ANNUAL REPORT

SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU,
AKCIOVÁ SPOLEČNOST

SPOLCHEMIE

2022

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LIST OF DEFINITIONS AND ABBREVIATIONS USED

The Company	Spolek pro chemickou a hutní výrobu, akciová společnost
Spolek	Spolek pro chemickou a hutní výrobu, akciová společnost
The Group	The consolidated whole of the Company and all its subsidiaries
BPA	Bisphenol A
OHS	Occupational health and safety
EBITDA	Earnings before interest, taxes, depreciation, and amortization
ECH	Epichlorohydrin
EPITETRA	ECH, Perchloroethylene operations
EPD	Environmental Product Declaration
EUR	Euro
LER	Liquid epoxy resin
SER	Solid epoxy resin
USD	United States Dollar

CONTENTS

1 / INTRODUCTION

DEAR READERS,

2022 was another very successful year for our company. The combination of industrial recovery after the COVID-19 pandemic and the consistent implementation of our long-term business strategy, together with a strong focus on the reliability and efficiency of our production processes, garnered extremely positive effects. In financial terms, we generated a consolidated EBITDA of CZK 3,500 million and a consolidated net profit of CZK 2,442 million. I perceive this result with great humility, and I would like to thank all our colleagues for their dedication and professional performance.

In the marketplace, we upheld a transparent policy that allowed us to react flexibly across all product groups and to withstand exceptional cost increases, particularly for energy. In addition, we significantly strengthened the “Green” SPOLCHEMIE initiatives and focused on sustainability and reducing our carbon print.

Within our Company’s operations, we intensively continued our efforts to boost the efficiency of our individual production facilities. Whilst improving the units and increasing their maintenance, we also launched the Pyramida project dedicated to the continuous enhancement of work safety.

Despite an extremely volatile environment, we successfully completed our investment program and are in full swing with the construction of a new production plant of special precursors aimed at the next generation F-gases, which will be one of the key pillars for the future of our Company.

In financial terms, we further decreased our debt and significantly strengthened our balance sheet. This allows for new market development opportunities and may trigger additional smart investments in the foreseeable future.

Overall, we wish to remain prudent however when it comes to the future financial outlook. Based on the approved consolidated plan for 2023, the Group conservatively assumes that our margins will return to long-term historical levels and, in line with this expectation, plans that the key operating performance indicator EBITDA will not exceed CZK 1 billion for 2023.

Ústí nad Labem, 28. April 2023

Daniel Tamchyna, MBA
CEO

SPOLCHEMIE

2 / MANAGEMENT REPORT

GROUP PROFILE

The industrial revolution in the late 19th century introduced several breakthrough inventions, innovations, and new technologies to human life. New industries arose, factories started developing and producing new materials and products which improved people´s lives. Many successful companies were established thanks to innovative ideas, the initiative of the entrepreneurial spirit and the potential of well-educated and modern people in research and manufacturing. One of the well-known promoters of the industrial technical revolution is also the key Group Company, i.e., Spolek pro chemickou a hutní výrobu, akciová společnost. The Company, manufacturing soda and calcium hypochlorite, opened its doors in Ústí nad Labem in 1856. It started the tradition of chemical entrepreneurship in the Ústí region and considerably contributed to the development of chemistry in Bohemia. Thanks to innovation, quality, knowledge and customer care, the Group has been one of key players on the market for 167 years.

The fully integrated manufacturing of the Group has always been based on two main pillars – proprietary research and development, and the construction of modern plants using the latest technologies. The Group continuously makes use of innovation to update its product portfolio and provides excellent technical services to its customers thanks to the Group´s two R&D centres in Ústí nad Labem and the research institute in Pardubice.

Since 2004, investments on the premises have exceeded CZK 9 billion to ensure that the Company maintains its position at the top of the European chemicals industry, and 90% of our production technologies have been launched. This explains our extensive production site, measuring 52 ha and displaying historical buildings contrasting with the latest production technologies.

The production programme of the Group is presently divided into two fundamental areas: inorganics and synthetic resins. Inorganics include the manufacturing of sodium hydroxide, potassium hydroxide, and chlorine derivatives. Synthetic resins include the manufacturing of epoxy resins, special epoxy systems, and alkyd resins. The completion of the new membrane electrolysis project has been crucial for the inorganic segment. The cost of CZK 2 billion is historically the greatest investment by the Group. After 49 years, this state-of-the-art and environmentally friendly technology replaced the old mercury electrolysis. The new production plant was successfully put into operation in 2017, and the facility meets the required quality and production volumes. The unique production

technology makes it possible for the Group to modify the ratio of produced potassium and sodium hydroxides, and promptly respond to market fluctuations and changes in demand. Hydrogen with its huge potential for use as an emission-free fuel for motor vehicles and trains occurs as a waste product during membrane electrolysis and the manufacturing of sodium hydroxide and potassium hydroxide.

Epoxy resins are manufactured in two modern production plants that were launched in 2004 and 2007. They use state-of-the-art Japanese technology. With the completion of the second EPISPOL production unit in 2007, the capacity of the liquid epoxy resin was doubled.

To increase production efficiency and mitigate environmental impacts, we developed our own technology to produce epichlorohydrin from glycerine, thanks to which the Group is the first Company in Europe manufacturing unique certified "green" epoxy resins, sold under the EnviPOXY® brand name. In 2021, the Group also completed the construction and launch of a desalination unit in Epispol. The unit was developed by Group employees and represents a unique technology that will significantly help the Group fulfil its environmental goals.

Apart from commodity epoxy resins (LER, SER), the Group offers special epoxy systems with a high added value for customers, connected with both the quality of the offered products, and the customised solutions to specific applications and market requirements. The Group is a continual part of the fast-growing markets trading in composite materials and materials used in the electrical and building industry and other industrial segments.

Consolidated group

13 companies

from which **7** are of key importance

SPOLCHEMIE
SPOLCHEMIE ELECTROLYSIS
SPOLCHEMIE HYDROGEN
SPOLCHEMIE ZEBRA
CHS EPI součást skupiny SPOLCHEMIE
CSS součást skupiny SPOLCHEMIE
EPISPOL součást skupiny SPOLCHEMIE

Alkyd resins complement the Group´s production programme and, together with epoxy resins for which the Group is one of the leaders in the European market, they cover a large portion of the portfolio of paint and coating manufacturers.

The long-term expertise passed down through generations and the enthusiasm for chemistry of our employees primarily coming from the Ústí and Pardubice regions guarantee a professional approach, high-quality production, and reliable customer service. Almost 950 employees work with maximum effort to fulfil customer requirements every day. The high quality of the products, flexibility towards customer requirements and good-quality customer service have always been competitive advantages of the Group on the fiercely competitive and demanding European market.

Finally, at the end of 2021, a decision was made on the construction of a new plant for the production of an intermediate product (precursor) for the production of F-gases of the fourth generation, which do not deplete the ozone layer and unlike their predecessors have the least possible impact on global warming. To this purpose, SPOLCHEMIE Zebra, a.s. was established.

PRODUCT PORTFOLIO

Our product portfolio is based on hydroxides, chlorine derivatives, epoxy resins, special epoxy systems, alkyd resins, and other chemical products. Our innovative products are used in many segments, including the automotive, construction, energy, electronics, pharmacy, food and other industries. They are indispensable in the production and distribution of renewable energy (windmill energy generator blades, insulators and other electric parts, hydroelectric power plant coatings), the development of smart and low-emission mobility (composites, electronic parts, hydrogen tanks), and efficient construction processes (composite materials, resistant and maintenance-free floors).

INORGANICS

Sodium hydroxide and potassium hydroxide and chlorine derivatives represent the cornerstones of the SBU Inorganics portfolio. We are the largest manufacturer of potassium hydroxide in Central and Eastern Europe and, at the same time, also a major local manufacturer of sodium hydroxide. Modern equipment is used for production, and since 2017 when we launched the new membrane electrolysis, mercury has been removed from production, energy consumption has been reduced, and hydrogen is produced as a by-product which can be further used as emission-free energy resource, e.g., fuel for vehicles. The transition to the more environmentally friendly membrane electrolysis was an important step to ensure the long-term sustainability of our production.

Apart from environmental benefits, the new membrane electrolysis also allowed for increasing the production volumes of potassium hydroxide and sodium hydroxide. Thanks to the new technology, we produce and offer both hydroxides in a full modification range, from industrial quality to high quality for the use in pharmaceutical and food industries.

Potassium hydroxide is offered in three different forms (liquid, flakes, pellets) and many types of packaging, which allows us to satisfy an exceptionally wide portfolio of customers and diversify margins on the highly demanding and highly competitive European market. Other products directly linked to membrane electrolysis with the consumption of produced chlorine are inorganic specialities such as perchloroethylene and allyl chloride. We also offer hydrochloric acid in two qualities. Chlorine production is linked with epichlorohydrin production from a renewable resource – glycerine. Epichlorohydrin is used primarily for our own production of epoxy resins; and we sell any surplus with a high added value.

EPOXY RESINS

We use modern technologies for the production of epoxy resins, which together with systemic coordination of technical development and manufacturing ensure high quality of our products. Through our understanding of the market and our customers’ needs, we can respond to the changing requirements and maintain cost and market

competitiveness due to our own technology for the production of epichlorohydrin from renewable resource (glycerine). Our CHS-EPOXY® product range includes low-molecular epoxy resins, solid, semi-solid and solution epoxies. Our epoxy resins sold under the EnviPOXY® brand have a high renewable content and lower carbon footprint compared to other conventional products, as previously confirmed by the global EPD environmental certification.

SPECIAL EPOXY SYSTEMS

The development of the special epoxy system market in Europe, particularly in applications such as renewable sources of energy, electrical engineering, civil engineering and transport, provides huge opportunities for our CHS-EPODUR®, SADURIT®, EPOSTYL® and VEROBOND®product ranges. Our advantage lies in integrated production and manufacture of basic top-quality epoxy resins, as well as proprietary research and development, technical service, human skills, the long-term expertise of chemical engineers and business skills on European markets.

The main sales activities relating to epoxy systems focus on growing highly specialised areas with a high added value and where demands for development, the understanding of customer needs, and visits to customer premises for testing, sales and consultancy provide a substantial advantage over the competition. Special epoxy systems based on the EnviPOXY® brand with a high renewable content open the opportunities on market segments more sensitive to environmental impact (use of renewable sources, transportation, sports and hobbies, luxury items).

ALKYD RESINS

Alkyd resins have represented a traditional part of the portfolio since 1946. They are used as binders in coating materials for the protection of wood and metals, as well as many other applications such as mould production in metallurgy. In many cases, customers buy both epoxy and alkyd resins, and the Group effectively uses this synergy in our sales strategy. The Group is the sole manufacturer of alkyd resins in the Czech Republic and a major player in Central Europe. The alkyd market is changing depending on the legislative environment and customer preferences. Due to strong R&D and technical services, the Group has been able to respond to the changes and launch innovative products on the market. The CHS-ALKYD® and CHS-HYDROSPOL® brands cover a comprehensive range of alkyd resins. In our portfolio, you will find wide range of solvent binders as well as environmentally and user-friendly products such as high solids, waterborne or solvent-free alkyd resins. In our portfolio, alkyd resins are among the products with the highest content of components from renewable sources (up to 92%), as they are based on vegetable oils such as soy, linseed or tall.

BUSINESS RESULTS OF 2022 BY PRODUCT GROUPS

In 2022, the consolidated sales of the Group's own products totalled CZK 12.95 billion, which represents an increase of CZK 3.73 billion compared to the previous year.

SBU INORGANICS

In 2022, SBU Inorganics generated very good profits through its established market position and customer relationships. Understandably, the European market was impacted by the war in Ukraine and the consequent growth in energy prices representing key costs in the production of chlorine and hydroxides. Apart from energy prices, 2022 was also impacted by the growing costs of other inputs. Nevertheless, we were able to transfer them to our prices. Our long-term strategic objective was to ensure high production penetration, in which we were successful.

The result in 2022 for the SBU Inorganics was above 2021, despite lower demand for our products at the end of the year and related price reductions.

EPOXY RESINS

In 2022, SBU Epoxy Resins generated revenues of CZK 5,725 million, which is a 5.1% growth compared to 2021, and a record in SBU history. In 2022, the price level achieved its maximum (additional increase caused by price shocks in energy and oil) and remained at this level for the first half of the year. In the second half, a gradual decrease occurred due to lower demand and competition from Asia. This decrease is expected to continue throughout 2023.

In 2022, business was primarily impacted by

- continuous efforts to build a position as a respected partner for the widest possible customer portfolio, with emphasis on reliability and sustainability
- the war in Ukraine and the subsequent sanctions – Russia, Belarus and Ukraine represented about 10% of European demand
- growth of energy prices – cost impact both direct, i.e., energy prices, and indirect, i.e., as raw materials suppliers reflected the growth in costs into their prices
- competition from Asia – it is obvious that the energy crisis is benefiting the industries of Asian countries, where Russian oil and gas are going after the reduction of European consumption
- growing inflation and lower consumption. At the end of 2022, these effects were obvious and will fully impact the market development in 2023.

The position of SPOLCHEMIE as a strong exporter has not changed. In 2022, 95% of sales totalling CZK 5,434 million went abroad. The share of the Czech market was 5%.

SBU SPECIAL SOLUTIONS

The beginning of 2022, still marked by the gradual fading of the Covid-19 pandemic, was soon heavily impacted by

the war in Ukraine with all its consequences. Due to the immediately imposed sanctions, which the Group joined, the Specialities business lost a large portion of sales of the Special epoxy systems and modified epoxies which were traditionally going to long-term and stable customers in Russia and Belarus. The war of course impacted the sales to Ukraine, which stopped at the beginning of the war and renewed only imperceptibly throughout the year, despite strenuous efforts. Similar to other segments, 2022 brought the shock of rising energy prices which were reflected in the variable costs of products, and in the fixed costs of Specialities' operations. For customers, the beginning of the year remained marked by high prices of materials and products, but the second half of the year brought a noticeable cooling of customers' purchasing sentiment and increasing pressure on product prices, caused by the significant emergence of Asian competition and low prices of imported resins. This trend led to a marked price difference between European and Asian products at the end of the year. Only in the last months of 2022 did we notice a gradual decrease in the prices of some raw materials.

Despite significant volume losses due to the Eastern European market failure and the decline in demand for modified epoxies in the second half of the year, SBU Special Solutions was able to meet the qualitative performance indicators for the year against the baseline plan in 2022, primarily due to a consistent translation of cost into prices.

The volume decline in selected regions was partially offset by new qualifications and sales in electro and composite applications in Europe and primarily outside Europe. At the same time, we were able to conclude key orders for modified epoxies sales. The business results of SBU Special Solutions were further supported by strenuous efforts in raw materials purchase during the most turbulent period on the market, as well as our success in coordinating production and logistics. The COVID pandemic continued to affect the logistics from Asia, and the war in Ukraine significantly complicated the already overwrought raw materials supply chain. These effects were marked throughout the year for all raw materials, such as epoxy hardeners, where the prices continued to grow by tens of percent.

The long-term strategic goal of the Group is to strengthen and accelerate the growth of special epoxy resins as a platform with a high degree of differentiation, especially in electrical, special composite, and construction chemistry. Last but not least, it is also transparency and ethical responsibility toward customers and strategic partners, and an effort to develop unique solutions with high added value in the long term. 2022 was a huge challenge in many ways, nonetheless we did not lose sight of this objective.

SBU ALKYDS

Despite long-term lower profitability of Alkyds, the Group managed to meet the qualitative performance business indicators for a second year in row through consistent translation of raw material and energy costs into product prices. In the second half of the year, consumption of Alkyds of many key players declined. This was reflected in a markedly lower volume of business compared to the previous year. In 2022, we left some markets in the Eastern and South-eastern Europe where we were under strong pressure, and strengthened our positions on the markets in the Benelux and the US. The war in Ukraine which caused among other things an increase in the prices of vegetable oils on global markets also caused a record increase of soy oil prices.

Energy and shared services price increase was markedly reflected in the production costs. Thanks to our procurement team, we were able to further strengthen our purchasing positions with our primary suppliers of key alkyd resins suppliers despite some outage of supplies and growing prices of solvents, thus meeting all our contractual liabilities to our customers. At the same time, thanks to the efforts of our R&D and applied development team we managed to launch new products tailor made for our customers and meeting strict legislative and environmental standards.

INNOVATIONS

The main driving force of the Company's development is the innovation resulting from the research and development. The research in the Group is based on long-standing tradition, human expertise, knowledge and skills. The Group systematically and continuously monitors the latest and state-of-the-art trends on the market and in science, and implements them to sustain its competitiveness. The monitoring of the latest trends in sustainability, environmental protection, occupational health and safety is also an integral part.

RESEARCH AND DEVELOPMENT:

- research and development of new materials and technologies
- applied development and technical service
- innovation and optimisation of processes and technologies
- circular and non-waste technologies.

The Group carries out research and development primarily in synthetic resins, which it considers to be its main business. This comprises primarily the development of special epoxy systems, special epoxy or alkyd resins and it develops fields with higher added value that meet the most demanding environmental, quality or application requirements. It focuses not only on areas with its own long-standing development tradition, but also on rapidly developing market segments with demands on the development of materials with a high quality and added value, while enabling a sustainable solution with a low carbon footprint. In the development of special synthetic resins, these include primarily materials for electrical engineering, composites, adhesives, paints and coatings, transportation, and construction. The main fields in the inorganic part of the research are process innovations for the chemical production technologies, the development of next-generation chlorinated derivatives and monomers, as well as advanced technologies for the removal of emissions from water and the atmosphere.

STRATEGIC ORIENTATION OF RESEARCH:

- focus on products with the maximum content of renewable resources, with the lowest impact on the environment while meeting the latest legislative requirements
- focus on safe, sustainable, and economical technologies
- focus on special products with leading properties and quality that can handle the most challenging applications
- focus on customer-oriented research.

There is close cooperation with the city of Ústí nad Labem in the use of hydrogen as a clean fuel for the urban mass transportation. Hydrogen is created as a waste product during electrolysis and its use for the planned hydrogen buses could significantly contribute to improving the air in the city and its surroundings and decrease the dependence on fossil fuels.

Research and development also focuses on the use of renewable resources, recycled or waste materials to ensure safer and more environmentally-friendly applications with minimal impact on the environment, to protect the health of Group employees and the wider environment, as well as the end users of end products.
The newly conducted and validated LCA study of the Group's main production units will contribute significantly

not only to further strengthening the position of EnviPOXY green epoxy resins and products from renewable resources, but will enable the Group to specifically and systematically strengthen sustainable development through measurable objectives such as reducing carbon footprint, waste production, reducing wastewater pollution, but also strengthening the reliability of production and safety at work.

DEVELOPMENT BASED ON TWO CORE SEGMENTS AND THREE RESEARCH & DEVELOPMENT CENTRES:

- research in inorganic, chlorine chemicals and hydrogen in Ústí nad Labem
- research and development and application development in synthetic resins are also provided in Ústí nad Labem.
- research and development and application development in synthetic resins and paints and coatings in SYNPO, akciová společnost in Pardubice with a specialisation in customer-oriented development and semi-operational manufacturing of experimental materials.

In Ústí nad Labem, more than 40 employees work in research and development. The research groups are heavily pro-customer and technologically oriented. Application development and technical services respond to clients' requirements and cooperate with our customers in the development of the latest systems, products, and technologies. Part of the Group´s research is the leading-edge Synpo Pardubice research centre with more than 120 employees oriented on research in the chemistry of synthetic resins, paints and coatings, adhesives, and casting compounds. On top of that, Synpo features accredited laboratories where independent certifications and analytical measurements are provided to customers. Synpo also provides independent research and testing activities to third parties. Synpo also provides independent research activities as well as start-up, low-tonnage, or special production for the Group. All teams work on more than fifty deliverables of the technical development plan and are flexible in responding to specific customer needs.

APPLIED DEVELOPMENT

The newly formed Applied Development team is involved in the targeted customer-oriented development of new applications and products in the key segments, such as electrical engineering, electronics, advanced composite materials, adhesives, construction materials and paints and coatings. The team coordinates research activities targeted on strategic application segments, key customers, industrial partners and their requirements during the development of innovative solutions in the given segment.

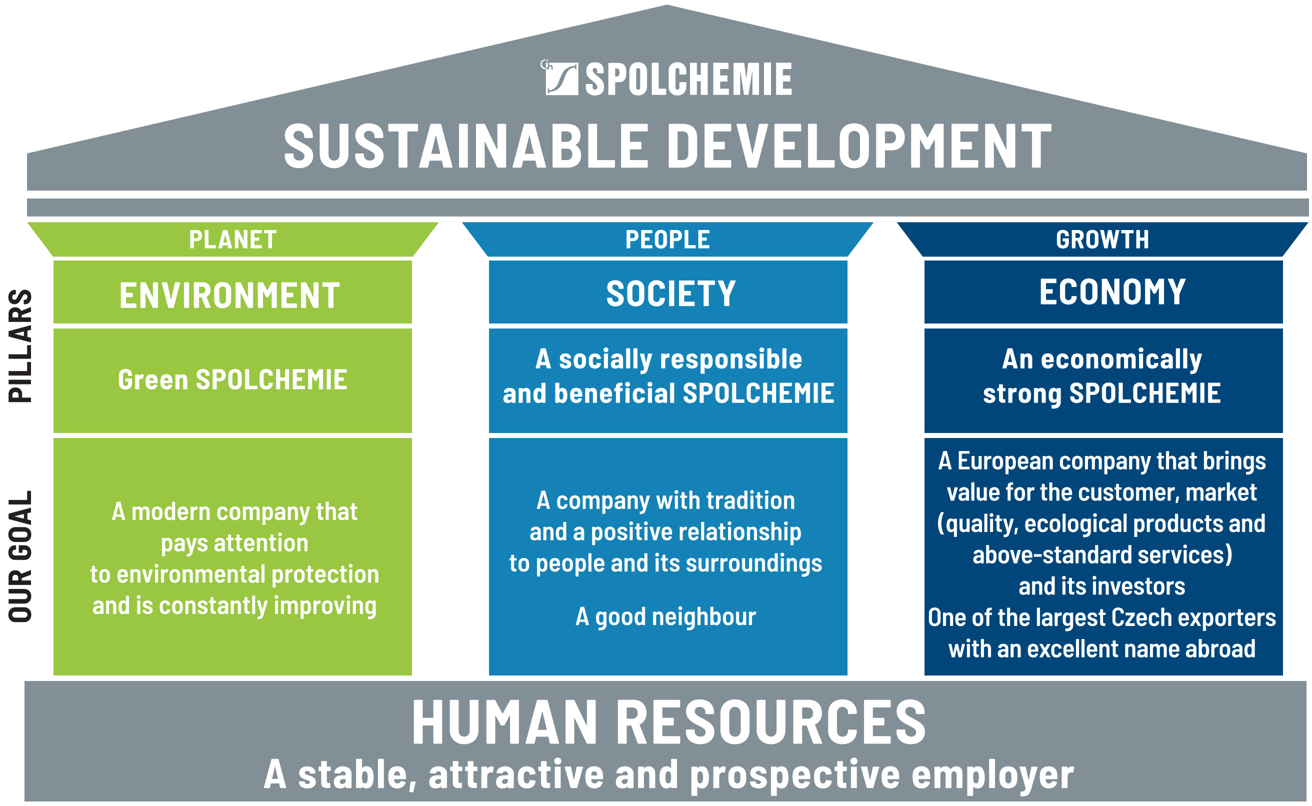
> KEY RESEARCH AND DEVELOPMENT ACTIVITIES FOCUS ON INCREASING SUSTAINABILITY AND DECREASING THE CARBON FOOTPRINT AND ENVIRONMENTAL BURDEN OF PRODUCTION PROCESSES AND PRODUCTS.

INNOVATION IN THE CENTRE OF EVENTS

The key research and development activities of the Group focus on **increasing sustainability and decreasing the carbon footprint** and environmental burden of the production processes or products. It also focuses on the development of products and technologies with the maximum use of environmentally friendly and renewable resources and the lowest impact on the environment. It also monitors both ecological and legislative requirements and market requirements. In the protection of intellectual assets, the Group (SPOLCHEMIE) was granted 24 patents (SYNPO – two utility models) in 2022 and two new patent applications were filed (SYNPO – two utility model applications). The Group thus boasts 115 valid patents and 31 active patent applications.

An important milestone in realised innovations is the launch of the development and production of new chlorine appliances, which represent one of the strategic pillars of the Group's direction in the years to come. The successful and subsidised implementation of desalination technology for wastewater from the production of epoxy resins is an equally important implementation of our innovative solutions, as it moves the Group forward not only in wastewater treatment technologies, but also in the circular economy.

The innovations implemented in 2022 arising from the research and development activities of resins include the portfolio expansion with new environmentally-friendly systems under the EnviPOXY brand, portfolio expansion with new unique systems for external electro appliances, high temperature resistance systems for composites, special filled systems for concrete protection for building chemistry, or the successful marketing of new waterborne long alkyds with high bio-substance content for wood protection, special thixotropic cold-pumpable alkyd systems and the implementation of odourless solvents in solvent borne medium and short alkyds, thus bringing unique systems to the market.



As a modern chemical company, we are aware of the importance of effectively preventing damage to nature, climate, and human health, developing modern, economic, and ecological technologies and products and using resources efficiently. At the same time, we are actively anticipating the Green Deal for Europe, monitoring the changing demands of the market and our customers, and working on continuously improving our processes and products.

To cover and better coordinate our activities in environmental protection, social responsibility, and economic growth, we have formulated the concept of the **sustainable development of SPOLCHEMIE**. The concept is based on human resources, meaning our employees, and three fundamental pillars: Environment, Society, Economy.

ENVIRONMENT – THE PLANET

The **Environment** pillar includes the **Green SPOLCHEMIE** programme and all our activities that reduce our environmental impact and help us use resources efficiently. This is about modernising technology, reducing energy consumption, developing products with a lower carbon footprint, using renewable resources, a circular economy. At the same time, it also includes close cooperation with entities in the surrounding area, the region, and the international environment.

The new production units, where large volumes of investment are directed, meet the strictest safety and environmental standards, and are designed as BAT (best available technology). The new membrane electrolysis (launched in 2017) enables mercury-free production and at the same time produces hydrogen, which can be further used as emission-free fuel.

Last year, we became a member of the Czech Hydrogen Technology Platform HYTEP, which brings together and coordinates individual entities involved in hydrogen technologies with the goal of developing the hydrogen economy in the Czech Republic. In emission-free transport, we continue our cooperation with Dopravní podnik města Ústí nad Labem a.s. (the local public transport company) on the project of using our hydrogen produced through electrolysis as a clean fuel for buses. Hydrogen projects can make a significant contribution to improving the air in the city and the region and reducing dependence on fossil fuels.

The market trend continues toward sustainable solutions and our customers and other business partners are increasingly demanding and promoting sustainable and environmentally friendly solutions, and we need to reflect these requirements. In 2022, we continued the Life Cycle Analysis (LCA) project, which includes data for the entire Company and for the most important products. The results of the LCA will be used to set the most effective way to minimise our carbon footprint.

We continuously implement many projects to reduce energy consumption and use resources efficiently. One of the major projects is the desalination of wastewater through our unique technology, which we continue to optimise and develop further. Desalination represents an environmental and circular solution – enabling to repeated use of non-renewable raw materials (salt) in production and further lowering the carbon footprint related to salt mining and transportation. In water protection, we launched a project involving the modernisation of a biological sewage water treatment plant, where we improved efficiency while meeting the current limits. The project will continue in 2023 as well.

In reducing energy intensiveness (energy and heat consumption), we have several development projects for sustainability and climate protection, aiming at optimising, improving and monitoring the distribution system to reduce our energy and heat consumption, and primarily reduce our carbon footprint from its production. Another project, focusing on heat and the reduction of heat loss, is the steam-water system optimisation. Improving the efficient use of electricity primarily concerns lighting. Transition to LED lighting aims at replacing the old, energy intensive lighting fixtures in the exterior and in individual workplaces to reduce electricity consumption necessary for production.

SOCIETY – PEOPLE

The **Society** pillar refers to our close surroundings, the city of Ústí nad Labem, and to the public and society as a whole. Our goal is to make sure that SPOLCHEMIE is perceived positively, as a good, beneficial, credible, and safe neighbour, despite the proximity of our industrial site to the city centre.

We support public benefit projects and civic activities in the Ústí Region as part of the successful mini-grants programme, which focuses on three categories of activities: Healthy Body (children and amateur sports, rehabilitation stays, senior activities, tourism, etc.), Bright Mind (education, cultural activities), Pure Nature (protection of the environment).

We continue to work closely with the public sphere (e.g., with the city of Ústí nad Labem) and we are a partner

of several sports, cultural and information-educational events (Ústí Half marathon, Ústí Christmas, Ústí Easter, etc.).

ECONOMY – GROWTH

The **Economy** pillar focuses on maintaining SPOLCHEMIE‘s position as an important employer and investor within the region and as a strong player in the markets in which it operates. The means to maintain this position are primarily meeting the long-term goals of turnover growth and maintaining profitability. The Company’s strengths lie mainly in its high-quality products and a high standard of customer service in all major business areas.

HUMAN RESOURCES

In human resources, the safety and health protection of our employees is an absolute priority. In 2022, the "... because health matters" safety programme entered its second year, aiming at improving the culture of safety and promote involvement of employees.

In addition to safety and health protection, we pay attention to the regular and targeted training of our employees, and we have long been dedicated to their personal and professional growth and increasing of qualifications.

We continue to participate in the global Responsible Care initiative as well as in the assessment of sustainability with EcoVadis tools, where we received the gold medal in 2022.

Our sustainability concept also includes close cooperation with employees, suppliers and other business partners that we encourage and motivate to follow similar sustainable development principles. We continue with the Sustainable Procurement project, which aims to evaluate suppliers in this important area.

SUSTAINABILITY OBJECTIVES

The objectives that we want to achieve (compared to 2020) have been set for each pillar. In the Environment pillar, the reduction of greenhouse gas emissions is central – we want to reduce our carbon footprint by 40% by 2030 (in scope 1 and 2). We also want to reduce pollution – specific waste production by 20% and specific wastewater pollution by 15% by 2030.

In social responsibility and safety, our main goals are to reduce incidents (major accidents and dangerous conditions) in production by 50% by 2030, and, in human resources to reduce the accident rate (with absences of more than 3 days) by 60%.

In 2022, we carried out our first assessment of the progress in our top sustainability targets for the previous year (KPI). We evaluated all parameters except the carbon footprint where we are completing the Life Cycle Assessment (LCA) of our Company and its key products. We improved in all indicators, and one indicator (work-related injuries) remained the same.

SUSTAINABILITY GOALS BY THE YEAR 2030

–40 %
carbon footprint
(scope 1 and 2)

–20 %
specific reduction
of waste

–15 %
specific pollution
of waste water

–50 %
incidents
in production

–60 %
work-related injuries
and absences of
more than 3 days

ABYCHOM ZASTŘEŠILI A LÉPE KOORDINOVALI NAŠE AKTIVITY V OBLASTI ŽIVOTNÍHO PROSTŘEDÍ, SPOLEČENSKÉ ODPOVĚDNOSTI A EKONOMICKÉHO RŮSTU, ZFORMULOVALI JSME KONCEPT UDRŽITELNÝ ROZVOJ SPOLCHEMIE.

ENVIRONMENTAL PROTECTION

SUMMARY OF 2022

2022 was a very specific year for the Group and for everyone else as well. Due to external factors of a global scope, with the impacts of the COVID-19 pandemic (including related logistics issues), and the energy and price crisis (caused by the Russian invasion of Ukraine), the global markets changed significantly. These changes were reflected by a decrease in production (to different levels for each individual product), which again reflected in the environmental performance of the Group. In 2022, the Group continued the established trend of continuously reducing any negative impacts on the environment through the modernisation of production facilities and the introduction of new technologies despite the adverse circumstances.

The Group was successful in water treatment, where it managed to reduce specific waste-water burdens (see below) thanks to the new technology of desalination of wastewater from the production of epoxy resins developed within the Group. This technology was approved for use in March 2022, and we continue with its optimisation.

