SPOLCHEMIE

ANNUAL REPORT

SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST

2020

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SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST

LIST OF ABBREVIATIONS USED

The Company	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
ECH-G	Epichlorohydrin from Glycerine
EPITETRA	ECH, Tetraper, Perchloroethylene operations
EPD	Environmental certificate (Environmental Product Declaration)
EUR	Euro
LER	Liquid epoxy resin
SER	Solid epoxy resin
USD	United States Dollar

SPOLCHEMIE

CONTENTS

SPOLCHEMIE

1 / OPENING REMARKS

OPENING REMARKS

LADIES AND GENTLEMAN, DEAR SHAREHOLDERS,

Ing. Daniel Tamchyna, MBA,
Managing Director and Member of the Board of Directors

The year 2020 was another profitable year in a row for our company. We reached a consolidated result of EBITDA in the amount of CZK 625 million and a net consolidated profit of CZK 101 million.

Needless to say, the year 2020 was not at all an easy year. The trend of the gradual lowering of the margin continued in the key business segment of epoxy resins and the margin for hydroxides also fell below the 2019 level. Moreover, the COVID-19 pandemic came in the spring and caused a drop in sales, especially in May and June.

We managed to fulfil a key task of our business strategy, which was not losing the market share. In this spirit, we managed to maintain the production volume at its maximum, just like in the years 2019 and 2018. Of course, in light of the smaller market margins, especially of epoxy, the profitability was lower than in previous years.

Nevertheless, I am glad that I can state that we successfully met the Basic Plan for the year 2020 on the level of the EBITDA indicator, which was set at 550 million.

The foundation for success was undoubtedly the already-successful conversion of membrane electrolysis, completed in 2017. The Group also benefited in 2020 from the positive working capital generated primarily by profitability in 2018 and was able to make optimal use of the new business model and supply chain.

Last year, the Group also continued its projects to increase safety and sustainability and to strengthen the corporate culture.

After the outbreak of the COVID-19 epidemic in the Czech Republic in the spring of 2020, we proactively reacted to a lack of disinfectants. We distributed thousands of litres of disinfectants to the needy in Ústí nad Labem and the Ústí Region.

In 2021, the Group will continue to fulfil its long-term strategy, focus on defined corporate priorities and implement strategic projects. For 2021, the Group approved a conservatively set Basic Plan with an EBITDA indicator of CZK 505 million.

In December 2020, key supplements to the loan agreements with AB – CREDIT were concluded, on the basis of which the payment calendar was extended until the year 2025. Thus, the debt service for the following years is in safe accordance with the expected generation of resources.

From the beginning of 2021, we have been monitoring the highly dynamic developments on the epoxy resin market. The price level of the commodities generally increased dramatically during the course of the first quarter, and our company managed to benefit from this trend, when in a very short time the margin of epoxy resins reached a significantly higher level compared to the end of 2020. This is just one of the assurances that the Basic Plan for 2021 will be safely surpassed.

During the course of the first quarter of 2021, there was also a further strengthening of the property share of the majority shareholder, the KAPRAIN group.

Ústí nad Labem, 30 April 2021

Ing. Daniel Tamchyna, MBA
Managing Director and
Member of the Board of Directors

After several years, the KAPRAIN group has left its position as a creditor and also become a shareholder of Spolek. KAPRAIN's goal was to obtain a majority share. That occurred in March 2020. KAPRAIN also wants to increase its share in the future.

KAPRAIN sees Spolek as a long-term investment and one of the most important in its portfolio. Over a horizon of a few years, KAPRAIN is prepared to support Spolek through significant investments.

Ing. Romana Benešová
Deputy Chairman of the Supervisory Board,
CEO of Kaprain Group

SPOLCHEMIE

2 / AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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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

on the consolidated financial statements as at 31 December 2020 of

Spolek pro chemickou a hutní výrobu, akciová společnost

Identification data:

Company name:	Spolek pro chemickou a hutní výrobu, akciová společnost
Registration number:	000 11 789
Company address:	Revoluční 1930/86 400 32 Ústí nad Labem
Balance sheet date:	31 December 2020
Audited period:	from 1 January 2020 to 31 December 2020
Financial reporting framework:	International Financial Reporting Standards as endorsed by the European Union
Date of issue of auditor's report:	30 April 2021
Auditor:	Jan Kellner Licence No. 2225
	Mazars Audit s.r.o. Licence No. 158

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 for the shareholders of Spolek pro chemickou a hutní výrobu, akciová společnost

Opinion

We have audited the accompanying consolidated financial statements of Spolek pro chemickou a hutní výrobu, akciová společnost and its subsidiaries (hereinafter also the "Group") prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, which comprise the consolidated statement of financial position as at 31 December 2020, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Group, see Note 1. to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed 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, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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.

Other Information in the consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the consolidated Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

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

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

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the individual and consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and for such internal control as the Board of Directors 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 Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of the company Spolek pro chemickou a hutní výrobu, akciová společnost is responsible for overseeing the Group's financial reporting process.

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 aforementioned laws and 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 law or regulation, we exercise professional judgment and maintain professional scepticism 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.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the company Spolek pro chemickou a hutní výrobu, akciová společnost.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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 a sufficient and appropriate audit evidence about the financial information of the entities included in the Group and its business activities in order to express an opinion on the consolidated financial statements. We are responsible for overseeing and supervising the Group's audit. The auditor's opinion on the consolidated financial statements is our sole responsibility.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Prague, 30 April 2021

Mazars Audit s.r.o.
Licence No. 158
Pobřežní 620/3
186 00 Prague 8

Represented by Jan Kellner

Jan Kellner
Statutory auditor, Licence No. 2225

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064 T 002
Hydroxid sodný 50% – 100 m³
064 T 003
Hydroxid sodný 50% – 100 m³

3 / MANAGEMENT REPORT

GROUP PROFILE

The industrial revolution in the late 19th century introduced a number of 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 more than 160 years.

The fully integrated manufacturing of the Group has always been based on two main pillars - proprietary research, and the development and construction of modern operations using the latest technologies. The Group constantly 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 5 billion so as to ensure that the company maintains its position at the top of the European chemicals industry. Hence the extensive area of the production site, measuring 52 ha, which displays contrasting industrial architecture of varying styles.

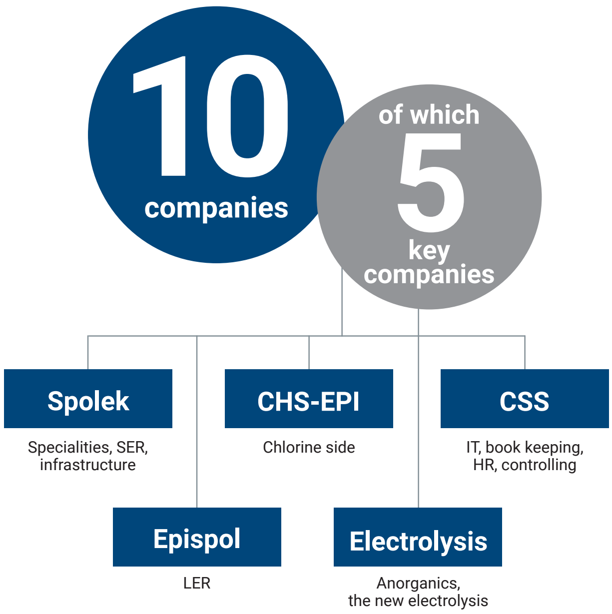
The production programme of the Group is presently divided into two fundamental areas: inorganics and synthetic resins. Inorganics includes the manufacturing of sodium hydroxide, potassium hydroxide and chlorine derivatives. Synthetic resins include the manufacturing of epoxy, special epoxy systems and alkyds. The completion of the key project, the new membrane electrolysis, was 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 April 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 potassium and sodium hydroxides produced, and promptly respond to market fluctuations and changes in demand.

Epoxy resins are manufactured in two modern production plants built between 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.

In order to increase production efficiency and mitigate environmental impacts, we have developed our own technology for the production of epichlorhydrin 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 2020, it also finished the construction of a desalination unit in Epispol, which was developed by Group employees and is also an absolutely 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, which are not only connected with the quality of the offered products, but also with the customised solution to specific applications and market requirements. The Group is a continual part of the fast-growing markets trading in composite materials, as well as materials used in the electrical industry and civil engineering.

Consolidated group

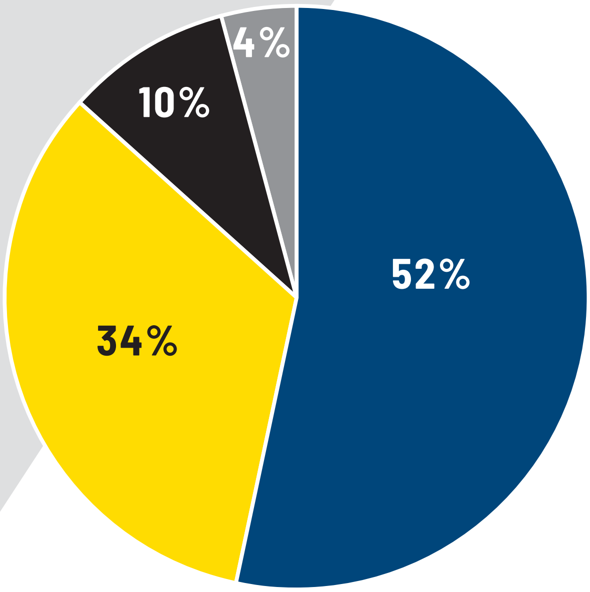


Alkyd resins complement the Group´s production programme and, together with epoxy resins, for which the Group is one of the leaders in the European market, they cover a large portion of the portfolio of paint and coating manufacturers.

The long-term expertise passed down through generations and the enthusiasm for chemistry on the part of the employees, who primarily come from the Ústí and Pardubice regions, guarantee a professional approach, high-quality production and reliable customer service. More than 900 personnel 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.

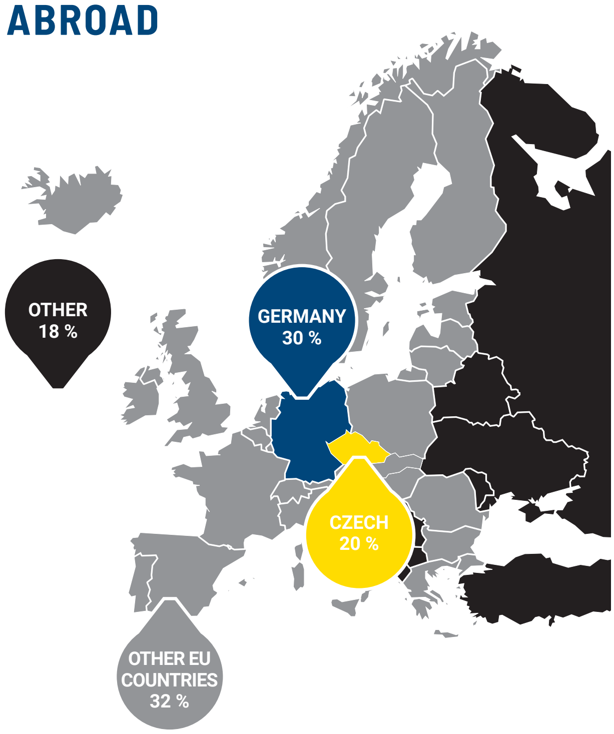
GROUP PROFILE

STRUCTURE OF REVENUES FROM PRODUCTS IN 2020



- Epoxy resins
- Inorganics
- Special epoxy systems
- Alkyds

COMPANY SALES ABROAD



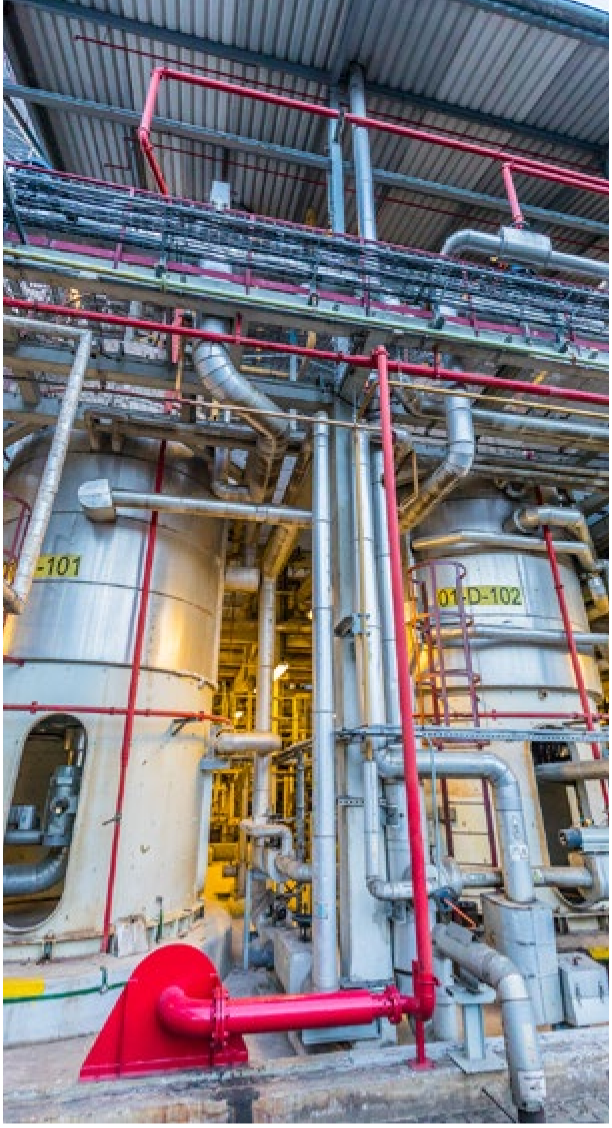
Production areas	Sectors
Inorganics	Detergents, fertilisers, food-processing industry, biofuels, pharmacy
Epoxy resins	Paints and coatings, civil engineering, automotive industry, wind energy
Special epox reisins	Electro and electronics, composites, civil engineering, building chemistry and composites
Alkyds	Paints and coatings and printing inks

INTERNATIONAL AND CZECH ASSOCIATIONS AND SOCIETIES

The Group is a member of prestigious international and Czech expert associations and societies.
CEFIC
Plastics Europe
EURO Chlor
ERC, ECSA
Association of Chemicals Industry of the Czech Republic and several other expert associations

TIMELINE

1856	The key Group company (Spolek pro chemickou a hutní výrobu, akciová společnost) was founded
1906	Production of inorganic chemistry
1945	Start of synthetic resin production
1973	Start of epichlorhydrin production
1990	Company privatisation
1999	Start of unsaturated polyester production
2004	New Epispol I plant producing low molecular epoxy resins (LER)
2005	New solid epoxy resins (SER) production plant
2006	New polyester production plant
2007	Start of new plant producing epichlorhydrin from glycerol
2007	Start of production in Epispol II plant - production capacity of liquid epoxy resins (LER) doubled
2009	New alkyd resins production plant
2010	International EPD Certificate for EnviPOXY®
2014	Start of construction of membrane electrolysis
2017	Full launch of new membrane electrolysis
2019	The project of construction of a desalination unit for wastewater treatment has started



OUR STRATEGY AND OBJECTIVES

To be an example of a vertically integrated chemicals company which is a leading manufacturer of hydroxides, innovative chlorine derivatives and which ranks among the top manufacturers of special synthetic resins in Europe.

The Group continues to successfully implement its adopted long-term strategy, which includes:

1. To rank among the leading European resin manufacturers with a strong focus on special and environmentally-friendly products.
2. To provide full capacity utilization of the new, environmentally-friendly membrane electrolysis within the vertical integration of the chlorine block.
3. To continue the strong support for our research and development, to start new business projects using our innovative technology and the strong patent position of the Group.
4. To maintain our position as a safe and reliable supplier by implementing a strict safety policy and intensifying the existing production and continuous improvements.

As a modern chemical company, we are fully aware of the need to minimise the environmental impact and our activities also reflect the European Green Deal. The Green Spolchemie project includes the modernisation of technologies, decreasing energy consumption, the development of products with a lower carbon footprint, the use of renewable resources, circular economics and close cooperation with subjects in the vicinity. We are continuing in the project to use hydrogen to drive mass transit together with the city of Ústí nad Labem.

To meet the strategy, the process is divided into several phases with an emphasis placed on some priorities.

The first phase after 2014 was the stabilization of the Group. After the unsatisfactory performance in past years and large investment projects, the Group adopted a tough restructuring plan with the main objective being to stabilize the company financially and recover the confidence of our partners.

The second phase after the successful completion of the electrolysis conversion is the full capacity use of all production within the vertical interconnection. The change in the customer portfolio, long-term contracts and risk diversification are fundamental pillars of the new business model.

These phases were successfully completed and the results of 2018 to 2020 convincingly demonstrated the success in fulfilling the strategy. Production capacities are continuously fully utilized within technological limits. Cash flow and working capital are no longer the limiting factor.

The third phase lies in the progressive implementation of new strategic projects for the production of special products based on our research and development or technical service. It is an undisputed priority that the Group ranks among the group of manufacturers of chemical specialities.

The key priorities of the Group are:
- safety
- human resources
- automation and digitisation
- new R&D centre in Ústí nad Labem.

PRODUCT PORTFOLIO

INORGANICS

The Group is the largest manufacturer of potassium hydroxide in Central and Eastern Europe and, at the same time, it is also a local manufacturer of sodium hydroxide. Sales of these products form key sales of Inorganics.

In 2020, the Group followed up on the successful year of 2019, which benefited from the conversion of amalgam electrolysis technology to the modern and more environmentally-friendly membrane electrolysis technology in 2017. Such a fundamental change in technology was a necessary condition for ensuring the long-term sustainability of production in the Group.

The new membrane electrolysis technology allowed a substantial increase in sales volumes of potassium hydroxide and sodium hydroxide since 2018. The same trend continued in 2020, when the volume of hydroxides produced was further increased.

The Group offers a high quality of both hydroxides in the complete range of modifications from industrial quality to use in the pharmaceuticals and food processing industries thanks to the new technology.

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.

Further products directly linking to the membrane electrolysis with the consumption of produced chlorine are inorganic specialities such as perchloroethylene and allyl chloride. Hydrochloric acid is now offered in two qualities. Another chlorine-based product is the “green” epichlorhydrin used by the Group primarily for its own consumption to produce epoxy resins. Any surplus production of epichlorhydrin is sold with a high added value.

EPOXY RESINS

The Group owns modern epoxy manufacturing technology. The high quality of the products is ensured by two modern plants and primarily the systematic coordination of technical development and production. A full understanding of the market and customer requirements helps us achieve the required quality in general production. The proprietary epichlorohydrin production technology from

glycerol allows the Group to maintain its cost competitiveness and, at the same time, the Group is the sole manufacturer in Europe producing epoxy resins with a low carbon footprint, which is confirmed by the world-wide EPD environmental certification. This gives the Group the lead in the Western European market of low-molecular, solid and solution epoxy. At the same time, Epsipol is completing the construction of a desalination unit, which will significantly help fulfil the ecological limits.

SPECIAL EPOXY RESINS

The stormy 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 the Group. They build on our production of basic top-quality material, proprietary research and development, technical service, human skills, the long-term expertise of chemical engineers and business skills on European markets.

Group activities focus on growing highly-specialised areas with a high added value and demands for development, understanding customer needs and visits to customer premises for testing, sales and consultancy, which provide a substantial advantage over the competition.

The unique "green" resin opens up access to environmentally-sensitive market segments (public transport, sports and hobby or luxury articles) for the Group.

ALKYDS

Alkyd resins represent a traditional part of the portfolio specified primarily for customers in the field of production of coatings and paints. These customers, including the distribution network, buy both epoxy and alkyds and the Group effectively uses the synergy. The Group is the sole manufacturer of alkyd resins in the Czech Republic and is a significant player in Central Europe. The alkyd market is changing in connection with the legislative environment and customer preferences. The support for strong R&D and technical service allows the Group to comply with the changes and place innovative products on the market.

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 tradition, human expertise, knowledge and skills gained over generations. 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 the area of sustainability, environmental protection, occupational health and safety are also an integral part.

RESEARCH AND DEVELOPMENT

- Research and development and applied research
- Innovation and optimisation of processes and technologies
- Customer-oriented development
- Circular and non-waste technologies

The Group carries out research and development mainly in the field of synthetic resins, which it considers to be its main business. It is mainly 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 development tradition of many years, but also in 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 are primarily materials for composites, adhesives, paints and coatings, materials for electrical engineering, transportation, construction and engineering. The main fields in the inorganic part of the research are process innovations in the field of technologies for the chemical production of chlorinated derivatives and monomers for polymer chemistry, as well as advanced technologies for environmental protection.

STRATEGIC ORIENTATION

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

There is close cooperation with the city of Ústí nad Labem in the area of 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 is also focused on the use of renewable resources, recyclates 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. There is continuous two-way communication between research and customers.

Following the renewal of its EPD certification for the production of EnviPOXY environmental fundamental epoxy resins, the Group extended the portfolio of systems based on this resin and is one of the few manufacturers of epoxy resins that thereby substantially contributes to the reduction of carbon oxide emissions.

> More than 90% of the Group's technologies have been built since 2000.

DEVELOPMENT RUNS IN TWO RESEARCH AND DEVELOPMENTAL AREAS AND THREE CENTRES

- Research in the field of inorganic, chlorine chemicals and hydrogen in Ústí nad Labem
- Research and development and application development in the field of synthetic resins, also provided in Ústí nad Labem.
- Research and development and application development in the field of 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 both areas of research and development. The research groups are heavily pro-customer and technologically oriented. The application development and technical service responds to clients´ requirements and cooperates with our customers in the development of the latest systems, products and technologies. Part of the Group´s research is the leading-edge research centre Synpo Pardubice with more than 120 employees oriented on research in the area of 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 activities to third parties. Synpo also provides independent research activities as well as start-up, low-tonnage or special production for the Group. All of the teams work on more than fifty deliverables of the technical development plan and are flexible in responding to specific customer needs.

APPLIED DEVELOPMENT

In 2020, the newly-formed Applied Development team was 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 parties and their requirements during the development of innovative solutions in the given segment.

INNOVATION IN THE CENTRE OF EVENTS

The key research and development activities of the Group are concentrated on increasing sustainability and decreasing the carbon footprint and environmental burden of the production processes or products, such as, for example, for alternatives to bisphenols, halogen flame retardants, aromatic solvents and materials with a negative impact on the environment or the health of people or on technology with the maximum use of environmentally-friendly and renewable resources. It also monitors both ecological and legislative requirements and market requirements. The Group was granted 17 patents (SYNPO - 3) in 2020 and 9 new applications were filed. The Group thus boasts 46 valid patents and 73 active patent applications. The main implemented innovations in 2020 resulting from research and development activities were the expansion of the alkyd resin portfolio with new environmentally-friendly water-soluble bio alkyds and low-viscosity short alkyds with a high bio-content, which are unique in the coatings market. The portfolio of more environmentally-friendly resins in the form of water-soluble, high-solid and solvent-free epoxy products has expanded. The Group also significantly expanded the special systems for adhesives. New systems for electronics applications, composites, construction chemicals and cabinet making have thus recently appeared in the Group's portfolio.

INCREASE IN THE SPECIAL SYSTEMS SEGMENT

In 2020, thanks to innovations, the Group again increased its market share, especially in systems for electrical engineering and painting and coatings. In watering systems, the Group has firmly established itself among European leaders and strengthened its position as the market leader in the Eastern European market. In cooperation with customers and their technology suppliers, special systems are developed tailored exactly to the specific needs of the customers. Based on the work of research and development, applied research and technical service, dozens of modifications and optimisations of technologies are created annually directly at the customers' premises. A large proportion of these products and unique processes are patented. The Group cooperates with renowned international chemical companies, as well as research and academic institutions, on a wide range of innovative projects. Much of this cooperation is regularly supported by grants.

WORK IN THE GROUP

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 perspectives, career growth, professional development, internal equality and competitiveness), not only for the existing male and female co-workers, but also for potential new talents, both university graduates and erudite experts with an interesting professional history.

The average number of Group staff in 2020 was 950.

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 the overtime work is decreased. Another important factor was the strengthening of the expert teams, especially the teams for investments and for the R&D of special epoxies.

In the field of human resource management, the Group focused on the following aims in 2020:

- To speed up the movement of wages towards the lev-

> *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.*

els of a comparable market. The average increase in wages reached 2.6 % in the Group in 2020 compared to 2019, with an increase in workers´ wages of approx. 4 %. Over the last two years, the average wage has increased by 21.2 % (wages of manual occupations by 21.5 %, technical professions by 19.8 %).

- To further improve the partnership with the University of Chemistry and Technology Prague (VŠCHT) and partnership with the University of Pardubice from 2021 in order to encourage the recruitment of university graduates for research and development, or positions of production technologists.
- The professional and managerial development of selected groups of employees was significantly limited by the outbreak of the Covid-19 pandemic. We therefore limited the training to the provisioning of the training required by law and to on-line education, primarily in the area of legislative changes.
- In the second half of the year, the management decided to change the company's organisational structure with the introduction of Strategic Business Units, production units where the management and employees are responsible for the performance and results of the unit, and for its development and strategy.

CORPORATE RESPONSIBILITY PROGRAMME

RESPONSIBLE BUSINESS – SUSTAINABLE DEVELOPMENT

Social responsibility and sustainable development is a very important aspect of all the Group's activities, which we perceive as a necessary condition for the future economic prosperity of our company.

