ANNUAL REPORT

2020

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2020



LICON










KORADO®

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This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Business Partners,
the year 2020 ended. For our Company it was a year of celebrating the 30th establishment anniversary and 30 years of successful operation in the field, in which we became a recognized European manufacturer and a reliable supplier of our products.

The past year started quite promisingly, but it was very hectic and problematic. Thanks to new business cases, production was stabilized. Although this production is technically demanding, it gives the Company the opportunity to have a larger labor force even for the weaker months in the first quarter of 2021.

During the first quarter of 2020, the world was affected by the coronavirus pandemic and the actions imposed by the government introduced various restrictions and regulations into the Company, but mainly caused concern and fear in people. Fear for our own and family's health and, of course, existential insecurity.
A far bigger problem is that supplier-customer business relationships have been disturbed worldwide. This is reflected not only in the lack of materials and parts necessary for production, but mainly in the pressure on the price of these materials and thus the price increase of our products.

I am glad that, despite these obstacles and problems, the Company is stable and even in 2020 it achieved a very good positive economic result. I am convinced that we will be able to maintain this positive trend in 2021, which, as can be expected, will be even more challenging than 2020 due to external negative trends.
It is clear that all the steps described above would not be possible without the support and loyalty of all the employees, Company bodies, shareholders, the lending bank, our suppliers and customers, to all of whom I give my sincere thank you.
I believe that in future years the KORADO Group will continue to be a reliable partner both for our suppliers and our customers.

In Česká Třebová on 6 May 2021

František Menclík
CHAIRMAN OF THE BOARD OF DIRECTORS

STRATEGIES AND GOALS OF THE KORADO GROUP

The main objective of the KORADO Group for 2021 is to continue to be a professional, process-oriented group on a high professional, technological and organisational level, which is constantly developing and investing in its resources

Business strategy
In response to changes in legislation and customer require--ments, the business strategy for 2021 continues in territorial and product transformation. Our capacities will be devoted to introducing innovations in the area of convectors and innovations in the ventilation and recuperation segment, together with the preparation of new products.

Securing against Risk
Working with business and trade risks and hedging them continues to be one of the primary tasks of the KORADO Group. Persisting turbulent environment which is influenced by many unpredictable factors: Covid, Brexit, the migration crisis, cyber attacks, commercial conflicts, etc., fully justifies the strategy thus chosen. External and also internal risks are presented in the "Catalogue of Risks" and methods are actively sought for their elimination. Risk categorisation covers their entire range from strategic and trade, through manufacturing, financial and human resources to IT risks. Many risks are of course covered by insurance or other similar standardised products, but maximum emphasis is also placed on risk prevention and internal setup of processes to eliminate the damage already at the source. These principles are implemented throughout the KORADO Group, including production plants in Bulgaria and in Liberec.

Optimising Radiator Production
The aim of this area is a systematic innovative process to improve product quality, optimise production according to market needs, and to continuously improve the integration of engineering methods in production, and support processes and the installation of new technologies to achieve maximum savings.

Effective Purchasing
In the area of purchasing, the challenges are to reduce risks in the initial phase, to ensure that all materials are available in the required quantities and quality and at the most favourable price, to optimise the selection and evaluation of suppliers, to integrate individual purchasing activities throughout the KORADO Group and to permanently reduce stock turnover period.
In the period ahead, we will further expand the system of modern purchasing methods. The aim is to increase purchasing efficiency and transparency in selecting suppliers, fix the position of KORADO Group in the suppliers' market, and diversify the suppliers' portfolio. An equally important task will be the strict adherence to the rating rules in relation to suppliers.

Taking Care of Human Resources
In 2021, HR department will further improve the current processes to provide a sound basis for the selection, training, motivation and remuneration of employees. These goals will be achieved primarily by providing methodological and administrative support for human resources management.
As part of the business infrastructure, the Company intends to further concentrate on continuously improving processes arising from the ISO 9001 standard.

Optimum Financing and Securing Liquidity of the Company
In the financial sector, throughout the following period, the KORADO Group will focus on rigidly maintaining sufficient liquidity for the Group and ensuring the required amount of funds to cover all obligations to all our business partners and financial institutions, including the creation of a financial buffer for suitable acquisitions and investments.
Another important goal is the consistent use of controlling tools and their application throughout the KORADO Group. An equally important goal of the Group will be the continued optimisation of working capital and its financing.

Internal Audit
The function of an Internal Audit is based on the basic aim that is the systematic methodical approach to assessing and improving of the effectiveness of risk management, management and control processes, and corporate governance. In the next period, the role of Internal Audit is that of ensuring independent and objective assurance for bodies of the Company and their management that corporate governance, managment and control processes as well as risk management are adequate and effective.
According to the Internal Audit Service's schedule, audits of the management control and compensatory control of conflicting access rights to information systems will be conducted both in the parent company and in the subsidiaries, in order to maximize the added value for the Company. An integral part will be also a cooperation of the Internal audit with the external audit.

KORADO GROUP

As at 31 December 2020, the KORADO Group consisted of the parent company KORADO, a.s., Česká Třebová and seven subsi--diaries, which are:

Four trading	- KORADO Deutschland
	- KORADO Austria (currently not engaged in business)
	- KORADO Polska
	- KORADO U. K. (currently not engaged in business)
Three production	- KORADO Bulgaria
	- LICON HEAT
	- ThermWet

Trading subsidiaries were established around the mid-1990s, primarily to support the growth in sales on the European markets during the final stages of building the new production plant in Česká Třebová. Production subsidiaries have gradually joined the group as a result of systematic acquisitions in order to expand the production portfolio.

All subsidiaries are currently managed by representatives of the parent company in the statutory bodies of each company. Trade relations between the parent company and the subsidiaries are arranged through the Sales Department of the parent company.

Since the trading companies were founded, they have provided services on selected markets for KORADO brand products. In 2002 and 2003, there were significant changes in the operation and management of the largest trading subsidiaries. Customers in these markets since then have been served directly by the parent company in Česká Třebová. This management model significantly reduces costs and increases the efficiency of the individual trading subsidiaries. The result was a turnaround in their financial situations and the gradual return of capital that had been invested in those companies.

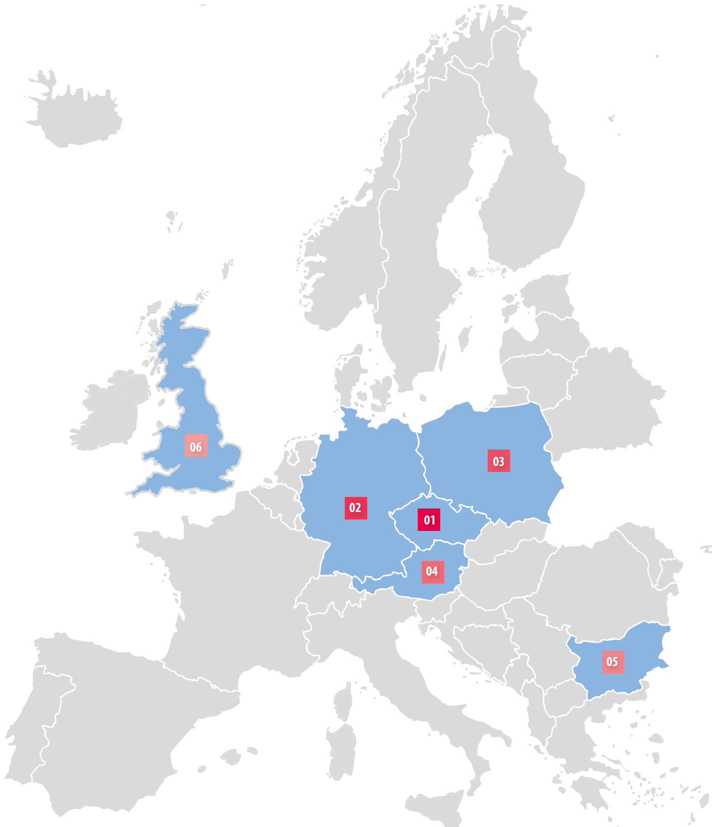
No Controlling Agreements have been concluded between the parent company KORADO, a.s. and its subsidiaries. The cooperation of these companies is based on Distributor Agreements and on the basis of annual financial sales plans. In addition to these Agreements there are Loan Agreements concluded between the parent company and KORADO Polska, LICON HEAT, ThermWet and KORADO Bulgaria. These are standard agreements under regular market conditions.

Since 2006, when the Bulgarian subsidiary introduced the process of activating optional reserves in the production of panel radiators within the KORADO Group, full harmonisation has been achieved among all corporate, technical and production processes with the parent company KORADO, a.s. in Česká Třebová. Thanks to the implementation of this project, KORADO Bulgaria is a fullfledged part of the KORADO Group. Since 2013, the number of direct sales from KORADO Bulgatia to the final customers has been steadily increasing. At the end of 2014, KORADO Bulgaria implemented a secondary subscription of share capital on the Stock Exchange in Sofia. After almost two years of planning, this transaction was successfully implemented, increasing the equity of KORADO Bulgaria by about BGN 7 million (about CZK 100 million). These funds were used for further investment development of the subsidiary. In particular, investment in the second production line of panel radiators and lines for the manufacture of bathroom radiators.

An important step towards expanding our product portfolio occurred in 2013 with the 100% buyout of the company LICON HEAT s.r.o., which has expanded KORADO's production program by a complete range of floor, wall, freestanding, bench and special convector radiators. Another significant investment was the buyout of ThermWet in 2018. The company is specialising in controlled air recuperation.

Map of Europe with Subsidiaries and Associates

- 01 KORADO, a.s.
- 01 LICON HEAT s.r.o.
- 01 ThermWet s.r.o.
- 02 KORADO DEUTSCHLAND
- 03 KORADO POLSKA
- 04 KORADO AUSTRIA
- 05 KORADO BULGARIA
- 06 KORADO U.K.



Composition of the KORADO Group as at 31 December 2020:

Company	Incorporation date	Share capital	Director (Authorized Agent)	Registered office	KORADO, a.s share	Legal form
KORADO, a.s.	1 September 1996	CZK 840,700 thousand	Vojtěch Čamek	Bří Hubálků 869, 560 02 Česká Třebová, Czech Republic	-	Joint-stock company
KORADO Deutschland GmbH	28 November 1995	CZK 656 thousand	Leona Vaňková	DR. Wilhelm-Külz- Strasse 61, 155 17 Fürstenwalde, Germany	100 %	Limited liability company
KORADO Polska, Sp. z. o. o.	4 December 1996	CZK 41,498 thousand	Žaneta Vebrová	Gen.Okulickiego 4, 05-500 Piasecno, Poland	100 %	Limited liability company
KORADO Austria, GmbH	1 July 1998	CZK 27,557 thousand	Leona Vaňková	Ferstelgasse 6/7, 1090 WIEN, Austria	100 %	Limited liability company
KORADO Bulgaria, A. D.	1 October 1998	CZK 176,683 thousand	Jiří Řezníček	Gladston 28, 5150 Strajica, Bulgaria	82.15 %	Joint-stock company
KORADO U. K. Limited	25 November 1998	CZK 29 thousand	Vojtěch Čamek	170 Merton High Street, Wimbledon London, SW19 1AY, Great Britain	100 %	Limited liability company
LICON HEAT s. r. o.	1 October 2013*	CZK 14,500 thousand	Martin Kniha	Svárovská 699, 463 03 Stráž nad Nisou Czech Republic	100%	Limited liability company
ThermWet, s. r. o.	6 August 2018**	CZK 200 thousand	Jan Grendel Lukáš Mareda	Vlárská 1454/1 10400 Praha 10 - Uhříněves Czech Republic	100%	Limited liability company

Share capital calculated based on the exchange rate as at 31 December 2020

* Date of LICON HEAT inclusion in the KORADO Group

** Date of ThermWet inclusion in the KORADO Group

REPORT ON SUBSIDIARIES

KORADO Deutschland GmbH - KORADO Deutschland was founded on 28 November 1995 as a trading company dealing with the sale of KORADO brand products on the markets of Germany, Denmark and the Benelux countries. KORADO, a.s. owns a 100% share in KORADO Deutschland.

In 2020 KORADO Deutschland achieved profit of EUR 13 thousand (CZK 354 thousand).

KORADO Polska, Sp. z. o. o. - KORADO Polska was founded on 4 December 1996 as a trading company dealing with the sale of KORADO brand products on the Polish market. KORADO, a.s. owns a 100% share in KORADO Polska.

In 2020 KORADO Polska achieved profit of PLN 344 thousand (CZK 2,050 thousand).

KORADO Austria, GmbH - KORADO Austria was founded in 1998 as a 100% subsidiary. KORADO Austria arranges opera--tions for the parent company related to the sale of products in Austria.
Since the end of 2006, when the parent company finished trading through its subsidiary KORADO Austria and bought back the receivables of this subsidiary, this company has been inactive.

In 2020 KORADO Austria, GmbH achieved profit of EUR 0.1 thousand (CZK 3 thousand).

KORADO Bulgaria, A. D. - KORADO Bulgaria was founded in 1998, when KORADO, a.s. purchased the shares of the original production company. At present KORADO, a.s. owns an 82.15 % share in KORADO Bulgaria. The remaining share is owned by local institutional and retail investors. The shares are freely traded on the Bulgarian Stock Exchange in Sofia.

The company is a fully-fledged part of the KORADO Group with production very similar to that of the parent company – production of steel panel radiators and bathroom radiators. KORADO Bulgaria currently covers markets of: Romania, Ukraine, Hungary, France, Greece, Tunisia, Bosnia and Herzegovina and of course domestic market. A significant portion of production is traded through the distribution channels of the parent company.

In 2017, the Company increased its share capital by 4,389,538 ordinary shares, which are registered as freely-transferable voting shares with a nominal value of BGN 1 per each. This increase was realized from the original share premium. The shares were distributed to existing shareholders in a ratio of 2:1 (one new for each existing shares). The company met requirements for admission to the Premium Stock Exchange segment in Autumn 2017, where it has been currently traded.
After significant investments in previous years (a new line for the production of panel and then bathroom radiators), investments in the reduction of the energy intensity of production areas were completed in 2017. The entire production plant is currently completely insulated. During 2018, the company also bought an adjoining production facility (approx. 3 hectares of land) including a production and administrative building.

At the end of 2019, the company implemented a project to distribute its own shares to the company's employees. This step should support employee loyalty during the time of significant labor market tensions.

The share price of KORADO Bulgaria reached the value of BGN 6.45 per share at the end of the year. The market capitalization reached approx. CZK 1,140 million.

In 2020 KORADO Bulgaria generated profit of BGN 4,591 thousand (CZK 62,075 thousand).

LICON HEAT, s. r. o. – A company with many years of tradition in the production of panel radiators has been incorporated into the KORADO Group in 2013. The production is realized in an easily accessible production plant, in the industrial zone „Sever" in Liberec. The existing product offer is gradually being upgraded and expanded to meet the increasing customers' demands for both functionality and design.

The company LICON HEAT s.r.o. is a consolidated company with a modern production technology and a progressive trade policy supported by the ISO 9001 quality management system. KORADO and LICON label products now create a pleasant climate in many buildings around the world.

In 2020 LICON HEAT generated loss totaling CZK 12,565 thousand.

ThermWet, s. r. o. - is the youngest member of the KORADO Group, joining in 2018. KORADO, a.s. perceives and actively responds to changes in HVAC (Heating, ventilation, and air conditioning) and, thanks to the acquisition of ThermWet s.r.o., has expanded its offer by central ventilation systems. ThermWet s.r.o. is a small company, but in conjunction with the KORADO Group, its dynamic growth can be expected not only in the domestic market but also abroad.

In 2020 ThermWet generated loss of CZK 809 thousand.

KORADO U. K. Limited - is a trading company, which was purchased in 1998. The company is currently not involved in any activity.