Another major activity included investment into modernising the biological sewage water treatment plant for the production of resins. In 2022, we completed the first and started the second stage of this challenging investment project that is being undertaken under full operation. We have already invested over CZK 70 million. The completion of the first stage already brought a positive effect, i.e., an increase in the removal of organic pollution by 5%.

The Group further invested almost CZK 90 million into environmental protection including climate protection (and energy saving). Other major investment projects comprise the modernisation of the incinerator (reducing emissions to air), and the optimisation of the steam-water system (energy saving).

2022 was also the first whole year when the Group used emission-free electric energy in its production. By purchasing emission-free electricity, the Group significantly reduced its carbon footprint, effectively contributing to the EU's goal of achieving carbon neutrality. In 2022 only, the Group reduced its indirect emissions by 129 400 tonnes of carbon dioxide.

In 2022, the building of a new production plant in SPOLCHEMIE Zebra, a.s. was fully launched. This project will allow the production of fourth-generation refrigerant and foaming agents, which have a significantly lower potential for global warming compared to currently used agents. It represents both a major step toward long-term sustainability and environmental protection of our planet for future generations, and a significant step to improving the Group's environmental profile.

ENVIRONMENTAL PROFILE OF THE GROUP – DEVELOPMENT

The Group has long been monitoring its environmental performance through several indicators most relevant for its production in terms of environmental impacts, both direct and indirect. For this monitoring, specific values have been chosen based on the volume of production of key products in the integrated production chain and can thus quantify the burden of production or its volume for the environment, which is more meaningful in terms of sustainability compared to absolute figures. Year-on-year changes and long-term trends can also be observed over the long term.

The charts below show that the Group is continuously improving in the long term. The development of individual parameters is different year-on-year, primarily due to the impact of the global situation which has different effects on individual indicators (for more detail see below).

Wastewater: in 2022 compared to 2021, a further reduction of our wastewater burden by 6% was achieved primarily through the desalination of the water from epoxy production technology in operation for the whole year. Thus, the Group manages to continuously reduce the level of this probably most significant key indicator. We again achieved the lowest value since the beginning of its monitoring in 2011.

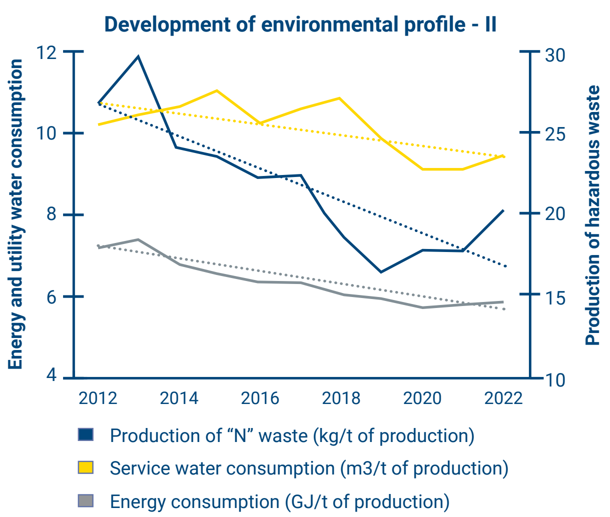
Production of hazardous waste: the Group has long managed to reduce this indicator, which is mainly linked to indirect environmental impacts. This is due to the introduction of new production as well as optimisation of their operation and maximising capacity utilisation. 2022 was exceptional in terms of this indicator, as its increase is directly linked to the change in the production volume of individual products (major decrease in products with lower specific reduction of waste). The modernisation of both biological waste-water treatment plants also had major impact, resulting in the increase of efficiency of waste-water treatment (where the pollution is mostly transferred to the produced waste). This also further positively affects the occasional/exceptional waste created in relation to investments (e.g., cleaning of machinery and equipment). In future, this indicator is expected to decrease, also in relation to the expected demand for individual Group products.

Energy consumption: an indicator that is indirectly related to air protection as well as to long-term sustainability. For the Group, it is mainly the consumption of electricity and heat. The Group has long been improving in this area, not only through the introduction of new technologies, but through the ongoing implementation of austerity measures. in the last four years, this indicator has been stable. In 2022, the energy consumption (to production volume) was slightly higher (by 0.3%) compared to 2020

2022 WAS THE WHOLE FIRST YEAR IN WHICH THE UNIT FOR THE DESALINATION OF WASTEWATER FROM THE PRODUCTION OF EPOXY RESINS WAS PUT INTO OPERATION, WHICH RESULTED IN A SIGNIFICANT REDUCTION OF THE WASTEWATER LOAD. IN 2022, THE GROUP IMPLEMENTED LARGE INVESTMENTS INTO ENVIRONMENTAL PROTECTION, THE LARGEST OF WHICH WAS THE MODERNISATION OF THE BIOLOGICAL WASTEWATER TREATMENT PLANTS FOR RESIN PRODUCTION. IN THE LONG-TERM, THE GROUP HAS REDUCED ITS MAJOR ENVIRONMENTAL IMPACTS AND HAS MANAGED TO FOLLOW THE SET TRENDS."

and 2021, but still below the level of 2019. This trend corresponds to the reduced volume of production of products with lower energy intensiveness. However, the Group maintains its long-term trend of gradual reduction of energy intensiveness.

Utility water consumption (consumption from the Elbe River): an indicator that monitors the demand for a resource that the chemical industry cannot do without, and which is essential for long-term sustainability. It concerns the protection of natural resources and landscapes. The Group has significantly improved in this area in recent years, mainly due to the introduction of new technologies and production optimisation. In 2022, water consumption (related to production volume) was higher compared to 2020 and 2021 (by 4.8%) but below the 2019 level. Similar to energy consumption and waste production, this was due to the decrease in the volume of some products with less water consumption.

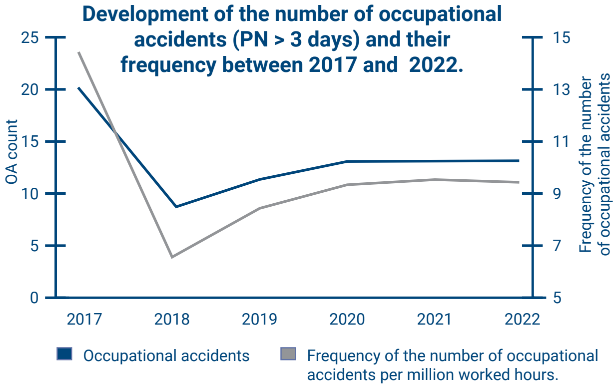


HEALTH AND SAFETY

SAFETY AT WORK

In 2022, the Group recorded the same number of accidents at work (AW) with an incapacity for work (IW) of more than three days as in the previous two years, i.e., 13. Despite this stagnation, due to the growth in the number of employees, the number of AW per one million work hours decreased.

Development of the number of occupational accidents (PN > 3 days) and their frequency between 2017 and 2022.

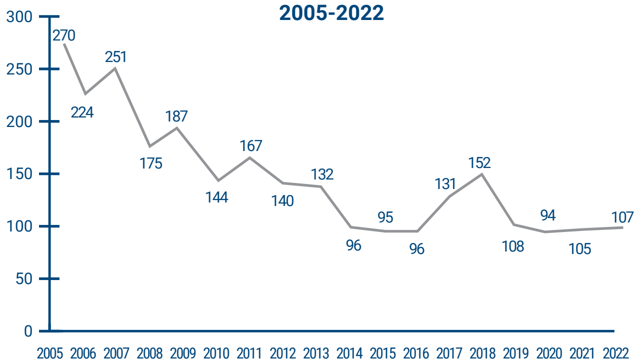


As the Group management fully understands the importance of safety at work and views this as its key priority, 2022 was marked by further development of the "... because health matters" programme launched in 2021, which aims at long-term sustainable improvement and promotion of safety at work. This programme newly introduced education campaigns and a system of positive safer-workplace incentives including Safetywalks (safety walks of many members of top management). The pyramid application is now used routinely. This app is aimed at collecting safety ideas and notions from all employees, and monitoring the progress of corrective measures.

ACCIDENT PREVENTION

In the long term, the Group has reported positive developments in this area, in the short term, the situation can be viewed as stable, thanks to a functional system of preventive repairs and the implementation of smaller investments aimed at improving operational safety.

Development of the number of emergencies 2005-2022



An extensive online monitoring system identifies all cases of hazardous substance leaks in a timely manner. These are evaluated in terms of frequency of cause, type of leaked substance, source, and extent of leakage and, where appropriate, potential for a major accident. Based on these aspects, appropriate technical and organisational measures are subsequently taken.

Several investment actions were undertaken 2022, that will contribute to the reduction of risks in the Group premises and increase the protection of residents of the city of Ústí nad Labem.

Some of the major projects include the completion of the project for the modification of chlorine routes in the premises, which will lead to the elimination of one of the unacceptable risks (as per evaluation in the safety report in compliance with the Major Accident Prevention Act), and the continuing implementation of the third circuit of dangerous substance leak monitoring in the north-east border of the area. In relation to the new plant for the production of a precursor for the production of F-gases of the fourth generation, the construction of the protective bulwark continued for the future speed railway near the new ethylene storage. The management systems in key operations were modernised, the fire safety of the modified epoxies production was improved, and new tank truck for the Group fire brigade was purchased.

As part of the long-term cooperation with the Integrated Rescue Service, in particular the Fire Rescue Service of the Czech Republic, the traditional cooperation exercises of the Group's fire brigade with external units took place in the autumn of 2022. The topic of the exercise was a fire of the reaction mixture in the flooring manufacturing plant and subsequent evacuation of personnel. The exercise was evaluated as positive by all involved.

In response to the Covid-19 pandemic, the Group adopted several anti-epidemic measures in the first half of 2022, even beyond the regulations issued by the Czech Government. Thanks in part to these measures, no extraordinary event related to the epidemiological situation was recorded in 2022 or in 2021.

> IN 2022, THE GROUP CONTINUED WITH ITS LONG-TERM SAFETY PROGRAMME "... BECAUSE HEALTH MATTERS" AIMED AT IMPROVING THE LEVEL OF SAFETY THROUGH ACTIVE INVOLVEMENT OF ALL EMPLOYEES. IN 2022, SEVERAL INVESTMENTS WERE LAUNCHED OR IMPLEMENTED, FOCUSING ON ACCIDENT PREVENTION AND PREPAREDNESS.

EXTERNAL INSPECTIONS

During the inspections carried out in 2022, no serious infringement of the valid legislation was indicated by the authorities. With regard to the minor shortcomings identified by the inspection authorities, measures have been taken and implemented within the framework of the established occupational health and safety management and major accident prevention system. The inspection authorities are regularly informed of the fulfilment of these measures.

At the beginning of 2022, an annual Integrated inspection took place at the Group premises (in compliance with the Act on Major Accident Prevention) with the participation of the Czech Environmental Inspectorate, the regional Authority, the Labour Inspection Office, the Fire Rescue Corps of the Ústí Region, and the Regional Public-Health Station. Findings identified in this inspection were not considered offences, and the number of small deficiencies and recommendations was the lowest in the past several years.

At the end of 2022, a successful audit of certified ISO systems, including the health and safety at work management subsystem, accident prevention and fire protection in compliance with the ČSN ISO 45001 standard took place. The certifying body did not find any deficiencies and issued only two recommendations for further improvement of the system. External auditors positively evaluated the changes made by the Group in the last few years, including the focus on safety improvement and future development.

EMPLOYEE-RELATED ISSUES

Our employees, their skills, competences, and initiative as well as their positive relationship to the Company, are the most valuable asset for the Group.

It is important for the Group to create an attractive environment (in terms of prospects, career growth, professional development, internal equality, and competitiveness), not only for the existing co-workers, but also for potential new talents, both university graduates and erudite experts with an interesting professional history.

Sustainable development here in SPOLCHEMIE stands, among other things, on human resources, our employees. That is why, in 2022, we invested time, energy and money to ensure that we are both a transparent, stable, attractive, and prospective employer for our employees as well as for qualified job seekers.

The average number of Group staff in 2022 was 946.

The development of the number of employees during the course of the year is the result of the efforts to fill the work positions primarily in the factories so that the shifts are completely full according to a systematic scheme and thus overtime work is decreased. Another important factor was strengthening expert teams, namely investment, research and development, as well as employee hiring related to the new production plant of precursors for the production of F-gases of the fourth generation.

In human resource management, the Group focused on the following aims in 2022:

- Compared to 2021, the average wage growth in the Group reached 11.1% in 2022, thus significantly mitigating the negative impacts of the fast price growth on our employees. In the last three years, average wages in the Company grew by 25.0%.
- Further improvement of the partnership with the University of Chemistry and Technology Prague (VŠCHT) and the conclusion of a partnership agreement with the University of Pardubice from 2022 to encourage the recruitment of university graduates for research and development, or positions of production technologists.
- Continuation of professional and management growth of selected groups of employees with focus on foremen and management.
- Continuing the Employer Branding programme with the goal of modernising and further building and developing the employer's brand.
- Introducing new employee benefits – Teambuilding Spolchemie with the aim of strengthening the team spirit; Values in Action aiming at making corporate values more popular, and employee discussion on values and good practice embedding.
- Expansion of the TWO-WAY annual cooperation evaluation instrument between managers and subordinate staff. The introduction of this instrument has significantly contributed to improving mutual communication and to mapping the development and career priorities of employees in key positions.

CORPORATE SOCIAL RESPONSIBILITY

Since 2017, we have been supporting public benefit projects and civic activities in the Ústí Region as part of the successful Mini-Grants programme focusing on three categories of activities:

- **Healthy Body** (children's and amateur sports, rehabilitation stays, senior activities, tourism, etc.)
- **Bright Mind** (education, cultural activities)
- **Pure Nature** (protection of the environment).

In 2022, we supported 43 activities in total, 14 more than last year.
Selected projects included, for example:

Sports events:
- Grand Prix SPOLCHEMIE (Sportovní klub policie sever, z.s.), Kufrování se SPOLCHEMIÍ (Klub orientačního běhu Ústí nad Labem, z.s.), RunLabeRun 2022, Telnický Kecky 2022.

Cultural events:
- Beřkovice Spring and Summer 2022 (Psychiatry hospital in Horní Beřkovice), 12th annual Theatre Benefit of Amateur Troupes (Centrum pro náhradní rodinnou péči, o.p.s.),

Events supporting disabled and disadvantaged citizens and events helping the elderly:
- Sound mind in a sound body (Babí Léto Association), equipment for a social and therapeutic workshop for blind people (TyfloCentrum Ústí nad Labem, o.ps.), Quiet paws evening (Association supporting people with mental handicaps in the Czech Republic)

Education events or events helping with integrating children into a group:
- Support for children from Ukraine (Asociace sportovních klubů Lovosice z.s.)
- Fifth annual Charity run for foster families (Centrum pro náhradní rodinnou péči, o.p.s.), Finding the best young chemist in the Czech Republic (Střední odborná škola technická a zahradnická Lovosice)

We continue to work closely with the public sphere (e.g., with the city of Ústí nad Labem) and we are a partner of many events.

Ústí Half Marathon
Since the beginning of the event, we have been the official partner of the traditional Ústí nad Labem half marathon, which has been called a Ferrari among races, as well as the general partner of the Czech Handbike Cup for handicapped athletes. In 2022, the 12th year of this important event was held, where employees and their families traditionally participate and thus voluntarily represent the Group's association with the region.
The Group provides security and organisation on the part of the race route running through the chemical factory premises, a world rarity. Running through such a unique site is a popular and attractive part of the race, covered by photographers and TV crews, and has become a traditional part of the image of Ústí nad Labem.

Ústí Easter and Christmas
In 2022, we became again the proud general partner of these outstanding events organised by the city hall of Ústí nad Labem: Ústí Easter, Ústí Food Festival, St. Nicholas Eve with Spolchemie, and Ústí Christmas.

SUPPLY CHAIN MANAGEMENT

The procurement department of the Group is divided into two parts – the purchase of raw materials or direct materials for production, and non-chemical purchases, which cover all the remaining purchased commodities, i.e., energy, packaging, all maintenance (machinery, electro, measurements and regulation, construction), spare parts, transportation (rail and road), auxiliary materials and overhead services necessary to ensure the smooth running of the entire production part of the Group.

The long-term key goal of the procurement department is to strengthen the competitiveness of the Group's products by ensuring the most advantageous purchasing contracts with suppliers and strict control of related costs. Close relations with key suppliers, which are reflected in long-term and mutually advantageous contracts, are a key tool to ensure the above. In recent times, the consistent planning and control of costs incurred is increasingly important. In 2022, the Group again confirmed the upward trend in the development of economic results and other indicators. This fact, together with impeccable payment behaviour, makes the Group a sought-after and preferred partner of our suppliers, which is reflected in favourable terms and conditions for purchases.

We confirmed the above in 2022 through an independent source, by receiving the highest possible and very prestigious AAA rating – Highest trustworthiness – from Dun & Bradstreet Czech Republic, a company with a 180-year tradition of evaluating the trustworthiness of businesses. Thanks to this rating, our suppliers can

be sure that they are doing business with a trustworthy, capital- and ownership-strong Company of the highest quality.

Unfortunately, 2022 was significantly affected by several negative events that strongly impacted the whole supply chain, with the war in Ukraine being certainly the main one. Immediately after the start of the war, the traditional supplier channels practically disintegrated for a short time, as the formerly accepted standards and uses ceased, namely in terms of availability and terms and conditions including prices. Some key commodities (e.g., nickel and other metals) became unavailable for days or weeks, and the prices of such products grew due to the extreme uncertainty to many times their previous levels.

IN 2022, WE RECEIVED THE HIGHEST POSSIBLE AND VERY PRESTIGIOUS AAA RATING – HIGHEST TRUSTWORTHINESS – FROM DUN & BRADSTREET CZECH REPUBLIC.

Due to the above, there were extreme developments in energy prices as well, which represent a fundamental item in the purchasing budget of the Group, next to raw materials. For comparison, in 2022 we paid three times of what we paid in 2021 for electricity. On the other hand, thanks to a long-term risk diversification strategy, the Group markedly reduced the impact of the price development, which culminated in August 2022. Since October 2022, after careful evaluation, we decided to adopt a combined model of purchase of electricity, i.e., futures with daily market settlement, which seems to have a long-term perspective. We also continued with the emission-free energy purchase for the whole necessary annual volume.

In non-chemical purchasing, we continued to conclude framework contracts with key suppliers. This instrument significantly streamlines the operation of the departments. We use the acquired capacity to deepen our knowledge of manufacturing processes for core commodities and suppliers, which ultimately helps us to ensure favourable purchase prices and business conditions.

Sustainability is a long-term key and paramount concept for the Group, reflected in the procurement through supply chain management and through joint discussion with our strategic customers. In 2022, we introduced the Suppliers' Code, a necessary requirement for cooperation with the Group companies. We completed the next stage in the methodology of new suppliers' evaluation – with the aim of not only monitoring qualitative and economic parameters for the use in everyday procurement process, but also focusing on safety, sustainability including energy sources, and human resources including business ethics.

FINANCIAL RESULTS FOR 2022 AND THE OUTLOOK FOR 2023

In general, 2022 was positively impacted by economic recovery following the receding COVID-19 pandemic. The basic product portfolio margins reached its historical highs mid-year, and in the second half of the year started to reverse to their long-term sustainable levels. At the same time, the European Green Deal and the Russian invasion of Ukraine negatively impacted input prices, primarily of energy. In the second half of the year, we noticed signs of weakening demand. Nonetheless, thanks to our business policy we managed not to lose our market shares with our customers and maintain maximum utilisation of our production capacities.

In general and in the context of previous periods, 2022 was historically the most successful year of operation.

The consolidated net profit of the Group for 2022 reached CZK 2,442 million (2021: a profit of CZK 1,428 million). The operating performance expressed by the consolidated EBITDA reached CZK 3,500 million* (2021: CZK 2,225 million).

The Czech crown began to strengthen significantly against the euro at the end of 2022, which had a negative impact on the Group as an exporter. In this respect, the Company applies long-term strategy of natural currency hedging through funding in EUR and the Group also enters into partial forward transactions to hedge against negative fluctuations in the EUR/CZK exchange rate.

*EBITDA = profit before tax + interest expenses + factoring expenses – interest income + depreciation of fixed assets

2023 OUTLOOK

The main priority of the Group in 2023 will be to maximise the utilisation of production capacities to satisfy the high demand of European customers for epoxy resins and hydroxides. The challenge will be to tackle the inflationary tendencies that have generally affected all commodity markets. We will continue with our attempts to face the growing price trend, namely in energy, as well as the dramatically rising environmental costs.

The Group will continue working on the implementation of strategic development projects, which should move the production profile more towards chemical specialities in cooperation with foreign partners.

In terms of operating results and the approved consolidated plan for 2023, the Group conservatively expects the return of its margins to the long-term sustainable historical levels, and in line with these expectations plans that the key performance indicator EBITDA will not exceed CZK 1 billion in 2023.

> THE CONSOLIDATED EBITDA FOR 2022 REACHED CZK 3,500 MILLION

MANAGEMENT AND STRUCTURE

SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST – KEY COMPANY OF THE GROUP

General Meeting

Board Of Directors

Managing Director

Finance Director

Operations

Technical Director

HR Director

SBU Director (Inorganics)

SBU Director (Epoxy Resins)

SBU Director (Special Solutions)

SBU Director (Alkyds)

SBU Director (Energy)

R&D Director

Ing. Pavel Jiroušek

Ing. Jiří Medřický

Ing. Daniel Tamchyna, MBA

Ing. Romana Benešová

Ing. Vladimír Kubiš, CSc.

MEMBERS OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2022

Name	Date of Birth	Position
Ing. Pavel Jiroušek	10. 8. 1970	Chairman of the Board of Directors
Ing. Jiří Medřický	25. 12. 1974	Vice-Chairman of the Board of Directors
Ing. Daniel Tamchyna, MBA	09. 12. 1970	Vice-Chairman of the Board of Directors
Ing. Romana Benešová	07. 11. 1969	Member of the Board of Directors
Ing. Vladimír Kubiš, CSc.	26. 4. 1959	Member of the Board of Directors

The Company does not have an organisational unit abroad.

Ing. Jaromír Florián

Ing. Jan Dlouhý, CSc.

Ing. Jan Chudoba

Ing. Jakub Racek

Ing. Lukáš Bartek, Ph.D.

Ing. Zdeněk Moravec

Ing. Pavel Žák

Mgr. Jan Křička

Ing. Daniela Varečková, Ph.D.

COMPANY MANAGEMENT AS AT 31 DECEMBER 2022

Name	Date of Birth	Position
Ing. Daniel Tamchyna, MBA	09. 12. 1970	General Director
Ing. Jaromír Florián	16. 6. 1975	Financial Director
Ing. Jan Dlouhý, CSc.	17. 3. 1965	Operations Director/SBU Director (Energy)
Ing. Jan Chudoba	06. 12. 1968	Human Resources Director
Ing. Jakub Racek	25. 2. 1977	Director of SBU Inorganics
Ing. Lukáš Bartek, Ph.D.	04. 10. 1977	Director of SBU Special Solutions
Ing. Zdeněk Moravec	17. 3. 1976	Director of SBU Epoxy Resins
Ing. Pavel Žák	29. 11. 1976	Technical Director
Mgr. Jan Křička	26. 5. 1963	Director of SBU Alkyds
Ing. Daniela Varečková, Ph.D.	23. 12. 1977	R&D Director


SPOLCHEMIE
GREEN EPOXY

3 / AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG Česká republika Audit, s.r.o.
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Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of Spolek pro chemickou a hutní výrobu

Opinion

We have audited the accompanying consolidated financial statements of Spolek pro chemickou a hutní výrobu ("the Company") and its subsidiaries (together "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra

Other Matter

The consolidated financial statements of the Company as at 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 April 2022.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

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

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

- the other information describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

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

KPMG

Responsibilities of the Statutory Body for the Consolidated Financial Statements

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 those charged with governance 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.

Statutory Auditor Responsible for the Engagement

Karel Charvát is the statutory auditor responsible for the audit of the consolidated financial statements of Spolek pro chemickou a hutní výrobu, akciová společnost as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
28 April 2023

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71

Karel Charvát
Partner
Registration number 2032

4 / CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements prepared in accordance with IFRS as adopted by the EU

as at 31 December 2022 and for the year ended 31 December 2022
by the business corporation
(translated from the Czech original)

Spolek pro chemickou a hutní výrobu, akciová společnost

In Ústí nad Labem, on 28 April 2023

Ing. Pavel Jiroušek
Chairman of the Board of Directors

Ing. Daniel Tamchyna, MBA
Vice-chairman of the Board of Directors

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022	31 December 2021
		TCZK	TCZK
ASSETS			
Property, plant and equipment	5	4 196 881	3 441 354
Investment property	6	60 046	34 673
Intangible assets	7	40 651	46 932
Rights of use	8	256 186	306 663
Shares in associates	9	882	1 236
Provided loans and other receivables	10	26 000	39 031
Deferred expenses	20	98 435	119 187
Deferred tax receivable	31	38 367	41 194
Total non-current assets		**4 717 448**	**4 030 270**
Inventories	12	1 231 877	1 024 500
Trade receivables	13	1 396 305	1 528 322
Other short-term receivables	13	171 994	163 381
Income tax receivables	14	8 999	112
Deferred expenses	20	20 757	22 406
Advances paid		56 936	93 023
Cash and deposits	15	1 582 254	637 011
Total current assets		**4 469 122**	**3 468 755**
TOTAL ASSETS		**9 186 570**	**7 499 025**

	Note	31 December 2022	31 December 2021
		TCZK	TCZK
EQUITY			
Share capital	15	717 581	717 581
Reserve fund		1 524	1 524
Other comprehensive income	17	-3 816	-3 273
Retained earnings		3 942 444	1 901 325
Equity attributable to the shareholders of the Company		**4 657 733**	**2 617 157**
Non-controlling interests		**0**	**0**
TOTAL EQUITY		**4 657 733**	**2 617 157**
LIABILITIES			
Non-bank loans	19	1 370 756	2 180 859
Lease liabilities	8	167 133	223 728
Deferred tax payable	31	190 063	168 848
Provisions	24	389 771	404 486
Long-term contractual liabilities	11	313 494	74 580
Investment suspensions	21	35 776	3 632
Total non-current liabilities		**2 466 993**	**3 056 133**
Non-bank loans	19	89 114	267 076
Trade and other payables	22	1 331 363	800 995
Lease liabilities	8	56 904	55 822
Liabilities from the auction of own shares		19 198	20 902
Income tax liabilities	14	353 761	358 227
Factoring and other liabilities	23	135 513	297 166
Provisions	24	75 991	25 547
Total current liabilities		**2 061 844**	**1 825 735**
Total liabilities		**4 528 837**	**4 881 868**
TOTAL EQUITY AND LIABILITIES		**9 186 570**	**7 499 025**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 TCZK	Year ended 31 December 2021 TCZK
Revenues	25	12 953 357	9 215 570
Change in inventories		275 255	133 848
Capitalisation of own production		4 846	5 084
Consumption of material and energy	26	-8 127 139	-5 534 541
Logistics, leases and other services	27	-981 712	-594 622
Personnel expenses	28	-680 342	-620 543
Depreciation and allowances for non-current assets	5, 6, 7, 8	-313 073	-293 674
Other operating income	29	106 760	129 008
Other operating expenses	29	-120 745	-576 801
Operating profit		**3 117 207**	**1 863 329**
Financial income	30	58 207	72 618
Income from financial derivatives	30	33 282	5 169
Financial expenses	30	-212 755	-152 517
Financial profit/loss		**-121 266**	**-74 729**
Shares in losses of associates		-355	-664
Income tax	31	-553 441	-359 564
NET PROFIT		**2 442 145**	**1 428 372**

	Note	Year ended 31 December 2022 TCZK	Year ended 31 December 2021 TCZK
NET PROFIT		**2 442 145**	**1 428 372**
Items that are subsequently reclassified to profit or loss			
Foreign exchange diff. on foreign subsidiary companies		-543	-5 302
Total other comprehensive income		**-543**	**-5 302**
TOTAL COMPREHENSIVE INCOME		**2 441 602**	**1 423 069**
Net profit attributable to shareholders		2 442 145	1 428 372
Net profit attributable to non-controlling interests		0	0
Total net profit		**2 442 145**	**1 428 372**
Total comprehensive income attributable to shareholders		2 441 602	1 423 069
Comprehensive income attributable to non- controlling interests		0	0
Total comprehensive income		**2 441 602**	**1 423 069**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve fund	Other comprehensive income	Retained earnings	Total equity attributable to shareholders	Non-controlling interests	Total equity
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	717 581	1 524	2 029	502 728	1 223 862	54 131	1 277 993
Profit for	0	0	0	1 428 371	1 428 371	0	1 428 371
Other comprehensive income	0	0	-5 302	0	-5 302	0	-5 302
Payment of dividends	0	0	0	0	0	-21 628	-21 628
Changes in subsidiaries	0	0	0	-29 774	-29 774	-32 503	-62 277
Balance as at 31 December 2021	717 581	1 524	-3 273	1 901 325	2 617 157	0	2 617 157
Profit for	0	0	0	2 442 145	2 442 145	0	2 442 145
Other comprehensive income	0	0	-543	0	-543	0	-543
Payment of dividends	0	0	0	-400 000	-400 000	0	-400 000
Changes in subsidiaries	0	0	0	-1 026	-1 026	0	-1 026
Balance as at 31 December 2022	717 581	1 524	- 3 816	3 942 444	4 **657 733**	0	4 **657 733**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 TCZK	Year ended 31 December 2021 TCZK
Net profit		**2 442 145**	**1 428 372**
Adjustment for non-cash transactions:		**1 070 024**	**687 408**
Income tax	29	553 441	359 565
Depreciation and amortisation of non-current assets	5,6,7,8	313 073	298 313
Change in loss allowances and provisions	5,7,12,24	8 921	-176 306
Gain/loss on disposal of non-current assets	29	7 950	-11 170
Net interest income and expenses accounted for	30	175 215	127 386
Other non-cash transactions		11 424	89 619
Changes in non-cash components of working capital:		**323 714**	**-419 325**
Change in trade and other receivables	13,14	186 839	-385 470
Change in trade and other payables	21,22	351 967	366 608
Change in inventories	12	-215 092	-400 463
Cash flows from operating activities before interest and taxes		**3 835 883**	**1 696 454**
Interest paid	30	-157 841	-87 305
Interest received	30	12 201	1 022
Payment of income tax	31	-549 033	-10 196
Net cash flows from operating activities		**3 141 210**	**1 599 975**
Cash flows from investing activities			
Expenses connected with acquisition of non-current assets	5,7	-979 150	-382 993
Proceeds from sale of non-current assets	29	1 755	55 141
Proceeds from sales of financial investments		0	0
Expenses connected with acquisition of financial investments	9	354	-66 533
Net cash flows from investment activities		**-977 041**	**-394 385**
Cash flows from financing activities			
Proceeds from long-term liabilities and loans	11	238 914	25 246
Expenses from long-term liabilities and loans	19	-988 411	-733 187
Payments of leases	8	-55 167	-56 252
Payment of dividends	16	-400 000	0
Net cash flows from financing activities		**-1 204 664**	**-764 193**
Net increase/decrease in cash and cash equivalents		**959 505**	**441 397**
Cash and cash equivalents at the beginning of the year		**637 011**	**202 029**
Effect of exchange rate fluctuations		-14 262	-6 415
Cash and cash equivalents at the end of the year		**1 582 254**	**637 011**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Spolek pro chemickou a hutní výrobu, akciová společnost (the "Company") was incorporated on 31 December 1990. The address of its registered office is Ústí nad Labem, Revoluční 1930/86, Postal code: 400 32, Czech Republic, Customer ID: 000 11 789. The Company is registered in the Commercial Register kept by the Regional Court in Ústí nad Labem, under file number 47, section B.

The principal activity of the consolidated group (the "Group") is the manufacturing and processing of chemicals and chemical products and the related research and development.

As at 31 December 2022, KAPRAIN CHEMICAL LIMITED is the sole shareholder of the Company.

The controlling entity of KAPRAIN CHEMICAL LIMITED is Ing. Karel Pražák.

