



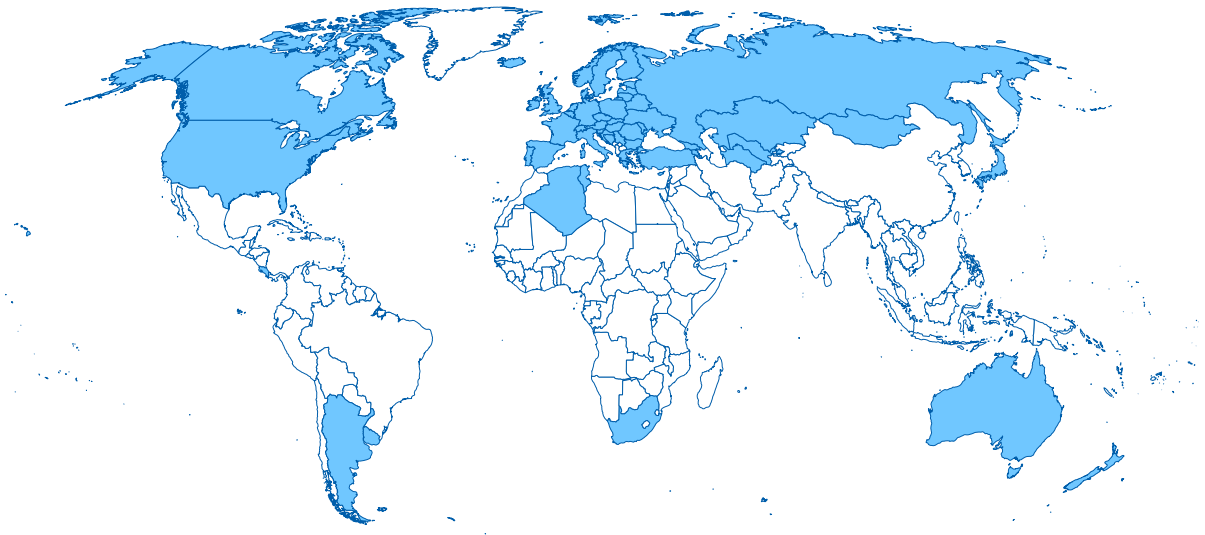
ANNUAL REPORT

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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.



WORD OF THE CHAIRMAN OF THE BOARD OF DIRECTOR

Dear shareholders, esteemed business partners,

It has been a year since I had the honour and pleasure to assume my appointment to the Board of Directors of KORADO, a.s., a mature company with a long-standing history, a stable market position, a modern environment, and loyal employees.

I am delighted to be part of a group that demonstrates its success in responding effectively to everything happening around it, including global adverse influences such as the recent pandemic, current warfare conflicts, and resulting macroeconomic phenomena like inflation, rising costs of banking capital, and an energy crisis, all culminating in the near-complete halt of construction production across the EU.

In 2023, the ongoing trend towards low-temperature household heating continued. I would like to highlight that our company has successfully developed and patented a new product tailored for low-temperature heating. Its significant advantage lies in its versatility, easy installation, and compatibility with nearly all types of radiators.

By offering a comprehensive range of heating and ventilation system solutions, the KORADO Group has strengthened its position in European markets and is successfully penetrating North American markets.

Investments within the group have been directed towards acquiring new manufacturing technologies, developing new products, and areas leading to a reduction in material and energy consumption in production processes.

Simplifying the shareholder structure appears promising and on the right track for 2024. This should positively impact decision-making at the strategic level and lead to a more efficient and dynamic development of the group.

Unfortunately, I must also mention the negative impact of increasing bureaucracy and administrative burden imposed by regulatory bodies. Dealing with a plethora of regulations and directives associated with a green and ESG-focused Europe is neither cheap nor simple. In our specific case, it even brings significant cost advantages to our competitors from third countries who are not required to comply with this process.

I would like to express my gratitude to all employees who are an indispensable part of our group. I highly value their excellent work and exceptional dedication. I appreciate their trust and loyalty. I would also like to thank our business partners for their long-standing collaboration.

Magdalena Součková

Chair of the Board of Directors, KORADO, a.s.

STRATEGIES AND GOALS OF THE KORADO GROUP

The main objective of the KORADO Group for 2024 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

Focus on innovation and product portfolio development, with an emphasis on sustainability and modern technology. Adapt to changing market requirements and legislation, which will be reflected in the new products development. Work on optimising the design and functionality of our radiators for use in modern houses and heating systems.

Securing against Risk

Working with business and trade risks and hedging against them continues to be one of the primary tasks of the Group. Persisting turbulent environment which is influenced by many unpredictable factors: military conflict in Ukraine, Israel, Covid, increase in commodity and energy prices, a significant increase in interest rates, the migration crisis, cyber-attacks, commercial conflicts, 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 etc. 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

The KORADO Group is focused on maintaining a very good standard of working conditions and working environment for its employees. Employees are motivated to perform optimally because motivated and qualified employees are a presumption of the successful operation of the entire Group. The priority of education is to increase the technical and professional training of employees in production.

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 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 2023, the KORADO Group consisted of the parent company KORADO, a.s., Česká Třebová and seven subsidiaries, which are:

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

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

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

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

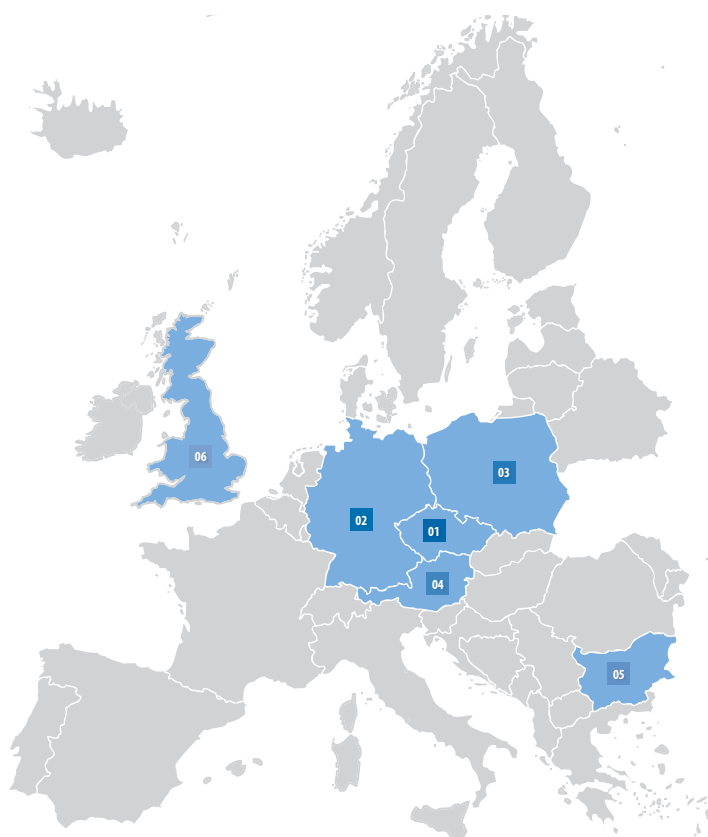
No Controlling Agreements have been concluded between the parent company KORADO, a.s. and its subsidiaries. The cooperation of these companies is based on Distributor Agreements and annual financial sales plans. In addition to these Agreements there are Loan Agreements concluded between the parent company 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 full-fledged 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 KORADO Bulgaria by about BGN 7 million (about CZK 100 million). These funds were used for further investment development of the subsidiary. 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 convactor 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 2023:

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 618 thousand	Leona Vaňková	DR. Wilhelm-Külz- Strasse 61, 155 17 Fürstenwalde, Germany	100 %	Limited liability company
KORADO Polska, Sp. z. o. o.	4 December 1996	CZK 41,058 thousand	Žaneta Vebrová	Gen.Okulickiego 4, 05-500 Piasecno, Poland	100 %	Limited liability company
KORADO Austria, GmbH	1 July 1998	CZK 25,961 thousand	Leona Vaňková	Ferstelgasse 6/7, 1090 WIEN, Austria	100 %	Limited liability company
KORADO Bulgaria, A. D.	1 October 1998	CZK 166,478 thousand	Jiří Řezníček	Gladston 28, 5150 Strajica, Bulgaria	82.15 %	Joint-stock company
KORADO U. K. Limited	25 November 1998	CZK 28 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 20,200 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 2023

* 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.

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. From 1 January 2023, the company will only intermediate the sale of products for the parent company in Poland. KORADO, a.s. owns a 100% share in KORADO Polska.

KORADO Austria, GmbH – KORADO Austria was founded in 1998 as a 100% subsidiary, which 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

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

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

In 2017, the company increased its share capital by 4,389,538 ordinary shares, which are registered as freely transferable voting shares with a nominal value of BGN 1 per each. This increase was realized from the original share premium. The shares were distributed to existing shareholders in a ratio of 2:1 (for every two existing shares, one new share is added). During the autumn 2017, the company has met the conditions for admission to the Exchange's Premium Market, on which it is currently traded.

LICON HEAT s. r. o. – A company with many years of tradition in the production of convectors 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. LICON HEAT s. r. o. is a consolidated company with modern production technology and a progressive business policy, supported by a quality management system in accordance with ISO 9001. Today, products of

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

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

In 2023, KORADO Deutschland achieved a financial result of EUR 16 thousand (CZK 373 thousand).

In 2023, KORADO Polska achieved a financial result of PLN 215 thousand (CZK 1,136 thousand).

the receivables of this subsidiary, this company has been inactive.

In 2023, KORADO Austria generated loss of EUR 1,150 (CZK 28,000 thousand).

After significant investments in previous years (a new production line for the manufacture of panels and then bathroom radiators), the investment in reducing energy consumption in the production facilities was completed in 2017. The entire production facility is now fully insulated. In 2018, the company purchased an adjacent production site (approximately 3 hectares of land) together with a production and administration building.