The Group pays attention to the environment and its protection on a long-term basis. New manufacturing units are designed according to the BAT (best available technology) concept, with huge sums invested into the projects. The most important step in this respect is the completion and launch of the new membrane electrolysis in April 2017, thanks to which the use of mercury was completely discontinued. Stringent environmental requirements of European legislation were met in advance of the mandatory deadline.

The Group is one of the most important employers in the region and ensures a healthy environment for its employees and their physical and mental development. Our successful "Minigrant" programme is now in its fifth year. In the "Healthy People" and "Common Sense" categories, the programme focuses on voluntary civic activities and provides support to residents of the Ústí region who care for other people in their neighbourhood. The green light is given to small projects for which sponsorship is usually difficult, or projects where the promoters did not originally think about obtaining any sponsorship. Due to the open and completely transparent mini-grant programme, the Group continued to support project and events in the Ústí region in 2020. Even in spite of the unfavourable and difficult situation that was primarily caused by the pandemic measures (the Covid-19 virus), where the great majority of events unfortunately could not be held, a total of 31 requests for a financial contribution were approved during the course of 2020. As in the last year, the promoters were regional residents, Company employees as well as non-profit and budgetary organizations, including education and healthcare facilities. Like every year, the support in 2020 covered a wide range of projects and events:

- support of activities in the area of amateur sports (e.g., Ústecká freeridová organizace, Kostomlaty pod Milešovkou Cycling Club, Teplice and Ústí nad Labem chess clubs, Spolchemie Tennis League, TJ Povrly, SK Volejbal Ústí nad Labem, cross-country skiing club, Telnický Kecky)

- educational and other organisations helping with the integration of children and youth in a collective or organising educational activities for children (e.g., Technical Education Institute in Litoměřice, Children's Inclusive Camp Modráček, technical clubs for children and youth, Closed School? Teaching Remains, Strong Family Association, Centre for Surrogate Family Care)

- local cultural events (e.g., Beřkovice Summer, Theatre Helps, 5th Ústí má srdce Charity Ball, Litoměřice Film Festival)

- events supporting handicapped and disadvantaged citizens and events helping seniors (e.g., Movement against Pain, maintenance of 1st wheelchair route in Ústí Region, Bystřany Senior Citizens' Home, Christmas stay for isolated persons with handicaps and seniors).

The Minigrant programme is still highly popular band more and more inhabitants of the Ústí Region are utilising it. The Group can also contribute to the ever-growing number of projects with the motto "Common Sense" or "Healthy People" and support the local cultural, education and sporting life in the Region.

ÚSTÍ ½ MARATHON

The Group supports the development of the Ústí Region. It is a long-term official partner of the traditional Ústí nad Labem 1/2 Marathon together with the Ústí Region ever since this event was first held and it is also the General Partner of the Czech Handbike Cup for handicapped athletes. It has become a tradition for a team of Spolek employees and their families to take part in the race wearing the colours of the Group. They can take part in any race and voluntarily represent the close link between the Group and the region.

The Group provides security and organization on the part of the race route running through the company premises. Running through such a unique site is a popular and attractive part of the race, is covered by photographers and TV crews, and has become a traditional part of the image of Ústí nad Labem.

> *The chemical industry has been connected to Ústí nad Labem ever since 1865. Today, the new production technologies, however, dramatically help to improve key ecological and safety indicators, and therefore the environment as well.*

OVER 25 YEARS OF PROVIDING RESPONSIBLE CARE

Safety, helpfulness, information openness, health protection, complex protection of the environment, eco-management, emergency preparedness – these activities are crucial for the responsible functioning of the Group, and accordingly have voluntarily been fully implemented into everyday operations.

The Group was among the first eight chemical companies in the Czech Republic to introduce the programme of Responsible Care - responsible entrepreneurship in chemistry, specified by the Swiss Association of the Chemicals Industry under the auspices of the Czech Association of Chemicals Industry since 1994.

In 2020, the Group was one of the first organisations within the Association of Chemical Industry (SCHP) of the Czech Republic actively contributed to the introduction of "group certification" and on the new form of defence according to the format configured by the European Chemical Industry Council (CEFIC). The Group successfully defended the right to use the Responsible Care logo in a joint defence for all the manufacturing companies, including SPOLCHEMIE Electrolysis a.s. In 2020, the Group thus continued the tradition one being of the leaders and pioneers of the Responsible Care activity in the Czech Republic within SCHP.

BUSINESS ENVIRONMENT 2020

The European and global economies were significantly affected by the COVID-19 pandemic in 2020. We noticed a drop in the demanded number of our products, especially in the spring months, though at the end of 2020, the markets already started showing an economic revival.

At the time of compiling the Annual Report, the final data for the Eurozone area were not yet known, however, in 2019 the growth was 1.3% and according to the latest estimates for 2020, there was a decrease of 3.6%. We can observe a similar trend in the Czech Republic, when the growth for 2019 was 2.4% and a drop of 6.1% is expected for the year 2020.

In terms of the CZK/EUR exchange rate, the level in 2020 was highly volatile and ranged between 24.76 - 27.81.

> *In spite of the economic slowdown, which was caused by the COVID-19 pandemic, the year 2020 was a success for the Group.”*

FINANCIAL RESULTS FOR 2020 AND 2021 OUTLOOK

The year 2020 was generally influence by the COVID-19 pandemic. It was very difficult to predict the results during the course of the year. In the second half of the year, the situation gradually calmed down and thanks to our business policy, we managed to not lose our market share for our customers and to thereby maintain the maximum utilisation of our production capacities.

Thus, the basic plan for 2020 was surpassed.

The consolidated net profit for 2020 reached CZK 100.6 million (2019: a profit of CZK 176.1 million). The operating performance expressed by the consolidated EBITDA reached CZK 625 million* (2019: CZK 746 million).

> *The consolidated EBITDA for the year 2020 reached CZK 625 million*

2021 OUTLOOK

The main priority of the Group in 2021 will be the maximum utilisation of production capacities and the satisfaction of the high demand of European customers for epoxy resins and hydroxides. It will be a challenge to maintain the supply chain, especially for Asian materials, where the logistics are interrupted by the lockdowns and the difficult availability of global logistics and their dramatically increasing price. The global economy felt the heavy impact of the COVID-19 pandemic and the formerly unquestionable trend of globalisation is now a big question mark. The competitiveness of production in Europe will generally be threatened by the emerging European Green Deal and its impacts on the prices for energies. In the area of expenses, the prices of some energies, especially power electricity, will have a negative effect as a result of the rising prices of emission allowances and personnel costs will continue to have an upward trend.

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 economic results and the approved consolidated plan, the Group conservatively plans that the key indicator of operating performance EBITDA for 2021 will reach the value of CZK 504.7 million.

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

BUSINESS EVALUATION ACCORDING TO SEGMENTS

In 2020, consolidated sales of the Group's own products amounted to CZK 5.4 billion, which represents a decrease of CZK 0.6 billion compared to the previous year. It is necessary to realise that the sales indicator is defined by the price level on the commodity markets. There is no direct proportion between the value of the sales and the value of the company's profit.

Commodity resins - the year 2020 was a year that was certainly most influenced by the Covid-19 pandemic. Nevertheless, the actual impacts differed significantly during the course of the year.

The first quarter of 2020 started out relatively well. The strong demand from the previous year persisted and the volume of cooperation with contractual partners successfully increased.

In the second quarter, the global pandemic caused a rapid drop in demand caused by the outages of European car manufacturers and lockdowns in the individual European countries. The drop in sales in these months was as much as 30%. Nevertheless, the Group decided for a relatively moderate limitation of its own production. The stock created in this manner was a basic pillow that helped to achieve the annual results.

In the third quarter there was a revival caused by:
- The effort to make up for lost time due to the outages from the previous period, especially in the construction and automotive sectors.
- Preparation for the change in legislation in the automotive industry (the construction of older models of cars before the increase in emission limits)

In the fourth quarter there were several serious outages in the production of both epoxies and their precursors.
In reaction to these outages, a shortage began to arise on the market and the sales volume in November and December continued on record levels.

The outages also had a significant influence on the prices of materials and completed products. The Group managed to maintain the target margin through a proactive pricing policy. At the same time, the Group managed to significantly increase the contractual sales of Commodities, which increased the customers' confidence in this period and ensured the durability of the business relations in the future.

Inorganics – The year 2020 was definitely affected by the absolutely unpredictable encroachment of the coronavirus pandemic. From May to August, the Group faced a significant drop in orders, which slowed the very promising demand from the beginning of the year. With a huge finish in the last quarter, we made up the lost amount in tonnes: to equal the Plan for 2020 in hydroxides at 97% and to end at 102% compared to 2019. In fact, the Group achieved a 107% fulfilment of the Plan for 2020 in the gross trading margin. Thanks to the sufficient contracting of the cooperation with key customers, we managed to maintain the volumes in comparison with the year 2019 and even increase them slightly. In 2021, the Group will continue in the unfinished projects with a higher added value, whether from the area of pharmacy and the food industry or improving the effectiveness of internal processes.

Special epoxy – Just like in the Group's other businesses, the year 2020 was affected by the unprecedented situation caused by the development of the Covid-19 pandemic.

It was also connected with the consolidation and change of the structure of the Specialty Solutions SBU and with the strengthening of the strategic direction taken by this SBU. The Group's long-term strategic goal is to strengthen and accelerate the special epoxy resins as growth platforms with a high degree of differentiation, especially in composite, electronics and construction applications. A key role in this process is played by customer-oriented research and development, which is able to develop and successfully commercialise innovative and holistic solutions on the basis of the customers' needs. Last, but not least, is the transparency and ethical responsibility towards the customers and strategic partners and the efforts for the long-term joint development of unique solutions with a high added value.

For this purpose, in 2020 the new structure of the Special Epoxy SBU was created, the roles of Research and Development and Product Management were strengthened, and the competencies of Application Development and customer-oriented research and service in the key segments was strengthened.

From a business perspective, the beginning of 2020 was connected with the high demand in epoxy systems

BUSINESS EVALUATION ACCORDING TO SEGMENTS

and modified epoxy. The period from the second quarter was already significantly connected to the impact of the coronavirus pandemic and the related drop in demand, primarily in the area of modified epoxy. In this period, of course, the overall sales results were not only affected by the pandemic and customer uncertainty, but also by the successful commercialisation of strategic opportunities, e.g. in Eastern Europe and Asia.

In the overall 2020 results, there was an impressive year-on-year increase in the volume in Special Epoxy by +10%, primarily thanks to the successful qualifications in the area of electro-composite applications in the rapidly-developing geographies of Asia and Eastern Europe, and also the gains of new business opportunities in the area of construction chemistry in Western Europe and the commercialisation of innovative automotive applications. Last, but not least, the significant new business in the area of modified special resins used in the composites, electronics and flooring segments contributed to the good results, with the Group managing to increase sales by more than 40% year-on-year thanks to the intensification of the cooperation with distribution partners and key customers.

The end of the year was, similarly to commodity resins, heavily affected by the worsening availability of input materials and their sharp increase in price, which was just a harbinger of the unprecedented situation on the epoxy market in 2021. Of course, the Group was seen to be a reliable and ethical supplier and long-term innovative partner in the area of special epoxy, just like in commodity resins.

Alkyds – The year 2020 was affected by the pandemic situation, just like in the other branches, though unlike the other SBUs in the Group, this influence in the area of Alkyds was specific to a certain extent.

Te beginning of the year was connected with market uncertainty, just like in the other businesses, which led to a drop in the price of materials, influencing the price of alkyds on the European market. This trend was most evident for the prices of soya bean oil, which dropped sharply on global markets at the beginning of the year. The Covid-19 pandemic and its consequences in the form of the lockdown across Europe in the following months resulted in the decreased mobility of the population and, paradoxically, led to the increased intensity of renovation

activities in the DIY and professional sector and also therefore to increased demand for paints and coatings on the basis of alkyds used to protect wood and other materials. For this reason, the second half of the year was connected with increased demand and al stabilisation and the subsequent sharp increase in the price of soya bean oil as a result of the uncertainty connected with the quality of the harvested soya in Latin America and Asia.

As a result, the year 2020 was successful since, in spite of the initial uncertainty and extreme volatility of the first year of the pandemic, we managed to achieve year-on-year growth in volumes at 105% of the 2019 level. The financial result of the segment was at 98% of the plan, thus slightly under expectations.

From the perspective of the strategic direction, 2020 was oriented on the optimisation of the alkyd portfolio with the goal of streamlining the extensive product range and creating a customer-oriented and attractive portfolio of innovative and competitive products. As part of the strengthening of the role of research and development in the businesses, with the necessity of a strong driving force for research and innovation, the role of the research and application development team was strengthened in the Alkyds SBU and work intensified on key development projects in the area of next-generation alkyd binders and resins fulfilling the highest standards of quality and environmental sustainability.

As a result, the year 2020 was successful since, in spite of the initial uncertainty and extreme volatility of the first year of the pandemic, we managed to achieve year-on-year growth in volumes at 105% of the 2019 level.

In 2020, we managed to continue or return to the long-term cooperation with several Western European partners in the area of paints and coatings with the goal of increasing the share of contractual obligations and strengthening Spolek as a transparent, reliable and ethical partner in the area of alkyd binders.

SUPPLY CHAIN MANAGEMENT

The purchasing department of the Group is divided into two parts - the purchase of raw materials for production and the part that provides all services, spare parts and auxiliary materials necessary to ensure the smooth running of the entire company.

The long-term goal of the purchasing 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. In 2020, the purchase of materials ran into complications, caused by the start of the worldwide coronavirus pandemic. It was first noticed at the beginning of the year in Asia and seeing that the Group has important business connections in China and Korea, there was a slowdown or even interruption in the deliveries from these producers that led to pressure not only on prices, but also to the general availability of the goods. As the epidemic gradually spread to Europe, there was eventually restrictions on production in several countries, while the availability of some materials dropped. This situation hit the production and sale of Specialities the hardest, where a considerable part of the modification reagents and hardeners for epoxy systems is purchased in Asia in light of the overall limited production in Europe.

For the year 2020, the Group managed to conclude annual contracts for most of the basic materials, thereby partially softening the impact of the beginning lack of materials on the market. The continuing positive development of the Group's economic results in 2020 and thus the strengthening of working capital enabled the Group to negotiate

better business conditions with suppliers, in particular to extend the maturity of purchase invoices and to face a sharp rise in the price of certain raw materials, caused by the aforementioned limited availability.

As part of the purchase of sodium and potassium salt for membrane electrolysis, the Group focused on optimizing logistics and the entire supply chain. Due to the growing volumes of hydroxide and chlorine production, the cost of transporting, storing and handling raw materials is increasingly affecting the overall cost of production. The search for other potential suppliers of both salts also continued. The Group purchased sodium salt on the basis of long-term contracts and during the course of 2020, managed to qualify another supplier. Thus, the Group increased the security of supply of this raw material for the production of sodium hydroxide, which is directed not only to customers, but also as a semi-finished product for further production.

There was a significant shift in securing the purchase of potassium salt. After many negotiations, a long-term contract was concluded with one of the suppliers, enabling the planning of deliveries of this key material for a longer period. Just like in the past, potassium salt was purchased from two suppliers. This has made it possible to significantly reduce the risk of supply disruptions and to react flexibly to growing sales of potassium hydroxide.

The Group is the largest European customer of BPA (a key raw material for the production of epoxy resins). In 2020, the Group focused on the further strengthening of long-term business ties with all major manufacturers, not only in Europe, but also in Asia. The optimal share of long-term purchase contracts and spot purchases made it possible for the Group to react to the changes in the availability and price increases of this key material. Thanks to this, we managed to ensure the competitive expenses for epoxy production, in spite of the significant limitations of purchases caused by the growing demand, especially in China. This, together with the rising price of logistics services, had a significant influence on the price of BPA at the end of the year.

As part of the strategic goal of increasing sales of alkyd resins, the Group managed to fix the purchase price of soy bean oil (a key raw material for the production of alkyd resins) in the longer term. The price outlook for the next at least six months, together with the qualification of another supplier, allowed the sellers to react flexibly to the market situation and market requirements. The conclusion of a long-term contract for the purchase of xylene was also essential for the successful growth in the sale of alkyd resins and epoxy solutions. This is used as a solvent for these resins, used in the production of paints and coatings.

The high production performance placed great demands on flawless work in the field of non-chemical purchasing. The provision of spare parts, services and auxiliary materials was successful thanks to tenders, which took place in the form of electronic auctions. Together with the conclusion of long-term framework agreements, this procedure led to an increase in the transparent purchasing policy, a reduction in the prices of purchased services and, last but not least, a reduction in the administrative requirements for individual buyers.

ECOLOGY AND THE ENVIRONMENT

SUMMARY OF THE YEAR 2020

In 2020, the Group continued the established trend of continuously reducing negative impacts on the environment through the modernization of production facilities and the introduction of new products, resp. technologies that have less environmental impact, whether in-house production or the use of products.

The year 2020 did not differ significantly from the previous year from the perspective of overall production, but there was a change in the production volumes of some key products, thanks in part to the effects of the Covid-19 pandemic, which was reflected in some of the monitored environmental indicators. Most of the indicators showed improvements, year-on-year.

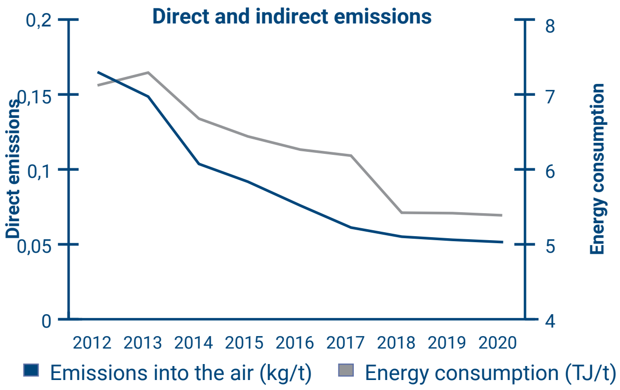
From the perspective of the long-term decrease in the Group's impacts on the environment, the year 2020 was the year the project for the desalination of waste water from the production of epoxy resins was realised through new technologies, developed within the Group. Unfortunately, due to the Covid-19 pandemic, there was a shift in the launch of operations, which will now take place in the spring of 2021. The launch of the new technology promises a further significant decrease in the Group's environmental impacts, primarily in relation to waste water.

In 2020, work continued on the project preparation for another plan, the production of precursors for fourth-generation refrigerants, where an important milestone was achieved: consent according to the EIA Act. In the event of the realisation of this project, the Group expects the further improvement of its environmental profile in all the monitored indicators.

AIR AND CLIMATE PROTECTION

In 2020, 18.7 t of pollutants were emitted into the air, which is a value similar to 2019 and a slight year-on-year decrease of 0.4% was achieved. From the perspective of emissions related to the production volume, the Group achieved similar values as in the previous year (the decrease amounted to about 0.1%).

Another factor related to air and climate protection is energy consumption; in the case of the Group, it is primarily electricity and heat. In 2020, essentially the same energy consumption was achieved (related to the production volume) as in 2019 (a decrease of 0.05%). The Group thus maintains the long-term trend of continuous reduction of energy intensity of production, when in 2020 the lowest value of this indicator was again reached since the beginning of its monitoring in 2005.

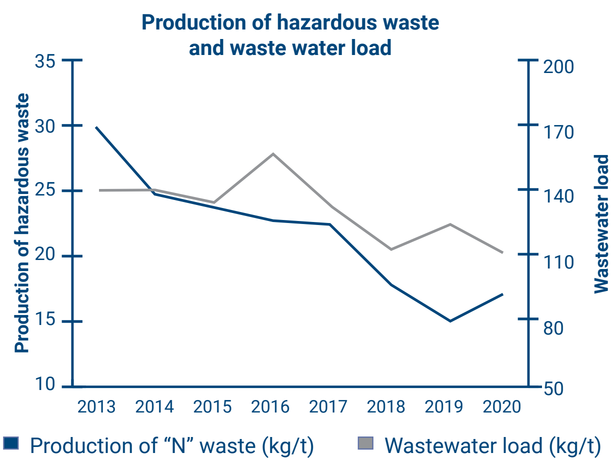


In 2020, the Group achieved similar results as in the previous years and managed to maintain the set trends in decreasing the impacts on the environment.
The priority was the implementation and preparation of innovative development projects, which are closely connected to the continuing improvement of the environmental profile.

WASTE AND WASTEWATER PRODUCTION

From the perspective of the environmental impact, waste water and the amount of produced hazardous waste are also significant loads for the Group.

In light of the decrease in the production volume to technologies with a higher production of waste water, there was also a decrease in the specific load of waste water in 2020. The Group managed to maintain the waste water load beneath the level common in the recent past and another significant decrease in this indicator is expected from 2021 in connection with the desalination technology.



Emissions to air

2020	18,7 t	reduction by 0.5 %
2019	18,8 t	
2018	19,4 t	
2020	55 g/t production	no change
2019	55 g/t production	
2018	57 g/t production	

Specific energy consumption

2020	5 500 GJ/t production	reduction by 2 MJ/t
2019	5 502 GJ/t production	
2018	5 519 GJ/t production	

Specific load of wastewater

2020	111 kg/t production	reduction by 11 %
2019	125 kg/t production	
2018	120 kg/t production	

Production of hazardous waste

2020	17,1 kg/t production	increase by 12%
2019	15,2 kg/t production	
2018	17,2 kg/t production	

HEALTH AND SAFETY

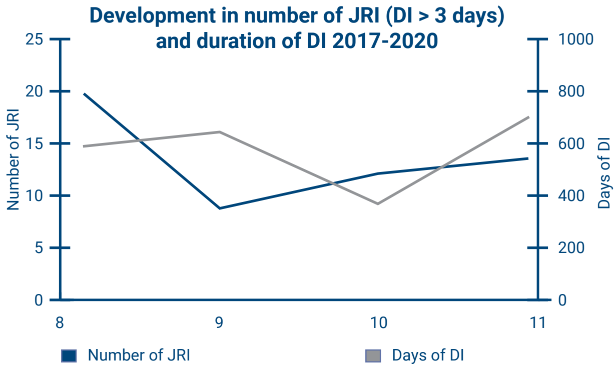
The year 2020 was also extraordinary for the Group in terms of safety and health protection. In April, there was a tragic event, a job-related injury during which one of the employees died and another was seriously injured with subsequent long-term reconvalescence. According to an internal investigation, the cause of the event was a breach of the prescribed safety rules on the part of the employees who were injured. The event was the subject of an investigation on the part of the state administration.

Based on a detailed internal investigation, the Group adopted and implemented several preventive safety measures, even in the areas that were not directly connected to this event. A detailed analysis and verification of the state of the Group's OHS management system was also requested from an external audit company, with the goal of identifying weak areas in the system and possibilities for improvements. The outputs of the analysis were available at the beginning of 2021 (there were time complications due to the Covid-19 disease). In connection to the audit outputs, the Group will be working intensively in the next period on improving the OHS system as part of the on-going long-term project "Improvement of SPOLCHEMIE safety culture", with a focus on the access, habits and behaviour of all the employees in the area of occupational safety, including expanding the inclusion of the entire management.

All this activity flows from the fact that the Group's management is fully aware of the fundamental importance of safety, health protection and accident prevention, which it considers to be one of its main priorities, both in relation to employees and the surrounding area and residents of the city of Ústí nad Labem.

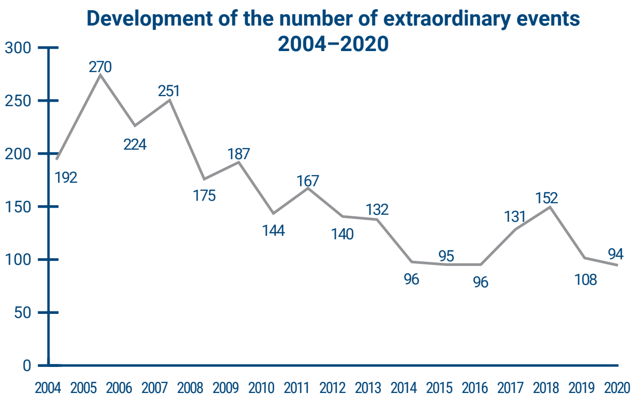
Compared to 2019, the number of work-related injuries increased from 1 to 13. This indicator was significantly influenced by the aforementioned event with three related job-related injuries. Its influence was also felt in the growth of the number of days of incapacity for work as a result of job-related injuries from 25 days to 49 days per injury. In this parameter, the Group thus returned to the values usual for the processing, resp. chemical industry in the Czech Republic.

In spite of the tragic event, the fact that since 2018 we have managed to maintain a low share of job-related injuries caused by breaches of safety rules by employees (in particular when compared to the state in 2017) can be evaluated as positive.



In 2020, a significant improvement was achieved in the number of events connected with the loss of control over a dangerous chemical substance, specifically 13% compared to the year 2019. Thus, the historical minimum from the start of monitoring was achieved. The functional system of preventative repairs performed primarily during planned operating downtime had a significant effect on this positive development.

An extensive online monitoring system identifies all cases of leaks of hazardous substances, including small local leaks, in a timely manner. These are evaluated in terms of the frequency of the cause, the leaked substance, the source and extent of the leak, or the potential for a major accident. Based on these aspects, appropriate technical and organizational measures are subsequently taken. The long-term development of the monitored indicator is shown in the following graph.