2. ADOPTION OF NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS

New and amended IFRS accounting policies adopted by the Group

The following new and amended standards are effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. In preparing these consolidated financial statements, the Group has not applied the new or amended standards early and does not expect them to have a material impact on the Group's consolidated financial statements upon adoption.

- Non-Current liabilities with Covenants (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts

New and amended IFRS accounting policies that have been issued but are not yet effective and have not been applied by the Group

As of the date of approval of these consolidated financial statements, the following new and amended IFRSs were issued, but they were not effective at the beginning of the current accounting period (1 January 2022) and were not used by the Group in preparing these consolidated financial statements for the year ended 31 December 2022:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Making Materiality Judgements requiring entities to disclose their material accounting policy information rather than their significant accounting policies. The Group plans to apply the amendments as of 1 January 2023.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors introduces a definition of accounting policies and contains further amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in accounting estimates. The distinction is important as changes in accounting policies must be applied retrospectively, whereas changes in accounting estimates are accounted for in the period in which the change occurs. The Group plans to apply the amendments as of 1 January 2023.
- Amendments to IAS 12 Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrowing the scope of the initial recognition exemption by not applying it to transactions that give rise to equal temporary differences that are subject to offsetting – e.g. leases and decommissioning obligations. The relevant deferred tax assets and liabilities for leases and decommissioning obligations will have to be recognised at the beginning of the earliest comparative period presented while any cumulative effect will be recorded as an adjustment to retained earnings or another component of equity as at that date. For all other transactions, the amendments apply to transactions occurring after the beginning of the earliest period presented. The Group plans to apply the amendments as of 1 January 2023.

New and amended IFRS accounting policies issued by the IASB, but not yet adopted by the EU

As at the date of approval of these consolidated financial statements, the following standards, amendments and interpretations, previously issued by the IASB, have not yet been approved by the European Commission for use in the EU:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 Presentation of Financial Statements (classification of Liabilities as Current or Non-current);
- Amendments to IAS 1 Presentation of Financial Statements (Non-Current Liabilities with Covenants);
- Amendments to IFRS 16 Leases (Lease Liability in a Sale and Leaseback).

3. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards (International Accounting Standards Board, IASB) approved for use in the European Union (EU).

b) Basis of preparation of financial statements

The consolidated financial statements have been prepared on the going concern basis, the historical cost basis, except for derivatives and financial instruments valued at fair value, as specified further in the accounting policies. Employee benefits are accounted for at the present value of the liability.

These consolidated financial statements are presented in Czech crowns (CZK), which is the Group's functional currency. Every subsidiary that is part of the Group has its own functional currency, i.e., the currency of its primary economic region. In the event of a variation between the functional and reporting currency, the Group revaluates all the balances and results from the functional to the reporting currency. The closing rate, i.e., the spot rate at the year-end, is used for the revaluation for all assets and liabilities, the historical rate for equity and the average rate for income and expenses. All financial information presented in CZK has been rounded to the nearest thousand (TCZK) (unless stated otherwise).

c) Conversion of foreign currency transactions and balances

Transactions denominated in foreign currencies are translated into the functional currencies of each company included in the Group at the exchange rate ruling at the date of the transaction.

At the end of the accounting period:

- cash items (i.e. cash denominated in foreign currencies as well as receivables and payables payable in foreign currencies) are translated at the closing rate, i.e. the spot rate at the end of the accounting period,
- non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the transactions and
- non-monetary items that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Gains and losses arising from the settlement of such transactions and from transactions in monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the statement of comprehensive income.

d) Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the European Union requires the Group's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses as at the reporting date. These estimates and assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances that form the basis for estimating the carrying values of assets and liabilities and that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates mainly relate to the assessment of the fair value of financial instruments and investment property, the remaining useful lives of the building and equipment, non-current assets, impairment losses on non-financial and financial assets, adjustments to inventories and the valuation of provisions.

Estimates are reviewed on an ongoing basis and any change (if no error is detected) is recognised in the period in which the estimates are revised and in any affected future periods.

e) Group consolidation

The Group consists of the Company and subsidiaries in which the Company has decisive control, i.e., either directly or indirectly holding a share of more than half the voting rights or otherwise exercising control over their operation. The meaning of the control is the fact that the Company may, directly or indirectly, govern the financial and operating policies so that it benefits from the activities of the consolidated companies.

Subsidiaries are consolidated by the full consolidation method from the date of acquisition of control by the Company until losing control. It includes shares on the achievements resulting from the ownership interest of the Company as well as the overall results of companies in which the control is applied, including the overall view of the structure of their assets and liabilities. The inclusion of each of the assets and income in the full amount, regardless of the amount of ownership in terms of this ratio, are separated from the non- controlling interests expressing the share of the other owners in the equity in the consolidated financial statements.

Upon consolidation, all mutual transactions within the consolidated entities, intercompany balances and unrealised gains and losses on transactions between group companies are eliminated. Unrealised losses are also eliminated in the event of transferred asset impairment, but only to the extent so as not to exceed the recoverable value of assets. Where necessary to ensure consistency with the policies adopted by the Group, the accounting procedures used by consolidated companies have been changed.

f) Investments in associated companies

An associated company is an entity in which the Group has a substantial influence and which is neither a subsidiary or participation in a joint venture. Substantial influence represents the power to participate in the decision-making on financial and operation policies of the entity into which the investment was made, but it is not controlling or co-controlling such policies.

Shares in the equity of associated companies are reported in these consolidated financial statements at acquisition costs decreased by impairment losses. The Group reports the dividends from the subsidiary or associated company at the moment the right arises to obtain this dividend.

As at each balance sheet date, the Group assesses whether there is objective evidence confirming that the value of the share in the equity of the associated company was impaired. If the value of the shares in the equity of the associated company is impaired, the impairment losses is included in the profit and loss report in the financial expenses item.

g) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are identifiable when they are separable, i.e., they can be separated from the group of the Group's assets and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, by an identifiable asset or liability regardless of whether the Group intends to do so or it arises from contractual or other legal rights regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Intangible assets are measured at acquisition cost less accumulated depreciation and any accumulated impairment losses. Internally-generated intangible assets are measured at direct costs and overheads or replacement costs, if lower.

Intangible assets are amortised on a straight-line basis over their estimated useful lives, usually for up to five years (appreciable rights twelve years). Amortisation begins when the intangible asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, over its estimated useful life.

The depreciation method and useful life is verified once a year at the end of the accounting period and if a change is identified, the depreciations for the upcoming period are adjusted.

h) Property, plant and equipment

Property, plant and equipment are initially measured at acquisition cost after the deduction of related grants and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

The cost of these assets includes all expenditures that are directly attributable to bringing the assets to a working condition for their intended use. Self-constructed assets are measured at internal production costs. The acquisition costs of these assets include the estimated cost of dismantling and removing the items and restoring the original condition of the place where the assets are located, if such an obligation is associated with the acquisition and construction of these assets.

The Group capitalises borrowing costs that are directly attributable to the construction or production of a qualifying asset as part of the acquisition cost of the asset. Borrowing costs are those borrowing costs that would not arise if expenses on a qualifying asset were not incurred. The Group begins to capitalise borrowing costs as part of the acquisition cost of the qualifying asset on the commencement date and terminates the capitalisation of borrowing costs when all essential activities necessary to prepare a qualifying asset for its intended use or sale are completed.

The depreciation of plant and equipment items begins when they are available for use, i.e., from the month that they are in the location and condition necessary for them to be capable of operating in the manner intended by the Group management. Depreciation is recognised in order to depreciate the cost of assets, except for land, to their residual value on a straight- line basis over their estimated useful lives:

Buildings	9-80 years
Machinery and equipment	4-20 years
Fixtures and fittings	2-25 years
Vehicles	3-25 yearst

The depreciation method, useful life and residual value are verified once a year and if a change is identified, the depreciations for the upcoming period are adjusted. Property, plant and equipment (components) that are significant with regard to the overall assets are depreciated separately in accordance with their useful lives.

The costs of technical improvements of fixed assets are recognised as a tangible fixed assets and are depreciated in accordance with their useful lives. The costs of the day-to-day servicing and repairs of the property, plant and equipment are recognised as incurred in the profit or loss.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net selling price of the property and the carrying amount of the asset. The difference is recognised in the profit or loss and in other comprehensive income.

i) Investment property

Investment property is land or buildings held either to earn rental income or for capital appreciation or for both, not for the Group’s own use.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The purchase costs of real estate investments include the purchase price and all directly attributable costs, i.e., professional fees for legal services, property transfer taxes and other transaction costs. The cost of the investment property by the Group is its cost at the date when the construction is completed and ready for rent.

Investment property is depreciated on a straight-line basis over its estimated useful life, i.e., 10-50 years, from the date of acquisition. Every year there is a revision of the estimates used in the depreciation.

The income from investment property is recognised when the rental service is rendered, and is classified as revenues from services.

Investment property is derecognised when it is retired or when the investment property is permanently withdrawn from use and no future economic benefits are expected.

The Group leases part of the manufacturing and office space on the Company’s premises in Ústí nad Labem to third parties. Items of property, plant and equipment are reviewed annually to see whether they fulfil the conditions of recognition as an investment property. Annual transfers between classifications of land, constructions and equipment and investment property are presented separately under “Transfer of property, plant and equipment”. The investment property is measured at acquisition cost, therefore the transfers between classifications have no impact on the valuation. The only thing that differs is the presentation of the reported item.

j) Impairment of non-financial assets

At each reporting date, the Group reviews each asset individually to determine whether there is any indication of impairment, i.e. the carrying amount of the asset exceeding its recoverable amount. Whether there is any impairment of tangible fixed assets and other assets is reviewed at the level of the identified cash-generating units, i.e. depending on production segments. An impairment loss is recognised to the extent that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less selling costs.

k) Leases

The Group uses a unified accounting approach to leases. As a result of this application, the Group, as a lessee, recognised the right to use its underlying (identified) assets and lease liabilities representing an obligation to meet lease payments. The right of use and the lease liability are recognised on the date of commencement of the lease.

The Group distinguishes between lease and service contracts based on whether the contract transfers the right to control the use of the identified asset. The Group must assess whether the customer (lessee) has both of the following rights during the period of use:

- the right to obtain substantially all economic benefits from the use of the identified asset and
- the right to manage the use of the identified asset.

At the commencement date, the lessee will measure the asset from the right to use it at cost. The subsequent measurement uses the cost model less accumulated depreciation, impairment losses and any revaluation of the lease liability. The lessee depreciates the asset from the right of use on a straight-line basis from the date of commencement of the lease, either until the end of the useful life of the asset from the right of use or until the end of the lease term, whichever occurs first.

A lease liability is initially measured at the present value of the lease payments outstanding at the date of commencement of the payment. Lease payments must be discounted using the implicit lease interest rate if this rate can be readily determined. If this rate cannot be easily determined, the Group uses the lessee's incremental borrowing rate. After the date of commencement of the lease, the Group measures the lease liabilities by increasing the carrying amount by interest on the lease liabilities and decreasing the carrying amount by the lease payments made. Furthermore, the carrying amount of the lease liability is remeasured by any revaluation or modification of the lease. These changes may occur when the value of future lease payments changes due to a change in the implicit interest rate, a change in an estimate over the expected lease term, or when there is a change in expectations of using a lease extension option or an option to purchase the underlying asset.

The Group has decided to use the exceptions from the aforementioned rules for short-term leases, i.e., leases with a non-cancellable duration of at most 12 months and for leases, low-value assets.

The Group has also decided to take advantage of a practical expedient where it will not separate non-lease components from lease components and will instead account for each lease component and any related non-lease components as a single lease component.

l) Inventories

Inventories are assets held for sale in the ordinary business, in the process of production for sale or as material including raw materials for consumption or supplies that are consumed in the production process or in the provisioning of services.

The cost of materials and goods for resale includes expenditures associated with acquiring the inventories and bringing them to their present location and condition, e.g., freight costs, custom duties and insurance costs. Finished products, semi-finished goods and works-in-progress are initially measured at the cost of production. The costs of finished products and semi-finished goods include raw materials, direct wages, other direct costs and related production overheads. The cost is determined using the first-in first-out method.

Inventories are measured at the end of the financial year in production costs or net realisable value, if lower. The net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

m) Receivables

Receivables represent financial assets that are classified and valued with regard to the business model of their management and the existence of contractual cash flows.

Trade receivables are non-derivative financial assets with fixed or pre-determined payments that are not quoted in an active market and which the Group holds for the purpose of obtaining contractual cash flows. Receivables are initially recognised at fair value, which is usually equal to the nominal value in the case of short-term receivables and subsequently carried at the initial measurement value, net of impairment loss.

Loans and long-term receivables are financial assets that are measured at fair value, adjusted for transaction costs. Fair value corresponds to the present value of future cash flows using the internal interest rate at the time of the borrowing taking into account the credit risk of the borrower. For the period of time until maturity, long-term receivables (loans) are measured and carried at amortised cost using the effective interest method, since it is the Group's plan to keep them for the purpose of obtaining contractual cash flows (principal and interest).

Loans granted are classified as short-term receivables if they are due within 12 months of the balance sheet date. As at the date of the financial statements, the Group reviews any impairment loss according to the model of expected credit loss (ECL). For trade receivables the assessment is on the basis of life-long losses using a receivables ageing matrix, while for long-term payable loans the estimate of the expected interest losses is set with the consideration of month losses and is based on a ratio of the credit exposure, the size of the potential loss and the probability of default.

The Group recognises the following groups of receivables:

- Receivables from related parties
- Receivables arising on assignment
- Insured receivables
- All other trade receivables

n) Financial assets

Financial assets representing a share in other companies, such as shares and investments, are valued at fair value with revaluation to the profit or loss.

Financial assets for which the SPPI conditions are met, such as provided loans, trade receivables, purchased bonds, etc., are valued at amortised cost using the effective interest method.

o) Cash and cash equivalents/consolidated statement of cash flows

Cash and cash equivalents comprise cash and bank deposits with no disposition restriction. Cash equivalents comprise current risk-free money market investments with their original maturity less than three months.

The consolidated cash flow statement is processed using the indirect method in cash flow from operating activities.

Received dividends are reported in cash flows from investment activities. Interest paid on bank loans, cash pools, issued debt securities and interest paid on leases are reported in cash flows from operating activities. Received interest is part of the cash flow from operating activities.

p) Financial liabilities

Financial liabilities are financial instruments that are initially measured at fair value adjusted for transaction costs. Subsequently they are carried at amortised cost using the effective interest method. The Group reports received bank loans and other loans, trade liabilities, and liabilities from retentions as financial liabilities.

Financial liabilities are classified as current liabilities if they are due within 12 months from the balance sheet date. Other financial liabilities are classified as long-term in the consolidated statement of the financial position.

q) Derivatives

Derivatives are initially and subsequently as at the balance sheet date valued at fair value and in the statement of financial position are recognised as part of other short-term receivables or liabilities, as the case may be. Derivatives are classified as trading derivatives and hedging derivatives.

Hedging derivatives are contracted for the hedging of fair value or the hedging of cash flow. For a derivative to be classified as hedging, changes in fair value or changes in cash flows arising from hedging derivatives must fully or partially offset changes in the fair value of the hedged item or changes in cash flows from the hedged item, and the Group must document and demonstrate the existence of the hedging relationship and hedge effectiveness. In other cases, they are derivatives held for trading.

Changes in the fair value of derivatives held for trading are included in the financial expenses or revenues, as the case may be.

r) Income tax

The income tax expense comprises current and deferred taxes. Current and deferred taxes are recognised in the profit and loss statement, except amounts related to items charged to other comprehensive income (e.g., cash flow hedges).

The current tax is the expected liability or receivable from the taxable base calculated using tax rates enacted as at the balance sheet date. The tax base is derived from the profit adjustments on non-deductible income and expenses. If the amount of the income tax that was paid by advances during the period exceeds the amount due, the difference is recognised as a receivable.

Deferred tax is calculated using the liability method of the balance sheet, i.e., on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. The deferred tax is calculated using the tax rates and legal provisions that are expected to be enacted or substantively enacted when the asset is realised or liability settled.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are recognised and presented as non-current assets or non-current liabilities.

s) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled under the contract with the customer and excludes amounts collected on behalf of third parties (including VAT). The Group recognises revenue when it transfers control of the product or service to the customer.

The Group recognises revenue from the following principal sources:

- sales of chemical products, mainly epoxy and alkyd resins and hydroxides – revenue is recognised when delivered
- the rendering of services, in particular the rental of real estate and related services – revenue is recognised at the time the service is rendered; for services of a continuous delivery nature, such as in particular rental and related services, at the end of the contractually defined period
- the sale of goods, which are mainly chemical products similar or identical to those manufactured by the Group – revenue is recognised at the time of delivery.

Revenues are recognised net of VAT, at the values already deducted for any discounts.

Invoices are payable on average around 45 days and are issued at the time of delivery or based on contractual arrangements.

t) Other operating revenues and expenses

Other operating income and expenses particularly include the net result from the liquidation and disposal of non-financial assets, surplus of assets, court fees or their return, property acquired/granted, the receipt of compensation and gain or loss on sales of investment properties and amortisation of construction in progress which have not produced the desired economic effect.

u) Financial income and financial expenses

Financial income includes income from the sale of shares and other securities, dividends received, interest earned from cash in bank accounts, term deposits and loans, increasing the value of financial assets and net foreign exchange gains. Dividend income from investments is recognised when the shareholders are entitled to receive payment.

Financial expenses include losses from sales of securities and investments and costs associated with this sale, impairment losses relating to financial assets such as stocks, bonds and interest receivables, net foreign exchange losses, interest on own bonds and other securities issued, interest on leases, fees for bank credit, loans, guarantees.

v) Provisions

A provision is recognised when, as a result of a past event, the Group has a legal or contractual obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. At the same time, there must be a reasonable estimate of the amount that can achieve the commitment.

If the Group expects a reimbursement of some or all of the cost of creation of provisions by another party, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the Group will fulfil its commitment. The reimbursement amount shall not exceed the amount of the provision. In the comprehensive income statement, the expense relating to the provisions is recognised together with revenue from reimbursements.
If the effect of the time value of money is significant, the amount of the provision is recognised at the present value of the estimated cost of meeting the obligation.

w) Employee benefits

The Group recognises and observes the following categories of employee benefits:

Short-term employee benefits
The short-term employee benefits include monthly wages and salaries, health and social insurance (adjusted for the amount of pension contributions) paid by the Group for employees, annual incentive bonuses, contributions towards in-house catering, preferential phone and internet packages and recreational packages for employees. A provision is established for incentive bonuses based on the probability of their payment. Most short-term employee benefits are governed by a collective agreement.

Employee benefits after termination of employment (defined contribution pension plans)
The Group pays monthly pension contributions to the state pension plan on behalf of employees, with the Czech government being responsible for providing pensions. The Group pays monthly contributions for its employees in the pension fund plans. In both cases, the scheme is a defined contribution pension plan and these contributions

are charged to the profit and loss in the period when the employee is entitled to these benefits.

Other long-term employee benefits
A provision is established for retirement benefits. The provision is calculated annually using reasonable statistical estimates.

Employee benefits – early termination of employment
These benefits are governed by a collective agreement. Statutory severance pay is due to employees who terminate their employment for organisational reasons during the year. Severance pay increases to three times average earnings, depending on the length of employment. The cost associated with the provision of such employee benefits is recognised in the profit or loss at the time of the decision to terminate the employment prematurely.

x) Grants

Government grants are support from the state, state agencies and similar local, national or international institutions in the form of the transfers of funds in favour of companies in exchange for the past or future compliance of certain conditions relating to the operating activities of the entity.

Grants related to expenses are recognised as compensation of the expenses in the period in which they are incurred. A surplus of the received grants over the expenses recognised in the same period is presented in “Other operating income”.

A grant related to the acquisition of an asset is recognised by subtracting the amount of the grant from the cost of the asset and ultimately leads to the lower depreciation of related assets.

y) Research and development

Expenditures on research and development are recognised in the profit or loss, except for expenditures on development projects accounted for as intangible assets where future measurable benefits are expected and the related costs are measurable. Development expenditures previously recognised in the profit or loss shall not be considered non-current assets in any subsequent period.

Development expenditures that are recognised as intangible assets are amortised from the start of production of the product to which they relate on a straight-line basis over the estimated useful life of the intangible asset, which shall not exceed five years.

4. CRITICAL JUDGEMENTS FOR THE APPLICATION OF ACCOUNTING POLICIES AND KEY RESOURCES OF UNCERTAINTY IN ESTIMATES

Critical judgements when applying accounting policies

In applying the accounting policies set out in the previous section, management is required to make judgements, assess the content of economic transactions and events, and decide to apply accounting policies in such a way that the consolidated financial statements provide users with useful information for their decision-making.

In 2022, no specific considerations or decisions regarding the use of appropriate IFRS accounting policies were made in connection with the preparation of these consolidated financial statements.

Key sources of uncertainty in estimates

The Group makes some estimates and assumptions about the future. Estimates are continuously reassessed based on historical developments and experience. In the future, the reality may differ from the currently made and recognised estimates and judgements. Estimates and assumptions that are associated with a significant risk that the Group will be forced to accrue significant changes in the carrying amounts of the presented assets and liabilities in the next financial year are as follows:

a) Depreciation period of non-current assets

Non-current assets in the land, buildings and equipment category and intangible assets are measured over their useful life using the cost model, i.e., the acquisition cost less depreciation and any impairment. The Group makes relevant estimates of the useful life of the assets used and the depreciation is calculated on an equal basis over its useful life. In the following years, a reassessment of the useful life may occur, which may result in adjustments in the calculation of future depreciation, as well as the premature disposal of the asset, resulting in a loss in the amount of the unrecognised carrying amount of the asset. The Group annually performs a revision of the accounting estimates associated with the depreciation of assets.

b) Rights of use of assets and lease liabilities

Rights of use assets and related lease liabilities have been a new reporting category since 2019, with their valuations based on the estimated lease term, which for many leases (particularly those for an indefinite period) represents estimates that may be subject to future correction (lengthening, shortening). The valuation of the lease liability and the rights to use the assets is based on the present value of the expected lease payments and the borrowing interest rate is used for the calculation. In the event of any modification to the lease, the conversion will be subject to revision using the current borrowing rate.

c) Expected credit loss to receivables

Before the customer is offered standard payment and delivery terms, the customer goes through an individual credit rating. This rating takes into account external ratings and other referrals from specialised companies. Trade receivables are reviewed on an ongoing basis for any impairment loss using the expected loss model (ECL).

d) Income taxes

The Company and most of its subsidiaries are subject to the same tax legislation, and according to the applicable regulations, they calculate the tax impact. Some companies within the Group did not recognise the income tax liability as at 31 December 2022, nor the tax payable in profit or loss because they have taxable profits against which they uses the tax losses transferred from the past. Under the applicable Czech legislation, the balance of accumulated tax losses can be used in the coming years as a reduction in taxable profits, and since the Group demonstrated the ability to use the loss in the past, the deferred tax asset is recognised and recorded in the consolidated financial statements that offsets and partially reduces the total deferred tax liability resulting from a comparison of the accounting and tax values of the balance sheet items. However, if future business developments do not meet expected plans and the Group will suffer tax losses in the future, there may be a situation where a deferred tax asset cannot be accounted for and will have to be derecognised, which may have a negative impact on profit or loss in the future.

Deferred tax is measured using tax rates that arise from the applicable tax legislation, which may be amended in the future without the Group's influence and may result in a change in the amount of deferred tax. The actual tax impact may in the future be different from current estimates caused either by a change in the tax law or by a change in the Group's business conduct.

e) Litigation and other legal disputes

The Group, in the context of its business activities, is part of court and other legal disputes for which it evaluates their recognition and/or disclosure in the consolidated financial statements. In most cases, it acts as a plaintiff, and in the successful conclusion of the dispute, the Group may incur cash payments. In these cases, the Group only charges the dispute when the dispute is terminated.

If the Group is in the position of the defendant, it recognises a provision if there is a present obligation arising from a past event, its settlement is probable and the amount of the settlement is reliably measurable. If these conditions are not met, the Group considers disclosure of a contingent liability in the notes to the consolidated financial statements if its potential impact on the Group would be material. Liabilities that result from published contingent liabilities or even those not recognised and disclosed in the consolidated financial statements may have a material impact on the Group's financial position, therefore the Group continuously evaluates on-going and unresolved court and other legal disputes. The Group´s management cooperates with legal counsel and this results in a decision to record a provision or to disclose a contingent liability or conditional asset, if the Group is a party to the claimant's claim.

f) Provisions

Provisions are recognised when, as a result of a past event, the Group has a legal or contractual obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. At the same time, a sufficiently reliable estimate of the amount of the obligation must be made.

If the Group expects a reimbursement of some or all of the cost of the creation of provisions by another party, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the Group will settle its obligation. The reimbursement amount shall not exceed the amount of the provision.

5. PROPERTY, PLANT AND EQUIPMENT

Acquisition price

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance as at 1 January 2022	3 288 010	5 207 507	6 702	379 495	8 881 714
Additions	7 975	51 452	0	982 830	1 042 257
Disposals	-87 543	-141 739	-21	-67 327	-296 630
Transfers	56 005	159 494	0	-215 499	0
Transfers to investment property	-39 552	0	0	0	-39 552
As at 31 December 2022	3 224 895	5 276 714	6 681	1 079 499	9 587 789

Accumulated depreciation

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance as at 1 January 2022	-1 659 247	-3 696 536	-6 506	0	-5 362 289
Depreciation	-62 622	-183 646	0	0	-246 268
Disposals	75 013	175 181	21	0	250 215
Transfers to investment property	11 784	0	0	0	11 784
As at 31 December 2022	-1 635 072	-3 705 001	-6 485	0	-5 346 558

Allowances

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance as at 1 January 2022	-40 806	-16 724	0	-20 541	-78 071
Additions to allowances	0	0	0	0	0
Release of allowances	6 264	6 916	0	20 541	33 721
As at 31 December 2022	-34 542	-9 808	0	0	-44 350

Net book value

As at 1 January 2022	1 587 957	1 494 247	196	358 954	3 441 354
As at 31 December 2022	1 555 281	1 561 905	196	1 079 499	4 196 881

Comparative period information:

Acquisition price

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance as at 1 January 2021	3 283 801	5 297 149	6 863	216 586	8 804 399
Additions	16 391	89 909	0	284 676	390 976
Disposals	-21 269	-181 139	-161	-120 179	-322 748
Transfers	0	1 588	0	-1 588	0
Transfers from investment property	9 087	0	0	0	9 087
As at 31 December 2021	3 288 010	5 207 507	6 702	379 495	8 881 714

Accumulated depreciation

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance as at 1 January 2021	-1 606 851	-3 695 394	-6 667	0	-5 308 912
Depreciation	-74 130	-166 776	0	0	-240 906
Disposals	30 598	165 634	161	0	196 393
Transfers from investment property	-8 864	0	0	0	-8 864
As at 31 December 2021	-1 659 247	-3 696 536	-6 506	0	-5 362 289

Allowances

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance as at 1 January 2021	-40 812	-19 587	0	-20 541	-80 940
Additions to allowances	0	0	0	0	0
Release of allowances	6	2 863	0	0	2 869
As at 31 December 2021	-40 806	-16 724	0	-20 541	-78 071

Net book value

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
As at 1 January 2021	1 636 138	1 582 168	196	196 045	3 414 547
As at 31 December 2021	1 587 957	1 494 247	196	358 954	3 441 354

6. INVESTMENT PROPERTY

Leased assets primarily comprise land, which are separated from freely accessible areas as it is located inside guarded premises. The land is developed with strictly purpose-built chemical technologies and is part of, or adjacent to, areas that are affected by chemical production. The Company primarily leases real estate to subsidiaries, especially for specific properties within the production complex in Ústí nad Labem. Due to the nature and especially the location inside the production site, alternative market use is limited.

	Acquisition price	Accumulated	Carrying amount
Balance as at 1 January 2022	101 148	-66 475	34 673
Depreciation	0	-2 395	-2 395
Transfer from Property, plant and equipment	39 552	-11 784	27 768
As at 31 December 2022	140 700	-80 654	60 046

Comparative period information:

	Acquisition price	Accumulated	Carrying amount
Balance as at 1 January 2021	110 235	-73 963	36 272
Depreciation	0	-1 376	-1 376
Transfer from Property, plant and equipment	-9 087	8 864	-223
As at 31 December 2021	101 148	-66 475	34 673

Attributable items to the statement of comprehensive income

	31 December 2022	31 December 2021
	TCZK	TCZK
Rental income	5 981	10 445
Depreciation	-2 395	-1 376
Direct operating costs (maintenance)	-925	-937
Operating profit associated with investment property	2 661	8 132

At the time of the adoption of IAS 40, the Company concluded that the fair value of its investment property cannot be reliably determined. This is due to there being no comparable market transactions. Investment property is therefore stated at cost or amortised cost.

7. INTANGIBLE ASSETS

Acquisition price

	Licenses and patents	Software	Other	Under construction	Total
Balance as at 1 January 2022	178 898	25 387	5 456	16 390	226 131
Transfers	8 320	0	0	-8 320	0
Additions	10 429	222	0	8 311	18 962
Disposals	-11 589	-1 007	0	-6 713	-19 309
Balance as at 31 December 2022	186 058	24 602	5 456	9 668	225 784

Accumulated amortisation	Licenses and patents	Software	Other	Under construction	Total
Balance as at 1 January 2022	-150 362	-23 381	0	0	-173 743
Amortisation	-11 132	-2 825	0	0	-13 957
Disposals	6 231	1 792	0	0	8 023
Balance as at 31 December 2022	-155 263	-24 414	0	0	-179 677

Allowances	Licenses and patents	Software	Other	Under construction	Total
Balance as at 1 January 2022	0	0	-5 456	0	-5 456
Additions/Disposals	0	0	0	0	0
Balance as at 31 December 2022	0	0	-5 456	0	-5 456

Net book value

	Licenses and patents	Software	Other	Under construction	Total
As at 1 January 2022	28 536	2 006	0	16 390	46 932
As at 31 December 2022	30 795	188	0	9 668	40 651

Comparative period information:

Acquisition price

	Licenses and patents	Software	Other	Under construction	Total
Balance as at 1 January 2021	294 196	24 642	5 456	17 398	341 692
Additions	7 914	1 042	0	1 213	10 169
Disposals	-123 212	-297	0	-2 221	-125 730
Balance as at 31 December 2021	178 898	25 387	5 456	16 390	226 131

Accumulated amortisation	Licenses and patents	Software	Other	Under construction	Total
Balance as at 1 January 2021	-148 424	-22 487	0	-1 500	-172 411
Amortisation	-3 063	-1 191	0	0	-4 254
Disposals	1 125	297	0	1 500	2 922
Balance as at 31 December 2021	-150 362	-23 381	0	0	-173 743

Allowances	Licenses and patents	Software	Other	Under construction	Total
Balance as at 1 January 2021	-122 087	0	-5 456	0	-127 543
Disposals	122 087	0	0	0	122 087
Balance as at 31 December 2021	0	0	-5 456	0	-5 456

Net book value					
As at 1 January 2021	23 685	2 155	0	15 898	41 738
As at 31 December 2021	28 536	2 006	0	16 390	46 932

8. RIGHTS OF USE OF ASSETS

Net book value

	Buildings and structures	Railway cars	Cars	Other	Total
Balance as at 1 January 2022	264 630	27 350	0	14 683	306 663
Depreciation of the right of use	-36 927	-5 635	0	-7 915	-50 477
Balance as at 31 December 2022	227 703	21 715	0	6 768	256 186

Comparative period

Net book value

	Buildings and structures	Railway cars	Cars	Other	Total
Balance as at 1 January 2021	302 881	32 962	0	22 597	358 440
Depreciation of the right of use	-38 251	-5 612	0	-7 914	-51 777
Balance as at 31 December 2021	264 630	27 350	0	14 683	306 663

Attributable items to the statement of comprehensive income:

	31 December 2022	31 December 2021
	TCZK	TCZK
Depreciation of the right of use	-50 477	-51 777
Interest on the lease liability	-12 305	-15 713
Short-term lease costs	-45 264	-37 745
Total	-108 046	-105 235

As at 31 December 2022, the Group records the following related lease liabilities:

	31 December 2022	31 December 2021
	TCZK	TCZK
Lease liabilities	224 037	279 550
of which:		
Short-term balance of lease liability	56 904	55 822
Long-term balance of lease liability	167 133	223 728

Of the total lease liability of TCZK 224 037 as at 31 December 2022 (2021: TCZK 279 549), the most important part of the liabilities is comprised of the leaseback in SPOLCHEMIE Electrolysis of TCZK 100 822 (2021: TCZK 120 471).