At the end of 2019, the company implemented a project to distribute its own shares to employees. The move encouraged employee loyalty at a time of significant labour market tensions.

At the end of the year, KORADO Bulgaria's share price reached BGN 4.060 per share, i.e. the company's market capitalization reached CZK 676 million.

In 2023 KORADO Bulgaria recorded a financial result of BGN 3,569 thousand (CZK 43,809 thousand).

the KORADO and LICON brands create a comfortable climate in many buildings all over the world.

At the end of 2023, preparations for the merger of Licon Heat and ThermWet began, with Licon Heat as the successor entity. The new name of this company will be simply "LICON". The merger is expected to be registered on 1 March 2024.

In 2023, LICON HEAT generated loss of CZK 6,785 thousand.

in the domestic market but also abroad, now under the LICON brand, into which it will be incorporated as of 1 March 2024. The new entity will use the premises of the original LICON HEAT company, which will allow further expansion of the capacity of the original ThermWet production and also improve productivity.

In 2023, ThermWet generated loss of CZK 1,275 thousand.

TABLE OF FINANCIAL INDICATORS OF THE GROUP

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TOTAL SALES (CZK MIL.)	1,750	1,836	1,875	1,949	1,780	1,832	1,775	2,350	2,229	1,709
YEARLY CHANGE IN SALES (%)	9 %	5 %	2 %	4 %	(9 %)	3 %	(3 %)	32 %	(5 %)	(23 %)
EBITDA (NET PROFIT (LOSS) PLUS TAX ON INCOME PLUS INTEREST COSTS PLUS DEPRECIATION) (CZK MIL.)	191	176	210	166	147	189	214	278	189	163
EBITDA MARGIN (EBITDA / TOTAL SALES) (%)	11 %	10 %	11 %	9 %	8 %	10 %	12 %	12 %	8 %	10 %
PROFIT/LOSS AFTER TAX (CZK MIL.)	63	44	70	25	6	7	56	123	49	23
RETURN ON EQUITY (EBIT / ASSETS MINUS CURRENT LIABILITIES)	5 %	3 %	5 %	2 %	2 %	3 %	5 %	10 %	4 %	2 %
INDEBTEDNESS (LOANS / EQUITY)	0.26	0.20	0.25	0.19	0.20	0.15	0.13	0.08	0.08	0.09
QUICK RATIO (CURRENT ASSETS MINUS INVENTORY / CURRENT LIABILITIES)	0.79	0.62	0.82	0.32	0.37	0.48	0.83	0.63	0.67	1.24
CURRENT RATIO (CURRENT ASSETS / CURRENT LIABILITIES)	1.23	1.06	1.36	0.88	0.94	1.10	1.32	1.35	1.70	2.02
TOTAL ASSETS (CZK MIL.)	2,203	2,153	2,185	1,990	2,032	1,966	2,033	2,334	2,111	2,123
NON-CURRENT ASSETS / TOTAL ASSETS (%)	74 %	76 %	72 %	78 %	74 %	74 %	68 %	56 %	61 %	58 %
RECEIVABLE TURNOVER (DAYS)	34	30	25	20	17	18	20	18	17	16
PAYABLE TURNOVER (DAYS)	110	107	103	92	122	124	128	120	119	123
INVENTORY TURNOVER (DAYS)	58	57	63	67	87	89	85	89	116	133

FINANCIAL SITUATION

Profitability of the KORADO Group

In 2023, we continued to face a difficult economic and geopolitical situation, affected in particular by the ongoing military conflict in Ukraine. The current macroeconomic situation still causes uncertainty about future demand. The building sector continues to stagnate, mainly due to high interest rates on loans. Production factor prices remained unchanged, including energy prices. Further developments in raw material prices, supply and demand are very difficult to predict. Despite this difficult economic situation, thanks to an established management and process control system, the smooth operation of all our production facilities has been ensured and the KORADO Group has achieved a profit of CZK 23 millions in 2023.

Bank Loans

Bank loans were repaid in 2023 in accordance with the terms of the credit agreements. All banking covenants were fulfilled during the year.

Investments

The parent company made four significant investments in 2023. The first investment was the installation of a new powder coating booth. The second investment was the installation of a cardboard tray production line for the packaging of towel rail radiators. The third investment was the purchase of two shell pressing tools and subsequent commissioning. The fourth investment was design work for a new building in the Machnín area.

Risk management

During its existence, the KORADO Group has built up a very stable and financially strong portfolio of customers. However, our participation in several 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 2023, 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 supplier environment. From this perspective, a long-term stable portfolio of our suppliers is seen as one of the cornerstones of our purchasing strategy. Another element of this strategy is the ongoing search for alternative suppliers.

PRODUCTION AND DEVELOPMENT

Production

In 2023, there were ongoing attempts to change the work regime in production, including the training of unit workers and the possibility of rotating them to maximise productivity.

We also continued to use data support in collaboration with the IT centre to refine data to minimise loss of time.

In 2023, we continued to work with efficiencies in smaller parts of the production processes. We are thus pursuing higher motivation of the employees in these parts of the processes, a realisation of production costs for the Finance department and, last but not least, as feedback to the technology - more realistic standards - of the workload in the processes. Although efficiency has been negatively impacted primarily by the continued decline in production requirements, very good production efficiency has been achieved.

In addition, the paint and anolyte rods in one tub of KTL base-coat were completely replaced.

Development

The development of the new product RADIK V-Power was completed in 2023. A panel radiator for public buildings has been developed and it is ready for production and has already been adapted to a central control system. Work was also continuing the development of a direct-heating panel radiator. Development of OTT and DOT with additional ventilation and heating unit - Booster was completed.

Production in LICON HEAT

In 2023, a major innovation in the product range of KORAWALL wall-mounted fan-coil units for heating/cooling suitable for low-temperature systems with heat pumps was launched. In addition, an innovative KORALINE range of convectors has been launched, where the innovation has expanded the range and improved the product's performance and design.

Production in the KORADO Bulgaria

In 2023 the consolidation of production processes continued. 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

The production of CVRJ (central ventilation units) was moved from the original premises in Smržov to the production hall of Licon. The reason for relocating was limited and insufficient production capacity. Two assembly lines have been installed at Licon, significantly increasing the capacity and efficiency of CRVJ assembly. For simpler and more efficient process management, it has been decided to merge ThermWet into Licon. The merger was registered in the commercial register on 1 March 2024.

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 tied to achieving specifically defined 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, attendance, training and payroll which collects data from these areas. Data is available in long-term time series.

The KORADO Group strives for stability and development, enabling employees to utilize their abilities and skills, as well as fostering personal growth within the workplace. Onboarding new employees to the company culture and environment is also facilitated by introductory information training and a "New Employee Handbook" containing essential company details and practical information.

Whistleblowing

Based on Act No. 171/2023 Coll., on the protection of whistleblowers, in its current wording (hereinafter referred to as the "Act"), the company KORADO, a.s., was obliged from 1 August 2023, to ensure that individuals (whistleblowers) have the opportunity to safely submit reports regarding possible unlawful actions. To achieve this, the company implemented an internal reporting system and appointed a relevant person (report resolver) to evaluate and investigate the received reports from whistleblowers.

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 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.

In 2023 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 radiator production and sales has been confirmed through product certifications: RAL for the Federal Republic of Germany, GOST for the Russian market, and quality marks for the Ukrainian market. Additionally, the KORADO products comply with European Union legal regulations, meeting all requirements 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 management control 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

Environmental protection ranks among the KORADO Group's top priorities. In 2023, the latest update to the integrated permit came into effect, including an updated list of operating pollution sources. The results of authorized measurements for these sources are in line with the applicable conditions. Notable contributions to active environmental protection include expanding recycling points for office waste and installing a composting system at the parent company's facility in Česká Třebová. Also in 2023, the company KORADO, a.s. also focused on implementing measures to conserve drinking water and optimize chemical consumption. The company's positive relationship with the environment was confirmed by a supervisory audit based on EN ISO 14001, conducted by company DEKRA, which found no discrepancies.



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 because 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 2023.

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 five members as at 31 December 2023. The Supervisory Board usually meets once every two months.

During 2023, the following changes occurred in the composition of the Supervisory Board:

The representative of the shareholder of the Ministry of Finance of the Czech Republic, Ing. Jaromír Hejda, announced to the Chairman of the Supervisory Board their resignation from the position of a member of the Supervisory Board. In accordance with Article X, paragraph 8 of the KORADO a.s. company's statutes, the function of a member and vice-chairman of the Supervisory Board Ing. Jaromír Hejda, ended on 25 June 2023. Based on this fact, during its meeting on 8 September 2023, the Supervisory Board elected Hana Vaňousová as the new vice-chairman of the company's Supervisory Board

Composition of the Supervisory Board as at 31 December 2023:

- Ludvík PETR – Chairman of the Supervisory Board
- Ing. Hana VAŇOUSOVÁ – Vice Chairman 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 14 December 2023, the five-year term of office for the member of the Board of Directors representing the European Bank for Reconstruction and Development (EBRD), Mrs. Mary Elle Collins, came to an end.

