



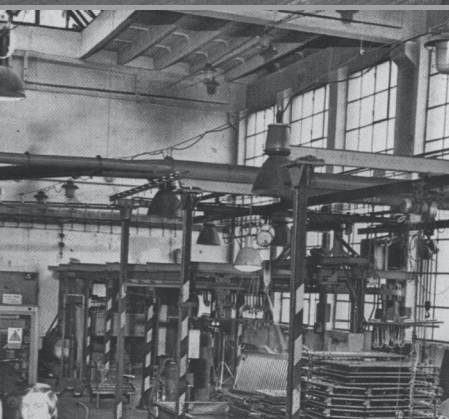
ANNUAL
REPORT

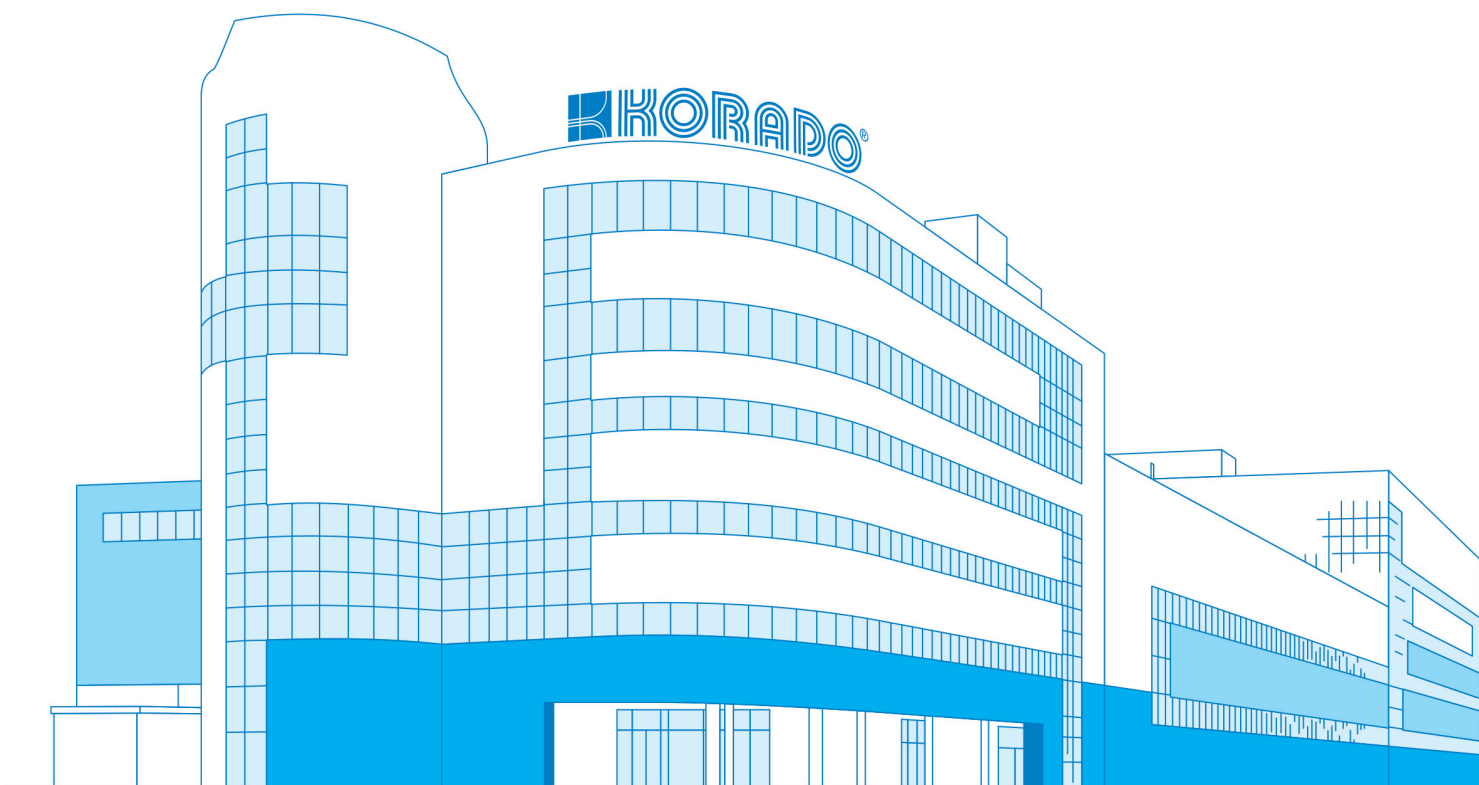
2022



ANNUAL
REPORT

2022





CONTENTS

STRATEGIES AND GOALS OF THE KORADO GROUP	6
GROUP OVERVIEW	
The KORADO Group	7
Report on Subsidiaries	9
Table of Financial Indicators of the Group	10
REPORT ON ACTIVITIES OF THE GROUP	
Financial Situation	11
Production and Development	12
Management of Human Resources	13
Quality Management System, Ecology and the Environment	14
GENERAL COMPANY INFORMATION	
General Company Information	15
Composition of the Company Bodies and Management	16
Organisational Scheme	17
Composition of the Management	18
Company's History in Dates	20
INDEPENDENT AUDITOR'S REPORT TO KORADO A.S. SHAREHOLDERS	22
CONSOLIDATED FINANCIAL STATEMENTS OF THE KORADO GROUP PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT 31 December 2022	
Contents	26
Consolidated Balance Sheet	27
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Changes in Equity	29
Consolidated Statement of Cash Flows	30
Notes to the Consolidated Financial Statements as at 31 December 2022	31
STANDALONE FINANCIAL STATEMENTS OF KORADO, A.S. AS AT 31 December 2022	
Balance Sheet	52
Income Statement	54
Statement of Cash Flows	55
Statement of Changes in Equity	56
Notes to Financial Statements for the year ended 31 December 2022	57

Translation note

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.

STRATEGIES AND GOALS OF THE KORADO GROUP

The main objective of the KORADO Group for 2023 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

Progressive changes in the energy intensity of buildings are the impulse for changes in technologies that ensure the indoor climate of buildings. Our product development will focus on these areas, which will be used even more in new construction than before. In addition to the development and introduction of new products, we continue to consolidate and optimize the supply of standard heaters to our customers.

Securing against Risk

Working with business and trade risks and hedging against them continues to be one of the primary tasks of the KORADO Group. Persisting turbulent environment which is influenced by many unpredictable factors (military conflict in Ukraine, Covid, a huge increase in commodity and energy prices, a significant increase in interest rates, 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 2023, 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, in accordance with the Definition of Internal Audit, is that of ensuring independent and objective assurance for bodies of the Company and their management that corporate governance, management 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 2022, the KORADO Group consisted of the parent company KORADO, a.s., Česká Třebová and seven subsidiaries, which are:

- | | |
|------------------|---|
| Four trading | <ul style="list-style-type: none"> – KORADO Deutschland – KORADO Austria (currently not engaged in business) – KORADO Polska – KORADO U. K. (currently not engaged in business) |
| Three production | <ul style="list-style-type: none"> – 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.

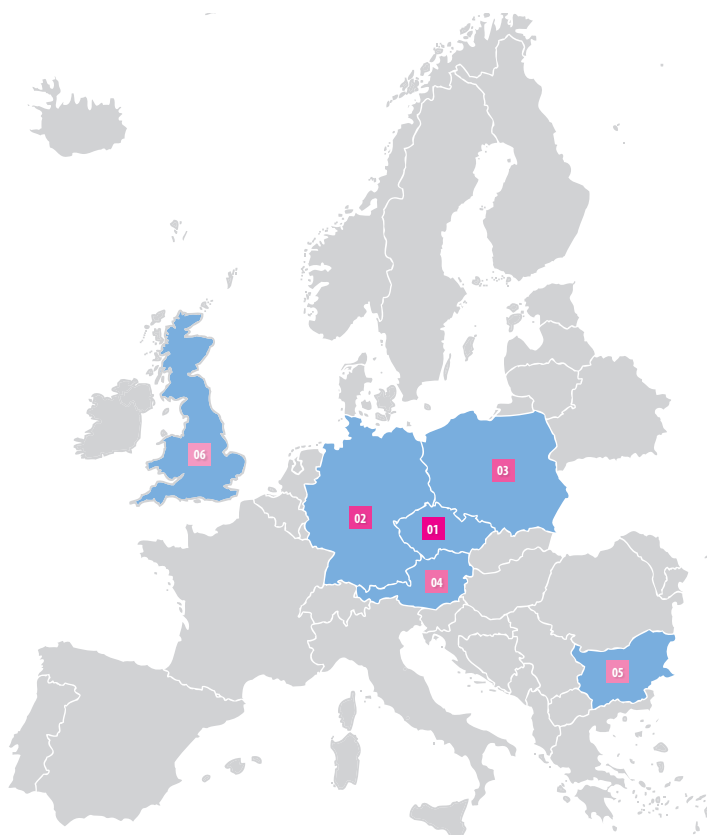
No Controlling Agreements have been concluded between the parent company KORADO, a.s. and its subsidiaries. The cooperation of these companies is based on Distributor Agreements and on the basis of annual financial sales plans. In addition to these Agreements there are Loan Agreements concluded between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

In 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. 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 the company 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 steel 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 2022:

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 603 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 37,150 thousand	Žaneta Vebrová	Gen.Okulickiego 4, 05-500 Piasecno, Poland	100 %	Limited liability company
KORADO Austria, GmbH	1 July 1998	CZK 25,321 thousand	Leona Vaňková	Gentzgasse 135/41, 1180 Wien, Austria	100 %	Limited liability company
KORADO Bulgaria, A. D.	1 October 1998	CZK 162,369 thousand	Jiří Řezníček	Gladston 28, 5150 Strajica, Bulgaria	82.15 %	Joint-stock company
KORADO U. K. Limited	25 November 1998	CZK 27 thousand	Vojtěch Čamek	12 South Drive, Banstead, Surrey, SM7 3BH, 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 Uhřetěves, Czech Republic	100%	Limited liability company

Share capital calculated based on the exchange rate as at 31 December 2022

* 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 2022, KORADO Deutschland achieved a financial result of EUR 17 thousand (CZK 407 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 2022, KORADO Polska achieved a financial result of PLN 374 thousand (CZK 1,962 thousand).

KORADO Austria, GmbH – KORADO Austria was founded in 1998 as a 100% subsidiary. KORADO Austria arranged operations 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 2022, KORADO Austria, GmbH achieved a financial result of EUR 0.141 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.

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.

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, Cyprus, Tunisia, Bosnia and Herzegovina and of course domestic market. A significant portion of production is traded through the distribution channels of the parent company.

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

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 every two existing shares). The company met requirements for

The share price of KORADO Bulgaria reached the value of BGN 6.100 per share at the end of the year. The market capitalization reached approx. CZK 993 million.

In 2022, KORADO Bulgaria generated a profit of BGN 4,382 thousand (CZK 55,042 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 2022, LICON HEAT generated a profit totalling CZK 7,368 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 2022, ThermWet generated loss of CZK (534) thousand.

KORADO U. K. Limited – is a trading company that was acquired in 1998. This company currently has no business.