The strategy of open cooperation, the improvement of mutual communication and the exchange of information with state authorities and local government, declared at the "Security and Environmental Panel" (held in 2019) was evident in 2020, for example, in the agreement with the city of Ústí nad Labem on the Group's participation in the implementation of the project to modernise the Population

> *In the company's complex, the annual number of events connected with a loss of control over a dangerous chemical substance declined to the lowest value over the entire monitored period reaching back to 2004*

Alert Information System (PAIS) and the delivery of highly needed disinfectants for the use of the Ústí Region, towns, municipalities and other institutions in the region during the spring wave of the Covid-19 illness.

In connection with the unprecedented pandemic situation, during the course of 2020 the Group adopted several organisational, hygienic and anti-epidemic measures with the goal being the maximum protection of the employees and the prevention of the spread of the Covid-19 disease. Through their rigorous implementation, we managed to minimise the imminent threat and secure safe operations and production without any significant restrictions or impacts on safety.

REGULAR EXTERNAL INSPECTIONS

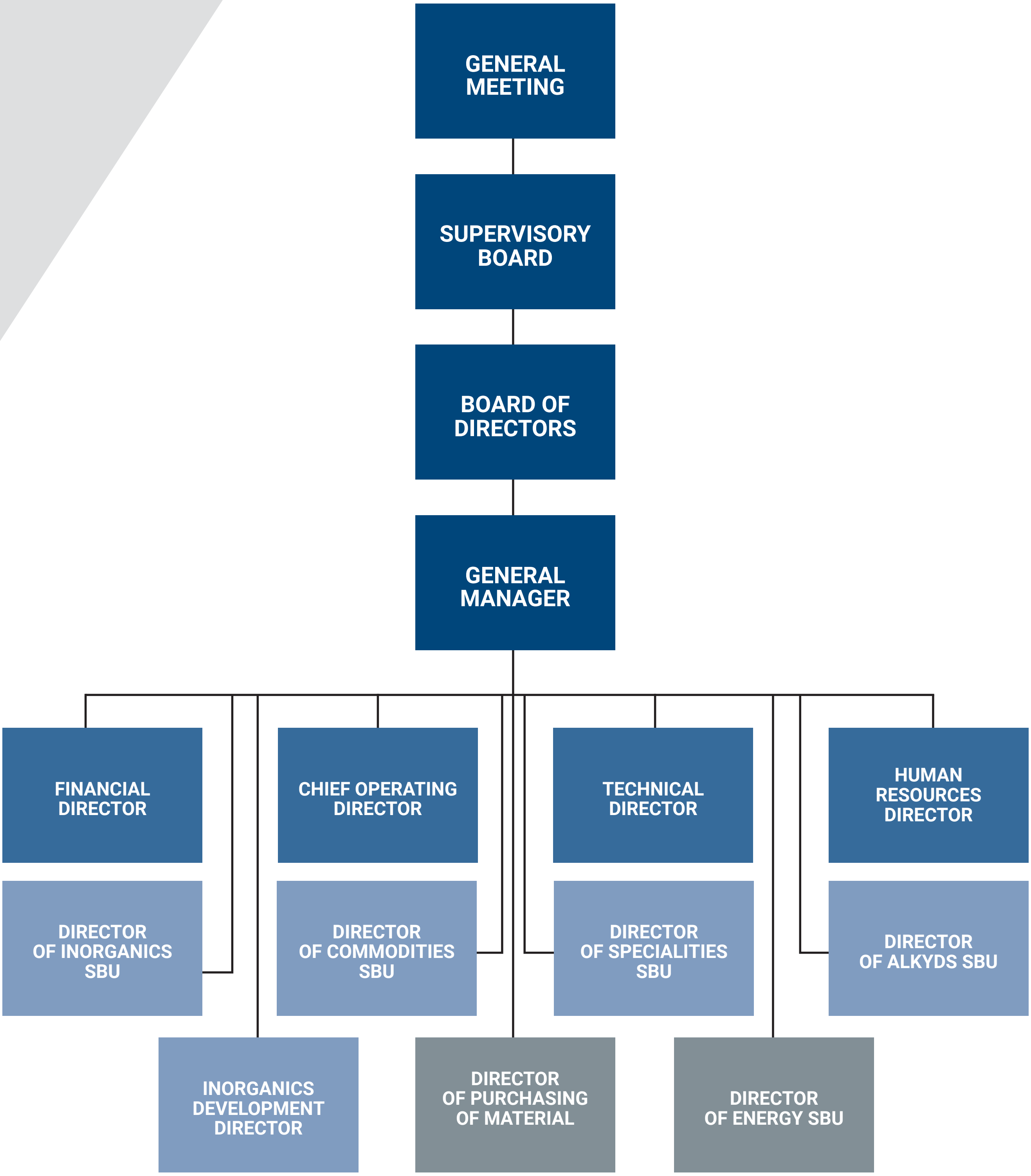
During inspections performed by the state authorities in 2020, the was a possible serious breach of valid legislation only in the case of the Regional Labour Inspectorate with regard to the clarification of the causes and circumstances of the fatal accident. The administrative proceedings, however, were not begun in 2020.

Measures were taken and implemented in the framework of the established occupational health and safety management system and the prevention of a major accident with regard to minor deficiencies identified by the inspection bodies. The control bodies are continuously informed about the implementation of these measures.

The system for the management of the areas of occupation health and safety, accident prevention and fire safety was reviewed during the year 2020 and improved with the applications of the requirements contained in the new standard ČSN ISO 45001 and prepared for certification. In light of the measures in connection with the pandemic situation, there was a delay in the certification system, which successfully took place at the beginning of 2021. The system is in accordance with the specified requirements of the standard, is able to permanently achieve the set policy and objectives and is effectively applied.

MANAGEMENT AND STRUCTURE

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



Ing. Pavel Jiroušek

Ing. Jiří Medřický

Ing. Daniel Tamchyna, MBA

MEMBERS OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2020

Name	Date of birth	Function
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	9.12.1970	Member of the Board of Directors

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2020

Name	Date of birth	Function
JUDr. Petr Sisák	31.8.1967	Chairman of the Supervisory Board
Ing. Romana Benešová	7.11.1969	Vice-Chairman of the Supervisory Board
Robert Demeter	9.5.1982	Member of the Supervisory Board
Josef Černý	9.8.1976	Member of the Supervisory Board
Ing. Jaromír Štantejský	18.9.1970	Member of the Supervisory Board
Ing. Vladimír Kubiš	26.4.1959	Member of the Supervisory Board

COMPANY MANAGEMENT AS AT 31 DECEMBER 2020

Name	Date of birth	Function
Ing. Daniel Tamchyna, MBA	9.12.1970	General Director
Ing. Jaromír Florián	16.6.1975	Financial Director
Ing. Jan Dlouhý, CSc.	17.3.1965	Chief Operating Officer / Director of Energy SBU
Ing. Jan Chudoba	6.12.1968	HR Director
Ing. Lukáš Bartek, Ph.D.	4.10.1977	Director of Specialities SBU
Ing. Zdeněk Moravec	17.3.1976	Director of Commodities SBU
Mgr. Jan Křička	26.5.1963	Director of Alkyds SBU
Ing. Pavel Žák	29.11.1976	Technical Director
Ing. Jakub Racek	25.2.1977	Director of Inorganics SBU
Ing. Pavel Kubíček	8.10.1967	Inorganics Development Developer

The company has no organizational divisions abroad.

REGISTERED CAPITAL AND SECURITIES

As at 1 January 2020, the Company had a share capital of TCZK 1 939 408, which was fully paid and was divided into 3 878 816 certified ordinary shares registered to the bearer with a nominal value of CZK 500 each.

On 20 December 2019, the General Meeting of the Company was held, which adopted a resolution on the reduction of the Company's share capital by the amount of TCZK 1 221 827 for the reimbursement of historical accumulated unpaid losses, which were thus fully offset. The effects of the reduction of the registered capital occur on the day of registration of the reduced share capital in the Commercial Register. The reduction of the registered capital was registered in the Commercial Register on 31 January 2020. Thus, the new nominal value of the shares issued by the Company amounted to CZK 185 each.

The Company's Board of Directors subsequently and repeatedly called on the Company's shareholders to submit their current share certificates issued by the Company in order for them to be exchanged for the new paper shares of the Company registered to the bearer with a nominal value of CZK 185 each.

Taxation of the proceeds from securities is regulated by Act No. 586/1992 Coll., on Income Tax, the issuer is a tax payer in respect of dividend payments. The right to dividends becomes statute-barred in the period stipulated by law. The Company has no securities that authorize the exercising of the right of exchange for other shares and securities or the preferential subscription of other shares and securities on a pre-emptive basis. A company or entity in which the Company has a direct or indirect holding exceeding 50% of the registered capital or voting rights does not have its own securities not posted in a special item of the balance sheet.

The transferability of the shares of the Company is not limited in any way. The Company did not issue any shares connected with any special rights.

The Company did not purchase any treasury shares in 2020 or 2019.

REPORT OF THE BOARD OF DIRECTORS ON ENTREPRENEURIAL ACTIVITIES AND COMPANY ASSETS IN 2020

The consolidated net profit of the Group for 2020 reached CZK 100.6 million (2019: a profit of CZK 176.1 million). The operating performance expressed by consolidated EBITDA reached CZK 625 million (2019: CZK 746 million).

The Group's consolidated sales reached CZK 5.435 billion, which is 9.9% less than in 2019. The main contributor to the decline in sales was the commodity resins segment, where sales price levels declined.

The value of the Group's consolidated fixed assets amounted to CZK 4.244 billion as at 31 December 2020 (as at 31 December 2019: CZK 4.396 billion).

In December 2020, the Group reached an agreement with the creditor AB - CREDIT on the extension of the maturity of the credit exposure towards the Group in the amount of CZK 940 million until the year 2025 as follows: the principal in the amount of CZK 137 million is payable in annual regular instalments during the years 2021-2024 and the rest is subsequently payable in the year 2025.

The Group's main priority in 2021 will be to continue to fulfil its long-term strategy, focus on defined corporate priorities and continue the implementation of strategic projects.

4 / REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD OF SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST ON THE RESULTS OF ITS INSPECTION ACTIVITY FOR THE ACCOUNTING PERIOD OF 2020

The Supervisory Board of Spolek pro chemickou a hutní výrobu, akciová společnost, Company ID No.: 000 11 789, with its registered office in Ústí nad Labem, Revoluční 1930/86, postal code 40032, entered in the Commercial Register kept by the Regional Court in Ústí nad Labem under file no. No. B 47 (hereinafter referred to as the "Company") performed the tasks that result for it from generally-binding legal regulations and the Company's Articles of Association in the 2020 accounting period.

As at 31 December 2020, the powers of the Company's Supervisory Board were performed by:

Chairman of the Supervisory Board:
JUDr. Petr Sisák
Deputy Chairman of the Supervisory Board:
Ing. Romana Benešová
Member of the Supervisory Board:
Robert Demeter
Member of the Supervisory Board:
Josef Černý
Member of the Supervisory Board:
Ing. Jaromír Štantejský
Member of the Supervisory Board:
Ing. Vladimír Kubiš, CSc.

The Company's Supervisory Board supervised the performance of the powers of the Company's Board of Directors. The Company's Supervisory Board checked whether the Company's business activities were carried out in accordance with generally-binding legal regulations and the Company's Articles of Association.

In supervising the performance of the powers of the Company's Board of Directors, the Supervisory Board did not identify any deficiencies and states that in its opinion the powers of the Company's Board of Directors were exercised in full compliance with generally binding regulations and the Company's Articles of Association. The Company's Board of Directors submitted to the Company's Supervisory Board the Company's unconsolidated financial statements for the financial year 2020, the Company's consolidated financial statements for the financial year 2020, the Company's Board of Directors' proposal for the settlement of the Company's loss for the financial year 2020 and the Report on Relations for the financial year 2020, prepared in accordance with the provisions of Section 82 of Act No. 90/2012 Coll., on Business Companies and Cooperatives, as amended.

The Company's Supervisory Board reviewed the non-consolidated financial statements of the Company for the financial year 2020 and the consolidated financial statements of the Company for the financial year 2020 and concluded that the non-consolidated financial statements of the Company for the financial year 2020 and the consolidated financial statements for the financial year 2020 present, in all material respects, a true and fair view of the assets, liabilities, equity and financial position of the Company as at 31 December 2020 and the full profit or loss of the Company for the financial year 2020 is in accordance with the established accounting framework (IFRS). In the framework of this review, no deficiencies or inaccuracies were ascertained in the content of these financial statements, or in the manner in which they are prepared or in the audit process, and on the basis of these facts and taking into account the reports of the independent auditor and the knowledge gained in the process, the Supervisory Board recommends for the Company's General Meeting to approve both financial statements.

The Company's Supervisory Board also reviewed the Report on Relations for the Accounting Period of 2020 and did not find in it any facts that would be a reason for the Company's Supervisory Board to express a negative opinion on the content of the given document. In accordance with Section 83 of Act No. 90/2012 Coll., on Business Companies and Cooperatives, as amended (hereinafter referred to as the "ABC"), the Supervisory Board states that due to the fact that there is no compensation for damage pursuant to Section 71 and/or 72 of the ABC, the Company's Supervisory Board does not take any position that would contain an opinion on the settlement of damage pursuant to Section 71 and/or 72 of the ABC.

The Company's Supervisory Board also reviewed the Company's Board of Directors' proposal for the settlement of the Company's loss for the accounting period of 2020 and agrees with it. In view of the above, the Company's Supervisory Board recommends to the General Meeting of the Company to approve the submitted unconsolidated financial statements of the Company for 2020, the consolidated financial statements of the Company for 2020 and the proposal of the Company's Board of Directors to transfer the loss in the unconsolidated financial statements for the financial year 2020 to the accumulated losses from previous years account.

Prague, 28 April 2021

JUDr. Petr Sisák,
Chairman of the Supervisory Board
Spolek pro chemickou a hutní výrobu,
akciová společnost

SPOLCHEMIE

5 / CONSOLIDATED FINANCIAL STATEMENTS

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

as at 31 December 2020 and for the period ending 31 December 2020
for the business corporation

Spolek pro chemickou a hutní výrobu, akciová společnost

In Ústí nad Labem, 30 April 2021

Ing. Pavel Jiroušek
Chairman of the Board of Directors

Ing. Daniel Tamchyna, MBA
Member of the Board of Directors

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020 TCZK	31 December 2019 TCZK
ASSETS			
Property, plant and equipment	5	3 414 547	3 503 327
Investment property	6	36 272	36 501
Intangible assets	7	41 738	53 601
Rights of use	8	358 440	397 743
Shares in affiliates	9	1 901	20
Provided loans and other receivables	10	249 200	238 830
Deferred expenses	18	141 592	165 572
Deferred tax receivable	29	472	0
Total non-current assets		**4 244 161**	**4 395 594**
Inventories	11	630 606	643 732
Trade receivables	12	648 484	625 573
Other short-term receivables	12	77 995	80 716
Income tax receivables	13	14 000	0
Deferred expenses	18	23 980	25 412
Advances paid		26 287	3 947
Receivable from the auction of own shares	14	8 995	9 144
Cash and Deposits		202 029	129 443
Total current assets		**1 632 375**	**1 517 967**
TOTAL ASSETS		**5 876 536**	**5 913 561**

The notes on pages 59 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

	Note	31 December 2020 TCZK	31 December 2019 TCZK
EQUITY			
Share capital	15	717 581	1 939 408
Reserve fund	15	1 524	1 524
Other comprehensive income	16	2 029	-1 747
Accumulated losses		502 728	-779 819
Equity attributable to the shareholders of the Company		1 223 862	1 159 366
Non-controlling interests		54 131	52 499
TOTAL EQUITY		**1 277 993**	**1 211 865**
LIABILITIES			
Non-bank loans	17	2 881 158	2 089 477
Lease liabilities	8	279 552	314 846
Deferred tax payable	19	146 084	125 100
Provisions	22	85 758	67 613
Retention of investment	19	3 928	4 215
Total non-current liabilities		3 396 480	2 601 251
Non-bank loans	17	276 600	1 237 154
Trade and other payables	20	619 222	605 699
Lease liabilities	8	54 368	58 758
Liabilities from the auction of own shares	14	8 995	9 144
Income tax payables	13	5 767	10 106
Advances received	21	224 377	167 099
Provisions	22	12 733	12 485
Total current liabilities		1 202 063	2 100 445
Total liabilities		4 598 543	4 701 696
TOTAL EQUITY AND LIABILITIES		**5 876 536**	**5 913 561**

The notes on pages 59 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 TCZK	Year ended 31 December 2019 TCZK
Revenues	23	5 434 980	6 030 351
Change in inventories		-11 352	2 029
Capitalisation of own production		3 742	4 730
Consumption of material and energy	24	-3 583 442	-4 097 554
Logistics, leases and other services	25	-575 060	-598 626
Personnel expenses	26	-535 382	-501 055
Depreciation and amortisation	5, 6, 7, 8	-348 618	-349 819
Other operating income	27	65 567	47 415
Other operating expenses	27	-97 058	-83 462
Operating profit		**353 377**	**454 009**
Financial income	28	9 075	20 219
Loss from impairment of financial assets	28	-9 630	-68 387
Financial costs	28	-224 144	-170 227
Financial profit/loss		**-224 699**	**-218 395**
Shares in losses of affiliates		-100	0
Profit before income tax		**128 578**	**235 614**
Income tax	29	-28 017	-59 510
NET PROFIT		**100 561**	**176 104**

The notes on pages 59 to 100 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2020 TCZK	Year ended 31 December 2019 TCZK
Items that are or may be reclassified to profit or loss			
Foreign exchange diff. on foreign subsidiary company		3 776	-757
Total other comprehensive income		**3 776**	**-757**
TOTAL COMPREHENSIVE INCOME		**104 337**	**175 347**
Net profit attributable to shareholders		100 266	175 558
Net profit attributable to non-controlling interests		295	546
Total net profit		**100 561**	**176 104**
Total comprehensive income attributable to shareholders		104 042	174 801
Comprehensive income attributable to non-controlling interest		295	546
Total comprehensive income		**104 337**	**175 347**
Basic and diluted profit per share (CZK)			
Basic and diluted profit per share	33	25,85	45,26

The notes on pages 59 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital TCZK	Statutory reserve fund TCZK	Other comprehensive income TCZK	Retained earnings TCZK	Total equity attributable to shareholders TCZK	Non-controlling interests TCZK	Total equity TCZK
Balance as at 1 January 2019	1 939 408	77 500	-1 392	-1 033 414	982 101	51 953	1 034 054
Profit for year	0	0	0	176 104	176 104	546	176 650
Dissolution of the reserve fund to cover losses from previous years	0	-75 976	0	75 976	0	0	0
Other comprehensive income	0	0	-355	0	-355	0	-355
Changes in subsidiaries	0	0	0	1 515	1 515	0	1 515
Balance as at 31 December 2019	1 939 408	1 524	-1 747	-779 819	1 159 366	52 499	1 211 865
Decrease of share capital to cover losses from previous years	-1 221 827	0	0	1 221 827	0	0	0
Profit for year	0	0	0	100 561	100 561	295	100 856
Other comprehensive income	0	0	3 776	0	3 776	0	3 776
Changes in subsidiaries	0	0	0	-39 841	-39 841	1 337	-38 504
Balance as at 31 December 2020	717 581	1 524	2 029	502 728	1 223 862	54 131	1 277 993

On 20 December 2019, the General Meeting of the Company was held, and adopted a resolution on the reduction of the Company‘s share capital by the amount of TCZK 1 221 827 due to the reimbursement of historical accumulated unpaid losses, which were thus fully offset. The effects of the reduction of the registered capital occur on the day of registration of the reduced share capital in the Commercial Register, i.e., 31 January 2020.

The notes on pages 59 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ending 31 December 2020	Year ending 31 December 2019
		TCZK	TCZK
Net profit		**100 561**	**176 104**
Adjustment for non-cash transactions:		**588 861**	**513 381**
Income tax	29	28 017	59 510
Depreciation and amortisation of non-current assets	5,6,7,8	316 482	339 988
Change in adjustments and provisions	5,7,11,12,22	126 618	-100 217
Profit/loss on sale of non-current assets	27	4 957	-555
Interest income and expenses	28	136 592	145 628
Other non-cash transactions	32	-23 805	69 027
Changes in non-cash components of working capital:		**-20 016**	**-20 241**
Change in trade and other non-current receivables	10,12,18,29	-123 504	323 959
Change in trade and other short-term payables	17, 20,21,29	85 108	-300 456
Change in inventories	11	18 380	-43 744
Cash flows from operating activities before interest and taxes		**699 406**	**669 244**
Interest paid	28	-85 209	-90 822
Interest received	28	83	1 125
Payment of income tax	30	-26 144	-40 701
Net cash flows from operating activities		**558 166**	**538 847**
Cash flows from financing activities			
Expenses connected with acquisition of non-current assets	5,7,8	-202 714	-158 935
Proceeds from sale of non-current assets	27	2 285	555
Proceeds from sales of financial investments	9	20	0
Expenses connected with acquisition of financial investments	9	-1 881	0
Net cash flows from investment activities		**-202 290**	**-158 380**
Cash flows from financing activities			
Proceeds from long-term liabilities and loans	17	61 139	15 503
Expenses from long-term liabilities and loans	17	-228 757	-336 391
Payments of leases	8	-84 131	-83 362
Changes in equity	15	-34 433	U
Net cash flows from financing activities		**-286 182**	**-404 250**
Net increase/decrease in cash and cash equivalents		**69 694**	**-23 783**
Cash and cash equivalents at the beginning of the year		**129 443**	**154 092**
Effect of exchange rate fluctuations		2 892	-866
Cash and cash equivalents at the end of the year		**202 029**	**129 443**

The notes on pages 59 to 100 are an integral part of these consolidated financial statements.

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 recorded in the Commercial Register kept by the Regional Court in Ústí nad Labem, section B, insert 47.

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.

2. ADOPTION OF NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS

New and amended IFRS accounting rules adopted by the Group

When preparing these consolidated financial statements, the Group has considered the following amended IFRS, which is effective from 1.1.2020 and had no influence on the results and information presented in these consolidated financial statements in comparison with the previous consolidated financial statements for the year 2019:

•The Group adopted the new Conceptual Framework for Financial Reporting based on IFRS. It takes effect for entities on 1 January 2020 and the reasons for the amendment are to supplement the adjustment of areas not yet regulated (adjustment of presentation and disclosure, definition of reporting entity, valuation and derecognition), update definitions of assets and liabilities and clarify the current adjustment (e.g., concept of valuation uncertainty). The conceptual framework does not a priori apply to the Group's first-line reporting, as it is necessary to respect the requirements of standards and interpretations. The Group considered the effects of this Conceptual Framework. The changes did not affect the Group's consolidated financial statements.

• In the current accounting period, the Group first adopted the changes contained in the Changes of the references to the Conceptual Framework in the standard IFRS, through which the adjusted standards are adapted so that they refer to the new Framework. Not all the adjustments, however, update the references to the Framework and the citations from it so that it refers to the amended Conceptual Framework. Some of the provisions merely newly specify to which version of the Framework they refer (the IASC Framework adopted by the IASB council in 2001, the IASB Framework from 2010 or the newly amended Framework from 2018) or they state that the definitions contained in the relevant standard were not updated according to the new definitions specified in the amended Conceptual Framework.

The adjustments concern the standards IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38 and the interpretations IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32.

• The Group adopted the amendment to IFRS 3 Business Combinations amending the definition of a business (effective for annual financial statements beginning on 1 January 2020 and later). The amendment concerns the assessment of an acquisition transaction of another enterprise and the assessment of whether such a transaction is a business combination under IFRS 3 or only an acquisition of a group of assets. The consequences of such an evaluation are crucial for the method of recording and related valuation, e.g., the revaluation of acquired net assets, identification and valuation of goodwill, etc. The amendment removes from the definition of the company the condition that the business combination may reduce costs, and the new definition is fully oriented outputs of the purchased enterprise (goods, services provided to customers). The amendment newly introduces a "concentration test", which will be optional and the entity can use it and decide that the fair value of the acquiree is created (concentrated) by the fair value of the acquired asset within the unit, and therefore the transaction is recorded as an acquisition of a group of assets, not as a business combination. The aforementioned changes did not have an effect on the reporting of the Group's capital transactions.

• The Group also adopted the amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors adjusting the definition of significance (effective for annual financial statements beginning on or after 1 January 2020). According to the new definition of materiality, an entity must avoid the so-called obscuration of information (e.g., vaguely formulate information about significant items and events, inappropriately aggregate or disaggregate, place information in various positions in the financial statements and provide significantly more information and thus hide essential information). In assessing materiality, primary users must be considered, not the full range of potential users. Last, but not least, information must be considered in such a way that it can be expected to influence users' decisions, not whether they influence it. The effectiveness of the amendment is prospective and did not have significant changes in the current approach to the presentation of accounting information and in the structure of consolidated financial statements.