9. INVESTMENTS IN ASSOCIATES

The Group reports a share of 49% in Usti Truck Wash, a.s., which the Group intends to hold onto for an unspecified period. The investment is measured at TCZK 882, which represents an estimate of its fair value based on the original acquisition price, since there were no significant changes that would have changed the valuation for the duration held.

10. PROVIDED LOANS AND OTHER RECEIVABLES

The Group does not record any provided loans. As at 31 December 2022, the Group recognised other long-term receivables of TCZK 26 000 (as at 31 December 2021: TCZK 39 031). The largest item is the principal deposited for the guarantee for a loan from the State Environmental Fund of TCZK 20 000.

The Group does not record receivables with a maturity of more than five years.

11. LONG-TERM CONTRACTUAL LIABILITIES

As at 31 December 2022, the Group records a balance of long-term contractual liabilities of TCZK 313 494 (as at 31 December 2021: TCZK 74 580), comprising advance payments from a strategic partner as part of the project to build an operating unit for the production of next generation chemicals. These advance payments will be gradually paid off by future supplies of these precursors.

12. INVENTORIES

	31 December 2022 TCZK	31 December 2021 TCZK
Raw materials	497 774	560 500
Work-in-progress	22 157	730
Finished products	711 695	463 054
Goods for resale	251	216
Carrying amount	1 231 877	1 024 500

The gross amount of inventories as at 31 December 2022 amounted to TCZK 1 252 509 (2021: TCZK 1 062 545) and its acquisition cost less cost to sell is TCZK 1 231 877 (2021: TCZK 1 024 500).

The amount of inventories charged to cost in 2022 is TCZK 7 851 884 (2021: TCZK 5 400 693).

13. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

	31 December 2022	31 December 2021
	TCZK	TCZK
Gross value of trade receivables	1 442 083	1 574 944
Expected credit loss	-45 778	-46 622
Total	1 396 305	1 528 322

Other short-term receivables

	31 December 2022	31 December 2021
	TCZK	TCZK
VAT	116 762	76 857
Other short-term receivables	82 958	114 250
Expected credit loss	-27 726	-27 726
Total	171 994	163 381

The applied loss rate is 0.1%.
The credit risk analysis is described in the section on financial risk management.

14. TAX RECEIVABLES AND LIABILITIES

The balance of tax receivables as at 31 December 2022 of TCZK 8 999 (as at 31 December 2021: TCZK 112) relates to overpaid corporate income tax.

The balance of tax liabilities as at 31 December 2022 of TCZK 353 761 (as at 31 December 2021: TCZK 358 227) comprises corporate income tax liabilities.

15. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
	TCZK	TCZK
Bank accounts	1 579 735	634 677
Cash in hand	2 519	2 335
Total	1 582 254	637 011

16. REGISTERED CAPITAL AND FUNDS

Authorised and issued shares:

	Number units	31 December 2022 TCZK	Number units	31 December 2021 TCZK
Ordinary shares with a nominal value of CZK 185, fully paid	3 878 816	717 581	3 878 816	717 581

Issued shares

As at 11 December 2007, the Company had issued 3 878 816 ordinary certificated bearer shares at the nominal value of CZK 500 per share. In 2020, the nominal value of shares was reduced to CZK 185 as decided by the general meeting in December 2019.

The Company recorded no receivables as at 31 December 2022 or 31 December 2021 for the subscribed share capital; the share issue was fully paid. Neither the Company or any of the entities controlled by the Company or companies in which the Company has an ownership interest owns any shares of the Company.

Change in the form of shares from 1 January 2014

As at 1 January 2014, certified bearer shares that are not immobilised, i.e. including those issued by the Company, are automatically transformed into certified registered shares pursuant to Act no. 134/2013 Coll., on Some Measures to Increase the Transparency of Joint-Stock Companies and on the amendment of other laws.

Squeeze out of shareholders

On 29 September 2021, the Company’s general meeting decided to transfer all the Company’s shares to the main shareholder, KAPRAIN CHEMICAL LIMITED, pursuant to Section 375 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act), as later amended. The Company’s general meeting awarded former shareholders whose shares were transferred to the main shareholder a consideration in the amount pursuant to the expert opinion for each individual ordinary share. In connection with this decision of the Company’s General Meeting, KAPRAIN CHEMICAL LIMITED became the sole shareholder of the Company as of 20 November 2021.

Shareholders

As at 31 December 2022 and 31 December 2021, the sole shareholder of the Company was KAPRAIN CHEMICAL LIMITED.

Payment of dividends

In 2020, the Company paid a dividend of TCZK 400 000.

Articles of association

The general meeting of the Company held on 16 August 2019 adopted a decision on the subordination of the Company to the Business Corporations Act as a whole pursuant to Section 777 (5) of the Business Corporations Act. On 21 July 2022, the sole shareholder of the Company exercising the powers of the general meeting decided on changes in the Company‘s articles of association. A major change was the transition from the dualistic system of the Company‘s internal structure to a monistic system.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated other comprehensive income as at 31 December 2022 and 2021 consists exclusively of exchange rate differences from the transfer of subsidiaries, which represents the Company's foreign investments. No deferred tax was calculated on the exchange rate differences, as no tax impact is expected in the future, in the event of the realisation of these foreign investments.

18. BANK LOANS

As at the end of 2022, the Group did not record any drawing on bank loans. In September 2022, a contract was signed with Česká spořitelna, a.s., under which the Group was provided with a long-term investment loan with a total credit facility of TEUR 50 000. The loan was arranged to build an operating unit for the production of precursors for the production of next generation chemicals.

19. NON-BANK LOANS

As at 31 December 2022, the Group does not record any bank loans or borrowings. The original bank loans were already assumed by non-bank creditors AB-CREDIT a.s. and ISTROKAPITAL, a.s. In September 2022, a contract was signed with Česká spořitelna, a.s. as described in Note 18.

The analysis of currency and interest rate risk is presented in the Financial instruments section.

Pledged assets

Since 2009, a pledge has been established on the Company's company to secure loan receivables originally from bank creditors (in addition to individual collateral). These banking positions, as mentioned above, are held by creditors AB-CREDIT, a.s. and ISTROKAPITAL, a.s. As this is a pledge of the entire company, the pledge amount comprises its consolidated equity.

In EPISPOL, a.s. both movable and immovable property are pledged in favour of non-bank creditors as collateral for the loan. As at 31 December 2022, the unpaid part of the loan amounted to TCZK 10 015 (as at 31 December 2021: TCZK 142 288). In 2006, the Company provided its subsidiary EPISPOL, a.s. with a guarantee for an investment loan of up to TCZK 600 000.

In CHP Epi, a.s. and SPOLCHEMIE Electrolysis, a.s., both movable and immovable property for non-bank creditors are pledged as collateral for drawn-up investment loans. Loan drawdown at the end of 2022 amounts to TCZK 7 341 (as at 31 December 2021: TCZK 113 789) in CHS Epi, a.s. and TCZK 511 858 (as at 31 December 2021: TCZK 580 438) in SPOLCHEMIE Electrolysis, a.s.

Meeting conditions of bank loans (covenants)

The Company, together with EPISPOL, CHS Epi, SPOLCHEMIE Electrolysis, and CSS a.s. (these companies are members of the Group) must comply with selected financial indicators (EBITDA, Equity ratio, DSCR, Default rate, and CAPEX) in accordance with the loan contracts. These indicators are calculated based on the simplified consolidation of the above companies. The calculation of financial indicators was carried out with a satisfactory result and in 2022, as well as 2021, all required minimum values of indicators were met.

The Group and SPOLCHEMIE Zebra, a.s. must also comply with selected financial indicators based on the valid loan contract. All mandatory minimum indicator values were met in 2022.

Long-term non-bank loans

	31 December 2022 TCZK	31 December 2021 TCZK
ISTROKAPITAL, a.s.	1 206 000	1 380 320
AB – CREDIT a.s.	49 926	655 839
Non-bank loan 1 – long-term part	40 704	51 256
State Environmental Fund loan	55 638	62 593
Non-bank loan 2 – long-term part	16 881	26 103
Non-bank loan 3 – long-term part	1 607	4 362
Other	0	386
Total	1 370 756	2 180 859

ISTROKAPITAL, a.s. is one of the Group's two major creditors, which had previously assumed a part of bank and non-bank loans. Under the concluded agreements, repayment schedules were agreed with annual instalments and a final maturity of 30 September 2032. In light of this, the liabilities amounting to the instalments from 2024 to 2032 were classified as non-current as at 31 December 2022.

During 2022, early repayments were made thanks to the Group's improved performance, and thus the liabilities to AB-CREDIT, a.s. were significantly reduced. The liabilities to this creditor are due by 30 September 2025, and are therefore classified as non-current as at 31 December 2022.

Non-bank loan 1– long-term part: In 2016, the Company entered into an agreement with a non-banking entity, the essence of which is the provision of funds secured by movable property. In accordance with the repayment schedule, the unpaid balance as at 31 December 2022 amounts to TCZK 51 256, including related interest, of which the long-term portion amounts to TCZK 40 704.

In 2021, the Group (EPISPOL, a.s.) exhausted an advantageous loan (concurrently with grants) from the State Environment Fund of the Czech Republic as part of the investment action "Desalination of EPISPOL waste water." The quarterly instalments are set in accordance with the repayment schedule, and the final maturity of the loan is in 2031. Due to this, a part of the loan of TCZK 55 638 is classified as a non-current liability as at 31 December 2022. The short-term part is reported in the Short-term non-bank loans line.

Non-bank loan 2 – long-term part: In 2016, the Group (SPOLCHEMIE Electrolysis a.s.) concluded a EUR 2.8 million instalment plan with one of the technology suppliers for the Membrane Electrolysis investment project. In 2017, an amendment was concluded with the supplier to adjust the final maturity to 30 June 2025. The short-term part is reported in the Short-term non-bank loans line.

Non-bank loan 3 – long-term part: In 2019, the Company concluded a contract for work with a supplier for the implementation of the emergency connection of Spolek from Tovární Street of TCZK 12 109. The investment is financed by a supplier loan due in July 2024. In accordance with the repayment schedules, the unpaid balance as at 31 December 2022 amounts to TCZK 4 362. The short-term part is reported in the Short-term non-bank loans line.

Short-term non-bank loans

	31 December 2022 TCZK	31 December 2021 TCZK
AB – CREDIT a.s.	0	67 920
ISTROKAPITAL, a.s.	58 738	138 032
KAPRAIN CHEMICAL LIMITED	0	30 180
Non-bank loan 1 – short-term part	10 552	9 995
State Environmental Fund loan	6 955	6 955
Non-bank loan 2 – short-term part	9 728	10 472
Non-bank loan 3 – short-term part	2 755	2 755
Other loans from non-bank entities	386	767
Total	89 114	267 076

As at 31 December 2022, liabilities to AB – CREDIT, a.s. are recorded only under non-current liabilities.

Liabilities to ISTROKAPITAL, a.s. are payments of loans and borrowings payable in 2023.

As at 31 December 2022, liabilities to KAPRAIN CHEMICAL LIMITED are fully paid up.

Non-bank loan 1 – short-term part: See Long-term non-bank loans.

Non-bank loan 2 – short-term part: See Long-term non-bank loans.

Non-bank loan 3- short-term part: See Long-term non-bank loans.

AB-Credit, a.s. and KAPRAIN CHEMICAL LIMITED represent related entities through assets or personnel.

20. ACCRUALS

In September 2017, an agreement was reached on the strategic restructuring of the Group's total lending burden as of 1 October 2017.

The condition of signing an agreement on the restructuring of the loan burden with the creditor Poštová banka a.s. was the granting of a restructuring fee of TCZK 250 593. The remuneration represents additional borrowing costs, it has been capitalised to the principal of the loan and the total cost of the remuneration is accrued over the life of the credit agreement in the form of the effective interest rate of the loan in question. Prepaid borrowing costs are reported separately as non-current and current short-term assets (deferred expenses). The balance of prepaid borrowing costs at 31 December 2022 totalled TCZK 119 102 (as at 31 December 2021: TCZK 141 593), with a long-term portion of TCZK 98 345 (as at 31 December 2021: TCZK 119 187) and a short-term portion of TCZK 20 757 (as at 31 December 2021: TCZK 22 406).

21. INVESTMENT SUSPENSIONS

Other long-term liabilities consist of retentions related to the Group's investment activity of TCZK 35 776 (as at 31 December 2021: TCZK 3 632). The retention is not subject to interest due to the immaterial impact on the Group´s performance

Suspension of investments by maturity

Maturity date	31 December 2022 TCZK	31 December 2021 TCZK
2023	0	3 632
2024	211	0
2025	24 482	0
2026	2 256	0
2028	6 525	0
2029	2 302	0
Total	35 776	3 632

22. CURRENT LIABILITIES AND TRADE AND OTHER PAYABLES

	31 December 2022 TCZK	31 December 2021 TCZK
Trade payables	952 314	672 360
Accruals (deferred expenses)	15 278	4 660
Estimated payables	294 456	58 135
Total trade	*1 262 048*	*735 155*
Liabilities to employees	34 545	34 698
Social security liabilities	11 760	11 212
Health insurance liabilities	6 448	6 148
Tax liabilities	6 682	8 741
Other liabilities	9 880	5 041
Total other	*69 315*	*65 840*
Total	1 331 363	800 995

Trade payables according to maturity

	31 December 2022 TCZK	31 December 2021 TCZK
Due	952 150	672 072
0-90 days overdue	164	288
90-180 days overdue	0	0
180-360 days overdue	0	0
More than 360 days overdue	0	0
Total	952 314	672 360

The Group practically reports no overdue payables and maintains an excellent payment behaviour towards its suppliers. The exceptions are usually invoices sent late that are still due in 2022.

23. FACTORING AND OTHER LIABILITIES

As at 31 December 2022, the Group records a balance of factoring and other liabilities of TCZK 135 513 (2021: TCZK 297 166), of which TCZK 122 303 (2021: TCZK 288 231) comprise payments received from the factoring of receivables.

24. PROVISIONS

	Litigations and environmental burdens TCZK	Employee benefits TCZK	Total TCZK
Balance as at 1 January 2022	388 220	41 813	430 033
Additions	36 456	34 306	70 762
Utilisation	-3 500	-31 533	-35 033
Balance as at 31 December 2022	421 176	44 586	465 762
of which long-term provisions	380 026	9 745	389 771
of which short-term provisions	41 150	34 841	75 991

Provision for the removal of historical environmental burdens

The Group has a contract with the National Property Fund (since 2006 the Ministry of Finance of the Czech Republic, referred to as the “MF”), in which the MF has undertaken to cover the cost of removing old environmental burdens identified as at the date of privatisation of up to TCZK 2 900 000.

So far, a total of TCZK 2 792 696 was spent for these purposes, of which TCZK 1 021 348 was spent to complete the landfill remediation in Chabařovice. Soil remediation of the Company’s manufacturing facility is currently being carried out.

In view of various factors (including the rising inflation rate in the Czech Republic), the Group concluded that the existing amount of the environmental guarantee may not be sufficient for the remediation of the environmental burdens, and therefore, after unsuccessful negotiations with the Ministry of Finance, it filed a declaratory action against the Ministry of Finance before the District Court for Prague 1, primarily seeking a determination that the VAT paid or to be paid to the remediation contractors, which is also a revenue of the state budget, cannot be counted towards the use of the environmental guarantee. Spolek therefore seeks a declaration that the remaining unspent amount of the state guarantee is in fact higher than that recorded by the Ministry of Finance. The District Court for Prague 1 dismissed the Company's action in August 2022. An appeal was lodged against the decision of the court of the first instance by the Company, which was dismissed by the Municipal Court in Prague in March 2023. The Company is prepared to appeal against the decision to the Supreme Court.

In the event that the expenditure on the remediation of old environmental burdens exceeds the level of the state guarantee, the Group would be obliged to cover such an expense from its own resources. The quantification of such a potential liability is very complex in the current situation as it depends on a large number of variable factors (the outcome of the litigation initiated by the Group, the method and extent of the remediation of the remaining environmental burdens, the timing of the commencement and implementation of the remediation work).

Therefore, the Group works with regularly updated estimates of the cost of such construction works, which it compares to the remaining amount of the environmental guarantee as deemed by the MF. The Group now estimates this difference to be approximately CZK 300 million. In view of this fact, the Group's Board of Directors has decided to create a provision for this potential liability. Remediation works should be done from 2023 to 2025.

Litigations

Back in 2017, the Group created a provision for potential risk arising from a legal dispute over the payment of the submitted promissory note of TCZK 40 116 plus interest and an estimate of the costs of the proceedings. The provision is created each year with the amount of the accrued interest on the promissory note. As at 31 December 2022, the provision amounted to TCZK 62 661 (as at 31 December 2021: TCZK 60 254).

In 2017, the Group was informed of the issuance of a judicial order to pay the promissory note issued by the Company for TCZK 40 116. The application for the judicial order was filed by Aleš Klaudy, insolvency administrator of debtor VIAMONT a.s., ID: 646 51 711. On 29 October 2018 the Regional Court in Ústí nad Labem issued a ruling which confirmed the validity of the judicial order to pay the promissory note, though on the Company's appeal, the High Court in Prague ruled to annul the decision of the Regional Court in Ústí nad Labem in 2019 and returned the case to it for further consideration.

On 22 November 2021, the Regional Court in Ústí nad Labem issued a new decision in which it annulled the judicial order to pay the promissory note in its entirety and awarded the Company compensation for costs of the proceedings. In the grounds for its judgement, the court fully agreed with the Company's argument that the promissory note in question was a secured promissory note and that the secured obligation had lapsed many years ago. The plaintiff appealed the case and the court of appeal set aside the judgement of the court of first instance on 19 May 2022 and remitted the case back to the court of first instance for further proceedings. At a hearing held on 13 February, the court of first instance again dismissed the action of the insolvency administrator. The plaintiff again appealed that decision.

Back in 2017, the Group created a provision for potential risk arising from a legal dispute over the payment of the submitted promissory note, in full, including accessories.

As the dispute is not expected to be closed before the end of 2023, the Group recognised the provision as long-term.

Employee benefits

Employee bonuses represent a provision for bonuses for 2022, which are expected to be paid during the course of 2023.

A significant portion of other provisions comprises long-term provisions for employee benefits, to which the Group has committed itself in a collective agreement. These are one-off bonuses paid to employees on retirement. At the end of 2022, the provision totalled TCZK 10 281 (2021: TCZK 17 167). The portion of the one-off bonus that is expected to be paid during the course of 2023 is reported as a short-term provision amounting to TCZK 747 (2022: TCZK 540).

25. REVENUES FROM PRODUCTS, GOODS AND SERVICES

	31 December 2022	31 December 2021
Revenues from goods	12 218	148 352
Revenues from services	124 305	128 800
Revenues from products	12 816 834	8 938 418
Total revenues	12 953 357	9 215 570

Revenues from products

2022	Domestic TCZK	Export TCZK	Total TCZK
Inorganics	2 366 038	3 532 363	5 898 401
Epoxy resins	289 868	5 434 888	5 724 756
Special epoxy resins	197 149	454 670	651 819
Alkyds	77 463	233 167	310 630
Other products	54 136	177 092	231 228
Total revenues from products	2 984 654	9 832 180	12 816 834

2021	Domestic TCZK	Export TCZK	Total TCZK
Inorganics	951 144	1 503 604	2 454 748
Epoxy resins	349 580	5 096 530	5 446 110
Special epoxy resins	201 492	484 355	685 847
Alkyds	74 370	227 730	302 100
Other products	36 634	12 978	49 612
Total revenues from products	1 613 221	7 325 198	8 938 418

Revenues from products – export in 2022

Country	Percentage of revenues – export	Revenues – export TCZK
Germany	39,3	3 868 474
Italy	7,2	708 026
Poland	7,7	754 848
France	6,2	608 206
Austria	5,4	528 051
Spain	4,6	456 912
Belgium	2,6	259 380
Netherlands	2,6	253 271
Turkey	2,2	218 539
Sweden	2,0	194 697
Great Britain	1,6	160 692
USA	1,5	146 460
Slovakia	1,3	126 974
Great Britain	1,1	107 904
Slovenia	1,0	98 447
Other	13,7	1 341 299
Total	**100**	**9 832 180**

Revenues from products – export in 2021

Země	Percentage of revenues – export	Revenues – export TCZK
Germany	35,7	2 615 767
France	8,1	593 688
Poland	7,1	522 875
Italy	5,2	379 842
Austria	5,0	365 508
Spain	4,8	348 064
Turkey	4,2	307 744
Belgium	3,7	267 505
Netherlands	3,0	219 042
Great Britain	2,8	203 066
USA	2,4	177 344
Russia	2,4	175 359
Slovakia	1,5	107 713
Sweden	1,4	99 391
Croatia	1,3	98 786
Other	11,5	843 504
Total	**100**	**7 325 198**

26. CONSUMPTION OF MATERIAL AND ENERGY

	2022 TCZK	2021 TCZK
Material consumption	5 828 165	4 480 616
Costs of processing raw materials	1 082 094	395 098
Energy consumption	1 216 880	658 827
Total	8 127 139	5 534 541
Change in stocks of finished products and work-in-progress	275 255	133 848

27. LOGISTICS, LEASES AND OTHER SERVICES

	31 December 2022 TCZK	31 December 2021 TCZK
Logistics services	294 785	252 045
Maintenance	183 203	154 424
Waste disposal	120 282	96 280
Purchase and sale mediation services	202 800	54 896
Costs of short-term leases	45 264	22 343
Other services	135 378	14 634
Total	981 712	594 622

Costs of short-term leases mainly relate to railway wagons. These are short-term leases for which the Company used the exemption from the capitalization of the right-of-use leased asset.

28. PERSONNEL EXPENSES

Personnel expenses

	31 December 2022 TCZK	31 December 2021 TCZK
Short-term employee benefits		
Wages and salaries	482 916	430 734
Bonuses to members of statutory and supervisory bodies	21 417	30 295
Social security and health insurance expenses	61 314	56 028
Other social expenses	4 541	4 175
Pension plans	109 856	98 991
Employee benefits for early termination of employment		
Severance pay	298	320
Total personnel expenses	680 342	620 543

Average number of employees, personnel expenses

	2022	2021
Total average number of employees	946	928
Total personnel expenses	680 342	620 543

The structure of personnel expenses of managers

	31 December 2022 TCZK	31 December 2021 TCZK
Wages and salaries	35 859	33 096
Health insurance premiums	5 324	5 138
Pension plans	4 687	4 171
Total	45 870	42 405

The Group only provides benefits to the members of the bodies in accordance with the concluded contracts of office.

Supplementary pension scheme

Since 2000, the Group has made contributions to the employees' supplementary pension plans with state insurance contributions. Since January 2014, the monthly individual contribution is TCZK 1. In 2022, these contributions amounted to TCZK 7 670 (2021: TCZK 7 454).

The Group does not record any incurred or contracted pension liabilities to former members of statutory and supervisory bodies.

29. OTHER OPERATING EXPENSES AND INCOME

Other operating income	2022 TCZK	2021 TCZK
Operating grants received	88 093	106 188
Profit from sale of non-current assets	0	11 170
Release of provisions and allowances	942	0
Profit from sale of purchased inventories	5 629	5 964
Damages	3 729	162
Received indemnity	1 097	224
Other operating income	7 270	5 300
Total other operating income	106 760	129 008

The amounts of grants received are received compensation expenses for electric energy and operating grants for expenditures in the area of research into chemicals, in particular in the area of nanotechnologies and synthetic polymers, implemented mainly by Synpo, a.s.

Other operating expenses	2022 TCZK	2021 TCZK
Insurance premiums	53 677	49 320
Creation of provisions and allowances	38 568	329 647
Taxes and fees	8 346	7 260
Contributions and gifts	4 421	2 673
Losses from disposal of non-current assets	7 950	0
Shortages and damage	424	18
Write-off of receivables	3 773	176 680
Other operating expenses	3 586	11 203
Total other operating expenses	120 745	576 801

30. FINANCIAL INCOME AND EXPENSES

Financial income

	2022 TCZK	2021 TCZK
Interest income from bank accounts	12 202	227
Other interest income	0	1 686
Net foreign exchange gains on foreign currency transactions	42 140	68 813
Other financial income	3 865	1 892
Total financial income	58 207	72 618

From the amount of the net exchange profit reported in 2022, the unrealised foreign exchange profit from the translation of foreign currency loans amounts to TCZK 12 163 (in 2021: TCZK 88 960).

Financial expenses

	2022 TCZK	2021 TCZK
Interest expenses		
- non-bank loans	147 724	84 188
- interest expense from lease liabilities	16 112	15 713
- other interest	22 353	29 398
Factoring fees	11 298	16 110
Other financial expenses	15 268	7 108
Total financial expenses	212 755	152 517

Income from financial derivatives

As the Group is a majority exporter, it has regular surplusses of euros which it has to convert to Czech crowns. With respect to euro developments, it regularly concludes term forward transactions to hedge these conversions against exchange rate depreciations.

Apart from the impact of the differences between the current exchange rate and the exchange rate of the conversions on gains, which is recorded in current foreign exchange differences, the Group translates the closed tranches to fair value. The impact of this translation is recorded in a separate line in the financial result.

As at 31 December 2022, the Group had thus hedged the future conversion in 2023 of MEUR 36. As at 31 December 2021, this amount was MEUR 45 at exchange rates ranging from 25.85 to 26.11 CZK/1 EUR.

31. INCOME TAX

	2022 TCZK	2021 TCZK
Current tax		
Current tax – previous periods	-7 731	-924
Current tax – current year	-521 668	-376 596
Total current tax	-529 399	-377 520
Deferred tax		
Impact of changes in temporary differences	-24 042	17 957
Total income tax	-553 441	-359 564

Reconciliation of effective tax rate	2022 TCZK	2021 TCZK
Profit before income tax	2 995 586	1 787 936
Income tax rate	19%	19%
Income tax calculated	-569 162	-339 708
Impact of tax non-deductible expenses	-28 981	-105 892
Impact of tax-exempt income	44 702	68 080
Total calculated income tax	**-553 441**	**-377 520**
Effective income tax rate	18,47%	21,11%

Deferred tax	Assets		Liabilities		
	2022	2021	2022	2021	Changes
Difference between accounting and tax depreciation of fixed assets	15 941	24 382	-250 282	-234 231	-24 492
Inventories	4 997	3 428	0	0	1 569
Receivables	917	916	0	0	1
Provisions	76 731	64 943	0	0	11 788
Tax losses carried forward	0	12 908	0	0	-12 908
Gross deferred tax assets/liabilities	98 586	106 577	-250 282	-234 231	-24 042
Deferred tax liability/asset after mutual offset	38 367	41 194	-190 063	-168 848	

32. RELATED PARTY TRANSACTIONS

The Group is involved in the following transactions with related parties:

	Receivables as at 31 December		Payables as at 31 December	
	2022	2021	2022	2021
Shareholders				
KAPRAIN CHEMICAL LIMITED (100% podíl)	0	0	0	30 180
Other related parties				
AB – CREDIT a.s.	20 000	20 000	49 926	723 759
FORTISCHEM, a.s.	1 397	108 941	11 534	23 911
Total	21 397	128 941	61 460	777 950

	Purchases		Sales	
	2022	2021	2022	2021
Other related parties				
FORTISCHEM, a.s.	1 396 930	540 246	1 024 930	637 974

Members of statutory and supervisory bodies, and members of management

In addition to bonuses, the Group also covers the liability insurance of members of statutory and supervisory bodies and management. In 2022, the Group paid TCZK 641 in liability insurance (2021: TCZK 508). In 2022 and 2021, members of the Group´s statutory and supervisory bodies and management did not receive any non-monetary benefits. For more information, see the comments in Section 26. PERSONNEL EXPENSES

33. CONSOLIDATED COMPANIES

Name and share	Registered office	Note
SYNPO, akciová společnost (100%)	Czech Republic	Share acquired between 1994 to 2009
EPISPOL, a.s. (100%)	Czech Republic	Founded in 2002
CSS, a.s. (100%)	Czech Republic	Share acquired in 2020
SPOLCHEMIE Electrolysis, a.s. (100%)	Czech Republic	Founded in 2011
SPOLCHEMIE N.V. (100%)	Kingdom of the Netherlands	Share acquired in 2011
CHS Epi, a.s. (100%)	Czech Republic	a subsidiary of the Company from 2021, previously a subsidiary of SPOLCHEMIE N.V.
SPOLCHEMIE Distribution, a.s. (100%)	Czech Republic	Subsidiary of SPOLCHEMIE N.V.
SPOLCHEMIE Green Energy, a.s. (100%)	Czech Republic	Founded in 2020
SPOLCHEMIE Hydrogen, a.s. (100%)	Czech Republic	Founded in 2019
SPOLCHEMIE Zebra, a.s. (100%)	Czech Republic	A subsidiary of EPISPOL, a.s. from 2021
SPOLCHEMIE SK, s.r.o.	Slovak Republic	A subsidiary of SPOLCHEMIE Distribution, a.s.
Spolchemie, a.s. (100%)	Czech Republic	A subsidiary of SPOLCHEMIE Distribution, a.s.

The functional currency of companies based in the Czech Republic is CZK, in the Slovak Republic and the Kingdom of the Netherlands EUR.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk factors

The overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. In its activities, the Group faces the following financial risks:

a) Market risk
   a. Currency risk
   b. Commodity risk
b) Interest rate risk
c) Credit risk
d) Liquidity risk
e) Operating risk

(a) Market risk

The market risk for the Group is derived primarily from changes in market prices, interest rates, share prices or commodity prices and their impact on the Group's profits. The total exposure to market risk depends on the structure of profit and loss and the sensitivity of individual assets and liabilities to any changes in market prices.

a. Currency risk

Currency risk is the type of risk generated by the changing value of one currency against another currency. Because the Group exports and imports most of its production and material, it is exposed to currency risk, primarily with respect to the euro. The currency risk is significantly eliminated by natural hedging due to the Group´s sales and purchases of raw material and energy denominated in the same currency.

The Group (Company) has a financial market trading framework agreement with PPF banka, under which the Company enters into partial forward transactions to hedge against negative fluctuations in the EUR/CZK exchange rate. In 2022, the conversions undertaken totalled EUR 42 million at exchange rates ranging from CZK 24.65 to 26.11/EUR. Transactions totalling EUR 36 million at exchange rates ranging from CZK 25.85 to 26.11/EUR were entered into for 2023.

The Group seeks to maximise the natural form of currency hedging as the most effective form of currency risk elimination. Purchases of raw materials, as well as energy and services are made in euros, which increases the natural coverage of the risk of exchange rate changes resulting from movements in the EUR/CZK exchange rate. The Group further eliminates the effect of currency risk by arranging part of the loan financing in EUR.

Receivable and payables classification by currency

As at 31 Dec 2022	CZK TCZK	EUR TCZK	USD TCZK	Other TCZK	Total TCZK
Receivables	376 647	1 425 040	13 425	2 682	1 817 793
Liabilities	2 064 107	2483 148	14 642	200	4 562 097

As at 31 Dec 2021	CZK TCZK	EUR TCZK	USD TCZK	Other TCZK	Total TCZK
Receivables	405 066	1 508 331	92 566	693	2 006 656
Liabilities	2 401 534	2 454 848	25 487	0	4 881 868

Sensitivity analysis of financial instruments in foreign currency to changes in foreign exchange rates
The appreciation (depreciation) of the Czech crown by CZK 0.25 against EUR and USD, as described below, would result in an increase/decrease of the profit/loss as follows:

	31 December 2022 TCZK	31 December 2021 TCZK
Appreciation of EUR – impact on income statement	46 038	24 191
Appreciation of USD	-13	764
Depreciation of EUR – impact on income statement	85 977	74 779
Depreciation of USD	13	-764

The Group has entered into derivative contracts to hedge the EUR exchange rate against the CZK. The effects of any changes in the fair values of these derivatives are reflected in the above sensitivity analysis of financial instruments.

b. Commodity risk

The Group is exposed to commodity risk arising from changes in the prices of raw materials and energy. The Group manages the commodity risk in a way that includes contractual agreements with customers to adjust the selling price if a change in the purchase price of raw materials and energy occurs.