TABLE OF FINANCIAL INDICATORS OF THE GROUP

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
TOTAL SALES (CZK MIL.)	1,602	1,750	1,836	1,875	1,949	1,780	1,832	1,775	2,350	2,229
YEARLY CHANGE IN SALES (%)	(3 %)	9 %	5 %	2 %	4 %	(9 %)	3 %	(3 %)	32 %	(5 %)
EBITDA (NET PROFIT (LOSS) PLUS TAX ON INCOME PLUS INTEREST COSTS PLUS DEPRECIATION) (CZK MIL.)	179	191	176	210	166	147	189	214	278	189
EBITDA MARGIN (EBITDA / TOTAL SALES) (%)	11 %	11 %	10 %	11 %	9 %	8 %	10 %	12 %	12 %	8 %
PROFIT/LOSS AFTER TAX (CZK MIL.)	50	63	44	70	25	6	7	56	123	49
RETURN ON EQUITY (EBIT / ASSETS MINUS CURRENT LIABILITIES)	4 %	5 %	3 %	5 %	2 %	2 %	3 %	5 %	10 %	4 %
INDEBTEDNESS (LOANS / EQUITY)	0.27	0.26	0.20	0.25	0.19	0.20	0.15	0.13	0.08	0.08
QUICK RATIO (CURRENT ASSETS MINUS INVENTORY / CURRENT LIABILITIES)	0.60	0.79	0.62	0.82	0.32	0.37	0.48	0.83	0.63	0.67
CURRENT RATIO (CURRENT ASSETS / CURRENT LIABILITIES)	1.03	1.23	1.06	1.36	0.88	0.94	1.10	1.32	1.35	1.70
TOTAL ASSETS (CZK MIL.)	2,106	2,203	2,153	2,185	1,990	2,032	1,966	2,033	2,334	2,111
NON-CURRENT ASSETS / TOTAL ASSETS (%)	79 %	74 %	76 %	72 %	78 %	74 %	74 %	68 %	56 %	61 %
RECEIVABLE TURNOVER (DAYS)	32	34	30	25	20	17	18	20	18	17
PAYABLE TURNOVER (DAYS)	107	110	107	103	92	122	124	128	120	119
INVENTORY TURNOVER (DAYS)	52	58	57	63	67	87	89	85	89	116

FINANCIAL SITUATION

Profitability of the KORADO Group

In 2022, like other companies, we faced a difficult economic and geopolitical situation, affected especially by the military conflict in Ukraine. The current situation creates uncertainty about the future state of the markets. The field of construction is beginning to signal signs of stagnation, input prices have risen due to the lack of certain materials, and at the same time there has also been a significant increase in energy prices, while the further development of input prices as well as supply and demand is very difficult to predict. Despite these limiting factors, smooth operation was ensured in all our production plants and the KORADO Group achieved a profit of CZK 49,364 million in 2022.

Bank Loans

Bank loans were repaid in 2022 in accordance with the terms of the credit agreements. All banking covenants were fulfilled during the year.

Investments

The parent company made five significant investments in 2022. The first investment was in equipment for the combustion of volatile substances produced during the burning of painted heating element. The second investment was the installation of energy-saving LED lighting in the production premises. The third investment was in the modification of the outdoor ramp for storage and shipping purposes. The fourth investment was the purchase of two new shell pressing tools for heating element. The last investment was for the establishment of a new website of KORADO.

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 entails a number of specifics and payments from these territories must be adequately ensured. Following the start of the military conflict in Ukraine, credit risk insurance companies cancelled coverage for Ukrainian and Russian customers. We managed to collect their debts. 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 2022, 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 and collection agencies.

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 and energy market, have also affected our long-term stabilized portfolio of our core suppliers which is identified as one of the cornerstones of our purchasing strategy. Another element of this strategy is the never-ending search for alternative suppliers.

PRODUCTION AND DEVELOPMENT

Production

The basic positive fact in 2022 was that we were able to respond to the decrease in market demand and effectively manage production costs, it was a key decision for the further sustainable development of the KORADO Group.

It was possible to continue the established production strategy in the KORADO Group, namely by maximizing the volumes of low-cost production in the Korado Bulgaria on the one hand and increasing the flexibility of production in the parent company with the potential of implementing the „ON-LINE Sales in the KORADO Group“ project on the other. The KORADO Group thereby increases its competitiveness on the market.

Development

In 2022, the development of an electric direct heating element took place and a seven-point heating element for the Scandinavian market and the Aquapanel design radiator with a booster have been completed. There was also the development and testing of electric radiant ceiling panels.

Two utility model applications for a new solution of plate heating elements with a central connection with a concealed actuator were also submitted.

Production in LICON HEAT

In 2022, product innovation took place so that it was possible to connect convectors with low-temperature heating sources. Individual project orders were also handled according to the customer's wishes. Furthermore, new tools for the production of PLAN boards were acquired and put into operation, and the process of supplying PLAN boards to the parent company was optimized.

Production in the KORADO Bulgaria

After the record volume of production in the extremely successful year 2021, there was a consolidation of production processes in 2022. Korado Bulgaria continues to operate the production of panel radiators on two automatic lines and the production of tubular bathroom radiators on one soldering line. Furthermore, cooperation on maintenance and development of production technologies with the parent company is expanding.

Production in ThermWet

In 2022, the development of the ventilation unit for single-family houses Ventbox 400 II was completed. This is the second generation of this series of ventilation units, intended mainly for the ventilation of family houses. Furthermore, the development and testing of the decentralized large-capacity ventilation unit Ventbox 800 for schools was successfully completed.

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 of senior staff members is 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 KORADO brand 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 Quality management system and now also according to the internationally recognized standard ISO 14001:2015 Environmental management system to meet the Company's strategy.

In October 2022, after a successful certification audit, the company KORADO, a.s., was included among the companies that provably demonstrate that they have control over environmental impacts and create safe working conditions.

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 certification RAL for the Federal Republic of Germany.

There are also trademarks for other important markets, such as the Russian market with the GOST mark as well as the Ukrainian market. KORADO products also comply with the legal regulations of the European Union and therefore meet all the conditions for CE certification.

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.

KORADO is one of the companies with Authorised Economic Operator (AEO) status.

The ISO 9001 and ISO 14001 quality management systems, 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 the criminal liability of legal entities and proceedings against them, the KORADO Group has introduced a „Compliance Program“ with the aim of preventing criminal offenses and protecting company property.

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

In the area of the environment, no problem arose in 2022 either in the parent company or in any of the subsidiaries. We belong to the leading companies in this area. Implemented energy-saving projects, thanks to which we use the heat from the production process in a fundamental way, reduce the consumption of electricity and thus optimize the energy intensity of production, can clearly be considered a contribution to active environmental protection. The purchase, installation and commissioning of a cardboard plotter is also a definite positive contribution to the environment.

A separate chapter highlighting the behaviour and relationship of the KORADO Group to the environment is the preparation and successful certification of the parent company KORADO according to EN ISO 14001.



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 Register kept at the Regional 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:	<ul style="list-style-type: none"> – 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, a.s. 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 investments 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.

In 2017, a transaction, which involved the transfer of shares owned by Bedřich Brabec, with a value 9.16 % of the subscribed capital directly to KORADO, a.s. has been finalized. 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. Company 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 prepare a report on relations due to the fact that according to the valid legislation it does not have a controlling person.

Subsequent events

No events have occurred subsequent to year-end, with the exception of the facts listed in the notes to the financial statements, that would have a material impact on the financial statements as at 31 December 2022.

COMPOSITION OF THE COMPANY BODIES AND MANAGEMENT

General Meeting

The supreme body of KORADO, a.s. is the General Meeting, which consists of the Company's shareholders. Its scope and powers are determined by the Company's Articles of Association. The Board of Directors usually convenes the General Meeting once a year.

Top management and control of the Company are ensured by these bodies:

Supervisory Board

The Supervisory Board is the supreme control body of KORADO, a.s., which is authorized to supervise the performance of the Board of Directors' scope and the Company's business activities. The composition, scope and powers of the Supervisory Board are determined by the Company's Articles of Association. The Supervisory Board had six members as at 31 December 2022. The Supervisory Board usually meets once every two month.

During 2022, the following changes occurred in the composition of the Supervisory Board:

On 20 April 2022, the five-year term of office of Ing. Leona Vaňková, who was a member of the Supervisory Board of KORADO, a.s., elected by the General Meeting in accordance with the results of the elections by the Company's employees has ended. Mrs. Vaňková, in cooperation with the personnel department, the chairman of the Board of Directors and the general manager, was proposed again as a member of the Supervisory Board of KORADO, a.s. On the basis of this fact and on the basis of the resolution of the Board of Directors of the Company number 963/208, in accordance with the valid Election Rules of 16 May 2005, the election of a candidate for the Supervisory Board of KORADO a.s. was announced.

Based on the submitted election results, the Supervisory Board appointed Mrs. Leona Vaňková as a substitute member, effective from 21 April 2022 until the next General Meeting of KORADO, a.s. The General Meeting on 6 June 2022 elected Ing. Leona Vaňková as a member of the Supervisory Board of KORADO, a.s., for another five-year term of office.

Also on 20 April 2022, the five-year term of office of the member of the Supervisory Board of KORADO, a.s., Mr. Ludvík Petr, has ended. On 3 February 2022, the Supervisory Board, by Resolution No. 836/155, took note that the natural persons Mr. F. Menclík and Mr. M. Vobora, in accordance with the wording of the Shareholders' Agreement, re-nominated Mr. Ludvík Petr as a member of the Supervisory Board.

On 31 March 2022, the Supervisory Board accepted the appointment of Mr. Ludvík Petr as a substitute member, with effect from 21 April 2022 until the next General Meeting of KORADO, a.s.

The General Meeting on 6 June 2022 elected Mr. Ludvík Petr as a member of the Supervisory Board of KORADO, a.s., for another five-year term of office.

The General Meeting of KORADO, a.s., on 6 June 2022, based on the nomination of the Ministry of Finance of the Czech Republic, elected a new member of the Supervisory Board, Mr. Ing. Radim Jirout, MBA, LL.M..

Composition of the Supervisory Board as at 31 December 2022:

- Ludvík PETR – Chairman of the Supervisory Board
- Ing. Jaromír HEJDA – Vice Chairman of the Supervisory Board
- Ing. Hana VAŇOUSOVÁ – Member of the Supervisory Board
- Ing. Leona VAŇKOVÁ – Member of the Supervisory Board
- David RYBA – Member of the Supervisory Board
- Ing. Radim JIROUT, MBA, LL.M. – Member of the Supervisory Board

Board of Directors

The Board of Directors is the Company's statutory body, which manages the Company's activities and acts on behalf of KORADO, a.s. The members of the Board of Directors are elected by the Supervisory Board from persons proposed by the shareholders. The term of office of the members of the Board of Directors is five years. The Board of Directors decides on all matters that are not reserved for the competence of the General Meeting, in accordance with applicable legal regulations or the Company's Articles of Association.

On 10 November 2022, the Supervisory Board of KORADO, a.s. took note of the resignation of the member of the Board of Directors of KORADO, a.s., Mr. František Menclík, due to health reasons, with effect from 31 December 2022.

According to the proposal of natural persons shareholders, the Supervisory Board elected Ms. Magdalena Součková as a member of the Board of Directors with effect from 1 January 2023, in accordance with the Company's Articles of Association.