• In September 2019, an amendment to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures entitled Interest Rate Benchmark Reform was issued, being the first reaction of IASB to the potential changes that the reform of the IBOR rates could bring to accounting reporting (effective for annual financial statements beginning on or after 1 January 2020). IBOR rates, i.e., EURIBOR, PRIBOR, etc., are considered to be reference interest rates (used, for example, as a basis for determining variable interest rates) and express the cost of obtaining loan financing. Due to the question of their long-term use, the published amendment to IFRS regulates the procedure for replacing existing interest rates with other alternative rates and addresses the effects on hedge accounting. The amendment also affects disclosure and introduces additional information requirements regarding the uncertainty arising from the interest rate reform. The Group did not notice any material impact on the consolidated financial statements.

• In May 2020, the IASB issued an amendment to the IFRS 16 standard entitled Covid-19-Related Rent Concessions, which provides lessees help with the accounting on rent concessions that arose as a direct result of the COVID-19 pandemic through the introduction of practical simplifications in IFRS 16. This amendment was approved in October 2020 for use in the EU. The practical simplification provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Lessees who decide for this alternative record any change in lease payments that ensue from COVID-19-related rent concessions in accordance with the procedure of IFRS 16 for changes that do not represent lease modifications.

The practical simplification relates only to rent concessions that arose as a direct result of the COVID-19 pandemic and only upon the fulfilment of all the following conditions:
a) the change of the lease payments results in a change to the consideration of the lease, which is essentially the same or lower than the consideration of the lease immediately prior to the change;
b) any decrease in lease payments only apply to those payments that were originally payable on or before 30 June 2021 (the lease concession fulfils this condition if it would lead to a decrease of leasing payments as at 30 June 2021 or before this date and to an increase of leasing payments beyond June 2021);
c) there are no significant changes to other lease conditions.

The amendments are effective from 1 June 2020, while their earlier use is possible. The Group did not apply the amendment to IFRS 16 in this accounting period.

<u>New and amended IFRS accounting rules that have been issued but are not yet effective and have not been applied by the Group</u>
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 Group in preparing these consolidated financial statements

• In May 2017, a new standard was issued entitled IFRS 17 Insurance Contracts (effective for annual financial statements beginning on or after 1 January 2021), which introduces a comprehensive adjustment (recognition, measurement, presentation, disclosure) of insurance contracts in financial statements prepared in accordance with IFRS, i.e. it applies primarily to the insurance sector. IFRS 17 replaces the current incomplete amendment contained in IFRS 4. The Group operates in another industry, does not report insurance contracts and the new standard, according to the current assessment, does not affect the financial situation and performance of the Group.

• In January 2020, an amendment to IAS 1 Presentation of Financial Statements entitled Classification of Liabilities as Current or Non-current (effective for annual financial statements beginning on 1 January 2022 and later with retrospective effect) was issued, which provides a more general approach to classifying liabilities with respect to contractual obligations in effect at the balance sheet date. The amendment will only affect the presentation of liabilities in the statement of the financial position, not their amount or the time of their recognition, as well as the information disclosed about liabilities in the financial statements. The amendment clarifies that a liability shall be presented as current or long-term with respect to the rights and obligations effective at the balance sheet date and shall not be affected by the entity's expectations regarding the settlement (realisation or implementation) of the liability. The Group assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

• In May 2020, an amendment was issued for IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (effective for annual financial statements beginning on 1 January 2022 and later), which prohibits the entity from lowering the acquisition costs of yields from the sale of products creating during the trial phase of an asset, i.e., before bringing it into the condition necessary for the intended use. Now these yields and the related expenses should be recognised in the economic results. The Group assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

• In May 2020, an amendment was issued for IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Cost of Fulfilling a Contract (effective for annual financial statements beginning on 1 January 2022 and later), which clarifies the costs that the entity should include in the calculation of expenses necessary for fulfilling a contract when assessing whether the contract is onerous. The Group assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

• In May 2020, the Annual Improvements to IFRS's 2018-2020 Cycle (effective for annual financial statements beginning on 1 January 2022 and later) was issued, which includes amendments to the following standards: the amendment to IFRS 9 Financial Instruments clarifies the fees that the entity considers when it assesses whether the conditions of a new or modified financial liability are significantly different from the conditions of the original liability (the 10 per cent test). The amendment to IFRS 1 First-time Adoption of IFRS simplifies the application of IFRS 1 by a subsidiary that becomes a first-time user later than its parent company. The simplification applies to the valuation of translation differences from the translation of the financial statements. The amendment of IAS 41 Agriculture removes the requirement for the exclusion of taxation cash flows from the assessment of the fair values to ensure consistency with the requirements of other standards. The Group does not expect any significant effect from the newly-issued amendments.

• In May 2020, an amendment was issued for IFRS 3 Business Combinations (effective for annual financial statements beginning on 1 January 2022 and later), which only updates the regulation with the relevant links to the new Conceptual Framework. It is a formal amendment without any impact on the Group's consolidated financial reports.

• In June 2020, an amendment was issued for IFRS 17 Insurance Contracts (effective for annual financial statements beginning on 1 January 2023 and later), which delays the effect of IFRS 17 to 1 January 2023 or later with the goal of helping companies with the implementation of IFRS 17 in the period affected by the Covid-19 pandemic and to simplify the impact of IFRS 17 on the financial performance of affected companies. The Group does not fall under the scope of IFRS 17 and thus the amendment will not have any effect on its consolidated financial statements.

• In June 2020, an amendment was issued for IAS 1 Presentation of Financial Statements entitled Classification of Liabilities as Current or Non-current (effective for annual financial statements beginning on 1 January 2023 and later), which delays the effect of the amendment from the original date of 1 January 2022 to 1 January 2023 and later.

• In August 2020, an amendment to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leasing entitled Interest Rate Benchmark Reform – Phase 2 was issued, being the second reaction of IASB to the expected changes that the reform of the IBOR rates could bring to accounting reporting (effective for annual financial statements beginning on or after 1 January 2021). The amendment regulates the procedures for reacting in the financial statements to any changes in the amount of the contractual cash flows of financial instruments and in the hedging accounting as a result of changes to IBOR rates. The Group does not expect any significant impact on the consolidated financial statements.

<u>New and amended IFRS accounting rules issued by the IASB, but not yet adopted by the EU</u>

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:

• IFRS 14 Accruals for Price Regulation (issued in January 2014) - EU decision to never approve because it is a temporary standard,

• IFRS 17 Insurance Contracts (issued in May 2017),

• Amendment to IAS 1 Classification of Liabilities as Current or Non-current (issued in January 2020, including the amendment from July 2020, which delays the start of the effect to 1 January 2023)

• Amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (issued in May 2020, effective from 1 January 2022)

• Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (issued in May 2020, effective from 1 January 2022)

• Amendment ensuing from Annual Improvements to IFRS's 2018-2020 Cycle (issued in May 2020, effective from 1 January 2022)

• Amendment to IFRS 3 Business Combinations (issued in May 2020, effective from 1 January 2022)

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 historical cost basis, except for derivatives, financial instruments at fair value charged to profit or loss and financial assets held for sale valued at fair value.

These 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 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 form 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 the activities of the consolidated companies should have the benefit.

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) Business combinations under common control

Business combinations ensuing from the acquisition of shares in entities that were controlled by the Group's parent company before the acquisitions are recognised as though they were at the beginning of the current accounting period. Comparable data are not adjusted. The acquired assets and liabilities are reported in the same net book value values, in which they were reported in the financial statements of the acquired business. The individual equity components acquired by the Company are added in the same equity components of the Group and any profit or loss is also reported in the equity. The differences from the elimination of the previous relations are included directly in the economic result.

g) Investments in associated companies

An associated company is an entity in which the Group has a considerable influence and which is neither a subsidiary or participation in a joint venture. Considerable 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 in the acquisition costs decreased by the losses from the decreased value. The Group reports the dividends from the 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 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 Costs item.

h) 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.

i) 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 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 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.

j) 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 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". 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.

k) 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.

l) 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 leasing 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 simplification where it will not separate non-leasing components from leasing components and will instead account for each leasing component and any related non-leasing components as a single leasing component.

m) 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 valued 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.

n) 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 Group 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 Group recognises the following groups of receivables:
- Receivables from related parties
- Receivables arising on assignment
- Insured receivables
- All other trade receivables

o) 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, such as provided loans, trade receivables, purchased bonds, etc., are valued at amortised cost using the effective interest method.

p) 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.

q) 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 long-term in the consolidated statement of the financial position.

r) Derivatives
Derivatives are initially measured at the acquisition price. In the accompanying 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 re-measured at fair value at the balance sheet date. Changes in the fair value of derivatives held for trading are included in the financial expenses or revenues, as the case may be.

s) 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.

t) Revenue
Revenue is measured at the fair value of the consideration received or receivable, net of all discounts and value added tax (VAT).

Revenues from own products and services are recognised when it is probable that the economic benefits of a sale will be transferred to the Group and can be measured, when the significant risks of ownership have been transferred to the customer, and the income and costs arising in connection with the transaction can be estimated reliably.

Rental income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease.

Service income is recognised according to the degree of completion of the service, which, due to the nature of the services, mostly corresponds to a one-off recognition of revenue at the time the service is rendered. Part of the service revenue is also the cost of reprocessing material supplied by the customer using the production technology and the employees of the Group

u) Other operating revenues and expenses
Other operating income and expenses particularly include the net result from the liquidation and sale of non-financial assets, surplus of assets, court fees or their return, received or paid contractual penalties and fines, property acquired/granted free of charge, the creation/cancellation of provisions (excluding those recorded as financial expenses), the cost of recovery and loss on sales of investment properties and amortisation of construction in progress which have not produced the desired economic effect.

v) 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 costs 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 finance leases, fees for bank loans, loans, guarantees.

w) 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 provision 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.

x) 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 pension contributions to the state pension plan each month for employees. The Czech government is 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.

y) 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.

z) 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 RULES 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 the year 2020, 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 fixed 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 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) Provisions to bad debts

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).
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 2020, nor the tax payable in profit or loss because it has a tax profit to which it uses the tax loss transferred from the past. 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 offset and partially reduce 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 captures 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 results in a decision to capture a provision or to disclose a contingent liability or conditional asset, if the Group is a party to the claimant's claim.

Information on litigation is disclosed in the commentary on contingent liabilities in Part 37.

f) Provisions

Provisions are 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Acquisition cost					
At 1 January 2020	3 306 198	5 273 527	7 144	112 012	8 698 881
Additions	361	64 593	0	111 448	176 402
Disposals	-12 307	-41 652	-281	-6 191	-60 431
Transfers to investments to property	-10 451	0	0	0	-10 451
Transfers	0	681	0	-683	-2
At 31 December 2020	3 283 801	5 297 149	6 863	216 586	8 804 399
Accumulated depreciation					
At 1 January 2020	-1 560 487	-3 548 624	-6 948	0	-5 116 059
Depreciation	-65 678	-182 696	0	0	-248 374
Disposals	10 023	35 926	281	0	46 230
Transfers to investments to property	9 291	0	0	0	9 291
At 31 December 2020	-1 606 851	-3 695 394	-6 667	0	-5 308 912
Adjustments					
At 1 January 2020	-40 812	-26 267	0	-12 416	-79 495
Additions to adjustments	0	0	0	-8 125	-8 125
Release of adjustments	0	6 680	0	0	6 680
At 31 December 2020	-40 812	-19 587	0	-20 541	-80 940
Net book value					
At 1 January 2020	1 704 898	1 698 637	196	99 596	3 503 327
At 31 December 2020	1 636 138	1 582 168	196	196 045	3 414 547

In 2020, these most important actions were completed and put into use (and depreciation began):

Action	Initial costs (MCZK)
NASH 11K08 liquid ring compressor for chlorine compression	12,7
11V08 sulphuric acid mist eliminator	7,6

In 2020, expenses were realised for the acquisition of fixed assets for these most important investment actions:

Action	Initial costs (MCZK)
Desalination of waste water	65,7
Project for precursor of chlorinated derivatives	17,9
Emergency connection of Spolek from Tovární Street (level of 22kV)	12,6
Technical and structural improvements to EPI laboratory	1,6

In 2020 and 2019, the Group did not capitalise any borrowing costs..

Comparable period balances:

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Acquisition cost					
At 1 January 2019	3 295 895	5 237 535	7 277	152 956	8 693 663
Additions	11 763	78 391	0	64 642	154 796
Disposals	-2 984	-50 689	-133	-97 296	-151 102
Transfers to investments to property	1 524	0	0	0	1 524
Transfers	0	8 290	0	-8 290	0
At 31 December 2019	3 306 198	5 273 527	7 144	112 012	8 698 881
Accumulated depreciation					
At 1 January 2019	-1 491 983	-3 397 157	-7 081	0	-4 896 221
Depreciation	-69 666	-200 920	0	-74 046	-344 633
Disposals	2 705	49 454	133	74 046	126 338
Transfers to investments to property	-1 543	0	0	0	-1 543
At 31 December 2019	-1 560 487	-3 548 624	-6 948	0	-5 116 059
Adjustments					
At 1 January 2019	-40 812	-36 652	0	-86 428	-163 892
Additions to adjustments	0	-5 407	0	0	-5 407
Release of adjustments	0	15 792	0	74 012	89 804
At 31 December 2019	-40 812	-26 267	0	-12 416	-79 495
Net book value					
At 1 January 2019	1 763 100	1 803 727	196	66 528	3 633 551
At 31 December 2019	1 704 898	1 698 637	196	99 596	3 503 327

6. INVESTMENT IN PROPERTY

	Acquisition cost	Acc. depreciation	Carrying amount
Balance at 1 January 2020	99 784	-63 283	36 501
Depreciation expenses	0	-1 389	-1 389
Transfer from Property, plant and equipment	10 451	-9 291	1 160
At 31 December 2020	110 235	-73 963	36 272

Comparable period balances:

	Acquisition cost	Acc. depreciation	Carrying amount
Balance at 1 January 2019	101 308	-63 471	37 837
Depreciation expenses	0	-1 355	-1 355
Transfer from Property, plant and equipment	-1 524	1 543	19
At 31 December 2019	99 784	-63 283	36 501

Assignable items to the statement of comprehensive income

	31 December 2020	31 December 2019
	TCZK	TCZK
Rental income	7 216	7 330
Depreciation expenses	-1 390	-1 355
Direct operating costs (maintenance)	-874	-1 159
Operating result associated with investment property	4 952	4 816

The group leases real estate to other companies, 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.

7. INTANGIBLE ASSETS

Acquisition cost

	Licenses and patents	Software	Other	Under construction	Total
Balance at 1 January 2020	280 187	19 349	0	15 872	315 408
Additions	14 009	5 321	5 456	1 526	26 312
Disposals	0	-28	0	0	-28
Impact of exchange rate conversion	0	0	0	0	0
At 31 December 2020	294 196	24 642	5 456	17 398	341 692

Accumulated depreciation

	Licenses and patents	Software	Other	Under construction	Total
Balance at 1 January 2020	-145 846	-17 301	0	-1 500	-164 647
Depreciation	-2 578	-5 214	0	0	-7 792
Disposals	0	28	0	0	28
At 31 December 2020	-148 424	-22 487	0	-1 500	-172 411

Adjustments

	Licenses and patents	Software	Other	Under construction	Total
Balance at 1 January 2020	-97 160	0	0	0	-97 160
Additions	-24 927	0	-5 456	0	-30 383
At 31 December 2020	-122 087	0	-5 456	0	-127 543

Carrying amount

	Licenses and patents	Software	Other	Under construction	Total
At 1 January 2020	37 181	2 048	0	14 372	53 601
At 31 December 2020	23 685	2 155	0	15 898	41 738

Comparable period balances:

Acquisition cost

	Licenses and patents	Software	Under construction	Total
Balance at 1 January 2019	281 566	19 148	13 658	314 372
Additions	1 636	255	2 248	4 139
Disposals	-1 550	-54	-34	-1 638
Impact of exchange rate conversion	-1 465	0	0	-1 465
At 31 December 2019	280 187	19 349	15 872	315 408

Accumulated depreciation

	Licenses and patents	Software	Under construction	Total
Balance at 1 January 2019	-144 968	-16 919	-1 534	-163 421
Depreciation	-2 427	-436	0	-2 863
Disposals	1 549	54	34	1 637
At 31 December 2019	-145 846	-17 301	-1 500	-164 647

Adjustments

	Licenses and patents	Software	Under construction	Total
Balance at 1 January 2019	-76 947	0	0	-76 947
Additions	-20 213	0	0	-20 213
At 31 December 2019	-97 160	0	0	-97 160

Carrying amount

At 1 January 2019	59 651	2 229	12 124	74 004
At 31 December 2019	37 181	2 048	14 372	53 601

8. RIGHTS OF USE

Carrying amount

	Buildings and structures	Railway cars	Cars	Other	Total
Balance at 1 January 2020	339 941	28 271	1 469	28 062	397 743
Depreciation of the right of use	-38 102	-9 392	-1 469	-9 964	-58 927
Additions from reassessment of leasing contracts	4 907	33 786	0	4 499	43 192
Losses from reassessment of leasing contracts	-3 865	-19 703	0	0	-23 568
Balance at 31 December 2020	302 881	32 962	0	22 597	358 440

Comparable period

Carrying amount

	Buildings and structures	Railway cars	Cars	Other	Total
Balance at 1 January 2019	378 042	65 335	3 673	35 077	482 127
Depreciation of the right of use	-38 101	-16 999	-2 204	-7 015	-64 319
Additions from reassessment of leasing contracts	0	23 644	0	0	23 644
Losses from reassessment of leasing contracts	0	-43 709	0	0	-43 709
Balance at 31 December 2019	339 941	28 271	1 469	28 062	397 743

Assignable items to the statement of comprehensive income:

	31 December 2020	31 December 2019
	TCZK	TCZK
Depreciation of the right of use	-58 927	-64 319
Interest on the lease liability	-18 795	-21 645
Result from reassessment of leasing contracts	516	795
Short-term leasing costs	-30 628	-38 436
Total	-107 834	-123 605

As at 31 December 2020, the Group records the following related lease liabilities:

	31 December 2020	31 December 2019
	TCZK	TCZK
Lease liabilities	333 920	373 604
of which:		
Short-term balance of lease liability	54 368	58 758
Long-term balance of lease liability	279 552	314 846

From the total lease liability in the amount of TCZK 333 920 as at 31 December 2020, the most important part of the liabilities is comprised of the leaseback in Spolchemie Electrolysis in the amount of TCZK 139 077 (as at 31 December 2019: TCZK 156 697). The other leasing contracts are operating leases and similarly classified contracts pursuant to IFRS 16. In 2020, lease liabilities in the amount of TCZK 84 131 were paid (in 2019: TCZK 83 362).

9. INVESTMENTS IN AFFILIATES

The Group reports a share of 1% in Klastr povrchové úpravy a.s. with its registered office in Pardubice and 49% in Usti Truck Wash, a.s., which the Group intends to hold onto for an unspecified period. The investments are measured at TCZK 20 and TCZK 1 881, which represents an estimate of their real value on the basis of the original acquisition price, since there were not significant changes that would have changed for the duration held.

10. PROVIDED LOANS AND OTHER RECEIVABLES

	31 December 2020 TCZK	31 December 2019 TCZK
Receivable STZ Development, a.s.	514 454	514 454
Impairment loss	-291 254	-281 624
Total	223 200	232 830
Other receivables	26 000	6 000
Total	249 200	238 830

Long-term receivables are almost exclusively a receivable from STZ Development, a.s., which was acquired by assignment in 2008 at a nominal value of CZK 400 million. The receivable is remunerated at the annual average rate of 1YEAR PRIBOR, increased by 2.5% p.a. STZ Development is a subsidiary of Via Chem Group, a.s. In the past, impairment was indicated in connection with the credit risk analysis associated with this receivable and recognised impairment loss of TCZK 291 254. In 2020 and 2019, the Group records entitlement to the related interest, but it does not show it, because it doubts their earnings. The Group‘s receivable is subject to other long-term liabilities of STZ Development.

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

11. INVENTORIES

	31 December 2020 TCZK	31 December 2019 TCZK
Raw materials	301 006	303 165
Work in progress	918	1 111
Finished goods	328 260	339 281
Goods	422	174
Carrying amount	630 606	643 732

The gross amount of inventories as at 31 December 2020 s TCZK 643 838 (2019: TCZK 661 381) and the fair value of inventories less cost to sell is TCZK 630 606 (2019: TCZK 643 732).

The amount of inventories charged to cost in 2020 is TCZK 3 594 794 (2019: TCZK 4 095 525).

12. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables	31 December 2020	31 December 2019
	TCZK	TCZK
Gross value of trade receivables	692 129	657 422
Impairment loss	-43 645	-31 849
Total	648 484	625 573

Other short-term receivables (net)	31 December 2020	31 December 2019
	TCZK	TCZK
VAT	71 810	74 359
Other short-term receivables	33 911	34 083
Impairment loss	-27 726	-27 726
Total	77 995	80 716

The credit risk analysis is described in the Financial Risk Management section.

13. TAX RECEIVABLES AND LIABILITIES

The balance of tax receivables amounting to TCZK 14 000 as of 31 December 2020 is mainly due to overpayments of corporate income tax. As at 31 December 2019, the Group does not record such receivables.

The balance of tax liabilities in the amount of TCZK 5 767 (as of 31 December 2019: TCZK 10 106) is due to corporate income tax.

14. RECEIVABLE FROM THE AUCTION OF OWN SHARES

In 2019, the Company auctioned its own shares not yet exchanged, see the comment in Note 15. The reported receivable is for the company that the Company has commissioned to conduct the auction. The receivable has a counterparty in liabilities, where the Company reports a liability from the payment of the auction result to shareholders in the same amount, i.e. TCZK 8 995 (as of 31 December 2019: TCZK 9 144).

15. REGISTERED CAPITAL AND FUNDS

Authorised and issued shares:

	Number units	31 December 2020 TCZK	Number units	31 December 2019 TCZK
Ordinary shares with a nominal value of CZK 500, fully paid	-	-	3 878 816	1 939 408
Ordinary shares with a nominal value of CZK 185, fully paid	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.

The Company recorded no receivables as at 31 December 2020 and 31 December 2019 for subscribed equity; 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.

Public auction of shares

On 26 March 2019, an involuntary public auction of the Company‘s shares took place. The auction concerned only shares of the Company‘s shareholders who did not attend the takeover of paper shares (originally issued in bearer form, now in registered form) issued by the Company following the conversion of the Company‘s shares approved by the Company‘s General Meeting held on 17 August 2007.

Interested shareholders are entitled to receive the auction proceeds (after offsetting the receivables created by the Company in connection with the auction) about what the individual shareholders have been notified. The proceeds will be paid to shareholders in the form of a postal order to the last addresses known by the Company. As at 31 December 2020, the balance of unpaid auction proceeds amounted to TCZK 8 995 (as at 31 December 2019: TCZK 9 144).

Decision on reduction of registered capital

At its meeting held on 20 December 2019, the General Meeting of the Company adopted a resolution on the reduction of the Company‘s share capital by the amount of TCZK 1 221 827, i.e. from the amount of TCZK 1 939 408 to the amount of TCZK 717 581, in accordance with the procedure pursuant to Section 544 (1) (a) of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended, by reducing the nominal value of all shares of the Company by CZK 315, i.e. from the amount of CZK 500 to the amount of CZK 185. The effects of the reduction of the registered capital occur on the day of registration of the reduced share capital in the Commercial Register. The reduction of the registered capital was registered in the Commercial Register on 31 January 2020.

With its notice from 31 January 2020, the Board of Directors of the Company called upon the Company’s shareholders to submit their existing paper shares issued by the Company for the purpose of their exchange for new paper shares of the Company in the name of the shareholder with the exchange of the shares beginning on 1 February 2020. Due to the measures accepted in connection with the spread of the COVID-19 disease, the exchange of the shares was temporarily suspended from 16 March 2020 until 30 April 2020 on the basis of a decision by the Board of Directors from 15 March 2020 and the related decision from 30 March 2020. On the basis of a decision by the Board of Directors from 29 April 2020, the deadline for the exchange of the shares was extended proportionally until 30 June 2020 for the same reason.

On 15 July 2020, the Board of Directors repeatedly called upon the delayed shareholders to exchange the shares in the sense of the provisions of Section 537 of the Business Corporations Act and specified the ultimate deadline of 31 August 2020, while the shareholders were simultaneously informed of the consequences of non-fulfilment.

On 1 October 2020, the Company’s Board of Directors declared all the Company’s shares with an marked nominal value of CZK 500 that were not submitted to the Company to be exchanged for shares with a marked nominal value of CZK 185 to be invalid.

Public auction of shares II

On 7 January 2021, an involuntary public auction of the Company's shares took place, at which the shareholders or other entities having a relationship to the shares did not express any interest in taking over the Company's shares with a marked nominal value of CZK 185.

Interested shareholders are entitled to receive the auction proceeds after offsetting the receivables created by the Company in connection with the auction. The proceeds will be paid by a cashless transfer. More information is described in point 39. Subsequent events.