(b) Interest rate risk

The interest rate risk arises from movements in market interest rates. The Group is exposed to changes in interest rates, particularly in the credit area, depending on the development of the announced interest rates.

The Group reports the following interest-bearing financial instruments as at the date of the financial statements:

Financial instruments with fixed interest rate	31 December 2022 TCZK	31 December 2021 TCZK
Long-term receivables	26 000	39 031
Short-term receivables	11 671	0
Non-bank loans	1 459 869	2 447 935

The Group does not record any financial instruments with a variable interest rate.

Effective interest rate

The table shows the effective interest rates of interest-bearing financial assets and financial liabilities as at the balance sheet date and the periods in which they are revalued

31 December 2022	Effective interest rate %	Receivable / liability amount TCZK	Future change in interest rate	Due date
Total interest-bearing receivables		0		
Total non-bank loans CZK	5,11	196 028	*	do 2032
Total non-bank loans EUR	3,06	1 263 842	*	do 2032
Total financial liabilities		1 459 870		

31 December 2021	Effective interest rate %	Receivable / liability amount TCZK	Future change in interest rate	Due date
Total interest-bearing receivables		0		
Total non-bank loans CZK	5,63	752 068	*	do 2032
Total non-bank loans EUR	3,77	1 695 868	*	do 2032
Total financial liabilities		2 447 935		

* No change is expected in the contractual interest rates. The current rate depends only on changes in the rates announced by central banks according to individual bank loan agreements.

In the event of breach of the specified obligations under the concluded amendments to the loan agreements, the creditors of ISTROKAPITAL a.s. and AB-Credit a.s. raise the interest rate by 2% p.a.

Book-keeping and fair values

	Carrying value 2022	Fair value 2022	Carrying value 2021	Fair value 2021
	TCZK	TCZK	TCZK	TCZK
Trade receivables, other receivables without tax receivables, advances paid and deferred expenses	1 726 822	1 720 212	1 875 577	1 875 577
Long-term receivables	26 000	24 830	39 031	39 031
Cash and cash equivalents	1 582 254	1 582 254	637 011	637 011
Non-bank loans	-1 459 870	-1 394 203	-2 407 556	-2 407 556
Unpaid interest on loans	0	0	-40 379	-40 379
Trade and other receivables and advances paid	-2 529 634	-2 519 951	-2 186 873	-2 186 873
Total	**-654 428**	**-586 858**	**-2 083 189**	**-2 083 189**

(c) Credit risk

Credit risk is the risk arising from the inability or unwillingness of counterparties to honour their commitments. Counterparty (customer) solvency is the most important criterion that must be reviewed and evaluated periodically.

The Group has, within its internal credit policy, a defined strategy (internal rules and regulations) which ensures that products and services are sold to customers under appropriate terms and conditions. Before the customer is offered standard payment and delivery terms, the customer goes through an individual credit rating. This rating takes into account external ratings and other referrals from specialised companies. The Group also uses the services of a credit insurance firm, and insures the major part of its receivables. This insurance also minimises the negative impact of any expected credit risk. The evaluation and implementation of customer credit limits is carried out by the Finance Department (Credit Manager). The credit policy also includes rules against exceeding the credit limit or the deterioration of payment discipline.

The maximum exposure to credit risk as at the balance sheet date was as follows:

Net book value	31 December 2022	31 December 2021
	TCZK	TCZK
Long-term receivables	26 000	39 031
Trade receivables	1 396 305	1 528 322
Other receivables and advances	228 930	256 404
Cash	1 582 254	637 011
Total	3 233 489	2 460 769

The Group does not have any customer having a more than a 10% share in the value of the receivables.

Analysis of maturity of trade receivables (net)

	31 December 2022	Expected credit loss	31 December 2021	Expected credit loss
	TCZK	TCZK	TCZK	TCZK
Due	1 304 100	-6 855	1 441 869	-4 260
1-90 days overdue	99 359	-299	94 308	-3 595
91-180 days overdue	5	-5	11	-11
181-360 days overdue	11	-11	126	-126
More than 360 days overdue	38 608	-38 608	38 631	-38 631
Total	1 442 083	-45 778	1 574 944	-46 622
Net book value		1 396 305		1 528 322

Changes in impairment losses related to trade receivables

	2022	2021
	TCZK	TCZK
Balance as at 1 January	-46 622	-64 395
Creation of loss allowance	-6 016	-5 619
Use of loss allowance – receivables write-off	4	30
Release of loss allowance	6 856	2 613
Balance as at 31 December	-45 778	-67 372

(d) Liquidity risk

Liquidity is the ability to meet due financial obligations at any time. Liquidity risk is the risk that the Group will not be able to meet its financial obligations at their maturity dates. Prudent liquidity management requires maintaining sufficient cash on hand and cash equivalents and the availability of funding through an adequate number of committed credit facilities.

To control the cost of their own products and services, the Group uses a method of cost allocation by activity, which allows the monitoring of cash flow requirements and optimises the return on investment.

In order to ensure sufficient liquidity to cover operating costs, the Group has a standardised working capital management system, in particular receivables management and inventory optimisation. The Group also uses the services of factoring companies for portfolios of receivables with longer maturities to minimise tied funds.

The payment of the Group's liabilities according to their maturity including estimated interest payments is stated below:

As at 31 December 2022	Contractual cash flows						
	Due or up to 2 months	2-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Non-bank loans	2 255	17 763	69 097	162 144	510 792	697 819	1 459 870
Lease liabilities	9 698	19 369	28 953	72 950	93 067	0	224 037
Other liabilities	1 441 204	391 986	6 686	67 835	289 399	215 318	2 412 428
Total	1 453 157	429 118	104 736	302 929	893 258	913 137	4 096 335

As at 31 December 2021	Contractual cash flows						
	Due or up to 2 months	2-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Non-bank loans	2 282	48 664	216 129	303 222	1 030 158	847 479	2 447 935
Lease liabilities	9 336	18 912	27 574	56 362	140 622	26 744	279 550
Other liabilities	1 049 165	421 468	175 354	3 654	22 440	52 269	1 724 350
Total	1 060 783	489 044	419 057	363 238	1 193 220	926 492	4 451 835

(e) Operational risk

Operational risk is generally defined as the possibility of loss due to operational deficiencies and errors. In the narrower definition, operational risk is a risk arising from operating business activities. In a broader sense, operational risk includes all the risks that are not attributed to credit risk, market risk or liquidity risk.

The Group manages its operational and production risks to avoid financial losses and damage. These risks primarily relate to gradual depreciation (wear and tear) of the Group's machinery and equipment, potential shutdowns and insurance.

The effects of everyday use of equipment and machinery continually increase over time. Every year, the Group prepares plans to carry out preventive maintenance and shutdowns to eliminate the risk of unplanned shutdowns. At the same time, regular maintenance is carried out according to pre-approved schedules during the operation of individual devices, which further reduces the risk of shutting down the technology due to a fault.

After the launch of the new electrolysis in 2017, the risk was naturally significantly reduced. Also in the following years, the Group modernised and optimised individual operations both as part of routine maintenance and as part of the technical evaluation of our technologies. This led to more efficient and, last but not least, more environmentally-friendly production.

The Group has insurance coverage for most of its important assets (e.g., insurance for property and equipment and liability insurance) to cover most of the risks and major claims.

35. RESEARCH AND DEVELOPMENT

In 2022, the Group spent TCZK 49 978 (2021: TCZK 50 618) on research and development.

36. AUDIT COSTS AND TAX CONSULTING

The Group uses the services of audit companies and companies providing tax advice. We present an overview of expenditures for these purposes recorded in the monitored periods.

	Accounting audit		Tax consulting		Other auditing services	
	2022	2021	2022	2021	2022	2021
Group total	4 425	4 281	1 651	1 964	321	648

37. CAPITAL COMMITMENTS

Before the end of 2021, the Group concluded a long-term business contract with a strategic foreign partner for the supply of precursors for the production of next generation chemicals. In this context, the Group undertook to build an operating unit for the production of these precursors with an investment budget of EUR 62 million. Total investment costs are partially funded by a foreign partner, a bank investment loan, and by own funds. The return on this investment has been guaranteed by the aforementioned long-term sales contract. Spolek has contractually assumed responsibility for the successful construction of this operating unit, which is expected to be commissioned at the end of 2023.

As at the reporting date, the Group did not conclude any other significant contracts from which the future result is potential acquisition or repairs of fixed assets or investment property.

38. CONTINGENT LIABILITIES

In 2021, the Group provided a guarantee for the liabilities of Fortischem, a.s. towards creditors MONDI SCP, a.s. and MONDI Štětí, a.s. up to TEUR 1 600. Fortischem, a.s. is a related party of the Group or an entity controlled by the same controlling entity.

At the end of 2021, the Group concluded agreements with a strategic foreign partner, with subjects being the construction of a new production unit for the production of a new precursor and a long-term agreement on precursor supplies to the foreign partner. The Group as the originator of a newly patented technology assumed full responsibility to successfully complete the construction of the production unit. The construction has so far proceeded as planned. As part of the arrangement on long-term precursor supplies, the Group guarantees the supplies and potential payments associated with the breach of the obligation to supply a minimum binding amount of up to EUR 16 million a year. The liability of Spolek is limited to EUR 30 million. In 2022, the Group concluded a loan agreement with Česká spořitelna, a.s., under which a loan is drawn to fund the construction of the production unit concerned. The maximum amount of the loan is EUR 50 million.

The Group was informed that a lawsuit was filed against the Company at the District Court in Ústí nad Labem, in which JUDr. Ing. Martina Jinochová Matyášová, insolvency administrator of the debtor STZ a.s., ID: 27294099, demands the payment of a receivable of TCZK 200 000 with accessories from the Company. This is a receivable originally recorded by the Company as a liability to its former shareholder, Via Chem Group, on the grounds of a loan agreement dated 5 October 2009, the creditor of which has since become KAPRAIN CHEMICAL LIMITED. In 2021 and 2022, the Company paid off all of this debt to KAPRAIN CHEMICAL LIMITED.

On 6 October 2021, the District Court in Ústí nad Labem issued a judgement dismissing the insolvency administrator's action in its entirety. In the grounds for its judgement, the court fully agreed with the legal opinion of the Supreme Court expressed in a related dispute that the debtor STZ a.s. could never have incurred a claim against the Company in the past. The insolvency administrator filed an appeal against the judgement and on 15 November 2022, the court of appeal upheld the decision of the court of first instance. The insolvency administrator appealed the decision to the Supreme Court.

Management is not aware of any other significant contingent liabilities as at 31 December 2022.

39. INVESTMENT INCENTIVES

The Group was not the recipient of investment incentives in 2022 or 2021.

40. SUBSEQUENT EVENTS

After the balance sheet date there were no events that were not specified in the previous points of these notes to the financial statements and that would have a significant impact on the financial statements as at 31 December 2022.

41. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved for disclosure on 28 April 2023.

5 / AUDITOR'S REPORT ON THE NON-CONSOLIDATED FINANCIAL STATEMENTS

KPMG Česká republika Audit, s.r.o.
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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of Spolek pro chemickou a hutní výrobu, akciová společnost

Opinion

We have audited the accompanying separate financial statements of Spolek pro chemickou a hutní výrobu, akciová společnost ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2022, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Matter

The financial statements of the Company as at 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 April 2022.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

As described in Note 3 to the financial statements, Spolek pro chemickou a hutní výrobu, akciová společnost has not prepared an annual report as at 31 December 2022, as it plans to include the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Responsibilities of the Statutory Body for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Statutory Auditor Responsible for the Engagement

Karel Charvát is the statutory auditor responsible for the audit of the financial statements of Spolek pro chemickou a hutní výrobu, akciová společnost as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
28 April 2023

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71

Karel Charvát
Partner
Registration number 2032

6 / NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated financial statements prepared in accordance with IFRS as adopted by the EU

as at 31 December 2022 and for the year ended 31 December 2022

by the business corporation

(translated from the Czech original)

Spolek pro chemickou a hutní výrobu, akciová společnost

In Ústí nad Labem, on 28 April 2023

Ing. Pavel Jiroušek
Chairman of the Board of Directors

Ing. Daniel Tamchyna, MBA
Vice-chairman of the Board of Directors

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022	31 December 2021
		TCZK	TCZK
ASSETS			
Property, plant and equipment	5	1 405 731	1 286 536
Investment property	6	219 060	206 004
Intangible assets	7	19 485	35 922
Rights of use	8	29 260	44 213
Investment in subsidiaries	9	839 651	824 822
Shares in associates		1 981	1 981
Provided loans and other long-term receivables	10	331 406	13 031
Deferred expenses	20	45 475	55 064
Deferred tax receivable		36 685	41 194
Total non-current assets		**2 928 734**	**2 508 767**
Inventories	11	1 100 394	979 426
Trade receivables	12	1 375 512	1 452 099
Loans granted	10	318 710	168 119
Other short-term receivables	12	119 701	152 254
Advances paid	19	54 584	85 739
Deferred expenses	20	9 594	10 357
Cash and cash equivalents	13	1 423 523	512 885
Total current assets		**4 402 018**	**3 360 879**
Total assets		**7 330 752**	**5 869 646**

	Note	31 December 2022 TCZK	31 December 2021 TCZK
EQUITY			
Share capital	14	717 581	717 581
Reserve fund	14	1 524	1 524
Retained earnings/accumulated losses		3 449 727	1 615 882
Total equity		**4 168 832**	**2 334 987**
LIABILITIES			
Non-current liabilities			
Non-bank loans	17	650 737	1 138 327
Provisions	15	385 653	398 953
Long-term advances received	19	0	74 580
Lease liabilities	8	15 996	30 204
Investment suspensions		0	3 632
Total non-current liabilities		**1 052 386**	**1 645 696**
Short-term liabilities			
Trade and other payables	16	1 520 912	1 032 644
Non-bank loans	17	21 245	153 439
Factoring and other liabilities	19	134 588	295 495
Lease liabilities	8	14 515	15 585
Liabilities from the auction of own shares	18	19 198	20 902
Income tax liabilities	27	330 218	351 748
Provisions	15	68 858	19 150
Total current liabilities		**2 109 534**	**1 888 963**
Total liabilities		**3 161 920**	**3 534 659**
Total equity and liabilities		**7 330 752**	**5 869 646**

NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 TCZK	Year ended 31 December 2021 TCZK
Revenues	21	12 062 116	8 893 120
Change in inventories		219 110	126 544
Capitalisation of own production		4 689	4 944
Consumption of material and energy	22	-8 245 809	-5 922 401
Logistics, leases and other services	23	-598 560	-516 330
Personnel expenses	24	-418 805	-373 827
Depreciation of non-current assets	5,6,7,8	-102 897	-89 360
Other operating income	25	21 576	24 764
Other operating expenses	25	-125 034	-547 970
Operating profit		**2 816 386**	**1 599 484**
Financial income	26	40 202	328 703
Income from financial derivatives	26	33 282	5 169
Profit/losses from the impairment of financial assets	26	0	219 118
Financial expenses	26	-146 399	-200 735
Income tax	27	-509 626	-313 142
NET PROFIT/LOSS		**2 233 845**	**1 638 597**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		**2 233 845**	**1 638 597**

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve fund	Accumulated losses	Total
	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	**717 581**	**1 524**	**-22 715**	**696 390**
Profit for	0	0	1 638 597	1 638 597
Balance as at 31 December 2021	**717 581**	**1 524**	**1 615 882**	**2 334 987**
Payment of dividends	0	0	-400 000	-400 000
Profit for	0	0	2 233 845	2 233 845
Balance as at 31 December 2022	**717 581**	**1 524**	**3 449 727**	**4 168 832**

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 TCZK	Year ended 31 December 2021 TCZK
Cash flows from operating activities			
Profit/loss for the year		**2 233 845**	**1 638 597**
Adjustment for non-cash transactions:		**784 504**	**-78 847**
Income tax	27	509 626	313 142
Depreciation and amortisation of non-current assets	5,6,7,8	104 411	93 317
Change in expected credit losses and provisions	5,7,9,11, 12,13,15	5 810	-199 769
Gain/loss on disposal of non-current assets	25	67 941	-10 930
Yield from dividends	26	0	-303 969
Interest income and expenses	26	105 827	59 475
Other non-cash transactions		-9 111	-30 113
Changes in non-cash components of working capital:		**-196 604**	**88 457**
Change in trade and other receivables	10,12	-317 687	-126 085
Change in trade and other payables	16,17	244 825	579 287
Change in inventories	11	-123 742	-364 745
Cash flow from operating activities before interest and taxes		**2 821 745**	**1 648 207**
Interest paid	26	-117 415	-49 465
Interest received	26	12 202	227
Income tax paid	27	-526 647	3 163
Net cash flows from operating activities		**2 189 885**	**1 602 132**

	Note	Year ended 31 December 2022 TCZK	Year ended 31 December 2021 TCZK
Cash flows from investing activities			
Expenses connected with acquisition of non-current assets	5,7	-256 053	-171 872
Proceeds from disposal of non-current assets	25	2 241	-245 865
Expenses connected with acquisition of financial investments	9	0	12 607
Income from dividends	26	0	303 969
Cash flows from investing activities		**-253 812**	**-101 161**
Cash flows from financing activities			
Dividends paid		-400 000	0
Income from loans, borrowings and long-term liabilities	17	0	3 632
Payment from loans, borrowings and long-term liabilities	17	-613 096	-1 103 418
Payments of leases	8	-25 598	-28 097
Cash flows from financing activities		**-1 038 694**	**-1 127 883**
Net increase/decrease in cash and cash equivalents		**897 379**	**373 088**
Cash and cash equivalents at the beginning of the year		**512 885**	**145 813**
Effect of exchange rate fluctuations		13 259	-6 016
Cash and cash equivalents at the end of the year		**1 423 523**	**512 885**

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Spolek pro chemickou a hutní výrobu, akciová společnost (the "**Company**") was incorporated on 31 December 1990. The address of its registered office is Ústí nad Labem, Revoluční 1930/86, Company ID: 000 11 789. The Company is registered in the Commercial Register kept by the Regional Court in Ústí nad Labem, under file number 47, section B.

The Company's decisive subject of activities is the research, development, production and processing of chemical substances and chemical preparations.

As at 31 December 2022, KAPRAIN CHEMICAL LIMITED is the sole shareholder of the Company.

The controlling entity of KAPRAIN CHEMICAL LIMITED is Ing. Karel Pražák.

Changes in the Company's bodies

On 21 July 2022, the sole shareholder exercising the powers of the general meeting decided on a change in the Company's articles of association when the Company's internal structure changed from the existing dualistic system to a monistic system. The Company's managing body is thus the Board of Directors, with its members elected by the general meeting (by decision of the sole shareholder exercising the powers of the general meeting). In connection with the change in the Company's articles of association, the composition of the Board of Directors was decided upon as set out below.

The composition of the Board of Directors as at 31 December 2022 was as follows:

Name	Function
Ing. Pavel Jiroušek	Chairman
Ing. Jiří Medřický	Vice-Chairman
Ing. Daniel Tamchyna, MBA	Vice-Chairman
Ing. Romana Benešová	Member
Ing. Vladimír Kubiš, CSc.	Member

Declaration of the Company's Board of Directors

The Board of Directors of Spolek pro chemickou a hutní výrobu, akciová společnost hereby declares that in its opinion, the following non-consolidated (also "individual") financial statements and comparative information were prepared in accordance with valid accounting principles applied in the Company (described in point 3) and faithfully depicts the Company's financial position and financial result, including the basic risks and exposures.

2. ADOPTION OF NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS

New and amended IFRS accounting policies adopted by the Company

The following new and amended standards are effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. In preparing these financial statements, the Company has not applied the new or amended standards early and does not expect them to have a material impact on the Company's financial statements upon adoption.

- Non-Current liabilities with Covenants (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts

New and amended IFRS accounting policies that have been issued but are not yet effective and have not been applied by the Company

As of the date of approval of these financial statements, the following new and amended IFRSs were issued, but they were not effective at the beginning of the current accounting period and were not used by the Company in preparing these financial statements for the year ended 31 December 2022:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Making Materiality Judgements requiring entities to disclose their material accounting policy information rather than their significant accounting policies. The Company plans to apply the amendments as of 1 January 2023.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors introduces a definition of accounting policies and contains further amendments to

IAS 8 clarifying how to distinguish changes in accounting policies from changes in accounting estimates. The distinction is important as changes in accounting policies must be applied retrospectively, whereas changes in accounting estimates are accounted for in the period in which the change occurs. The Company plans to apply the amendments as of 1 January 2023.

- Amendments to IAS 12 Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrowing the scope of the initial recognition exemption by not applying it to transactions that give rise to equal temporary differences that are subject to offsetting – e.g. leases and decommissioning obligations. The relevant deferred tax assets and liabilities for leases and decommissioning obligations will have to be recognised at the beginning of the earliest comparative period presented while any cumulative effect will be recorded as an adjustment to retained earnings or another component of equity as at that date. For all other transactions, the amendments apply to transactions occurring after the beginning of the earliest period presented. The Company plans to apply the amendments as of 1 January 2023.

- **New and amended IFRS accounting policies issued by the IASB, but not yet adopted by the EU**

As at the date of approval of these financial statements, the following standards, amendments and interpretations, previously issued by the IASB, have not yet been approved by the European Commission for use in the EU:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 Presentation of Financial Statements (classification of Liabilities as Current or Non-current);
- Amendments to IAS 1 Presentation of Financial Statements (Non-Current Liabilities with Covenants);
- Amendments to IFRS 16 Leases (Lease Liability in a Sale and Leaseback).

3. BASIS OF PREPARATION

a) Statement of compliance

These non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards (International Accounting Standards Board, IASB) approved for use in the European Union (EU).

The non-consolidated financial statements were prepared to meet the requirements of Czech accounting regulations. The Company does not prepare a non-consolidated annual report because the relevant information is included in the consolidated annual report, which contains the Company's consolidated financial statements, also prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board (IASB) and approved for use within the European Union (EU) and it is available at the Company's registered office.

b) Policies for the preparation of the financial statements

The financial statements, providing a faithful and honest depiction of the Company's financial position as at 31 December 2022 and the results of its management and cash flows for the year ended 31 December 2022, are prepared on the historical cost basis, with the exception of financial instruments, which are valued at fair value. Employee benefits are accounted for at the present value of the liability.

The amounts specified in these financial statements are reported in Czech crowns, which is also simultaneously the Company's functional currency. All financial information presented in CZK has been rounded to the nearest thousand (TCZK) (unless stated otherwise).

Accounting reports, with the exception of the report on cash flows, are prepared on accrual-based accounting.

c) Foreign currency translation

Transactions denominated in foreign currencies are translated into Czech crowns, which is the Company's functional currency, on the basis of the exchange rate valid on the date of the transaction.
At the end of the accounting period:

- cash items (i.e. cash denominated in foreign currencies held by the Company as well as receivables and payables payable in foreign currencies) are translated at the closing rate, i.e. the spot rate at the end of the accounting period,
- non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the transactions and
- non-monetary items that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Gains and losses arising from the settlement of such transactions and from transactions in monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

d) Use of estimates

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses as at the reporting date. These estimates and assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances that form the basis for estimating the carrying values of assets and liabilities and that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates relate to the assessment of the fair value of financial instruments and investment property, the remaining useful lives of the buildings and equipment, non-current assets, impairment losses on non-financial and financial assets, allowances for inventories and the valuation of provisions.

Estimates are reviewed on an ongoing basis and any change (if no error is detected) is recognised in the period in which the estimates are revised and in any affected future periods.

e) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are identifiable when they are separable, i.e., they can be separated from the group of the Company's assets and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, by an identifiable asset or liability regardless of whether the Company intends to do so or it arises from contractual or other legal rights regardless of whether those rights are transferable or separable from the Company or from other rights and obligations.

Intangible assets are measured at acquisition cost less accumulated depreciation and any accumulated impairment losses. Internally-generated intangible assets are measured at direct costs and overheads or replacement costs, if lower.

Intangible assets are amortised on a straight-line basis over their estimated useful lives, usually for up to five years. Amortisation begins when the intangible asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the intended manner, over its estimated useful life.

The depreciation method and useful life is verified once a year at the end of the accounting period and if a change is identified, the depreciations for the upcoming period are adjusted.

f) Property, plant and equipment

Property, plant and equipment are initially measured at acquisition cost after the deduction of related grants and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

The cost of these assets includes all expenditures that are directly attributable to bringing the assets to a working condition for their intended use. Self-constructed assets are measured at internal production costs. The acquisition costs of these assets include the estimated cost of dismantling and removing the items and restoring the original condition of the place where the assets are located, if such an obligation is associated with the acquisition and construction of these assets.

The Company capitalises borrowing costs that are directly attributable to the construction or production of a qualifying asset as part of the acquisition cost of the asset. Borrowing costs are those borrowing costs that would not arise if expenses on a qualifying asset were not incurred. The Company begins to capitalise borrowing costs as part of the acquisition cost of the qualifying asset on the commencement date and terminates the capitalisation of borrowing costs when all essential activities necessary to prepare a qualifying asset for its intended use or sale are completed.

The depreciation of plant and equipment items begins when they are available for use, i.e., from the month that they are in the location and condition necessary for them to be capable of operating in the manner intended by the Company management.

Depreciation is recognised in order to depreciate the cost of assets, except for land, to their residual value on a straight-line basis over their estimated useful lives:

Buildings	10-50 years
Machinery and equipment	4-20 years
Fixtures and fittings	4-25 years
Vehicles	4-25 years

The depreciation method, useful life and residual value are verified once a year and if a change is identified, the depreciations for the upcoming period are adjusted. Property, plant and equipment (components) that are significant with regard to the overall assets are depreciated separately in accordance with their useful lives.

The costs of technical improvements of fixed assets are recognised as a tangible fixed assets and are depreciated in accordance with their useful lives. The costs of the day-to-day servicing and repairs of the property, plant and equipment are recognised as incurred in the profit or loss.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net selling price of the property and the carrying amount of the asset. The difference is recognised in the profit or loss and in other comprehensive income.

g) Investment property

Investment property is land or buildings held either to earn rental income or for capital appreciation or for both, not for the Company's own use.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The purchase costs of real estate investments include the purchase price and all directly attributable costs, i.e., professional fees for legal services, property transfer taxes and other transaction costs. The cost of the investment property by the Company is its cost at the date when the construction is completed and ready for rent.

Investment property is depreciated on a straight-line basis over its estimated useful life, i.e., 10-50 years, from the date of acquisition. Every year there is a revision of the estimates used in the depreciation.

The income from investment property is recognised when the rental service is rendered, and is classified as revenues from services.

Investment property is derecognised when it is retired or when the investment property is permanently withdrawn from use and no future economic benefits are expected.

The Company leases part of the manufacturing and office space to third parties in its registered office in Ústí nad Labem. Items of property, plant and equipment are reviewed annually to see whether they fulfil the conditions of recognition as an investment property. Annual transfers between classifications of land, constructions and equipment and investment property are presented separately under "Transfer of property, plant and equipment". In light of the valuation model used in the acquisition expenses for investments in real estate, i.e. the same valuation as for property, land and equipment, there is no change to the valuation due to a transfer. The only thing that differs is the presentation of the reported item.

h) Impairment of non-financial assets

At each reporting date, the Company reviews each asset individually to determine whether there is any indication of impairment, i.e. the carrying amount of the asset exceeding its recoverable amount. Whether there is any impairment of tangible fixed assets and other assets is reviewed at the level of the identified cash-generating units (depending on production segments). An impairment loss is recognised to the extent that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less selling costs.

i) Leases

The Company uses a unified accounting approach to leases. As a result of this application, the Company, as a lessee, recognised the right to use its underlying (identified) assets and lease liabilities representing an obligation to meet lease payments. The right of use and the lease liability are recognised on the date of commencement of the lease.

The Company distinguishes between lease and service contracts based on whether the contract transfers the right to control the use of the identified asset. The Company must assess whether the customer (lessee) has both of the following rights during the period of use:

- the right to obtain substantially all economic benefits from the use of the identified asset and
- the right to manage the use of the identified asset.

At the commencement date, the lessee will measure the asset from the right to use it at cost. The subsequent measurement uses the cost model less accumulated depreciation, impairment losses and any revaluation of the lease liability. The lessee depreciates the asset from the right of use on a straight-line basis from the date of commencement of the lease, either until the end of the useful life of the asset from the right of use or until the end of the lease term, whichever occurs first.

A lease liability is initially measured at the present value of the lease payments outstanding at the date of commencement of the payment. Lease payments must be discounted using the implicit lease interest rate if this rate can be readily determined. If this rate cannot be easily determined, the Company uses the lessee's incremental borrowing rate. After the date of commencement of the lease, the Company measures the lease liabilities by increasing the carrying amount by interest on the lease liabilities and decreasing the carrying amount by the lease payments made. Furthermore, the carrying amount of the lease liability is remeasured by any revaluation or modification of the lease. These changes may occur when the value of future lease payments changes due to a change in the implicit interest rate, a change in an estimate over the expected lease term, or when there is a change in expectations of using a lease extension option or an option to purchase the underlying asset.

The Company has decided to use the exceptions from the aforementioned rules for short-term leases, i.e., leases with a non-cancellable duration of at most 12 months and for leases of low-value assets.

The Company has also decided to take advantage of a practical expedient where it will not separate non-lease components from lease components and will instead account for each lease component and any related non-lease components as a single lease component.

j) Investment in subsidiaries and investments in associated companies

A controlled company with (subsidiary) is an enterprise controlled by the Company, whose financial and operating processes can be controlled by the Company with the goal of acquiring benefits from its activities.

Investments in subsidiaries are stated in these non-consolidated financial statements at acquisition costs decreased by any impairment losses.

An associated company is an entity in which the Company has a substantial influence and which is neither a subsidiary or participation in a joint venture. Substantial influence represents the power to participate in the decision- making on financial and operation policies of the entity into which the investment was made, but it is not controlling or co-controlling such policies.

Shares in the equity of associated companies are reported in these non-consolidated financial statements at acquisition costs decreased by impairment losses. The Company reports the dividends from the subsidiary or associated company at the moment the right arises to obtain this dividend.

As at each balance sheet date, the Company assesses whether there is objective evidence confirming that the value of the share in the equity of the associated company was decreased. If the value of the shares in the equity of the associated company decreases, the losses from the decreased value is included in the profit and loss report in the financial expenses item.

k) Inventories

Inventories are assets held for sale in the ordinary business, in the process of production for sale or as material including raw materials for consumption or supplies that are consumed in the production process or in the provisioning of services.

The cost of materials and goods for resale includes expenditures associated with acquiring the inventories and bringing them to their present location and condition, e.g., freight costs, custom duties and insurance costs. Finished products, semi-finished goods and works-in-progress are initially measured at the cost of production. The costs of finished products and semi-finished goods include raw materials, direct wages, other direct costs and related production overheads. The cost is determined using the first-in first-out method.

Inventories are measured at the end of the financial year in production costs or net realisable value, if lower. The net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

l) Financial assets

Financial assets representing a share in other companies, such as shares and investments, are valued at fair value with revaluation to the profit or loss.

Financial assets for which the SPPI conditions are met, such as provided loans, trade receivables, purchased bonds, etc., (i.e. the future contractual cash flows exclusively represent payments of the principal and payments of interest) are valued at amortised cost using the effective interest method.

m) Receivables

Trade receivables are non-derivative financial assets with fixed or pre-determined payments that are not quoted in an active market. Receivables are initially recognised at fair value, which is usually equal to the nominal value in the case of short-term receivables and subsequently carried at the initial measurement value, net of impairment loss.

Loans and long-term receivables are financial assets that are measured at fair value, adjusted for transaction costs. Fair value corresponds to the present value of future cash flows using the internal interest rate at the time of the borrowing taking into account the credit risk of the borrower. For the period of time until maturity, long-term receivables (loans) are measured and carried at amortised cost using the effective interest method.