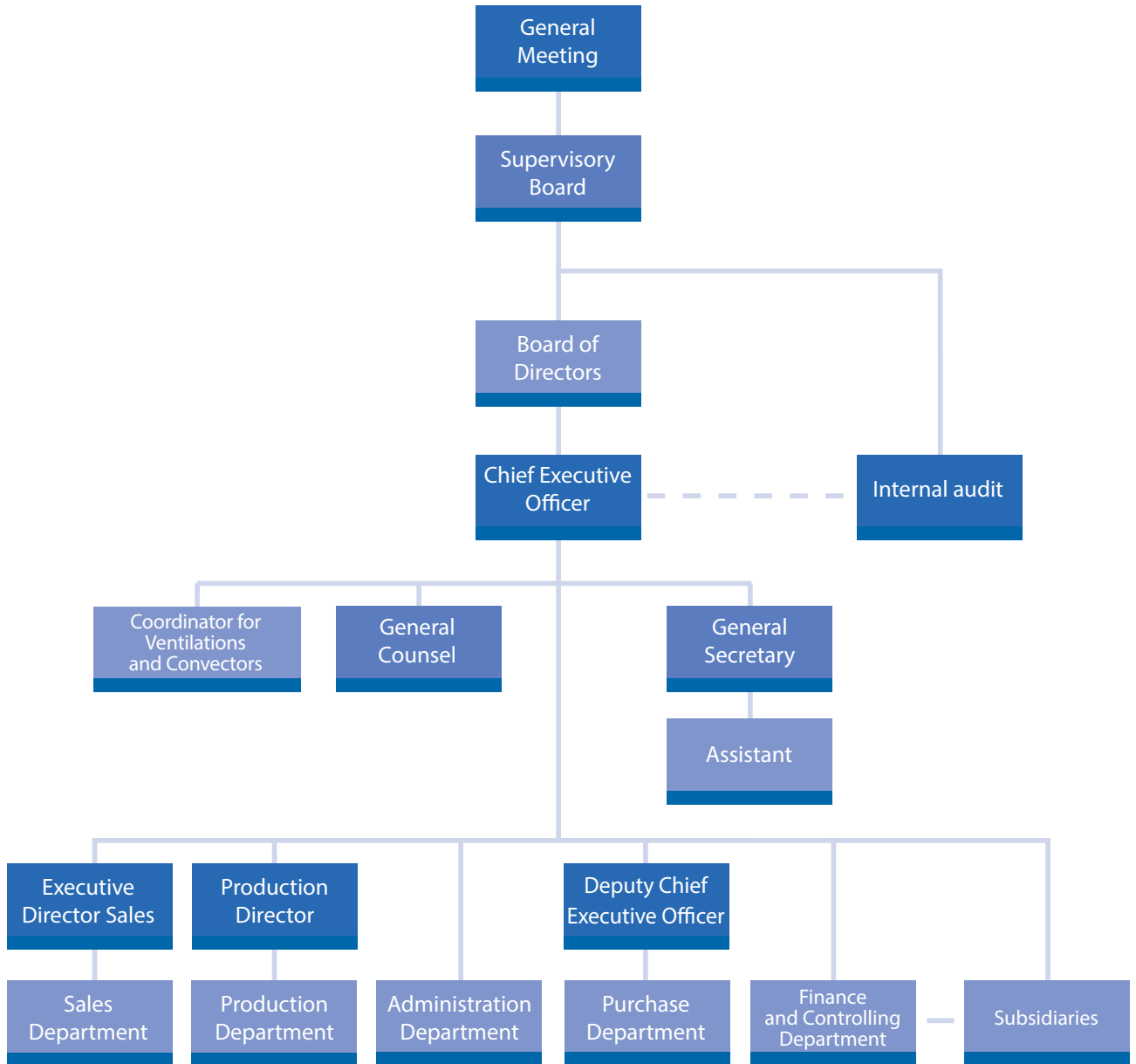
Composition of the Board of Directors as at 31 December 2023:

- Magdalena Součková – Chairman of the Board of Directors
- Miroslav VOBORA – Vice Chairman of the Board of Directors
- Ing. František HAMÁČEK – 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 2023, 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

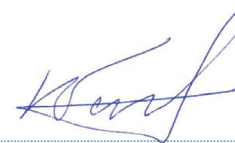
- 1965** Start of panel radiators production in the former Koventa company.
- 1970** Own multipoint welding lines for the production of radiators launched.
- 1987** First welding line from SCHLATTER, an innovation for radiators, significantly reducing the proportion of manual labour, increasing labour 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.
- 2023** At the end of 2023, there was the merger of the Czech of subsidiary production companies LICON HEAT s.r.o. and ThermWet s.r.o. company. The successor company is LICON HEAT, while at the same time renaming it to the company LICON s.r.o. This merger should ensure a significant shift in increase in the portfolio of low-emission products that will in line with current trends.

Approved for issue and signed on 26 April 2024



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 2023, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2023 in accordance with IFRS Accounting 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 2023, and of the Company's financial performance and cash flows for the year ended 31 December 2023 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 2023,
- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023,
- the consolidated statement of changes in equity for the year ended 31 December 2023,
- the consolidated statement of cash flows for the year ended 31 December 2023, and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

The separate financial statements of the Company comprise:

- the balance sheet as at 31 December 2023,
- the income statement for the year ended 31 December 2023,
- the statement of changes in equity for the year ended 31 December 2023,
- the statement of cash flows for the year ended 31 December 2023, and
- the notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

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Independence

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

26 April 2024

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jan Musil

Eva Bajerová
Statutory Auditor, Licence No. 2549

A blue ink signature of Jan Musil, written in a cursive style, with the name 'Jan Musil' printed in a smaller font directly below it.

Jan Musil

A blue ink signature of Eva Bajerová, written in a cursive style, with a horizontal line above it.

Eva Bajerová



KORADO GROUP
CONSOLIDATED FINANCIAL STATEMENTS ACCORDING
TO IFRS ACCOUNTING STANDARDS

31 / December / 2023



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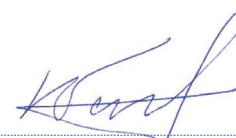
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KORADO GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(In thousands of CZK)	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,125,138	1,178,746
Intangible assets	6	31,278	33,626
Right-of-use assets	7	65,644	70,330
Other non-current assets		4,766	4,656
Total non-current assets		1,226,826	1,287,358
Current assets			
Inventories	8	345,413	497,584
Receivables	9	76,675	76,612
Prepayments and other current assets	10	30,573	44,718
Income tax receivables	20	9,094	7,393
Cash and cash equivalents	11	434,569	197,206
Total current assets		896,324	823,513
Total assets		2,123,150	2,110,871
EQUITY AND LIABILITIES			
Equity			
Share capital	12	840,700	840,700
Own shares	12	(116,479)	(116,479)
Statutory fund	12	116,479	116,479
Retained earnings and other funds	12	581,341	567,531
Translation reserve		(46,753)	(50,653)
Total shareholders' equity attributable to equity holders of the parent		1,375,288	1,357,578
Non-controlling interest	22	56,555	50,374
Total shareholders' equity		1,431,843	1,407,952
Non-current liabilities			
Long-term borrowings	13	81,080	42,004
Lease liabilities	7	53,922	57,027
Other long-term debts		6,563	6,518
Deferred tax liabilities	20	103,369	104,428
Total non-current liabilities		244,934	209,977
Current liabilities			
Short-term borrowings	13	46,509	64,213
Lease liabilities	7	13,649	14,370
Trade and other payables	14	379,888	404,088
Provisions	14	3,495	7,280
Current income tax payable	20	2,832	2,991
Total current liabilities		446,373	492,942
Total equity and liabilities		2,123,150	2,110,871

Approved for issue and signed on 26 April 2024


Magdalena Součková
Chairman of the Board of Directors

Vojtěch Čápek
Chief Executive Officer

The accompanying notes on pages 29 to 44 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 2023

(In thousands of CZK)	Note	2023	2022
Revenues from sales of products and goods	15	1,708,736	2,228,888
Other operating income	18	16,901	43,600
Cost of materials, energy and purchased goods	16	(960,870)	(1,422,403)
Change in inventories	16	(14,353)	(19,115)
Depreciation and amortization	5,6,7	(122,443)	(126,183)
Wages and salaries	4	(400,956)	(430,008)
Purchased services	17	(169,687)	(184,263)
Other operating expenses	19	(21,816)	(30,187)
Interest expense, net of capitalized interest		(12,711)	(6,082)
Interest income		907	2,939
Foreign exchange gains / (losses), net		5,470	955
Other financial expenses, net		(861)	(1,080)
Profit before taxation		28,317	57,061
Income taxes	20	(5,651)	(7,697)
Profit after taxation		22,666	49,364
Other comprehensive expense			
Items that may be reclassified subsequently to statement of income:			
Currency translation losses		5,335	(6,928)
Items not to be reclassified subsequently to statement of income:			
Re-measurement losses on defined benefit plans		(1,263)	(252)
Total other comprehensive expense		4,072	(7,180)
Total comprehensive income		26,738	42,184
Profit after income taxes attributable to:			
Equity holders of the parent company		14,846	39,539
Non-controlling interest	22	7,820	9,825
Profit after taxation		22,666	49,364
Total comprehensive income attributable to:			
Equity holders of the parent company		17,710	33,938
Non-controlling interest	22	9,028	8,246
Total comprehensive income		26,738	42,184

KORADO GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(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 2022	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
Profit after taxation	-	-	-	-	14,846	14,846	7,820	22,666
Other comprehensive expense	-	-	3,900	-	(1,036)	2,864	1,208	4,072
Total comprehensive income	-	-	3,900	-	14,292	18,192	9,028	26,738
Dividends	-	-	-	-	-	-	(2,847)	(2,847)
Balance as at 31 December 2023	840,700	(116,479)	(46,753)	116,479	581,341	1,375,288	56,555	1,431,843

See Note 13 in the Notes

KORADO GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(In thousands of CZK)	Note	2023	2022
OPERATING ACTIVITIES			
Profit before taxation		28,317	57,061
Adjustments for:			
Depreciation and amortization	5,6,7	122,443	126,183
Receivables and loans write-off	19	1	548
Interest income and interest expense, net		11,804	3,143
Changes in provisions, net	19	(4,103)	1,218
Foreign exchange gains / (losses), net		(5,470)	(955)
Gain / (loss) on sale of property, plant and equipment		(1,830)	(135)
Other non-cash movements		(1,052)	(210)
Changes in assets and liabilities:			
Inventories	8	151,709	52,167
Receivables and other current assets	9	31,098	58,172
Payables and other current liabilities	14	(25,041)	(260,471)
Income taxes (paid)	20	(8,569)	(31,697)
Net cash from operating activities		299,305	5,024
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	5,6	(60,550)	(65,893)
Proceeds from sale of property, plant and equipment		1,830	270
Interest received		907	2,939
Net cash used in investing activities		(57,813)	(62,684)
FINANCING ACTIVITIES			
Loan drawings	13	78,732	36,831
Repayments of debt	13	(55,647)	(46,115)
Payments of principal on leases	7	(13,653)	(14,550)
Change in lease obligation and other long-term payables		(1,752)	1,808
Dividends paid to non-controlling interest	12	(2,847)	(8,607)
Interest paid, net of capitalized interest		(9,074)	(4,503)
Payments of interest on leases	7	(3,637)	(1,579)
Net cash used in financing activities	11	(7,778)	(36,715)
Net (decrease)/increase in cash and cash equivalents		233,714	(94,375)
Cash and cash equivalents at beginning of year		197,206	295,387
Effect of exchange rate changes on cash and cash equivalents		3,649	(3,806)
Cash and cash equivalents at end of year	11	434,569	197,206

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2023

1. KORADO Group and its operations

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union for the year ended 31 December 2023 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 production 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 2023 % of voting and equity share	31 December 2022 % 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. Overview of significant accounting policies

Statement of compliance

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

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 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement within 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 consolidated 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.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2023

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.