Shareholders

The shareholder with the largest share in the Company as at 31 December 2020 was KAPRAIN CHEMICAL LIMITED, with its registered seat at Giannou Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 381813 (hereinafter referred to as "KAPRAIN CHEMICAL") with a 43.13% share in the registered capital and voting rights in the Company. KAPRAIN CHEMICAL is controlled by the company KAPRAIN HOLDINGS, just like AB – CREDIT a.s., Company ID No.: 405 22 610, with its registered seat at Opletalova 1603/57, Nové Město, 110 00 Prague 1, which owns shares in the Company representing an 8% share in the registered capital and voting rights in the Company. The controlling person of KAPRAIN HOLDINGS is Ing. Karel Pražák, residing at Otradovická 730/9, Kamýk, 142 00 Prague 4, date of birth 3 April 1969, who had, as at 31 December 2020, the possibility to indirectly perform the voting rights with shares representing a 51.1% share in the registered capital and voting rights in the Company and was therefore the person who could indirectly exert a decisive influence in the Company.

The reserve fund is created in accordance with the valid Articles of Association by allocations from profit according to the decision of the General Meeting of the Company.

Articles of Association - The company had previously adapted its articles of association to the mandatory provisions of the Commercial Corporations Act in accordance with Section 777 (2) of the Commercial Corporations Act, and delivered the amended text of the Articles of Association to the register court within the statutory deadline. The General Meeting of the Company held on 16 August 2019 adopted a decision on the subordination of the Company to the Commercial Corporations Act as a whole pursuant to Section 777 (5) of the Commercial Corporations Act and at the same time a complete new wording of the Company's Articles of Association.

16. ACCUMULATED OTHER FULL RESULT

The accumulated other comprehensive income as at 31 December 2020 and 2019 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 case of the realisation of these foreign investments.

17. NON-BANK LOANS

As at 31 December 2020, the Group does not record any bank credit or loans. The original bank loans were already assumed by the non-bank creditors AB-CREDIT a.s. and ISTROKAPITAL, a.s.

In 2017, the Group completed the restructuring of its original bank exposure. Mutual agreements were achieved with the creditors and new loan conditions were set, mainly concerning the final maturity of the loans, payment plans and decreases to the interest rate, as described further in the individual liabilities.

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

Pledged assets

Since 2009, a lien has been established on the 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 of AB-CREDIT, a.s. and ISTROKAPITAL, a.s.

In EPISPOL, a.s. both movable and immovable property are stopped in favour of non-bank creditors such as credit protection. As of 31 December 2020, the outstanding part of the loan was TCZK 182 347 (as at 31 December 2019: TCZK 209 053). In 2006, the Company provided its subsidiary EPISPOL, a.s. liability for an investment loan amounting 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. Withdrawals of loans towards the end of 2020 are made in CHS Epi, a.s. for TCZK 153 948 (as at 31 December 2019: TCZK 170 879) and in SPOLCHEMIE Electrolysis, a.s. for TCZK 668 483 (as at 31 December 2019: TCZK 701 149).

Meeting conditions of bank loans (covenants)

The Company, together with EPISPOL, CHS Epi and SPOLCHEMIE Electrolysis must comply with selected financial indicators (EBITDA, Equity ratio, DSCR, Default rate, and CAPEX) in accordance with the loan contracts. These indicators are calculated on the basis of the simplified consolidation of the aforementioned companies. The calculation of financial indicators was carried out with a satisfactory result and in 2020, as well as 2019, all required minimum values of indicators were met.

Long-term non-bank loans

	31 December 2020 TCZK	31 December 2019 TCZK
ISTROKAPITAL, a.s.	1 600 807	1 660 271
AB – CREDIT a.s.	802 604	0
Via Chem Group, a.s.	327 181	310 344
Non-bank loan 1 – long-term part	61 251	70 718
State Environmental Fund Loan	44 302	0
Non-bank loan 2 - long-term part	36 743	44 468
Non-bank loan 3 - long-term part	7 117	611
Other	1 153	3 065
Total	2 881 158	2 089 477

Payables to ISTROKAPITAL, a.s. in the amount of TCZK 1 351 778 arose in 2017 by taking over the credit receivables of Poštová banka, a.s. and loans from a non-banking entity. The borrowings bear interest at a rate of 2% p.a. With the conclusion of a supplement from December 2020, the interest rate was lowered to 1% p.a. effective from 1 January 2021. The first instalment was set as at 30 September 2019 and the final maturity at 30 September 2032, therefore part of the liabilities in the amount of TCZK 1 239 130 is classified as long-term and the remaining part as short-term.

In 2018, the Company entered into agreements on the assignment of loan receivables in the amount of TCZK 161 155 on the basis of which there was a change of the creditor for a loan originally provided by a non-banking entity in 2014. ISTROKAPITAL, a.s. became the new creditor and an instalment schedule was agreed with a final maturity of 30 September 2032 and with a 4-year deferred payment. The interest rate was reduced to 5.25% p.a. Due to changes in maturity (commencement of the repayment scheme from 30 September 2022), this liability is classified as non-current as at 31 December 2020. With the conclusion of a supplement from December 2020, the interest rate was lowered to 4.25% p.a. effective from 1 January 2021.

In 2014, loans were provided to the Group from MONTE BRAVIA, a.s. In 2018, assignment agreements were concluded, on the basis of which the majority of receivables with accessories in the total amount of TCZK 200 522 were assigned from MONTE BRAVIA to ISTROKAPITAL, a.s. Amendments were signed with the new creditor, on the basis of which the interest rate was reduced to 5.25% p.a. and agreed repayment schedules with a final maturity of 30 September 2032 and a 4-year grace period. Due to changes in maturity (commencement of the repayment scheme from 30 September 2022), this liability is classified as non-current as at 31 December 2020. With the conclusion of a supplement from December 2020, the interest rate was lowered to 4.25% p.a. effective from 1 January 2021.

The liabilities to AB-CREDIT, a.s. originated in 2017 by taking over the credit receivables from the financing banks Raiffeisenbank, a.s. and Expobank CZ a.s. The loans have an interest rate of 2% p.a. and the final maturity was extended to 30 September 2025 by the conclusion of amendments from December 2020 and the interest rate was amended to 5.55% p.a. effective from 1 January 2021. In light of this, the liabilities in the amount of the payments for the years 2022 - 2025 are classified as long-term as at 31 December 2020.

On 5 October 2009, the Group (or the Company) entered into a loan agreement with Via Chem Group as a debtor, according to which it was provided with a loan of MCZK 200 with a maturity of up to one year from the date of concluding the agreement. The agreed interest is 7% p.a. According to a special agreement, it is a liability subordinated to liabilities to bank and non-bank creditors, therefore this liability is classified as long-term.

Non-bank loan 1 – long-term part: In 2016, the Company entered into agreements with a non-banking entity, the essence of which is the provision of funds to finance the acquisition of fixed assets. According to the repayment schedule, the final maturity is set in 2025 and as at 31 December 2020, the outstanding balance, including related interest, amounts to a total of TCZK 70 717, of which the long-term part is in the amount of TCZK 61 251. The effective interest rate is 5.44%.

In 2020, the Group (EPISPOL, a.s.) drew on 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 advantageous loan has an interest rate of 0.45% p.a. and for the duration of the project, the loan is interest-free. According to the repayment schedule, the first payment is set for 31 March 2022 and has a final maturity in 2031.

Non-bank loan 2 - long-term part: In 2016, the Group (SPOLCHEMIE Electrolysis a.s.) concluded a repayment calendar with one of the technology suppliers for the membrane electrolysis investment project in the amount of MEUR 2.8 with a final maturity of 30 June 2024 and an interest rate of 5% p.a. In 2017, a new amendment was concluded with the supplier, which adjusted the final maturity as of 30 June 2025 and set an interest rate of 5.5% p.a. The short-term part is reported under Short-term non-bank loans.

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 in the amount of TCZK 12 109. The investment is financed by a supplier credit payable by July 2024. In 2017, the Company acquired further assets that are financed by supplier credit in the total amount of TCZK 2 019 payable by November 2021. As at 31 December 2020, the long-term part amounted to TCZK 7 117 in accordance with the repayment calendar. The short-term part is reported in the Short-term non-bank loans line.

AB-Credit, a.s. and MONTE BRAVIA, a.s. represent related entities through assets or personnel.

Short-term non-bank loans

	31 December 2020 TCZK	31 December 2019 TCZK
AB – CREDIT a.s.	137 716	1 069 187
ISTROKAPITAL, a.s.	112 649	109 175
Non-bank loan 1 – short-term part	9 466	8 965
MONTE BRAVIA, a.s.	0	17 885
Non-bank loan 2 - short-term part	11 522	11 608
Non-bank loan 3 - short-term part	3 366	10 077
Non-bank loan 4 - short-term part	0	6 272
Other loans from non-bank subjects	1 881	3 984
Total	276 600	1 237 154

Liabilities towards AB – Credit, .a.s. are payments of loans and borrowings payable in 2021.

Liabilities towards ISTROKAPITAL, a.s. are payments of loans and borrowings payable in 2021.

In 2014, the Group was provided a loan by MONTE BRAVIA, a.s., as is described above in the section on Long-term non-bank loans. The non-transferred part of the liability with accessories from the original contract was entirely paid off in 2020.

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.

Non-bank loan 4 – short-term part: In 2017, the Group acquired part of the production machinery in the amount of TCZK 18 815. The investment was financed by a supplier loan, which was entirely paid off in 2020.

18. 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 a short-term asset (deferred expenses). The balance of prepaid borrowing costs at 31 December 2020 amounted to a total of TCZK 165 572 (as at 31 December 2019: TCZK 190 984), with a long-term part of TCZK 141 592 (as at 31 December 2019: TCZK 165 572) and short-term part of TCZK 23 980 (as at 31 December 2019: TCZK 25 412).

19. INVESTMENT SUSPENSIONS

Other long-term liabilities consist of retentions related to the Group's investment activity of TCZK 3 928 (as of 31 December 2019: TCZK 4 215). The retainer is not remunerated due to the immaterial impact on the Group´s net result.

Suspension of investments by maturity

Maturity date	31 December 2020 TCZK	31 December 2019 TCZK
2021	0	361
2022	3 928	3 854
Total	3 928	4 215

20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	31 December 2020 TCZK	31 December 2019 TCZK
Trade payables	543 842	515 692
Accruals (deferred expenses)	6 208	7 249
Estimated payables	21 660	28 773
Total trade	*571 710*	*551 713*
Payables to employees	25 780	26 998
Payables to social security	9 271	9 220
Payables to health insurance	5 084	5 056
Interest on guarantees Via Chem Group	0	2 538
Tax liabilities	5 727	5 581
Other payables	1 650	4 593
Total other	*47 512*	*53 986*
Total	619 222	605 699

Trade payables according to maturity

	31 December 2020 TCZK	31 December 2019 TCZK
By maturity date	543 394	515 406
0 - 90 days after the due date	448	286
90 - 180 days after the due date	0	0
180 - 360 days after the due date	0	0
More than 360 days after the due date	0	0
Total	543 842	515 692

The Group practically reports no overdue payables and maintains an excellent payment behaviour towards its suppliers. The exceptions are usually invoices sent late with their maturity in 2020.

21. ADVANCES RECEIVED

As at 31 December 2020, the Group has advances received amounting to TCZK 224 377 (as at 31 December 2019: TCZK 167 099), of which TCZK 181 913 (as at 31 December 2019: TCZK 137 082) are advances received based on regression factoring.

22. PROVISIONS

	Litigation and other disputes TCZK	Employment benefits TCZK	Other TCZK	Total TCZK
Balance as at 1 January 2019	52 829	14 146	10 341	77 316
Additions	2 611	12 024	3 087	17 722
Utilisation	0	-14 146	-794	-14 940
Balance as at 31 December 2019	55 440	12 024	12 634	80 098
Additions	3 407	15 129	3 665	22 201
Utilisation	0	-3 057	-751	-3 808
Balance as at 31 December 2020	58 847	24 096	15 548	98 491
of which long-term provisions	58 847	11 981	14 930	85 758
of which short-term provisions	0	12 115	618	12 733

In 2017, the Group created a provision for the potential risk arising from the legal dispute over the payment of the submitted bill of exchange amounting to TCZK 40 116 in the amount of the bill of exchange increased by interest and estimated costs of court proceedings, i.e. in the total amount of TCZK 58 847.

The bill of exchange was issued in 2009 as a hedging instrument, while at the same time the obligation secured by the bill of exchange in question has already been fulfilled, and therefore the Company considers the asserted claims to be irrelevant. The Group's management is convinced that the unjustified claim from the bill of exchange, asserted by the lawsuit, will not be granted to the plaintiff and the reserve will not have to be drawn.

As the dispute is not expected to be closed before the end of 2021, the Group recognised the provision as long-term.

Employee benefit provisions represent 2020 earning provisions, which are expected to be paid in the course of 2021.

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 the one-off bonuses paid to employees on retirement. At the end of 2020, the reserve amounted to TCZK 15 548 (2019: TCZK 12 634). The portion of the one-off remuneration that is expected to be paid in the course of 2021 is reported as a short-term reserve amounted to TCZK 618 (2019: TCZK 461).

23.REVENUES FROM SALES OF PRODUCTS, GOODS AND SERVICES

	31 December 2020	31 December 2019
Revenue from sales of goods	5 145	551 791
Revenue from services	162 463	343 526
- of which revenue for Toll Fee	*74 362*	*219 241*
- of which revenue from leasing of fixed assets	*8 283*	*8 331*
Revenues from products	5 267 372	5 135 034
Total sales	5 434 980	6 030 351

Revenues from products

2020	Domestic TCZK	Foreign TCZK	Total TCZK
Inorganics	465 695	1 302 642	1 768 337
Epoxy resins	138 873	2 612 413	2 751 286
Special epoxy resins	146 872	344 117	490 990
Alkyds	60 169	170 624	230 794
Other polymers	25 966	0	25 966
Total sales for products	837 575	4 429 797	5 267 372

2019	Domestic TCZK	Foreign TCZK	Total TCZK
Inorganics	366 144	1 344 855	1 711 000
Epoxy resins	92 928	2 638 274	2 731 202
Special epoxy resins	140 038	332 501	472 539
Alkyds	67 055	153 213	220 268
Other polymers	25	0	25
Total sales for products	666 191	4 468 843	5 135 034

24. CONSUMPTION OF MATERIAL AND ENERGY

	2020 TCZK	2019 TCZK
Material consumption	2 735 368	3 321 384
Costs of processing raw materials	217 428	219 241
Energy consumption	630 646	556 929
Total	3 583 442	4 097 554
Change in stocks of finished goods and incomplete production	11 352	-2 029

The amount of the inventory of material booked in 2020 in total costs is TCZK 3 594 794 (2019: TCZK 4 095 525).

25. LOGISTICS, LEASES AND OTHER SERVICES

	31 December 2020 TCZK	31 December 2019 TCZK
Logistics services	217 162	204 841
Waste disposal	70 106	75 638
Costs of short-term leasing	31 271	16 242
Other services	256 521	301 905
Total	575 060	598 626

Mainly railway vehicles are rented under operating leases. These are short-term leases for which the Company has used the possibility of exceptions, not to activate the subject of leasing as the Rights of Use.

26. PERSONNEL EXPENSES

Personnel expenses	31 December 2020 TCZK	31 December 2019 TCZK
Short-term employee benefits		
Wages and salaries	374 275	346 985
Bonuses to members of statutory and supervisory bodies	18 855	17 163
Social security and health insurance expenses	47 544	47 693
Other social expenses	9 888	4 266
Pension plans	84 351	84 350
Employee benefits for early termination of employment		
Severance pay	469	598
Total personnel expenses	535 382	501 055

In 2020, CSS, a.s. is included in the consolidated figures of personnel expenses for the first time (unlike 2019, when these expenses were in purchased services) and is thus the primary reason for the year-on-year increase in this item.

Average number of employees, personnel expenses	2020	2019
Total average number of employees	950	902
Total personnel expenses	535 382	501 055

The structure of personnel expenses of managers	31 December 2020 TCZK	31 December 2019 TCZK
Wages and salaries	19 264	16 405
Health insurance premiums	1 806	1 530
Pension plans	3 418	3 462
Total	24 488	21 398

The Group does not provide any additional monetary or in-kind benefits except for the liability insurance of members of management and supervisory bodies, including former members.

Pension insurance

Since 2000, the Group has contributed to the employees' supplementary pension plans with the state insurance contribution. Since January 2014, the monthly individual contribution is TCZK 1. In 2020, the total amount of this compensation: TCZK 7 807 (2019: TCZK 7 237).

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

27. OTHER OPERATING EXPENSES AND INCOME

Other operating income	2020 TCZK	2019 TCZK
Profit from deconsolidation of company	35 012	0
Operating grants received	15 328	27 065
Profit from sale of fixed assets	0	555
Clearance of provisions and adjustments	4 386	4 744
Profit from sale of purchased stocks	2 043	0
Damage compensation	1 215	6 938
Received indemnity	262	101
Other operating income	7 321	8 012
Total other operating revenues	65 567	47 415

The amounts of grants received are operating grants for expenditure 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	2020 TCZK	2019 TCZK
Insurance	50 619	50 255
Creation of provisions and adjustments	20 683	8 862
Taxes and fees	7 153	8 620
Contributions and gifts	3 186	3 010
Loss from the sale of purchased inventories	0	1 073
Losses from sales of fixed assets	4 957	0
Shortages and damage	27	841
Depreciation of receivables	89	3 099
Other operating expenses	10 344	7 702
Total other operating expenses	97 058	83 462

28. FINANCIAL REVENUES AND EXPENSES

Financial income	2020 TCZK	2019 TCZK
Interest income	83	1 125
Net foreign exchange gains on foreign currency transactions	0	11 992
Profit from sale of held shares	8 546	7 015
Other financial income	446	87
Total financial income	**9 075**	**20 219**

Provisions in the financial area

Reported provision in the amount of TCZK 9 630 (In 2019: TCZK 68 387) is the result of a credit risk assessment in connection with a receivable from STZ Development, a.s., see also note 10.

Financial expenses	2020 TCZK	2019 TCZK
Interest expenses		
- non-bank loans	88 797	93 453
- interest expenses on lease liabilities	18 795	12 583
- other interest	29 599	40 715
Factoring fees	11 180	15 752
Net exchange losses on foreign currency transactions	70 968	0
Other financial expenses	4 805	7 724
Total financial expenses	**224 144**	**170 227**

From the amount of the net exchange losses, the unrealised foreign exchange losses from the translation of foreign currency loans amount to TCZK 67 165.

29. INCOME TAX

	2020 TCZK	2019 TCZK
Current tax		
Current tax - current year	-8 414	-22 877
Total current tax	-8 414	-22 877
Deferred tax		
Impact of changes in temporary differences	-19 603	-36 633
Total income tax	-28 017	-59 510

Reconciliation of effective tax rate	2020 TCZK	2019 TCZK
Profit before tax	128 578	235 614
Income tax rate	19%	19%
Income tax calculated	-24 430	-44 767
Impact of tax non-deductible expenses	-62 102	-79 804
Impact of tax-exempt income	58 515	65 061
Total calculated income tax	**-28 017**	**-59 510**
Effective income tax rate	21,79%	25,26%

Deferred tax

	Receivables		Liabilities		
	2020	2019	2020	2019	Changes
Difference between accounting and tax depreciation of fixed assets	25 753	12 429	-205 880	-171 988	-20 568
Inventories	2 513	3 179	0	0	-666
Receivables	0	175	0	0	-175
Provisions	7 745	14 483	0	0	-6 738
Unpaid penalties and insurance	0	229	0	0	-229
Tax losses carried forward	24 257	16 393	0	0	7 864
Gross deferred tax receivables/(payable)	60 268	46 888	-205 880	-171 988	-20 512
Recorded deferred tax liability	472	0	-146 084	-125 100	

30. TRANSACTIONS WITH RELATED PARTIES

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

	Receivables as at 31.12		Payables as at 31.12	
	2020	2019	2020	2019
Shareholders				
AB – CREDIT a.s.	20 000	*	940 320	*
Via Chem Group, a.s.	**	0	**	312 883
Other related parties				
STZ Development, a.s.	**	232 830	**	0
MONTE BRAVIA, a.s.	**	0	**	17 885
CSS, a.s.	***	8 312	***	3 347
Total of other related parties	0	241 142	0	21 232
Total	20 000	241 142	940 320	334 115

	Purchases		Sales	
	2020	2019	2020	2019
Other related parties				
CSS, a.s.	***	39 520	***	2 646
Total	0	39 520	0	2 646

** This company was not a related entity in 2019*
*** This company was not a related entity in 2020*
**** This company is part of the consolidation unit in 2020*

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 2020, the Group paid TCZK 494 in liability insurance (2019: TCZK 209). In 2020 and 2019, members of the Group´s management did not receive any non-monetary benefits. For more information, see also comments in Section 26. PERSONAL EXPENSES.

31. CONSOLIDATED COMPANIES

Name and share	Registered office	Note
SYNPO, akciová společnost (100%)	Czech Republic	Share acquired between 1994 to 2009
EPISPOL, a.s. (90%)	Czech Republic	Founded in 2002
CSS, a.s. (89.13%)	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	Subsidiary of SPOLCHEMIE N.V.
SPOLCHEMIE Distribution, a.s. (100%)	Czech Republic	Subsidiary of SPOLCHEMIE N.V.
SPOLCHEMIE Precursors, a.s. (100%)	Czech Republic	Founded in 2019
SPOLCHEMIE, a.s. (100%)	Czech Republic	Subsidiary of SPOLCHEMIE N.V.

32. 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.

As part of its currency risk hedging strategy, in 2020 the Group entered into forward transactions with PPF Banka, a.s. in the total amount of MEUR 42 (settled in a regime of MEUR 2 monthly) with the term of settlement from April 2020 until December 2021, with hedging of the EUR/CZK exchange rate in the range of 26.12 - 27.20 CZK/EUR. The Group started to settle these agreed transactions from April 2020 and as at 31 December 2020 tranches totalling MEUR 24 remained open.

As mentioned above, the transactions are agreed to the end of 2021, thus the assumption is that the Group will negotiate on the possibility of ensuring the exchange rate for a longer period (the year 2022).

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.

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.

TCZK	31 December 2020 TCZK	31 December 2019 TCZK
Appreciation of EUR – impact on income statement	-11 883	-21 404
Appreciation of USD	184	175
Depreciation of EUR – impact on income statement	36 063	24 434
Depreciation of USD	-184	-175

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 2020 TCZK	31 December 2019 TCZK
Long-term receivables	26 000	6 000
Non-bank loans	3 157 758	3 326 631

Financial instruments with a fixed interest rate	31 December 2020 TCZK	31 December 2019 TCZK
Long-term receivables	223 200	232 830
Loans in CZK	0	0
Loans in EUR	0	0
Non-bank loans	0	0

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 2020 TCZK	31 December 2019 TCZK
Sensitivity to cash flow – increase of interest rate	2 232	2 328
Sensitivity to cash flow – decrease of interest rate	-2 232	- 2 328

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 2020	Effective interest rate %	Receivable/ liability amount TCZK	Future change in interest rate	Due date
Total interest-bearing receivables	2,8	223 200		
Total non-bank loans CZK	4,57	1 195 311	*	do 2032
Total non-bank loans EUR	3,42	1 962 447	*	do 2032
Total financial liabilities		3 157 758		

31 December 2019	Effective interest rate %	Receivable/ liability amount TCZK	Future change in interest rate	Due date
Total interest-bearing receivables	4,6	232 830	*	
Total non-bank loans CZK	4,72	1 416 005	*	2019-2032
Total non-bank loans EUR	3,52	2 067 323	*	2019-2032
Total financial liabilities		3 483 328		

* Effective from 1 January 2021, there is a change in the interest rates for the loans and credit of the creditors AB-Credit, a.s., ISTROKAPITAL, a.s. and Via Chem Group, a.s. The current interest rate depends only on changes in the rates announced by central banks according to individual bank loan agreements.

In the event of a breach of the established obligations pursuant to the concluded amendments to the loan agreements, the creditors ISTROKAPITAL a.s. and AB-Credit a.s. are entitled to increase the interest rate by 2% p.a., apply a contractual penalty of EUR 5 000 for each individual breach, or have the liabilities repaid prematurely.

Book-keeping and fair values

	Carrying value 2020 TCZK	Fair value 2020 TCZK	Carrying value 2019 TCZK	Fair value 2019 TCZK
Trade receivables, other receivables without tax receivables, advances paid and deferred expenses	855 995	855 995	842 981	842 981
Long-term receivables	249 200	249 200	238 830	238 830
Cash and cash equivalents	202 029	202 029	129 443	129 443
Non-bank loans	-3 105 740	-3 105 740	-3 326 631	-3 326 631
Unpaid interest on loans	-52 018	-52 018	0	0
Trade and other receivables and advances paid	-1 290 773	-1 290 773	-1 245 749	-1 245 749
Total	-3 141 307	-3 141 307	-3 361 126	-3 361 126

(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:

Carrying value	31 December 2020 TCZK	31 December 2019 TCZK
Long-term receivables	249 200	238 830
Long-term receivables	648 484	625 573
Other receivables and advances	104 282	84 663
Cash	202 029	129 443
Total	1 203 995	1 078 509

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

Analysis of maturity of trade receivables (net)

	31 December 2020 TCZK	Expected credit loss TCZK	31 December 2019 TCZK	Expected credit loss TCZK
Due	626 090	-20 019	559 207	-11 696
1 - 90 days overdue	42 501	-208	79 491	-1 621
91 - 180 days overdue	273	-214	498	-350
181 - 360 days overdue	465	-404	598	-553
More than 360 days overdue	22 800	-22 800	17 629	-17 629
Total	692 128	-43 645	657 423	-31 849
Carrying value		648 483		625 574

Changes in impairment losses related to trade receivables

	2020 TCZK	2019 TCZK
Balance as at 1 January	-52 599	-76 195
Creation of provisions	-24 361	-8 225
Use of provisions – receivables write-off	271	21 643
Release of provisions	12 294	10 178
Balance as at 31 December	-64 395	-52 599

(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.

