiced supplies of material and goods in the amounts of CZK 915,148 thousand and CZK 2,606,212 thousand, respectively, and unbilled supplies of services in the amounts of CZK 1,197,235 thousand and CZK 1,296,981 thousand, respectively. In addition, as of 30 June 2020, estimated payables include interest on loans provided within the Liberty Group in the amount of CZK 135,878 thousand.

Trade payables and other payables were not secured by any of the Company's assets.

4.8.3 Short-Term Intercompany Payables

The Company's short-term intercompany payables (trade payables + estimated payables) were as follows:

	(CZK thousand)		
Entity	Relation	Balance at 30 June 2020	Balance at 1 Jan 2019
Liberty Engineering Products Ostrava s.r.o.	Subsidiary	91 417	89 199
Liberty Distribution Ostrava, s.r.o.	Subsidiary	20 156	20 058
Liberty Commercial CZ, k.s.	Subsidiary	-	67 378
Liberty Technotron s.r.o.	Subsidiary	34	-
Liberty Galati S.A.(former ArcelorMittal Galati S.A.)	Related party	2 942	37 367
Speciality Steel UK Limited	Related party	3 452	-
Liberty Magona S.r.l.	Related party	2 969	-
Liberty Steel East Europe Bidco Limited	Related party	95 492	-
Liberty Finance Management Limited	Related party	14 573	-
Liberty Ostrava Limited	Related party	92 801	-
Wyelands Capital Ltd	Related party	55 990	-
Czech Slag – Nová Huť, s.r.o.	Related party	3 462	2 646
MG Odra Gas spol. s r.o.,	Related party	42 982	60 001
První Signální a.s.	Related party	3 780	2 077
STEELTRADE s.r.o.	Related party	250	280
Liberty Liège-Dudelange (BE)	Related party	62 295	-
ArcelorMittal Tubular Products Karviná a.s.*	Related party	-	1 183
TAMEH Czech s.r.o.*	Related party	-	837 475
GO Steel Frýdek Místek a.s.*	Related party	-	909
ArcelorMittal Atlantique et Lorraine Sas*	Related party	-	-160
ArcelorMittal Commercial RPS S.a.r.l.*	Related party	-	205
ArcelorMittal Design and Engineering Centre*	Related party	-	343
ArcelorMittal Europe S.A.*	Related party	-	94
ArcelorMittal Eisenhüttenstadt GmbH*	Related party	-	206 965
ArcelorMittal Flat Carbon Europe S.A.*	Related party	-	9 821
ArcelorMittal Logistics Belgium N.V.*	Related party	-	4 183
ArcelorMittal Poland S.A.*	Related party	-	86 220
ArcelorMittal Refractories sp. z o.o.*	Related party	-	143 226
ArcelorMittal S.A.*	Related party	-	565 926
ArcelorMittal Business Center of Excellence Poland Sp. z o.o. Sp.k.*		-	1 113
ArcelorMittal Sourcing SA*	Related party	-	1 395 646
ArcelorMittal Skopje A.D.*	Related party	-	1 738

Entity	Relation	Balance at 30 June 2020	Balance at 1 Jan 2019
Przedsiębiorstwo Usług Kolejowych KOLPREM Sp. z o.o.*	Related party	-	5 231
Other related parties*	Related party	-	802
Payables		492 595	3 539 926
Liberty Engineering Products Ostrava s.r.o.	Subsidiary	337 828	-
Payables – controlled or controlling entity		337 828	-
Total		830 423	3 539 926

* These companies were part of the ArcelorMittal group and they were related until 30 June 2019, they are not part of the Liberty House Group and they are therefore not related as of 30 June 2020, their balances are therefore not included in the table above. As of 30 June 2020, they represent regular third parties and their balances are not specified.

In addition to the above, the Company records sundry payables to Liberty Commercial CZ, k.s. of CZK 101,966 thousand as of 30 June 2020, reported in line C.II.8.7. Sundry Payables.

4.9 Derivative Financial Instruments

As of 30 June 2020 and 1 January 2019, the Company reports currency derivatives in the nominal values of CZK 400,200 thousand and CZK 542,025 thousand, respectively. Based on revaluation of currency derivatives as of 30 June 2020, the Company reports a payable in the amount of CZK 270 thousand and as of 1 January 2019, a payable in the amount of CZK 235 thousand and a receivable of CZK 419 thousand.