TABLE OF FINANCIAL INDICATORS OF THE GROUP

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL SALES (CZK MIL.)	1,579	1,653	1,602	1,750	1,836	1,875	1,949	1,780	1,832	1,775
YEARLY CHANGE IN SALES (%)	(1%)	5%	(3%)	9%	5%	2%	4%	(9%)	3%	(3%)
EBITDA (NET PROFIT (LOSS) PLUS TAX ON INCOME PLUS INTEREST COSTS PLUS DEPRECIATION) (CZK MIL.)	84	174	179	191	176	210	166	147	189	214
EBITDA MARGIN (EBITDA / TOTAL SALES) (%)	5%	11%	11%	11%	10%	11%	9%	8%	10%	12%
PROFIT/LOSS AFTER TAX (CZK MIL.)	(72)	32	50	63	44	70	25	6	7	56
RETURN ON EQUITY (EBIT / ASSETS MINUS CURRENT LIABILITIES)	(2%)	3%	4%	5%	3%	5%	2%	2%	3%	5%
INDEBTEDNESS (BANK LOANS / EQUITY)	0.36	0.27	0.27	0.26	0.20	0.25	0.19	0.20	0.15	0.13
QUICK RATIO (CURRENT ASSETS MINUS INVENTORY / CURRENT LIABILITIES)	0.29	0.34	0.60	0.79	0.62	0.82	0.32	0.37	0.48	0.83
CURRENT RATIO (CURRENT ASSETS / CURRENT LIABILITIES)	0.60	0.63	1.03	1.23	1.06	1.36	0.88	0.94	1.10	1.32
TOTAL ASSETS (CZK MIL.)	2,117	2,007	2,106	2,203	2,153	2,185	1,990	2,032	1,966	2,033
LONG-TERM ASSETS / TOTAL ASSETS (%)	86%	85%	79%	74%	76%	72%	78%	74%	74%	68%
RECEIVABLE TURNOVER (DAYS)	24	27	32	34	30	25	20	17	18	20
PAYABLE TURNOVER (DAYS)	97	96	107	110	107	103	92	122	124	128
INVENTORY TURNOVER (DAYS)	48	45	52	58	57	63	67	87	89	85

FINANCIAL SITUATION

Profitability of the KORADO Group

The KORADO Group achieved very good results in 2020, despite the fact that the global economy was affected by the coronavirus pandemic and many manufacturers were forced to suspend operations. We managed to adapt the Company's operations in all areas to the applicable government regulations and operations were not interrupted in any of our production plants. In this situation, the Group's profit reached CZK 56 million. The optimization of costs and the optimization of the financial situation contributed to the positive economic results, while the Group's indebtedness was again reduced and the Group's liquidity increased.

Bank Loans

Bank loans were repaid in 2020 in accordance with the terms of the credit agreements. All banking covenants were fulfilled during the year. The last drawdown of the investment loan from 2019 also took place. The bank loan from 2015 was fully repaid in 2020. As at 31 December 2020, bank loans reached a new minimum in the Company's history.

Investments

In 2020, two significant investments were made in the parent Company. The first one was to improve the quality of paint application in the paint shop and the second one to improve the production of components for panel radiators. In the KBG, another modernization of the material storage hall took place.

Risk Management

During its existence, the KORADO Group has built up a very stable and financially strong portfolio of customers. However, our participation in a number of Eastern markets (Russia, Ukraine, Belarus, etc.) entails a number of specifics and payments from these territories must be adequately ensured. Addressing new customers from non-traditional territories brings an increased level of credit risk. In this context, the long-term strategy of very strict perceptions of credit risk is more than justified. Also, in 2020, as in previous years, the KORADO Group did not suffer any significant damages associated with any failure to pay outstanding debts or questionable payments of receivables; we always managed to resolve all disputes in cooperation with specialised credit insurance companies.

The abandonment of the exchange rate commitment by the CNB didn't have a significant negative impact on the Company's financial results. The risks associated with the movement of exchange rates are addressed as much as possible through natural hedging, where we try to balance the foreign exchange position on the income side with costs denominated in the same currency.

The perception of Risk Management in the wider context of the Company's operations led us to further developing of the work with operational risks as well as risks on the part of corporate purchasing. Increased pressure on these points and the turbulence in the commodities market, have also affected our supply environment. From this perspective, the long-term stabilized portfolio of our core suppliers is identified as one of the corner stones of our purchasing strategy. Another element of this strategy is the never-ending search for alternative suppliers.

PRODUCTION AND DEVELOPMENT

Production and development

Production in the KORADO Group in 2020 continued to work with measurable indicators and their feedback on a daily, weekly and monthly basis. The process of set procedures and work rules was fully used to increase production efficiency.

In 2020, the systematic use of the NIS QAD information system continued with a positive impact on the stabilization of customer-acceptable average production times.

All our customers' requirements have been met in terms of product quality and supply reliability. Using the synergies of individual production destinations, the KORADO Group has succeeded in eliminating the rapidly changing volume customers' demands in time, while maintaining its optimal cost-effectiveness.

The production team supported the KORADO Group in its further development and business activities.

In 2020, modernized or completely new types of design radiators and design radiators Aquapanel were tested and subsequently introduced into production.

After seven years of research, we have been granted a European patent for radiators with controlled medium flow for use with servomotor.

Furthermore, we have been granted a patent for the Universal Radiator (DOT with a connecting pipe and a set of plugs, which can be used to change the connection methods with a uniform body design).

Production in the KORADO Bulgaria

A press machine for plate bodies with a height of 450 was put into production and production began for the Scandinavian market. The technological vents on the side covers of the plate bodies were modified.

MANAGEMENT OF HUMAN RESOURCES

Training System for Employees

Training for technical and administrative employees is focused primarily on maintaining their professional education and skills, in compliance with the requirements stemming from the workloads of individual departments and employees.
Training sessions on work safety and for higher legal standards are regularly conducted (forklift operators, electricians, welders, crane operators, etc.).

Remuneration System for Employees

Remuneration in the KORADO Group is specifically tied to the fulfilment of specific indicators. The most significant is the indicator related to the Group's operating results. Employees are remunerated based on performance indicators defined by the various interest groups, and the system supports objectivity in remuneration and teamwork.

Taking Care of Employees

The KORADO Group focuses attention on maintaining a good standard of working conditions and environment for its employees. Employees are thus adequately motivated for optimum performance as the motivated and qualified employees are a prerequisite for the successful operation of the Company.
The priority of education is to improve technical professional training of employees in production.
A Group's leading employees are entitled to contribution to the life insurance and to additional benefits. The system of contributions to pension insurance, in which most employees are involved, has been a stabilizing element for a long time. Employees have the option of quality catering directly in the area of KORADO, a.s. plant, even in shift operations and with a significant contribution from their employer.

Awareness and Internal Communications

A prerequisite for optimum management is the availability of sufficient information; thus, an information system has been introduced for the areas of human resources, training and payroll which collects data from these areas. The data are processed in regular and quarterly reports which are available to the Company management, in long term series.
Adaptation of new employees to the corporate culture and environment is aided by an initial informative training session and a "Manual for New Employees" with basic information about the Group and with practical information.

Health Protection

For a long time the KORADO Group belongs among companies with high standards of health and safety at work, which in recent years corresponds to a very low accident rate. To a large extent, regular and vocational training of all Group employees on work safety greatly contributes to this.

QUALITY MANAGEMENT SYSTEM, ECOLOGY AND THE ENVIRONMENT

Reliability and Quality

The product brand name KORADO is a guarantee of high quality, long life, high technical parameters, flawless delivery, and wide range with a corresponding range of prices for customers and business partners.

We use the quality management system, which is certified according to the ISO 9001:2015 system standard, to meet the Company's strategy. The results of regular audits show that KORADO Group demonstrates high ability to permanently provide products and services that meet the customer's requirements and the relevant requirements of laws and regulations. Ensuring high quality in all processes of the production and sale of radiators has been confirmed by holding on to product certifications for the Western European countries: RAL for the Federal Republic of Germany and NF for France.

There are also trademarks for other important markets, such as the Russian market with the GOST mark, which also serves for the Ukrainian and Belarusian markets. These marks confirm that the set requirements for the quality of material, construction and production of RADIK steel panel radiators, KORALUX towel rail radiators and KORATHERM design radiators are consistently met. These marks confirm also their regular inspection.

KORADO is one of the companies certified by the AEO (Authorised Economic Operator).

The ISO 9001 quality management system, in combination with the quality certifications, guarantees the highest degree of lasting quality for the products and all activities of KORADO on the European and World markets.

In connection with Act No. 418/2011 Coll, on corporate criminal liability and proceedings against corporate entities, the Prevention Programme is introducted in KORADO Group. Its aim is to prevent the commission of crime and to protect the Company's assets.

The corporate culture of the KORADO Group corresponds to a modernly managed companies that perceives the needs of customers. It projects them into products and services and considers them as the source of their development as well as the basis for achieving corporate goals.

Ecology and Environmental Protection

There was a fundamental change in the area of legislation regarding waste management at the end of 2020. With effect from 1 January 2021, Act No. 541/2020 Coll entered into force. The adopted legislation has brought many significant changes across the entire area of waste management. The new obligations will be successive applied in practice throughout the year 2021, especially after the adoption of new decrees.

The results of measurements on operated sources of pollution are in accordance with the valid integrated permit. KORADO Group in cooperation with the contractual guarantor Marius Pedersen a.s. meets the requirements in accordance with the legislation of the Czech Republic in the field of environment.

GENERAL COMPANY INFORMATION

Company name:	KORADO, a.s.	
Headquarters:	Bří Hubálků 869, 560 02 Česká Třebová	
Legal form:	joint-stock company	
Recorded:	In the Commercial Registry kept at the District Court in Hradec Králové, Dept. B, Entry 1500	
Registration Date:	1 September 1996	
Co. ID No.:	25 25 58 43	
Company shareholders:	Ministry of Finance, Czech Republic	34.22 %
	European Bank for Reconstruction & Development	29.14 %
	KORADO, a.s. (own shares)	9.16 %
	František Menclík	9.16 %
	Ludvík Petr	9.16 %
	Miroslav Vobora	9.16 %

Fields of Business:

- Manufacture of central heating radiators
- Catering
- Plumbing, heating
- Production, installation and repair of electrical machinery and apparatus, electronic and telecommunication equipment
- Metalworking, tool-making
- Production, sales and services not specified in Appendices 1 to 3 of the Trade Act
- Painting, lacquering and varnishing

Joint-stock company KORADO is the biggest Czech and one of Europe's largest manufacturers of steel and tubular radiators.

The main production programs of KORADO, a.s. are RADIK and KINGRAD steel panel radiators, KORALUX tubular radiators and KORATHERM design radiators. The Company is constantly expanding its production program not only with new models of radiators, but also completely new technology and products. The Company's goal is to continue to expand its product range in the future, enabling it to offer its customers a comprehensive range of top quality heating components under the KORADO trademark.

The history of the Company dates back to 1990, when it was established in Česká Třebová. Since then, KORADO, a.s. has undergone dynamic growth from a small Czech firm into a successful and ambitious world-class firm. The years 1996 and 1997 were a historic milestone for the Company, as ground was broken for a new production plant for RADIK and KORALUX radiators at a total cost of nearly CZK 3 billion.

A major decision for KORADO, a.s. was to invest in a fourth production line and related machinery, commenced in 2007. This investment of almost CZK 600 million, the second biggest investment project in the Company's history and the largest financial investment since the construction of the new plant in 1997, brought with it not only greater production efficiency, but also increased production capacity, which helps to optimise production even today.

In the years 2010 - 2011 KORADO, a.s. made further invest--ments in the installation of new machinery for capillary brazing for KORALUX tubular radiators in order to provide a greater number of bathroom radiators with lower production costs.

In October 2013, the parent company purchased the company LICON HEAT. LICON HEAT deals in the production of convectors, thereby further supplementing and expanding the Group's portfolio.

At the end of 2014, the parent company successfully participated in increasing the equity in KORADO Bulgaria by approximately BGN 7 million (about CZK 100 million) through a secondary subscription of the share capital on the Stock Exchange in Sofia.

On 10 January 2017, a transaction, which involved the transfer of all 220 shares owned by Bedřich Brabec, with a nominal value of CZK 350,000 per share (9.16 % of the subscribed capital) directly to KORADO, a.s has been finalized. The reason for this transaction was to simplify the shareholder structure and decision-making processes of the Company. The purchase price of the shares acquired was CZK 115 million. During the period that those shares are owned by the Company itself, no voting rights or entitlement to dividend are attached to them.

In July 2018, ThermWet s.r.o. was bought out. ThermWet is engaged in the production of central ventilation with heat recovery and is expanding the Group's portfolio.

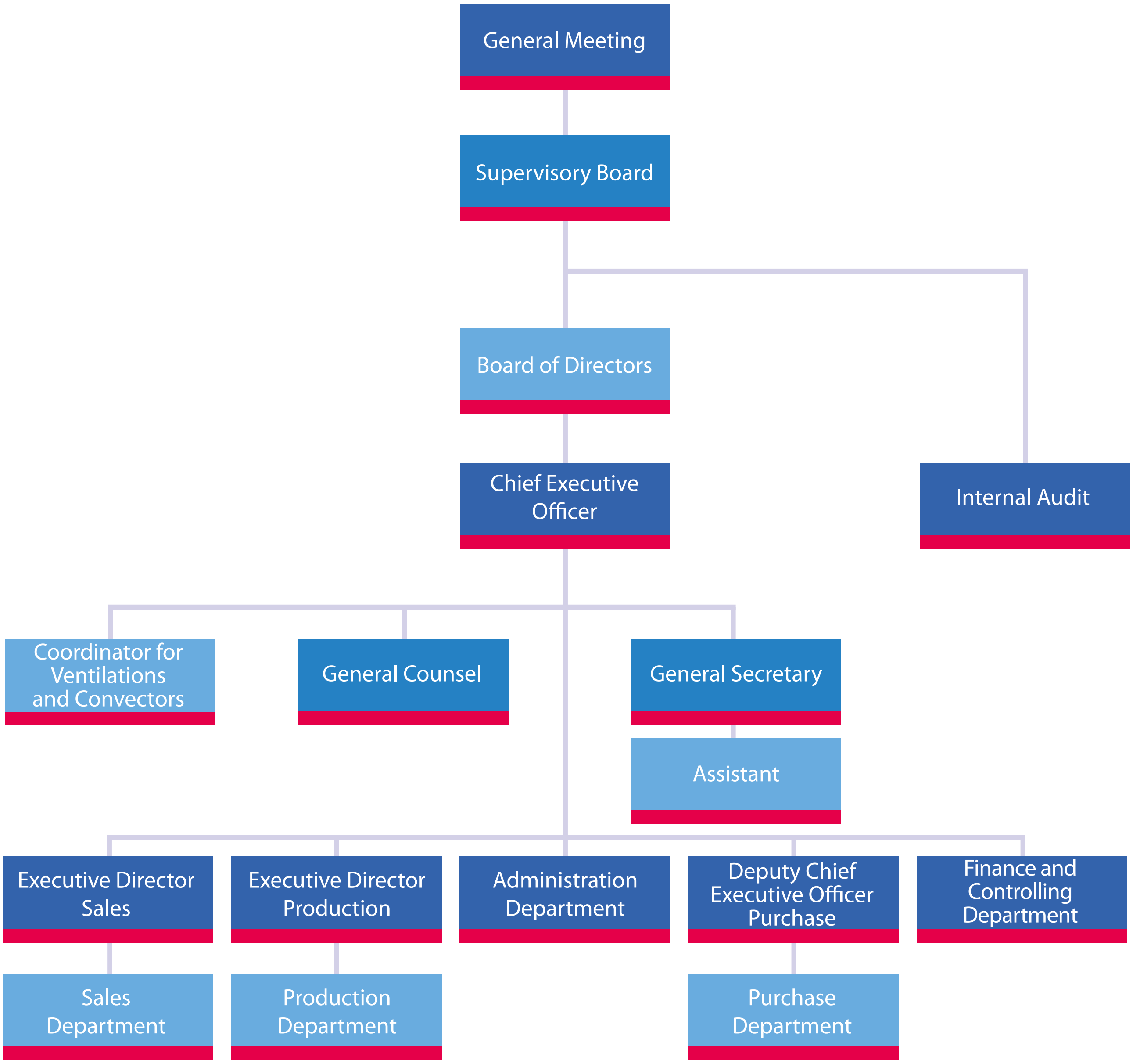
The Company has no organisational branches.

KORADO, a.s. is not obliged to elaborate a report on relationships because it does not have a controlling company according to the valid legislation.

Subsequent events

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2020.

ORGANIZATION SCHEME



As at 31 December 2020, Management was composed as follows:

Vojtěch Čamek (* 1956)
CEO
From 2002, he served as Manager of Finance and Controlling in KORADO, a.s. On 1 April 2012 he was appointed CEO. In the years 1999 – 2001, he was Financial Manager and CEO of an affiliate of Motokov International. From 1992 to 1999 he worked at the European Bank for Reconstruction and Development in London. In the period 1982 – 1992, he worked at the headquarters of the Czechoslovak State Bank in Prague. From 1974 to 1982, he worked in administrative positions in various industrial companies in the country. He graduated from the University of Economics in Prague.