The consolidated financial statements are expressed in Czech crowns (CZK), which is the Company's functional and reporting currency. Each company included in the Group has its own functional currency in which it measures the items included in its financial statements.

Transactions in foreign currencies of the Group companies are accounted for as translated into their functional currency using the daily exchange rate. Gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The assets and liabilities of foreign subsidiaries are translated into the reporting currency using exchange rate valid as at the balance sheet date. Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of foreign subsidiaries are translated into the reporting currency at the average exchange rate for the current year. Equity items are translated into the reporting currency at historical rates. Exchange differences arising on retranslation are taken directly to other comprehensive income. When a foreign entity is sold, the cumulative translation differences are recognised in profit or loss as part of the gain or loss on the sale.

Goodwill related to the acquisition of a foreign entity is recorded as an asset of the acquiree and is translated at the exchange rate valid at the balance sheet date.

Fair value measurement

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 fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. Valuation techniques are used to determine the fair value of financial instruments that are not traded in an active market. The Group makes assumptions based on market conditions existing at each balance sheet date.

The carrying amounts of current financial assets and current financial liabilities approximate their fair values. The carrying amount of non-current financial assets and liabilities also approximates their fair value, which has been determined as the present value of future cash flows based on market interest

rates at the balance sheet date and which qualifies for Level 2 under IFRS 13.

Business combinations and goodwill

Business combinations are accounted for using the purchase method at the acquisition date, which is the date on which the Group obtains control.

Goodwill is initially measured at the difference between the consideration paid plus the value of any non-controlling interests and the fair value of the identifiable assets acquired and liabilities assumed, excluding goodwill arising on the acquisition of KORADO Bulgaria AD (see below). If the consideration is less than the fair value of the net assets of the subsidiary being acquired ("negative goodwill"), the difference is charged directly to profit or loss.

The goodwill arising at 1 January 2004 in connection with the inclusion of KORADO Bulgaria AD in the consolidated financial statements of the KORADO Group was measured at the date of transition to IFRS according to the rules set out in IFRS 1, the "deemed cost", which represents the difference between the cost of the investment as stated in the parent company's unconsolidated financial statements and the parent company's share of the carrying amount of the assets and liabilities of the subsidiary. Goodwill is subsequently tested annually for impairment.

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

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation and any write-downs reflecting temporary impairment. Land is not depreciated.

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.

Assets that are depreciated are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2023

are grouped by the lowest level for which there is a largely independent cash flow (cash-generating units). Prior impairment of non-financial assets (other than goodwill) is reviewed for possible reversal at each balance sheet date.

Right-of-use assets

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.

Intangible assets and Goodwill

Intangible assets are initially measured at cost, which includes acquisition-related costs. Intangible assets are amortised on a straight-line basis over their estimated useful lives, up to a maximum of 6 years. The amortisation period and the amortisation method are reviewed annually, always at the end of the financial year.

Goodwill is not amortised. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying amount of a cash-generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense.

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.

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 determined a lifetime expected loss allowance for all trade and other receivables.

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 1 December 2023 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.

Non-controlling interest

The Group measures the non-controlling interest at the acquisition date as its share of the fair value of the identifiable net assets. Non-controlling interest represents a separate item of Group's Equity.

The Group measures the non-controlling interest at the acquisition date as a proportion of the fair value of the identifiable net assets.

The Group considers transactions with non-controlling interests that do not result in a loss of control to be transactions with the owners of the Group's shares. 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 the non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the KORADO Group.

Trade and other payables

Trade payables are initially recognised at fair value and subsequently recognised at accrued value using the effective interest rate.

Lease liabilities

Lease liabilities are initially measured on a net present value basis.

Renewal options (or options for periods after termination) are included in the lease term only if it is reasonably certain that the lease will be renewed (or not terminated).

Lease payments are discounted using an implicit interest rate. Where this rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds necessary to acquire an asset of similar value to a right-of-use asset in a similar economic environment with similar terms, for the same length of time and with similar collateral.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2023

Lease payments are split between principal and finance charges. Finance costs are charged to profit or loss over the term of the lease to produce a constant periodic rate of interest on the remaining liability for each period.

Payments related to short-term leases of equipment and vehicles and all leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis. A short-term lease is a lease with a lease term of 12 months or less. Small assets consist mainly of IT equipment and small items of office furniture with a value of CZK 300 thousand or less.

Loans and borrowings

All loans and borrowings are initially measured at the fair value of the consideration received less direct transaction costs. Subsequently, loans and borrowings are measured at accrued value using the effective interest method. The related gains or losses are charged to profit or loss when the liabilities are derecognised or amortised.

A short-term loan is also considered to be a portion of a long-term loan that is repayable within one year of the balance sheet date or for which a breach of contractual terms has occurred and forgiveness of the breach has not been obtained before the end of the financial year.

Provisions

Additions to/deductions from provisions are accounted for as increases/decreases in the relevant expense account.

Revenue recognition

The Group manufactures and sells a range of heaters in the wholesale and retail market. Revenue is recognised at the transaction price. Revenue is recognised net of discounts, returns and value added tax. The estimate of the determination of discounts is based on experience using the expected value method. A liability for refunds (included in trade and other payables) is recognised for expected volume discounts payable to customers in respect of sales made up to the end of the financial year.

Revenue is recognised when the date of delivery to the customer and transfer of control of the products/goods has occurred. The Group does not provide any services directly related to the products and goods sold.

The financing element is not included in sales as sales are made with a maturity of 30 to 60 days, which is in line with market practice. The Group's obligation to repair or replace defective products under standard warranty terms is recognised as a provision.

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 2023 and 2022, respectively, after adjustments for certain items which are not deductible for taxation purposes. According to Czech legislation, corporate income tax rate for 2024 will be 21%. Income tax payable in Bulgaria is calculated at an income tax rate of 10%.

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. Offsetting of deferred tax assets and deferred tax liabilities is possible when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax liabilities with current tax assets and pay the resulting net amount.

Government grants

Grants from the government are recognized 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 recognized 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.

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 only when it is probable that resources will be used in connection with them.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2023

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.

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 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 circumstances 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 new and amended standards became effective from 1 January 2023.

- Amendment to IAS 1 and Statement of Practical Application of IFRS 2: Disclosure of Accounting Policies (issued on 12 February 2021 with effect for annual periods beginning on or after 1 January 2023).
- Deferred tax relating 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).

- IFRS 17, Insurance Contracts (Standard issued on 18 May 2017 with effect for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and IFRS 4 (issued 25 June 2020 and 9 December 2021, effective for annual periods beginning on or after 1 January 2023).
- Amendment to IAS 8: Definitions of accounting estimates (issued 12 February 2021, effective for annual periods beginning on or after 1 January 2023).

These new and amended standards did not have a material impact on the values recognised in the prior or current periods.

Certain new standards and interpretations have been issued that are not mandatory for the financial year ending 31 December 2023 and have not been early adopted by the Group. The Group does not expect the new standards and interpretations to have a material impact on the Group's consolidated financial statements.

4. 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 10, 14, and 20.

In 2023 and 2022 short-term employee benefits (salaries and bonuses including social and health insurance) related to management personnel of Group companies (34 and 36 people in total, respectively) amounted to CZK 92,442 thousand and CZK 91,334 thousand, respectively.

In 2023 and 2022 members of Board of Directors and Supervisory Board of the Company received remuneration of CZK 3,672 thousand and CZK 3,656 thousand, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2023

5. 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 2022	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)
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 1 January 2023	37,407	783,085	286,128	12,766	59,360	1,178,746
Additions	-	15,256	22,536	8,459	362	46,613
Disposals	-	-	(89)	-	-	(89)
Depreciation charge	-	(38,592)	(60,526)	(5,209)	-	(104,327)
Transfers	-	-	9,496	(150)	(9,346)	-
Effect of translation to presentation currency	127	531	2,746	(29)	820	4,195
Carrying amount at 31 December 2023	37,534	760,280	260,291	15,837	51,196	1,125,138
Cost at 31 December 2023	37,534	1,808,698	3,135,923	103,556	51,196	5,136,907
Accumulated depreciation	-	(1,048,418)	(2,875,632)	(87,719)	0	(4,011,769)
Carrying amount at 31 December 2023	37,534	760,280	260,291	15,837	51,196	1,125,138

At 31 December 2023 buildings, lands and machines carried at CZK 542,252 thousand (at 31 December 2022: CZK 560,216 thousand) have been pledged to third parties as collateral for borrowings. See Note 21.