In addition, the Company records a forward as of 30 June 2020 relating to the purchase of emission allowances in the nominal amount of CZK 1,215,868 thousand. Based on the revaluation of this forward, the Company records a receivable of CZK 83,161 thousand as of 30 June 2020.

4.10 Income Tax

4.10.1 Income Tax – Deferred

The deferred tax liability can be analysed as specified below:

	(CZK thousand)	
	Balance at 30 June 2020 (deferred tax liability)	Balance at 1 Jan 2019 (deferred tax liability)
Deferred tax arising from the difference between accounting and tax book values of fixed assets	-912 176	-812 782
Other temporary differences giving rise to deferred tax:		
Provisions against inventory	330 680	104 157
Provisions against fixed assets	54 365	55 065
Reserve for environment	40 815	39 962
Reserve for outstanding vacation days	16 219	9 171
Reserve for employee benefits	12 401	13 808
Reserve for claims and business discounts	9 060	10 551
Reserve for bonuses	32 545	35 902
Reserve for life jubilees	5 095	4 916
Other reserves	35 573	31 560
Unpaid contractual fines and default interest	-930	-21
Deduction for professional education	-	842
Tax loss	105 067	283 773
Total	-271 286	-223 096

4.10.2 Income Tax PayableEffective tax rate calculation

(CZK thousand)	
	Balance at 30 June 2020
Profit before tax	361 308
Income tax payable	-
Income tax relating to prior periods	8 009
Deferred tax	48 190
Total income tax	56 199
Effective tax rate	15.55%

4.11 Income from Ordinary Activity by Principal Activities

(CZK thousand)			
	Period ended 30 June 2020		
	In-country	Cross-order	Total
Income from the sale of goods	76 602	0	76 602
Metallurgic primary production	1 584 020	335 137	1 919 157
<i>Coke and chemical products of coke plant</i>	638 082	111 523	749 605
<i>Production of pig iron and ferroalloys</i>	945 938	223 614	1 169 552
Production of metallurgic and steel products*	16 314 675	15 673 064	31 987 739
Other (energy, services, etc.)	1 982 498	1 053 004	3 035 502
Total income from the sale of own products and services	19 881 193	17 061 205	36 942 398

*Production of metallurgic and steel products includes particularly continuously cast billets, rolled material and engineering products.

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

(CZK thousand)		
Entity	Relation	Period of 6 months (Jan 2019 – June 2019)
ArcelorMittal Distribution Czech Republic, s.r.o	Related party	168 997
ArcelorMittal Europe CZ s.r.o.	Related party	63
TAMEH Czech s.r.o.	Related party	1 392 035
GO Steel Frýdek Místek a.s.	Related party	160
ArcelorMittal Tubular Products Roman SA	Related party	48
ArcelorMittal Distribution Hungary	Related party	4 755
ArcelorMittal Refractories Sp. z o.o.	Related party	1 236
Stalprofil S.A.	Related party	102 093
ArcelorMittal Poland SA	Related party	42
ArcelorMittal Hamburg GmbH	Related party	181
ArcelorMittal International America	Related party	207
ArcelorMittal Belval & Differdange	Related party	150 214
ArcelorMittal Flat Carbon Europe SA	Related party	615 238
ArcelorMittal Commercial Sections SA	Related party	2 741 189
Arcelormittal S.A.	Related party	2 794
ArcelorMittal Projects Europe B.V.	Related party	320 212
ArcelorMittal Tubular Products	Related party	17
ArcelorMittal Tubular Products Jubai Co	Related party	555 510
ArcelorMittal Belval et Differdange	Related party	108
ArcelorMittal Commercial Italy	Related party	295 566
ArcelorMittal Ringmill S.A.	Related party	9 718
ArcelorMittal Europe SA	Related party	-38
ArcelorMittal Commercial Germany GmbH	Related party	427 881
Tameh Polska sp. z o.o.	Related party	1 275
ArcelorMittal Belgium S.A.	Related party	3 013
Total		6 792 514

Income from related parties for the period of six months, i.e. from 1/2019 to 6/2019, represent income from related parties that are part of the ArcelorMittal Group, and Liberty Ostrava was part of this group only until 30 June 2019. Starting from 1 July 2019, income from the aforementioned companies is no longer considered to be related party income because Liberty Ostrava is part of a different group (refer to Note 1.4).