To ensure sufficient liquidity to cover operating expenses, the Group uses a standardised system of working capital management, especially the management of receivables and inventory optimisation. Funds tied in inventory are minimised, however the inventory level does not affect the normal course of business. 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 2020

Contractual cash flows

	Due in up to 2 months TCZK	2 - 6 months TCZK	6 – 12 months TCZK	1 – 2 years TCZK	2 – 5 years TCZK	More than 5 years TCZK	Total TCZK
Non-bank loans	2 454	85 344	188 801	309 416	1 177 647	1 394 096	3 157 758
Lease liabilities	8 869	17 966	27 532	55 510	153 364	70 679	333 920
Other liabilities	804 044	50 563	1 298	152 468	0	0	1 008 373
Total	815 367	153 874	217 631	517 394	1 331 011	1 464 774	4 500 051

As at 31 December 2019

Contractual cash flows

	Due in up to 2 months TCZK	2 - 6 months TCZK	6 – 12 months TCZK	1 – 2 years TCZK	2 – 5 years TCZK	More than 5 years TCZK	Total TCZK
Non-bank loans	4 661	107 145	1 125 349	130 056	482 551	1 476 870	3 326 631
Lease liabilities	9 920	20 096	28 740	53 688	154 039	107 121	373 604
Other liabilities	719 191	72 380	279	129 337	66	110	921 363
Total	733 772	199 621	1 154 368	313 081	636 656	1 584 101	4 621 598

(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.

33. EARNINGS PER SHARE

The indicator of comprehensive earnings per share is calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares issued.

	2020	2019
Net profit in TCZK	100 561	176 104
Number of ordinary shares issued	3 878 516	3 878 516
Basic earnings/loss per share indicator in CZK	25.85	45.26

Diluted earnings per share are consistent with the Basic earnings per share.

34. RESEARCH AND DEVELOPMENT

In 2020, the Group spent TCZK 39 599 (2019: TCZK 41 137) on research and development).

35. 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	
	2020	2019	2020	2019	2020	2019
Other auditing services	4 120	4 406	1 842	2 921	186	391

36. CAPITAL COMMITMENTS

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

37. CONTINGENT LIABILITIES

Removal of environmental damage
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.

If these costs exceed the level of state guarantees, the Company would be obliged to pay these expenses. As at the date of financial statements the management has no information about the reality of this situation, so no provision has been created.

So far, a total of TCZK 2 779 631 was spent for these purposes, of which TCZK 1 021 304 was spent to complete the landfill remediation in Chabařovice. Currently, there is soil remediation of the manufacturing facility of the Group being carried out.

The estimated expenditure of the Ministry of Finance on the removal of old environmental burdens does not exceed the adjusted contract between the Group and the Ministry of Finance. Since there is no withdrawal or acceptance of the Group’s funds during the cleaning process of the area, the estimated costs are not reported as a provision.

Other contingent liabilities
In 2017, the Group was informed of the issuance of an Exchange Order in connection with the bill issued by the Company for the amount of TCZK 40 116. The bill of exchange in question was a reinsurance (not a payment) promissory note, while the obligation provided by the present promissory note had already been fulfilled and therefore the Company considered the claims of the Exchange Order to be irrelevant.

On 29 October 2018 the Regional Court in Ústí nad Labem issued a ruling which confirmed the validity of the promissory note of payment. The Company filed an appeal against this decision in December 2018.

On appeal, the High Court in Prague ruled in a resolution of 1 April 2019 that the judgement of the court of first instance on the retention of the bill of exchange payment order was annulled and the case was returned to the court of first instance for further proceedings. The statement of reasons for the order states that the court of first instance did not state sufficient reasons for its decision, did not deal with all the defendant's objections, completely lacked an assessment of the evidence, the court did not carry out the evidence proposed by the defendant for no apparent reason and did not sufficiently establish the facts. In 2019, an oral hearing was held before the court of first instance, where some witnesses were questioned and subsequently, according to the Company's proposal, the court appointed an expert in the field of economics/accounting to prepare an expert opinion on certain economic issues decisive for assessing the case. The Company's current opinion on the possibility of success in the case thus remains unchanged after the annulment of the decision of the court of first instance.

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

The Group 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., IČ: 27294099, demands payment of a receivable from the Company in the amount of TCZK 200 000 with accessories (hereinafter referred to as the "Action"). This is a receivable that the Company records as a liability to its shareholder Via Chem Group under a loan agreement dated 5 October 2009 (see Note 17. NON-BANK LOANS above), and which was maintained in the insolvency proceedings of Via Chem Group in an incidental dispute in which the insolvency administrator of the debtor STZ a.s. sought the exclusion of the claim in question from the assets of Via Chem Group. The insolvency courts of the first and second instance ruled on the exclusionary action in such a way that the claim did not belong to the property of Via Chem Group. However, Via Chem Group filed an appeal in the exclusionary dispute against the decision of the insolvency court of appeal, thus initiating an appeal procedure before the Supreme Court, conducted under file no. No. 29 ICdo 91/2019. In the appeal proceedings, the Supreme Court decided in favour of Via Chem Group and changed the decision of the courts of the first and second instances so that the Action was refused and it concurrently expressed the opinion that it ensues from the defence arguments and factual findings that STZ a.s. can only have a claim against Via Chem Group and not against the Company. The court proceedings are still before the first hearings, while the Company is now awaiting how the insolvency administrator of STZ a.s. will handle the Action in connection with the decision of the Supreme Court.

Management is not aware of any other significant contingent liabilities as at 31 December 2020.

38. INVESTMENT INCENTIVES

The group was not the recipient of investment incentives in 2020 or 2019.

39. SUBSEQUENT EVENTS

A. Shareholder changes:
On 7 January 2021, an involuntary public auction of the Company's shares took place with a new nominal value of CZK 185. The subject of the auction was 366 454 shares that were not picked up. The final price achieved by the auction of these shares amounted to MCZK 100 .

Interested shareholders are entitled to receive the auction proceeds after offsetting the receivables created by the Company in connection with the auction. The proceeds will be paid by a cashless transfer.

On 10 February 2021, a Confirmation of the auctioneer on the acquisition of the ownership of the subject of the auction issued on 4 February 2021 was submitted to the Company, specifically to KAPRAIN CHEMICAL, which thereby increased its share as the largest shareholder to a 52.57% share in the registered capital and voting rights of the Company. Thus, from 10 February 2021, KAPRAIN CHEMICAL together with AB – CREDIT a.s., exercise voting rights with the Company's shares representing a 60.57% share in the registered capital and voting rights of the Company.

C. The acquired share in CSS, a.s.
In March 2021, the Company purchased the remaining share in CSS, a.s., thus becoming the sole shareholder of this company.

40. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved for disclosure on 30 April 2021.

SPOLCHEMIE

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

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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

on the financial statements as at 31 December 2020 of

Spolek pro chemickou a hutní výrobu, akciová společnost

Identification data:

Company name:	Spolek pro chemickou a hutní výrobu, akciová společnost
Registration number:	000 11 789
Company address:	Revoluční 1930/86 400 32 Ústí nad Labem
Balance sheet date:	31 December 2020
Audited period:	from 1 January 2020 to 31 December 2020
Financial reporting framework:	International Financial Reporting Standards as endorsed by the European Union
Date of issue auditor's report:	30 April 2021
Auditor:	Jan Kellner Licence No. 2225 Mazars Audit s.r.o. Licence No. 158

Independent Auditor's Report for the shareholders of

Spolek pro chemickou a hutní výrobu, akciová společnost

Opinion

We have audited the accompanying financial statements of Spolek pro chemickou a hutní výrobu, akciová společnost (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1. to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of Spolek pro chemickou a hutní výrobu, akciová společnost as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed 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, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

The Company does not prepare an annual report because the relevant information is included in the consolidated annual report as is stated in paragraph 3 (a) of the notes to the financial statements. For this reason, our comments on other information are not part of this auditor's report.

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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.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above mentioned laws and 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 law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Prague, 30 April 2021

Mazars Audit s.r.o.
Licence No. 158
Pobřežní 620/3
186 00 Praha 8

Represented by Jan Kellner

Jan Kellner
Statutory auditor, Licence No. 2225

SPOLCHEMIE

7 / NON-CONSOLIDATED FINANCIAL STATEMENTS

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

as at 31 December 2020 and for the period ending 31 December 2020

for the business corporation

Spolek pro chemickou a hutní výrobu, akciová společnost

In Ústí nad Labem, 30 April 2021

Ing. Pavel Jiroušek
Chairman of the Board of Directors

Ing. Daniel Tamchyna, MBA
Member of the Board of Directors

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020 TCZK	31 December 2019 TCZK
ASSETS			
Property, plant and equipment	5	1 159 682	1 154 985
Investment property	6	214 023	222 044
Intangible assets	7	30 544	27 536
Rights of use	8	60 489	64 243
Investment in subsidiaries	9	578 957	569 192
Shares in affiliates		1 981	0
Provided loans and other long-term receivables	10	367 420	572 037
Deferred expenses	19	65 426	76 506
Total non-current assets		**2 478 522**	**2 686 543**
Inventories	11	619 441	633 261
Trade receivables	12	718 159	657 322
Loans granted	10	0	21 545
Other short-term receivables	12	72 354	73 013
Advances paid		25 899	3 847
Income tax receivables		13 244	0
Deferred expenses	19	11 086	11 749
Receivable from the auction of own shares	13	8 995	9 144
Cash and cash equivalents		145 813	108 087
Total current assets		**1 614 991**	**1 517 968**
Total assets		**4 093 513**	**4 204 511**

The notes on pages 117 to 159 are an integral part of these non-consolidated financial statements.

	Note	31 December 2020 TCZK	31 December 2019 TCZK
EQUITY			
Share capital	14	717 581	1 939 408
Reserve fund	14	1 524	1 524
Accumulated losses		-22 715	-1 196 433
Total equity		**696 390**	**744 499**
LIABILITIES			
Long-term payables			
Non-bank loans	17	1 873 724	1 309 619
Provisions	15	69 828	64 798
Lease liabilities	8	45 805	42 900
Deferred tax payable	26	7 493	1 034
Total non-current liabilities		**1 996 850**	**1 418 351**
Short-term payables			
Trade and other payables	16	597 894	589 847
Non-bank loans	17	532 137	1 236 351
Advances received	18	224 201	164 441
Lease liabilities	8	16 193	22 507
Liabilities from the auction of own shares	13	8 995	9 144
Income tax payables	26	0	9 190
Provisions	15	20 853	10 181
Total current liabilities		**1 400 273**	**2 041 661**
Total liabilities		**3 397 123**	**3 460 012**
Total equity and liabilities		**4 093 513**	**4 204 511**

The notes on pages 117 to 159 are an integral part of these non-consolidated financial statements.

NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 TCZK	Year ended 31 December 2019 TCZK
Revenues	20	5 753 801	5 519 667
Change in inventories		-11 565	2 148
Capitalisation of own production		3 621	4 574
Consumption of material and energy	21	-4 720 062	-4 427 150
Logistics, leases and other services	22	-427 435	-408 751
Personnel expenses	23	-327 705	-311 609
Depreciation of fixed assets	5,6,7,8	-108 249	-123 525
Other operating income	24	14 452	8 405
Other operating expenses	24	-72 429	-49 539
Operating profit		**104 429**	**214 220**
Financial income	25	15 613	27 638
Losses from the impairment of financial assets	25	-20 089	-96 695
Financial expenses	25	-143 633	-99 458
Profit/loss before tax		**-43 680**	**45 705**
Income tax	26	-4 429	-20 311
NET PROFIT/LOSS		**-48 109**	**25 394**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		**-48 109**	**25 394**
Profit/loss per share per shareholder (in CZK)	29	-12,40	6,55

The notes on pages 117 to 159 are an integral part of these non-consolidated financial statements.

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve fund	Accumulated losses	Total
	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2019	1 939 408	77 500	-1 297 804	719 104
Dissolution of the reserve fund to cover losses from previous years	0	-75 976	75 976	0
Profit for year	0	0	25 394	25 394
Balance as at 31 December 2019	1 939 408	1 524	-1 196 433	744 499
Decrease of registered capital to cover losses from previous years	-1 221 827	0	1 221 827	0
Loss for year	0	0	-48 109	-48 109
Balance as at 31 December 2020	**717 581**	**1 524**	**-22 715**	**696 390**

On 20 December 2019, the General Meeting of the Company was held, and adopted a resolution on the reduction of the Company's share capital by the amount of TCZK 1 221 827 due to the reimbursement of historical accumulated unpaid losses, which were thus fully offset. The effects of the reduction of the registered capital occur on the day of registration of the reduced share capital in the Commercial Register. The reduction of the registered capital was registered in the Commercial Register on 31 January 2020.

The notes on pages 117 to 159 are an integral part of these non-consolidated financial statements.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ending 31 December 2020 TCZK	Year ending 31 December 2019 TCZK
Cash flows from operating activities			
Profit/loss for the period		**-48 109**	**25 394**
Adjustments for non-cash transactions:		**179 747**	**299 504**
Income tax	26	4 429	20 311
Depreciation and amortisation of non-current assets	5,6,7,8	105 915	123 525
Change in status of expected credit losses and provisions	5,7,9,11,12,13,15	16 217	10 453
Profit/loss on sale of non-current assets	24	4 968	-506
Interest income and expenses	25	65 871	61 106
Other non-cash transactions	28	-17 652	84 615
Changes in non-cash components of working capital:		**232 567**	**-90 694**
Change in trade and other non-current receivables	10,12,13	146 703	227 530
Change in trade and other short-term payables	13,16,17	67 658	-275 874
Change in inventories	11	18 206	-42 350
Cash flow from operating activities before interest and taxes		**364 205**	**234 204**
Interest paid	25	-44 080	-48 191
Interest received	25	83	1 125
Income tax paid	26	-13 244	-28 993
Net cash flows from operating activities		**306 964**	**158 145**

The notes on pages 117 to 159 are an integral part of these non-consolidated financial statements.

	Note	Year ending 31 December 2020 TCZK	Year ending 31 December 2019 TCZK
Cash flows from investing activities			
Expenses connected with acquisition of non-current assets	5,7,8	-92 247	-122 834
Proceeds from sale of non-current assets	24	9 039	24 422
Expenses connected with acquisition of financial investments	10	-2 035	-2 000
Cash flow from investing activities		**-85 243**	**-100 412**
Cash flows from financing activities			
Income from loans, credit and long-term liabilities	17	39 310	187 087
Payment from loans, credit and long-term liabilities	17	-178 165	-217 706
Payments of leases	8	-47 879	-48 953
Cash flow from financing activities		**-186 733**	**-79 573**
Net increase/decrease in cash and cash equivalents		**34 989**	**-21 839**
Cash and cash equivalents at the beginning of the year		**108 087**	**130 684**
Effect of exchange rate fluctuations		2 737	-758
Cash and cash equivalents at the end of the year		**145 813**	**108 087**

The notes on pages 117 to 159 are an integral part of these non-consolidated financial statements.

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, Customer ID: 000 11 789. The Company is registered in the Commercial Register kept by the Regional Court in Ústí nad Labem, section B, insert 47.

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

The shareholder with the largest share in the registered capital and voting rights in the Company as at 31 December 2019 was the business corporation Via Chem Group, a.s., with its registered office at Rudolfovská tř. 303/113, České Budějovice 4, 370 01 České Budějovice, Company ID No.: 266 94 590 (hereinafter referred to as "**Via Chem Group**") with a 33.12% share in the registered capital and in the voting rights of the Company. Thus, as at 31 December 2019, Via Chem Group was considered to be the entity controlling the Company in the sense of Section 74 (1) of Act No. 90/2012 Coll., on Business Corporations, as later amended.

According to information provided by the Company, the controlling entity of Via Chem Group was Largo Consulting Anstalt, with its registered office in the Principality of Liechtenstein, 9491 Ruggell, Industriestrasse 26, registration number FL-0002.224.154-7, (hereinafter referred to as "Largo Consulting Anstalt"), which held a share in the registered capital and voting rights in Via Chem Group in the amount of 50.08%. According to the shared information, Largo Consulting Anstalt does not have a shareholder that would have more than a 20% share in the registered capital and voting rights in Largo Consulting Anstalt, or which would control Largo Consulting Anstalt in another way.

As at 31 December 2020, the controlling entity was 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") through companies it controls. As at 31 December 2020, KAPRAIN HOLDINGS exercised the voting rights with shares representing a 51.1% share in the Company's voting rights.

The controlling entity of KAPRAIN HOLDINGS is Ing. Karel Pražák, residing at Otradovická 730/9, Kamýk, 142 00 Prague 4, date of birth 3 April 1969.

Changes in the shareholder with the greatest share in the registered capital and voting rights in the Company, which occurred in 2021, are specified in the section on subsequent events.

The composition of the Board of Directors as at 31 December 2020 was as follows:

Name	Function
Ing. Pavel Jiroušek	Chairman
Ing. Jiří Medřický	Vice-Chairman
Ing. Daniel Tamchyna, MBA	Member

The composition of the Supervisory Board as at 31 December 2020 was as follows:

Name	Function
JUDr. Petr Sisák	Chairman
Ing. Romana Benešová	Vice-Chairman
Ing. Jaromír Štantejský	Member
Ing. Vladimír Kubiš, CSc.	Member
Josef Černý	Member
Robert Demeter	Member

During the course of 2020, there were no changes in the Board of Directors or Supervisory Board.

Declaration of Board of Directors of Company:
The Board of Directors of Spolek pro chemickou a hutní výrobu, akciová společnost hereby declares that in its opinion, the following non-consolidated (hereinafter also "individual") financial statements and comparable data were prepared in accordance with valid accounting principles applied in the Company (described in point 2) 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 rules adopted by the Company

When preparing these financial statements, the Company has considered the following amended IFRS, which is effective from 1.1.2020 and had no influence on the results and information presented in these financial statements in comparison with the previous financial statements for the year 2019:

- The Company adopted the new Conceptual Framework for Financial Reporting based on IFRS. It takes effect for entities on 1 January 2020 and the reasons for the amendment are to supplement the adjustment of areas not yet regulated (adjustment of presentation and disclosure, definition of reporting entity, valuation and derecognition), update definitions of assets and liabilities and clarify the current adjustment (e.g., concept of valuation uncertainty). The conceptual framework does not a priori apply to the Company's first-line reporting, as it is necessary to respect the requirements of standards and interpretations. The Company considered the effects of this Conceptual Framework. The changes did not affect the Company's financial statements.

• In the current accounting period, the Company first adopted the changes contained in the Changes of the references to the Conceptual Framework in the standard IFRS, through which the adjusted standards are adapted so that they refer to the new Framework. Not all the adjustments, however, update the references to the Framework and the citations from it so that it refers to the amended Conceptual Framework. Some of the provisions merely newly specify to which version of the Framework they refer (the IASC Framework adopted by the IASB council in 2001, the IASB Framework from 2010 or the newly amended Framework from 2018) or they state that the definitions contained in the relevant standard were not updated according to the new definitions specified in the amended Conceptual Framework.

The adjustments concern the standards IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38 and the interpretations IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32.

• The Company adopted the amendment to IFRS 3 Business Combinations amending the definition of a business (effective for annual financial statements beginning on 1 January 2020 and later). The amendment concerns the assessment of an acquisition transaction of another enterprise and the assessment of whether such a transaction is a business combination under IFRS 3 or only an acquisition of a group of assets. The consequences of such an evaluation are crucial for the method of recording and related valuation, e.g., the revaluation of acquired net assets, identification and valuation of goodwill, etc. The amendment removes from the definition of the company the condition that the business combination may reduce costs, and the new definition is fully oriented outputs of the purchased enterprise (goods, services provided to customers). The amendment newly introduces a "concentration test", which will be optional and the entity can use it and decide that the fair value of the acquiree is created (concentrated) by the fair value of the acquired asset within the unit, and therefore the transaction is recorded as an acquisition of a group of assets, not as a business combination. The aforementioned changes did not have an effect on the reporting of the Company's capital transactions.

• The Company also adopted the amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors adjusting the definition of significance (effective for annual financial statements beginning on or after 1 January 2020). According to the new definition of materiality, an entity must avoid the so-called obscuration of information (e.g., vaguely formulate information about significant items and events, inappropriately aggregate or disaggregate, place information in various positions in the financial statements and provide significantly more information and thus hide essential information). In assessing materiality, primary users must be considered, not the full range of potential users. Last, but not least, information must be considered in such a way that it can be expected to influence users' decisions, not whether they influence it. The effectiveness of the amendment is prospective and did not have significant changes in the current approach to the presentation of accounting information and in the structure of the financial statements.

• In September 2019, an amendment to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures entitled Interest Rate Benchmark Reform was issued, being the first reaction of IASB to the potential changes that the reform of the IBOR rates could bring to accounting reporting (effective for annual financial statements beginning on or after 1 January 2020). IBOR rates, i.e., EURIBOR, PRIBOR, etc., are considered to be reference interest rates (used, for example, as a basis for determining variable interest rates) and express the cost of obtaining loan financing. Due to the question of their long-term use, the published amendment to IFRS regulates the procedure for replacing existing interest rates with other alternative rates and addresses the effects on hedge accounting. The amendment also affects disclosure and introduces additional information requirements regarding the uncertainty arising from the interest rate reform. The Company did not notice any material impact on the financial statements.

• In May 2020, the IASB issued an amendment to the IFRS

16 standard entitled Covid-19-Related Rent Concessions, which provides lessees help with the accounting on rent concessions that arose as a direct result of the COVID-19 pandemic through the introduction of practical simplifications in IFRS 16. This amendment was approved in October 2020 for use in the EU. The practical simplification provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Lessees who decide for this alternative record any change in lease payments that ensue from COVID-19-related rent concessions in accordance with the procedure of IFRS 16 for changes that do not represent lease modifications.

The practical simplification relates only to rent concessions that arose as a direct result of the COVID-19 pandemic and only upon the fulfilment of all the following conditions:
a) the change of the lease payments results in a change to the consideration of the lease, which is essentially the same or lower than the consideration of the lease immediately prior to the change;
b) any decrease in lease payments only apply to those payments that were originally payable on or before 30 June 2021 (the lease concession fulfils this condition if it would lead to a decrease of leasing payments as at 30 June 2021 or before this date and to an increase of leasing payments beyond June 2021);
c) there are no significant changes to other lease conditions.

The amendments are effective from 1 June 2020, while their earlier use is possible. The Company did not apply the amendment to IFRS 16 in this accounting period.

New and amended IFRS accounting rules 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 IFRS 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.
• In May 2017, a new standard was issued entitled IFRS 17 Insurance Contracts (effective for annual financial statements beginning on or after 1 January 2021), which introduces a comprehensive adjustment (recognition, measurement, presentation, disclosure) of insurance contracts in financial statements prepared in accordance with IFRS, i.e. it applies primarily to the insurance sector. IFRS 17 replaces the current incomplete amendment contained in IFRS 4. The Company operates in another industry, does not report insurance contracts and the new standard, according to the current assessment, does not affect the financial situation and performance of the Company.

• In January 2020, an amendment to IAS 1 Presentation of Financial Statements entitled Classification of Liabilities as Current or Non-current (effective for annual financial statements beginning on 1 January 2022 and later with retrospective effect) was issued, which provides a more general approach to classifying liabilities with respect to contractual obligations in effect at the balance sheet date. The amendment will only affect the presentation of liabilities in the statement of the financial position, not their amount or the time of their recognition, as well as the information disclosed about liabilities in the financial statements. The amendment clarifies that a liability shall be presented as current or long-term with respect to the rights and obligations effective at the balance sheet date and shall not be affected by the entity's expectations regarding the settlement (realisation or implementation) of the liability. The Company assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

• In May 2020, an amendment was issued for IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (effective for annual financial statements beginning on 1 January 2022 and later), which prohibits the entity from lowering the acquisition costs of yields from the sale of products creating during the trial phase of an asset, i.e., before bringing it into the condition necessary for the intended use. Now these yields and the related expenses should be recognised in the economic results. The Company assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

• In May 2020, an amendment was issued for IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Cost of Fulfilling a Contract (effective for annual financial statements beginning on 1 January 2022 and later), which clarifies the costs that the entity should include in the calculation of expenses necessary for fulfilling a contract when assessing whether the contract is onerous. The Company assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

• In May 2020, the Annual Improvements to IFRS's 2018-2020 Cycle (effective for annual financial statements beginning on 1 January 2022 and later) was issued, which includes amendments to the following standards: the amendment to IFRS 9 Financial Instruments clarifies the fees that the entity considers when it assesses whether the conditions of a new or modified financial liability are significantly different from the conditions of the original liability (the 10 per cent test). The amendment to IFRS 1 First-time Adoption of IFRS simplifies the application of IFRS 1 by a subsidiary that becomes a first-time user later than its parent company. The simplification applies to the valuation of translation differences from the translation of the financial statements. The amendment of IAS 41 Agriculture removes the requirement for the exclusion of taxation cash flows from the assessment of the fair values to ensure consistency with the requirements of other standards. The Company does not expect any significant effect from the newly-issued amendments.