Aleš Zouhar (* 1959)
Executive Director Sales and Marketing
At KORADO, a.s. he has been employed since 2004 as Sales Manager. On 1 April 2012 he was appointed Sales Manager. In the period 2001 – 2003, he served as CEO of AMERICAN JAWA Ltd. In 1998 – 2000, he was Director of MOTOKOV UK Ltd. In the period 1995 - 1997 he worked for Zetor a.s. as Sales and Marketing Director and was also chairman of the company Zetor PDC a.s. From 1990 - 1994 he worked for SKODA Great Britain Ltd. as CEO and in the years 1984 - 1990 he worked at the department of foreign trade. He graduated from Mendel University in Brno, the Institute of Foreign Trade and Cambridge Regional College.

Jiří Jeřábek (* 1949)
Deputy CEO Purchase
On 1 April 2012, he was appointed Deputy of the CEO for purchasing. In KORADO, a.s. he was employed from September 2002 as Sales Manager. In the period 1999 – 2002 he served as Sales Manager in the company Maketek OY, in Tampere, Finland. In the years 1998 – 1999, he was Manager of Purchasing at Zetor a.s. in Brno. In the period 1990 – 1998 he worked at Suomen Motokov OY, in Finland; from 1996 as Deputy Manager. In the years 1987 – 1990, he worked as head of technical documentation department and sales of Zetor a.s. Brno. In the years 1982 - 1987 he served as technical director of Suomen Motokov OY in Finland; from 1970 to 1982, he held various production and technical positions in Zetor a.s. Brno. He graduated from the University of Economics in Prague, majoring in industrial economics.

Miloš Sotona (* 1965)
Executive Director Production
In KORADO, a.s., he has been employed since March 2012 in the position of Production Manager. In the years 2004 - 2011 held the position of Head of Production and Quality Manager at GCE Chotěboř. In the period 2001 – 2004 he worked for Matsushita Panasonic Automotive Czech as Head of Technical Production. In the years 1992 - 2000 he worked in Prokop - Milling Machinery Pardubice, first in the Technical Development Department and from 1995 as Head of Quality Assurance. In the period 1988 – 1992, he worked as an independent engineer in the company TMS Pardubice. He graduated from the Faculty of Mechanical Engineering, Institute of Mechanical and Textile Engineering in Liberec, majoring in engineering technology.

Jiří Řezníček (* 1954)
Executive Director of KORADO Bulgaria
He was employed In KORADO, a.s. in the period 1995 – 2001 and from 2005 to the present. In September 2007, he was appointed Executive Manager of the subsidiary KORADO Bulgaria. In the period 2002 - 2004 he worked for Gienger s.r.o. Zlin as the Manager of the Olomouc Centre and representative for the region of Olomouc and Eastern Bohemia. In the period 1991 – 1995, he worked at Armaturka, a.s. Česká Třebová as Operations Manager and later as Director of the company. From 1983 – 1991, he was Head of Operations at Sigma K. P. Česká Třebová. In the years 1978 - 1983 in the capacity of independent technologist for the manufacturing company Liaz, n.p. He graduated from the Technical University in Brno, Faculty of Mechanical Engineering, specialising in transport machinery, material handling equipment and internal combustion engines.

Martin Kniha (* 1972)
CEO LICON HEAT s.r.o.
In 2013, he was appointed Managing Director of the subsidiary LICON HEAT s.r.o. From 2004 to 2013 he was a partner and executive director in the company. In the period 1995-2004 he worked for Likov v. d., first as Technical Manager until 1999 and then in the position of Production Manager and from 2002 as Executive Director. From 1993 to 1995 he worked as an independent reviewer at Rockwell International in Liberec. He graduated from the Secondary School of Mechanical Engineering in Liberec.

COMPANY'S HISTORY IN DATES

1965 Start of panel radiators production in the former Koventa company.

1970 Own multipoint welding lines for the production of radiators launched.

1987 First welding line from SCHLATTER, an innovation for radiators, significantly reducing the proportion of manual labour, increasing labour productivity installed.

1988 New paint shop, a significant shift in the quality of the surface finish of radiators commissioned.

1990 The private company KORADO spol s.r.o. was founded, with a registered capital of CZK 100 ths., by the current shareholders, František Menclík, Ludvík Petr, Miroslav Vobora and Ing. Bedřich Brabec.

1991 Privatisation of Koventa by auction and subsequent upgrading of the company and commencement of production, increasing production capacity and introducing continuous operation.

1992 Innovation of panel radiators and expansion of the production program with special radiators.

1993 Repayment of all loans granted by the bank for the purchase of the plant; after further investments, the plant at that time reached maximum production capacity.

1994 First significant share capital increase to CZK 5 million.

1995 Business plan developed for the construction of a new "greenfield" KORADO plant; newly established subsidiary KORADO Deutschland.

1996 Transformation into a stock company and share capital increased to CZK 880 million; construction commenced on a new plant worth nearly CZK 3 billion; other subsidiaries founded - KORADO Moskva, KORADO Baltija KORADO Brod, KORADO Polska and a majority stake was bought in the transport company S.A.S.

1997 Capital entry of the European Bank for Reconstruction and Development (EBRD); share capital increased to CZK 1,580 billion; ISO 9001 certification obtained and of production commenced in the newly built manufacturing plant in Česká Třebová.

1998 Acquisition of a 98 % stake in the production plant in Bulgaria and its overall consolidation. Other subsidiaries founded; KORADO Austria, KORADO UK.

1999 Transfer of loans for KORADO, a.s. from Česká spořitelna to Konsolidační banka Praha, s.p.ú. (KOB).

2000 Loan portfolio restructured by KOB, interest burden reduced and the Company financially stabilised, registered capital reduced by accumulated losses amounting to CZK 1,027 million, followed by an increase of capital by KOB in the form of capitalisation of CZK 287.7 million to CZK 840.7 million.

2002 Significant turning point in the Company performance; after four years of losses, it was again achieved a positive financial result of CZK 31 million. Restructuring of the largest subsidiaries KORADO Polska, KORADO Austria and KORADO Deutschland to increase return on investment.

2003 The process of finding a strategic investor launched in 2001 was terminated without selecting a partner; the influence of the most important shareholder, the European Bank for Reconstruction and Development, on company management grew stronger; for the first time in history, the consolidated profit for the entire KORADO Group reached a positive value of CZK 57 million.

2004 Payment of all loans at the Czech Consolidation Agency and transition to HVB Bank Czech Republic (today UniCredit Bank Czech Republic).

2005 Significant debt reduction to less than CZK 1 billion.

2006 For the first time, the Company produced more than two million radiators; separation of plastics manufacturing into a separate company and its subsequent sale; the subsidiary S.A.S. sold off; decision on investment in a fourth welding line.

2007 Investments launched in the fourth welding line and related machinery totalling nearly CZK 600 million. Management system in the largest subsidiary, KORADO Bulgaria, restructured and changed. Highest sales in history, amounting to CZK 2.725 billion.

2008 Completion of the second largest investment in the history of KORADO, a.s. and the largest investment since the construction of the new plant – construction and commissioning of the fourth welding line. Astronomical rise in steel prices to historic highs. Sharp decline in sales in the fourth quarter due to the start of the global economic recession. Subsidiary KORADO Baltija sold off.

2009 Significant impact of the global economic crisis, which was reflected in a year-on-year decline in revenues by 24 %. Consistent optimisation of working capital, which led to a significant improvement in the financial situation of the Company. Significant reduction in loan commitments. Yearly decline in bank loans by 40 %.

2010 Continuing economic crisis led to a further decline by 9 % in annual sales. A new capillary brazing furnace for KORALUX radiator was installed.

2011 Special payment instalment of the long-term bank loan was made of CZK 50 million. Production of a new low cost radiator introduced.

2012 Change in management effected in April. After several years of decline in sales, 2012 showed an increase in sales and the KORADO Group generated a profit again, reaching CZK 32 million.

2013 On 1 October 2013, a contract was signed for the acquisition of LICON HEAT s.r.o. by the parent company. LICON HEAT s.r.o. is engaged in production of convectors, thereby further supplementing and expanding the Group's portfolio.

2014 KORADO Bulgaria implemented a secondary subscription of share capital on the Stock Exchange in Sofia and installed a second production line for panel radiators. Bank loans were refinanced and had been transferred to ČSOB.

2015 A new production line installed in the parent company for final completion of KORATHERM design radiators.

2016 KORADO Bulgaria launched new production line for bathroom radiators.

2017 On 10 January 2017, a transaction, which involved the transfer of all 220 shares owned by Bedřich Brabec (9.16 % of the subscribed capital) directly to KORADO a.s has been finalized. The share price of KORADO Bulgaria reached the value of BGN 6.852 per share at the end of the year, i.e. an increase of BGN 3.319 per share by the beginning of the year. The market capitalization reached CZK 1,182 million, compared to 1 January 2017 plus CZK 775 million. There was also a massive reduction in indebtedness (bank loans were reduced by CZK 97 million) in a situation where the Group acquired its own shares amounted to CZK 115 million, paid dividends amounted to CZK 46 million, paid investments amounted to CZK 98 million and interest on loans amounted to CZK 6 million.

2018 On 31 July 2018, an agreement for the acqusition of ThermWet s.r.o. by the parent company was signed. ThermWet s.r.o. engages in the production of central heating, thereby further complements and extends the portfolio of the Group. Purchase and installation of technology for the production of central gaskets for panel radiators.

2019 Revenues increased year-on-year and historically the lowest bank debt was achieved.

2020 The KORADO Group achieved very good results in 2020, despite the fact that the global economy was affected by the coronavirus pandemic and many manufacturers were forced to suspend operations. We managed to adapt the Company's operations in all areas to the applicable regulations and operations were not interrupted in any of our production plants. In this situation, the Group's profit reached CZK 56 million. The optimization of costs and the optimization of the financial situation contributed to the positive economic results, while the Group's indebtedness was again reduced and the Group's liquidity increased.

Independent auditor's report

to the shareholders of KORADO, a.s.

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of KORADO, a.s., with its registered office at Bří Hubálků 869, Česká Třebová (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the financial position of the Company standing alone as at 31 December 2020, of the Company's financial performance and cash flows for the year ended 31 December 2020 in accordance with Czech accounting legislation.

What we have audited

The Group´s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020,
- the consolidated statement of changes in equity for the year ended 31 December 2020,
- the consolidated statement of cash flow for the year ended 31 December 2020, and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The separate financial statements of the Company standing alone comprise:

- the balance sheet as at 31 December 2020,
- the income statement for the year ended 31 December 2020,
- the statement of changes in equity for the year ended 31 December 2020,
- the statement of cash flows for the year ended 31 December 2020, and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the Annual Report but does not include the consolidated and separate financial statements (together the “financial statements”) and auditor’s report thereon.

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 about the Group and the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors and supervisory board of the Company for the financial statements

The board of directors is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the separate financial statements in accordance with Czech accounting legislation 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 Group’s and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism 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 controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal controls.
- 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 Group's and 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 Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors and 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.

6 May 2021

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jan Musil

Martin Peterka
Statutory Auditor, Licence No. 2469

This report is addressed to the shareholders of KORADO, a.s.

KORADO GROUP
INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 / December / 2020

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KORADO GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of CZK	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	1,271,188	1,347,020
Intangible assets, net	7	41,424	41,548
Right-of-use assets	8	55,173	63,711
Other non-current assets		4,819	4,671
Deferred tax asset	21	408	426
Total non-current assets		**1,373,012**	**1,457,376**
Current assets			
Inventories, net	9	246,334	287,048
Receivables, net	10	97,182	98,606
Prepayments and other current assets	11	29,990	28,405
Cash and cash equivalents	12	286,445	94,799
Total current assets		**659,951**	**508,858**
Total assets		**2,032,963**	**1,966,234**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	840,700	840,700
Own shares	13	(116,479)	(116,479)
Statutory fund	13	116,479	116,479
Retained earnings and funds	13	418,329	373,122
Translation reserve		(35,565)	(44,564)
Total shareholders' equity attributable to equity holders of the parent		**1,223,464**	**1,169,258**
Non-controlling interest	23	51,398	48,139
Total shareholders' equity		**1,274,862**	**1,217,397**
Non-current liabilities			
Long-term borrowings	14	97,838	116,528
Lease liabilities	8	41,834	51,733
Other long-term debts		7,492	5,888
Deferred tax liabilities	21	105,264	105,803
Total non-current liabilities		**252,428**	**279,952**
Current liabilities			
Short-term borrowings and current portion of long-term debt	14	68,913	60,783
Lease liabilities	8	14,340	13,185
Trade and other payables	15	416,316	389,042
Provisions		5,058	5,683
Current income tax payable	21	1,046	192
Total current liabilities		**505,673**	**468,885**
Total equity and liabilities		**2,032,963**	**1,966,234**

Approved for issue and signed on 6 May 2021

František Menclík
Board of Directors Chairman

Vojtěch Čamek
Chief Executive Officer

The accompanying notes on pages 31 to 50 are an integral part of these consolidated financial statements.

KORADO GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of CZK	Note	2020	2019
Revenues from sales of products and goods	16	1,774,673	1,832,452
Other operating income	19	17,924	16,943
Cost of materials, energy and purchased goods	17	(967,603)	(1,048,537)
Change in inventories	17	(367)	(11,190)
Depreciation and amortization	6,7	(144,577)	(144,344)
Wages and salaries	5	(400,497)	(391,311)
Purchased services	18	(163,980)	(175,453)
Other expenses	20	(36,083)	(32,476)
Interest expense, net of capitalized interest		(6,524)	(9,789)
Interest income		15	60
Foreign exchange losses, net		(9,074)	1,648
Other financial expenses, net		(1,399)	(3,062)
Profit before taxation		**62,508**	**34,941**
Income taxes	21	(7,005)	(27,511)
Profit after taxation		**55,503**	**7,430**
Other comprehensive income			
Items that may be reclassified subsequently to statement of income:			
Currency translation differences		10,354	(3,177)
Items not to be reclassified subsequently to statement of income:			
Re-measurement losses on defined benefit plans		957	(957)
Total other comprehensive income		**11,311**	**(4,134)**
Total comprehensive income		**66,814**	**3,296**
Profit/(loss) after income taxes attributable to:			
Equity holders of the parent company		44,421	(2,556)
Non-controlling interest	23	11,082	9,986
		55,503	**7,430**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent company		54,206	(5,934)
Non-controlling interest	23	12,608	9 230
		66,814	**3,296**

The accompanying notes on pages 31 to 50 are an integral part of these consolidated financial statements.

KORADO GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of CZK	Share Capital	Own Shares	Translation Reserve	Statutory Fund	Retained Earnings and Funds	Total Equity Attributable to Equity Holders of the Parent	Non-controlling Interest	Total Shareholders' Equity
Balance as at 1 January 2019	**840,700**	**(116,479)**	**(41,831)**	**116,479**	**381,896**	**1,180,765**	**46,788**	**1,227,553**
Profit after taxation	-	-	-	-	(2,556)	(2,556)	9,986	7,430
Other comprehensive income	-	-	(2,733)	-	(645)	(3,378)	(756)	(4,134)
Total comprehensive income	-	-	(2,733)	-	(3,201)	(5,934)	9,230	3,296
Dividends	-	-	-	-	(9,084)	(9,084)	(8,855)	(17,939)
Sale of the subsidiary's shares	-	-	-	-	3,511	3,511	-	3,511
Transaction with non-controlling interest		-	-	-	-	-	976	976
Balance as at 31 December 2019	**840,700**	**(116,479)**	**(44,564)**	**116,479**	**373,122**	**1,169,258**	**48,139**	**1,217,397**
Profit after taxation	-	-	-	-	44,421	44,421	11,082	55,503
Other comprehensive income	-	-	8,999	-	786	9,785	1,526	11,311
Total comprehensive income	-	-	8,999	-	45,207	54,206	12,608	66,814
Dividends	-	-	-	-	-	-	(9,349)	(9,349)
Balance as at 31 December 2020	**840,700**	**(116,479)**	**(35,565)**	**116,479**	**418,329**	**1,223,464**	**51,398**	**1,274,862**

The accompanying notes on pages 31 to 50 are an integral part of these consolidated financial statements.