KORADO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2023

6. 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 2022	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 1 January 2023	11,166	-	-	1,089	21,371	33,626
Additions	2,296	-	-	(61)	-	2,235
Amortization charge	(4,886)	-	-	-	-	(4,866)
Effect of translation to presentation currency	-	-	-	-	303	303
Carrying amount at 31 December 2023	8,576	-	-	1,028	21,674	31,278
Cost at 31 December 2023	216,959	4,218	2,716	1,028	21,674	246,595
Accumulated amortization	(208,383)	(4,218)	(2,716)	-	-	(215,317)
Carrying amount at 31 December 2023	8,576	-	-	1,028	21,674	31,278

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7. 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 2022	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
Additions	7,658	1,689	9,347
Effect of translation to presentation currency	478	-	478
Depreciation charge	(10,210)	(4,301)	(14,511)
Carrying amount at 31 December 2023	57,098	8,546	65,644

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 2023	31 December 2022
Short-term portion	13,649	14,370
Long-term portion	53,922	57,027
Lease liabilities	67,571	71,397

Interest expense included in finance costs of 2023 was CZK 3,637 thousand (2022: CZK 1,579 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	2023	2022
Expense relating to leases of low-value assets	3,268	2,535
Expense relating to short-term leases	2,429	2,317
Total	5,697	4,852

Total cash outflow for leases in 2023 was CZK 17,290 thousand (2022: CZK 16,128 thousand).

8. Inventories

(In thousands of CZK)	31 December 2023	31 December 2022
Raw materials	261,701	383,916
Work in progress	15,491	16,041
Finished products	68,221	97,627
Total inventories	345,413	497,584

Excess, obsolete and slow-moving inventory at gross amount of CZK 11,422 thousand (at 31 December 2022: CZK 13,075 thousand) has been reduced through the allowance account of CZK 11,422 thousand (at 31 December 2022: CZK 10,960 thousand). The allowance is determined by management based on the aging analysis of inventory and the estimated net realizable value.

9. Receivables

(In thousands of CZK)	31 December 2023	31 December 2022
Trade receivables	71,603	75,415
Advances paid	6,641	5,542
Other	2,085	91
Less trade receivables provision	(3,654)	(4,436)
Total trade and other receivables	76,675	76,612

Receivables of CZK 62,729 thousand (at 31 December 2022: CZK 62,293 thousand) have been pledged as collateral for borrowings. See Note 21.

Movements in the provision for trade receivables are as follows:

(In thousands of CZK)	2023 Trade receivables	2022 Trade receivables
Provision for impairment at 1 January	4,436	4,449
Additions	-	721
Amounts written off as uncollectible	-	-
Reversals	(783)	(734)
Provision for impairment at 31 December	3,653	4,436

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Trade receivables of CZK 67,918 thousand (at 31 December 2022: CZK 65,157 thousand) net of impairment provisions are denominated in foreign currency, mainly 80% in Euro (at 31 December 2022: 90%).

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

Matrix of impairment for trade receivables at carrying amount as at 31 December 2023:

(In thousands of CZK) Gross value in %	Expected losses	Gross carrying amount	Allowance
Trade receivables			
- Due	0 %	67,167	-
- Up to 90 days overdue	3 %	-	-
- 91 to 180 days overdue	100 %	894	(112)
- 181 to 360 days overdue	100 %	-	-
- Over 360 days overdue	100 %	3,542	(3,542)
Total trade receivables (gross carrying amount)		71,603	
Allowance		(3,654)	
Total trade receivables (carrying amount)		67,949	

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	

10. Prepayments and other current assets

(In thousands of CZK)	31 December 2023	31 December 2022
VAT receivables	23,071	33,360
Prepayments and other current assets	7,502	11,358
Total prepayments and other current assets	30,573	44,718

11. Cash and cash equivalents

(In thousands of CZK)	31 December 2023	31 December 2022
Bank balances payable on demand	433,996	196,684
Cash in hand	573	522
Total cash and cash equivalents	434,569	197,206

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

(In thousands of CZK)	31 December 2023	31 December 2022
	Bank balances payable on demand	Bank balances payable on demand
Neither past due nor impaired		
- A*	428,932	186,340
- B**	5,064	10,344
Total	433,996	196,684

Neither past due nor impaired

- A*	428,932	186,340
- B**	5,064	10,344
Total	433,996	196,684

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

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

12. Share capital

The Company's issued share capital is CZK 840,700 thousand (at 31 December 2022: CZK 840,700 thousand).

The total authorized number of ordinary shares 2,402 shares (at 31 December 2022: 2,402 shares) with a par value of CZK 350 thousand per share (at 31 December 2022: CZK 350 thousand per share). All issued ordinary shares are fully paid. Each ordinary share carries equal voting rights.

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The shareholders:

(in %)	31 December 2023	31 December 2022
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

There were no dividends paid to shareholders in 2023 and 2022.

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 26 June 2023, the general meeting of shareholders approved the Company's financial statements for 2022. The decision about the allocation of profit earned in 2022 of CZK 28,832 thousand was not made. Profit in the amount of CZK 28,832 thousand was transferred to retained earnings.

The profit share paid by a subsidiary to non-controlling interest for the year 2023 amounted to CZK 2,847 thousand (2022: CZK 8,607 thousand).

13. Borrowings

(In thousands of CZK)	31 December 2023	31 December 2022
Term loans	124,167	100,997
Other non-bank loans	3,423	5,220
Total borrowings	127,590	106,217

(In thousands of CZK)	31 December 2023	31 December 2022
Current		
Term loans	44,949	62,329
Other non-bank loans	1,560	1,884
Total current borrowings	46,509	64,213

(In thousands of CZK)	31 December 2023	31 December 2022
Non-current		
Term loans	79,218	38,668
Other non-bank loans	1,862	3,336
Total non-current borrowings	81,080	42,004
Total borrowings	127,589	106,217

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

(In thousands of CZK)	31 December 2023	31 December 2022
Borrowings denominated in:		
CZK	17,265	40,988
EUR	107,100	60,575
BGN	3,224	4,654
Total borrowings	127,589	106,217

Property, plant and equipment and receivables are pledged as collateral for borrowings of CZK 606,484 thousand (at 31 December 2022: CZK 622,509 thousand). See Notes 5, 9 and 21.

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 2023 and 31 December 2022.

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Reconciliation of net debt and liabilities arising from financing activities

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 2022	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
Cash payments	(55,647)	(17,290)	-	(72,937)
Liabilities drawings	78,832	-	(1,797)	77,035
Interest accrued	-	3,637	-	3,637
New leases	-	9,347	-	9,347
Foreign exchange adjustments	(15)	480	-	465
Liabilities from financing activities at 31 December 2023	124,167	67,571	3,423	195,161

14. Trade and other payables

(In thousands of CZK)	31 December 2023	31 December 2022
Trade payables	125,509	121,974
Refund liabilities for volume discounts	182,765	206,468
Payables to employees	42,106	40,071
Tax payables	4,731	3,407
Accrued expenses and other current liabilities	24,777	32,168
Total trade and other payables	379,888	404,088
Provisions	3,495	7,280

Trade payables of CZK 132,956 thousand (at 31 December 2022: CZK 141,461 thousand) are denominated in foreign currency, mainly 93% in Euro (at 31 December 2022: 99%).

The Company is a party to a lawsuit concerning the protection of trademark rights. The Company has assessed the risks arising from the litigation and has decided not to record a provision for the litigation.

15. Revenues from sales of products and goods by categories

(In thousands of CZK)	2023	2022
Sales of radiators	1,549,643	2,025,653
Sales of convectors	82,226	121,843
Sales of accessories	43,894	49,073
Ventilation and recuperation units	29,551	25,025
Other sales	3,422	7,294
Total revenue	1,708,736	2,228,888

Other sales include mainly sales of services.

(In thousands of CZK)	2023	2022
Domestic sales	685,582	929,439
Export	1,023,154	1,299,449
· Export – EU	974,213	1,173,658
· Export – other	48,941	125,791
Total	1,708,736	2,228,888

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16. Cost of materials, energy and purchased goods

(In thousands of CZK)	2023	2022
Material deliveries	832,982	1,283,469
Energy	67,806	77,329
Purchased goods	60,082	61,605
Total	960,870	1,422,403

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

17. Purchased services and rental expenses

(In thousands of CZK)	2023	2022
Repairs and maintenance	7,645	7,633
Rent	5,697	4,852
Traveling and training expenses	9,955	9,158
Marketing	38,237	41,271
Transportation expenses	31,652	42,052
Legal and advisory services (incl. 2023: CZK 2,706 thousand, 2022: CZK 2,450 thousand for audit services)	14,791	17,200
Operational services (Cooperation, IT services)	40,108	43,104
Other	21,602	18,993
Total	169,687	184,263

18. Other operating income

(In thousands of CZK)	2023	2022
Income from write off of receivables and insured receivables	59	265
Gain on sale of fixed assets	1,830	135
Subsidies received	1,853	24,882
Income from sale of scrap	4,182	7,697
Other	8,977	10,621
Total	16,901	43,600

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 KO RADO Bulgaria AD, the program was terminated at the beginning of 2023.

19. Other operating expenses

(In thousands of CZK)	2023	2022
Receivables and loans written off	1	548
Change in impairment provisions and provisions, net	(4,103)	1,218
Taxes and levies	2,192	2,095
Insurance	14,291	20,439
Other	9,435	5,887
Total	21,816	30,187

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

20. Taxes

a) Components of income tax expense

Income tax expense comprises the following:

(In thousands of CZK)	2023	2022
Current tax	6,710	8,521
Deferred tax	(1,059)	(824)
Income tax expense for the year	5,651	7,697

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 2023 and 2022 income is 19%. The income tax rate applicable to the majority of income of subsidiaries ranges from 10% to 19% (2022: from 10% to 19%). A reconciliation between the expected and the actual taxation charge is provided below.

(In thousands of CZK)	2023	2022
Profit before tax	28,317	57,061
Statutory income tax rate	19%	19%
"Expected" income tax expense	5,380	10,842
Add / (deduct) tax effect of:		
Non-deductible expenses	6,802	2,316
Different tax rate in other countries	(4,387)	(5,298)
Other	(2,144)	(163)
Actual income tax expense	5,651	7,697
Effective tax rate	20%	13%

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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 7,208 thousand (at 31 December 2022: CZK 6,975 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 1,001 thousand CZK.