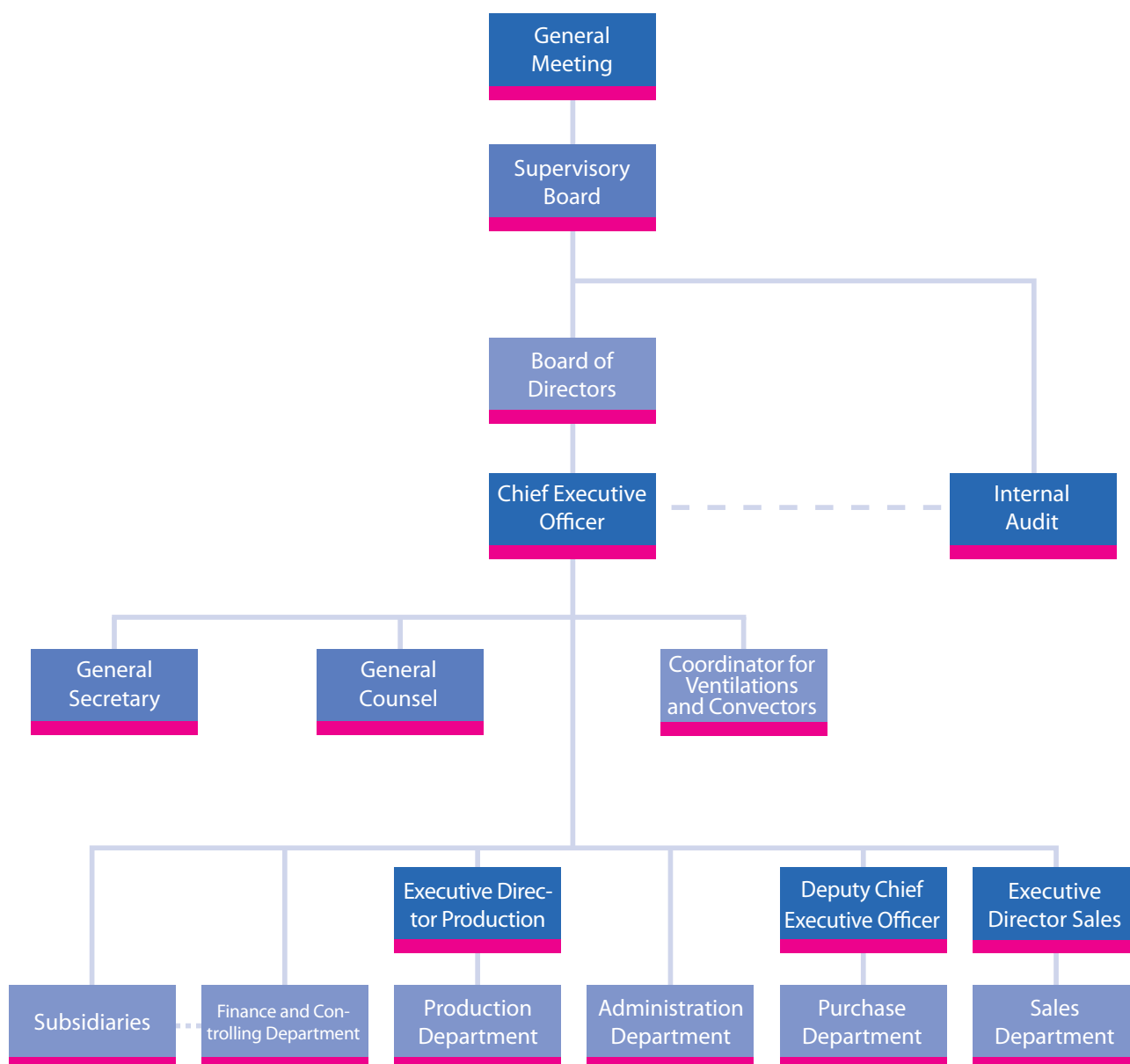
Composition of the Board of Directors as at 31 December 2022

- František MENCLÍK – Chairman of the Board of Directors
- Miroslav VOBORA – Vice Chairman of the Board of Directors
- Ing. František HAMÁČEK – Member of the Board of Directors
- Mary Ellen Collins – Member of the Board of Directors

Management

The Company is divided into five departments: the Administration Department, the Sales Department, the Production Department, the Purchase Department, the Finance and Controlling Department. The Company has also established an Internal Audit. Each department is managed by the relevant director or deputy CEO. The management of KORADO, a.s. is headed by the CEO. The Company is part of the KORADO consolidation group.

ORGANISATIONAL SCHEME



As at 31 December 2022, the composition of the management was as follows:



Ing. 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.



Ing. 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 Executive Director Sales and Marketing. 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.



Ing. 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.



Ing. Miloš Sotona (* 1965)

Executive Director Production

In KORADO, a.s., he has been employed since March 2012 in the position of Executive Director Production. 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, at first in the Technical Development Department and then 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.



Ing. 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. Zlín 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)

Managing Director LICON HEAT s.r.o.

On 1 October 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

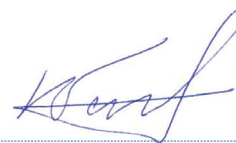
- 1965** Start of panel radiators production in the former Koventa company.
- 1970** Own multipoint welding lines for the production of radiators launched.
- 1987** First welding line from SCHLATTER, an innovation for radiators, significantly reducing the proportion of manual labour, increasing labour 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 effective from 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** In 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 Ing. Bedřich Brabec (9.16 % share in the Company's share capital) directly to KORADO, a.s. has been finalized. The share price of KORADO Bulgaria reached BGN 6.852 per share at the end of the year, i.e. an increase of BGN 3.319 per share compared to the beginning of the year; the market capitalization reached CZK 1,182 million, compared to 1 January 2017 plus CZK 775 million. Furthermore, there was a massive reduction in indebtedness (bank loans were reduced by CZK 97 million), and this in a situation where the Group bought its own shares worth CZK 115 million, paid out dividends of CZK 46 million, paid investments of CZK 98 million and interest on loans of CZK 6 million.
- 2018** On 31 July 2018, an agreement for the acquisition 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.
- 2021** In 2021, like other companies, we faced a difficult economic and geopolitical situation, affected not only by the Covid-19 pandemic. Initially, there were worldwide restrictions on the supply of materials due to its shortage, followed by a general disruption of supplier-customer relations, which resulted in an unprecedented rise in prices for all our inputs. Despite these limiting factors, all our production plants ensured smooth operation without major interruptions in operation, both due to lack of material and staffing restrictions due to increased absence due to illness or quarantine. Thanks to the constant optimization of working capital, costs and revenues, the KORADO Group maintained a robust financial situation and achieved a profit of CZK 123 mil.
- 2022** Even in 2022, like other manufacturers, we were struggling with a complex economic and geopolitical situation, influenced especially by the military conflict in Ukraine. This resulted in year-on-year decrease in sales by 5 %. The prices of inputs have increased due to the lack of some materials and at the same time there has also been a significant increase in energy prices, while the further development of input prices as well as supply and demand is very difficult to predict. Despite these limiting factors, smooth operation was ensured in all our production plants.

Approved for issue and signed on 21 April 2023



Magdalena Součková
Chairman of the Board of Directors



Vojtěch Čápek
Chief Executive Officer



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 2022, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2022 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 as at 31 December 2022, and of the Company's financial performance and cash flows for the year ended 31 December 2022 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 2022,
- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022,
- the consolidated statement of statement of changes in equity for the year ended 31 December 2022,
- the consolidated statement of statement of cash flow for the year ended 31 December 2022, and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The separate financial statements of the Company comprise:

- the balance sheet as at 31 December 2022,
- the income statement for the year ended 31 December 2022,
- the statement of changes in equity for the year ended 31 December 2022,
- the statement of cash flows for the year ended 31 December 2022, 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.

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.



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

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 the 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 our 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 a 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

21 April 2023

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jan Musil

Eva Bajerová
Statutory Auditor, Licence No. 2549



GROUP KORADO
INTERNATIONAL FINANCIAL REPORTING
STANDARDS CONSOLIDATED FINANCIAL
STATEMENTS

31 / December / **2022**

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	27
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Changes in Equity	29
Consolidated Statement of Cash Flows	30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1	KORADO Group and its operations	31
2	Summary of significant accounting policies	31
3	Adoption of new or revised standards and interpretations	39
4	New accounting pronouncements	39
5	Balances and transactions with related parties	39
6	Property, plant and equipment	40
7	Intangible assets	41
8	Right-of-use assets and lease liabilities	42
9	Inventories	42
10	Receivables	42
11	Prepayments and other current assets	43
12	Cash and cash equivalents	43
13	Share capital	43
14	Borrowings	44
15	Trade and other payables	45
16	Revenues from sales of products and goods by categories	45
17	Cost of materials, energy and purchased goods	46
18	Purchased services and rental expenses	46
19	Other operating income	46
20	Other operating expenses	46
21	Taxes	46
22	Contingencies and commitments	47
23	Non-controlling interest	47
24	Financial risk management	48
25	Management of capital	49
26	Fair value disclosures	49
27	Events After the Reporting Period	50

KORADO GROUP


CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(In thousands of CZK)	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,178,746	1,221,794
Intangible assets	7	33,626	38,228
Right-of-use assets	8	70,330	41,227
Other non-current assets		4,656	4,789
Deferred tax asset	21	-	149
Total non-current assets		1,287,358	1,306,187
Current assets			
Inventories	9	497,584	550,287
Receivables	10	76,612	135,865
Prepayments and other current assets	11	44,718	46,625
Income tax receivables	21	7,393	-
Cash and cash equivalents	12	197,206	295,387
Total current assets		823,513	1,028,164
Total assets		2,110,871	2,334,351
EQUITY AND LIABILITIES			
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 other funds	13	567,531	528,203
Translation reserve		(50,653)	(45,263)
Total shareholders' equity attributable to equity holders of the parent		1,357,578	1,323,640
Non-controlling interest	23	50,374	50,735
Total shareholders' equity		1,407,952	1,374,375
Non-current liabilities			
Long-term borrowings	14	42,004	49,252
Lease liabilities	8	57,027	27,598
Other long-term debts		6,518	6,899
Deferred tax liabilities	21	104,428	105,401
Total non-current liabilities		209,977	189,150
Current liabilities			
Short-term borrowings	14	64,213	64,059
Lease liabilities	8	14,370	14,809
Trade and other payables	15	404,088	666,601
Provisions		7,280	6,583
Current income tax payable	21	2,991	18,774
Total current liabilities		492,942	770,826
Total equity and liabilities		2,110,871	2,334,351

Approved for issue and signed on 21 April 2023



Magdalena Součková
Chairman of the Board of Directors



Vojtěch Čápek
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 2022

(In thousands of CZK)	Note	2022	2021
Revenues from sales of products and goods	16	2,228,888	2,350,111
Other operating income	19	43,600	25,972
Cost of materials, energy and purchased goods	17	(1,422,403)	(1,475,224)
Change in inventories	17	(19,115)	41,465
Depreciation and amortization	6,7,8	(126,183)	(126,105)
Wages and salaries	5	(430,008)	(445,036)
Purchased services	18	(184,263)	(185,712)
Other operating expenses	20	(30,187)	(39,448)
Interest expense, net of capitalized interest		(6,082)	(4,836)
Interest income		2,939	631
Foreign exchange gains / (losses), net		955	7,405
Other financial expenses, net		(1,080)	(1,773)
Profit before taxation		57,061	147,450
Income taxes	21	(7,697)	(24,628)
Profit after taxation		49,364	122,822
Other comprehensive expense			
Items that may be reclassified subsequently to statement of income:			
Currency translation losses		(6,928)	(12,238)
Items not to be reclassified subsequently to statement of income:			
Re-measurement losses on defined benefit plans		(252)	(2,200)
Total other comprehensive expense		(7,180)	(14,438)
Total comprehensive income		42,184	108,384
Profit after income taxes attributable to:			
Equity holders of the parent company		39,539	111,684
Non-controlling interest	23	9,825	11,138
Profit after taxation		49,364	122,822
Total comprehensive income attributable to:			
Equity holders of the parent company		33,938	100,176
Non-controlling interest	23	8,246	8,208
Total comprehensive income		42,184	108,384