• In May 2020, an amendment was issued for IFRS 3 Business Combinations (effective for annual financial statements beginning on 1 January 2022 and later), which only updates the regulation with the relevant links to the new Conceptual Framework. It is a formal amendment without any impact on the Company's financial reports.

• In June 2020, an amendment was issued for IFRS 17 Insurance Contracts (effective for annual financial statements beginning on 1 January 2023 and later), which delays the effect of IFRS 17 to 1 January 2023 or later with the goal of helping companies with the implementation of IFRS 17 in the period affected by the Covid-19 pandemic and to simplify the impact of IFRS 17 on the financial performance of affected companies. The Company does not fall under the scope of IFRS 17 and thus the amendment will not have any effect on its financial statements.

• In June 2020, an amendment was issued for IAS 1 Presentation of Financial Statements entitled Classification of Liabilities as Current or Non-current (effective for annual financial statements beginning on 1 January 2023 and later), which delays the effect of the amendment from the original date of 1 January 2022 to 1 January 2023 and later.

• In August 2020, an amendment to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leasing entitled Interest Rate Benchmark Reform – Phase 2 was issued, being the second reaction of IASB to the expected changes that the reform of the IBOR rates could bring to accounting reporting (effective for annual financial statements beginning on or after 1 January 2021). The amendment regulates the procedures for reacting in the financial statements to any changes in the amount of the contractual cash flows of financial instruments and in the hedging accounting as a result of changes to IBOR rates. The Company does not expect any significant impact on the financial statements.

New and amended IFRS accounting rules 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:

- IFRS 14 Accruals for Price Regulation (issued in January 2014) - EU decision to never approve because it is a temporary standard,
- IFRS 17 Insurance Contracts (issued in May 2017),
- Amendment to IAS 1 Classification of Liabilities as Current or Non-current (issued in January 2020, including the amendment from July 2020, which delays the start of the effect to 1 January 2023)
- Amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (issued in May 2020, effective from 1 January 2022)
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (issued in May 2020, effective from 1 January 2022)
- Amendment ensuing from Annual Improvements to IFRS's 2018-2020 Cycle (issued in May 2020, effective from 1 January 2022)
- Amendment to IFRS 3 Business Combinations (issued in May 2020, effective from 1 January 2022)

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 in order to fulfil 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 (hereinafter "IFRS") adopted by the International Accounting Standards Board (IASB) and approved for use within the European Union (EU) and it is available in the Company's registered seat.

b) Rules 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 2020 and the results of its management and cash flows for the year ending 31 December 2020, are prepared on the historical cost basis, with the exception of financial instruments, which are valued at fair value.

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 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 form 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, 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) 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 leasing 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, low-value assets.

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

j) Investment in subsidiaries and investments in associated companies

A company with a decisive influence (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 valuated in these non-consolidated financial statements at acquisition costs decreased by any loss from the decrease in the value of the asset.

An associated company is an entity in which the Company has a considerable influence and which is neither a subsidiary or participation in a joint venture. Considerable 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 in the acquisition costs decreased by the losses from the decreased value. 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 Costs 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 valued 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) 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

m) 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, such as provided loans, trade receivables, purchased bonds, etc., are fulfilled (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.

n) Cash and cash equivalents/consolidated 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 long-term in the consolidated 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 re-measured at fair value at the balance sheet date. Changes in the fair value of derivatives held for trading are included in the financial expenses or revenues, as the case may be.

q) 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.

r) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of all discounts and value added tax (VAT).

Revenues from own products and services are recognised when it is probable that the economic benefits of a sale will be transferred to the Company and can be measured, when the significant risks of ownership have been transferred to the customer, and the income and costs arising in connection with the transaction can be estimated reliably.

Rental income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease.

Service income is recognised according to the degree of completion of the service, which, due to the nature of the services, mostly corresponds to a one-off recognition of revenue at the time the service is rendered. Part of the service revenue is also the cost of reprocessing material supplied by the customer using the production technology and the employees of the Company.

s) Other operating revenues and expenses

Other operating income and expenses particularly include the net result from the liquidation and sale of non-financial assets, surplus of assets, court fees or their return, received or paid contractual penalties and fines, property acquired/granted free of charge, the creation/cancellation of provisions (excluding those recorded as financial expenses), the cost of recovery and loss on sales of investment properties and amortisation of construction in progress which have not produced the desired economic effect.

t) 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 costs 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 finance leases, fees for bank loans, loans, guarantees.

u) 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 provision 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.

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 RULES 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 the year 2020, no specific considerations or decisions regarding the use of appropriate IFRS accounting policies were made in connection with the preparation of these 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) Provisions to bad debts

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).

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. The Company does not report any due tax liabilities as at 31 December 2020. It already used the accumulated loss in the past. The reported deferred tax payable 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 consolidated 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 captures 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 consolidated 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 consolidated 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 capture a provision or to disclose a contingent liability or conditional asset, if the Company is a party to the claimant's claim.

Information on litigation is disclosed in the commentary on contingent liabilities in Part 31.

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 fulfill its commitment. The reimbursement amount shall not exceed the amount of the provision.

5. PROPERTY, PLANT AND EQUIPMENT

Acquisition cost

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Balance as at 1 January 2020	1 994 800	2 676 241	196	108 895	4 780 132
Additions	165	50 361	0	42 357	92 883
Disposals	-12 307	-39 396	0	-6 191	-57 894
Transfers to investments to property	-10 515	0	0	0	-10 515
Transfers	0	0	0	0	0
As at 31 December 2020	1 972 143	2 687 206	196	145 061	4 804 606

Accumulated depreciation

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Balance as at 1 January 2020	-1 105 375	-2 445 506	0	0	-3 550 881
Depreciation expenses	-27 816	-42 893	0	0	-70 709
Disposals	10 326	33 651	0	0	43 977
Transfers to investments to property	9 290	0	0	0	9 290
As at 31 December 2020	-1 113 575	-2 454 748	0	0	-3 568 323

Allowances

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Balance at 1 January 2020	-40 812	-21 038	0	-12 416	-74 266
Additions to adjustments	0	0	0	-8 125	-8 125
Utilisation of adjustments	0	5 790	0	0	5 790
At 31 December 2020	-40 812	-15 248	0	-20 541	-76 601
Carrying value					
Balance at 1 January 2020	848 613	209 697	196	96 479	1 154 985
As at 31 December 2020	817 756	217 210	196	124 520	1 159 682

Comparable period balances:

Acquisition cost

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Balance as at 1 January 2019	1 985 615	2 654 244	196	143 916	4 783 971
Additions	8 403	44 439	0	62 307	115 149
Disposals	-2 984	-22 474	0	-97 296	-122 754
Transfers to inv. property	3 766	0	0	0	3 766
Transfers	0	32	0	-32	0
As at 31 December 2019	1 994 800	2 676 241	196	108 895	4 780 132

Accumulated depreciation

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Balance as at 1 January 2019	-1 074 695	-2 416 260	0	0	-3 490 955
Depreciation expenses	-30 299	-50 484	0	-74 046	-154 829
Disposals	1 162	21 238	0	74 046	96 446
Transfers to inv. property	-1 543	0	0	0	-1 543
As at 31 December 2019	-1 105 375	-2 445 506	0	0	-3 550 881

Allowances

	Property, plant and structures	Machinery equipment and motor vehicles	Other	Under construction and advances	Total
Balance at 1 January 2019	-40 812	-21 038	0	-86 428	-148 278
Additions to adjustments	0	0	0	0	0
Utilisation of adjustments	0	0	0	74 012	74 012
At 31 December 2019	-40 812	-21 038	0	-12 416	-74 266
Carrying value					
Balance at 1 January 2019	870 108	216 946	196	57 488	1 144 738
As at 31 December 2019	848 613	209 697	196	96 479	1 154 985

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

In 2020 and 2019, the Company did not activate any interest from loans.

In 2020, these most important assets were completed and put into use (and depreciation began):

Assets	Acquisition cost MCZK
NASH 11K08 liquid ring compressor for chlorine compression	12.7
11V08 sulphuric acid mist eliminator	7.6

In 2020, expenses were realised for the acquisition of fixed assets for these most important investment actions:

Assets	Expenses 2020 MCZK
Project for precursor of chlorinated derivatives	17.9
Emergency connection of Spolek from Tovární Street (level of 22kV)	12.6
Technical and structural improvements to EPI laboratory	1.6

6. INVESTMENT PROPERTY

	Acquisition cost	Accumulated	Carrying value
Balance at 1 January 2020	457 309	-235 265	222 044
Depreciation expenses	0	-9 246	-9 246
Transfer from category of Property, plant and equipment	10 515	-9 290	1 225
At 31 December 2020	467 824	-253 801	214 023

Comparable period balances:

	Acquisition cost	Accumulated	Carrying value
Balance at 1 January 2019	461 075	-227 609	233 466
Depreciation expenses	0	-9 199	-9 199
Transfer from category of Property, plant and equipment	-3 766	1 543	-2 223
At 31 December 2019	457 309	-235 265	222 044

Assignable items to the statement of comprehensive income:

	31 December 2020 TCZK	31 December 2019 TCZK
Rental income	67 931	67 147
Depreciation expenses	-9 246	-9 199
Direct operating costs (maintenance)	-6 084	-5 784
Operating result associated with investment property	52 601	52 164

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.

As at 31 December 2020, this is real estate with an acquisition cost of TCZK 357 590 (2019: TCZK 357 526), in a amortised price of TCZK 177 752 (2019: TCZK 185 544) included in the overall balance specified above. The most important is the contract with CHS Epi, a.s., in which real estate is leased in an amortised value o TCZK 161 937 (2019: TCZK 169 716).

7. INTANGIBLE ASSETS

Acquisition cost

	Licenses and patents	Software	Under construction	Total
Balance at 1 January 2020	52 243	4 686	15 872	72 801
Additions	4 040	0	1 526	5 566
Disposals	0	0	0	0
Balance at 31 December 2020	56 283	4 686	17 398	78 367

Accumulated depreciation

	Licenses and patents	Software	Under construction	Total
Balance at 1 January 2020	-39 355	-4 410	-1 500	-45 265
Depreciation expenses	-2 445	-113	0	-2 558
Disposals	0	0	0	0
Balance at 31 December 2020	-41 800	-4 523	-1 500	-47 823

Carrying value

Balance at 1 January 2020	12 888	275	14 372	27 536
As at 31 December 2020	14 483	163	15 898	30 544

Comparable period balances:

Acquisition cost

	Licenses and patents	Software	Under construction	Total
Balance at 1 January 2019	52 377	4 485	13 658	70 520
Additions	1 416	255	2 248	3 919
Disposals	-1 550	-54	-34	-1 638
Balance at 31 December 2019	52 243	4 686	15 872	72 801

Accumulated depreciation

	Licenses and patents	Software	Under construction	Total
Balance at 1 January 2019	-38 594	-4 435	-1 534	-44 563
Depreciation expenses	-2 310	-29	0	-2 339
Disposals	1 549	54	34	1 637
Balance at 31 December 2019	-39 355	-4 410	-1 500	-45 265

Carrying value

Balance at 1 January 2019	13 783	50	12 124	25 957
As at 31 December 2019	12 888	275	14 372	27 536

8. RIGHTS OF USE

Carrying amount

	Buildings and structures	Railway cars	Cars	Other	Total
Balance at 1 January 2020	6 441	28 271	1 469	28 062	64 242
Depreciation expenses	-2 576	-9 392	-1 469	-9 964	-23 401
Additions from reassessment of leasing contracts	4 907	33 809	0	4 499	43 215
Losses from reassessment of leasing contracts	-3 865	-19 703	0	0	-23 568
Balance at 31 December 2020	4 907	32 985	0	22 597	60 489

Comparable period balances:

Carrying amount

	Buildings and structures	Railway cars	Cars	Other	Total
Balance at 1 January 2019	9 017	65 335	3 673	35 077	113 103
Depreciation expenses	-2 576	-16 999	-2 204	-7 015	-28 794
Additions from reassessment of leasing contracts	0	23 644	0	0	23 644
Losses from reassessment of leasing contracts	0	-43 709	0	0	-43 709
Balance at 31 December 2019	6 441	28 271	1 469	28 062	64 242

Assignable items to the statement of comprehensive income:

	31 December 2020	31 December 2019
	TCZK	TCZK
Depreciation expenses	-23 401	-28 794
Interest on the lease liability	-3 624	-4 632
Result from reassessment of leasing contracts	516	795
Short-term leasing costs	-29 813	-23 989
Total	-56 322	-56 620

The Company records the following related lease liabilities:

	31 December 2020	31 December 2019
	TCZK	TCZK
Short-term balance of lease liability	16 193	22 507
Long-term balance of lease liability	45 805	42 900
Total	61 998	65 407

In 2020, lease liabilities in the amount of TCZK 47 879 were paid (in 2019: TCZK 48 954).

9. INVESTMENT IN SUBSIDIARIES

As at 31 December 2020:

	Share of registered capital %	Acquisition price TCZK	Impairment losses TCZK	Carrying amount of share TCZK	Equity TCZK
EPISPOL, a.s.	90	270 086	0	270 086	530 713
SYNPO, akciová společnost	100	43 921	0	43 921	51 811
SPOLCHEMIE N.V.	100	1 185	0	1 185	-117 391
SPOLCHEMIE Electrolysis, a.s.	100	252 000	0	252 000	500 644
SPOLCHEMIE Precursors, a.s.	100	2 000	0	2 000	1 980
CSS, a.s.	89,13	16 454	-6 689	9 765	4 811
Total		585 646	-6 689	578 957	

Changes in structure of investments into subsidiaries

In 2020, the Company acquired an 89.13% share in CSS, a.s. through a non-cash contribution and sold its share in CHS Resins, a.s.

Registered offices of companies included in ownership interests:

EPISPOL, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01
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 01
SPOLCHEMIE Precursors, a.s.	Ústí nad Labem- centrum, Revoluční 1930/86, postal code 400 01
CSS, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01

As at 31 December 2019:

	Share of registered capital %	Acquisition price TCZK	Impairment losses TCZK	Carrying amount of share TCZK	Equity TCZK
EPISPOL, a.s.	90	270 086	0	270 086	525 279
SYNPO, akciová společnost	100	43 921	0	43 921	50 023
SPOLCHEMIE N.V.	100	1 185	0	1 185	-129 857
SPOLCHEMIE Electrolysis, a.s.	100	252 000	0	252 000	435 679
SPOLCHEMIE Precursors, a.s.	100	2 000	0	2 000	1 998
CHS Resins, a.s.	100	2 500	-2 500	0	-728
Total		571 692	-2 500	569 192	

10. PROVIDED LOANS AND OTHER LONG-TERM RECEIVABLES

	31 December 2020 TCZK	31 December 2019 TCZK
STZ Development, a.s.	514 454	514 454
Expected credit loss	-291 254	-281 624
	223 200	232 830
SPOLCHEMIE N.V.	358 090	365 481
Expected credit loss	-213 870	-199 232
	144 220	166 249
SPOLCHEMIE Electrolysis a.s.	0	194 503
Total	367 420	593 582
of which long-term	367 420	572 037
of which short-term	0	21 545

The receivable for STZ Development was acquired by assignment in 2008 at a nominal value of CZK 400 million. The receivable is remunerated at the annual average rate of 1YEAR PRIBOR, increased by 2.5 % p.a. STZ Development is a subsidiary of Via Chem Group.

In connection with the credit risk analysis associated with this receivable, the impairment and recognised impairment loss as at 31 December 2020 was TCZK 291 254 (as at 31 December 2019: TCZK 281 624). In the years 2017 - 2020, the Company records receivables from interest, but it does not show it, because it doubts their earnings. The Company's receivable is subject to other long-term liabilities of STZ Development.

The receivable from Spolchemie N.V. in the total amount of TCZK 144 220, including unpaid interest for the years 2014 to 2019 in the total amount of TCZK 36 493, arose in 2013 from a license agreement concerning the right to use the know-how of the production of Chlorová chemie, Tetraper, Epichlorhydrin, the production of which was transferred to CHS Epi, a.s., which is 100% controlled by this subsidiary of the Company. This receivable is payable in regular instalments in the years 2020-2024. The receivable bears interest at the 3M PRIBOR rate increased by 2.5% p.a.

The remaining part of the receivable from Spolchemie N.V. in the amount of TCZK 213 870 arose on the basis of a license sale agreement. The settlement of receivables by Spolchemie N.V. is expected only on the basis of obtaining funds from the subsequent sale of the license to a third party. The Company's receivables are continuously assessed for a possible reduction based on a revision of the business plans of Spolchemie N.V. The total impairment loss as at 31 December 2020 amounts to 213 870 TCZK (as at 31 December 2019: TCZK 199 232).

In 2016, the Company entered into a loan agreement with SPOLCHEMIE Electrolysis a.s. as a borrower to finance the project for the construction of membrane electrolysis. In 2020 the loan was completely paid.

11. INVENTORIES

	31 December 2020 TCZK	31 December 2019 TCZK
Material	293 088	295 561
Finished goods	326 197	337 624
Goods for resale	156	76
Carrying amount	619 441	633 261

The gross amount of inventories as at 31 December 2020 s TCZK 631 786 (2019: TCZK 649 992) and the fair value of inventories less cost to sell is TCZK 619 441 (2019: TCZK 633 261).

The amount of inventories charged to cost in 2020 is TCZK 3 253 563 (2019: TCZK 3 231 621).

12. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

	31 December 2020 TCZK	31 December 2019 TCZK
Gross value of trade receivables	759 351	692 443
Expected credit loss	-41 192	-35 121
Total	718 159	657 322

Other short-term receivables (net)

	31 December 2020 TCZK	31 December 2019 TCZK
Tax receivables	61 153	65 242
Other	11 201	7 771
Total	72 354	73 013

Tax receivables mainly represent in 2020 (and exclusively in 2019) excessive VAT deductions, especially for the Czech tax administrator. The Company is convinced of the profitability of the aforementioned receivables.

The credit risk analysis is described in the Financial Risk Management section.

13. RECEIVABLE FROM THE AUCTION OF OWN SHARES

In 2019, the Company auctioned its own shares not yet exchanged, see the comment in Note 14. The reported receivable is for the company that the Company has commissioned to conduct the auction. The receivable has a counterparty in liabilities, where the Company reports a liability from the payment of the auction result to shareholders in the same amount, i.e. TCZK 8 995.

14. REGISTERED CAPITAL AND FUNDS

Authorised and issued shares

	Number units	31 December 2020 TCZK	Number units	31 December 2019 TCZK
Ordinary shares with a nominal value of CZK 500, fully paid	-	-	3 878 816	1 939 408
Ordinary shares with a nominal value of CZK 185, fully paid	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.

The Company recorded no receivables as at 31 December 2020 and 31 December 2019 for subscribed equity; 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.

Public auction of shares

On 26 March 2019, an involuntary public auction of the Company's shares took place. The auction concerned only shares of the Company's shareholders who did not attend the takeover of paper shares (originally issued in bearer form, now in registered form) issued by the Company following the conversion of the Company's shares approved by the Company's General Meeting held on 17 August 2007.

Interested shareholders are entitled to receive the auction proceeds (after offsetting the receivables created by the Company in connection with the auction) about what the individual shareholders have been notified. The proceeds will be paid to shareholders in the form of a postal order to the last addresses known by the Company. As at 31 December 2020, the balance of unpaid auction proceeds amounted to TCZK 8 995 (as at 31 December 2019: TCZK 9 144).

Decision on reduction of registered capital

At its meeting held on 20 December 2019, the General Meeting of the Company adopted a resolution on the reduction of the Company's share capital by the amount of TCZK 1 221 827, i.e. from the amount of TCZK 1 939 408 to the amount of TCZK 717 581, in accordance with the procedure pursuant to Section 544 (1) (a) of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended, by reducing the nominal value of all shares of the Company by CZK 315, i.e. from the amount of CZK 500 to the amount of CZK 185. The effects of the reduction of the registered capital occur on the day of registration of the reduced share capital in the Commercial Register. The reduction of the registered capital was registered in the Commercial Register on 31 January 2020.

With its notice from 31 January 2020, the Board of Directors of the Company called upon the Company's shareholders to submit their existing paper shares issued by the Company for the purpose of their exchange for new paper shares of the

Company in the name of the shareholder with the exchange of the shares beginning on 1 February 2020. Due to the measures accepted in connection with the spread of the COVID-19 disease (coronavirus), the exchange of the shares was temporarily suspended from 16 March 2020 until 30 April 2020 on the basis of a decision by the Board of Directors from 15 March 2020 and the related decision from 30 March 2020. On the basis of a decision by the Board of Directors from 29 April 2020, the deadline for the exchange of the shares was extended proportionally until 30 June 2020 for the same reason. On 15 July 2020, the Board of Directors repeatedly called upon the delayed shareholders to exchange the shares in the sense of the provisions of Section 537 of the Business Corporations Act and specified the ultimate deadline of 31 August 2020, while the shareholders were simultaneously informed of the consequences of non-fulfilment.

On 1 October 2020, the Company's Board of Directors declared all the Company's shares with an marked nominal value of CZK 500 that were not submitted to the Company to be exchanged for shares with a marked nominal value of CZK 185 to be invalid.

Public auction of shares II

On 7 January 2021, an involuntary public auction of the Company's shares took place, at which the shareholders or other entities having a relationship to the shares did not express any interest in taking over the Company's shares with a marked nominal value of CZK 185.

Interested shareholders are entitled to receive the auction proceeds after offsetting the receivables created by the Company in connection with the auction. The proceeds will be paid by a cashless transfer. More information is described in 32. Subsequent events.

Shareholders

As at 31 December 2020, the shareholder with the greatest share in the Company was KAPRAIN HOLDINGS 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") with a 43.13% share in the registered capital and voting rights in the Company. KAPRAIN CHEMICAL is controlled by the company KAPRAIN HOLDINGS, just like AB – CREDIT a.s., Company ID No.: 405 22 610, with its registered seat at Opletalova 1603/57, Nové Město, 110 00 Prague 1, which owns shares in the Company representing an 8% share in the registered capital and voting rights in the Company. The controlling person of the KAPRAIN HOLDINGS group is Ing. Karel Pražák, residing at Otradovická 730/9, Kamýk, 142 00 Prague 4, date of birth 3 April 1969, who had, as at 31 December 2020, the possibility to indirectly perform the voting rights with shares representing a 51.1% share in the registered capital and voting rights in the Company and was therefore the person who could indirectly exert a decisive influence in the Company.

The reserve fund is created in accordance with the valid Articles of Association by allocations from profit according to the decision of the General Meeting of the Company.

Articles of Association

The company had previously adapted its articles of association to the mandatory provisions of the Commercial Corporations Act in accordance with Section 777 (2) of the Commercial Corporations Act, and delivered the amended text of the Articles of Association to the register court within the statutory deadline. The General Meeting of the Company held on 16 August 2019 adopted a decision on the subordination of the Company to the Commercial Corporations Act as a whole pursuant to Section 777 (5) of the Commercial Corporations Act and at the same time a complete new wording of the Company's Articles of Association.

15. PROVISIONS

	Litigation and other disputes	Long-term employment benefits	Other	Total
Balance as at 1 January 2019	52 829	20 018	0	72 847
Additions	2 611	10 750	0	13 361
Utilisation	0	-11 229	0	-11 229
Release	0	0	0	0
Balance as at 31 December 2019	55 440	19 539	0	74 979
Additions	3 407	31 834	0	35 241
Utilisation	0	-19 153	0	-19 153
Release	0	-386	0	-386
Balance as at 31 December 2020	58 847	31 834	0	90 681
- short-term provisions	0	20 853	0	20 853
- long-term provisions	58 847	10 981	0	69 828

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, the payment of which is expected in the period for more than 12 months from the balance sheet date. At the end of 2020, the reserve amounted to TCZK 10 981 (2019: TCZK 9 358).

A significant part of the long-term provision is the provision for the fulfilment estimated from the legal dispute over the payment of the submitted bill of exchange amounting to TCZK 40 116 in the amount of the bill of exchange increased by interest and estimated costs of court proceedings, i.e. in the total amount of TCZK 58 847 (as at 31 December 2019: TCZK 55 440).

The bill of exchange was issued to the Company in 2009 as a hedging instrument, while at the same time the obligation secured by the bill of exchange in question has already been fulfilled, and therefore the Company considers the asserted claims to be irrelevant.

The Company is convinced that the claims from the bill of exchange, asserted by the bill of exchange lawsuit, will not be granted to the plaintiff and the reserve will not have to be drawn.

As the dispute is not expected to be closed before the end of 2021, the Company recognised the provision as long-term.

Short-term provisions for employee benefits represent provisions for remuneration for 2020 and part of the one-off remuneration paid to employees upon retirement, which is expected to be paid during 2021.

16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	31 December 2020 TCZK	31 December 2019 TCZK
Trade		
Trade payables	523 433	523 377
Accrued expenses	2 385	638
Accrued revenues	382	395
Estimated payables	44 723	33 256
Total trade	*570 923*	*557 666*
Other		
Payables to employees	15 506	17 014
Payables to social security	5 670	5 989
Payables to health insurance	3 134	3 311
Tax liabilities	2 661	3 007
Other liabilities	0	2 860
Total other	*26 971*	*32 181*
Total	597 894	589 847

The major part of tax liabilities in 2020 is the personal income tax of TCZK 2 536 (In 2019: TCZK 2 883).