Entity	Relation	Period of 18 months (Jan 2019 – June 2020)
MG Odra Gas spol. s r.o.	Related party	422 845
Ocelářská unie a.s.	Related party	-
Czech Slag - Nová Huť s.r.o.	Related party	123
První Signální, a.s.	Related party	90
Liberty Galati SA	Related party	242 979
Liberty Primary Steel & Mining Pte. Ltd.*	Related party	1 051 974
Liberty Technotron s.r.o.	Subsidiary	6 505
Liberty Engineering Products Ostrava s.r.o.	Subsidiary	372 083
Liberty Distribution Ostrava, s.r.o.	Subsidiary	115 454
Liberty Commercial Czech Republic k.s.	Subsidiary	7 602 210
Liberty Commercial PL sp. z o.o.	Subsidiary	2 796 211
Liberty Commercial Germany GmbH	Subsidiary	1 006 318
Total		13 616 792

Income from related parties for the period of 18 months, i.e. from 1/2019 to 6/2020, represent income from related parties that are part of the ArcelorMittal group until 30 June 2019 as well as part of the Liberty House Group from 1 July 2019 to 30 June 2020.

* Income represents compensation for increased costs arising during the acquisition and other costs incurred by Liberty Ostrava following the shareholder's decision. This amount was broken down as follows: CZK 48,279 thousand as a decrease in services, CZK 810,579 thousand as other operating income and CZK 193,116 thousand as a decrease in material consumption.

Aside from the above, the Company reports interest income and similar income – controlled or controlling entity in the amount of CZK 40,645 thousand, of which CZK 34,882 thousand from Liberty Ostrava Limited. and CZK 5,764 thousand from ArcelorMittal Treasury SNC, and a portion of a loan received by the Company from the parent company Liberty Ostrava Limited in the amount of CZK 3,567,900 thousand was forgiven. The write-off of part of this payable led to other operating income for the Company in the corresponding amount (refer to Note 4.14).

4.12.2 Purchases from Related Parties

(CZK thousand)		
Entity	Relation	Period of 6 months (Jan 2019 – June 2019)
ArcelorMittal Construction Slovakia Bratislava	Related party	58
TAMEH Czech s.r.o.	Related party	2 213 803
GO Steel Frýdek Místek a.s.	Related party	5 541
ArcelorMittal Refractories sp. z o.o.	Related party	434 787
ArcelorMittal Poland S.A.	Related party	-8 119
ArcelorMittal Sourcing S.A.	Related party	3 176 111
ArcelorMittal Logistics Belgium	Related party	41 583
ArcelorMittal Eisenhüttenstadt GmbH	Related party	-40 818
ArcelorMittal Flat Carbon Europe S.A.	Related party	341
ArcelorMittal Business Center of Excellence Poland	Related party	8178
ArcelorMittal Commercial Sections S.A.	Related party	16
ArcelorMittal Commercial RPS S.A.R.L.	Related party	-551
ArcelorMittal Projects Europe BV	Related party	-10 297
ArcelorMittal Tubular Products Roman	Related party	-15
ArcelorMittal Tubular Products Krakow	Related party	570
Przedsiębiorstwo Usług Kolejowych Dabrowa Gornicza	Related party	29 762
HK Produkcyjny Osrodek Maszynowy	Related party	20
Total		5 850 970

Purchases performed with related parties for the period of six months, i.e. from 1/2019 to 6/2019, represent purchases from related parties that are part of the ArcelorMittal Group, and Liberty Ostrava was part of this group only until 30 June 2019. Starting from 1 July 2019, purchases with the aforementioned companies are no longer considered to be related party purchases because Liberty Ostrava is part of a different group (refer to Note 1.4).

(CZK thousand)		
Entity	Relation	Period of 18 months (Jan 2019 – June 2020)
Liberty Distribution Ostrava, s.r.o.	Subsidiary	176 109
Liberty Engineering Products Ostrava	Subsidiary	817 288
Liberty Commercial CZ, k.s.	Subsidiary	371 775
MG Odra Gas spol. s r. o.	Related party	414 682
Ocelářská unie, a.s.	Related party	3 776
STEELTRADE s.r.o.	Related party	46 572
Czech Slag Nová Huť s.r.o.	Related party	23 580
První Signální a.s.	Related party	11 969
Speciality Steel UK Limited*	Related party	4 774
Liberty Steel East Europe Bidco Limited*	Related party	21 944
Wyelands Capital Ltd*	Related party	55 990
Liberty Magona S.r.l.*	Related party	2 969
Liberty Galati S.A.	Related party	2 835
Total		1 954 263

Purchases performed with related parties for the period of 18 months, i.e. from 1/2019 to 6/2020, represent purchases from related parties that are part of the ArcelorMittal group until 30 June 2019 as well as part of the Liberty House Group from 1 July 2019 to 30 June 2020.