KORADO GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of CZK	Note	2020	2019
OPERATING ACTIVITIES			
Profit before taxation		**62,508**	**34,941**
Adjustments for:			
Depreciation and amortization	6,7	144,577	144,344
Receivables and loans write-off	20	130	1,629
Financial expenses, net		6,509	9,729
Changes in provisions, net	20	178	2,070
Foreign exchange losses, net		9,074	(1,648)
Gain/(loss) on sale of property, plant and equipment		(444)	1,998
Other non-cash movements		786	(763)
Changes in assets and liabilities:			
Inventories	9	40,668	30,349
Receivables and other current assets	10	4,352	(19,463)
Payables and other current liabilities	15	13,264	(61,292)
Income taxes (paid)	21	(7,526)	(6,526)
Net cash from operating activities		**274,075**	**135,368**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	6,7	(40,606)	(23,437)
Proceeds from sale of property, plant and equipment		1,150	497
Interest received		15	60
Net cash from investing activities		**(39,441)**	**(22,880)**
FINANCING ACTIVITIES			
Loan drawings	14	50,712	25,738
Repayments of debt	14	(62,542)	(95,292)
Payments of principal on leases	8	(13,974)	(11,275)
Change in lease obligation and other long-term payables		2,874	(2,480)
Dividends paid to Company's shareholders	13	-	(18,168)
Dividends paid to non-controlling interest	23	(9,349)	(8,855)
Interest paid, net of capitalized interest		(4,034)	(6,980)
Payments of interest on leases	8	(2,490)	(2,824)
Proceeds from sale of the subsidiary's shares		-	3,628
Net cash from financing activities		**(38,803)**	**(116,508)**
Net increase in cash		**195,831**	**(4,020)**
Cash and cash equivalents at beginning of year		**94,799**	**96,868**
Effect of exchange rate changes on cash and cash equivalents		(4,185)	1,951
Cash and cash equivalents at end of year		**286,445**	**94,799**

The accompanying notes on pages 31 to 50 are an integral part of these consolidated financial statements.

KORADO GROUP

Notes to the Consolidated Financial Statements – 31 December 2020

1. KORADO Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020 for KORADO, a.s. (the "Company") and its subsidiaries (the "Group").

The Company was incorporated and is domiciled in the Czech Republic. The Company is a joint stock company limited by shares and was set up in accordance with Czech regulations.

The Group's principal business activity is manufacturing, installing and repairing central heating and ventilation. The Group's manufacturing facilities are based in Czech Republic and in Bulgaria.

The Company's registered address is Bří Hubálků 869, Česká Třebová, the Czech Republic.

These consolidated financial statements are presented in thousand Czech Crowns ("CZK"), unless stated otherwise.

KORADO, a.s. is the parent company of the KORADO Group ("the Group"), which includes the following subsidiaries over which the Company exercises control:

	2020 % of voting and equity share	2019 % of voting and equity share	Country of incorporation	Activity
KORADO Deutschland GmbH	100	100	Germany	Distribution of radiators
KORADO Polska, Sp. z o.o.	100	100	Poland	Distribution of radiators
KORADO Austria, GmbH.	100	100	Austria	Distribution of radiators
KORADO UK	100	100	Great Britain	Distribution of radiators
KORADO Bulgaria, AD	82.15	82.15	Bulgaria	Manufacturing of radiators
LICON HEAT s.r.o.	100	100	Czech Republic	Manufacturing of convectors
ThermWet s.r.o.	100	100	Czech Republic	Manufacturing of recuperation units

As of the issue date of these Financial statements management of the Group did not notice significant decrease of sales. However, the situation is fluid and rapidly evolving we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. Potential restrictions on free movement of goods would result in decreased revenues and limitation of production. Short-term decrease of sales will be managed given the current good cash position due to low indebtedness. Similarly, the Group is prepared for potential short-term outage of production due to quarantine. Management of the Group will continue to monitor potential impacts and will implement all possible steps to reduce negative effects on the Group and its employees. The Group' management considered the potential impacts of COVID-19 on its activities and business and concluded that they do not have a significant effect on the going concern assumption. Due to this, financial statements as at 31 December 2020 were prepared on a going concern basis.

2. Summary of Significant Accounting Policies

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention, except when IFRS require other measurement basis as disclosed in the accounting policies below. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

The financial statements have also been prepared on the going concern basis, as management believes it has access to sufficient financing to ensure the continuity of operations.

The accompanying notes on pages 31 to 50 are an integral part of these consolidated financial statements.

Principles of Consolidation

Business combinations and goodwill

The consolidated financial statements of the Group include the Parent Company and its subsidiaries.

Subsidiaries are those entities which the Group controls. Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group had control.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognized.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed with the exception of goodwill arising on the acquisition of KORADO Bulgaria AD (see below). If this consideration is lower than the fair value of the net assets of the subsidiary acquired ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss.

Goodwill arising on the inclusion of KORADO Bulgaria AD in the consolidation of KORADO Group as of 1 January 2004 was measured at the date of transition to IFRS according to measures of IFRS 21 at so-called deemed cost being the difference between the cost in the Company's separate financial statements of its investment in KORADO Bulgaria AD and the Company's interest in the carrying amounts of assets and liabilities. Following initial recognition, goodwill is tested for impairment.

Since most of the consolidated subsidiaries were established by the Parent Company, no goodwill is recorded in the consolidated financial statements except for the goodwill arising on acquisition of KORADO Bulgaria AD and ThermWet s.r.o. Following initial recognition, goodwill is tested for impairment annually.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Non-controlling interest represents the interest in KORADO Bulgaria AD which is not held by the Group.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners).

Identical accounting principles are used for similar transactions and other accounting events in the consolidated financial statements. If needed, adjustments are made to the financial statements of controlled companies so that the accounting procedures used correspond to the requirements and procedures used by the Group.

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Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Foreign Currency
The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

The assets and liabilities of foreign subsidiaries are translated into presentation currency at the rate of exchange ruling at the balance sheet date. The items in the statement of profit or loss of foreign subsidiaries are translated at average exchange rates for the year. Components of equity are translated into the presentation currency using the historical rates. The exchange differences arising on the retranslation are taken directly to other comprehensive income in equity. On disposal of a foreign entity, accumulated exchange differences are recognized in profit or loss as a component of the gain or loss on disposal.

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the foreign operation and is translated at the closing exchange rate.

Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of profit or loss.

The initial cost of property, plant and equipment and paintings comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use including the borrowing costs (see Note 6).

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to expense in the period in which the costs are incurred. When each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation is provided using the straight-line method at rates based on the following estimated useful lives:

	Years
Buildings, halls and constructions	30 – 50
Computers	4
Machinery and equipment	8 – 20
Vehicles	4 – 8
Other tangible fixed assets	2 – 4

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Intangible Assets
Intangible assets are initially valued at their acquisition cost and related expenses. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives that generally does not exceed 6 years. The amortization period and the amortization method are reviewed annually at each financial year-end.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed with the exception of goodwill arising on the acquisition of KORADO Bulgaria AD. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Costs incurred in order to restore or maintain the future economic benefits that an enterprise can expect from the originally assessed standard of performance of existing intangible assets are recognized as an expense when the restoration or maintenance work is carried out.

Inventories
Inventories, including work-in-progress, are valued at the lower of cost and net realizable value. Net realizable value is based on the normal selling price, less further costs expected to be incurred to complete and sell the stock. Cost of purchased inventory is determined on the basis of actual cost with the use of the weighted average method.

Cost of finished goods and work-in-progress is determined on the basis of actual cost with the use of the weighted average method. Costs of purchased inventory include purchase price and related costs of transport, customs duties, etc. For processed inventory, costs include direct material and labour costs and production overheads.

Production overhead costs include mainly depreciation, repair and maintenance of the production lines and energy used.

Financial instruments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.
Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition
Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

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Financial assets – classification and subsequent measurement

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Under debt instruments, the Group classifies its financial assets into the following categories:

- Financial assets subsequently measured at amortized cost determined by using the effective interest rate method (financial assets at amortized cost)
  In this category, the Group recognizes debt instruments that are held within the business model that is intended to collect all contractual cash flows and which also have contractual cash flows representing only principal and interest payments on the principal outstanding. They are then measured at amortized cost using the effective interest rate method (hereafter referred to as the amortized cost). During the financial years 2020 and 2019, the Group had only trade receivables held to maturity.
- Financial assets subsequently measured at fair value included in profit or loss (financial assets at fair value through profit or loss)
  Within this category, the Group classifies all other debt instruments that cannot be classified into the above categories. These financial assets are held for trading or their contractual cash flows do not represent exclusively the payment of principal and interest on the principal outstanding. Consequently, they are measured at fair value through profit or loss. There were no such assests in financial years 2020 and 2019.

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities – classification and subsequent measurement

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Accounts Receivable

Trade and other receivables are recognized initially at transaction price and are subsequently carried at amortised costs using the effective interest method less an impairment provision for uncollectible amounts.

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The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 and 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Cash and Cash Equivalents

Cash includes cash on hand and cash on bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Any portion of long-term loans and borrowings, which is due within one year of the balance sheet date or for which there was a breach in the loan covenant and a waiver was not received from a lender until year-end, is classified as short-term.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. In determining the amount of borrowing costs eligible for capitalization during a period, any investment income earned on borrowed funds is deducted from the borrowing costs incurred. Borrowing costs other than those which meet the criteria for capitalization are expensed as incurred.

Income Taxes

The provision for corporate tax is calculated in accordance with local tax jurisdictions of respective countries. For Czech entities corporate tax is calculated in accordance with Czech tax regulations and is based on the income or loss reported under Czech accounting regulations, adjusted for appropriate permanent and temporary differences from Czech taxable income. In the Czech Republic, income taxes are calculated on an individual company basis as the tax laws do not permit consolidated tax returns. Current income taxes are provided at a rate of 19% for the years ended 31 December 2020 and 2019, respectively, after adjustments for certain items which are not deductible for taxation purposes. The Czech corporate income tax rate for 2021 will be 19%.

Certain items of income and expense are recognized in different periods for tax and financial accounting purposes. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes are provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse. Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the consolidated statement of financial position. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences.

The carrying amount of a deferred tax asset is reassessed and reduced at each balance sheet date to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or entire deferred tax asset to be utilized.

Deferred tax assets and liabilities are offset if they relate to income taxes within the same tax jurisdiction and the Group intends to settle its due tax payables and receivables on a "net basis".

Revenue Recognition

Revenue is income arising in the course of the Group's ordinary activities (sales of own products and purchased goods). Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognized net of discounts, returns, value added taxes and after eliminating sales within the Group.

The Group manufactures and sells a range of heaters in the wholesale & retail market. Sales are recognized when control of the goods/products has transferred, being when the goods/product are delivered to the customer, the customer has full discretion over the goods/products, and there is no unfulfilled obligation that could affect the customer's

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acceptance of the goods. Delivery occurs when the goods/products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods/products in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30 - 60 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

A receivable is recognized when the goods, product are shipped or delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provisions

A provision is recognized when, and only when Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Right-of-use assets

The Group leases various premises, equipment and vehicles. Contracts may contain both lease and non lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right--of-use assets is calculated using the straight-line method over their estimated useful lives.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mostly of IT equipment and small items of office furniture with value of CZK 300 thousand or less.

Impairment of non-financial assets
Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Impairment of financial instruments
The Group introduced a new impairment model as of 1 January 2018, under which an allowance is recognized before the credit loss arises. This is IFRS 9 impairment model reflecting expected credit losses (ECL). With the exception of trade receivables, the Group applies the so-called general approach to impairment for the relevant financial assets. For trade receivables, the Group has taken advantage of the possibility of applying a simplified approach using an impairment matrix.

General approach to impairment
Under the general approach, an entity recognizes an allowance for expected credit losses (ECL) over the life of the financial instrument if there is a significant increase in the credit risk (measured by the probability of default over the life of the asset) from the initial recognition of the financial asset. If, at the reporting date, the credit risk associated with a financial instrument has not significantly increased since initial recognition, the entity shall recognize an allowance for the 12-month expected credit loss. The expected credit loss over the lifetime indicates the expected credit losses that arise as a result of all potential failures during the expected duration of the financial instrument. The 12-month expected credit loss is part of the expected credit losses over the life of a financial instrument that may occur within 12 months from the reporting date.

The group uses the three-step ECL model. Upon initial recognition of a financial asset, unless there is an evidence of a failure, the Group classifies the financial asset to Stage 1 and recognizes allowances corresponding to expected losses over the following 12 months. If the credit risk associated with the financial instrument has not significantly increased since the initial recognition date, the financial asset remains in Stage 1 and the allowance is measured at the date of the financial statement at the 12 month expected credit loss. If a significant increase in credit risk has occurred since the initial recognition date, the Group classifies the financial asset to Stage 2 and recognizes adjustments against the expected loss over the life of the financial asset at the reporting date. If the financial asset meets the definition of a default, the Group transfers it to Stage 3 and recognizes allowance corresponding to the expected loss over the life of the financial asset.

As a potential failure the Group considers a situation where it will not be able to collect any amounts owed under the terms initially agreed. As default indicators the Group considers significant financial difficulties of the borrower, the likelihood that the borrower will enter into bankruptcy or financial restructuring, delay in payments or non-compliance with maturity of the instrument.

Simplified approach to impairment
Simplified approach enables entities to report expected credit losses over a period of time without the need to identify a significant increase in credit risk. For trade receivables and contract assets that do not have a significant element of financing, an entity recognizes an allowance for expected credit losses over its life (i.e. an entity must always apply a so-called simplified approach). For other trade receivables, other contractual assets, operating lease receivables and finance lease receivables, an accounting policy that can be applied separately to individual asset types (but which applies to all assets of the type) can be selected. An important element of financing exists when the timing of reimbursements agreed by the parties (explicitly or implicitly) results in a significant benefit for the customer or entity to finance the transfer of goods or services to the customer.

Application of simplified approach using impairment matrix
For trade receivables without a significant element of financing, the Group determines the amount of allowances using the impairment matrix. The impairment matrix is based on applying the appropriate rate of loss to unpaid balances of trade receivables (i.e. age analysis of receivables).

When determining the amount of allowances through simplified approach, the Group proceeds in the following steps. The Group first divides its individual trade receivables into certain groups of receivables with similar credit risk characteristics. The Group concurrently identifies the most important factors affecting the credit risk of each group. In the second step, the Group sets a historical loss rate for each group with similar credit risk characteristics. This rate is set for 3 consecutive accounting periods. In the next step, the Group determines the expected loss rate for each group of receivables, which is further subdivided into sub-categories by the number of days past due (e.g. loss rates for non-past due receivables, loss rates for receivables 1-30 days overdue, losses for receivables 31 - 60 days overdue, etc.). In determining the expected loss rate, the Group takes into account whether historical loss

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rates have been incurred under economic conditions that are consistent with the expected conditions during the exposure period of that portfolio of receivables at the reporting date. In the last step, the Group measures the amount of the allowance based on the current gross amount of receivables multiplied by the expected loss rate.

If the trade receivable is evaluated as irrecoverable, an allowance of 100% is created. Write-offs are recognized in profit or loss under Other operating expenses. In cases where receivables can no longer be recovered from the court (for example, the receivable was time-barred, based on the results of the resolutions due to lack of assets of the bankrupt, the debtor ceased without a legal successor, etc.), receivables are written off against the allowance.

Contingent liabilities and assets
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent Events after reporting date
Subsequent events that provide additional information about a company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

Critical Accounting Estimates and Judgements in Applying Accounting Policies
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that might have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Goodwill
The Group assesses at each reporting date whether there is any indication that goodwill may be impaired taking into consideration both internal and external sources of information. However goodwill does not generate cash flows independently of other assets or groups of assets and the assessment of its carrying value is significantly impacted by the management's assessment of the performance and expected future performance of the operation (cash-generating unit) to which the goodwill relates.

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective. Value in use is determined based on cash flow projection for a period of five years. The cash flow projection is based on the past experience, as well as on future market trends. The carrying amount of goodwill was CZK 22,424 thousand as at 31 December 2020 (as at 31 December 2019: CZK 22,012 thousand).

3. Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).
- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.

4. New accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 „Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost

The accompanying notes on pages 31 to 50 are an integral part of these consolidated financial statements.

of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The Group is currently assessing the impact of the amendments on its financial statements.

However, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

5. Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Czech state has joint control over the Group. The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the Czech state has control, joint control or significant influence over such party. Transactions with the state also include taxes which are detailed in Notes 11, 15, and 21.

In 2020 and 2019 short-term employee benefits (salaries and bonuses including social and health insurance) related to management personnel of Group companies (36 and 35 people in total, respectively) amounted to CZK 88,962 thousand and CZK 80,318 thousand, respectively.

In 2020 and 2019 members of Board of Directors and Supervisory Board of the Parent Company received remuneration of CZK 1,440 thousand and CZK 1,725 thousand, respectively.