Deferred income taxes at 31 December 2023 and 2022 consist of the following:

(In thousands of CZK)	31 December 2023	31 December 2022
Receivables impairment provision	60	140
Inventory impairment provision	2,395	2,081
Provisions	1,748	2,055
Accumulated tax losses carried forward	1,001	-
Elimination of intra-group profit from inventories	450	531
Right-of-use assets	13,785	
Other	328	134
Total deferred tax assets	19,767	4,941
Total deferred tax asset in Statement of Financial Position	-	-
Total deferred tax asset for offset with liability	19,767	4,941
Difference between net book value of non-current assets for accounting and tax purposes	(109,351)	(109,369)
Lease liabilities	(13,785)	-
Total deferred tax liabilities	(123,136)	(109,369)
Offset with deferred tax assets	19,767	4,941
Deferred tax liabilities in the Statement of Financial Position	103,369	104,428

Movements in deferred tax liability, net were as follows:

(In thousands of CZK)	2023	2022
As at 1 January	104,428	105,252
Change in deferred tax recorded in statement of profit or loss	(1,059)	(824)
As at 31 December	103,369	104,428

21. Contingencies and commitments

Assets pledged and restricted.

At 31 December 2023 the Group has the following assets pledged as collateral:

(In thousands of CZK)	Note	31 December 2023 Asset pledged	31 December 2022 Asset pledged
Property	6	11,637	11,637
Buildings, halls and constructions	6	530,615	548,579
Receivables	10	62,729	62,293
Machines		1,503	-
Total		606,484	622,509

22. 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 4.06 BGN/pcs. Market capitalization amounted to CZK 676 million (at 31 December 2022: CZK 990 million).

The following table shows summarized financial information of the subsidiary KORADO Bulgaria AD as at 31 December 2023 and 2022:

(In thousands of CZK)	31 December 2023	31 December 2022
Ownership share of non-controlling interest	17.85%	17.85%
Non-current assets	179,607	182,243
Current assets	224,744	223,922
Non-current liabilities	(38,086)	(84,499)
Current liabilities	(49,444)	(39,471)
Equity	316,821	282,195
Attributable to:		
Equity holders of parent company	260,266	231,821
Non-controlling interests	56,555	50,374

(In thousands of CZK)	2023	2022
Revenues	482,035	692,473
Profit after income taxes	43,809	55,042
Attributable to:		
Equity holders of parent company	35,989	45,217
Non-controlling interest	7,820	9,825
Total comprehensive income	50,578	46,198
Attributable to:		
Equity holders of parent company	41,550	37,952
Non-controlling interest	9,028	8,246

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23. 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 9.

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 2023 and 2022, 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)	2023		2022	
	Increase/decrease in exchange rate *	Effect on profit / loss before tax	Increase/decrease in exchange rate *	Effect on profit / loss before tax
EUR	+ 5 %	3,805	+ 5 %	(2,520)
PLN	+ 5 %	1,695	+ 5 %	722
BGN	+ 5 %	(139)	+ 5 %	96
EUR	(5) %	(3,805)	(5) %	2,520
PLN	(5) %	(1,695)	(5) %	(722)
BGN	(5) %	139	(5) %	(96)

* 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 13). The floating interest rate is mostly based on PRIBOR and

EURIBOR rates and for the Československá obchodní banka, a.s. loans it amounted to 4.88% as at 31 December 2023 and 4.6% as at 31 December 2022, respectively.

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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) Increase/decrease in basis points	2023		2022	
	Effect on profit / loss before tax		Effect on profit / loss before tax	
200	(2,484)	200	(2,021)	
(200)	2,484	(200)	2,021	

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 2023 and 2022 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 2023					
Bank and other loans	8,264	41,349	70,141	19,242	138,997
Lease liabilities	5,016	15,047	57,189	7,958	85,210
Trade payables	308,274	-	-	-	308,274
Total	321,554	56,397	127,330	27,200	532,481
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

24. 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 2023 was CZK 1,375,288 thousand (at 31 December 2022: CZK 1,357,578 thousand).

The Group has complied with all externally imposed capital requirements throughout 2023 and 2022. 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.

25. 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.

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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 2023 were as follows:

(In thousands of CZK)	Carrying amount	Fair value
Assets		
Other non-current assets	4,766	4,766
Accounts receivable, net	76,675	76,675
Cash and cash equivalents	434,569	434,569
Liabilities		
Trade payables and other current liabilities	308,274	308,274
Short-term borrowings	46,509	46,509
Long-term debt, net of current portion	81,080	81,080

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

26. Events after the reporting period

In autumn 2023, it was decided to merge the subsidiaries LICON HEAT s.r.o. and ThermWet s.r.o. ThermWet s.r.o. will merge into LICON HEAT s.r.o. The merger was registered in the register on 1 March 2024. At the same time, the name of the successor company was changed to LICON s.r.o. The intra-group merger has no impact on the consolidated financial statements.

No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements as at 31 December 2023.



ANNUAL REPORT

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KORADO, a.s.
STANDALONE FINANCIAL STATEMENTS

31 / December / 2023



KORADO, a.s.

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

Balance sheet date: 31 December 2023 | Date of preparation of the financial statements: 26 April 2024

BALANCE SHEET (in thousand Czech crowns)

Ref a	ASSETS b	Row c	31. 12. 2023			31. 12. 2022
			Gross 1	Provision 2	Net 3	Net 4
	TOTAL ASSETS	001	5,939,566	(4,020,660)	1,918,906	1,858,461
B.	Fixed assets	003	5,204,742	(4,006,829)	1,197,913	1,278,117
B. I.	Intangible fixed assets	004	214,436	(205,529)	8,907	11,286
B. I. 2.	Royalties	006	213,496	(205,529)	7,967	10,918
B. I. 2. 1.	Software	007	207,292	(200,067)	7,225	9,734
B. I. 2. 2.	Other royalties	008	6,204	(5,462)	742	1,184
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	940	-	940	368
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	940	-	940	368
B. II.	Tangible fixed assets	014	4,586,130	(3,659,541)	926,589	977,070
B. II. 1.	Land and constructions	015	1,775,941	(1,004,456)	771,485	794,128
B. II. 1. 1.	Land	016	32,394	-	32,394	32,394
B. II. 1. 2.	Constructions	017	1,743,547	(1,004,456)	739,091	761,734
B. II. 2.	Equipment	018	2,684,788	(2,567,963)	116,825	143,810
B. II. 4.	Other tangible fixed assets	020	104,532	(87,122)	17,410	14,149
B. II. 4. 3.	Tangible fixed assets – other	023	104,532	(87,122)	17,410	14,149
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	20,869	-	20,869	24,983
B. II. 5. 1.	Advances paid for tangible fixed assets	025	2,303	-	2,303	5,808
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	18,566	-	18,566	19,175
B. III.	Long-term investments	027	404,176	(141,759)	262,417	289,761
B. III. 1.	Investments – subsidiaries and controlling party	028	303,057	(107,471)	195,586	174,005
B. III. 2.	Loans and borrowings – subsidiaries and controlling party	029	101,119	(34,288)	66,831	115,756
C.	Current assets	037	723,555	(13,831)	709,724	574,561
C. I.	Inventories	038	227,952	(11,058)	216,894	294,240
C. I. 1.	Raw materials	039	164,194	(10,385)	153,809	207,436
C. I. 2.	Work in progress and semi-finished products	040	10,679	-	10,679	9,944
C. I. 3.	Finished goods and goods for resale	041	52,130	(673)	51,457	76,858
C. I. 3. 1.	Finished goods	042	28,622	(442)	28,180	38,291
C. I. 3. 2.	Goods for resale	043	23,508	(231)	23,277	38,567
C. I. 5.	Advances paid for inventory	045	949	-	949	2
C. II.	Receivables	046	86,966	(2,773)	84,193	101,851
C. II. 1.	Long-term receivables	047	225	-	225	228
C. II. 1. 5.	Receivables – other	052	225	-	225	228
C. II. 1. 5. 2.	Long-term advances paid	054	225	-	225	228
C. II. 2.	Short-term receivables	057	86,741	(2,773)	83,968	101,623
C. II. 2. 1.	Trade receivables	058	58,769	(2,773)	55,996	62,981
C. II. 2. 2.	Receivables – subsidiaries and controlling party	059	-	-	-	631
C. II. 2. 4.	Receivables – other	061	27,972	-	27,972	38,011
C. II. 2. 4. 3.	Taxes - receivables from the state	064	21,448	-	21,448	30,755
C. II. 2. 4. 4.	Short-term advances paid	065	6,338	-	6,338	5,026
C. II. 2. 4. 5.	Estimated receivables	066	133	-	133	2,152
C. II. 2. 4. 6.	Other receivables	067	53	-	53	78
C. IV.	Cash	075	408,637	-	408,637	178,470
C. IV. 1.	Cash in hand	076	377	-	377	413
C. IV. 2.	Cash at bank	077	408,260	-	408,260	178,057
D.	Prepayments and accrued income	078	11,269	-	11,269	5,783
D. 1.	Prepaid expenses	079	7,466	-	7,466	5,497
D. 3.	Accrued income	081	3,803	-	3,803	286

KORADO, a.s.