* Purchases from companies marked with an asterisk concern only the period from 1 July 2019 to 30 June 2020, i.e. 12 months, since these companies are only part of Liberty House Group since 1 July 2019.

4.13 Fees Paid to the Statutory Auditor or Audit Firm

The costs of the fee paid to the statutory auditor during the period ended 30 June 2022 will be disclosed in the consolidated financial statements of the Liberty Ostrava Group.

4.14 Other Major Components of Profit and Loss Account

Sales of fixed assets primarily include sales of emission allowances of CZK 3,150,949 thousand.

Sundry operating income principally includes the settlement of the grant for emission allowances consumed and sold in the reporting period in the amount of CZK 1,732,036 thousand, forgiveness of a loan received from the parent company Liberty Ostrava Limited of CZK 3,567,900 thousand as well as compensation of costs arising during the acquisition and other costs incurred by Liberty Ostrava following the shareholder's decision (charge-back) of CZK 810,579 thousand, which is related to the change of the Company's owner (total compensation billed to Liberty Primary Steel & Mining Pte. Ltd amounted to CZK 1,051,974 thousand, this amount was broken down as follows: CZK 48,279 thousand as a decrease in services, CZK 810,579 thousand as other operating income and CZK 193,116 thousand as a decrease in material consumption).

Sundry operating expenses primarily include the write-off of a grant for emission allowances consumed and sold of CZK 1,732,036 thousand and insurance premiums of CZK 205,214 thousand.

Other financial income predominantly includes foreign exchange rate gains of CZK 1,082,188 thousand.

Other financial expenses predominantly include foreign exchange rate losses in the aggregate amount of CZK 939,839 thousand.

The Company reported expenses arising from the recognition of provisions against inventory of CZK 1,192,224 thousand, and from the expectation that the selling price net of costs of sale would be lower than the cost used for their valuation in the accounting books. Inventory is valued in the books and in the financial statements at this lower cost.

4.15 Total Research and Development Costs

In the period ended 30 June 2020, the Company's costs incurred in the area of research and development amounted to CZK 18,925 thousand.

4.16 Impact of the COVID-19 Pandemic

In late 2019, the first news arrived from China about COVID-19 (coronavirus). In the first months of 2020, the virus spread worldwide, negatively affecting many countries. The Company's management considered the impact of this pandemic during the preparation of the financial statements as of 30 June 2020, especially the impact on the valuation of assets and liabilities, and this impact has been duly reflected in the financial statements.

5. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES**5.1 Staff Costs & Headcount**Period Ended 30 June 2020

	(CZK thousand)				
	Number of staff	Payroll costs	Social security and health insurance	Other social costs	Total
Staff	4 943	3 376 527	1 264 648	72 182	4 713 357
Managers	30	135 805	34 568	45	170 418
Total	4 973	3 512 332	1 299 216	72 227	4 883 775

Period Ended 1 January 2019

	(CZK thousand)	
	Number of staff	
Staff	4 858	
Managers	32	
Total	4 890	

In the period ended 30 June 2020, external members and former external members of the statutory and supervisory bodies received remuneration in the total amount of CZK 2,517 thousand.

The number of employees is based on the average headcount.

The Company's management shall mean the Board's members, Directors and Heads of organisational branches.

5.2 Loans, Borrowings and Other Benefits Provided

In the period ended 30 June 2020, members of the Company's Board of Directors, Supervisory Board and other members of management received the following loans and bonuses in addition to their basic salaries:

Period Ended 30 June 2020

	(CZK thousand)		
	Board of Directors	Supervisory Board	Other members of management
Life and pension insurance	70	-	705
Bonuses	5 774	1 056	15 297
Use of services provided by the Company	1 538	-	297
Cars/other movable and immovable assets for both business and private purposes (the figure increases the tax base of employees)	744	178	3 943

As of 30 June 2020, members of the statutory and supervisory bodies did not own any shares in Liberty Ostrava a.s.

6. OFF BALANCE SHEET ASSETS AND LIABILITIES

6.1 Guarantees Accepted and Provided

As of 30 June 2020, the Company accepted bank guarantees in the total amount of CZK 147,261 thousand.

The Company also received corporate guarantees in the amount of CZK 226,607 thousand.