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6. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of CZK	Land	Buildings	Plant and equipment	Other	Construction in progress	Total
Cost at 1 January 2019	30,807	1,756,310	3,102,037	86,335	16,403	4,991,892
Accumulated depreciation	-	(869,474)	(2,597,529)	(70,743)	(4)	(3,537,750)
Carrying amount at 1 January 2019	**30,807**	**886,836**	**504,508**	**15,592**	**16,399**	**1,454,142**
Additions	-	6,526	13,199	725	579	21,029
Disposals	-	-	(988)	-	(702)	(1,690)
Depreciation charge	-	(37,674)	(83,465)	(3,042)	-	(124,181)
Transfers	-	160	898	-	(1,058)	-
Effect of translation to presentation currency	(70)	(341)	(1,772)	2	(99)	(2,280)
Carrying amount at 31 December 2019	**30,737**	**855,507**	**432,380**	**13,277**	**15,119**	**1,347,020**
Cost at 31 December 2019	30,737	1,762,230	3,105,252	86,830	15,119	5,000,168
Accumulated depreciation	-	(906,723)	(2,672,872)	(73,553)	-	(3,653,148)
Carrying amount at 1 January 2020	**30,737**	**855,507**	**432,380**	**13,277**	**15,119**	**1,347,020**
Additions	26	5,230	19,205	44	19,374	43,879
Disposals	-	-	(322)	-	-	(322)
Depreciation charge	-	(38,584)	(83,601)	(2,659)	-	(124,844)
Transfers	-	349	737	-	(1,807)	(721)
Effect of translation to presentation currency	173	834	4,826	(1)	344	6,176
Carrying amount at 31 December 2020	**30,936**	**823,336**	**373,225**	**10,661**	**33,030**	**1,271,188**
Cost at 31 December 2020	30,936	1,760,360	3,126,745	86,835	33,034	5,037,910
Accumulated depreciation	-	(937,024)	(2,753,520)	(76,174)	(4)	(3,766,722)
Carrying amount at 31 December 2020	**30,936**	**823,336**	**373,225**	**10,661**	**33,030**	**1,271,188**

At 31 December 2020 buildings and lands carried at CZK 596,594 thousand (2019: CZK 622,728 thousand) have been pledged to third parties as collateral for borrowings. See Note 22.

Impairment of tangible and intangible assets

Tangible and intangible assets of KORADO parent CGU have been tested for impairment (net book value of KORADO parent CGU assets as at 31 December 2020 amounting to CZK 1,089,351 thousand). Value in use calculations are based on KORADO parent long-term business plan for next 5 years. Assumption used for value-in-use calculations to which the recoverable amount is most sensitive is price of steel and expected revenue growth. Management determined the expected development of price of steel based on experience and its market expectations. The discount rate is based on the Company's WACC (Weighted average costs of capital).

The price of steel development reflects expectation of the management for the market price development. If the revised estimated price of steel applied to the discounted cash flows of the KORADO parent CGU had been more than 6 % higher than management's estimates, the Group would need to reduce the carrying value of property, plant and equipment by circa CZK 65,500 thousand. This impairment would be calculated at situation that other factors included in the calculation remains constant. Company however expects that in case there is a price increase of steel this increase will be reflected in sales price of products.

The revenue growth development reflects expectation of the management for the growth in volumes sold and price changes to final products. If the revised estimated yearly revenue growth applied to the discounted cash flows of the KORADO parent CGU had been more than 3% lower than management's estimates, the Group would need to reduce the carrying value of property, plant and equipment by circa

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CZK 145,300 thousand. This impairment would be calculated at situation that other factors included in the calculation remains constant. Company however expects that in case there would cost savings measures that would reduce the operating expenses and cost of sales.

According to value-in-use calculation performed no impairment is required for KORADO parent CGU. No impairment indicators identified for remaining Group's cash generating units.

7. Intangible Assets

Movements in the carrying amount of intangible assets were as follows:

In thousands of CZK	Software	Trademark	Customer contracts	Intangible fixed assets in the course of construction	Goodwill	Total
Cost at 1 January 2019	215,483	4,218	2,716	3,158	22,168	247,743
Accumulated depreciation	(196,120)	(3,743)	(2,377)	-	-	(202,240)
Carrying amount at 1 January 2019	**19,363**	**475**	**339**	**3,158**	**22,168**	**45,503**
Additions	5,060	-	-	(2,633)	-	2,427
Depreciation charge	(5,548)	(475)	(339)	-	-	(6,362)
Effect of translation to presentation currency	246	-	-	(110)	(156)	(20)
Carrying amount at 31 December 2019	**19,121**	**-**	**-**	**415**	**22,012**	**41,548**
Cost at 31 December 2019	220,302	4,218	2,716	415	22,012	249,663
Accumulated amortization	(201,181)	(4,218)	(2,716)	-	-	(208,115)
Carrying amount at 1 January 2020	**19,121**	**-**	**-**	**415**	**22,012**	**41,548**
Additions	4,170	-	-	1,041	-	5,211
Depreciation charge	(5,752)	-	-	-	-	(5,752)
Effect of translation to presentation currency	5	-	-	-	412	417
Carrying amount at 31 December 2020	**17,544**	**-**	**-**	**1,456**	**22,424**	**41,424**
Cost at 31 December 2020	224,500	4,218	2,716	1,456	22,424	255,314
Accumulated amortization	(206,956)	(4,218)	(2,716)	-	-	(213,890)
Carrying amount at 31 December 2020	**17,544**	**-**	**-**	**1,456**	**22,424**	**41,424**

8. Right-of-use assets and lease liabilities

The Group leases various premises, equipment and vehicles. Rental contracts are typically made for fixed periods of 4 to 7 years.

The statement of the financial position shows the separate line item for the right-of-use assets, which comprises the following:

In thousands of CZK	Building	Plant and equipment	Total
Carrying amount at 1 January 2019	54,245	21,947	76,192
Additions	-	1,320	1,320
Depreciation charge	(9,589)	(4,212)	(13,801)
Carrying amount at 31 December 2019	**44,656**	**19,055**	**63,711**
Additions	3,005	3,289	6,294
Depreciation charge	(10,232)	(4,600)	(14,832)
Carrying amount at 31 December 2020	**37,429**	**17,744**	**55,173**

The statement of the financial position shows the separate line item for the lease liabilities, which comprises the following:

In thousands of CZK	31 December 2020	31 December 2019
Short-term portion	14,340	13,185
Long-term portion	41,834	51,733
Lease liabilities	**56,174**	**64,918**

Interest expense included in finance costs of 2020 was CZK 2,490 thousand (2019: CZK 2,824 thousand).

Expenses relating to short-term leases (included in Purchased services) and to leases of low-value assets that are not shown as short-term leases (included in Purchased services):

In thousands of CZK	2020	2019
Expense relating to leases of low-value assets	3,546	3,706
Expense relating to short-term leases	218	647

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Total cash outflow for leases in 2020 was CZK 16,464 thousand (2019: CZK 14,099 thousand).

9. Inventories

In thousands of CZK	2020	2019
Raw materials	165,150	210,500
Work in progress	15,177	14,345
Finished products	66,007	62,203
Total inventories	**246,334**	**287,048**

Inventories of CZK 152,271 thousand (2019: CZK 164,474 thousand) have been pledged as collateral for borrowings. See Note 22.

Excess, obsolete and slow-moving inventory at gross amount of CZK 12,709 thousand (2019: CZK 12,045 thousand) has been reduced through the allowance account of CZK 10,495 thousand (2019: CZK 10,448 thousand). The allowance is determined by management based on the aging analysis of inventory and the estimated realizable value.

10. Receivables

In thousands of CZK	2020	2019
Trade receivables	98,147	96,259
Advances paid	3,513	5,944
Other	32	157
Less trade receivables provision	(4,510)	(3,754)
Total trade and other receivables	**97,182**	**98,606**

Receivables of CZK 50,386 thousand (2019: CZK 80,533 thousand) have been pledged as collateral for borrowings. See Note 22.

Movements in the provision for trade receivables are as follows:

In thousands of CZK	2020 Trade receivables	2019 Trade receivables
Provision for impairment at 1 January	**3,754**	**4,467**
Additions	915	-
Amounts written off during the year as uncollectible	(98)	(137)
Reversals	(61)	(575)
Provision for impairment at 31 December	**4,510**	**3,754**

Trade receivables of CZK 89,873 thousand (2019: CZK 86,784 thousand) net of impairment loss provisions are denominated in foreign currency, mainly 78% in Euro (2019: 79%).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

Matrix of impairment for trade receivables at amortized cost as at 31 December 2020:

In % of gross value	Expected losses	Gross carrying amount	Allowance
Trade receivables			
- current	0 %	87,604	-
- less than 90 days overdue	5 %	6,351	(318)
- 91 to 180 days overdue	100 %	-	-
- 181 to 360 days overdue	100 %	781	(781)
- over 360 days overdue	100 %	3,411	(3,411)
Total trade receivables (gross carrying amount)		**98,147**	
Allowance		(4,510)	
Total trade receivables from contracts with customers (carrying amount)		93,637	

Matrix of impairment for trade receivables at amortized cost as at 31 December 2019:

In % of gross value	Expected losses	Gross carrying amount	Allowance
Trade receivables			
- current	0 %	82,919	0
- less than 90 days overdue	3 %	9,882	(296)
- 91 to 180 days overdue	100 %	1	(1)
- 181 to 360 days overdue	100 %	-	-
- over 360 days overdue	100 %	3,457	(3,457)
Total trade receivables (gross carrying amount)		**96,259**	
Allowance		(3,754)	
Total trade receivables from contracts with customers (carrying amount)		92,505	

11. Prepayments and other current assets

In thousands of CZK	2020	2019
VAT receivables	22,254	20,442
Prepayments and other	7,736	7,963
Total Prepayments and other current assets	**29,990**	**28,405**

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12. Cash and Cash Equivalents

In thousands of CZK	2020	2019
Bank balances payable on demand	286,066	94,147
Cash on hand	379	652
Total cash and cash equivalents	**286,445**	**94,799**

The credit quality of bank balances may be summarized as follows:

In thousands of CZK	2020 Bank balances payable on demand	2019 Bank balances payable on demand
Neither past due nor impaired		
- A*	281,526	89,075
- B **	4,540	5,072
Total	**286,066**	**94,147**

***includes Moody's A1, A3 rating and Fitch A- rating**
****includes Moody's Baa rating and Fitch BB rating**

13. Share Capital

The nominal registered amount of the Company's issued share capital is CZK 840,700 thousand (2019: CZK 840,700 thousand).

The total authorised number of ordinary shares 2,402 shares (2019: 2,402 shares) with a par value of CZK 350 thousand per share (2019: CZK 350 thousand per share). All issued ordinary shares are fully paid. Each ordinary share carries equal voting rights.

The shareholders:

(in %)	31 December 2020	31 December 2019
Menclík František	9.16	9.16
Petr Ludvík	9.16	9.16
Vobora Miroslav	9.16	9.16
KORADO, a.s.	9.16	9.16
European Bank for Reconstruction & Development	29.14	29.14
Ministry of Finance, Czech Republic	34.22	34.22
Total	**100.00**	**100.00**

In thousands of CZK	2020	2019
Dividends paid per share during the year	**0**	**8**

In January 2017 the purchase of own shares in the amount of 220 pcs was realized for the price of CZK 115 million. The Company holds shares for resale. As a result of the purchase of own shares Company created a statutory fund of CZK 116,479 thousand, which includes the value of own shares in the amount of CZK 115 million and other acquisition costs of CZK 1,479 thousand.

The general meeting of shareholders decided on 27 May 2019 about the payment of profit share of CZK 29,999 thousand, of which part attributable to own shares in amount of CZK 2,748 thousand was transferred to retained earnings. The profit share paid to non-controlling interest amounted to CZK 8,855 thousand.

14. Borrowings

In thousands of CZK	2020	2019
Term loans	163,014	174,849
Other non – bank loans	3,737	2,462
Finance lease liabilities	-	-
Total borrowings	**166,751**	**177,311**

In thousands of CZK	2020	2019
Current		
Term loans	67,594	59,767
Other non – bank loans	1,319	1,016
Finance lease liabilities	-	-
Total current borrowings	**68,913**	**60,783**

In thousands of CZK	2020	2019
Non- current		
Term loans	95,420	115,082
Other non – bank loans	2,418	1,446
Finance lease liabilities	-	-
Total non-current borrowings	**97,838**	**116,528**
Total borrowings	**166,751**	**177,311**

The Group's borrowings are denominated in currencies as follows:

In thousands of CZK	2020	2019
Borrowings denominated in:		
CZK	66,414	89,639
EUR	97,489	86,444
BGN	2,848	1,228
Total borrowings	**166,751**	**177,311**

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Property, plant and equipment, inventories and receivables are pledged as collateral for borrowings of CZK 799,251 thousand (2019: CZK 867,735 thousand). See Notes 6, 9, 10 and 22.

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. The Group was in compliance with covenants at 31 December 2020 and 31 December 2019.

Reconciliation of liabilities arising from financing activities

In thousands of CZK	2020	2019
Cash and cash equivalents	286,445	94,799
Long-term borrowings	(97,838)	(116,528)
Short-term borrowings and current portion of long-term debt	(68,913)	(60,783)
Lease liabilities	(56,174)	(64,918)
Total liabilities from financing activities	**63,520**	**(147,430)**

The table below sets out an analysis of net debt and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Liabilities from financing activities			
In thousands of CZK	Borrowings	Lease liabilities	Other liabilities from financing activities	Total
Liabilities from financing activities at 1 January 2019	**(244,397)**	**-**	**(4,127)**	**(248,524)**
IFRS 16 Adoption	**-**	**(76,192)**	**-**	**(76,192)**
Cash payments	95,292	14,098	1,665	111,055
Liabilities drawings	(25,738)	-	-	(25,738)
Interest accrued	-	(2,824)	-	(2,824)
Foreign exchange adjustments	(6)	-	-	(6)
Liabilities from financing activities at 31 December 2019	**(174,849)**	**(64,918)**	**(2,462)**	**(242,229)**
Cash payments	62,542	16,464	346	79,352
Liabilities drawings	(50,712)	-	(1,621)	(52,333)
Interest accrued	-	(2,490)	-	(2,490)
New leases	-	(6,294)	-	(6,294)
Foreign exchange adjustments	5	1,064	-	1,069
Liabilities from financing activities at 31 December 2020	**(163,014)**	**(56,174)**	**(3,737)**	**(222,925)**

15. Trade and other payables

In thousands of CZK	2020	2019
Trade payables	166,397	142,400
Refund liabilities for volume discounts	168,659	181,273
Payables to employees	44,690	37,007
Tax payables	5,904	4,441
Accrued liabilities and other creditors	30,666	23,921
Trade and other payables	**416,316**	**389,042**

Trade payables of CZK 108,915 thousand (2019: CZK 111,883 thousand) are denominated in foreign currency, mainly 92% in Euro (2019: 96%).

16. Revenues from Sales of Products and Goods

In thousands of CZK	2020	2019
Sales of radiators	1,634,532	1,645,230
Sales of convectors	66,389	110,568
Sales of accessories	49,421	51,596
Ventilation and recuperation units	17,664	12,995
Other sales	6,667	12,063
Total revenue	**1,774,673**	**1,832,452**

Other sales include mainly sales of assembly complements for radiators and sales of services.

In thousands of CZK	2020	2019
Domestic sales (Czech Republic)	646,035	623,523
Export	1,128,638	1,208,929
- Export - EU	1,016,220	1,025,302
- Export - other	112,418	183,627
Total	**1,774,673**	**1,832,452**

17. Cost of Materials, Energy and Purchased Goods

In thousands of CZK	2020	2019
Materials and supplies	894,961	954,017
Energy	37,632	39,393
Purchased goods	35,010	55,127
Change in inventories	367	11,190
Total	**967,970**	**1,059,727**

Purchased goods include different specialized products purchased that represent a part of the range of products offered to the customers.

18. Purchased services and rental expenses

In thousands of CZK	2020	2019
Repairs and maintenance	8,040	7,203
Rent	3,764	4,353
Traveling and training expenses	5,928	10,844
Marketing	45,826	47,768
Transportation expenses	41,763	43,177
Legal and advisory services (incl. 2020: CZK 1,853 ths, 2019: CZK 1,853 ths for audit services)	13,014	13,620
Operational services (Cooperation, IT services)	30,753	31,507
Other	14,892	16,981
Total	**163,980**	**175,453**

19. Other operating income

In thousands of CZK	2020	2019
Income from write off of receivables and insured receivables	36	1,475
Gain on sale of fixed assets	1,298	361
Income from sale of scrap	4,313	5,244
Other	12,277	9,863
Total	**17,924**	**16,943**

20. Other Expenses

In thousands of CZK	2020	2019
Receivables and loans written off	130	1,629
Change in impairment provisions and provisions, net	178	2,070
Taxes and levies	1,941	1,819
Insurance	17,586	17,825
Other	16,248	9,133
Total	**36,083**	**32,476**

21. Taxes

a) Components of income tax expense

Income tax expense comprises the following:

In thousands of CZK	2020	2019
Current tax	7,526	6,575
Deferred tax	(521)	20,936
Income tax expense for the year	**7,005**	**27,511**

b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2020 and 2019 income is 19%. The income tax rate applicable to the majority of income of subsidiaries ranges from 10% to 19% (2019: from 10% to 19%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of CZK	2020	2019
Profit before tax	**62,508**	**34,941**
Statutory income tax rate	19 %	19 %
"Expected" income tax expense	11,877	6,639
Add / (deduct) tax effect of:		
Non-deductible expenses	3,166	2,312
Change in valuation allowance	-	-
Change in deferred tax asset from tax credit	-	24,218
Different tax rate in other countries	(6,132)	(5,306)
Other	(1,906)	(352)
Actual income tax expense	7,005	27,511
Effective tax rate	11%	79%

c) Tax loss carry forwards

The Group has unrecognized potential deferred tax assets in respect of unused tax loss carry forwards of CZK 7,448 thousand (2019: CZK 7,259 thousand). This tax loss relates to subsidiary where is not probable the losses will be utilized.