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

Balance sheet date: 31 December 2023 | Date of preparation of the financial statements: 26 April 2024

BALANCE SHEET (in thousand Czech crowns)

Ref a	LIABILITIES AND EQUITY b	Row c	31. 12. 2023 5	31. 12. 2022 6
	TOTAL LIABILITIES AND EQUITY	082	1,918,906	1,858,461
A.	Equity	083	1,274,558	1,273,931
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	(49,201)	(51,871)
A. II. 2.	Capital contributions	090	(49,201)	(51,871)
A. II. 2. 2.	Assets and liabilities revaluation	092	(49,201)	(51,871)
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	485,102	456,270
A. IV. 1.	Retained earnings or (accumulated losses)	100	485,102	456,270
A. V.	Profit / (loss) for the current period	102	(2,043)	28,832
B. + C.	Liabilities	104	628,712	566,542
B.	Provisions	105	4,517	6,216
B. 4.	Other provisions	109	4,517	6,216
C.	Payables	110	624,195	560,326
C. I.	Long-term payables	111	183,466	142,442
C. I. 2.	Liabilities due to financial institutions	115	79,226	38,684
C. I. 8.	Deferred tax liability	121	104,240	103,758
C. II.	Short-term payables	126	440,729	417,884
C. II. 2.	Liabilities due to financial institutions	130	27,885	36,672
C. II. 3.	Short-term advances received	131	146	67
C. II. 4.	Trade payables	132	372,397	332,444
C. II. 8.	Liabilities – other	136	40,301	48,701
C. II. 8. 1.	Liabilities to shareholders	137	28	27
C. II. 8. 3.	Liabilities to employees	139	12,662	14,103
C. II. 8. 4.	Liabilities for social security and health insurance	140	6,665	6,846
C. II. 8. 5.	Taxes and state subsidies payable	141	1,559	1,737
C. II. 8. 6.	Estimated payables	142	18,936	25,519
C. II. 8. 7.	Other liabilities	143	451	469
D.	Accruals and deferred income	147	15,636	17,988
D. 1.	Accrued expenses	148	15,632	17,988
D. 2.	Deferred income	149	4	-

KORADO, a.s.

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

Balance sheet date: 31 December 2023 | Date of preparation of the financial statements: 26 April 2024

INCOME STATEMENT (in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2023 1	2022 2
I.	Sales of products and services	01	1,036,750	1,303,627
II.	Sales of goods	02	540,350	736,997
A.	Cost of sales	03	1,197,867	1,635,154
A. 1.	Cost of goods sold	04	423,919	590,792
A. 2.	Raw materials and consumables used	05	641,873	900,112
A. 3.	Services	06	132,075	144,250
B.	Changes in inventories of finished goods and work in progress	07	8,681	22,145
C.	Own work capitalised	08	(5,884)	(6,160)
D.	Staff costs	09	288,206	303,360
D. 1.	Wages and salaries	10	218,349	230,999
D. 2.	Social security, health insurance and other social costs	11	69,857	72,361
D. 2. 1.	Social security and health insurance costs	12	66,109	68,004
D. 2. 2.	Other costs	13	3,748	4,357
E.	Value adjustments in operating activities	14	87,925	93,517
E. 1.	Value adjustments of fixed assets	15	89,977	93,346
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	89,977	93,346
E. 2.	Provision for impairment of inventories	18	440	810
E. 3.	Provision for impairment of receivables	19	(2,492)	(639)
III.	Operating income - other	20	13,298	24,892
III. 1.	Sales of fixed assets	21	1,316	105
III. 2.	Sales of raw materials	22	6,254	15,365
III. 3.	Other operating income	23	5,728	9,422
F.	Operating expenses - other	24	17,384	24,860
F. 1.	Net book value of fixed assets sold	25	1,282	51
F. 2.	Cost of raw materials sold	26	6,058	15,145
F. 3.	Taxes and charges	27	1,117	1,122
F. 4.	Operating provisions and complex prepaid expenses	28	(1,699)	(1,959)
F. 5.	Other operating expenses	29	10,626	10,501
*	Operating result	30	(3,781)	(7,360)
IV.	Income from long-term investments - shares	31	13,497	40,215
IV. 1.	Income from investments - subsidiaries or controlling party	32	13,497	40,215
VI.	Interest and similar income	39	3,668	4,783
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	2,914	2,032
VI. 2.	Other interest and similar income	41	754	2,751
I.	Value adjustments and provisions from financial operations	42	4,208	(2,649)
J.	Interest and similar expenses	43	7,127	3,091
J. 2.	Other interest and similar expenses	45	7,127	3,091
VII.	Other financial income	46	16,142	23,476
K.	Other financial expenses	47	18,237	32,804
*	Financial result	48	3,735	35,228
**	Net profit / (loss) before tax	49	(46)	27,868
L.	Tax on profit or loss	50	1,997	(964)
L. 1.	Tax on profit or loss – current	51	1,515	610
L. 2.	Tax on profit or loss – deferred	52	482	(1,574)
**	Net profit / (loss) after tax	53	(2,043)	28,832
***	Net profit / (loss) for the financial period	55	(2,043)	28,832
*	Net turnover for the financial period	56	1,623,705	2,133,990

KORADO, a.s.

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Balance sheet date: 31 December 2023 | Date of preparation of the financial statements: 26 April 2024

STATEMENT OF CASH FLOWS (in thousand Czech crowns)

Ref. a	TEXT b	Accounting period	
		2023 1	2022 1
Cash flows from operating activities			
Net profit / (loss) before tax		(46)	27,868
A. 1.	Adjustments for non-cash movements:	75,015	55,043
A. 1. 1.	Depreciation and amortisation of fixed assets	89,977	93,346
A. 1. 2.	Change in provisions and provisions for impairment	458	(4,302)
A. 1. 3.	(Profit) / loss from sales of fixed assets	(34)	(54)
A. 1. 4.	Dividend income	(13,497)	(40,215)
A. 1. 5.	Net interest expense / (income)	3,459	(1,692)
A. 1. 6.	Other non-cash movements	(5,348)	7,960
A *	Net cash flow from operating activities before tax and changes in working capital	74,969	82,911
A. 2.	Non-cash working capital changes:	175,377	(107,269)
A. 2. 1.	Change in receivables and prepayments	11,437	28,947
A. 2. 2.	Change in payables and accruals	87,034	(173,010)
A. 2. 3.	Change in inventories	76,906	36,794
A **	Net cash flow from operating activities before tax	250,346	(24,358)
A. 3.	Interest paid	(7,127)	(3,091)
A. 4.	Interest received	3,668	4,782
A. 5.	Income tax paid	(950)	(24,409)
A. 6.	Dividends received	13,497	40,215
A ***	Net cash flow from operating activities	259,434	(6,861)
Cash flows from financing activities			
B. 1.	Acquisition of fixed assets	(62,970)	(44,557)
B. 2.	Proceeds from sale of fixed assets	1,316	105
B. 3.	Loans and borrowings to related parties	631	(24,435)
B ***	Net cash flow from investing activities	(61,023)	(68,887)
Cash flows from financing activities			
C. 1.	Change in long- and short-term liabilities from financing activities	31,756	(16,951)
C ***	Net cash flow from financing activities	31,756	(16,951)
Net increase / (decrease) in cash and cash equivalents		230,167	(92,699)
Cash and cash equivalents at the beginning of the year		178,470	271,169
Cash and cash equivalents at the end of the year		408,637	178,470

KORADO, a.s.

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Balance sheet date: 31 December 2023 | Date of preparation of the financial statements: 26 April 2024

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 2022	840,700	(49,027)	(116,479)	116,479	456,269	1,247,942
Revaluation of investments in subsidiaries	-	(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
Revaluation of investments in subsidiaries	-	2,670	-	-	-	2,670
Net profit / (loss) for the current period	-	-	-	-	(2,043)	(2,043)
As at 31 December 2023	840,700	(49,201)	(116,479)	116,479	483,059	1,274,558

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

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 activity is manufacturing of central heating radiators.

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

The Company consolidates other accounting entities. Information on these entities is disclosed in note 5 Investment in subsidiaries.

1.2. Current economic situation

The current economic situation remains sensitive to geopolitical developments around the world. The impact on financial and commodity markets, supply chains and key macroeconomic indicators impacting business, such as inflation rates, interest rate levels, currency rates volatility and others, is still significant.

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 operations 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 in the case of change of 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 shares 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 an individual evaluation of inventories.

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

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 the 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 receivable from shareholders as at the balance sheet date if the Company incurs 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.

The Company recognises a provision for its income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable, the difference is recognised as a short-term receivable.

2.10. Employment benefits

The Company recognises 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 products and goods are shipped to the customer or services are rendered and are stated net of discounts and value added tax.

2.12. Related parties

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

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

Material transactions and outstanding balances with related parties, are disclosed in Notes 15 Related parties transactions and 17 Employees.

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

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.

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 fixes assets

(CZK'000)	1 January 2023	Additions / transfers	Disposals	31 December 2023
Cost				
Software	213,987	1,627	8,322	207,292
Other royalties	6,204	-	-	6,204
Intangible fixed assets in the course of construction	368	572	-	940
Total	220,559	2,199	8,322	214,436
Accumulated amortisation				
Software	204,253	4,136	8,322	200,067
Other royalties	5,020	442	-	5,462
Total	209,273	4,578	8,322	205,529
Net book value	11,286			8,907
(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

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

4. Tangible fixed assets

(CZK'000)	1 January 2023	Additions / transfers	Disposals	31 December 2023
Cost				
Land	32,394	-	-	32,394
Constructions	1,728,738	14,809	-	1,743,547
Equipment	2,699,311	17,046	31,569	2,684,788
Other tangible fixed assets	71,922	8,459	1,709	78,672
Artwork	25,860	-	-	25,860
Advances paid for tangible fixed assets	5,808	(3,505)	-	2,303
Tangible fixed assets in the course of construction	19,175	(609)	-	18,566
Total	4,583,208	36,200	33,278	4,586,130
Accumulated depreciation and impairment				
Constructions	967,004	37,452	-	1,004,456
Equipment	2,555,501	44,031	31,569	2,567,963
Other tangible fixed assets	57,773	5,198	1,709	61,262
Artwork	25,860	-	-	25,860
Total	3,606,138	86,681	33,278	3,659,541
Net book value	977,070			926,589
(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
Artwork	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
Artwork	25,860	-	-	25,860
Total	3,524,112	87,553	5,527	3,606,138
Net book value	1,014,241			977,070

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 2023 of CZK 25,860 thousand (as at 31 December 2022: CZK 25,860 thousand).