KORADO GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(In thousands of CZK)	Share Capital	Own Shares	Translation Reserve	Statutory Fund	Retained Earnings and Other Funds	Total Equity Attributable to Equity Holders of the Parent	Non-controlling Interest	Total Shareholders' Equity
Balance as at 1 January 2021	840,700	(116,479)	(35,565)	116,479	418,329	1,223,464	51,398	1,274,862
Profit after taxation	-	-	-	-	111,684	111,684	11,138	122,822
Other comprehensive expense	-	-	(9,698)	-	(1,810)	(11,508)	(2,930)	(14,438)
Total comprehensive income	-	-	(9,698)	-	109,874	100,176	8,208	108,384
Dividends	-	-	-	-	-	-	(8,871)	(8,871)
Balance as at 31 December 2021	840,700	(116,479)	(45,263)	116,479	528,203	1,323,640	50,735	1,374,375
Profit after taxation	-	-	-	-	39,539	39,539	9,825	49,364
Other comprehensive expense	-	-	(5,390)	-	(211)	(5,601)	(1,579)	(7,180)
Total comprehensive income	-	-	(5,390)	-	39,328	33,938	8,246	42,184
Dividends	-	-	-	-	-	-	(8,607)	(8,607)
Balance as at 31 December 2022	840,700	(116,479)	(50,653)	116,479	567,531	1,357,578	50,374	1,407,952

See Note 13 in the Notes

KORADO GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(In thousands of CZK)	Note	2022	2021
OPERATING ACTIVITIES			
Profit before taxation		57,061	147,450
Adjustments for:			
Depreciation and amortization	6,7,8	126,183	126,105
Receivables and loans write-off	20	548	1
Interest income and interest expense, net		3,143	4,205
Changes in provisions, net	20	1,218	4,600
Foreign exchange gains / (losses), net		(955)	(7,405)
Gain / (loss) on sale of property, plant and equipment		(135)	(63)
Other non-cash movements		(210)	(1,810)
Changes in assets and liabilities:			
Inventories	9	52,167	(303,881)
Receivables and other current assets	10	58,172	(62,985)
Payables and other current liabilities	15	(260,471)	261,104
Income taxes (paid)	21	(31,697)	(6,504)
Net cash from operating activities		5,024	160,817
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	6,7	(65,893)	(75,337)
Proceeds from sale of property, plant and equipment		270	93
Interest received		2,939	631
Net cash used in investing activities		(62,684)	(74,613)
FINANCING ACTIVITIES			
Loan drawings	14	36,831	10,732
Repayments of debt	14	(46,115)	(63,465)
Payments of principal on leases	8	(14,550)	(12,131)
Change in lease obligation and other long-term payables		1,808	(1,299)
Dividends paid to non-controlling interest	13	(8,607)	(8,871)
Interest paid, net of capitalized interest		(4,503)	(2,715)
Payments of interest on leases	8	(1,579)	(2,121)
Net cash used in financing activities	12	(36,715)	(79,870)
Net (decrease)/increase in cash and cash equivalents		(94,375)	6,334
Cash and cash equivalents at beginning of year		295,387	286,445
Effect of exchange rate changes on cash and cash equivalents		(3,806)	2,608
Cash and cash equivalents at end of year	12	197,206	295,387

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

1. KORADO Group and its operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU for the year ended 31 December 2022 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 activities are 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:

	31 December 2022 % of voting and equity share	31 December 2021 % 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) Limited	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

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.

Principles of consolidation

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 subsidiaries so that the accounting procedures used correspond to the requirements and procedures used by the Group.

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.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

Business combinations and goodwill

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

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 a liability are recognized in accordance with IFRS 9 in profit or loss. 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 fair value of 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 1 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 annually.

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.

Non-controlling interest is that part 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.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of KORADO Group.

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

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the daily exchange rate. 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. 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 works of art 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.

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

Right-of-use assets

The Group leases various premises, equipment and vehicles. 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 agreement.

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.

Goodwill

Goodwill is measured initially as described under "Business combinations and goodwill". Goodwill is not amortised, but it is tested for impairment annually. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of the cash-generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense.

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 with determinable useful life 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.

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.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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. Cost of finished goods and work-in-progress is determined on the basis of own costs. Inventory consumption is determined with the use of the weighted average method.

Costs of purchased inventory include purchase price and related costs of transport, customs duties, etc. Own 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.

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.

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:

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

(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 consist only of principal repayments and interest and 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 2022 and 2021, 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 assets in financial years 2022 and 2021.

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 initially recognized at the transaction price and are subsequently carried reduced by an impairment provision for uncollectible amounts.

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.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and 1 January 2022 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 in hand and cash at banks. 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.

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, 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 necessary to prepare the asset for its intended use or sale 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% as at 31 December 2022 and 2021, respectively, after adjustments for

certain items which are not deductible for taxation purposes. According to Czech legislation, corporate income tax rate for 2023 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 (and tax legislation) 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 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.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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 (based on actual delivery terms as per INCOTERMS) 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.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Government grants relating to costs are deferred and recognised in profit or loss for the year as other income over the period necessary to match them with the costs that they are intended to compensate.

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.

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.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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 balance sheet date.

Impairment of financial assets

The Group uses impairment model based on IFRS 9, 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, the Group 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 balance sheet date, the credit risk associated with a financial instrument has not significantly increased since initial recognition, the Group 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 defaults 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 balance sheet date.

The group uses the three-step ECL model. Upon initial recognition of a financial asset, unless there is evidence of a default, the Group classifies the financial asset to Stage 1 and recognizes allowances corresponding to expected losses. If the credit risk associated with the financial asset 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 credit loss over the life of the financial asset at the balance sheet 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 credit loss over the life of the financial asset.

As a potential default 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

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 the Group 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, which 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 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 balance sheet 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 statement of financial position. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

Subsequent events after balance sheet date

Subsequent events that provide additional information about the Group'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:

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

3. Adoption of new or revised standards and interpretations

The following amended standards became effective from 1 January 2022, but did not have any material impact on the Group.

- Revenues before intended use, Unfavourable contracts – contract performance costs, reference to the Conceptual Framework – amendments to IAS 16, IAS 37 and IFRS 3 to a limited extent, and annual improvements to International Accounting Standards for the period 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).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

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 2023 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).
- Amendments to IFRS 17 and amendments to IFRS 4 (issued on 25 June 2020 and on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Option for insurance companies in transition to IFRS 17 – Amendment to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020, then 15 July 2020 and 31 October 2022 respectively, effective for annual periods beginning on or after 1 January 2024).

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 is a shareholder of 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 2022 and 2021 short-term employee benefits (salaries and bonuses including social and health insurance) related to management personnel of Group companies (36 and 36 people in total, respectively) amounted to CZK 91,334 thousand and CZK 97,239 thousand, respectively.

In 2022 and 2021 members of Board of Directors and Supervisory Board of the Parent Company received remuneration of CZK 3,656 thousand and CZK 1,837 thousand, respectively.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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 2021	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 1 January 2021	30,936	823,336	373,225	10,661	33,030	1,271,188
Additions	6,964	2,760	22,846	199	36,190	68,959
Disposals	-	-	(31)	-	-	(31)
Depreciation charge	-	(37,734)	(65,211)	(2,597)	-	(105,542)
Impairment charge to profit or loss	-	-	-	(3,207)	-	(3,207)
Transfers	-	-	6,147	-	(6,147)	-
Effect of translation to presentation currency	(287)	(1,320)	(7,007)	(1)	(958)	(9,573)
Carrying amount at 31 December 2021	37,613	787,042	329,969	5,055	62,115	1,221,794
Cost at 31 December 2021	37,613	1,759,577	3,120,465	86,956	62,115	5,066,726
Accumulated depreciation	-	(972,535)	(2,790,496)	(81,901)	-	(3,844,932)
Carrying amount at 1 January 2022	37,613	787,042	329,969	5,055	62,115	1,221,794
Additions	-	33,536	22,015	10,575	1,978	68,104
Disposals	(51)	-	(10)	-	-	(61)
Depreciation charge	-	(37,495)	(65,464)	(2,861)	-	(105,820)
Impairment charge to profit or loss	-	-	-	-	-	-
Transfers	-	660	3,275	-	(3,935)	-
Effect of translation to presentation currency	(155)	(658)	(3,657)	(3)	(798)	(5,271)
Carrying amount at 31 December 2022	37,407	783,085	286,128	12,766	59,360	1,178,746
Cost at 31 December 2022	37,407	1,791,860	3,131,277	97,262	59,360	5,117,166
Accumulated depreciation	-	(1,008,775)	(2,845,149)	(84,496)	-	(3,938,420)
Carrying amount at 31 December 2022	37,407	783,085	286,128	12,766	59,360	1,178,746

At 31 December 2022 buildings and lands carried at CZK 560,216 thousand (at 31 December 2021: CZK 575,933 thousand) have been pledged to third parties as collateral for borrowings. See Note 22.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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 2021	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 1 January 2021	17,544	-	-	1,456	22,424	41,424
Additions	1,759	-	-	1,726	-	3,485
Amortization charge	(5,965)	-	-	(21)	-	(5,986)
Effect of translation to presentation currency	(11)	-	-	-	(684)	(695)
Carrying amount at 31 December 2021	13,327	-	-	3,161	21,740	38,228
Cost at 31 December 2021	225,700	4,218	2,716	3,161	21,740	257,535
Accumulated amortization	(212,373)	(4,218)	(2,716)	-	-	(219,307)
Carrying amount at 1 January 2022	13,327	-	-	3,161	21,740	38,228
Additions	3,765	-	-	(2,072)	-	1,693
Amortization charge	(5,926)	-	-	-	-	(5,926)
Effect of translation to presentation currency	-	-	-	-	(369)	(369)
Carrying amount at 31 December 2022	11,166	-	-	1,089	21,371	33,626
Cost at 31 December 2022	222,945	4,218	2,716	1,089	21,371	252,339
Accumulated amortization	(211,779)	(4,218)	(2,716)	-	-	(218,713)
Carrying amount at 31 December 2022	11,166	-	-	1,089	21,371	33,626

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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 2021	37,429	17,744	55,173
Additions	-	1,933	1,933
Effect of translation to presentation currency	(1,280)	-	(1,280)
Depreciation charge	(9,884)	(4,715)	(14,599)
Carrying amount at 31 December 2021	26,265	14,962	41,227
Additions	42,606	638	43,244
Effect of translation to presentation currency	296	-	296
Depreciation charge	(9,995)	(4,442)	(14,437)
Carrying amount at 31 December 2022	59,172	11,158	70,330

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 2022	31 December 2021
Short-term portion	14,370	14,809
Long-term portion	57,027	27,598
Lease liabilities	71,397	42,407

Interest expense included in finance costs of 2022 was CZK 1,579 thousand (2021: CZK 2,121 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	2022	2021
Expense relating to leases of low-value assets	2,535	2,617
Expense relating to short-term leases	2,317	1,376
Total	4,852	3,993

Total cash outflow for leases in 2022 was CZK 16,128 thousand (2021: CZK 14,252 thousand).

9. Inventories

(In thousands of CZK)	31 December 2022	31 December 2021
Raw materials	383,916	416,019
Work in progress	16,041	16,008
Finished products	97,627	118,260
Total inventories	497,584	550,287

Excess, obsolete and slow-moving inventory at gross amount of CZK 13,075 thousand (at 31 December 2021: CZK 12,784 thousand) has been reduced through the allowance account of CZK 10,960 thousand (at 31 December 2021: CZK 10,423 thousand). The allowance is determined by management based on the aging analysis of inventory and the estimated net realizable value.

10. Receivables

(In thousands of CZK)	31 December 2022	31 December 2021
Trade receivables	75,415	122,906
Advances paid	5,542	14,844
Other	91	2,564
Less trade receivables provision	(4,436)	(4,449)
Total trade and other receivables	76,612	135,865

Receivables of CZK 62,293 thousand (at 31 December 2021: CZK 100,577 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)	2022 Trade receivables	2021 Trade receivables
Provision for impairment at 1 January	4,449	4,510
Additions	721	160
Amounts written off as uncollectible	-	-
Reversals	(734)	(221)
Provision for impairment at 31 December	4,436	4,449

Trade receivables of CZK 65,157 thousand (at 31 December 2021: CZK 117,439 thousand) net of impairment provisions are denominated in foreign currency, mainly 90 % in Euro (at 31 December 2021: 80 %).