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Total deferred tax asset from accumulated tax losses amount to CZK 2,587 thousand and relates to the tax losses from the Parent Company and subsidiary LICON Heat. Company expects their utilization in future periods in full. This tax losses amounts to CZK 13,613 thousand and may be used up to year 2023.

Deferred income taxes at 31 December 2020 and 2019 consist of the following:

In thousands of CZK	2020	2019
Receivables impairment provision	54	56
Inventory impairment provision	1,989	1,985
Provisions	1,337	1,363
Accumulated tax losses carried forward	2,587	12,465
Elimination of intra-group profit from inventories	526	280
Tax credit from investment incentive	-	-
Other	409	441
Total deferred tax assets	**6,901**	**16,589**
Total deferred tax asset in Statement of Financial Position	**408**	**426**
Total deferred tax asset for offset with liability	**6,493**	**16,163**
Difference between net book value of non-current assets for accounting and tax purposes	(111,757)	(121,966)
Total deferred tax liabilities	**(111,757)**	**(121,966)**
Offset with deferred tax assets	6,493	16,163
Deferred tax liabilities in the Statement of Financial Position	**105,264**	**105,803**

Movements in deferred tax liability, net were as follows:

	2020	2019
As at 1 January	105,377	84,441
Change in deferred tax recorded in statement of income	(521)	20,936
As at 31 December	104,856	105,377

The deferred tax liability of the Parent Company represents in particular the difference between net book value of non--current assets for accounting and tax purposes.

22. Contingencies and Commitments

Assets pledged and restricted.

At 31 December 2020 the Group has the following assets pledged as collateral:

In thousands of CZK	Notes	2020 Asset pledged	2019 Asset pledged
Property	6	11,638	11,638
Plant and equipment	6	584,956	611,091
Receivables	10	50,386	80,533
Inventories	9	152,271	164,474
Total		**799,251**	**867,736**

23. Non-Controlling Interest

Increase of share capital in subsidiary KORADO Bulgaria AD

In 2014 KORADO Bulgaria AD decided to increase share capital and offered 2,576,786 new shares in public offering for the total amount of BGN 7,086 thousand. The issue price for one share was 2.75 BGN (nominal value of shares is 1.00 BGN). All new shares were subscribed in December 2014.

As at the end of the year, the share price of KORADO Bulgaria amounted to 6.45 BGN/pcs. Market capitalization amounted to CZK 1,140 million (2019: CZK 1,069 million).

During the year 2019, the Group disposed 54,265 shares of Korado Bulgaria increasing the share of NCI to 17.85%. The sale of shares didn't have any material influence on Group control over Korado Bulgaria.

The following table shows summarized financial information of KORADO Bulgaria AD for the year ended 31 December 2020 and 2019:

In thousands of CZK	2020	2019
Ownership share of non-controlling interest at 31 December	17.85%	17.85%
Non-current assets	190,634	186,450
Current assets	205,734	183,619
Non-current liabilities	(59,206)	(54,726)
Current liabilities	(49,229)	(45,665)
Equity	287,933	269,678
Attributable to:		
Equity holders of parent	236,535	221,539
Non-controlling interests	51,398	48,139
Revenues	531,226	555,246
Profit after income taxes	62,079	55,940
Attributable to:		
Equity holders of parent	50,997	45,954
Non-controlling interest	11,082	9,986
Total comprehensive income	**53,530**	**60,174**
Attributable to:		
Equity holders of parent	43,975	49,433
Non-controlling interest	9,555	10,742

24. Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 10.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity instruments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly.
The Group enters into some contracts denominated in foreign currencies. The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the functional currency.

The foreign currency accounts receivable and payable represent an exchange rate risk for the Group. At 31 December 2020 and 2019, the Group did not have any exchange rate hedges in place to mitigate the overall foreign currency exposure.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rates between functional currencies and foreign currencies, with all other variables held constant, of the Group's profit before tax (due to the change in the carrying value of monetary assets and liabilities):

	2020		2019	
	Increase/decrease in exchange rate *	Effect on profit / loss before tax	Increase/decrease in exchange rate *	Effect on profit / loss before tax
EUR	+ 5 %	(2,045)	+ 5%	(5,784)
PLN	+ 5 %	1,566	+ 5%	1,211
BGN	+ 5 %	(435)	+ 5%	(211)
EUR	(5%)	2,045	(5%)	5,784
PLN	(5%)	(1,566)	(5%)	(1,211)
BGN	(5%)	435	(5%)	211

** Increase means depreciation of functional currency against foreign currency. Decrease means appreciation of functional currency against foreign currency.*

The changes in exchange rates USD/CZK and GBP/CZK were not included in the table above due to its insignificance.

KORADO GROUP

Notes to the Consolidated Financial Statements – 31 December 2020

Interest rate risk. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (See Note 14). The floating interest rate is mostly based on PRIBOR and EURLIBOR/EURIBOR rates and for the Československá obchodní banka, a.s. loans it amounted to 1.67% as at 31 December 2020 and 2.62% as at 31 December 2019, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/loss before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity and the impact of capitalized interest is not reflected:

2020		2019	
Increase/decrease in basis points	Effect on profit / loss before tax	Increase/decrease in basis points	Effect on profit / loss before tax
50	(816)	50	(835)
(50)	816	(50)	835

Liquidity risk. The Group monitors its risk of shortage of funds by considering the maturity of both its financial assets and financial liabilities and expected cash flows from operations. The Group uses bank overdrafts to meet its short-term cash needs and long-term bank loans to finance its long-term investments.

The tables below summarize the maturity profile of the Group's financial liabilities as at 31 December 2020 and 2019 based on contractual undiscounted payments (nominal amount and interest) provided that the Group meets the loan agreement covenants:

31 December 2020	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Bank and other loans	13,928	56,033	97,839	-	167,800
Lease liabilities	4,229	12,687	45,535	-	62,451
Trade payables	335,057	-	-	-	335,057
Total	**353,214**	**68,720**	**143,374**	**-**	**565,308**
31 December 2019	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Bank and other loans	15,822	48,009	120,119	-	183,950
Finance lease obligations	4,497	13,492	56,515	-	74,504
Trade payables	323,673	-	-	-	323,673
Total	**343,992**	**61,501**	**176,634**	**-**	**582,127**

25. Management of Capital

The Group's main objective in managing capital is to maintain an optimal level of capital ratios that will ensure the development of its business activities, the maximum value for shareholders and the fulfilment of terms and conditions of credit agreements with banks. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2020 was CZK 1,223,464 thousand (2019: CZK 1,169,258 thousand).

The Group has complied with all externally imposed capital requirements throughout 2020 and 2019. These are set out in the Group's loan agreements based on which the Group is required to maintain equity ratio above 58% and net debt/EBITDA ratio less than 3.2.

26. Fair Value Disclosures

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Other non-current assets
The carrying amount of other non-current assets approximates fair value.

The accompanying notes on pages 31 to 50 are an integral part of these consolidated financial statements.

Receivables, Payables and Other Current Liabilities
The carrying amount of receivables, payables and other current liabilities approximates fair value due to the short-term maturity of these financial instruments.

Short-term Debt
The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term Debt
The determination of fair value of long-term debt is based on the quoted market price for the same or similar debt instruments or on the current rates available for debt with the same maturity profile. The fair value of long-term debt and other payables with variable interest rates approximates their carrying amounts.

Carrying amounts and the estimated fair values of financial instruments as at 31 December 2020 were as follows:

In thousands of CZK	Carrying amount	Fair value
Assets		
Other non-current assets	4,819	4,819
Accounts receivable, net	97,182	97,182
Cash and cash equivalents	286,445	286,445
Liabilities		
Payables and other current liabilities	335,057	335,057
Short-term leases liabilities	14,340	14,340
Long-term leases liabilities	41,834	41,834
Short-term borrowings and current portion of long-term debt	68,913	68,913
Long-term debt, net of current portion	97,838	97,838

Carrying amounts and the estimated fair values of financial instruments as at 31 December 2019 were as follows:

In thousands of CZK	Carrying amount	Fair value
Assets		
Other non-current assets	4,671	4,671
Accounts receivable, net	98,606	98,606
Cash and cash equivalents	94,799	94,799
Liabilities		
Payables and other current liabilities	323,673	323,673
Short-term leases liabilities	13,185	13,185
Long-term leases liabilities	51,733	51,733
Short-term borrowings and current portion of long-term debt	60,783	60,783
Long-term debt, net of current portion	116,528	116,528

27. Events After the Reporting Period

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2020.

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KORADO, a.s.

STANDALONE FINANCIAL STATEMENTS

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KORADO

KORADO, a.s.

Identification number: 25255843 | Legal form: Join stock company | Primary business: Manufacturing of central heating radiators
Balance sheet date: 31 December 2020 | Date of preparation of the financial statements: 6 May 2021

BALANCE SHEET (in thousand Czech crowns)

Ref. a	ASSETS b	Row. c	31. 12. 2020 Gross 1	Provision 2	Net 3	31. 12. 2019 Net 4
	TOTAL ASSETS	**001**	**5,662,632**	**(3,823,593)**	**1,839,039**	**1,742,502**
B.	**FIXED ASSETS**	**003**	**5,153,975**	**(3,807,086)**	**1,346,889**	**1,421,410**
B. I.	**Intangible fixed assets**	**004**	**222,767**	**(204,160)**	**18,607**	**19,260**
B. I. 2.	Royalties	006	221,332	(204,160)	17,172	18,844
B. I. 2. 1.	Software	007	215,332	(200,028)	15,304	17,434
B. I. 2. 2.	Other royalties	008	6,000	(4,132)	1,868	1,410
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	1,435	-	1,435	416
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	1,435	-	1,435	416
B. II.	**Tangible fixed assets**	**014**	**4,508,584**	**(3,454,813,**	**1,053,771**	**1,130,509**
B. II. 1.	Land and constructions	015	1,717,922	(894,612,)	823,310	855,012
B. II. 1. 1.	Land	016	25,481	-	25,481	25,455
B. II. 1. 2.	Constructions	017	1,692,441	(894,612)	797,829	829,557
B. II. 2.	Equipment	018	2,690,601	(2,485,162)	205,439	258,089
B. II. 4.	Other tangible fixed assets	020	87,260	(75,039)	12,221	14,822
B. II. 4. 3.	Tangible fixed assets - other	023	87,260	(75,039)	12,221	14,822
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	12,801	-	12,801	2,586
B. II. 5. 1.	Advances paid for tangible fixed assets	025	2,563	-	2,563	-
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	10,238	-	10,238	2,586
B. III.	**Long-term investments**	**027**	**422,624**	**(148,113)**	**274,511**	**271,641**
B. III. 1.	Investments - subsidiaries and controlling party	028	289,259	(110,993)	178,266	176,938
B. III. 2.	Loans and borrowings - subsidiaries and controlling party	029	133,365	(37,120)	96,245	94,703
C.	**CURRENT ASSETS**	**037**	**482,628**	**(16,507)**	**466,121**	**293,473**
C. I.	**Inventories**	**038**	**162,424**	**(10,153)**	**152,271**	**164,474**
C. I. 1.	Raw materials	039	97,915	(9,609)	88,306	108,617
C. I. 2.	Work in progress and semi-finished products	040	9,944	-	9,944	8,662
C. I. 3.	Finished goods and goods for resale	041	54,565	(544)	54,021	47,195
C. I. 3. 1.	Finished goods	042	29,676	(254)	29,422	29,141
C. I. 3. 2.	Goods for resale	043	24,889	(290)	24,599	18,054
C. II.	**Receivables**	**046**	**90,502**	**(6,354)**	**84,148**	**89,770**
C. II. 1.	Long-term receivables	047	8	-	8	7
C. II. 1. 5.	Receivables - other	052	8	-	8	7
C. II. 1. 5. 2.	Long-term advances paid	054	8	-	8	7
C. II. 2.	Short-term receivables	057	90,494	(6,354)	84,140	89,763
C. II. 2. 1.	Trade receivables	058	69,610	(6,354)	63,256	67,057
C. II. 2. 2.	Receivables - subsidiaries and controlling party	059	198	-	198	650
C. II. 2. 4.	Receivables - other	061	20,686	-	20,686	22, 056
C. II. 2. 4. 3.	Taxes - receivables from the state	064	17,680	-	17,680	16,937
C. II. 2. 4. 4.	Short-term advances paid	065	2,550	-	2,550	3,601
C. II. 2. 4. 5.	Estimated receivables	066	436	-	436	1,489
C. II. 2. 4. 6.	Other receivables	067	20	-	20	29
C. IV.	**Cash**	**075**	**229,702**	**-**	**229,702**	**39,229**
C. IV. 1.	Cash in hand	076	174	-	174	363
C. IV. 2.	Cash at bank	077	229,528	-	229,528	38,866
D.	**Prepayments and accrued income**	**078**	**26,029**	**-**	**26,029**	**27,619**
D. 1.	Prepaid expenses	079	4,492	-	4,492	4,846
D. 3.	Accrued income	081	21,537	-	21,537	22,773

KORADO, a.s.

Identification number: 25255843 | Legal form: Join stock company | Primary business: Manufacturing of central heating radiators
Balance sheet date: 31 December 2020 | Date of preparation of the financial statements: 6 May 2021

BALANCE SHEET (in thousand Czech crowns)

Ref.				LIABILITIES AND EQUITY	Row.	31. 12. 2020	31. 12. 2019
a				b	c	5	6
				TOTAL LIABILITIES AND EQUITY	**082**	**1,839,039**	**1,742,502**
A.				**Equity**	**083**	**1,156,729**	**1,101,863**
A.	**I.**			**Share capital**	**084**	**724,221**	**724,221**
A.	I.	1.		Share capital	085	840,700	840,700
A.	I.	2.		Own shares held	086	(116,479)	(116,479)
A.	**II.**			**Share premium and capital contributions**	**088**	**(42,999)**	**(45,625)**
A.	II.	2.		Capital contributions	090	(42,999)	(45,625)
A.	II.	2.	2.	Assets and liabilities revaluation	092	(42,999)	(45,625)
A.	**III.**			**Other reserves**	**096**	**116,479**	**116,479**
A.	III.	2.		Statutory and other reserves	098	116,479	116,479
A.	**IV.**			**Retained earnings / Accumulated losses**	**099**	**306,787**	**306,587**
A.	IV.	1.		Retained earnings or accumulated losses (+/-)	100	306,787	306,587
A.	**V.**			**Profit / (loss) for the current period**	**102**	**52,241**	**201**
B.	**+ C.**			**Liabilities**	**104**	**673,129**	**626,221**
B.				**Provisions**	**105**	**6,528**	**6,275**
B.	4.			Other provisions	109	6,528	6,275
C.				**Liabilities**	**110**	**666,601**	**619,946**
C.	**I.**			**Long-term liabilities**	**111**	**200,551**	**215,262**
C.	I.	2.		Liabilities due to financial institutions	115	95,219	109,930
C.	I.	8.		Deferred tax liability	121	105,332	105,332
C.	**II.**			**Short-term liabilities**	**126**	**466,050**	**404,684**
C.	II.	2.		Liabilities due to financial institutions	130	52,801	48,210
C.	II.	3.		Short-term advances received	131	714	94
C.	II.	4.		Trade payables	132	363,136	322,108
C.	II.	8.		Liabilities - other	136	49,399	34,272
C.	II.	8.	1.	Liabilities to shareholders	137	29	30
C.	II.	8.	3.	Liabilities to employees	139	15,120	13,399
C.	II.	8.	4.	Liabilities for social security and health insurance	140	8,018	6,973
C.	II.	8.	5.	Taxes and state subsidies payable	141	3,091	2,613
C.	II.	8.	6.	Estimated payables	142	22,655	10,768
C.	II.	8.	7.	Estimated payables	143	486	489
D.				**Accruals and deferred income**	**147**	**9,181**	**14,418**
D.	1.			Accrued expenses	148	8,586	12,041
D.	2.			Deferred income	149	595	2,377

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KORADO, a.s.