As of 30 June 2020, the Company provided a customs guarantee of CZK 3,500 thousand.

6.2 Environmental Commitments

In 1995 and 1997, the Company, in cooperation with Unigeo a.s. and KAP, s.r.o., performed environmental audits relating to the contamination of building structures, soil and water, based on which the Company calculated the costs of removal of legacy environmental burdens. Estimated costs amounted to CZK 997 million. In line with the contract to pay the costs incurred in settling environmental liabilities that arose prior to the privatisation, concluded with the former National Property Fund of the Czech Republic (now the Ministry of Finance of the Czech Republic) on 10 August 1998, the Ministry of Finance of the Czech Republic committed to paying the Company reasonably incurred costs up to the amount of CZK 997 million.

In early 2009, the Ministry of Finance of the Czech Republic commissioned a project for the removal of legacy environmental burdens. On the basis of the project, the total costs were determined at CZK 1,595 million. In accordance with the contract to pay the costs incurred in settling environmental liabilities that arose prior to privatisation, Liberty Ostrava a.s. (then ArcelorMittal Ostrava a.s.) asked the Ministry of Finance of the Czech Republic on 18 March 2009 to increase the amount up to the total budget of the project.

During 2015, the deadline determined for the clean-up work was extended to 2024.

The costs of demolition of engineering structures will be paid by the Company and are estimated at CZK 233,050 thousand. The Company has created a reserve for these costs as equal to their present value.

The Company also concluded Contract No. 167/97 of 17 February 1997 with the Ministry of Finance for the purpose of funding the removal of legacy environmental burdens. The maximum limit of the cost of removing the legacy environmental burdens was set by the Ministry of Finance, being the successor organisation, to CZK 1,416,028 thousand.

Based on this contract, the implementation contract 'Implementation of Corrective Measures Leading to Eliminating Legacy Environmental Burdens in Válcovny plechu, a.s. Frýdek-Místek' was concluded between GEOTest Brno and the National Property Fund along with the contract 'Implementation of Measures Leading to Eliminating Environmental Burdens Arisen Prior to the Privatisation in ArcelorMittal Frýdek-Místek, a.s. – additional construction works' between GEOTest a.s. and the Ministry of Finance of the Czech Republic.

Until 2015, clean-up work had been performed on the premises of Plant 17, with post-clean-up monitoring being terminated as of 31 December 2018. Clean-up work remains to be performed in the Skatulův Hliník site, where the clean-up was commenced in 2017 based on a realisation contract concluded between the Ministry of Finance and the "S-G-A-Skatulův Hliník" Association, and in the Incineration Plant. The Company created a reserve of CZK 5,450 thousand for the costs of clean-up of the Skatulův Hliník and Incineration Plan areas. During 2015, the deadline for completing this clean-up work was postponed to 2023.

6.3 Legal Dispute with ČEZ Distribuce

On 1 January 2016, new legal regulation (amendment to the Energy Act) came into force, stipulating that the payment for system services (part of a fee for electricity distribution) is to be part of a distribution agreement. Producers simultaneously consuming electricity without using the services of a regional distributor (ČEZ Distribuce) do not have a statutory duty to pay this portion of the distribution fee (except for electricity distributed by means of the regional grid of ČEZ Distribuce). Since January 2016, the Company has not paid ČEZ Distribuce for system services in respect of the volume of electricity consumed without using the regional grid.

ČEZ Distribuce filed a petition in March 2017 seeking the payment of a fee for system services for January 2016. On 4 October 2019, the court of first instance issued a ruling, by which the court upheld the claim of ČEZ Distribuce in full. The Company lodged an appeal against this ruling. The appellate court has not issued a ruling yet.

In February 2019, ČEZ Distribuce filed a petition for the amount of CZK 225,637 thousand, seeking the payment of a fee for system services for the period from February 2016 to November 2018. The proceedings concerning this matter were suspended until the issuance of a final and conclusive judgment in the legal dispute pertaining to the fee for January 2016. As of 30 June 2020, the above-specified amount was fully recoded under short-term trade payables.

With respect to the aforementioned legal dispute, the plaintiff also claims the payment of default interest for the entire period, which amounted to CZK 62,011 thousand as of 30 June 2020. The calculation of default interest covers both of the legal disputes disclosed above.