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

5. Investments in subsidiaries

31 December 2023	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2023 profit/(loss) (CZK'000)	Equity (CZK'000)	2023 dividend income (CZK'000)
Foreign entities						
KORADO Deutschland Fürstenwalde, Germany*	15,205	1,002	100%	373	1,002	390
KORADO Bulgaria Strajica, Bulgaria	100,206	100,206	82.15%	43,809	316,821	13,107
KORADO Polska Piasecno, Poland	67,278	-	100%	1,136	(34,288)	-
KORADO Austria* Wien, Austria	25,962	-	100%	(28)	(28)	-
KORADO UK* London, Great Britain	28	-	100%	-	28	-
Domestic entities						
LICON HEAT Stráž nad Nisou, Czech Republic	64,012	64,012	100%	(6,785)	3,837	-
ThermWet Prague 10, Czech Republic	30,366	30,366	100%	(1,275)	12,264	-
Total	303,057	195,586				13,497
Provision for diminution in value	(107,471)					
Net book value	195,586					

* Unaudited

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 Prague 1, 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

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Notes to financial statements for the year ended 31 December 2023

During 2023 the Company contributed additional CZK 20,000 thousand into the share capital of ThermWet, of which CZK 4,000 thousand was contributed through a capitalisation of a loan to ThermWet.

During the year, the Company, acting as the general meeting, decided on the merger of LICON HEAT and ThermWet with a decisive date of 1 January 2024. ThermWet was designated as the company being acquired, and LICON HEAT as the acquiring company. The merger was recorded in the register on 1 March 2024, when the company's name was also changed to LICON. The merger followed the 2023 integration process of both companies.

Net book value of investments and loans provided to subsidiaries LICON HEAT and ThermWet have been tested for impairment as at 31 December 2023 and 31 December 2022. 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. Based on the ongoing integration process of ThermWet and LICON HEAT, they were assessed as one cash-generating unit.

As at the end of the year, the share price of KORADO Bulgaria amounted to 4.06 BGN/pcs. Market capitalisation amounted to CZK 676 million (2022: CZK: 990 million). Therefore, the market value of the share substantially exceeds its carrying amount.

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

(CZK'000)	Subsidiaries	
	2023	2022
As at 1 January	106,381	107,483
Charge for the year	1,090	-
Released during the year	-	(1,102)
As at 31 December	107,471	106,381

6. Provided loans

31 December 2023	Loan value in foreign currency ('000)	Loan value (CZK'000)	Interest rate (%)	Provision (CZK'000)
Foreign				
KORADO Polska	PLN 6,050	34,449	1.7% p.a.	34,288
KORADO Bulgaria	EUR 1,200	29,670	1% p.a.	-
Domestic				
LICON HEAT	CZK 37,000	37,000	1% p.a.	-
Total		101,119		34,288
Provision for diminution in value		(34,288)		
Net book value		66,831		
31 December 2022	Loan value in foreign currency ('000)	Loan value (CZK'000)	Interest rate (%)	Provision (CZK'000)
Foreign				
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		31,170
Provision for diminution in value		(31,170)		
Net book value		115,756		

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Notes to financial statements for the year ended 31 December 2023

7. Inventories

The Company created a provision for inventories as at 31 December 2023 of CZK 11,058 thousand (as at 31 December 2022: CZK 10,618 thousand).

(CZK'000)	2023	2022
As at 1 January	10,618	9,808
Charge for the year	440	829
Released during the year	-	19
As at 31 December	11,058	10,618

8. Receivables

Overdue receivables as at 31 December 2023 amounted to CZK 6,446 thousand (as at 31 December 2022: CZK 18,000 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)	2023	2022
As at 1 January	5,264	5,903
Charge for the year	62	-
Released during the year	2,553	425
Written off during the year	-	214
As at 31 December	2,773	5,264

Advances for income tax of CZK 8,453 thousand paid by the Company by 31 December 2023 (by 31 December 2022: CZK 8,136 thousand) are netted off with the provision for income tax of CZK 1,625 thousand as at 31 December 2023 (as at 31 December 2022: CZK 743 thousand).

9. Equity

Authorised and issued share capital:

	31 December 2023		31 December 2022	
	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 2023	31 December 2022
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 financial statements for the year ended 31 December 2023

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.

On 26 June 2023, the general meeting of shareholders approved the Company's financial statements for 2022. The

decision about the allocation of profit earned in 2022 of CZK 28,832 thousand was not made. Profit in the amount of CZK 28,832 thousand was transferred to retained earnings.

Up to the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2023.

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 2022	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
Charge for the year	-	571	-	2,196
Used in the year	2,270	-	-	3,895
Closing balance as at 31 December 2023	2,853	1,664	-	4,517

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

The Company is a party to a lawsuit concerning the protection of trademark rights. The Company has assessed the risks arising from the litigation and has decided not to record a provision for the litigation.

11. Payables, commitments and contingent liabilities

Trade and other payables 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 2023.

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 2023 (CZK'000)	Balance as at 31 December 2022 (CZK'000)
Československá obchodní banka, a.s.*	Real estate, receivables	Pribor 1M + 1.55 % p.a.	CZK	-	20,000
Československá obchodní banka, a.s.	Real estate, receivables	Euribor 1M + 1.55 % p.a.	EUR	14,085	26,418
Československá obchodní banka, a.s.	Real estate, receivables	Pribor/ Euribor 1M + 0.95 % p.a.	CZK	93,027	28,938
Total bank loans				107,111	75,356

* the credit limit was not drawn as at 31 December 2023 and 31 December 2022

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

Loans in the total amount of CZK 88,504 thousand (as at 31 December 2022: CZK 66,375 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 2023: CZK 27,885 thousand). From the total loan amount of CZK 107,111 thousand drawn from Československá obchodní banka, a.s., amount of CZK 18,607 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 2023 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 2023 amounted to CZK 602,388 thousand (as at 31 December 2022: CZK 617,227 thousand).

13. Commitments and contingent liabilities

The management of the Company is not aware of any contingent liabilities as at 31 December 2023.

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

(CZK'000)	31 December 2023	31 December 2022
Current within one year	4,770	5,124
Due after one year	4,662	7,842
Total commitments in respect of operating leases	9,432	12,966

14. Revenue recognition

Revenue analysis:

(CZK'000)	2023	2022
Radiator sales		
– domestic	332,713	420,309
– foreign	691,870	870,040
Provided services	12,167	13,278
Total sales of own products and services	1,036,750	1,303,627
Sales of goods		
– domestic	314,599	475,505
– foreign	225,751	261,492
Total sales of goods	540,350	736,997

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

15. Related-party transactions

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

(CZK'000)	2023	2022
Revenues		
Sales of services	7,335	8,101
Sale of products	32,391	74,436
Sales of goods	8,693	25,545
Sale of materials and tangible fixed assets	6,954	14,389
Interest income	2,914	2,032
Income from shares in subsidiaries	13,497	40,215
Total	71,784	164,718
Costs		
Purchase of goods for resale	367,726	539,049
Purchase of material	98,609	125,862
Services	5,024	2,831
Total	471,359	667,742

The following related party balances were outstanding as at:

(CZK'000)	31 December 2023	31 December 2022
Receivables		
Trade receivables	5,891	27,369
Accrued income	2,512	38
Granted loans, including allowances	66,831	115,756
Total	75,234	143,163
Liabilities		
Liabilities to companies within the consolidation group	124,446	61,187
Out of which:		
Trade payables	120,542	54,785
Accrued expenses	3,904	6,402
Total	124,446	61,187

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 2023 and 2022.

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

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.

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

17. Employees

	2023		2022	
	Number	(CZK'000)	Number	(CZK'000)
Emoluments to the Statutory Body	3	2,880	3	2,880
Emoluments to members of the Supervisory Board	4	792	5	776
Wages and salaries to other management	25	67,426	26	67,885
Wages and salaries to other employees	309	147,251	357	159,458
Social security costs		66,109		68,004
Other social costs		3,748		4,357
Wages and salaries total	339	288,206	391	303,360

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)	2023	2022
Current tax expense (19%)	1,625	743
Deferred tax expense	482	(1,574)
Adjustment of prior year tax expense based on final CIT return	(110)	(133)
Total income tax expense	1,997	(964)

The current tax analysis:

(CZK'000)	2023	2022
Net profit before taxation	(46)	27,868
Items increasing the tax base	29,916	35,355
- of which differences between accounting and tax depreciation	16,226	20,888
Items decreasing the tax base	20,890	58,525
- of which dividends received and sales of shares	13,497	40,215
Claimed tax loss	-	-
Tax base	8,980	4,698
Gifts	-	-
Tax base	8,979	4,698
Items deductible from the tax base	72	-
Corporate income tax at 19%	1,692	893
Tax credit	67	150
Current tax	1,625	743

KORADO, a.s.

Notes to financial statements for the year ended 31 December 2023

The deferred tax was calculated at 21% (the rate enacted for the accounting period beginning on or after 1 January 2024) (as at 31 December 2022: 19%).

The deferred tax liability analysis:

(CZK'000)	31 December 2023	31 December 2022
Deferred tax (liability) / asset arising from:		
Difference between accounting and tax net book value of fixed assets	(107,570)	(107,010)
Provisions	3,330	3,252
Net deferred tax liability	(104,240)	(103,758)

19. Subsequent events

In autumn 2023, a decision about the merger of subsidiaries LICON HEAT s.r.o. and ThermWet s.r.o. was made. ThermWet s.r.o. is to merge with LICON HEAT s.r.o with the decisive date as at 1 January 2024. The merger was recorded in the register on 1 March 2024. At the same time, the name of the acquiring company was changed to LICON s.r.o.

The above changes have no impact on the financial statements as at 31 December 2023 and no other events have occurred that would have a material impact on the financial statements as at 31 December 2023.

26 April 2024



Magdalena Součková
Chairman of the Board of Directors



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