Identification number: 25255843 | Legal form: Join stock company | Primary business: Manufacturing of central heating radiators
Balance sheet date: 31 December 2020 | Date of preparation of the financial statements: 6 May 2021

INCOME STATEMENT (in thousand Czech crowns)

Ref.			TEXT	Row.	Accounting period 2020	2019
a			b	c	1	2
I.			**Sales of products and services**	**01**	**1,085,260**	**1,065,247**
II.			**Sales of goods**	**02**	**481,411**	**471,378**
A.			**Cost of sales**	**03**	**1,146,971**	**1,154,311**
A.	1.		Cost of goods sold	04	389,401	380,178
A.	2.		Raw materials and consumables used	05	622,131	630,848
A.	3.		Services	06	135,439	143,285
B.			**Changes in inventories of finished goods and work in progress**	**07**	**(2,336)**	**10,681**
C.			**Own work capitalised**	**08**	**(5,724)**	**(6,380)**
D.			**Staff costs**	**09**	**289,085**	**278,789**
D.	1.		Wages and salaries	10	219,842	208,104
D.	2.		Social security, health insurance and other social costs	11	69,243	70,685
D.	2.	1.	Social security and health insurance costs	12	65,083	63,113
D.	2.	2.	Other social costs	13	4,160	7,572
E.			**Value adjustments in operating acitivities**	**14**	**112,643**	**112,764**
E.	1.		Value adjustments of fixed assets	15	109,590	109,528
E.	1.	1.	Depreciation, amortisation and write off of fixed assets	16	109,590	109,528
E.	2.		Provision for impairment of inventories	18	103	3,433
E.	3.		Provision for impairment of receivables	19	2,950	(197)
III.			**Operating income - other**	**20**	**16,001**	**16,546**
III.	1.		Sales of fixed assets	21	1,017	2
III.	2.		Sales of raw materials	22	6,050	7,730
III.	3.		Other operating income	23	8,934	8,814
F.			**Operating expenses - other**	**24**	**19,451**	**19,591**
F.	1.		Net book value of fixed assets sold	25	854	-
F.	2.		Cost of raw materials sold	26	5,909	7,954
F.	3.		Taxes and charges from operating activities	27	895	825
F.	4.		Operating provisions and complex prepaid expenses	28	253	(120)
F.	5.		Other operating expenses	29	11,540	10,932
	*		**Operating result**	**30**	**22,582**	**(16,585)**
IV.			Income from sales of long-term investments - shares	31	43,029	47,281
IV.	1.		Income from sales of investments - subsidiaries or controlling party	32	43,029	47,281
G.			Shares sold	34	-	716
VI.			Interest and similar income	39	2,683	3,215
VI.	1.		Interest and similar income - subsidiaries or controlling party	40	2,676	3,187
VI.	2.		Other interest and similar income	41	7	28
I.			Value adjustments and provisions from financial operations	42	(5,463)	(1,199)
J.			Interest and similar expenses	43	3,377	6,402
J.	2.		Other interest and similar expenses	45	3,377	6,402
VII.			Other financial income	46	22,373	8,906
K.			Other financial expenses	47	40,512	16,526
	*		**Financial result**	**48**	**29,659**	**36,957**
	**		**Net profit / (loss) before tax**	**49**	**52,241**	**20,372**
L.			**Tax on profit or loss**	**50**	**-**	**20,171**
L.	2.		Tax on profit or loss - deferred	52	-	20,171
	**		**Net profit / (loss) after tax**	**53**	**52,241**	**201**
	***		**Net profit / (loss) for the financial period**	**55**	**52,241**	**201**
			Net turnover for the financial period	**56**	**1,650,757**	**1,612,573**

KORADO, a.s.

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CASH-FLOW STATEMENT (in thousand Czech crowns)

Ref.			TEXT	Accounting period 2020	2019
a			b	1	2
			Cash flows from operating activities		
			Net profit on ordinary activities before tax	**52,241**	**20,372**
A.	1.		Adjustments for non-cash movements:	74,283	69,908
A.	1.	1.	Depreciation and amortisation of fixed assets	109,590	109,528
A.	1.	2.	Change in provisions	(2,157)	1,917
A.	1.	3.	(Profit)/loss from disposal of fixed assets	(167)	(3,908)
A.	1.	4.	Dividend income	(43,024)	(42,659)
A.	1.	5.	Net interest expense/(income)	694	3,187
A.	1.	6.	Other non-cash movements	9,347	1,843
A	*		**Net cash flow from operating activities before tax and changes in working capital**	**126,524**	**90,280**
A.	2.		Working capital changes:	48,348	(56,240)
A.	2.	1.	Change in receivables and prepayments	927	2,715
A.	2.	2.	Change in short-term payables and accruals	35,321	(82,550)
A.	2.	3.	Change in inventories	12,100	23,595
A	**		**Net cash flow from operating activities before tax**	**174,872**	**34,040**
A.	3.		Interest paid	(3,377)	(6,402)
A.	4.		Interest received	2,683	3,215
A.	6.		Dividends received	43,024	42,659
A	***		**Net cash flow from operating activities**	**217,202**	**73,512**
B.	1.		Acquisition of fixed assets	(20,101)	(16,514)
B.	2.		Proceeds from sale of fixed assets	167	3,908
B.	3.		Loans to related parties	3,325	(3,677)
B	***		**Net cash flow from investing activities**	**(16,609)**	**(16,283)**
C.	1.		Change in long- and short-term liabilities	(10,120)	(67,865)
C.	2.		Changes in equity:	-	(18,167)
C.	2.	6.	Dividends paid	-	(18,167)
C	***		**Net cash flow from financing activities**	**(10,120)**	**(86,032)**
			Net increase/(decrease) in cash and cash equivalents	**190,473**	**(28,803)**
			Cash and cash equivalents at the beginning of the year	**39,229**	**68,032**
			Cash and cash equivalents at the end of the year	**229,702**	**39,229**

KORADO, a.s.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in thousand Czech crowns)

	Share capital	Property revaluation reserve (+/)	Own shares	Interim dividend declared	Statutory and other reserves	Retained earnings	Total
As at 1 January 2019	**840,700**	**(44,435)**	**(116,479)**	**(18,167)**	**116,479**	**333,837**	**1,111,935**
Fair value gains/(losses)							
- investments in subsidiaries and associates	-	(1,190)	-	-	-	-	(1,190)
Dividends paid	-	-	-	18,167	-	(27,250)	(9,083)
Net profit/(loss) for the current period	-	-	-	-	-	201	201
As at 31 December 2019	**840,700**	**(45,625)**	**(116,479)**	**0**	**116,479**	**306,788**	**1,101,863**
Fair value gains/(losses)							
- investments in subsidiaries and associates	-	2,626	-	-	-	-	2,626
Net profit/(loss) for the current period	-	-	-	-	-	52,241	52,241
Rounding	-	-	-	-	-	(1)	(1)
As at 31 December 2020	**840,700**	**(42,999)**	**(116,479)**	**0**	**116,479**	**359,028**	**1,156,729**

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

1. General information

1. 1. Introductory information about the Company

KORADO, a.s. ("the Company") was incorporated on 1 September 1996 by the Regional Court in Hradec Králové, Section B, Insert 1500 and has its registered office at Bří Hubálků 869, Česká Třebová. The Company's primary business activities is manufacturing of RADIK and KINGRAD steel panel radiators, KORALUX tubular radiators and KORATHERM design radiators.

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

The existence of the novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the Company's operations in the year ending 31 December 2020.

As of the issue date of these Financial statements management of the Company did not notice significant decrease of sales. However, the situation is fluid and rapidly evolving we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. Potential restrictions on free movement of goods would result in decreased revenues and limitation of production. Short-term decrease of sales will be managed given the current good cash position due to low indebtedness. Similarly, the Company is prepared for potential short-term outage of production due to quarantine. Management of the Company will continue to monitor potential impacts and will implement all possible steps to reduce negative effects on the Company and its employees.

The Company's management considered the potential impacts of COVID-19 on its activities and business and concluded that they do not have a significant effect on the going concern assumption. Due to this, financial statements as at 31 December 2020 were prepared on a going concern basis.

2. Accounting policies

2. 1. Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention

Management has considered the impact of the novel coronavirus causing the COVID-19 disease when assessing the valuation of assets and liabilities and going concern assumptions..

2. 2. Intangible and tangible fixed assets

All intangible (and tangible) assets with a useful life longer than one year and a unit cost of more than CZK 60 thousand (CZK 40 thousand) are treated as intangible (and tangible) fixed assets.

Purchased intangible (and tangible) fixed assets are initially recorded at cost, which includes all costs related with its acquisition. All research costs are expensed. Own manufactured fixed assets are valued at own cost.

Intangible and tangible fixed assets (except land and arts which is not depreciated) are amortized / depreciated applying the straight-line method over their estimated useful lives as follows:

Intangible fixed assets	Estimated useful life
Software	4 - 6 years
Royalties	6 years
Tangible fixed assets	**Estimated useful life**
Constructions	20 - 50 years
Property, plant and equipment	8 - 15 years
Motor vehicle	4 - 8 years
Other tangible fixed assets	2 - 4 years

The amortization / depreciation plan is updated during the useful life of the intangible and tangible fixed assets based on changes of the expected useful life and anticipated residual value of the intangible and tangible fixed assets.

A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred. Technical improvements of intangible and tangible fixed assets are capitalized.

2. 3. Investments in subsidiaries and investments in associates

Investments in subsidiaries represent ownership interests in enterprises that are controlled by the Company ("the subsidiary").

Investments in subsidiaries are recorded at cost less a provision for diminution in value.

Loans granted to subsidiaries are measured at nominal value. Temporary impairment, which is recognized as an adjustment, is quantified by assessing its risk.

2. 4. Inventories

Purchased inventories are stated at the lower of cost and net realizable amount. Cost includes all costs related with its acquisition (mainly transport costs, customs duty, etc.). The weighted average cost method is applied for all disposals.

Inventories generated from own production, i.e. work-in--progress and finished goods, are stated at the lower of production cost and estimated net realizable amount. Production cost includes direct and indirect materials, direct and indirect wages and production overheads.

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

2. 5. Receivables

Receivables are stated at nominal value less a provision for doubtful accounts. A provision for doubtful accounts is created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers.

2. 6. Cash and cash equivalents

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Company has prepared a Cash-flow statement using the indirect method.

2. 7. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the transaction date.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

Investments in subsidiaries, investments and securities denominated in a foreign currency, which are not accounted for at fair value, are translated at the year-end exchange rate as published by the Czech National Bank. Any translation difference is recognized in equity, with the exception of held-to-maturity investments, where the translation difference is recognized in the income statement.

2. 8. Equity

The Company's decision to pay an interim dividend is reflected in the accounting as a decrease in equity and is presented on the balance sheet line - Interim dividend declared. Such an interim dividend or a part thereof is classified as a receivable from shareholders as at the balance sheet date if the Company incurs a loss or achieves lower profit than the value of the originally paid interim dividend.

2. 9. Provisions

The Company recognizes provisions to cover its obligations or expenses, when the nature of the obligations or expenses is clearly defined and it is probable or certain as at the balance sheet date that they will be incurred, however their precise amount or timing is not known. The provision recognized as at the balance sheet date represent the best estimate of expenses that will be probably incurred, or the amount of liability that is required for their settlement.

2. 10. Employment benefits

The Company creates a provision relating to untaken holidays.

The Company recognizes an estimated payable relating to rewards and bonuses of employees.

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds.

2. 11. Revenue recognition

Sales are recognized when goods are shipped to the customer or services are rendered and are stated net of discounts, and value added tax.

2. 12. Related parties

The Company's related parties are considered to be the following:

- parties, which directly or indirectly control the Company, their subsidiaries and associates;
- parties, which have directly or indirectly significant influence on the Company;
- members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- subsidiaries and associates and joint-venture companies.

Significant transactions and balances with related parties are disclosed in Note 15 Related parties' transactions and Note 17 Employees.

2. 13. Leases

The costs of assets held under both finance and operating leases are not capitalized as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognized in the balance sheet.

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

2. 14. Interest expense

Interest expense on borrowings to finance the acquisition of intangible and tangible fixed assets are capitalized during the period of completion and preparation of the asset for its intended use. Other borrowing costs are expensed.

2. 15. Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognized if it is probable that sufficient future taxable profit will be available against which the asset can be utilized.

2. 16. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognized in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed, but are not themselves recognized in the financial statements.

3. Intangible fixes assets

(CZK'000)	1 January 2020	Additions / transfers	Disposals	31 December 2020
Cost				
Software	212,295	3,037	-	215,332
Other royalties	5,082	918	-	6,000
Intangible fixed assets in the course of construction	416	1,019	-	1,435
Total	**217,793**	**4,974**	**-**	**222,767**
Accumulated amortisation				
Software	194,861	5,167	-	200,028
Other royalties	3,672	460	-	4,132
Total	**198,533**	**5,627**	**-**	**204,160**
Net book value	**19,260**			**18,607**

(CZK'000)	1 January 2019	Additions / transfers	Disposals	31 December 2019
Cost				
Software	208,177	4,118	-	212,295
Other royalties	4,292	790	-	5,082
Intangible fixed assets in the course of construction	3,048	(2,632)	-	416
Total	**215,517**	**2,276**	**-**	**217,793**
Accumulated amortisation				
Software	190,208	4,653	-	194,861
Other royalties	3,280	392	-	3,672
Total	**193,488**	**5,045**	**-**	**198,533**
Net book value	**22,029**			**19,260**

4. Tangible fixed assets

(CZK'000)	1 January 2020	Additions / transfers	Disposals	31 December 2020
Cost				
Land	25,455	26	-	25,481
Constructions	1,697,361	4,632	9,552	1,692,441
Equipment	2,682,036	13,164	4,599	2,690,601
Other tangible fixed assets	61,356	44	-	61,400
Art works and collections	25,860	-	-	25,860
Advances paid for tangible fixed assets	-	2,563	-	2,563
Tangible fixed assets in the course of construction	2,586	7,652	-	10,238
Total	**4,494,654**	**28,081**	**14,151**	**4,508,584**
Accumulated depreciation and impairment				
Constructions	867,804	36,360	9,552	894,612
Equipment	2,423,947	65,814	4,599	2,485,162
Other tangible fixed assets	49,741	2,645	-	52,386
Art works and collections	22,653	-	-	22,653
Total	**3,364,145**	**104,819**	**14,151**	**3,454,813**
Net book value	**1,130,509**			**1,053,771**

(CZK'000)	1 January 2019	Additions / transfers	Disposals	31 December 2019
Cost				
Land	25,455	-	-	25,455
Constructions	1,690,892	6,469	-	1,697,361
Equipment	2,676,427	10,293	4,684	2,682,036
Other tangible fixed assets	60,676	680	-	61,356
Art works and collections	25,860	-	-	25,860
Advances paid for tangible fixed assets	3,990	(3,990)	-	-
Tangible fixed assets in the course of construction	1,779	807	-	2,586
Total	**4,485,079**	**14,259**	**4,684**	**4,494,654**
Accumulated depreciation and impairment				
Constructions	832,292	35,512	-	867,804
Equipment	2,362,677	65,954	4,684	2,423,947
Other tangible fixed assets	46,724	3,017	-	49,741
Art works and collections	22,653	-	-	22,653
Total	**3,264,346**	**104,483**	**4,684**	**3,364,145**
Net book value	**1,220,733**			**1,130,509**

The information on operating lease commitments is disclosed in Note 13 Commitments and contingent liabilities

Tangible assets have been tested for impairment in 2020. Testing resulted in no impairment of tangible assets in excess of previously recognized provisions. Impairment testing was performed using value in use calculations that are based on long-term business plan for next 5 years which was prepared based on management assumptions about future development of the Company. Assumption used for value-in-use calculations to which the recoverable amount is most sensitive is price of steel and the level of growth rate of sales. Management however assumes that in the event of an increase in the price of steel the selling prices of the Company's production will increase.