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.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

Matrix of impairment for trade receivables at carrying amount as at 31 December 2022:

(In thousands of CZK) Gross value in %	Expected losses	Gross carrying amount	Allowance
Trade receivables			
- Due	0 %	70,979	-
- Up to 90 days overdue	3 %	-	-
- 91 to 180 days overdue	100 %	894	(894)
- 181 to 360 days overdue	100 %	-	-
- Over 360 days overdue	100 %	3,542	(3,542)
Total trade receivables (gross carrying amount)		75,415	
Allowance		(4,436)	
Total trade receivables (carrying amount)		70,979	

Matrix of impairment for trade receivables at carrying amount as at 31 December 2021:

(In thousands of CZK) Gross value in %	Expected losses	Gross carrying amount	Allowance
Trade receivables			
- due	0 %	110,038	-
- up to 90 days overdue	3 %	8,671	(252)
- 91 to 180 days overdue	100 %	-	-
- 181 to 360 days overdue	100 %	-	-
- over 360 days overdue	100 %	4,197	(4,197)
Total trade receivables (gross carrying amount)		122,906	
Allowance		(4,449)	
Total trade receivables (carrying amount)		118,457	

11. Prepayments and other current assets

(In thousands of CZK)	31 December 2022	31 December 2021
VAT receivables	33,360	35,543
Prepayments and other current assets	11,358	11,082
Total prepayments and other current assets	44,718	46,625

12. Cash and cash equivalents

(In thousands of CZK)	31 December 2022	31 December 2021
Bank balances payable on demand	196,684	294,919
Cash in hand	522	468
Total cash and cash equivalents	197,206	295,387

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

(In thousands of CZK)	31 December 2022	31 December 2021
	Bank balances payable on demand	Bank balances payable on demand
Neither past due nor impaired		
- A*	186,340	288,040
- B**	10,344	6,879
Total	196,684	294,919

* includes Moody's A1, A3 rating

** includes Moody's Baa rating and Fitch BB rating

13. Share capital

The Company's issued share capital is CZK 840,700 thousand (at 31 December 2021: CZK 840,700 thousand).

The total authorised number of ordinary shares 2,402 shares (at 31 December 2021: 2,402 shares) with a par value of CZK 350 thousand per share (at 31 December 2021: CZK 350 thousand per share). All issued ordinary shares are fully paid. Each ordinary share carries equal voting rights.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

The shareholders:

(in %)	31 December 2022	31 December 2021
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)	2022	2021
Dividends paid per share during the year including advances	-	-

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.

On 6 June 2022, the general meeting of shareholders approved the Company's financial statements for 2021. The decision about the allocation of profit earned in 2021 of CZK 97,241 thousand was not made. Profit in the amount of CZK 97,241 thousand was transferred to retained earnings.

The profit share paid by a subsidiary to non-controlling interest for the year 2021 amounted to CZK 8,607 thousand (2021: CZK 8,871 thousand).

14. Borrowings

(In thousands of CZK)	31 December 2022	31 December 2021
Term loans	100,997	110,281
Other non-bank loans	5,220	3,030
Total borrowings	106,217	113,311

Reconciliation of net debt and liabilities arising from financing activities

(In thousands of CZK)	31 December 2022	31 December 2021
Cash and cash equivalents	197,206	295,387
Long-term borrowings	(42,004)	(49,252)
Short-term borrowings and current portion of long-term debt	(64,213)	(64,059)
Lease liabilities	(71,397)	(42,407)
Total net debt	19,592	139,669

(In thousands of CZK)	31 December 2022	31 December 2021
Current		
Term loans	62,329	63,073
Other non-bank loans	1,884	986
Total current borrowings	64,213	64,059

(In thousands of CZK)	31 December 2022	31 December 2021
Non-current		
Term loans	38,668	47,208
Other non-bank loans	3,336	2,044
Total non-current borrowings	42,004	49,252
Total borrowings	106,217	113,311

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

(In thousands of CZK)	31 December 2022	31 December 2021
Borrowings denominated in:		
CZK	40,988	55,569
EUR	60,575	55,632
BGN	4,654	2,110
Total borrowings	106,217	113,311

Property, plant and equipment and receivables are pledged as collateral for borrowings of CZK 622,509 thousand (at 31 December 2021: CZK 676,510 thousand). See Notes 6, 10 and 22.

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in immediate loan maturity. The Group was in compliance with covenants at 31 December 2022 and 31 December 2021.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

The table below sets out an analysis of 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:

(In thousands of CZK)	Liabilities from financing activities			Total
	Borrowings	Lease liabilities	Other liabilities from financing activities	
Liabilities from financing activities at 1 January 2021	163,014	56,174	3,737	222,925
Cash payments	(63,465)	(14,252)	(1,072)	(78,789)
Liabilities drawings	10,732	-	365	11,097
Interest accrued	-	2,121	-	2,121
New leases	-	653	-	653
Foreign exchange adjustments	-	(2,289)	-	(2,289)
Liabilities from financing activities at 31 December 2021	110,281	42,407	3,030	155,718
Cash payments	(46,115)	(16,129)	(354)	(62,598)
Liabilities drawings	36,831	-	2,544	39,375
Interest accrued	-	1,579	-	1,579
New leases	-	43,244	-	43,244
Foreign exchange adjustments	-	296	-	296
Liabilities from financing activities at 31 December 2022	100,997	71,397	5,220	177,614

15. Trade and other payables

(In thousands of CZK)	31 December 2022	31 December 2021
Trade payables	121,974	304,534
Refund liabilities for volume discounts	206,468	263,235
Payables to employees	40,071	55,048
Tax payables	3,407	4,140
Accrued expenses and other current liabilities	32,168	39,644
Total trade and other payables	404,088	666,601

Trade payables of CZK 141,461 thousand (at 31 December 2021: CZK 336,236 thousand) are denominated in foreign currency, mainly 99 % in Euro (at 31 December 2021: 97 %).

16. Revenues from sales of products and goods by categories

(In thousands of CZK)	2022	2021
Sales of radiators	2,025,653	2,169,693
Sales of convectors	121,843	104,216
Sales of accessories	49,073	50,213
Ventilation and recuperation units	25,025	19,998
Other sales	7,294	5,991
Total revenue	2,228,888	2,350,111

Other sales include mainly sales of services.

(In thousands of CZK)	2022	2021
Domestic sales	929,439	941,807
Export	1,299,449	1,408,304
· Export – EU	1,173,658	1,210,334
· Export – other	125,791	197,970
Total	2,228,888	2,350,111

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

17. Cost of materials, energy and purchased goods

(In thousands of CZK)	2022	2021
Material deliveries	1,283,469	1,325,228
Energy	77,329	63,621
Purchased goods	61,605	86,375
Change in inventories	19,115	(41,465)
Total	1,441,518	1,433,759

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)	2022	2021
Repairs and maintenance	7,633	7,415
Rent	4,852	3,993
Traveling and training expenses	9,158	5,767
Marketing	41,271	44,273
Transportation expenses	42,052	45,647
Legal and advisory services (incl. 2022: CZK 2,450 thousand, 2021: CZK 1,998 thousand for audit services)	17,200	16,413
Operational services (Cooperation, IT services)	43,104	40,878
Other	18,993	21,326
Total	184,263	185,712

19. Other operating income

(In thousands of CZK)	2022	2021
Income from write off of receivables and insured receivables	265	47
Gain on sale of fixed assets	135	63
Subsidies received	24,882	5,636
Income from sale of scrap	7,697	9,194
Other	10,621	11,032
Total	43,600	25,972

The item Other includes mainly revenues from sale of material, received compensations and lease revenues.

The item Subsidies received includes mainly government grants for the electricity and gas costs, received by the subsidiary KORADO Bulgaria AD.

20. Other operating expenses

(In thousands of CZK)	2022	2021
Receivables and loans written off	548	1
Change in impairment provisions and provisions, net	1,218	4,600
Taxes and levies	2,095	1,806
Insurance	20,439	21,449
Other	5,887	11,592
Total	30,187	39,448

The item Other includes mainly expenses for sale of material, material disposal and complaints costs.

21. Taxes

a) Components of income tax expense

Income tax expense comprises the following:

(In thousands of CZK)	2022	2021
Current tax	8,521	24,232
Deferred tax	(824)	396
Income tax expense for the year	7,697	24,628

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 2022 and 2021 income is 19 %. The income tax rate applicable to the majority of income of subsidiaries ranges from 10 % to 19 % (2021: from 10 % to 19 %). A reconciliation between the expected and the actual taxation charge is provided below.

(In thousands of CZK)	2022	2021
Profit before tax	57,061	147,450
Statutory income tax rate	19%	19%
"Expected" income tax expense	10,842	28,016
Add / (deduct) tax effect of:		
Non-deductible expenses	2,316	1,105
Different tax rate in other countries	(5,298)	(6,069)
Other	(163)	1,576
Actual income tax expense	7,697	24,628
Effective tax rate	13%	17 %

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

c) Deferred tax or tax loss carry forwards

The Group has unrecognized potential deferred tax assets in respect of unused tax loss carry forwards of CZK 6,975 thousand (at 31 December 2021: CZK 7,081 thousand). This tax loss relates to subsidiaries where it is not probable the losses will be utilized.

The total deferred tax asset from accumulated tax losses amounts to 0 thousand.

Deferred income taxes at 31 December 2022 and 2021 consist of the following:

(In thousands of CZK)	31 December 2022	31 December 2021
Receivables impairment provision	140	66
Inventory impairment provision	2,081	1,979
Provisions	2,055	2,404
Accumulated tax losses carried forward	-	463
Elimination of intra-group profit from inventories	531	584
Other	134	352
Total deferred tax assets	4,941	5,848
Total deferred tax asset in Statement of Financial Position	-	149
Total deferred tax asset for offset with liability	4,941	5,699
Difference between net book value of non-current assets for accounting and tax purposes	(109,369)	(111,100)
Total deferred tax liabilities	(109,369)	(111,100)
Offset with deferred tax assets	4,941	5,699
Deferred tax liabilities in the Statement of Financial Position	104,428	105,401

Movements in deferred tax liability, net were as follows:

(In thousands of CZK)	2022	2021
As at 1 January	105,252	104,856
Change in deferred tax recorded in statement of profit or loss	(824)	396
As at 31 December	104,428	105,252

The deferred tax liability of the Group 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 2022 the Group has the following assets pledged as collateral:

(In thousands of CZK)	Note	31 December 2022 Asset pledged	31 December 2021 Asset pledged
Property	6	11,637	11,638
Buildings, halls and constructions	6	548,579	564,295
Receivables	10	62,293	100,577
Total		622,509	676,510

23. Non-controlling interest**Increase of share capital in subsidiary KORADO Bulgaria AD**

In 2014 the subsidiary 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 BGN 2.75 (nominal value of shares is BGN 1.00). All new shares were subscribed in December 2014.

As at the end of the year, the share price of KORADO Bulgaria AD amounted to 6.1 BGN/pcs. Market capitalization amounted to CZK 990 million (at 31 December 2021: CZK 1,272 million).