Loans granted are classified as short-term receivables if they are due within 12 months of the balance sheet date.

As at the date of the financial statements, the Company reviews any impairment loss according to IFRS 9 – model of expected credit loss (ECL). For trade receivables the assessment is on the basis of life-long losses, while for long-term payable loans the estimate of the expected interest losses is set with the consideration of 12-month losses.

The Company recognises the following groups of receivables:

- Receivables from related parties
- Receivables arising on assignment
- Insured receivables
- All other trade receivables

n) Cash and cash equivalents/statement of cash flows

Cash and cash equivalents are comprised of cash, bank deposits, and investments into monetary market instruments with the original maturity shorter than 3 months.

The cash flow statement is processed using the indirect method in cash flow from operating activities.

Received dividends are reported in cash flows from investment activities. Paid dividends are reported in cash flows from financial activities. Interest paid on bank loans, cash pools, issued debt securities and interest paid on leases are reported in cash flows from operating activities. Received interest is part of the cash flow from operating activities.

o) Financial liabilities

Financial liabilities are financial instruments that are initially measured at fair value adjusted for transaction costs. Subsequently they are carried at amortised cost using the effective interest method. The Company reports received bank loans and other loans, trade liabilities, and liabilities from retentions as financial liabilities.

Financial liabilities are classified as current liabilities if they are due within 12 months from the balance sheet date. Other financial liabilities are classified as non-current in the statement of the financial position.

p) Derivatives

Derivatives are initially measured by the fair value and in the statement of financial position, any derivatives are recognised as part of other short-term receivables or liabilities, as the case may be.

Derivatives are classified as trading derivatives and hedging derivatives. Hedging derivatives are contracted for the hedging of fair value or the hedging of cash flow. For a derivative to be classified as hedging, changes in fair value or changes in cash flows arising from hedging derivatives must fully or partially offset changes in the fair value of the hedged item or changes in cash flows from the hedged item, and the Company must document and demonstrate the existence of the hedging relationship and hedge effectiveness. In other cases, they are derivatives held for trading.

Derivatives are remeasured at fair value at the balance sheet date. Changes in the fair values of derivatives held for trading are recognised in the profit or loss as part of financial expenses or income.

q) Provisions

A provision is recognised when, as a result of a past event, the Company has a legal or contractual obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. At the same time, there must be a reasonable estimate of the amount that can achieve the commitment.

If the Company expects a reimbursement of some or all of the cost of creation of provisions by another party, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the Company will fulfil its commitment. The reimbursement amount shall not exceed the amount of the provision. In the comprehensive income statement, the expense relating to the provisions recognised together with revenue from reimbursements.

If the effect of the time value of money is significant, the amount of the provision is recognised at the present value of the estimated cost of meeting the obligation.

r) Income tax

The income tax expense comprises current and deferred taxes. Current and deferred taxes are recognised in the profit and loss statement, except amounts related to items charged to other comprehensive income (e.g., cash flow hedges).

The current tax is the expected liability or receivable from the taxable base calculated using tax rates enacted as at the balance sheet date. The tax base is derived from the profit adjustments on non-deductible income and expenses. If the amount of the income tax that was paid by advances during the period exceeds the amount due, the difference is recognised as a receivable.

Deferred tax is calculated using the liability method of the balance sheet, i.e., on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. The deferred tax is calculated using the tax rates and legal provisions that are expected to be enacted or substantively enacted when the asset is realised or liability settled.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are recognised and presented as long-term assets or long-term liabilities.

s) Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled under the contract with the customer and excludes amounts collected on behalf of third parties (including VAT). The Company recognises revenue when it transfers control of the product or service to the customer.

The Company recognises revenue from the following principal sources:
- sales of chemical products, mainly epoxy and alkyd resins and hydroxides - revenue is recognised when delivered
- the rendering of services, in particular the rental of real estate and related services - revenue is recognised at the time the service is rendered; for services of a continuous delivery nature, such as in particular rental and related services, at the end of the contractually defined period
- the sale of goods, which are mainly chemical products similar or identical to those manufactured by the Company - revenue is recognised at the time of delivery.

Revenues are recognised net of VAT, at the values already deducted for any discounts.

Invoices are payable on average around 45 days and are issued at the time of delivery or based on contractual arrangements.

t) Other operating revenues and expenses

Other operating income and expenses particularly include the net result from the liquidation and disposal of non-financial assets, surplus of assets, court fees or their return, property acquired/granted free of charge, the receipt of compensation and gain or loss on sales of investment properties and amortisation of construction in progress which have not produced the desired economic effect.

u) Financial income and financial expenses

Financial income includes income from the sale of shares and other securities, dividends received, interest earned from cash in bank accounts, term deposits and loans, increasing the value of financial assets and net foreign exchange gains. Dividend income from investments is recognised when the shareholders are entitled to receive payment.

Financial expenses include losses from sales of securities and investments and costs associated with this sale, impairment losses relating to financial assets such as stocks, bonds and interest receivables, net foreign exchange losses, interest on own bonds and other securities issued, interest on leases, fees for bank credit, loans, guarantees.

v) Employee benefits

The Company recognises and observes the following categories of employee benefits:

Short-term employee benefits
The short-term employee benefits include monthly wages and salaries, health and social insurance (adjusted for the amount of pension contributions) paid by the Company for employees, annual incentive bonuses, contributions towards in-house catering, preferential phone and internet packages and recreational packages for employees. A provision is established for incentive bonuses based on the probability of their payment. Most short-term employee benefits are governed by a collective agreement.

Employee benefits after termination of employment (defined contribution pension plans)
The Company pays pension contributions to the state pension plan each month for employees. The Czech government is responsible for providing pensions. The Company pays monthly contributions for its employees in the pension fund plans. In both cases, the scheme is a defined contribution pension plan and these contributions are charged to the profit and loss in the period when the employee is entitled to these benefits.

Other long-term employee benefits
A provision is established for retirement benefits. The provision is calculated annually using reasonable statistical estimates.

Employee benefits – early termination of employment
These benefits are governed by a collective agreement. Statutory severance pay is due to employees who terminate their employment for organisational reasons during the year. Severance pay increases to three times average earnings, depending on the length of employment. The cost associated with the provision of such employee benefits is recognised in the profit or loss at the time of the decision to terminate the employment prematurely.

w) Grants

Government grants are support from the state, state agencies and similar local, national or international institutions in the form of the transfers of funds in favour of the Company in exchange for the past or future compliance of certain conditions relating to the operating activities of the entity.

Grants related to expenses are recognised as compensation of the expenses in the period in which they are incurred. A surplus of the received grants over the expenses recognised in the same period is presented in "Other operating income".

A grant related to the acquisition of an asset is recognised by subtracting the amount of the grant from the cost of the asset and ultimately leads to the lower depreciation of related assets.

x) Research and development

Expenditures on research and development are recognised in the profit or loss, except for expenditures on development projects accounted for as intangible assets where future measurable benefits are expected and the related costs are measurable. Development expenditures previously recognised in the profit or loss shall not be considered non-current assets in any subsequent period.

Development expenditures that are recognised as intangible assets are amortised from the start of production of the product to which they relate on a straight-line basis over the estimated useful life of the intangible asset, which shall not exceed five years.

4. CRITICAL JUDGEMENTS FOR THE APPLICATION OF ACCOUNTING POLICIES AND KEY RESOURCES OF UNCERTAINTY IN ESTIMATES

Critical judgements when applying accounting policies

In applying the accounting policies set out in the previous section, management is required to make judgements, assess the content of economic transactions and events, and decide to apply accounting policies in such a way that the financial statements provide users with useful information for their decision-making.

In 2022, no specific considerations or decisions regarding the use of appropriate IFRS accounting policies were made in connection with the preparation of these non-consolidated financial statements.

Key sources of uncertainty in estimates
The Company makes some estimates and assumptions about the future. Estimates are continuously reassessed based on historical developments and experience. In the future, the reality may differ from the currently made and recognised estimates and judgements. Estimates and assumptions that are associated with a significant risk that the Company will be forced to accrue significant changes in the carrying amounts of the presented assets and liabilities in the next financial year are as follows:

a) Depreciation period of buildings and equipment and intangible assets

Non-current assets in the land, buildings and equipment category and intangible assets are measured over their useful life using the cost model, i.e., the acquisition cost less depreciation and any impairment. The Company makes relevant estimates of the useful life of the assets used and the depreciation is calculated on an equal basis over its useful life. In the following years, a reassessment of the useful life may occur, which may result in adjustments in the calculation of future depreciation, as well as the premature disposal of the asset, resulting in a loss in the amount of the unrecognised carrying amount of the asset. The Company annually performs a revision of the accounting estimates associated with the depreciation of assets.

b) Rights of use and lease obligations

Asset rights of use and related lease liabilities have been a new reporting category since 2019, with their valuations based on the estimated lease term, which for many leases (particularly those for an indefinite period) represents estimates that may be subject to future correction (lengthening, shortening). The valuation of the lease liability and the rights to use the assets is based on the present value of the expected lease payments and the borrowing interest rate is used for the calculation. In the event of any modification to the lease, the conversion will be subject to revision using the current borrowing rate.

c) Expected credit loss to receivables

Before the customer is offered standard payment and delivery terms, the customer goes through an individual credit rating. This rating takes into account external ratings and other referrals from specialised companies. Trade receivables are reviewed on an ongoing basis for any impairment loss using the expected loss model (ECL). The model classifies receivables according to the degree of their collateral and models potential losses by reference to the development of actual losses in previous periods. The value of losses calculated in this way is not significant in relation to the volume of receivables. The year-on-year evolution of losses is negligible.

d) Income taxes

The Company reports due tax liabilities as at 31 December 2022. It already used tax losses from prior periods. The reported deferred tax receivable is calculated from the current differences of the accounting and tax carrying amounts.

Deferred tax is measured using tax rates that arise from the applicable tax legislation, which may be amended in the future without the Company's influence and may result in a change in the amount of deferred tax. The actual tax impact may in the future be different from current estimates caused either by a change in the tax law or by a change in the Company's business conduct.

e) Litigation and other legal disputes

The Company, in the context of its business activities, is part of court and other legal disputes for which it evaluates their recognition and/or disclosure in the financial statements. In most cases, it acts as a plaintiff, and in the successful conclusion of the dispute, the Company may incur cash payments. In these cases, the Company only charges the dispute when the dispute is terminated.

If the Company is in the position of the defendant, it recognises a provision if there is a present obligation arising from a past event, its settlement is probable and the amount of the settlement is reliably measurable. If these conditions are not met, the Company considers disclosure of a contingent liability in the notes to the financial statements if its potential impact on the Company would be material. Liabilities that result from published contingent liabilities or even those not recognised and disclosed in the financial statements may have a material impact on the Company's financial position, therefore the Company continuously evaluates on-going and unresolved court and other legal disputes. The Company´s management cooperates with legal counsel and results in a decision to recognise a provision or to disclose a contingent liability or conditional asset, if the Company is a party to the claimant's claim.

f) Provisions

Provisions are recognised when, as a result of a past event, the Company has a legal or contractual obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. At the same time, there must be a reasonable estimate of the amount that can achieve the commitment.

If the Company expects a reimbursement of some or all of the cost of creation of provisions by another party, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the Company will fulfil its commitment. The reimbursement amount shall not exceed the amount of the provision.

The total amount of created provisions amounts to CZK 455 million and represents a probable future liability of the Company, which may be corrected in the future, either by the inaccuracy of the estimates (especially for the provision for the removal of old environmental burdens) or by the elimination of the liability depending on the outcome of litigation.

5. PROPERTY, PLANT AND EQUIPMENT

Acquisition price

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance as at 1 January 2022	1 973 785	2 584 804	196	252 261	4 811 046
Additions	3 428	43 416	0	346 625	393 469
Disposals	-87 546	-197 668	0	-181 103	-466 317
Transfers to investment property	-17 670	0	0	0	-17 670
Transfers	35 320	54 225	0	-89 545	0
As at 31 December 2022	1 907 317	2 484 774	196	328 238	4 720 525

Accumulated depreciation

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2022	-1 128 089	-2 322 276	0	0	-3 450 365
Depreciation	-24 428	-40 800	0	0	-65 228
Disposals	75 013	172 702	0	0	247 715
Transfers to investment property	-5 514	0	0	0	-5 514
As at 31 December 2022	-1 083 018	-2 190 374	0	0	-3 273 392

Allowances

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2022	-40 806	-12 797	0	-20 542	-74 145
Additions to allowances	0	0	0	0	0
Utilisation of allowances	6 264	5 934	0	20 542	32 740
As at 31 December 2022	-34 542	-6 863	0	0	-41 405

Net book value

	TCZK	TCZK	TCZK	TCZK	TCZK
As at 1 January 2022	804 890	249 731	196	231 719	1 286 536
As at 31 December 2022	789 757	287 540	196	328 238	1 405 731

Comparative period information:

Acquisition price	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	1 972 143	2 687 206	196	145 061	4 804 606
Additions	0	0	0	213 715	213 715
Disposals	-21 269	-178 192	0	-15 439	-214 900
Transfers to investment property	7 625	0	0	0	7 625
Transfers	15 286	75 790	0	-91 076	0
As at 31 December 2022	1 973 785	2 584 804	196	252 261	4 811 046

Accumulated depreciation	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	-1 113 575	-2 454 748	0	0	-3 568 323
Depreciation	-36 247	-28 506	0	0	-64 753
Disposals	30 598	160 978	0	0	191 576
Transfers to investment property	-8 865	0	0	0	-8 865
As at 31 December 2021	-1 128 089	-2 322 276	0	0	-3 450 365

Allowances	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	-40 812	-15 248	0	-20 541	-76 601
Additions to allowances	0	0	0	0	0
Utilisation of allowances	6	2 451	0	0	2 457
As at 31 December 2021	-40 806	-12 797	0	-20 542	-74 145

Net book value					
	TCZK	TCZK	TCZK	TCZK	TCZK
As at 1 January 2021	817 756	217 210	196	124 520	1 159 682
As at 31 December 2021	804 890	249 731	196	231 719	1 286 536

The Company's assets are pledged on the basis of a pledge agreement for the enterprise to the benefit of secured creditors.

6. INVESTMENT PROPERTY

Leased assets primarily comprise land, which are separated from freely accessible areas as it is located inside guarded premises. The land is developed with strictly purpose-built chemical technologies and is part of, or adjacent to, areas that are affected by chemical production. The Company primarily leases real estate to subsidiaries, especially for specific properties within the production complex in Ústí nad Labem. Due to the nature and especially the location inside the production site, alternative market use is limited.

	Acquisition price	Accumulated depreciation	Net book value
	TCZK	TCZK	TCZK
Balance as at 1 January 2022	460 199	-254 195	206 004
Depreciation	0	-10 128	-10 128
Transfer from Property, plant and equipment	17 670	5 514	23 184
As at 31 December 2022	477 869	-258 809	219 060

Comparative period information:

	Acquisition price	Accumulated depreciation	Net book value
	TCZK	TCZK	TCZK
Balance as at 1 January 2021	467 824	-253 801	214 023
Depreciation	0	-9 259	-9 259
Transfer from Property, plant and equipment	-7 625	8 865	1 240
As at 31 December 2021	460 199	-254 195	206 004

Attributable items to the statement of comprehensive income:

	31 December 2022	31 December 2021
	TCZK	TCZK
Rental income	66 530	67 386
Depreciation	-10 128	-9 259
Direct operating costs (maintenance)	-8 175	-8 097
Operating profit associated with investment property	48 227	50 030

At the time of the adoption of IAS 40, the Company concluded that the fair value of its investment property cannot be reliably determined. This is due to there being no comparable market transactions. Investment property is therefore stated at cost or amortised cost.

As at 31 December 2022, as for properties leased to subsidiaries, investment property comprises real estate at cost of TCZK 337 170 (2021: TCZK 359 050) and at amortised cost of TCZK 159 014 (2021: TCZK 171 330) included in the above total balance. The most important is the contract with CHS Epi, a.s., in which real estate is leased at an amortised cost of TCZK 143 199 (2021: TCZK 155 515).

7. INTANGIBLE ASSETS

Acquisition price	Licenses and patents	Software	Under construction	Total
	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2022	63 072	4 686	16 390	84 148
Additions	0	0	152	152
Disposals	-6 847	-782	-7 311	-14 940
Transfers	3 579	0	-3 579	0
Balance as at 31 December 2022	59 803	3 904	5 652	69 360

Accumulated amortisation	Licenses and patents	Software	Under construction	Total
	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2022	-43 608	-4 618	0	-48 226
Amortisation	-2 964	-37		-3 001
Disposals	601	751		1 352
Balance as at 31 December 2022	-45 971	-3 904	0	-49 875

Net book value	TCZK	TCZK	TCZK	TCZK
As at 1 January 2022	19 464	68	16 390	35 922
As at 31 December 2022	13 833	0	5 652	19 485

Comparative period information:

Acquisition price	Licenses and patents	Software	Under construction	Total
	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	56 283	4 686	17 398	78 367
Additions	0	0	9 127	9 127
Disposals	-1 125	0	-2 221	-3 346
Transfers	7 914	0	-7 914	0
Balance as at 31 December 2021	63 072	4 686	16 390	84 148

Accumulated amortisation	Licenses and patents	Software	Under construction	Total
	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	-41 800	-4 523	-1 500	-47 823
Amortisation	-2 933	-95	0	-3 028
Disposals	1 125	0	1 500	2 625
Balance as at 31 December 2021	-43 608	-4 618	0	-48 226

Net book value	TCZK	TCZK	TCZK	TCZK
As at 1 January 2021	14 483	163	15 898	30 544
As at 31 December 2021	19 464	68	16 390	35 922

8. RIGHTS OF USE

Net book value	Buildings and structures	Railway cars	Cars	Other	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2022	2 180	27 350	0	14 683	44 213
Amortisation	-1 402	-5 635	0	-7 916	-14 953
Balance as at 31 December 2022	778	21 715	0	6 767	29 260

Comparative period information:

Net book value	Buildings and structures	Railway cars	Cars	Other	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2021	4 907	32 985	0	22 597	60 489
Amortisation	-2 727	-5 635	0	-7 914	-16 276
Balance as at 31 December 2021	2 180	27 350	0	14 683	44 213

Attributable items to the statement of comprehensive income:

	31 December 2022	31 December 2021
	TCZK	TCZK
Amortisation	-14 953	-16 276
Interest on the lease liability	-1 817	-2 483
Short-term lease costs	-43 660	-37 745
Total	-60 430	-56 504

The Company records the following related lease liabilities:

	31 December 2022	31 December 2021
	TCZK	TCZK
Short-term balance of lease liability	14 515	15 585
Long-term balance of lease liability	15 996	30 204
Total	30 511	45 789

In 2022, lease liabilities of TCZK 29 195 were paid (in 2021: TCZK 30 791).

9. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2022	Share in share capital	Acquisition cost	Impairment losses	Carrying amount of share	Equity
	%	TCZK	TCZK	TCZK	TCZK
EPISPOL, a.s.	100	347 131	0	347 131	592 764
CHS Epi, a.s.	100	180 447	0	180 447	107 135
SYNPO, akciová společnost	100	43 921	0	43 921	54 705
SPOLCHEMIE N.V.	100	1 185	0	1 185	2 361
SPOLCHEMIE Electrolysis, a.s.	100	252 000	0	252 000	807 932
SPOLCHEMIE Green Energy, a.s.	100	2 000	0	2 000	1 958
SPOLCHEMIE Hydrogen, a.s.	100	2 000	0	2 000	1 884
CSS, a.s.	100	17 656	-6 689	10 967	9 716
Total	x	846 340	-6 689	839 651	x

Changes in structure of investments into subsidiaries

In 2022, the Company increased the share capital of EPISPOL, a.s. by TCZK 270 976.
The issue price was paid by a non-monetary contribution with a carrying amount of TCZK 14 884.
In 2022, the Company renamed SPOLCHEMIE Precursors 2, a.s. to SPOLCHEMIE Hydrogen, a.s. and SPOLCHEMIE Precursors, a.s. to SPOLCHEMIE Green Energy, a.s.

Registered offices of companies included in ownership interests:

EPISPOL, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01
CHS Epi, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 32
SYNPO, akciová společnost	Pardubice - Zelené Předměstí, S. K. Neumanna 1316, postal code 532 07
SPOLCHEMIE N.V.	Radarweg 29, 1043 NX, Amsterdam, Kingdom of the Netherlands
SPOLCHEMIE Electrolysis, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 32
SPOLCHEMIE Green Energy, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01
SPOLCHEMIE Hydrogen, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01
CSS, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01

K 31. prosinci 2021	Share in share capital	Acquisition cost	Impairment losses	Carrying amount of share	Equity
	%	TCZK	TCZK	TCZK	TCZK
EPISPOL, a.s.	100	332 247	0	332 247	318 462
CHS Epi, a.s.	100	180 447	0	180 447	94 440
SYNPO, akciová společnost	100	43 921	0	43 921	53 235
SPOLCHEMIE N.V.	100	1 185	0	1 185	11 430
SPOLCHEMIE Electrolysis, a.s.	100	252 000	0	252 000	659 339
SPOLCHEMIE Precursors, a.s.	100	2 000	0	2 000	1 986
SPOLCHEMIE Precursors 2, a.s.	100	2 000	0	2 000	1 900
CSS, a.s.	100	17 656	-6 689	10 967	7 714
Total	x	831 456	-6 689	824 767	x

10. PROVIDED LOANS AND OTHER LONG-TERM RECEIVABLES

	31 December 2022 TCZK	31 December 2021 TCZK
SPOLCHEMIE Zebra, a.s.	331 406	0
SPOLCHEMIE SK, s.r.o.	154 521	153 327
EPISPOL, a.s.	67 379	0
CHS Epi, a.s.	70 184	0
ISTROKAPITAL, a.s.	11 671	13 031
SPOLCHEMIE Distribution, a.s.	14 955	14 792
Total	650 116	181 150
of which long-term	331 406	13 031
of which short-term	318 710	168 119

In 2022, the Company concluded a loan agreement with SPOLCHEMIE Zebra, a.s. under which funds have been gradually provided to pay investment expenditures on the Zebra project. The liabilities under this loan are subordinated to liabilities from the Zebra project to Česká spořitelna, a.s., and therefore the liabilities under this loan are classified as non-current as at 31 December 2022.

In 2021, the Company concluded two loan agreements with SPOLCHEMIE SK, s. r. o., under which loans totalling EUR 6 million were provided. The maturity of the loans, incl. accessories, is agreed for 31 December 2023. In the event of the risk that the Debtor would not pay its liabilities in a due and timely manner, KAPRAIN CHEMICALS LIMITED is prepared to conclude a contract to transfer the debt with the Company under standard conditions and for payment in the amount of the nominal value of the debt.

In 2022, the Company concluded a loan agreement with EPISPOL, a.s., under which a short-term loan of TCZK 67 379 was granted for the early repayment of a liability to AB-Credit, a.s. As the maturity date of this receivable is 30 June 2023, this receivable is recognised as short-term.

In 2022, the Company concluded a loan agreement with CHS EPI, a.s., under which a short-term loan of TCZK 70 212 was granted for the early repayment of the liability to AB-Credit, a.s. As the maturity date of this receivable is 30 June 2023, this receivable is recognised as short-term.

11. INVENTORIES

	31 December 2022 TCZK	31 December 2021 TCZK
Material	432 439	525 924
Finished goods	667 909	453 498
Goods for resale	46	4
Carrying amount	1 100 394	979 426

The gross amount of inventories as at 31 December 2022 amounted to TCZK 1 120 273 (2021: TCZK 996 680).
The amount of inventories charged to cost in 2022 is TCZK 8 026 699 (2021: TCZK 5 795 857).

12. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

	31 December 2022 TCZK	31 December 2021 TCZK
Trade receivables (gross)	1 416 847	1 494 067
Expected credit loss	-41 335	-41 968
Total	1 375 512	1 452 099

Other short-term receivables (net)

	31 December 2022 TCZK	31 December 2021 TCZK
Tax receivables	70 099	60 918
Other	49 602	91 336
Total	119 701	152 254

Tax receivables primarily represent excessive VAT deductions by the Czech tax authorities. The Company is convinced of the recoverability of the aforementioned receivables.

The applied loss rate is 0.1%.
The credit risk analysis is described in the section on financial risk management.

13. CASH AND CASH EQUIVALENTS

	31 December 2022 TCZK	31 December 2021 TCZK
Bank accounts	1 423 078	512 631
Cash in hand	445	254
Total	1 423 523	512 885

14. SHARE CAPITAL AND RESERVES

Authorised and issued shares:

	Number	31 December 2022 TCZK	Number	31 December 2021 TCZK
Ordinary shares with a nominal value of CZK 185, fully paid	3 878 816	717 581	3 878 816	717 581

Issued shares

As at 11 December 2007, the Company had issued 3 878 816 ordinary certificated bearer shares at the nominal value of CZK 500 per share. In 2020, the nominal value of shares was reduced to CZK 185 as decided by the general meeting in December 2019.

The Company recorded no receivables as at 31 December 2022 or 31 December 2021 for the subscribed share capital; the share issue was fully paid. None of the entities controlled by the Company or companies in which the Company has property participation own any shares of the Company.

Change in the form of shares from 1 January 2014

As at 1 January 2014, certified bearer shares that are not immobilised, i.e. including those issued by the Company, are automatically transformed into certified registered shares pursuant to Act no. 134/2013 Coll., on Some Measures to Increase the Transparency of Joint-Stock Companies and on the amendment of other laws.

Squeeze out of shareholders

On 29 September 2021, the Company's general meeting decided to transfer all the Company's shares to the main shareholder, KAPRAIN CHEMICAL LIMITED, pursuant to Section 375 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act), as later amended. The Company's general meeting awarded former shareholders whose shares were transferred to the main shareholder a consideration in the amount pursuant to the expert opinion for each individual ordinary share. In connection with this decision of the Company's General Meeting, KAPRAIN CHEMICAL LIMITED became the sole shareholder of the Company as of 20 November 2021.

Shareholders

As at 31 December 2022 and 31 December 2021, the sole shareholder of the Company was KAPRAIN CHEMICAL LIMITED.

Articles of association

The general meeting of the Company held on 16 August 2019 adopted a decision on the subordination of the Company to the Business Corporations Act as a whole pursuant to Section 777 (5) of the Business Corporations Act. On 21 July 2022, the sole shareholder of the Company exercising the powers of the general meeting decided on changes in the Company's articles of association. A major change was the transition from the dualistic system of the Company's internal structure to a monistic system.

15. PROVISIONS

	Litigations and environmental burdens	Employee benefits	Total
Balance as at 1 January 2022	387 320	30 783	418 103
Additions	34 956	27 037	61 993
Utilisation	0	-18 702	-18 702
Release	-3 250	-3 633	-6 883
Balance as at 31 December 2022	419 026	35 485	454 511
- of which short-term provisions	40 500	28 358	68 858
- of which long-term provisions	378 526	7 127	385 653

Provision for the removal of historical environmental burdens

The Company has a contract with the National Property Fund (since 2006 the Ministry of Finance of the Czech Republic, referred to as the “MF”), in which the MF has undertaken to cover the cost of removing old environmental burdens identified as at the date of privatisation of up to TCZK 2 900 000. So far, a total of TCZK 2 792 696 was spent for these purposes, of which TCZK 1 021 348 was spent to complete the landfill remediation in Chabařovice. Soil remediation of the Company’s manufacturing facility is currently being carried out.

In view of various factors (including the rising inflation rate in the Czech Republic), the Company concluded that the existing amount of the environmental guarantee may not be sufficient for the remediation of the environmental burdens, and therefore, after unsuccessful negotiations with the Ministry of Finance, it filed a declaratory action against the Ministry of Finance before the District Court for Prague 1, primarily seeking a determination that the VAT paid or to be paid to the remediation contractors, which is also a revenue of the state budget, cannot be counted towards the use of the environmental guarantee. Spolek therefore seeks a declaration that the remaining unspent amount of the state guarantee is in fact higher than that recorded by the Ministry of Finance. The District Court for Prague 1 dismissed the Company’s action in August 2022. An appeal was lodged against the decision of the court of the first instance by the Company, which was dismissed by the Municipal Court in Prague in March 2023. The Company is prepared to appeal against the decision to the Supreme Court.

In the event that the expenditure on the remediation of old environmental burdens exceeds the level of the state guarantee, the Company would be obliged to cover such an expense from its own resources. The quantification of such a potential liability is very complex in the current situation as it depends on a large number of variable factors (the outcome of the litigation initiated by the Company, the method and extent of the remediation of the remaining environmental burdens, the timing of the commencement and implementation of the remediation work).

Therefore, the Company works with regularly updated estimates of the cost of such construction works, which it compares to the remaining amount of the environmental guarantee as deemed by the MF. The Company now estimates this difference to be approximately CZK 300 million. In view of this fact, the Company’s Board of Directors has decided to create a provision for this potential liability. Remediation works should be done from 2023 to 2025.

Litigations

A significant part of long-term provisions is the provision for the performance estimated from the legal dispute over the payment of the submitted promissory note of TCZK 40 116. The provision comprises the amount of the promissory note plus interest and estimated costs of court proceedings and totals TCZK 62 661 (as at 31 December 2021: TCZK 60 254). In 2017, the Company was informed of the issuance of a judicial order to pay the promissory note issued by the Company for TCZK

40 116. The application for the judicial order was filed by Aleš Klaudy, insolvency administrator of debtor VIAMONT a.s., ID: 646 51 711.

On 29 October 2018, the Regional Court in Ústí nad Labem issued a ruling which confirmed the validity of the judicial order to pay the promissory note, though on the Company's appeal, the High Court in Prague ruled to annul the decision of the Regional Court in Ústí nad Labem in 2019 and returned the case to it for further consideration. On 22 November 2021, the Regional Court in Ústí nad Labem issued a new decision in which it annulled the judicial order to pay the promissory note in its entirety and awarded the Company compensation for the costs of the proceedings. In the grounds for its judgement, the court fully agreed with the Company's argument that the promissory note in question was a secured promissory note and that the secured obligation had lapsed many years ago. The plaintiff appealed the case and the court of appeal set aside the judgement of the court of first instance on 19 May 2022 and remitted the case back to the court of first instance for further proceedings. At a hearing held on 13 February, the court of first instance again dismissed the action. The plaintiff again appealed that decision.

Back in 2017, the Company created a provision for potential risk arising from a legal dispute over the payment of the submitted promissory note, in full, including accessories.

As the dispute is not likely to be closed before the end of 2023, the Company recognised the provision as long-term.

Employee benefits
The Company creates long-term provisions for employee benefits, to which the Company has committed itself in a collective agreement. These are the one-off bonuses paid to employees on retirement, that are expected to be paid more than 12 months after the balance sheet date. At the end of 2022, the long-term portion of the provision amounted to TCZK 7 040 (2021: TCZK 11 633).

Short-term provisions for employee benefits represent provisions for remuneration for 2022 and part of the one-off remuneration paid to employees upon retirement, which is expected to be paid during 2023.

16. CURRENT LIABILITIES – TRADE AND OTHER LIABILITIES

	31 December 2022	31 December 2021
	TCZK	TCZK
Trade		
Trade payables	1 009 225	911 460
Accrued expenses	2 439	3 080
Accrued revenues	46 248	387
Estimated payables	429 176	86 079
Total trade	*1 487 088*	*1 001 006*
Other		
Liabilities to employees	20 228	18 780
Social security liabilities	6 915	6 246
Health insurance liabilities	3 823	3 453
Tax liabilities	2 858	3 159
Total other	*33 824*	*31 638*
Total	1 520 912	1 032 644

Trade payables breakdown according to their maturity

	31 December 2022	31 December 2021
	TCZK	TCZK
Due	1 009 191	911 230
1-90 days overdue	35	230
90-180 days overdue	0	0
180-360 days overdue	0	0
More than 360 days overdue	0	0
Total	1 009 225	911 460

The Company practically reports no overdue payables and maintains an excellent payment behaviour towards its suppliers. The exceptions are usually invoices sent late that are still due in 2022

17. LIABILITIES FROM NON-BANK LOANS

As at 31 December 2022, the Company does not record any bank loans. The original bank loans were already assumed by non-bank creditors AB-CREDIT a.s. and ISTROKAPITAL, a.s.