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

5. Investments in subsidiaries

31 December 2020	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2020 net profit/(loss) (CZK'000)	Net assets (CZK'000)	2020 dividend income (CZK'000)
Foreign entities								
KORADO Deutschland Fürstenwalde, Germany*		25 EUR	16,140	189	100 %	354	189	-
KORADO Bulgaria Strajica, Bulgaria	10,817,923	13,169 BGN	103,699	103,699	82.15 %	62,079	287,933	43,024
KORADO Polska Piasecno, Poland		7,211 PLN	67 455	-	100 %	2,050	(40,319)	-
KORADO Austria* Wien, Austria		1,050 EUR	27,558	-	100 %	3	(17)	-
KORADO UK* London, Great Britain		1 GBP	29	-	100 %	-	29	-
Domestic entities								
LICON HEAT Stráž nad Nisou, Česká republika		14,500 CZK	64,012	64,012	100 %	(12,565)	(8,342)	-
ThermWet Praha 10, Česká republika		200 CZK	10,366	10,366	100 %	(809)	(4,543)	-
Total			**289,259**	**178,266**				
Provision for diminution in value			**(110,993)**					
Net book value			**178,266**					

** Unaudited*

31 December 2019	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2019 net profit/(loss) (CZK'000)	Net assets (CZK'000)	2019 dividend income (CZK'000)
Foreign entities								
KORADO Deutschland Fürstenwalde, Germany*		25 EUR	15,626	-	100 %	(801)	(158)	1,066
KORADO Bulgaria Strajica, Bulgaria	10,817,923	13,169 BGN	102,560	102,560	82.15 %	55,940	269,678	41,593
KORADO Polska Piasecno, Poland		7,211 PLN	67,357	-	100 %	2,276	(43,880)	-
KORADO Austria* Wien, Austria		1,050 EUR	26,681	-	100 %	7	(20)	-
KORADO UK* London, Great Britain		1 GBP	30	-	100 %	-	30	-
Domestic entities								
LICON HEAT Stráž nad Nisou, Czech Republic		14,500 CZK	64,012	64,012	100 %	1,821	4,221	-
ThermWet Praha 10, Czech Republic		200 CZK	10,366	10,366	100 %	(2,771)	(3,733)	-
Total			**286,632**	**176,938**				
Provision for diminution in value			**(109,694)**					
Net book value			**176,938**					

** Unaudited*

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

The decrease in the share of KORADO Bulgaria's share capital in 2019 is due to the sale of the shares of this subsidiary. The proceeds from the sale of these shares were CZK 4,622 thousand.

Net book value of investment and loan provided in LICON HEAT have been tested for impairment in 2020. Testing resulted in no impairment of investment or provided loan. Impairment testing was performed using value-in-use calculations that are based on long-term business plan for next 5 years which was prepared based on management assumptions about future development of the Company.

As at the end of the year, the share price of KORADO Bulgaria amounted to 6.45 BGN/pcs. Market capitalization amounted to CZK 1,140 million (2019: CZK 1,069 million). Therefore, the market value of share substantially exceeds carrying amount.

Analysis of the change in the provision for the diminution in value of investments in subsidiaries:

	Subsidiaries (CZK'000)	
	2020	**2019**
As at 1 January	**109,694**	**108,543**
Charge for the year	1,299	1,519
Released during the year	-	368
As at 31 December	**110,993**	**109,694**

6. Provided loans

31 December 2020	Loan value in foreign currency ('000)	Loan value (CZK'000)	Interest rate (%)	Allowance (CZK'000)
Foreign entities				
KORADO Polska	6,450 PLN	37,120	1.7 % p.a.	37,120
KORADO Bulgaria	1,900 EUR	49,865	1M Euribor + 1.65 % p.a.	-
Domestic entities				
LICON HEAT	37,000 CZK	37,000	1M Pribor + 1.55 % p.a.	-
LICON HEAT	205 EUR	5,380	1M Euribor + 1.55 % p.a.	-
ThermWet	4,000 CZK	4,000	1M Pribor + 1.55 % p.a.	-
Total		**133,365**		37,120
Provision for diminution in value		**(37,120)**		
Net book value		**96,245**		

31 December 2019	Loan value in foreign currency ('000)	Loan value (CZK'000)	Interest rate (%)	Allowance (CZK'000)
Foreign entities				
KORADO Poland	7,924 PLN	47,306	1.7 % p.a.	43,882
KORADO Bulgaria	1,900 EUR	48,279	1M Euribor + 1.65 % p.a.	-
Domestic entities				
LICON HEAT	39,000 CZK	39,000	1M Pribor + 1.55 % p.a.	-
ThermWet	4,000 CZK	4,000	1M Pribor + 1.55 % p.a.	-
Total		**138,585**		**43,882**
Provision for diminution in value		**(43,882)**		
Net book value		**94,703**		

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

7. Inventories

The Company created a provision for inventories as at 31 December 2020 of CZK 10,153 thousand (as at 31 December 2019: CZK 10,050 thousand).

(CZK'000)	2020	2019
Opening balance as at 1 January	**10,050**	**6,617**
Charge for the year	814	3,433
Released during the year	711	-
Closing balance as at 31 December	**10,153**	**10,050**

8. Receivables

Overdue receivables as at 31 December 2020 amounted to CZK 7,150 thousand (as at 31 December 2019: CZK 7,580 thousand).

Unsettled receivables have not been covered by guarantees and none of them are due after more than 5 years.

Analysis of the change in the provision for doubtful receivables:

(CZK'000)	2020	2019
Opening balance as at 1 January	**3,405**	**3,602**
Charge for the year	3,267	307
Released during the year	286	217
Written off during the year	32	287
Closing balance as at 31 December	**6,354**	**3,405**

9. Equity

Authorized and issued share capital:

	31 December 2020		31 December 2019	
	No. of pieces	Carrying value (CZK'000)	No. of pieces	Carrying value (CZK'000)
Ordinary shares of CZK 350,000 fully paid	2,402	840,700	2,402	840,700

The shareholders:

(%)	31 December 2020	31 December 2019
Menclík František	9.16	9.16
Petr Ludvík	9.16	9.16
Vobora Miroslav	9.16	9.16
KORADO, a.s.	9.16	9.16
European Bank for Reconstruction & Development	29.14	29.14
Ministry of Finance, Czech Republic	34.22	34.22
Total	**100.00**	**100.00**

The Company KORADO, a.s. with the registered office at Česká Třebová, Bří Hubálků 869 prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a parent.

The general meeting of shareholders approved the financial statements for 2019 and decided about the allocation of profit earned in 2019 of CZK 201 thousand on 3 December 2020. It was decided to transferred profit of CZK 201 thousand to retained earnings.

10. Provisions

(CZK'000)	Warranty repairs	Provision for pension liabilities	Total
Opening balance as at 1 January 2019	**4,915**	**1,480**	**6,395**
Charge for the year	-	211	211
Used in the year	331	-	331
Closing balance as at 31 December 2019	**4,584**	**1,691**	**6,275**
Charge for the year	-	936	936
Used in the year	683	-	683
Closing balance as at 31 December 2020	**3,901**	**2,627**	**6,528**

For an analysis of the current and deferred income tax, see Note 18 – Income tax.

11. Payables, commitments and contingent liabilities

Liabilities have not been secured against any assets of the Company and are not due after more than 5 years.

Except the below stated, the Company did not provide any collaterals that would not have been recognized in the balance sheet.

12. Bank loans and other borrowings

Analysis of the bank loans:

	Collateral	Interest rate (%)	Currency	Balance as at 31 December 2020 (CZK'000)	Balance as at 31 December 2019 (CZK'000)
Československá obchodní banka, a.s.*	Real estate, receivables, inventories	O/N Eur Libor +1.45 % p.a.	EUR	-	-
Československá obchodní banka, a.s.	Real estate, receivables	Euribor 1M +1.65 % p.a.	EUR	-	4,998
Československá obchodní banka, a.s.	Real estate, receivables, inventories	Euribor 1M+1.55 % p.a.	EUR	31,669	49,057
Československá obchodní banka, a.s.	Real estate, receivables	Pribor 1M+1.55 % p.a.	CZK	60,000	80,000
Československá obchodní banka, a.s.	Real estate, receivables, inventories	Euribor 1M+1.55 % p.a.	EUR	56,351	24,085
Československá obchodní banka, a.s.*	Real estate, Licon Heat receivables	O/N Pribor + 1.45 % p.a.	CZK	-	-
RaiffeisenBank, a.s.*	no collateral	1D Pribor +1.5 % p.a.	CZK	-	-
Total bank loans				**148,020**	**158,140**

* the credit limit was not drawn as at 31 December 2020 and 31 December 2019

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

Loans in the total amount of CZK 148,020 thousand (as at 31 December 2019: CZK 158,140 thousand) drawn from Československá obchodní banka, a.s., have a maturity up to 5 years (short - term part of the loan as at 31 December 2020: CZK 52,801 thousand).

Bank loans have certain financial covenants attached to them. Breach of these covenants can lead to immediate maturity of the debt. As at 31 December 2020 Company met those covenants.

Certain asset items (real estate, receivables and inventories) are used as collateral for bank loans and other liabilities. Total net book value of such assets as at 31 December 2020 amounted to CZK 793,064 thousand (as at 31 December 2019: CZK 845,899 thousand).

13. Commitments and contingent liabilities

The management of the Company is not aware of any contingent liabilities as at 31 December 2020.

The Company has the following commitments in respect of operating leases:

(CZK'000)	31 December 2020	31 December 2019
Current within one year	5,128	4,631
Due after one year	15,221	17,225
Total commitments in respect of operating leases	**20,349**	**21,856**

14. Revenue

Revenue analysis:

(CZK'000)	2020	2019
Radiator production		
- domestic	301,267	309,735
- foreign	774,371	740,208
Provided services	9,622	15,304
Total sales of own products and services	**1,085,260**	**1,065,247**
Sales of goods		
- domestic	293,876	308,553
- foreign	187,535	162,825
Total sales of goods	**481,411**	**471,378**

15. Related parties' transactions

All material transactions with related parties are presented in this note.

(CZK'000)	2020	2019
Revenues		
Sales of services	7,298	8,925
Sale of products	97,441	91,314
Sales of goods	2,475	2,391
Sale of materials and tangible fixed assets	3,773	4,829
Interest income	2,676	3,187
Income from shares in subsidiaries	43,024	42,659
Total	**156,687**	**153,305**
Costs		
Purchase of goods for resale	340,016	333,560
Purchase of material	80,617	57,519
Services	2,389	1,648
Total	**423,022**	**392,727**

The following related party balances were outstanding as at:

(CZK'000)	31 December 2020	31 December 2019
Receivables		
Trade receivables	25,607	19,725
Accruals	21,218	22,381
Granted loans, including allowances	96,245	94,703
Total	**143,070**	**136,809**
Liabilities		
Liabilities to companies	95,794	54,234
Out of which:		
Trade payables	95,218	52,670
Accruals	576	1,564
Total	**95,794**	**54,234**

The loans receivable and payable bear interest at market interest rates.

Company cars are available to the members of the Company's management, control and administrative bodies.

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

16. Fees paid and payable to the audit company

The information relating to the fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. is included in the consolidated financial statements of the parent company.

17. Employees

	2020		2019	
	number	CZK'000	number	CZK'000
Emoluments to the Statutory Body	3	900	3	900
Emoluments to members of the Supervisory Board	3	540	3	630
Wages and salaries to other management	27	67,129	26	57,947
Wages and salaries to other employees	372	151,273	387	148,627
Social security costs		65,083		63,113
Other social costs		4,160		7,572
Wages and salaries total	**405**	**289,085**	**419**	**278,789**

The other management includes top management and other senior staff members who are subordinate to members of statutory body.

Other transactions with the Company's management are described in Note 15 - Related parties transactions.

18. Income tax

The income tax expense analysis:

(CZK'000)	2020	2019
Current tax expense (19%)	-	-
Deferred tax expense	-	20,171
Total income tax expense	**-**	**20,171**

The current tax analysis:

(CZK'000)	2020	2019
Net profit before taxation	52,241	20,372
Items increasing the tax base	47,993	54,126
- of which differences between accounting and tax depreciation	31,143	24,119
Items decreasing the tax base	49,171	66,416
- of which dividends received and sales of shares	43,024	47,281
Claimed tax loss	50,163	8,082
Tax base	900	-
Corporate income tax at 19%	**171**	**-**
Tax credit	171	-
Current tax	**-**	**-**

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2020

The deferred tax was calculated at 19% (the rate enacted for 2020 and subsequent years).

The deferred tax liability analysis:

(CZK'000)	31 December 2020	31 December 2019
Deferred tax (liability) / asset arising from:		
Difference between accounting and tax net book value of fixed assets	(110,547)	(119,933)
Provisions and allowances	3,224	3,157
Tax losses carried forward	1,991	11,444
Net deferred tax liability	**(105,332)**	**(105,332)**

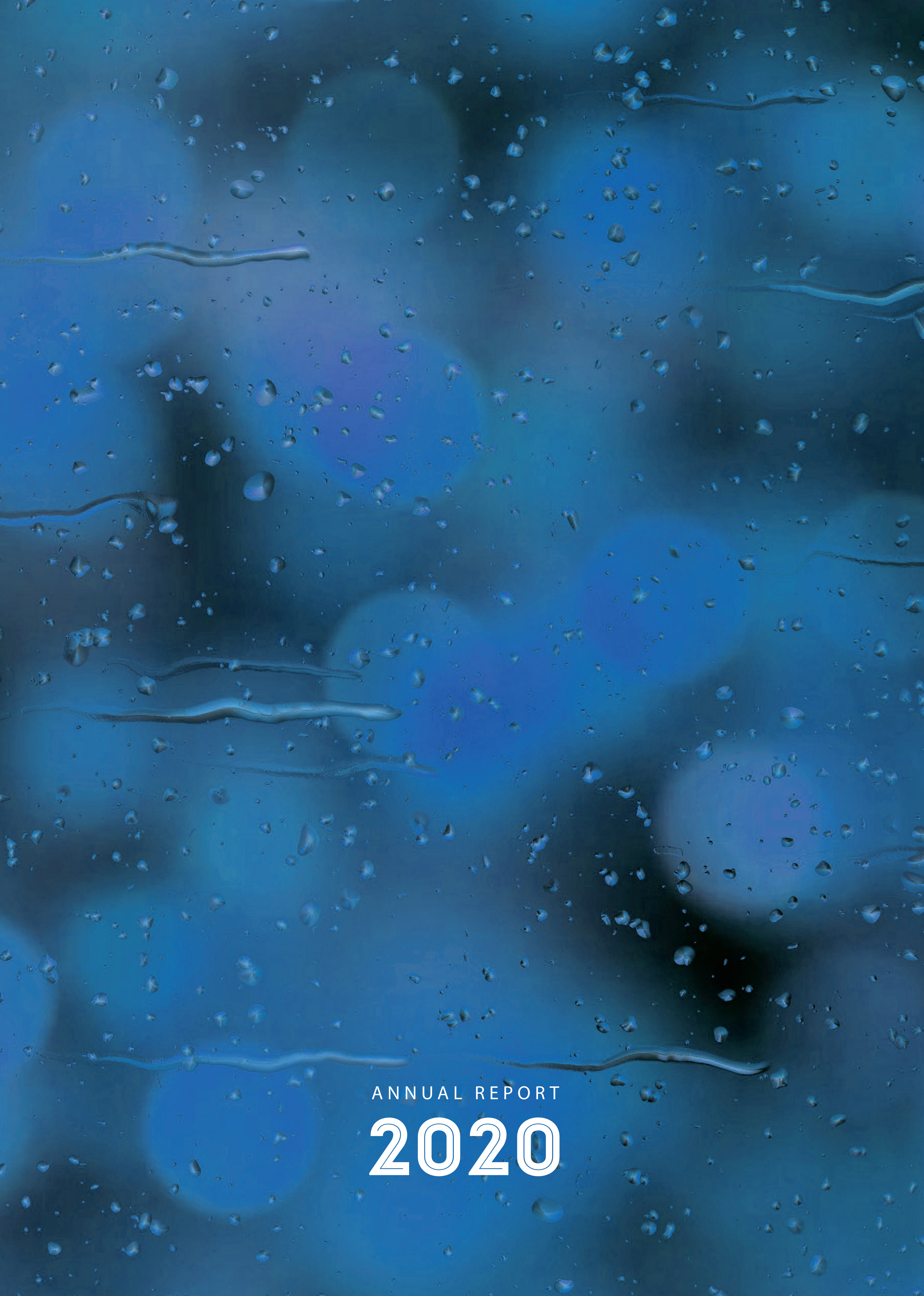
The Company has tax losses as at 31 December 2020 of CZK 10,480 thousand (as at 31 December 2019: CZK 60,151 thousand), which can be utilized up to 2023. The management of the Company is convinced that these tax losses will be utilized in the defined period.

19. Subsequent events

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2020.

6 May 2021

František Menclík
Chairman of the Board of Directors



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