The following table shows summarized financial information of the subsidiary KORADO Bulgaria AD as at 31 December 2022 and 2021:

(In thousands of CZK)	31 December 2022	31 December 2021
Ownership share of non-controlling interest	17.85%	17.85%
Non-current assets	182,243	184,166
Current assets	223,922	267,077
Non-current liabilities	(84,499)	(55,611)
Current liabilities	(39,471)	(111,416)
Equity	282,195	284,216
Attributable to:		
Equity holders of parent company	231,821	233,481
Non-controlling interests	50,374	50,735

(In thousands of CZK)	2022	2021
Revenues	692,473	743,728
Profit after income taxes	55,042	62,397
Attributable to:		
Equity holders of parent company	45,217	51,259
Non-controlling interest	9,825	11,138
Total comprehensive income	46,198	45,984
Attributable to:		
Equity holders of parent company	37,952	37,776
Non-controlling interest	8,246	8,208

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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 regularly monitored. 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 2022 and 2021, 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 fair value of monetary assets and liabilities):

(In thousands of CZK)	2022		2021	
	Increase/decrease in exchange rate *	Effect on profit / loss before tax	Increase/decrease in exchange rate *	Effect on profit / loss before tax
EUR	+ 5 %	(2,520)	+ 5 %	(9,199)
PLN	+ 5 %	722	+ 5 %	945
BGN	+ 5 %	96	+ 5 %	377
EUR	(5) %	2,520	(5) %	9,199
PLN	(5) %	(722)	(5) %	(945)
BGN	(5) %	(96)	(5) %	(377)

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

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

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

EURIBOR rates and for the Československá obchodní banka, a.s., loans it amounted to 4.6 % as at 31 December 2022 and 3.22 % as at 31 December 2021, respectively.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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:

(In thousands of CZK)	2022		2021
Increase/decrease in basis points	Effect on profit / loss before tax	Increase/decrease in basis points	Effect on profit / loss before tax
200	(2,021)	200	(2,207)
(200)	2,021	(200)	2,207

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 2022 and 2021 based on contractual undiscounted payments (principal and interest) provided that the Group meets the loan agreement covenants:

(In thousands of CZK)	Less than 3 months	3–12 months	1–5 years	Over 5 years	Total
31 December 2022					
Bank and other loans	10,071	55,249	33,559	10,085	108,964
Lease liabilities	4,051	12,153	50,732	17,568	84,504
Trade payables	328,442	-	-	-	328,442
Total	342,564	67,402	84,291	27,653	521,910
31 December 2021					
Bank and other loans	13,605	52,011	49,013	-	114,629
Lease liabilities	4,124	12,371	30,912	-	47,407
Trade payables	567,769	-	-	-	567,769
Total	585,498	64,382	79,925	-	729,805

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 2022 was CZK 1,357,578 thousand (at 31 December 2021: CZK 1,323,640 thousand).

The Group has complied with all externally imposed capital requirements throughout 2022 and 2021. These are set out in the Group's loan agreements based on which the Group is required to maintain adjusted equity ratio (equity including non-controlling interest) above 58% and net debt/EBITDA ratio less than 3.2.

26. Fair value disclosures

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 balance sheet date.

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.

Trade receivables, trade payables and other current liabilities

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

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

Short-term debt

The carrying amount of short-term debt 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 2022 were as follows:

(In thousands of CZK)	Carrying amount	Fair value
Assets		
Other non-current assets	4,656	4,656
Accounts receivable, net	76,612	76,612
Cash and cash equivalents	197,206	197,206
Liabilities		
Trade payables and other current liabilities	328,442	328,442
Short-term borrowings	64,213	64,213
Long-term debt, net of current portion	42,004	42,004

Carrying amounts and the estimated fair values of financial instruments as at 31 December 2021 were as follows:

(In thousands of CZK)	Carrying amount	Fair value
Assets		
Other non-current assets	4,789	4,789
Accounts receivable, net	135,865	135,865
Cash and cash equivalents	295,387	295,387
Liabilities		
Trade payables and other current liabilities	567,769	567,769
Short-term borrowings	64,059	64,059
Long-term debt, net of current portion	49,252	49,252

27. Events after the reporting period

On 4 January 2023, a change in the position of Chairman of the Board of Directors of the parent company was registered in the Commercial Register. According to the decision of the Board of Directors of KORADO, a.s., dated 8 December 2022, the position of Chairman of the Board of Directors ceased to Mr František Menčík with effect from 31 December 2022 and Ms Magdalena Součková became the new Chairman of the Board of Directors with effect from 1 January 2023.

No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements as at 31 December 2022.



KORADO, a.s.
STANDALONE FINANCIAL STATEMENTS

31 / December / **2022**

KORADO, a.s.

Identification number: 25255843 | Legal form: Joint-Stock Company | Primary business: Manufacturing of central heating radiators

Balance sheet date: 31 December 2022 | Date of preparation of the financial statements: 21 April 2023

BALANCE SHEET (in thousand Czech crowns)

Ref a	ASSETS b	Row c	31. 12. 2022		31. 12. 2021	
			Gross 1	Provision 2	Net 3	Net 4
	TOTAL ASSETS	001	5,827,305	(3,968,844)	1,858,461	2,032,145
B.	Fixed assets	003	5,231,079	(3,952,962)	1,278,117	1,299,535
B. I.	Intangible fixed assets	004	220,559	(209,273)	11,286	16,216
B. I. 2.	Royalties	006	220,191	(209,273)	10,918	13,055
B. I. 2. 1.	Software	007	213,987	(204,253)	9,734	11,516
B. I. 2. 2.	Other royalties	008	6,204	(5,020)	1,184	1,539
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	368	-	368	3,161
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	368	-	368	3,161
B. II.	Tangible fixed assets	014	4,583,208	(3,606,138)	977,070	1,014,241
B. II. 1.	Land and constructions	015	1,761,132	(967,004)	794,128	797,090
B. II. 1. 1.	Land	016	32,394	-	32,394	32,445
B. II. 1. 2.	Constructions	017	1,728,738	(967,004)	761,734	764,645
B. II. 2.	Equipment	018	2,699,311	(2,555,501)	143,810	176,902
B. II. 4.	Other tangible fixed assets	020	97,782	(83,633)	14,149	6,552
B. II. 4. 3.	Tangible fixed assets – other	023	97,782	(83,633)	14,149	6,552
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	24,983	-	24,983	33,697
B. II. 5. 1.	Advances paid for tangible fixed assets	025	5,808	-	5,808	3,314
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	19,175	-	19,175	30,383
B. III.	Long-term investments	027	427,312	(137,551)	289,761	269,078
B. III. 1.	Investments – subsidiaries and controlling party	028	280,386	(106,381)	174,005	175,747
B. III. 2.	Loans and borrowings – subsidiaries and controlling party	029	146,926	(31,170)	115,756	93,331
C.	Current assets	037	590,443	(15,882)	574,561	724,339
C. I.	Inventories	038	304,858	(10,618)	294,240	331,843
C. I. 1.	Raw materials	039	217,675	(10,239)	207,436	221,959
C. I. 2.	Work in progress and semi-finished products	040	9,944	-	9,944	10,334
C. I. 3.	Finished goods and goods for resale	041	77,237	(379)	76,858	98,925
C. I. 3. 1.	Finished goods	042	38,504	(213)	38,291	60,401
C. I. 3. 2.	Goods for resale	043	38,733	(166)	38,567	38,524
C. I. 5.	Advances paid for inventory	045	2	-	2	625
C. II.	Receivables	046	107,115	(5,264)	101,851	121,327
C. II. 1.	Long-term receivables	047	228	-	228	233
C. II. 1. 5.	Receivables – other	052	228	-	228	233
C. II. 1. 5. 2.	Long-term advances paid	054	228	-	228	233
C. II. 2.	Short-term receivables	057	106,887	(5,264)	101,623	121,094
C. II. 2. 1.	Trade receivables	058	68,245	(5,264)	62,981	86,205
C. II. 2. 2.	Receivables – subsidiaries and controlling party	059	631	-	631	244
C. II. 2. 4.	Receivables – other	061	38,011	-	38,011	34,645
C. II. 2. 4. 3.	Taxes - receivables from the state	064	30,755	-	30,755	29,079
C. II. 2. 4. 4.	Short-term advances paid	065	5,026	-	5,026	5,040
C. II. 2. 4. 5.	Estimated receivables	066	2,152	-	2,152	479
C. II. 2. 4. 6.	Other receivables	067	78	-	78	47
C. IV.	Cash	075	178,470	-	178,470	271,169
C. IV. 1.	Cash in hand	076	413	-	413	312
C. IV. 2.	Cash at bank	077	178,057	-	178,057	270,857
D.	Prepayments and accrued income	078	5,783	-	5,783	8,271
D. 1.	Prepaid expenses	079	5,497	-	5,497	4,949
D. 3.	Accrued income	081	286	-	286	3,322

KORADO, a.s.

Identification number: 25255843 | Legal form: Joint-Stock Company | Primary business: Manufacturing of central heating radiators

Balance sheet date: 31 December 2022 | Date of preparation of the financial statements: 21 April 2023

BALANCE SHEET (in thousand Czech crowns)

Ref a	LIABILITIES AND EQUITY b		Row c	31. 12. 2022 5	31. 12. 2021 6
	TOTAL LIABILITIES AND EQUITY		082	1,858,461	2,032,145
A.	Equity		083	1,273,931	1,247,942
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	(51,871)	(49,027)
A. II. 2.	Capital contributions		090	(51,871)	(49,027)
A. II. 2. 2.	Assets and liabilities revaluation		092	(51,871)	(49,027)
A. III.	Reserves from profit		096	116,479	116,479
A. III. 2.	Statutory and other reserves		098	116,479	116,479
A. IV.	Retained earnings / Accumulated losses		099	456,270	359,028
A. IV. 1.	Retained earnings or (accumulated losses)		100	456,270	359,028
A. V.	Profit / (loss) for the current period		102	28,832	97,241
B. + C.	Liabilities		104	566,542	759,970
B.	Provisions		105	6,216	24,581
B. 2.	Income tax provision		107	-	16,406
B. 4.	Other provisions		109	6,216	8,175
C.	Payables		110	560,326	735,389
C. I.	Long-term payables		111	142,442	152,566
C. I. 2.	Liabilities due to financial institutions		115	38,684	47,234
C. I. 8.	Deferred tax liability		121	103,758	105,332
C. II.	Short-term payables		126	417,884	582,823
C. II. 2.	Liabilities due to financial institutions		130	36,672	45,072
C. II. 3.	Short-term advances received		131	67	189
C. II. 4.	Trade payables		132	332,444	483,110
C. II. 8.	Liabilities – other		136	48,701	54,452
C. II. 8. 1.	Liabilities to shareholders		137	27	30
C. II. 8. 3.	Liabilities to employees		139	14,103	15,238
C. II. 8. 4.	Liabilities for social security and health insurance		140	6,846	7,636
C. II. 8. 5.	Taxes and state subsidies payable		141	1,737	2,059
C. II. 8. 6.	Estimated payables		142	25,519	28,991
C. II. 8. 7.	Other liabilities		143	469	498
D.	Accruals and deferred income		147	17,988	24,233
D. 1.	Accrued expenses		148	17,988	23,997
D. 2.	Deferred income		149	-	236

KORADO, a.s.