Since 2009, a pledge has been established on the Company's company to secure loan receivables originally from bank creditors (in addition to individual collateral). These banking positions, as mentioned above, are held by the creditors AB-CREDIT, a.s. and ISTROKAPITAL, a.s. As this is a pledge of the entire company, the pledge amount comprises its consolidated equity.

An analysis of currency and interest rate risks is presented in the section on financial risk management.

Meeting conditions of bank loans (covenants)

The Company, together with EPISPOL, CHS Epi and SPOLCHEMIE Electrolysis (these companies are members of the Group) must comply with selected financial indicators (EBITDA, Equity ratio, DSCR, Default rate, and CAPEX) in accordance with the loan contracts. These indicators are calculated based on the simplified consolidation of the above companies. The calculation of financial indicators was carried out with a satisfactory result and in 2022, as well as 2021, all required minimum values of indicators were met.

As at 31 December 2022, the Company recognised short-term and long-term non-bank loans of TCZK 671 982 (2021: TCZK 1 291 796) from the following companies:

	31 December 2022 TCZK	31 December 2021 TCZK
AB - CREDIT a.s.	32 570	467 682
ISTROKAPITAL, a.s.	583 408	724 383
KAPRAIN CHEMICAL LIMITED	0	30 180
Non-bank loan 1	51 256	61 251
Non-bank loan 2	4 362	7 117
Other liabilities	386	1 153
Total	671 982	1 291 766
of which short-term balance	21 245	153 439
of which long-term balance	650 737	1 138 327

During 2022, early repayments were made thanks to the Company's improved performance, and thus the liabilities to AB-CREDIT were significantly reduced. As at 31 December 2022, the liabilities to this creditor are classified as non-current.

The second significant creditor is ISTROKAPITAL, a.s. Under the concluded agreements, repayment schedules with annual instalments and a final maturity of 30 September 2032 have been agreed. In light of this, the liabilities amounting to the instalments from 2024 to 2032 were classified as non-current as at 31 December 2022.

As at 31 December 2022, AB-Credit a.s. represent companies related in terms of property or personnel.

Non-bank loan 1: In 2016, the Company entered into an agreement with a non-banking entity, the essence of which is the provision of funds secured by movable property. In accordance with the repayment schedule, the unpaid balance as at 31 December 2022 amounts to TCZK 51 256, including related interest, of which the short-term portion amounts to TCZK 10 553.

Non-bank loan 2: In 2019, the Company concluded a contract for work with a supplier for the implementation of the emergency connection of Spolek from Tovární Street of TCZK 12 109. The investment is financed by a supplier loan due in July 2024. In accordance with the repayment schedules, the unpaid balance as at 31 December 2022 amounts to TCZK 4 362.

18. LIABILITIES FROM THE AUCTION OF OWN SHARES

The Company records a liability from the payment of proceeds from auctions of the Company's shares. Three of these involuntary public auctions were held in 2019 and 2021. The auctions concerned the shares of shareholders who did not provide the Company with the legally required cooperation. The shareholders concerned are entitled to receive the auction proceeds (after offsetting the receivables created by the Company in connection with the auction) of which the individual shareholders have been notified.

19. FACTORING AND OTHER LIABILITIES

As at 31 December 2022, the Company records a balance of factoring and other liabilities of TCZK 134 588 (2021: TCZK 370 075), of which TCZK 0 (2021: TCZK 74 580) are long-term assets, and of which TCZK 122 303 (2021: TCZK 288 231) comprise payments received from the factoring of receivables.

20. ACCRUALS

In 2017, an agreement was reached on the strategic restructuring of the Company's total lending burden. The condition of signing an agreement on the restructuring of the loan burden with the creditor Poštová banka a.s. was the granting of a restructuring fee of TCZK 134 771. The remuneration represents additional borrowing costs, it has been capitalised to the principal of the loan and the total cost of the remuneration is accrued over the life of the loan agreement in the form of the effective interest rate of the loan in question. Prepaid borrowing costs are reported separately as long-term and short-term assets (deferred expenses). The balance of prepaid borrowing costs at 31 December 2022 totalled TCZK 55 069 (as at 31 December 2021: TCZK 65 421), with a long-term portion of TCZK 45 475 (as at 31 December 2021: TCZK 55 064).

21. REVENUES FROM PRODUCTS, GOODS AND SERVICES

Revenues from services mainly include revenues from the reinvoicing of energy and other services.

	31 December 2022	31 December 2021
Revenues from goods	5 415	28 662
Revenues from services	904 173	515 900
- of which revenues from reinvoicing of energy	*681 712*	*302 908*
Revenues from products	11 152 528	8 348 558
Total revenues	12 062 116	8 893 120

Revenues from products

2022	Domestic TCZK	Export TCZK	Total TCZK
Inorganics	1 470 770	3 013 236	4 484 006
Epoxy resins	274 082	5 431 990	5 706 072
Special epoxy resins	197 149	454 670	651 819
Alkyds	77 464	233 167	310 631
	2 019 465	9 133 063	11 152 528
Total revenues from products			

2021	Domestic TCZK	Export TCZK	Total TCZK
Inorganics	532 974	1 431 485	1 964 459
Epoxy resins	321 102	5 075 050	5 396 152
Special epoxy resins	201 492	484 355	685 847
Alkyds	74 370	227 730	302 100
Total revenues from products	1 129 938	7 218 620	8 348 558

Revenues from products – export in 2022

Country	Percentage of revenues – export	Revenues – export TCZK
Germany	TCZK	3 825 756
Italy	7,1	645 394
Poland	6,8	621 026
France	6,7	608 206
Austria	5,8	528 051
Spain	5,0	456 912
Belgium	2,8	259 380
Netherlands	2,8	253 271
Turkey	2,4	218 539
Sweden	2,1	194 697
Great Britain	1,8	160 692
USA	1,6	146 460
Slovakia	1,4	126 974
Great Britain	1,2	107 904
Slovenia	1,1	98 447
Other	9,5	881 354
Total	**100**	**9 133 063**

Revenues from products – export in 2021

Country	Percentage of revenues – export	Revenues – export TCZK
Germany	36,2	2 611 363
France	8,2	593 688
Poland	6,9	495 056
Italy	5,2	375 318
Austria	5,1	365 508
Spain	4,8	348 064
Turkey	4,3	307 744
Belgium	3,7	267 505
Netherlands	3,0	219 042
Great Britain	2,8	203 066
USA	2,5	177 344
Russia	2,4	175 359
Slovakia	1,5	107 713
Sweden	1,4	99 391
Croatia	1,4	98 786
Serbia	1,1	82 116
Ukraine	1,0	68 960
Other	8,6	622 597
Total	**100,0**	**7 218 620**

22. CONSUMPTION OF MATERIAL AND ENERGY

	31 December 2022 TCZK	31 December 2021 TCZK
Material consumption	4 958 378	3 835 634
Energy consumption	1 268 002	653 868
The expenses for the reprocessing of materials of Epispol, a.s., CHS-Epi, a.s., and Spolchemie Electrolysis, a.s.	2 019 429	1 432 899
Total	8 245 809	5 922 401

23. LOGISTICS, LEASES AND OTHER SERVICES

	31 December 2022 TCZK	31 December 2021 TCZK
Costs of short-term leases	43 660	37 745
Logistics services	269 491	245 082
Other services	285 409	233 503
Total	598 560	516 330

Costs of short-term leases mainly relate to railway wagons. These are short-term leases for which the Company used the exemption from the capitalization of the right-of-use leased asset.

24. PERSONNEL EXPENSES

Structure of personnel expenses

	31 December 2022 TCZK	31 December 2021 TCZK
Short-term employee benefits		
Wages and salaries	308 794	274 298
Bonuses to members of statutory and supervisory bodies	3 333	3 540
Social security and health insurance expenses	28 003	24 996
Other social expenses	1 037	942
Pension plans	77 340	69 834
Employee benefits for early termination of employment		
Severance pay	298	217
Total	418 805	373 827

Average number of employees, personnel expenses

	2022	2021
Total average number of employees	585	578
Total personnel expenses (TCZK)	418 805	373 827

The structure of personnel expenses of managers

	31 December 2022 TCZK	31 December 2021 TCZK
Wages and salaries	27 740	24 555
Health insurance premiums	2 580	2 282
Pension plans	4 347	3 803
Total	34 667	30 640

The Company only provides benefits to the members of the bodies in accordance with the concluded contracts of office.

Supplementary pension scheme

Since 2000, the Company has made contributions to the employees' supplementary pension plans with state insurance contributions. Since January 2014, the monthly individual contribution has been TCZK 1. In 2022, these contributions amounted to TCZK 4 455 (2021: TCZK 4 435).

The Company does not record any incurred or contracted pension liabilities to former members of statutory and supervisory bodies.

Employee benefits – early termination of employment

The Company pays out severance payments to employees whose employment was terminated for organisational reasons. In 2022, the Company paid out TCZK 298 (2021: TCZK 219) in severance pay.

25. OTHER OPERATING INCOME AND EXPENSES

Other operating income

	31 December 2022 TCZK	31 December 2021 TCZK
Change in allowances for receivables and inventories	633	0
Proceeds from the sale of property, plant and equipment	0	10 930
Profit from sale of purchased inventories	5 578	5 826
Damages	4 641	263
Other operating income	10 724	7 745
Total	21 576	24 764

Other operating expenses

	31 December 2022 TCZK	31 December 2021 TCZK
Creation of provisions and allowances	39 033	333 108
Insurance premiums	32 060	28 935
Taxes and fees	6 756	6 630
Losses from disposal of non-current assets	36 722	0
Write-off of receivables	0	173 230
Contributions and gifts	4 262	2 479
Other operating expenses	6 201	3 588
Total	125 034	547 970

26. FINANCIAL INCOME AND EXPENSES

Financial income

	2022 TCZK	2021 TCZK
Interest income		
- bank accounts	12 202	227
- other interest	11 560	5 803
Received dividends	0	303 969
Net foreign exchange gains on foreign currency transactions	15 414	17 889
Other financial income	1 026	815
Total	40 202	328 703

In 2021, the Company received the payment of dividends from EPISPOL, a.s. and CHS EPI, a.s. totalling TCZK 303 969. Other interest income in 2022 mainly consists of interest arising from a loan receivable provided in 2021 to SPOLCHEMIE SK, a.s. of TCZK 5 884 (in 2021: TCZK 4 204) and interest on a loan to SPOLCHEMIE Zebra, a.s. of TCZK 4 454.

Financial expenses

	2022 TCZK	2021 TCZK
Interest expenses		
- non-bank loans	124 664	51 826
- other interest	1 817	7 510
- interest expense from lease liabilities	3 108	6 169
Settlement of sale of license to Spolchemie N.V.	0	112 400
Factoring expenses	10 071	16 102
Other financial expenses	6 739	6 728
Total financial expenses	146 399	200 735

Income from financial derivatives
As the Company is a majority exporter, it has regular surplusses of euros which it has to convert to Czech crowns. With respect to euro developments, it regularly concludes term forward transactions to hedge these conversions against exchange rate depreciations.
Apart from the impact of the differences between the current exchange rate and the exchange rate of the conversions on gains, which is recorded in current foreign exchange differences, the Company translates the closed tranches to fair value. The impact of this translation is recorded in a separate line in the financial result.
As at 31 December 2022, the Company had thus hedged the future conversion in 2023 of MEUR 36. As at 31 December 2021, this amount was MEUR 45 at exchange rates ranging from 25.85 to 26.11 CZK/1 EUR.

Allowances for financial assets
The financial result for 2021 also includes the yield from the release of the allowance for the receivable from Spolchemie N.V. of TCZK 219 118.

27. INCOME TAX

	31 December 2022 TCZK	31 December 2021 TCZK
Current tax		
Previous periods	4 010	-1 113
Current year	-509 127	-360 696
Deferred tax		
Impact of changes in temporary differences	-4 509	48 687
Total income tax	-509 626	-313 142

Reconciliation of effective tax rate	31 December 2022 TCZK	31 December 2021 TCZK
Profit/loss before tax	**2 743 471**	**1 951 739**
Income tax rate	19%	19%
Income tax calculated	-521 259	-370 830
Impact of tax non-deductible expenses	-7 070	-99 499
Impact of tax-exempt income	18 703	157 188
Total calculated income tax	-509 626	-313 142
Effective income tax rate	18,58%	16,04%

The Company does not record any tax arrears with the locally competent tax authority.

Deferred tax

	Assets		**Liabilities**		**Changes**	
	2022	2021	2022	2021	2022/2021	2021/2020
Difference between the book and tax value of fixed assets	15 696	23 951	-57 240	-48 884	-16 611	-8 856
Inventories	3 777	3 278	0	0	499	933
Provisions	74 452	62 849	0	0	11 603	56 610
Deferred tax asset/liability	93 925	90 078	-57 240	-48 884	-4 509	48 687
Deferred tax balance recorded	36 685	41 194	x	x	x	x

As at 31 December 2022 and 2021, the Company does not record any usable tax losses from previous years.

28. RELATED PARTY TRANSACTIONS

The Company is involved in the following transactions with related parties:

Receivables and payables with related parties

	Receivables as at 31 December		Payables as at 31 December	
	2022	2021	2022	2021
Subsidiaries				
EPISPOL, a. s.	22 397	0	58 136	90 747
SPOLCHEMIE N.V.	170	0	0	0
SYNPO, akciová společnost	2 453	32	3 441	3 153
CHS Epi, a.s.	36 243	26 171	48 837	52 267
SPOLCHEMIE Electrolysis, a.s.	3 183	0	258 523	90 112
SPOLCHEMIE Distribution, a.s.	0	0	0	1
SPOLCHEMIE Precursors, a.s.	0	0	0	41
SPOLCHEMIE Zebra, a.s.	417	2	36 753	0
SPOLCHEMIE SK, s. r. o.	0	2 924	0	0
CSS, a.s.	5	419	5 071	0
Spolchemie, a.s.	231	191	0	0
Other related parties				
Fortischem, a.s.	1 367	1 672	20	526
Total	66 466	31 411	410 781	236 847

The Company’s payables are generated mainly from the purchase of services under the toll fee regime and other overhead services. The presented amounts include estimated payables. Trade receivables are not secured.

Loans provided to and received from related entities

	Provided loans as at 31 December		Received loans as at 31 December	
	2022	2021	2022	2021
AB – CREDIT a.s.	0	0	32 570	467 682
KAPRAIN CHEMICAL LIMITED	0	0	0	30 180
SPOLCHEMIE Zebra, a.s.	376 181	0	0	0
SPOLCHEMIE SK, s.r.o.	154 521	153 327	0	0
CHS Epi, a.s.	70 184	0	0	0
EPISPOL, a.s.	67 379	0	0	0
SPOLCHEMIE Distribution, a.s.	14 955	14 792	0	0
Total	683 220	168 119	32 570	497 862

Purchase and sales volumes with related parties

	Purchases		Sales	
	2022	2021	2022	2021
Subsidiaries				
SYNPO, akciová společnost	30 074	18 201	17 254	734
EPISPOL, a.s.	233 378	205 712	140 237	39 434
SPOLCHEMIE Electrolysis, a.s.	1 150 610	697 788	724 861	334 594
CHS Epi, a.s.	428 041	378 314	87 965	90 950
SPOLCHEMIE SK, s.r.o.	0	0	5 884	4 204
SPOLCHEMIE Distribution, a.s.	0	0	584	33
SPOLCHEMIE Zebra, a.s.	30 113	0	120 093	0
CSS, a.s.	39 620	33 927	2 582	2 476
Total of consolidated companies	1 911 836	1 333 942	1 099 460	472 425
Fortischem, a.s.	1 181	1 075	17 697	19 853
Total of other related parties	1 181	1 075	17 697	19 853
Total	1 931 017	1 335 017	1 117 157	492 278

The most significant volume is comprised of the mutual purchases and sales with three subsidiaries, i.e., EPISPOL, a.s., which produces low molecular weight epoxy resins for the Company, CHS Epi, a.s., which manufactures products for the Company in the field of chlorine chemistry and SPOLCHEMIE Electrolysis, a.s., which produces sodium and potassium lye. These companies operate in toll-fee mode. The company provides these companies with all the necessary infrastructure and administrative services.

Members of statutory and supervisory bodies, and members of management

In addition to bonuses, the Company also covers the liability insurance of members of statutory and supervisory bodies and management. In 2022, the Company paid TCZK 322 in liability insurance (2021: TCZK 268).

In 2022 and 2021, the Company's executives were not provided with any non-monetary benefits, with the exception of benefits included in contracts for the performance of functions. For more information, see the comments in Section 24. PERSONNEL EXPENSES

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

The overall risk management strategy seeks to minimise potential adverse effects on the Company's financial performance. In its activities, the Company faces the following financial risks:

a) Market risk
   a. Currency risk
   b. Commodity risk
b) Interest rate risk
c) Credit risk
d) Liquidity risk
e) Operating risk

(a) Market risk

The market risk for the Company is derived primarily from changes in market prices, interest rates, share prices or commodity prices and their impact on the firm's profits. The total exposure to market risk depends on the structure of profit and loss and the sensitivity of individual assets and liabilities to any changes in market prices.

a. Currency risk

Currency risk is the type of risk generated by the changing value of one currency against another currency. Because the Company exports and imports most of its production and material, it is exposed to currency risk, primarily with respect to the euro. The currency risk is significantly eliminated by natural hedging due to the Company´s sales and purchases of raw material and energy denominated in the same currency.

The Company has a financial market trading framework agreement with PPF banka, under which the Company enters into partial forward transactions to hedge against negative fluctuations in the EUR/CZK exchange rate. In 2022, the conversions undertaken totalled EUR 42 million at exchange rates ranging from CZK 24.65 to 26.11/EUR. Transactions totalling EUR 36 million at exchange rates ranging from CZK 25.85 to 26.11/EUR were entered into for 2023.

The Company seeks to maximise the natural form of currency hedging as the most effective form of currency risk elimination. Purchases of raw materials, as well as energy and services are made in euros, which increases the natural coverage of the risk of exchange rate changes resulting from movements in the EUR/CZK exchange rate. The volume of purchases in EUR for 2022 represented 57.0% of the volume of sales in EUR (2021: 56.7%).

The Company further eliminates the effect of currency risk by arranging part of the loan financing in EUR.

Receivable and payables classification by currency

As at 31 Dec 2022	CZK	EUR	USD	ostatní	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Receivables	548 815	1 733 182	6 987	2 683	2 291 667
Liabilities	1 555 384	1 591 694	14 642	200	3 161 920

As at 31 Dec 2021	CZK	EUR	USD	ostatní	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Receivables	365 153	1 519 811	89 498	3 395	1 977 857
Liabilities	1 885 253	1 623 957	25 449	0	3 534 659

As mentioned above, the Company's management seeks the natural hedging of the currency risk, including the actual settlement of receivables and payables.

Sensitivity analysis of financial instruments in foreign currency to changes in foreign exchange rates

The appreciation (depreciation) of the Czech crown by CZK 0.25 against EUR and USD, as described below, would result in an increase/decrease of the profit/loss as follows: The eventual strengthening of the EUR exchange rate, which has a negative impact on the economic result, is significantly neutralised by the neutral monetary hedging through forward trading (see above).

TCZK.	31 December 2022	31 December 2021
	TCZK	TCZK
Appreciation of EUR	58 474	37 188
Appreciation of USD	-85	729
Depreciation of EUR	73 541	61 782
Depreciation of USD	85	-729

b. Commodity risk

The Company is exposed to commodity risk arising from changes in the prices of raw materials and energy. The Company manages the commodity risk in a way that includes contractual agreements with customers to adjust the selling price if a change in the purchase price of raw materials and energy occurs.

(b) Interest rate risk

The interest rate risk arises from movements in market interest rates. The Company is exposed to changes in interest rates, particularly in the credit area, depending on the development of the announced interest rates.

The Company reports the following interest-bearing financial instruments as at the date of the financial statements:

Financial instruments with fixed interest rate	31 December 2022	31 December 2021
	TCZK	TCZK
Non-bank loans	671 982	1 254 470

Financial instruments with a variable interest rate	31 December 2022	31 December 2021
	TCZK	TCZK
Long-term receivables	250 462	0
Short-term receivables	307 039	168 119

Analýza citlivosti finančních nástrojů s pohyblivou úrokovou sazbou

A change of 100 basis points in the interest rate would increase or decrease profit as follows:

Financial instruments with a variable interest rate	31 December 2022	31 December 2021
	TCZK	TCZK
Sensitivity to cash flow – increase of interest rate	5 575	1 681
Sensitivity to cash flow – decrease of interest rate	-5 575	-1 681

Effective interest rate and evaluation analysis

The table shows the effective interest rates of interest-bearing financial assets and financial liabilities as at the balance sheet date and the periods in which they are revalued.

31 December 2022	Effective interest rate in %	Receivable/liability amount in TCZK	Future change in interest rate	Due date
Total receivables CZK	11,14	138 493	*	To 2032
Total receivables EUR	5,52	419 008	*	To 2032
Total interest-bearing receivables		557 501	*	To 2032
Total non-bank loans CZK	5,31	119 058	*	To 2032
Total non-bank loans EUR	2,99	548 562	*	To 2032
Total interest-bearing liabilities		667 620	*	To 2032

31.prosince 2021	Effective interest rate in %	Receivable/liability amount in TCZK	Future change in interest rate	Due date
Total interest-bearing receivables	3,56	168 119	*	31 December 2022
Total non-bank loans CZK	5,61	504 286	*	To 2032
Total non-bank loans EUR	3,61	750 184	*	To 2032
Total interest-bearing liabilities		1 254 470	*	30 September 2032

* No change is expected in the contractual interest rates. The current rate depends only on changes in the rates announced by central banks according to individual bank loan agreements.

In the event of breach of the specified obligations under the concluded amendments to the loan agreements, the creditors of ISTROKAPITAL a.s. and AB-Credit a.s. raise the interest rate by 2% p.a.

TCZK	Carrying value 2022	Fair value 2022	Carrying value 2021	Fair value 2021
	TCZK	TCZK	TCZK	TCZK
Trade receivables, other receivables without tax receivables, advances paid and accruals	1 878 101	1 870 912	1 807 650	1 807 650
Long-term receivables and accruals	413 566	394 963	109 289	109 289
Cash and cash equivalents	1 423 523	1 423 523	512 885	512 885
Non-bank loans	-671 982	-641 755	-1 311 438	-1 311 438
Unpaid interest on non-bank loans	0	0	-16 040	-16 040
Trade and other payables and advances	-1 689 213	-1 682 747	-893 088	-893 088
Total	1 353 995	1 364 896	209 258	209 258

(c) Credit risk

Credit risk is the risk arising from the inability or unwillingness of counterparties to honour their commitments. Counterparty (customer) solvency is the most important criterion that must be reviewed and evaluated periodically.

The Company has, within its internal credit policy, a defined strategy (internal rules and regulations) which ensures that products and services are sold to customers under appropriate terms and conditions. Before the customer is offered standard payment and delivery terms, the customer goes through a credit rating. This rating takes into account external ratings and other referrals from specialised companies. The Company also uses the services of a credit insurance firm, and insures the major part of its receivables. This insurance also minimises the negative impact of any expected credit risk. The evaluation and implementation of customer credit limits is carried out by the Finance Department (Credit Manager). The credit policy also includes rules against exceeding the credit limit or the deterioration of payment discipline.

The maximum exposure to credit risk as at the balance sheet date was as follows:

Net book value	31 December 2022	31 December 2021
	TCZK	TCZK
Long-term receivables	376 881	68 095
Trade receivables	1 375 512	1 452 099
Other receivables and advances	502 589	416 469
Cash	1 423 523	512 885
Total	3 678 505	2 449 548

The Company does not have any customer having more than a 10% share in the total balance of trade receivables.

Analysis of maturity of short-term trade receivables

	31 December 2022	Expected credit loss	31 December 2021	Expected credit loss
	TCZK	TCZK	TCZK	TCZK
Due	1 287 543	-6 854	1 408 937	-4 186
1-90 days overdue	95 216	-393	51 015	-3 667
91-180 days overdue	92	-92	13	-13
181-360 days overdue	22	-22	121	-122
More than 360 days overdue	33 974	-33 974	33 981	-33 981
Total	1 416 847	-41 335	1 494 067	-41 968
Net book value		1 375 512		1 452 099

Changes in impairment losses related to trade receivables

	31 December 2022	31 December 2021
	TCZK	TCZK
Balance as at 1 January	-41 968	-41 192
Creation of loss allowance	-6 204	-5 634
Release of loss allowance	6 833	4 828
Use of loss allowance – receivables write-off	4	30
Balance as at 31 December	-41 335	-41 968

The development and balance of accumulated impairment losses on loans granted is evident from the information provided in Note 10.

(d) Liquidity risk

Liquidity is the firm's ability to meet due financial obligations at any time. Liquidity risk is the potential possibility that the Company will not be able to meet its financial obligations at their maturity dates. Prudent liquidity management requires maintaining sufficient cash on hand and cash equivalents and the availability of funding through an adequate number of committed credit facilities.

To control the cost of their own products and services, the Company uses a method of cost allocation by activity, which allows the monitoring of cash flow requirements and optimises the return on investment.

In order to ensure sufficient liquidity to cover operating costs, the Company uses a standardised working capital management system, in particular receivables management and inventory optimisation. The Company also uses the services of factoring companies for portfolios of receivables with longer maturities to minimise tied funds.

The payment of the Company's liabilities according to their maturity including estimated interest payments is stated below:

As at 31 December 2022

	Contractual cash flows						
	Due or up to 2 months	2 -6 months	6 -12 months	1-2 years	2-5 years	Over 5 years	Total
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Loans	2 254	4 558	14 434	76 733	254 084	319 920	671 982
Lease liabilities	2 820	5 608	8 288	6 272	7 523	0	30 511
Other liabilities	1 217 924	772 357	9 656	216 458	222 723	20 309	2 459 427
Total	1 222 998	782 523	32 378	299 463	484 330	340 228	3 161 920

As at 31 December 2021

	Contractual cash flows						
	Due or up to 2 months	2 -6 months	6 -12 months	1-2 years	2-5 years	Over 5 years	Total
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Loans	32 527	4 535	116 449	170 884	570 507	396 864	1 291 766
Lease liabilities	2 844	5 772	6 969	14 631	15 573	0	45 789
Other liabilities	1 021 069	449 118	249 680	29 604	438 918	8 715	2 197 104
Total	1 056 440	459 425	373 098	215 119	1 024 998	405 579	3 534 659

(e) Operational risk

Operational risk is generally defined as the possibility of loss due to operational deficiencies and errors. In the narrower definition, operational risk is a risk arising from operating the firm's business activities. In a broader sense, operational risk includes all the risks that are not attributed to credit risk, market risk or liquidity risk.

The Company manages its operational and production risks to avoid financial losses and damage. These risks primarily relate to monitored depreciation (wear and tear) of the Company's machinery and equipment, the risks connected with shutdowns and insurance.

The effects of everyday use of equipment and machinery continually increase over time. Nevertheless, the Company prepares plans every year to carry out preventive maintenance and shutdowns to eliminate the risk of unplanned shutdowns. At the same time, regular maintenance is carried out according to pre-approved schedules during the operation of individual devices, which further reduces the risk of shutting down the technology due to a fault.

The Company continuously modernizes and optimizes individual operations both as part of routine maintenance and as part of the technical evaluation of existing technologies. This leads to more efficient and, last but not least, more environmentally-friendly production.

The Company has insurance coverage for most of its important assets (e.g., insurance for property and equipment and liability insurance) to cover most of the risks and major claims.

30. RESEARCH AND DEVELOPMENT

In 2022, the Company spent TCZK 49 978 (2021: TCZK 50 618) on research and development. Of this, in-house expenses on research and development activities amounted to TCZK 29 429 (2021: TCZK 32 615).

31. CAPITAL PLEDGES

Before the end of 2021, Spolek and its 100% controlled company SPOLCHEMIE Zebra, a.s. concluded a long-term business contract with a strategic foreign partner for the supply of precursors for the production of next generation chemicals. In this context, Spolek and SPOLCHEMIE Zebra undertook to build an operating unit for the production of these precursors with an initial investment budget of EUR 62 million. Total investment costs are partially funded by a foreign partner, a bank investment loan, and a loan granted by Spolek to SPOLCHEMIE Zebra, a.s. The return on this investment has been guaranteed by the aforementioned long-term sales contract. Spolek has contractually assumed responsibility for the successful construction of this operating unit, which is expected to be commissioned at the end of 2023.

32. CONTINGENT LIABILITIES

Provided guarantees

In 2021, the Company provided a guarantee for the liabilities of Fortischem, a.s. towards creditors MONDI SCP, a.s. and MONDI Štětí, a.s. up to TEUR 1 600. Fortischem, a.s. is a related party of the Company or an entity controlled by the same controlling entity.

In 2006, the Company provided its subsidiary EPISPOL, a.s. with a guarantee for an investment loan of up to TCZK 600 000. As at 31 December 2022, the unpaid part of the loan amounted to TCZK 10 015 (as at 31 December 2021: TCZK 142 288). The creditor of the receivable is AB – CREDIT a.s.

Based on the liability accession agreement concluded by the Company, SPOLCHEMIE Electrolysis, and Poštovní banka, a.s. in 2014, the Company acceded in full to the liabilities of SPOLCHEMIE Electrolysis to Poštovní banka, a.s. from the loan agreement for up to TEUR 32 000 and undertook to repay all debts under the said loan agreement jointly and severally with SPOLCHEMIE Electrolysis. The loan was drawn in 2015. The balance of the loan as at 31 December 2022 is TCZK 511 858 (as at 31 December 2021: TCZK 580 438). The creditor of the receivable is ISTROKAPITAL a.s.

Based on a debt accession agreement concluded by the Company, CHS Epi, and Raiffeisenbank a.s. in 2014, the Company acceded in full to all debts of CHS Epi to Raiffeisenbank a.s. from the loan agreement for up to TEUR 152 000 and undertook to repay all the debts under the said loan agreement jointly and severally with CHS Epi. The loan was drawn in 2015. The balance of the loan as at 31 December 2022 is TCZK 7 341 (as at 31 December 2021: TCZK 113 789). The creditor of the receivable is AB – CREDIT a.s.

SPOLCHEMIE Zebra, a.s.

At the end of 2021, and with the participation of the Company SPOLCHEMIE Zebra, a.s., concluded agreements with a strategic foreign partner, with subjects being the construction of a new production unit for the production of a new precursor and a long-term agreement on precursor supplies to the foreign partner. The Company as the originator of a newly patented technology assumed full responsibility to successfully complete the construction of the production unit. The construction has so far proceeded as planned.

As part of the arrangement on long-term precursor supplies, the Company assumed the guarantee for the supplies and potential payments associated with the breach of the obligation to supply a minimum binding amount of up to EUR 16 million a year. In addition, the potential liability of the Company is limited to EUR 30 million.

On 27 September 2022, SPOLCHEMIE Zebra and the Company concluded a loan agreement with Česká spořitelna, a.s., under which a loan is drawn to fund the construction of the production unit concerned. The maximum amount of the loan is EUR 50 million. The Company is a co-borrower of this loan together with SPOLCHEMIE Zebra, a.s.

Other contingent liabilities

The Company was informed that a lawsuit was filed against it at the District Court in Ústí nad Labem, in which JUDr. Ing. Martina Jinochová Matyášová, insolvency administrator of the debtor STZ a.s., ID: 27294099, demands the payment of a receivable of TCZK 200 000 with accessories from the Company. This is a receivable originally recorded by the Company as a liability to its former shareholder, Via Chem Group, on the grounds of a loan agreement dated 5 October 2009, the creditor of which has since become KAPRAIN CHEMICAL LIMITED. In 2021 and 2022, the Company paid off all of this debt to KAPRAIN CHEMICAL LIMITED.

On 6 October 2021, the District Court in Ústí nad Labem issued a judgement dismissing the insolvency administrator's action in its entirety. In the grounds for its judgement, the court fully agreed with the legal opinion of the Supreme Court expressed in a related dispute that the debtor STZ a.s. could never have incurred a claim against the Company in the past. The insolvency administrator filed an appeal against the judgement and on 15 November 2022, the court of appeal upheld the decision of the court of first instance. The insolvency administrator appealed the decision to the Supreme Court.