6.4 Other Off-Balance Sheet Commitments

The Company has concluded a long-term contract to draw oxygen, nitrogen, argon and acetylene, according to which it is obliged to comply with the overall consumption until December 2020. The Company is obliged to pay the contracted price regardless of whether it draws the full amount or a lower amount. This commitment until the end of the contract period amounts to approximately CZK 291,276 thousand for the purchase of oxygen, nitrogen, argon and acetylene.

7. POST BALANCE SHEET EVENTS

On 1 July 2020, all activities of Liberty Distribution Ostrava, s.r.o. in the area of distribution, product machining, separation and other related production activities were transferred directly to the parent company Liberty Ostrava a.s., which continues to perform these activities, including production, sale of guardrails, metallurgical reinforcements, and sale of the entire portfolio of the Metallurgical Store. All business relations realised after 30 June 2020 are therefore arranged directly under the name of the parent company Liberty Ostrava a.s. to simplify processes and increase customer service efficiency. In line with Section 338 of the Labour Code, all rights and obligations arising from the employment relations of Liberty Distribution Ostrava, s.r.o.'s employees were consequently transferred to Liberty Ostrava a.s. Liberty Distribution Ostrava, s.r.o. remains a subsidiary, it does not cease to exist, but at present it will not perform any business activities.

On 22 July 2020, the sole shareholder acting in the capacity of the general meeting changed the Company's Articles of Association; the change consisted in the decrease in the number of Supervisory Board members from nine to six. In addition, the sole shareholder recalled Mr Virinder Bahadur Garg from the position of Supervisory Board member and appointed Mr Paramjit Singh Kahlon.

In August 2020, the Company drew a long-term loan from Greensill Bank AG in the amount of EUR 76 million. The loan matures in June 2023.

On 26 August 2020, the sole shareholder acting in the capacity of the general meeting appointed Mr Sanjeev Gupta member of the Board of Directors.

In November 2020, the Company's Board of Directors decided to change the reporting period. The new fiscal year will be the period from 1 April 2021 to 31 March 2022. The current reporting period beginning on 1 July 2020 will end on 31 March 2021. The reason for this change is to unify the fiscal year across the Liberty House Group.

On 15 December 2020, the sole shareholder acting in the capacity of the general meeting recalled Mr Pascal Hervé Martin Marie Genest from the position of member and vice-chairman of the Board of Directors and appointed Mr Ajay Kumar Aggarwal new member of the Board of Directors.

Although COVID-19 (coronavirus) had an impact on the economy especially in late 2019 and in the first half of 2020, when the virus spread worldwide and had a negative impact on many countries, after the end of the reporting period and as of the date of preparation of the financial statements, we are aware that after successfully dealing with the first wave, the Czech and global economies are affected by the second wave of this pandemic. Although the situation keeps changing as of the date of publication of these financial statements, it seems that the negative impact of this pandemic on global trade, companies and individuals may be more serious than initially expected. As the situation keeps developing, the Company's management is currently unable to reliably quantify the potential impacts of these events on the Company. Any negative effects and impacts of this second wave and any potential losses will be included in the accounting records and the financial statements for the period beginning on 1 July 2020.

The Company's management has assessed the potential impacts of COVID-19 on its activities and business and concluded that they do not have a material impact on the going concern assumption. Therefore, the financial statements for the period ended 30 June 2020 were prepared on the assumption that the Company will be able to continue as a going concern.

V. INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Liberty Ostrava a.s.

Having its registered office at: Vratimovská 689/117, Kunčice, 719 00 Ostrava

Opinion

We have audited the accompanying financial statements of Liberty Ostrava a.s. (hereinafter also the “Company”) prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 30 June 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the period from 1 January 2019 to 30 June 2020, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Liberty Ostrava a.s. as of 30 June 2020, and of its financial performance and its cash flows for the period from 1 January 2019 to 30 June 2020 in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements which describes that the financial statements are prepared for the period from 1 January 2019 to 30 June 2020 and describes the use of comparable information with respect to the merger between Liberty Ostrava a.s. (successor company) and Liberty Tubular Products Ostrava a.s. (dissolving company) with the effective date of 1 January 2019. The information for the prior period presented in the balance sheet represents balances from the opening balance sheet (after the merger) as of 1 January 2019. The profit and loss account and the cash flow statement do not include information for the prior period as it is incomparable with the current reporting period due to the size of the merging companies. Our opinion is not modified in respect of this matter.

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 Board of Directors 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.
- 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 Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 20 January 2021

Audit firm:

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



Statutory auditor:

Petr Michalík
registration no. 2020