Identification number: 25255843 | Legal form: Joint-Stock Company | Primary business: Manufacturing of central heating radiators

Balance sheet date: 31 December 2022 | Date of preparation of the financial statements: 21 April 2023

INCOME STATEMENT (in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2022 1	2021 2
I.	Sales of products and services	01	1,303,627	1,423,757
II.	Sales of goods	02	736,997	661,806
A.	Cost of sales	03	1,635,154	1,643,212
A. 1.	Cost of goods sold	04	590,792	549,352
A. 2.	Raw materials and consumables used	05	900,112	946,113
A. 3.	Services	06	144,250	147,747
B.	Changes in inventories of finished goods and work in progress	07	22,145	(33,044)
C.	Own work capitalised	08	(6,160)	(6,425)
D.	Staff costs	09	303,360	317,574
D. 1.	Wages and salaries	10	230,999	243,529
D. 2.	Social security, health insurance and other social costs	11	72,361	74,045
D. 2. 1.	Social security and health insurance costs	12	68,004	69,922
D. 2. 2.	Other costs	13	4,357	4,123
E.	Value adjustments in operating activities	14	93,517	94,642
E. 1.	Value adjustments of fixed assets	15	93,346	95,438
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	93,346	92,230
E. 1. 2.	Provision for impairment of fixed assets	17	-	3,208
E. 2.	Provision for impairment of inventories	18	810	(345)
E. 3.	Provision for impairment of receivables	19	(639)	(451)
III.	Operating income - other	20	24,892	21,670
III. 1.	Sales of fixed assets	21	105	1
III. 2.	Sales of raw materials	22	15,365	8,647
III. 3.	Other operating income	23	9,422	13,022
F.	Operating expenses - other	24	24,860	21,888
F. 1.	Net book value of fixed assets sold	25	51	-
F. 2.	Cost of raw materials sold	26	15,145	8,694
F. 3.	Taxes and charges	27	1,122	795
F. 4.	Operating provisions and complex prepaid expenses	28	(1,959)	1,647
F. 5.	Other operating expenses	29	10,501	10,752
*	Operating result	30	(7,360)	69,386
IV.	Income from long-term investments - shares	31	40,215	40,827
IV. 1.	Income from investments - subsidiaries or controlling party	32	40,215	40,827
VI.	Interest and similar income	39	4,783	2,796
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	2,032	2,169
VI. 2.	Other interest and similar income	41	2,751	627
I.	Value adjustments and provisions from financial operations	42	(2,649)	(7,912)
J.	Interest and similar expenses	43	3,091	2,293
J. 2.	Other interest and similar expenses	45	3,091	2,293
VII.	Other financial income	46	23,476	25,670
K.	Other financial expenses	47	32,804	30,651
*	Financial result	48	35,228	44,261
**	Net profit / (loss) before tax	49	27,868	113,647
L.	Tax on profit or loss	50	(964)	16,406
L. 1.	Tax on profit or loss – current	51	610	16,406
2.	Tax on profit or loss – deferred	52	(1,574)	-
**	Net profit / (loss) after tax	53	28,832	97,241
***	Net profit / (loss) for the financial period	55	28,832	97,241
*	Net turnover for the financial period	56	2,133,990	2,176,526

KORADO, a.s.

Identification number: 25255843 | Legal form: Joint-Stock Company | Primary business: Manufacturing of central heating radiators

Balance sheet date: 31 December 2022 | Date of preparation of the financial statements: 21 April 2023

STATEMENT OF CASH FLOWS (in thousand Czech crowns)

Ref. a	TEXT b	Accounting period	
		2022 1	2021 2
	Cash flows from operating activities		
	Net profit / (loss) before tax	27,868	113,647
A. 1.	Adjustments for non-cash movements:	55,043	48,926
A. 1. 1.	Depreciation and amortisation of fixed assets	93,346	92,230
A. 1. 2.	Change in provisions and provisions for impairment	(4,302)	(3,853)
A. 1. 3.	(Profit) / loss from sales of fixed assets	(54)	(1)
A. 1. 4.	Dividend income	(40,215)	(40,827)
A. 1. 5.	Net interest expense / (income)	(1,692)	(503)
A. 1. 6.	Other non-cash movements	7,960	1,880
A *	Net cash flow from operating activities before tax and changes in working capital	82,911	162,573
A. 2.	Non-cash working capital changes:	(107,269)	(48,288)
A. 2. 1.	Change in receivables and prepayments	28,947	(16,930)
A. 2. 2.	Change in payables and accruals	(173,010)	147,870
A. 2. 3.	Change in inventories	36,794	(179,228)
A **	Net cash flow from operating activities before tax	(24,358)	114,285
A. 3.	Interest paid	(3,091)	(2,293)
A. 4.	Interest received	4,782	2,796
A. 5.	Income tax paid	(24,409)	-
A. 6.	Dividends received	40,215	40,827
A ***	Net cash flow from operating activities	(6,861)	155,615
	Cash flows from financing activities		
B. 1.	Acquisition of fixed assets	(44,557)	(61,207)
B. 2.	Proceeds from sale of fixed assets	105	1
B. 3.	Loans and borrowings to related parties	(24,435)	2,772
B ***	Net cash flow from investing activities	(68,887)	(58,434)
	Cash flows from financing activities		
C. 1.	Change in long- and short-term liabilities from financing activities	(16,951)	(55,714)
C ***	Net cash flow from financing activities	(16,951)	(55,714)
	Net increase / (decrease) in cash and cash equivalents	(92,699)	41,467
	Cash and cash equivalents at the beginning of the year	271,169	229,702
	Cash and cash equivalents at the end of the year	178,470	271,169

KORADO, a.s.

Identification number: 25255843 | Legal form: Joint-Stock Company | Primary business: Manufacturing of central heating radiators

Balance sheet date: 31 December 2022 | Date of preparation of the financial statements: 21 April 2023

STATEMENT OF CHANGES IN EQUITY (in thousand Czech crowns)

	Share capital	Assets and liabilities revaluation	Own shares	Statutory and other reserves	Retained earnings or (accumulated losses)	Total
As at 1 January 2021	840,700	(42,999)	(116,479)	116,479	359,028	1,156,729
Fair value gains / (loses)						
– investments in subsidiaries and associates	-	(6,028)	-	-	-	(6,028)
Net profit / (loss) for the current period	-	-	-	-	97,241	97,241
As at 31 December 2021	840,700	(49,027)	(116,479)	116,479	456,269	1,247,942
Fair value gains / (loses)						
– investments in subsidiaries and associates	-	(2,844)	-	-	-	(2,844)
Net profit / (loss) for the current period	-	-	-	-	28,832	28,832
Rounding	-	-	-	-	1	1
As at 31 December 2022	840,700	(51,871)	(116,479)	116,479	485,102	1,273,931

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

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 central heating radiators.

The Company is not a member/shareholder with unlimited liability in any undertaking.

1.2. Current economic situation

The current economic situation is being impacted mainly by the war in Ukraine which broke out on 24 February 2022, energy crisis, uncertainty on the commodities and financial markets and finally by negative trends in key macroeconomic indicators with consequences on business, such as the inflation rate, growth of interest rates, volatility of foreign exchange rates and others.

The Company's management has evaluated the impact of the current economic situation on its business with the following conclusion: Despite the limiting factors of the current economic situation, the Company has taken measures to ensure smooth operation in its own and all subsidiaries' production plants.

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.

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 80 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 to their 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 amortised / 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 vehicles	4–8 years
Other tangible fixed assets	3–5 years

The amortisation / 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 capitalised.

2.3. Investments in subsidiaries and loans granted to subsidiaries

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 recognised as a provision, is quantified on the basis of their risk assessment.

2.4. Inventories

Purchased inventories are stated at the lower of cost and net realisable 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 realisable 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.

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

2.5. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts 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 recognised in equity, with the exception of held-to-maturity investments, where the translation difference is recognised in the profit and loss account.

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.

Own shares are recorded at cost as a decrease in Equity on the line Own shares held.

2.9. Provisions

The Company recognises 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 recognised 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 recognises 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 recognised 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;
- subsidiaries and associates and joint-venture companies.

Material transactions and outstanding 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 capitalised 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 recognised in the balance sheet.

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

2.14. Interest expense

Interest expense on borrowings to finance the acquisition of intangible and tangible fixed assets are capitalised 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 recognised 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 recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

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 recognised 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 recognised in the financial statements.

3. Intangible fixed assets

(CZK'000)	1 January 2022	Additions / transfers	Disposals	31 December 2022
Cost				
Software	216,501	3,564	6,078	213,987
Other royalties	6,117	93	6	6,204
Intangible fixed assets in the course of construction	3,161	(2,793)	-	368
Total	225,779	864	6,084	220,559
Accumulated amortisation				
Software	204,985	5,346	6,078	204,253
Other royalties	4,578	448	6	5,020
Total	209,563	5,794	6,084	209,273
Net book value	16,216			11,286

(CZK'000)	1 January 2021	Additions / transfers	Disposals	31 December 2021
Cost				
Software	215,332	1,596	427	216,501
Other royalties	6,000	117	-	6,117
Intangible fixed assets in the course of construction	1,435	1,726	-	3,161
Total	222,767	3,439	427	225,779
Accumulated amortisation				
Software	200,028	5,384	427	204,985
Other royalties	4,132	446	-	4,578
Total	204,160	5,830	427	209,563
Net book value	18,607			16,216

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

4. Tangible fixed assets

(CZK'000)	1 January 2022	Additions / transfers	Disposals	31 December 2022
Cost				
Land	32,445	-	51	32,394
Constructions	1,695,202	33,536	-	1,728,738
Equipment	2,689,632	15,205	5,526	2,699,311
Other tangible fixed assets	61,517	10,405	-	71,922
Art works and collections	25,860	-	-	25,860
Advances paid for tangible fixed assets	3,314	2,494	-	5,808
Tangible fixed assets in the course of construction	30,383	(11,208)	-	19,175
Total	4,538,353	50,432	5,577	4,583,208
Accumulated depreciation and impairment				
Constructions	930,557	36,447	-	967,004
Equipment	2,512,730	48,298	5,527	2,555,501
Other tangible fixed assets	54,965	2,808	-	57,773
Art works and collections	25,860	-	-	25,860
Total	3,524,112	87,553	5,527	3,606,138
Net book value	1,014,241			977,070

(CZK'000)	1 January 2021	Additions / transfers	Disposals	31 December 2021
Cost				
Land	25,481	6,964	-	32,445
Constructions	1,692,441	2,761	-	1,695,202
Equipment	2,690,601	19,341	20,310	2,689,632
Other tangible fixed assets	61,400	117	-	61,517
Art works and collections	25,860	-	-	25,860
Advances paid for tangible fixed assets	2,563	751	-	3,314
Tangible fixed assets in the course of construction	10,238	20,145	-	30,383
Total	4,508,584	50,079	20,310	4,538,353
Accumulated depreciation and impairment				
Constructions	894,612	35,945	-	930,557
Equipment	2,485,162	47,878	20,310	2,512,730
Other tangible fixed assets	52,386	2,579	-	54,965
Art works and collections	22,653	3,207	-	25,860
Total	3,454,813	89,609	20,310	3,524,112
Net book value	1,053,771			1,014,241

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

The Company created a provision for tangible fixed assets as at 31 December 2022 of CZK 25,860 thousand (as at 31 December 2021: CZK 25,860 thousand).