Management is not aware of any other significant contingent liabilities of the Company as at 31 December 2022.

33. SUBSEQUENT EVENTS

After the balance sheet date there were no events that were not specified in the previous points of these notes to the financial statements and that would have a significant impact on the financial statements as at 31 December 2022.

7 / REPORT ON RELATIONS

Report of the Board of Directors of
Spolek pro chemickou a hutní výrobu, akciová společnost,

on relations between the controlling entity and the controlled entity and between the controlled entity and the entities controlled by the same controlling entity for the accounting period of 2022
(„Report on Relations")
processed pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Companies and Cooperatives (Act on Business Corporations), as amended (hereinafter referred to as the "**ABC**")

The Board of Directors of **Spolek pro chemickou a hutní výrobu, akciová společnost**, with its registered office in Ústí nad Labem, Revoluční 1930/86, postal code 40032, ID number: 000 11 789, entered in the Commercial Register kept by the Regional Court in Ústí nad Labem, section B, insert 47, as a controlled company, prepared the following Report on Relations for the past accounting period from 1 January 2022 to 31 December 2022 (hereinafter referred to as the "**Decisive Period**").

1 Controlled entity

1.1 Controlled entity

The controlled entity is **Spolek pro chemickou a hutní výrobu, akciová společnost**, with its registered office in Ústí nad Labem, Revoluční 1930/86, postal code 40032, ID number: 000 11 789, entered in the Commercial Register kept by the Regional Court in Ústí nad Labem, section B, insert 47 (hereinafter referred to as the "**Controlled Entity**").

1.2 Controlling entity

According to the information available to the Board of Directors of the Controlled Entity acting with due diligence, the controlling entity of the Controlled Entity in the Decisive Period was **Ing. Karel Pražák**, with his residence at Otradovická 730/9, Kamýk, 142 00 Prague 4, date of birth 3 April 1969 (hereinafter referred to as the "**Controlling Entity**"), who, according to the information available to the Board of Directors of the Controlled Entity, controlled the Controlled Entity indirectly through **KAPRAIN CHEMICAL LIMITED**, with its registered office at Giannou Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 381813 (hereinafter referred to as "**KAPRAIN CHEMICAL**"), which in the Decisive Period exercised the voting rights with shares representing a 100% share in the voting rights of Spolek pro chemickou a hutní výrobu.

KAPRAIN CHEMICAL was controlled by the Controlling Entity indirectly through **KAPRAIN INDUSTRIAL HOLDING LIMITED**, with its registered office at Giannou Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 338896 (hereinafter referred to as "**KIHL**"), which in the Decisive Period exercised the voting rights with shares representing a 100% share in the voting rights in KAPRAIN CHEMICAL.

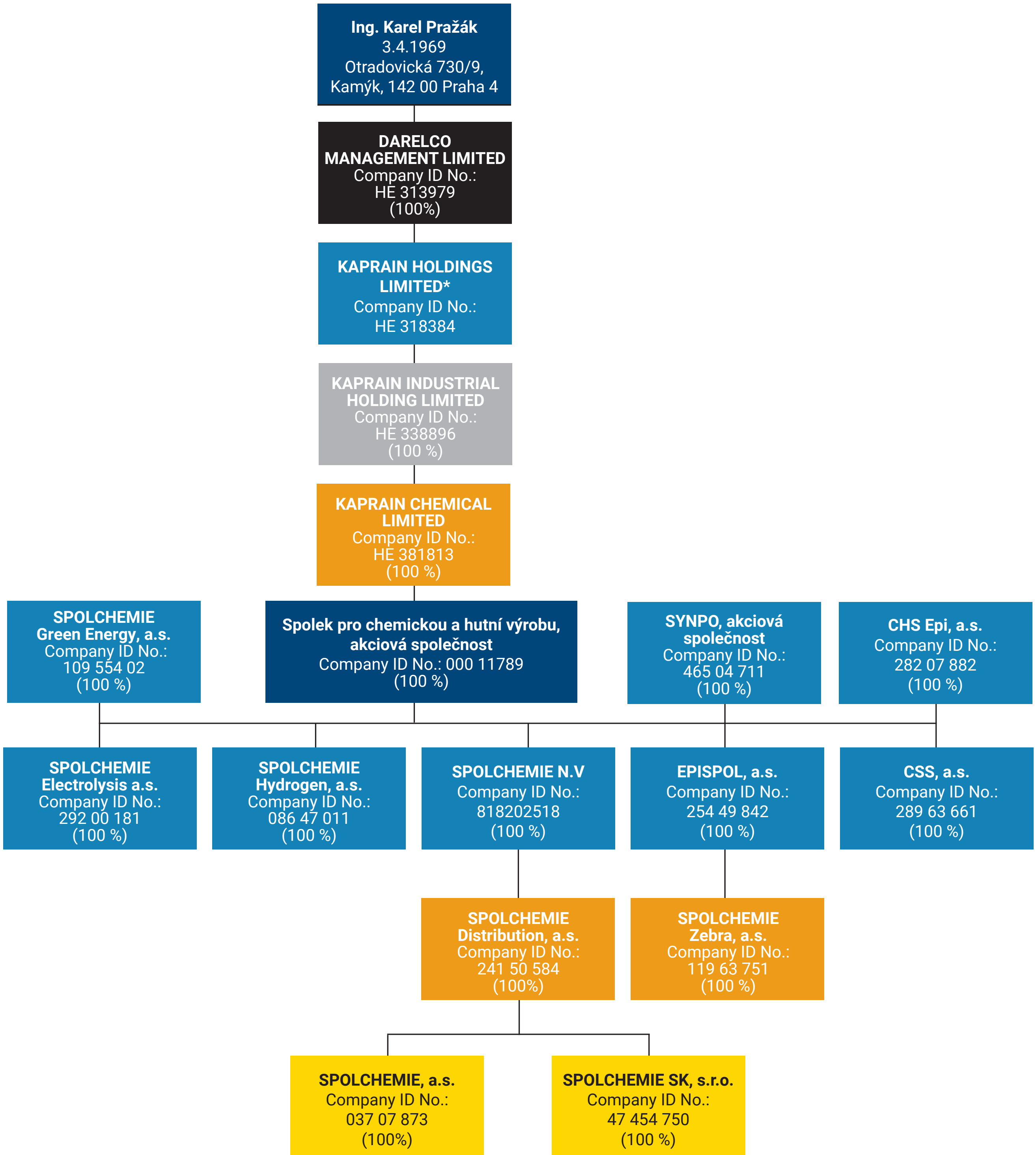
In the Decisive Period, KIHL was controlled by the Controlling Entity indirectly through **KAPRAIN HOLDINGS LIMITED**, with its registered office at Giannou Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 318384 (hereinafter referred to as "**KAPRAIN HOLDINGS**"), which in the Decisive Period exercised the voting rights with shares representing a 100% share in the voting rights in KIHL.

In the Decisive Period, KAPRAIN HOLDINGS was controlled by the Controlling Entity indirectly through **DARELCO MANAGEMENT LIMITED**, with its registered office at Giannou Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 313979 (hereinafter referred to as "**DARELCO**"), which was the sole shareholder of KAPRAIN HOLDINGS with voting rights in the Decisive Period.

In the Decisive Period, DARELCO was controlled by the Controlling Entity directly as the sole shareholder exercising the voting rights connected to its 100% share in DARELCO.

1.3 <u>Graphic depiction of relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and entities controlled by the same Controlling Entity</u>

In the diagram below, the relations between the individual entities in the structure of controlled relations are presented from the Controlling Entity to the Controlled Entity with the shares in the voting rights for the individual entities/companies as at 31 December 2022.



* DARELCO MANAGEMENT LIMITED is the sole shareholder of KAPRAIN HOLDINGS LIMITED with voting rights.

All the entities that were controlled by the same Controlling Entity during the Decisive Period are presented in Appendix no. 1 to this Report on Relations

2 Method and means of control in the Decisive Period

According to the information available to the Controlled Entity's Board of Directors, the Controlling Entity controlled the Controlled Entity indirectly through KAPRAIN CHEMICAL. KAPRAIN CHEMICAL was controlled by KIHL. KIHL was controlled by KAPRAIN HOLDINGS, which was controlled by DARELCO.

According to the information available to the Controlled Entity's Board of Directors, DARELCO was controlled directly by the Controlling Entity as the sole shareholder of DARELCO in the Decisive Period.

According to the information available to the Controlled Entity's Board of Directors, DARELCO was the sole shareholder of KAPRAIN HOLDINGS with voting rights in the Decisive Period.

During the Decisive Period, KAPRAIN HOLDINGS executed voting rights with shares representing a 100% share in the voting rights of KIHL.

During the Decisive Period, KIHL executed voting rights with shares representing a 100% share in the voting rights of KAPRAIN CHEMICAL.

During the Decisive Period, KAPRAIN CHEMICAL executed voting rights with shares representing a 100% share in the voting rights of Spolek pro chemickou a hutní výrobu.

3 The group of Spolek pro chemickou a hutní výrobu in the Decisive Period

The Controlled Entity is a managing entity of the group pursuant to Section 79 of the ABC, which included the following companies as managed entities during the Decisive Period.

Legal entity	Company ID No. (IČO):	from – to
SYNPO, akciová společnost Pardubice - Zelené Předměstí, S.K. Neumanna 1316, postal code 532 07	46504711	1/1/2022 – 31/12/2022
EPISPOL, a.s. Revoluční 1930/86, Ústí nad Labem – centrum, 400 01 Ústí nad Labem	25449842	1/1/2022 – 31/12/2022
SPOLCHEMIE Electrolysis a.s. Ústí nad Labem, Revoluční 1930/86, postal code 400 32	29200181	1/1/2022 – 31/12/2022
SPOLCHEMIE Hydrogen, a.s. (in the period to 23 March 2022 as SPOLCHEMIE Precursors 2, a.s.) Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	08647011	1/1/2022 – 31/12/2022
SPOLCHEMIE N.V. Radarweg 29, 1043 NX, Amsterdam, Kingdom of the Netherlands	818202518	1/1/2022 – 31/12/2022
SPOLCHEMIE Distribution, a.s. Revoluční 1930/86, Ústí nad Labem – centrum, 400 01 Ústí nad Labemm	24150584	1/1/2022 – 31/12/2022
CHS Epi, a.s. Ústí nad Labem, Revoluční 1930/86, postal code 400 32	28207882	1/1/2022 – 31/12/2022
SPOLCHEMIE, a.s. Prokopova 148/15, Žižkov, 130 00 Prague 3	03707873	1/1/2022 – 31/12/2022
CSS, a.s. Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	28963661	1/1/2022 – 31/12/2022
SPOLCHEMIE SK, s.r.o. Gagarinova 7/A Bratislava - Ružinov city district 821 03, Slovakia	47454750	1/1/2022 – 31/12/2022
SPOLCHEMIE Zebra, a.s. Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	11963751	1/1/2022 – 31/12/2022
SPOLCHEMIE Green Energy, a.s. (in the period to 25 February 2022 as SPOLCHEMIE Precursors, a.s.) Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	10955402	1/1/2022 – 31/12/2022

4 Role of the Controlled Entity in the structure of controlling relations in the Decisive Period

The Controlled Entity stands as a managing entity in the head of a group containing the companies specified in Article 3 of this Report of Relations. The top management of the Controlled Entity contributes to the management in other group companies and in the assertion of the group's interests through mandate and other contracts. The Controlled Entity is a manufacturer of synthetic resins and a wide range of chemical products from inorganic chemistry, using the other companies from the group for their production and processing.

5 Overview of actions taken at the initiative or in the interest of the Controlling Entity or entities controlled by the Controlling Entity showing the characteristics pursuant to Section 82 (2) (d) of the ABC

In the Decisive Period, the Controlled Entity paid a dividend of CZK 400 000 thousand to KAPRAIN CHEMICAL.

With the exception of the above, during the Decisive Period the Controlled Entity did not take any legal actions or other measures at the initiative of the Controlling Entity or entities controlled by the Controlling Entity that concern assets exceeding 10% of the Controlled Entity's equity ascertained according to the financial statements for the accounting period immediately preceding the accounting period for which the Report on Relations was prepared.

6 Overview of mutual contracts between the Controlled Entity and the Controlling Entity and between the Controlled Entity and entities controlled by the Controlling Entity

6.1 Contracts concluded between the Controlled Entity and the Controlling Entity that were valid in the Decisive Period:

No agreements were concluded between the Controlled Entity and the Controlling Entity that would be valid in the Decisive Period.

6.2 Contracts concluded between the Controlled Entity and the entities controlled by the Controlling Entity that were valid in the Decisive Period:

CSS, a.s.

- Contract for the provision of services dated 1 January 2011, as amended
- Contract for the lease of non-residential premises dated 2 January 2015
- Contract for the provision of IT services dated 1 June 2010
- Framework agreement on the regulation of mutual relations in contracting a leased vehicle dated 1 June 2010
- Contract for the provision of telecommunication services dated 29 March 2011
- Framework agreement on the regulation of mutual relations, rights, obligations and services dated 23 June 2010
- Mandate contract dated 1 November 2016
- Contract for the processing of personal data dated 25 May 2018

CHS Epi, a.s.

- Contract for the provision of services dated 25 September 2013
- Framework agreement on the regulation of mutual relations, rights, obligations and services dated 25 September 2013
- Service contract dated 30 September 2013
- Contract for the provision of maintenance services, inspection, planning and analytical activities and technical support of information systems for maintenance dated 30 September 2013
- Lease agreement dated 1 October 2013, as amended
- Lease agreement dated 1 October 2013
- Cooperation agreement dated 1 October 2013, as amended
- Framework contract for work dated 1 October 2013, as amended

- Intercreditor agreement dated 24 November 2014, as amended
- Contract for the accession to debt dated 24 November 2014
- Contract on the right to complete a note dated 24 November 2014
- Contract for the establishment of a pledge on receivables from insurance contracts dated 24 November 2014 (NZ 1019/2014)
- Contract for the establishment of a pledge on movables (inventories) dated 24 November 2014 (NZ 1021/2014)
- Mandate contract dated 1 November 2016, as amended
- Framework purchase agreement dated 21 November 2016
- Contract on mutual relations dated 1 August 2017
- Debt assumption and compensation agreement dated 15 September 2017
- Contract for the processing of personal data dated 25 May 2018
- Debt recognition and repayment agreement dated 31 December 2021
- Contract for the provision of services dated 20 December 2021, as amended
- Agreement on the terms of early payment of loan repayments dated 22 August 2022
- Loan agreement dated 12 December 2022

SPOLCHEMIE Distribution, a.s.

- Loan agreement dated 7 December 2021

SPOLCHEMIE Electrolysis, a.s.

- Lease agreement dated 1 December 2013, as amended
- Framework contract for work dated 8 April 2014, as amended
- Cooperation agreement dated 4 August 2014, as amended
- Intercreditor agreement dated 24 November 2014, as amended
- Framework agreement on the regulation of mutual relations, rights, obligations and services dated 9 November 2015
- Contract for the establishment of a pledge on receivables from insurance contracts dated 24 November 2014 (NZ 1018/2014)
- Contract for the establishment of a pledge on movables (inventories) dated 24 November 2014 (NZ 1020/2014)
- Mandate contract dated 1 November 2016, as amended
- Compensation agreement dated 15 September 2017
- Recognition of a debt (obligation), Agreement with permission to enforce this record dated 29 September 2017 (NZ 812/2017)
- Contract for the processing of personal data dated 25 May 2018
- Contract for the establishment of the right of construction dated 30 October 2019
- Energy supply agreement dated 20 December 2019
- Debt recognition and repayment agreement dated 31 December 2021
- Contract for the provision of services dated 20 December 2021, as amended

SYNPO, akciová společnost

- Contract for work dated 6 January 2022
- Contract for the protection of confidential information dated 30 August 2021
- Contract for the participation in a project solution dated 29 March 2021
- Licence agreement dated 11 January 2022
- Purchase agreement No.BRO7-22 dated 22 February 2022
- Purchase agreement No.BRO8-22 dated 22 February 2022
- Contract for production transfer and compensation dated 1 December 2022

EPISPOL, a.s.

- Guarantee agreement dated 15 September 2006
- Framework agreement on the regulation of mutual relations, rights, obligations, provision of services and adoption of the management system dated 1 October 2004
- Framework contract for work dated 7 December 2015
- Cooperation agreement dated 7 December 2015, as amended
- Mandate contract dated 1 November 2016, as amended
- Contract for the processing of personal data dated 25 May 2018
- Debt assumption and compensation agreement dated 15 September 2017
- Contract for the establishment of the right of construction dated 4 June 2020
- Contract for the protection of confidential information dated 20 June 2020
- Contract for the provision of services dated 20 December 2021
- Deposit agreement dated 21 February 2022
- Share subscription agreement dated 21 February 2022
- Loan agreement dated 12 December 2022
- Intercreditor agreement dated 15 December 2022

AB - CREDIT, a.s.

- Framework lease agreement dated 14 June 2004, as amended
- Lease agreement dated 11 May 2007, as amended
- Lease agreement dated 28 January 2008, as amended
- Lease agreement dated 1 July 2008, as amended
- Lease agreement dated 13 June 2008, as amended
- Debt recognition and repayment agreement dated 20 January 2021 (NZ 11/2021)
- Contract for the establishment of a pledge dated 31 July 2009 (NZ 313/2009)
- Pledge agreement dated 7 October 2008 (NZ 284/2008)
- Contract for the establishment of a mortgage on property dated 7 January 2008
- Contract for the establishment of a mortgage on property dated 5 March 2008
- Contract for the establishment of a pledge on receivables dated 14 June 2004
- Pledge agreement dated 20 June 2008 (NZ 173/2008)
- Pledge agreement dated 24 March 2009 (NZ 71/2009)
- Pledge agreement dated 20 October 2006 (NZ 283/2006)
- Contract for the establishment of a mortgage on property dated 13 June 2008
- Contract for the establishment of a mortgage on property dated 20 October 2006
- Contract for the establishment of a pledge on receivables dated 8 February 2005
- Property pledge agreement dated 11 August 2009
- Contract for the pledge of the rights to items of industrial property dated 31 July 2009
- Property mortgage agreement dated 31 July 2009
- Contract for the establishment of a pledge dated 30 September 2009 (NZ 376/2009)
- Agreement for exercising the right to complete a note dated 7 March 2008

SPOLCHEMIE SK, s.r.o

- Loan agreement dated 1 March 2021, as amended
- Loan agreement dated 23 April 2021, as amended

7 Evaluation of advantages, disadvantages and risks and any settlement of damage incurred by the Controlled Entity

The Controlled Entity mainly derives benefits from participation in the structure of the control relations. The main advantages lie in the strong financial background of the Group with more favourable access to financing, from which the Controlled Entity benefits mainly in concluding transactions with its suppliers, as well as in negotiations with banks and other lenders, thus reducing costs.

The Controlled Entity did not incur any disadvantages or risks from the relations that are the subject of this Report on Relations during the Decisive Period, nor has it suffered any damage from these relations.

Thus the settlement of damages pursuant to Sections 71 and 72 of the ABC is not taken into account.

8 8 Generalisation of information that comprises the subject of business secrets

The Board of Directors of the Controlled Entity states that any information that comprises the subject of the business secrets of the Controlling Entity, Controlled Entity, or other entities controlled by the Controlling Entity are generalised in the Report on Relations to an adequate extent corresponding to the purpose of the Report on Relations.

This report was prepared by the Board of Directors, as the statutory body of the Controlled Entity, on the basis of information that was known to the members of the Board of Directors, as persons acting with due professional care.

Ústí nad Labem, 31 March 2023

Spolek pro chemickou a hutní výrobu, akciová společnost

Ing. Pavel Jiroušek
Chairman of the Board of Directors

Ing. Daniel Tamchyna, MBA
Vice-Chairman of the Board of Directors

Appendix no. 1: List of companies directly or indirectly controlled by the same Controlling Entity during the Decisive Period

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled through
Darelco Management Limited	313979	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		Karel Pražák
KAPRAIN Holdings Limited	318384	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		Darelco Management Limited
KAPRAIN Financial Holding Limited	179241	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
KAPRAIN Real Estate Holding Limited	338897	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
KAPRAIN Industrial Holding Limited	338896	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
Fayvex Limited	1756022	British Virgin Islands	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
Jejomar Capital Limited	318224	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		Fayvex Limited
KAPRAIN Services a.s.	289 50 216	Czech Republic	Entity controlled by the same controlling entity through property shares		Jejomar Capital Limited
Kaprain Ice s.r.o.	108 24 723	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Services a.s.
Kaprain Ice Letňany s.r.o.	117 39 983	Czech Republic	Entity controlled by the same controlling entity through property shares		Kaprain Ice s.r.o.
Flowing Ice Compay s.r.o.	091 24 756	Czech Republic	Entity controlled by the same controlling entity through property shares	from 18/3/2022	Kaprain Ice s.r.o.
ICE CZECH LETŇANY a.s.	257 98 715	Czech Republic	Entity controlled by the same controlling entity through property shares	from 18/3/2022	Flowing Ice Company s.r.o.
ALS Investors, a.s.	079 05 149	Czech Republic	Entity controlled by the same controlling entity through property shares (75%)		Kaprain Ice s.r.o.

AR DELTA, a.s.	284 30 824	Czech Republic	Entity controlled by the same controlling entity through property shares (75%)		ALS Investors, a.s.
Credis Invest B.V.	34245967	The Netherlands	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
AB – CREDIT a. s.	405 22 610	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
CAVALET TRADE, s.r.o.	050 60 575	Czech Republic	Entity controlled by the same controlling entity through property shares		AB – CREDIT a. s.
CM – CREDIT a.s.	250 95 048	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
FORTISCHEM a.s.	46 693 874	Slovakia	Entity controlled by the same controlling entity through property shares		CM – CREDIT a.s.
CPP Strážov s.r.o.	46 358 421	Slovakia	Entity controlled by the same controlling entity through property shares	until 11/2/2022	FORTISCHEM a.s. (97%), CM – CREDIT a.s. (3%)
CP Inkaso s.r.o.	290 27 241	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
Alcathous Limited	264875	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
FEELSIDE LIMITED	403362	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		Alcathous Limited
Tritiaco Limited	360704	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
PUBLICOLA s.r.o.	053 06 159	Czech Republic	Entity controlled by the same controlling entity through property shares		AB – CREDIT a. s.
EDEN Jižní roh s.r.o.	017 55 706	Czech Republic	Entity controlled by the same controlling entity through property shares		EDEN Jižní roh s.r.o.
EDEN SPORT APARTMENTS s.r.o.	176 14 741	Czech Republic	Entity controlled by the same controlling entity through property shares	from 6/10/2022	EDEN Jižní roh s.r.o.

Travel Investment s.r.o.	258 76 881	Czech Republic	Entity controlled by the same controlling entity through property shares (50%)		AB – CREDIT a. s.
TRAVEL FAMILY s.r.o.170 49 415	170 49 415	Czech Republic	Entity controlled by the same controlling entity through property shares		Travel Investment s.r.o.
KOVOTOUR PLUS s.r.o.	623 01 055	Czech Republic	Entity controlled by the same controlling entity through property shares		Travel Investment s.r.o.
TRAVEL FAIMILY AIR s.r.o.	258 77 178	Czech Republic	Entity controlled by the same controlling entity through property shares		KOVOTOUR PLUS s.r.o.
POMPILIUS s.r.o.	054 20 768	Czech Republic	Entity controlled by the same controlling entity through property shares	until 17/8/2022	KAPRAIN Industrial Holding Limited
Nej.cz s.r.o.	032 13 595	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited
Nej Kanál s.r.o.	027 38 252	Czech Republic	Entity controlled by the same controlling entity through property shares		Nej.cz s.r.o.
kbNet s.r.o.	049 51 727	Czech Republic	Entity controlled by the same controlling entity through property shares		Nej.cz s.r.o.
incrate s.r.o.	097 79 965	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited
OpavaNet a.s.	258 60 011	Czech Republic	Entity controlled by the same controlling entity through property shares	until 22/12/2022	Nej.cz s.r.o.
SMART Comp. s.r.o.	255 17 767	Czech Republic	Entity controlled by the same controlling entity through property shares	from 7/1/2022 to 1/10/2022	Nej.cz s.r.o.
NJNet s.r.o.	268 73 788	Czech Republic	Entity controlled by the same controlling entity through property shares	from 7/1/2022 to 1/10/2022	SMART Comp s.r.o.
A1 net s.r.o.	285 67 251	Czech Republic	Entity controlled by the same controlling entity through property shares	from 7/1/2022 to 1/10/2022	SMART Comp s.r.o.
Kaprain Rubber a.s.	109 21 371	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited

Rubena, s.r.o.	097 25 351	Czech Republic	Entity controlled by the same controlling entity through property shares		Kaprain Rubber a.s.
KAPRAIN CHEMICAL LIMITED	381813	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited
Kaprain SK a.s.	283 61 881	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN CHEMICAL LIMITED
HC Sparta Praha a.s.	618 60 875	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Holešovice Services s.r.o.	091 70 065	Czech Republic	Entity controlled by the same controlling entity through property shares		HC Sparta Praha a.s.
Derlea Holdings Limited	349253	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Tenacity Limited	180866	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
WAIPA ENTERPRISES LIMITED	213047	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Vítězné náměstí s.r.o.	285 11 441	Czech Republic	Entity controlled by the same controlling entity through property shares (50%)		Derlea Holdings Limited
Office Star Two, spol. s r.o.	276 39 169	Czech Republic	Entity controlled by the same controlling entity through property shares		Tenacity Limited
Office Star Five, spol. s r.o.	276 39 185	Czech Republic	Entity controlled by the same controlling entity through property shares		Tenacity Limited
AXATAU a.s.	273 80 041	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED
ARANCIATA a.s.	276 21 707	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED
LONGORIA a.s.	276 30 188	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED

MIDATANER a.s.	290 55 768	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED
C & R Office Center One s.r.o.	282 29 045	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
C & R Office Center Three s.r.o.	282 28 944	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DOMUS SENES, s.r.o.	604 70 771	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DOMUS SENES Property s.r.o.	096 66 389	Czech Republic	Entity controlled by the same controlling entity through property shares		DOMUS SENES s.r.o.
King´s Bridge Apartment s.r.o.	142 81 562	Czech Republic	Entity controlled by the same controlling entity through property shares	from 23/2/2022	DOMUS SENES s.r.o.
ZEFFIRO s.r.o.	279 13 571	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
ZEFFIRO Property s.r.o.	175 57 658	Czech Republic	Entity controlled by the same controlling entity through property shares	from 20/9/2022	ZEFFIRO s.r.o.
KAPRAIN DEVELOPMENT s.r.o.	274 50 732	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
KAPRAIN FACILITY s.r.o.	070 54 033	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
FLUMINE ENERGY s.r.o.	261 81 568	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Flumine Energy Trading s.r.o.	067 19 741	Czech Republic	Entity controlled by the same controlling entity through property shares		FLUMINE ENERGY s.r.o.
DOC Mercury, a.s.	057 10 031	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
FINERGIS REAL, a.s.	267 06 199	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited

Family Living Říčany s.r.o.	046 33 768	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Family Living Horoměřice s.r.o.	052 48 809	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 1 s.r.o.	071 77 551	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 2 s.r.o.	071 78 093	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 3 s.r.o.	071 78 131	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 4 s.r.o.	071 78 212	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 5 s.r.o.	071 78 387	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 6 s.r.o.	175 07 782	Czech Republic	Entity controlled by the same controlling entity through property shares	from 7/9/2022	KAPRAIN Real Estate Holding Limited
KAPRAIN Realty Trade a.s.	072 75 005	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Regal Properties s.r.o.	171 10 165	Czech Republic	Entity controlled by the same controlling entity through property shares	from 4/5/2022	KAPRAIN Realty Trade a.s.
EUROCAPITAL SE	087 99 181	Czech Republic	Entity controlled by the same controlling entity through property shares (70%)	from 20/8/2022	KAPRAIN Realty Trade a.s.
Lormont Limited	241449	Republic of Cyprus	Entity controlled by the same controlling entity through property shares	from 20/8/2022	EUROCAPITAL SE
Arendon Hospitality, s.r.o.	071 83 127	Czech Republic	Entity controlled by the same controlling entity through property shares	from 20/8/2022	Lormont Limited
Arendon Development Company a.s.	282 46 268	Czech Republic	Entity controlled by the same controlling entity through property shares	from 20/8/2022	Lormont Limited

ARENDON a.s.	274 11 800	Czech Republic	Entity controlled by the same controlling entity through property shares	from 20/8/2022	Lormont Limited
Arendon Infrastructure, s.r.o.	071 82 929	Czech Republic	Entity controlled by the same controlling entity through property shares	from 20/8/2022	Lormont Limited
Arendon Hospitality F&B s.r.o.	140 51 729	Czech Republic	Entity controlled by the same controlling entity through property shares	from 20/8/2022	Arendon Hospitality, s.r.o.
DeVe Invest Two s.r.o.	072 71 344	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DeVe Fashion Store s.r.o.	086 82 089	Czech Republic	Entity controlled by the same controlling entity through property shares (80%)		DeVe Invest Two s.r.o.
DeVe Invest Three s.r.o.	072 72 863	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
POP Family resort a.s.	142 57 505	Czech Republic	Entity controlled by the same controlling entity through property shares	from 15/2/2022	KAPRAIN Real Estate Holding Limited
Paleoinvest s.r.o.	086 28 424	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s
Paleoinvest 2 s.r.o.	108 24 235	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
The Prague Outlet s.r.o.	062 63 615	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s
The Prague Outlet One a.s.	241 88 107	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s
POP Outlet Services a.s.	052 71 894	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s
DREITONEL One s.r.o.	039 39 863	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s
DREITONEL Two s.r.o.	039 39 880	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s

Majaland Praha s.r.o.	039 39 898	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s
POP Entertainment Services s.r.o.	064 94 536	Czech Republic	Entity controlled by the same controlling entity through property shares		POP Family resort a.s
POP retail s.r.o.	107 25 008	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Tera Properties a.s.	095 68 981	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Kovářská 939 s.r.o.	077 01 144	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Harfa BC C s.r.o.	140 84 775	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Harfa District a.s.	170 58 414	Czech Republic	Entity controlled by the same controlling entity through property shares	from 20/4/2022	KAPRAIN Real Estate Holding Limited
DeVe Invest Letňany s.r.o.	172 41 421	Czech Republic	Entity controlled by the same controlling entity through property shares	from 14/6/2022	KAPRAIN Real Estate Holding Limited
SPOLCHEMIE Hydrogen, a.s. (formerly SPOLCHEMIE Precursors 2, a.s.)	086 47 011	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
SPOLCHEMIE N.V.	818202518	The Netherlands	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
SYNPO, akciová společnost	465 04 711	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
CSS, a.s.	289 63 661	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
EPISPOL, a.s.	254 49 842	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost

SPOLCHEMIE Distribution, a.s.	241 50 584	Czech Republic	Entity controlled by the same controlling entity through property shares		SPOLCHEMIE N.V.
CHS Epi, a.s.	282 07 882	Czech Republic	Entity controlled by the same controlling entity through property shares	.	Spolek pro chemickou a hutní výrobu, akciová společnost
SPOLCHEMIE, a.s.	037 07 873	Czech Republic	Entity controlled by the same controlling entity through property shares		SPOLCHEMIE Distribution, a.s.
SPOLCHEMIE Green Energy, a.s. (formerly SPOLCHEMIE Precursors, a.s.)	109 55 402	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
SPOLCHEMIE Zebra, a.s.	119 63 751	Czech Republic	Entity controlled by the same controlling entity through property shares		EPISPOL, a.s.
SPOLCHEMIE SK, s.r.o.	47 454 750	Slovakia	Entity controlled by the same controlling entity through property shares		SPOLCHEMIE Distribution, a.s.
SPOLCHEMIE Electrolysis, a.s.	292 00 181	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
Spolek pro chemickou a hutní výrobu, akciová společnost	000 11 789	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN CHEMICAL LIMITED

SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST

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