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

5. Investments in subsidiaries

31 December 2022	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2022 profit/(loss) (CZK'000)	Equity (CZK'000)	2022 dividend income (CZK'000)
Foreign entities						
KORADO Deutschland Fürstenwalde, Germany*	14,830	1,003	100%	407	1,003	607
KORADO Bulgaria Strajica, Bulgaria	98,624	98,624	82.15%	55,042	282,195	39,608
KORADO Polska Piasecno, Poland	67,206	-	100%	1,962	(32,131)	-
KORADO Austria* Wien, Austria	25,321	-	100%	3	1	-
KORADO UK* London, Great Britain	27	-	100%	-	27	-
Domestic entities						
LICON HEAT Stráž nad Nisou, Czech Republic	64,012	64,012	100%	7,368	10,623	-
ThermWet Prague 10, Czech Republic	10,366	10,366	100%	(534)	(6,461)	-
Total	280,386	174,005				40,215
Provision for diminution in value	(106,381)					
Net book value	174,005					

* Unaudited

31 December 2021	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2021 profit/(loss) (CZK'000)	Equity (CZK'000)	2021 dividend income (CZK'000)
Foreign entities						
KORADO Deutschland Fürstenwalde, Germany*	15,288	1,231	100%	1,087	1,232	-
KORADO Bulgaria Strajica, Bulgaria	100,138	100,138	82.15%	62,397	284,216	40,827
KORADO Polska Piasecno, Poland	67,293	-	100%	2,221	(35,750)	-
KORADO Austria* Wien, Austria	26,103	-	100%	14	(3)	-
KORADO UK* London, Great Britain	30	-	100%	-	30	-
Domestic entities						
LICON HEAT Prague 1, Czech Republic	64,012	64,012	100%	11,595	3,248	-
ThermWet Prague 10, Czech Republic	10,366	10,366	100%	(1,385)	(5,927)	-
Total	283,230	175,747				40,827
Provision for diminution in value	(107,483)					
Net book value	175,747					

* Unaudited

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

Net book value of investments and loans provided to subsidiaries LICON HEAT and ThermWet have been tested for impairment in 2022 and in 2021. Testing resulted in no impairment of investments or provided loans. Impairment testing was performed using value-in-use calculations that are based on long-term business plan for next five years which was prepared based on management assumptions about future development of the companies and management believes that it will be fulfilled.

EBITDA profitability is an assumption for the value-in-use calculation of the company LICON HEAT, for which the recoverable amount is the most sensitive. Should the revised estimated EBITDA profitability applied to discounted cashflows of LICON HEAT be more than 2 % lower than management estimations, the Company would have to decrease the value of the investment for approximately CZK 22,615 thousand. This amount is calculated on the presumption that all other factors included in the calculation would remain constant. The Company expects, however, that if the input materials costs would increase, this increase would be reflected in the products' sales price.

As at the end of the year, the share price of KORADO Bulgaria amounted to 6.1 BGN/pcs. Market capitalisation amounted to CZK 990 million (2021: CZK: 1,272 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:

(CZK'000)	Subsidiaries	
	2022	2021
As at 1 January	107,483	110,993
Charge for the year	-	-
Released during the year	(1,102)	(3,510)
As at 31 December	106,381	107,483

6. Provided loans

31 December 2022	Loan value in foreign currency ('000)	Loan value (CZK'000)	Interest rate (%)	Provision (CZK'000)
Foreign entities				
KORADO Polska	PLN 6,050	31,170	1.7 % p.a.	31,170
KORADO Bulgaria	EUR 1,900	47,233	1M Euribor + 1.65 % p.a.	-
KORADO Bulgaria	EUR 1,200	27,523	1M Euribor + 0.95 % p.a.	-
Domestic				
LICON HEAT	CZK 37,000	37,000	1 % p.a.	-
ThermWet	CZK 4,000	4,000	1 % p.a.	-
Total		146,926		
Provision for diminution in value		(31,170)		
Net book value		115,756		
31 December 2021	Loan value in foreign currency ('000)	Loan value (CZK'000)	Interest rate (%)	Provision (CZK'000)
Foreign entities				
KORADO Polska	PLN 6,050	32,718	1.7 % p.a.	32,718
KORADO Bulgaria	EUR 1,900	47,235	1M Euribor + 1.65 % p.a.	-
Domestic				
LICON HEAT	CZK 37,000	37,000	1 % p.a.	-
LICON HEAT	EUR 205	5,096	1 % p.a.	-
ThermWet	CZK 4,000	4,000	1 % p.a.	-
Total		126,049		
Provision for diminution in value		(32,718)		
Net book value		93,331		

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

7. Inventories

The Company created a provision for inventories as at 31 December 2022 of CZK 10,618 thousand (as at 31 December 2021: CZK 9,808 thousand).

(CZK'000)	2022	2021
Opening balance as at 1 January	9,808	10,153
Charge for the year	829	-
Released during the year	19	345
Closing balance as at 31 December	10,618	9,808

8. Receivables

Overdue receivables as at 31 December 2022 amounted to CZK 18,000 thousand (as at 31 December 2021: CZK 10,274 thousand).

Unsettled receivables have not been covered by guarantees and none of them are due after more than 5 years. The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

Analysis of the change in the provision for doubtful receivables:

(CZK'000)	2022	2021
Opening balance as at 1 January	5,903	6,354
Charge for the year	-	-
Released during the year	425	451
Written off during the year	214	-
Closing balance as at 31 December	5,264	5,903

9. Equity

Authorised and issued share capital:

	31 December 2022		31 December 2021	
	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:

(in %)	31 December 2022	31 December 2021
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

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

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 Company's financial statements for 2021. The decision about the allocation of profit earned in 2021 of CZK 97,241 thousand was not made. Profit in the amount of CZK 97,241 thousand was transferred to retained earnings.

On 6 June 2022, the general meeting of shareholders approved

Up to the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2022.

10. Provisions

(CZK'000)	Warranty repairs	Provision for pension liabilities	Provision for income tax (netted off with advances paid)	Total
Opening balance as at 1 January 2021	3,901	2,627	-	6,528
Charge for the year	677	970	16,406	18,053
Closing balance as at 31 December 2021	4,578	3,597	16,406	24,581
Charge for the year	545	-	-	545
Used in the year	-	2,504	16,406	18,910
Closing balance as at 31 December 2022	5,123	1,093	-	6,216

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

Advances for income tax of CZK 8,136 thousand paid by the Company by 31 December 2022 (by 31 December 2021: CZK nil thousand) are netted off with the provision for income tax of CZK 743 thousand as at 31 December 2022 (as at 31 December 2021: CZK 16,406 thousand).

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 recognised in the balance sheet. The management of the Company is not aware of any contingent liabilities as at 31 December 2022.

Due to the fulfilment of the conditions of the self-use exception, the Company does not account for contracts for the future purchase of commodities with physical settlement as derivatives.

12. Bank loans and other borrowings

Analysis of the bank loans:

	Collateral	Interest rate (%)	Currency	Balance as at 31 December 2022 (CZK'000)	Balance as at 31 December 2021 (CZK'000)
Československá obchodní banka, a.s.*	Real estate, receivables	O/N Pribor +0.95%/€STR +0.95% p.a.	CZK/EUR	-	-
Československá obchodní banka, a.s.	Real estate, receivables	Euribor 1M+1.55% p.a.	EUR	-	12,000
Československá obchodní banka, a.s.	Real estate, receivables	Pribor 1M+1.55% p.a.	CZK	20,000	40,000
Československá obchodní banka, a.s.	Real estate, receivables	Euribor 1M+1.55% p.a.	EUR	26,418	40,306
Československá obchodní banka, a.s.*	Real estate, receivables Licon Heat	O/N Pribor + 0.95% p.a.	CZK	-	-
Československá obchodní banka, a.s.*	Real estate, receivables	Pribor 1M + 0.95% p.a.	CZK	-	-
Československá obchodní banka, a.s.*	Real estate, receivables	Pribor/ Euribor 1M + 0.95% p.a.	CZK	28,938	-
RaiffeisenBank, a.s.*	no collateral	1D Pribor +1.5% p.a.	CZK	-	-
Total bank loans				75,356	92,306

* the credit limit was not drawn as at 31 December 2022 and 31 December 2021

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

Loans in the total amount of CZK 66,375 thousand (as at 31 December 2021: CZK 92,306 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 2022: CZK 36,672 thousand). From the total loan amount of CZK 28,938 thousand drawn from Československá obchodní banka, a.s., amount of CZK 8,981 thousand has a maturity of more than 5 years.

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 2022 Company met those covenants.

Certain asset items (real estate and receivables) are used as collateral for bank loans and other liabilities. Total net book value of such assets as at 31 December 2022 amounted to CZK 617,227 thousand (as at 31 December 2021: CZK 669,829 thousand).

13. Commitments and contingent liabilities

The management of the Company is not aware of any contingent liabilities as at 31 December 2022.

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

(CZK'000)	31 December 2022	31 December 2021
Current within one year	5,124	5,194
Due after one year	7,842	12,354
Total commitments in respect of operating leases	12,966	17,548

14. Revenue

Revenue analysis:

(CZK'000)	2022	2021
Radiator sales		
– domestic	420,309	474,822
– foreign	870,040	938,148
Provided services	13,278	10,787
Total sales of own products and services	1,303,627	1,423,757
Sales of goods		
– domestic	475,505	437,174
– foreign	261,492	224,632
Total sales of goods	736,997	661,806

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

15. Related parties transactions

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

(CZK'000)	2022	2021
Revenues		
Sales of services	8,101	7,016
Sale of products	74,436	99,251
Sales of goods	25,545	33,090
Sale of materials and tangible fixed assets	14,389	6,648
Interest income	2,032	2,169
Income from shares in subsidiaries	40,215	40,827
Total	164,718	189,001
Costs		
Purchase of goods for resale	539,049	507,476
Purchase of material	125,862	138,395
Services	2,831	2,775
Total	667,742	648,646

The following related party balances were outstanding as at:

(CZK'000)	31 December 2022	31 December 2021
Receivables		
Trade receivables	27,369	29,544
Accrued income	38	693
Granted loans, including allowances	115,756	93,331
Total	143,163	123,568
Liabilities		
Liabilities to companies within the consolidation group	61,187	65,218
Out of which:		
Trade payables	54,785	55,486
Accrued expenses	6,402	9,732
Total	61,187	65,218

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

No loans, credits, deposits, advances, guarantees or other benefits were provided to the members of the Board of Directors, Supervisory Board and administrative bodies as at 31 December 2022 and 2021.

Company cars are available to the members of the Company's management.

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

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 Company.

17. Employees

	2022		2021	
	Number	(CZK'000)	Number	(CZK'000)
Emoluments to the Statutory Body	3	2,880	3	1,117
Emoluments to members of the Supervisory Board	5	776	4	720
Wages and salaries to other management	26	67,885	27	80,404
Wages and salaries to other employees	357	159,458	377	161,288
Social security costs		68,004		69,922
Other social costs		4,357		4,123
Wages and salaries total	391	303,360	411	317,574

Other management includes senior staff members directly reporting to the 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)	2022	2021
Current tax expense (19%)	743	16,406
Deferred tax expense	(1,574)	-
Adjustment of prior year tax expense based on final CIT return	(133)	-
Total income tax expense	(964)	16,406

The current tax analysis:

(CZK'000)	2022	2021
Net profit before taxation	27,868	113,647
Items increasing the tax base	35,355	38,991
- of which differences between accounting and tax depreciation	20,888	15,321
Items decreasing the tax base	58,525	54,782
- of which dividends received and sales of shares	40,215	40,827
Claimed tax loss	-	10,401
Tax base	4,698	87,455
Gifts	-	191
Tax base	4,698	87,264
Corporate income tax at 19%	893	16,580
Tax credit	150	174
Current tax	743	16,406

KORADO, a.s.

Notes to standalone financial statements for the year ended 31 December 2022

The deferred tax was calculated at 19% (the rate enacted for 2022 and subsequent years).

The deferred tax liability analysis:

(CZK'000)	31 December 2022	31 December 2021
Deferred tax (liability) / asset arising from:		
Difference between accounting and tax net book value of fixed assets	(107,010)	(108,803)
Provisions and allowances	3,252	3,471
Net deferred tax liability	(103,758)	(105,332)

19. Subsequent events

On 4 January 2023, a change in the position of the Chairman of the Company's Board of Directors was entered in the Commercial Register. According to the decision of the Board of Directors of KORADO, a.s., dated 8 December 2022, the position of the Chairman of the Board of Directors of Mr. František Menclík was terminated with effect from 31 December 2022, and Ms. Magdalena Součková became the new Chairman of the Board of Directors with effect from 1 January 2023.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2022.

21 April 2023



Magdalena Součková
Chairman of the Board of Directors

ANNUAL REPORT