Trade payables breakdown according to their maturity

	31 December 2020 TCZK	31 December 2019 TCZK
Due	523 030	523 220
1-90 days overdue	403	157
90-180 days overdue	0	0
180-360 days overdue	0	0
More than 360 days overdue	0	0
Total	523 433	523 377

The Company practically reports no overdue payables and maintains an excellent payment behaviour towards its suppliers. The exceptions are usually invoices sent late with their maturity in 2020.

17. LIABILITIES FROM NON-BANK LOANS

As at 31 December 2020, the Company does not record any bank credit or loans. The original bank loans were already assumed by the non-bank creditors AB-CREDIT a.s. and ISTROKAPITAL, a.s.

In 2017, the Company completed the restructuring of its original bank exposure. Mutual agreements were achieved with the creditors and new loan conditions were set, mainly concerning the final maturity of the loans, payment plans and decreases to the interest rate, as described further in the individual liabilities.

Since 2009, a lien 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 of AB-CREDIT, a.s. and ISTROKAPITAL, a.s.

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

Meeting conditions of bank loans (covenants)

The Company, together with EPISPOL, CHS Epi and SPOLCHEMIE Electrolysis must comply with selected financial indicators (EBITDA, Equity ratio, DSCR, Default rate, and CAPEX) in accordance with the loan contracts. These indicators are calculated on the basis of the simplified consolidation of the aforementioned companies. The calculation of financial indicators was carried out with a satisfactory result and in 2020, as well as 2019, all required minimum values of indicators were met.

As at 31 December 2020, the Company has recognised short-term and long-term non-bank loans of TCZK 2 405 861 (2019: TCZK 2 545 970) from the following companies:

	31 December 2020 TCZK	31 December 2019 TCZK
AB – CREDIT a.s.	604 024	689 255
ISTROKAPITAL, a.s.	815 006	841 252
MONTE BRAVIA, a.s.	0	17 885
EPISPOL, a.s.	333 774	364 374
CHS Epi a.s.	241 641	219 167
Via Chem Group, a.s.	327 181	310 344
Non-bank loan 1	70 717	79 684
Non-bank loan 2	10 483	10 688
Non-bank loan 3	0	6 272
Other liabilities	3 035	7 049
Total	2 405 861	2 545 970
of which short-term	532 137	1 236 351
of which long-term	1 873 724	1 309 619

The liabilities to AB-CREDIT, a.s. originated in 2017 by taking over the credit receivables from the financing banks Raiffeisenbank, a.s. and Expobank CZ a.s. The loans bear interest at a rate of 2% p.a. and the final maturity was newly set through an amendment from December 2020 was extended to 30 September 2025 and the interest rate was changed to 5.55% p.a. from 1 January 2021. In light of these circumstances, the amount of the payments for the year 2022 - 2025 was classified as at 31 December 2020 as long-term.

Payables to ISTROKAPITAL, a.s. in the amount of TCZK 628 818 arose in 2017 by taking over the credit receivables of Poštová banka, a.s. and loans from a non-banking entity. The assumed loans and credit bear interest at a rate of 2% p.a. With the conclusion of an amendment from December 2020, the interest rate was lowered to 1% p.a. effective from 1 January 2021. The first payment was made on 30 September 2019 and the final maturity is 30 September 2032. In light of these circumstances, the amount of the payments for the year 2022 - 2032 was classified as at 31 December 2020 as long-term.

In 2018, the an agreement was concluded on the assignment of loan receivables in the amount of TCZK 161 155 on the basis of which there was a change of the creditor for a loan originally provided by a non-banking entity in 2014. ISTROKAPITAL, a.s. became the new creditor and an instalment schedule was agreed with a final maturity of 30 September 2032 and with a 4-year deferred payment. The interest rate was reduced to 5.25% p.a. Due to changes in maturity (commencement of the repayment scheme from 30 September 2022), this liability is classified as non-current as at 31 December 2020. With the conclusion of a supplement from December 2020, the interest rate was lowered to 4.25% p.a. effective from 1 January 2021.

The Company has concluded a loan agreement with MONTE BRAVIA, a.s. in the amount of TEUR 3 665 in the year 2014. In 2018, part of the receivable in the amount of the TEUR 954 (the exchange rate conversion as at 31 December 2020 is TCZK 25 033) was transferred to the new creditor ISTROKAPITAL, a.s., with which aupplements were signed, on the basis of which the interest rate was reduced to 5.25% p.a. and a repayment schedule was agreed with a final maturity of 30 September 2032 and a 4-year postponement of instalments. This liability, in light of the commencement of the repayment scheme (from 30 September 2022), was classified as non-current as at 31 December 2020. With the conclusion of a supplement from December 2020, the interest rate was lowered to 4.25% p.a. effective from 1 January 2021.

The liability arising from the non-transferred part of the liability with accessories towards MONTE BRAVIA, a.s. from the original contract was paid off in 2020.

Liabilities to EPISPOL, a.s.: In 2020, the Company, as the debtor, entered into an agreement to extend the maturity of its business liabilities until January 2022.

Liabilities to CHS Epi, a.s.: In 2020, the Company, as the debtor, entered into an agreement to extend the maturity of its business liabilities until April 2021.

As at 31 December 2020, AB-Credit a.s., EPISPOL a.s. and CHS Epi, a.s. were companies related in terms of property or personnel.

On 5 October 2009, the Company entered into a loan agreement with Via Chem Group a debtor, according to which it was provided with a loan of MCZK 200 with a maturity of up to one year from the date of concluding the agreement. The agreed interest is 7% p.a. According to a special agreement, it is a liability subordinated to liabilities to bank and non-bank creditors. Due to changes in maturity of the senior liabilities that occurred in 2017, this liability is classified as non-current as at 31 December 2020.

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 outstanding balance as at 31 December 2020 totals TCZK 70 717, including related interest, of which a short-term portion of TCZK 9 466 is payable. The effective interest rate is 5.44%.

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 in the amount of TCZK 12 109. The investment is financed by a supplier credit payable by July 2024. In 2017, the Company acquired further assets that are financed by supplier credit in the total amount of TCZK 2 019 payable by November 2021. In accordance with the payment calendar, the unpaid balance as at 31 December 2020 amounts to TCZK 10 483.

Non-bank loan 3: In 2017, the Company acquired part of the production machinery in the amount of TCZK 18 815. The investment was financed by a supplier credit payable by December 2020. In accordance with the payment calendar, the credit was paid off as of 31 December 2020.

18. ADVANCES RECEIVED

As at 31 December 2020, the Company has advances received amounting to TCZK 224 201 (2019: TCZK 164 441), of which TCZK 181 913 (2019: TCZK 135 060) are advances received based on regression factoring.

19. ACCRUALS

In September 2017, an agreement was reached on the strategic restructuring of the Company'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 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 credit agreement in the form of the effective interest rate of the loan in question. Prepaid borrowing costs are reported separately as a short-term asset (deferred expenses). The balance of prepaid borrowing costs at 31 December 2020 amounted to a total of TCZK 76 512 (as at 31 December 2019: TCZK 88 255), with a long-term part of TCZK 65 426 (as at 31 December 2019: TCZK 76 506).

20. REVENUES FROM SALES OF PRODUCTS, GOODS AND SERVICES

Revenues from services include mainly revenues from fees for the processing of raw materials supplied by customers (i.e., toll fee), income from rent and other services.

	31 December 2020	31 December 2019
Revenue from sales of goods	589	2 067
Revenue from services	550 434	442 309
- sales for Toll Fee	*74 362*	*255 386*
- of which revenue from leasing of fixed assets	*71 544*	*71 831*
Revenues from products	5 202 778	5 075 291
Total sales	5 753 801	5 519 667

Revenues from products

2020	Domestic TCZK	Foreign TCZK	Total TCZK
Inorganics	465 695	1 302 642	1 768 337
Epoxy resins	113 873	2 598 779	2 712 652
Polyesters	0	0	0
Special epoxy resins	146 872	344 117	490 990
Alkyds	60 169	170 630	230 799
Total sales for products	786 609	4 416 169	5 202 778

2019	Domestic TCZK	Foreign TCZK	Total TCZK
Inorganics	392 566	1 315 447	1 708 012
Epoxy resins	93 008	2 580 392	2 673 400
Polyesters	0	12 495	12 495
Special epoxy resins	139 011	325 218	464 229
Alkyds	67 292	149 862	217 154
Total sales for products	691 877	4 383 414	5 075 291

Revenues from products - abroad in 2020

Country	Foreign revenues %	Foreign revenues TCZK
Germany	39.7	1 752 717
Italy	7.1	311 447
Poland	7.0	308 857
France	6.6	293 565
Austria	4.9	218 512
Spain	4.4	194 099
Turkey	4.1	181 203
Russia	3.4	151 090
Netherlands	2.6	113 578
Belgium	2.1	91 834
Serbia	1.7	74 069
Great Britain	1.5	64 217
Sweden	1.4	62 323
Slovakia	1.3	57 035
USA	1.1	49 799
Ukraine	1.0	42 628
Croatia	0.8	35 954
Other	9.4	413 242
Total	100,0	4 416 169

Revenues from products - abroad in 2019

Country	Foreign revenues %	Foreign revenues TCZK
Germany	41.6	1 826 845
Poland	7.5	329 081
Italy	6.5	287 519
France	6.2	273 457
Austria	4.7	205 144
Slovakia	4.2	185 356
Spain	4.0	175 275
Great Britain	3.1	138 286
Belgium	2.6	113 728
Russia	2.4	106 172
Netherlands	2.4	103 237
Turkey	1.5	65 819
Sweden	1.3	58 476
Serbia	1.1	50 468
Ukraine	1.0	42 808
USA	0.9	41 200
Egypt	0.9	40 161
Other	8.0	340 383
Total	100,0	4 383 414

21. CONSUMPTION OF MATERIAL AND ENERGY

	31 December 2020 TCZK	31 December 2019 TCZK
Material consumption	2 618 727	2 686 402
Energy consumption	625 483	552 599
The expenses for the reprocessing of materials of Epispol, a.s., CHS-Epi, a.s., and Spolchemie Electrolysis, a.s.	1 475 852	1 188 149
Total	4 720 062	4 427 150

22. LOGISTICS, LEASES AND OTHER SERVICES

	31 December 2020 TCZK	31 December 2019 TCZK
Costs of short-term leasing	29 813	23 989
Logistics services	216 644	189 345
Other services	180 978	195 417
Total	427 435	408 751

Mainly railway wagons are rented under operating leases. These are short-term leases for which the Company has used exceptions, not to activate the subject of leasing as the Rights of Use.

23. PERSONNEL EXPENSES

Structure of personnel expenses	31 December 2020 TCZK	31 December 2019 TCZK
Short-term employee benefits		
Wages and salaries	233 986	222 007
Bonuses to members of statutory and supervisory bodies	3 540	2 909
Social security and health insurance expenses	22 666	21 729
Other social expenses	1 089	1 345
Pension plans	65 429	63 108
Employee benefits for early termination of employment		
Severance pay	995	511
Total	327 705	311 609

Average number of employees, personnel expenses	2020	2019
Total average number of employees	602	598
Total personnel expenses (TCZK)	327 705	311 609

The structure of personnel expenses of managers

	31 December 2020 TCZK	31 December 2019 TCZK
Wages and salaries	19 264	15 505
Health insurance premiums	1 806	1 449
Pension plans	3 418	3 205
Total	24 488	20 159

The Company does not provide any additional monetary or in-kind benefits except for the liability insurance of members of management and supervisory bodies, including former members.

Pension insurance

Since 2000, the Company has contributed to the employees' supplementary pension plans with the state insurance contribution. Since January 2014, the monthly individual contribution is TCZK 1. In 2020, the total amount of this contribution amounted to TCZK 4 885 (2019: TCZK 4 761).

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 2020, the Company paid out TCZK 995 (2019: TCZK 511).

24. OTHER OPERATING REVENUES AND EXPENSES

Other operating income	31 December 2020 TCZK	31 December 2019 TCZK
Change in adjustments to the receivables and stock	4 386	1 455
Proceeds from the sale of non-current assets	0	506
Profit from sale of purchased stocks	2 003	0
Damage compensation	1 418	381
Other operating income	6 645	6 063
Total	14 452	8 405

Other operating expenses	31 December 2020 TCZK	31 December 2019 TCZK
Creation of provisions and adjustments	21 773	8 082
Insurance	25 851	25 438
Taxes and fees	6 527	8 151
Losses from sales of fixed assets	4 968	0
Depreciation of receivables	0	2 814
Contributions and gifts	2 972	3 010
Loss on sale of inventories	0	538
Other operating expenses	10 338	1 506
Total	72 429	49 539

25. FINANCIAL REVENUES AND EXPENSES

Financial income

	2020 TCZK	2019 TCZK
Interest income		
- bank accounts	83	1 125
- other interest	5 943	15 135
Net foreign exchange gains on foreign currency transactions	0	3 160
Income from derivative transactions	8 546	7 015
Other financial income	1 041	1 203
Total	**15 613**	**27 638**

Other interest income primarily comprises interest from non-current receivables. The interest from the non-current receivable from SPOLCHEMIE N.V. is in the amount of TCZK 4 949 (2019: TCZK 6 423) and interest from non-current receivables from SPOLCHEMIE Electrolysis, a.s. is in the amount of TCZK 477 (2019: TCZK 8 436).

Financial expenses

	2020 TCZK	2019 TCZK
Interest expenses		
- non-bank loans	54 124	57 553
- other interest	13 584	15 976
- interest expense from lease liabilities	4 189	4 632
Net exchange losses on foreign currency transactions	55 808	0
Factoring expenses	11 180	14 566
Other financial expenses	4 748	6 731
Total financial expenses	**143 633**	**99 458**

From the value of the net exchange losses, the unrealised foreign exchange losses from the revaluation of foreign currency loans amount to TCZK 30 165.

Adjustments to financial assets

The financial result for the year 2020 includes the values of the adjustments created for the receivables from Spolchemie N.V. (TCZK 3 770), STZ Development, a.s. (TCZK 9 630) and for the investment in CSS, a.s. (TCZK 6 689) in the total amount of TCZK 20 089 (2019: TCZK 96 695).

26. INCOME TAX

	31 December 2020 TCZK	31 December 2019 TCZK
Current tax		
Current year	2 031	-16 427
Deferred tax		
Impact of changes in temporary differences	-6 460	-3 884
Total income tax	-4 429	-20 311

Reconciliation of effective tax rate	31 December 2020 TCZK	31 December 2019 TCZK
Profit/loss before tax	**-43 680**	**45 705**
income tax rate	19 %	19 %
Income tax calculated	8 299	-8 684
Impact of tax non-deductible expenses	-54 176	-72 511
Impact of tax-exempt income	41 448	60 884
Total calculated income tax	-4 429	-20 311
Effective income tax rate	10,14 %	44,44 %

The company does not record tax arrears with the locally competent tax office.

Deferred tax	Receivables		Liabilities		Change	
	2020	2019	2020	2019	2020/2019	2019/2018
Difference between the book and tax value of fixed assets	25 244	11 751	-41 321	-30 069	2 241	-5 279
Inventories	2 345	3 179	0	0	-834	1 131
Provisions	6 239	14 105	0	0	-7 866	264
Deferred tax (receivable) / liability	33 828	29 035	-41 321	-30 069	-6 459	-3 884
Deferred tax liability recorded			-7 493	-1 034		

As of 31 December 2020 and 2019, the Company does not record usable tax losses from previous years.

27. 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	
	2020	2019	2020	2019
Shareholders				
Via Chem Group, a.s.	***	0	***	2 538
Total shareholders	0	0	0	2 538
Subsidiaries				
EPISPOL, a. s.	30 433	35 287	0	0
SPOLCHEMIE N.V.	2 737	2 586	0	0
SYNPO, akciová společnost	1 424	22	3 473	3 159
CHS Resins, a.s.	*	19	*	0
CHS Epi, a.s.	23 107	17 554	0	1 258
SPOLCHEMIE Electrolysis, a.s.	33 348	8 260	0	3 198
SPOLCHEMIE Distribution, a.s.	0	2 923	7	4 445
SPOLCHEMIE Precursors, a.s.	4	3	0	0
Bakelite Epoxy GmbH	*	527	*	0
CSS, a.s.	210	**	2 745	**
Spolchemie, a.s.	161	141	0	0
Total of consolidated companies	91 424	67 322	6 225	12 060
Other related parties				
CSS, a.s.	**	8 312	**	2 464
Total	91 424	75 634	6 225	14 524

* The Company lost the share in this company in 2020

** This company was not controlled by the Company as at 31 December 2019

*** The Company is no longer a related entity as at 31 December 2020

The Company's payables are generated mainly from the purchase of services under the toll fee and other overhead services and then by received loans. The Company's receivables are granted loans and receivables from the sale of intangible assets (licenses) and price adjustments.

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	
	2020	2019	2020	2019
AB – CREDIT a.s.	0	*	604 024	*
STZ Development, a.s. (net)	223 200	232 830	0	0
SPOLCHEMIE Electrolysis, a.s.	0	194 503	0	0
SPOLCHEMIE N.V. (net)	144 220	166 249	0	0
MONTE BRAVIA, a.s.	0	0	0	17 885
EPISPOL, a.s.	0	0	333 774	364 374
Via Chem Group, a.s.	**	0	**	310 344
CHS Epi, a.s.	0	0	241 806	219 167
Total	367 420	593 582	1 179 604	911 770

*As at 31 December 2019, this company was not a related entity

** As at 31 December 2020, this company is no longer a shareholder

Purchase and sales volumes with related parties

	Purchases		Sales	
	2020	2019	2020	2019
Subsidiaries				
SYNPO, akciová společnost	17 665	15 940	7 778	8 790
EPISPOL, a.s.	240 679	214 673	31 436	97 538
SPOLCHEMIE Electrolysis, a.s.	761 925	487 752	317 931	138 834
CHS Epi, a.s.	304 859	346 562	83 226	210 881
SPOLCHEMIE Distribution, a.s.	30 261	0	32 224	56 229
CSS, a.s.	30 982	*	2 450	*
Total of consolidated companies	1 386 371	1 064 927	475 045	512 272
Other related parties				
CSS, a.s.	**	29 936	**	2 512
STZ Development, a.s.	***	0	***	9
Total of other related parties	0	29 936	0	2 521
Total	1 386 371	1 094 863	475 045	514 793

* As at 31 December, the company was not part of the consolidated unit

** As at 31 December 2020, the company is part of the consolidated unit

*** As at 31 December 2020, this company is not a related entity

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 2020, the Company paid TCZK 268 in liability insurance (2019: TCZK 209).

In 2020 and 2019, 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 23. PERSONNEL EXPENSES.

28. 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.

As part of its currency risk hedging strategy, in 2020 the Company entered into forward transactions with PPF Banka, a.s. in the total amount of MEUR 42 (settled in a regime of MEUR 2 monthly) with the term of settlement from April 2020 until December 2021, with hedging of the EUR/CZK exchange rate in the range of 26.12 - 27.20 CZK/EUR. The Company started to settle these agreed transactions from April 2020 and as at 31 December 2020 tranches totalling MEUR 24 remained open. As mentioned above, the transactions are agreed to the end of 2021, thus the assumption is that the Company will negotiate on the possibility of ensuring the exchange rate for a longer period (the year 2022).

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 2020 represented 62.4% of the volume of sales in EUR (2019: 63.6%).

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

Receivable and payables classification by currency

At 31 December 2020	CZK TCZK	EUR TCZK	USD TCZK	Other TCZK	Total TCZK
Receivables	654 056	601 825	26 400	302	1 282 583
Payables	1 960 309	1 424 719	12 095	0	3 397 123

At 31 December 2019	CZK TCZK	EUR TCZK	USD TCZK	Other TCZK	Total TCZK
Receivables	838 005	534 583	52 575	0	1 425 163
Payables	2 085 287	1 365 172	9 452	101	3 460 012

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 2020 TCZK	31 December 2019 TCZK
Appreciation of EUR	-1 749	-10 032
Appreciation of USD	167	477
Depreciation of EUR	25 929	13 062
Depreciation of USD	-167	-477

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 2020 TCZK	31 December 2019 TCZK
Long-term receivables including short-term part of long-term receivables	0	194 503
Non-bank loans	1 819 962	1 943 468

Financial instruments with a variable interest rate	31 December 2020 TCZK	31 December 2019 TCZK
Long-term receivables	367 420	350 556

Sensitivity analysis of financial instruments with variable interest rates

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 2020 TCZK	31 December 2019 TCZK
Sensitivity to cash flow – increase of interest rate	3 674	3 506
Sensitivity to cash flow – decrease of interest rate	- 3 674	- 3 506

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 2020	Effective interest rate in %	Receivable/liability amount in TCZK	Future change in interest rate	Due date
Total interest-bearing receivables	3,52	330 927		
Total non-bank loans CZK	5,03	955 575	01.01.2021	Do 2032
Total non-bank loans EUR	3,44	861 784	01.01.2021	Do 2032
Total interest-bearing liabilities		1 817 359		

31 December 2019	Effective interest rate in %	Receivable/liability amount in TCZK	Future change in interest rate	Due date
Total interest-bearing receivables	4,98	545 059		
Total non-bank loans CZK	5,36	1 031 295	*	Do 2032
Total non-bank loans EUR	3,71	912 173	*	Do 2032
Total interest-bearing liabilities		1 943 468		

* 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 according to the enclosed amendments to the credit agreements, the creditors of ISTROKAPITAL a.s. and AB-Credit a.s. raise the interest rate by 2% p.a.

TCZK	Carrying value 2020 TCZK	Fair value 2020 TCZK	Carrying value 2019 TCZK	Fair value 2019 TCZK
Trade receivables, other receivables without tax receivables, advances paid and accruals	775 339	775 339	711 378	711 378
Long-term receivables and accruals	432 846	432 846	648 543	648 543
Cash and cash equivalents	145 813	145 813	108 087	108 087
Non-bank loans	-2 375 441	-2 375 441	-2 516 795	-2 516 795
Unpaid interest on non-bank loans	-27 817	-27 817	-29 175	-29 175
Trade and other payables and advances	-950 868	-950 868	-828 839	-829 873
Total	-2 000 128	-2 000 128	-1 906 801	-1 906 801

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

Carrying value	31 December 2020 TCZK	31 December 2019 TCZK
Long-term receivables	432 846	648 543
Trade receivables	718 159	657 322
Other receivables and advances	131 578	119 298
Cash	145 813	108 087
Total	1 428 396	1 533 250

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

Analysis of maturity of short-term trade receivables

	31 December 2020 TCZK	Expected credit loss TCZK	31 December 2019 TCZK	Expected credit loss TCZK
Due	698 198	-20 024	598 445	-11 696
1-90 days overdue	40 174	-189	72 195	-1 621
91-180 days overdue	164	-170	350	-350
181-360 days overdue	179	-179	553	-553
More than 360 days overdue	20 635	-20 630	20 900	-20 900
Total	759 351	-41 192	692 443	-35 121
Carrying value		718 159		657 322

Changes in impairment losses related to trade receivables

	31 December 2020 TCZK	31 December 2019 TCZK
Balance as at 1 January	-35 121	-55 400
Creation of provisions	-19 011	-11 497
Release of provisions	12 669	10 178
Use of provisions – receivables write-off	271	21 598
Balance as at 31 December	-41 192	-35 121

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

To ensure sufficient liquidity to cover operating expenses, the Company uses a standardised system of working capital management, especially the management of receivables and inventory optimisation. Funds tied in inventory are minimised, however the inventory level does not affect the normal course of business. 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:

At 31 December 2020

Contractual cash flows

	Due or up to 2 months TCZK	2 - 6 months TCZK	6 – 12 months TCZK	1 – 2 years TCZK	2 – 5 years TCZK	Over 5 years TCZK	Total TCZK
Loans	202 888	225 321	103 927	302 066	727 448	844 211	2 405 861
Lease liabilities	2 667	5 348	8 188	15 276	27 830	2 689	61 998
Other liabilities	770 529	70 063	11 351	77 321	0	0	929 264
Total	976 084	300 732	123 466	394 663	755 278	846 900	3 397 123

At 31 December 2019

Contractual cash flows

	Due or up to 2 months TCZK	2 - 6 months TCZK	6 – 12 months TCZK	1 – 2 years TCZK	2 – 5 years TCZK	Over 5 years TCZK	Total TCZK
Loans	59 461	169 467	1 007 423	197 307	234 543	877 769	2 545 970
Lease liabilities	4 009	8 119	10 379	15 498	27 402	0	65 407
Other liabilities	665 556	87 016	30 340	56 914	2 634	6 175	848 635
Total	729 026	264 602	1 048 142	269 719	264 579	883 944	3 460 012

(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, Every year, the Company 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.

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.

29. EARNINGS PER SHARE

The indicator of comprehensive earnings per share is calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares issued.

	31 December 2020	31 December 2019
Profit / loss for year (in TCZK)	-48 109	25 394
Number of ordinary shares issued	3 878 816	3 878 816
Basic earnings/loss per share indicator in CZK	-12.40	6.55

Diluted earnings per share are consistent with the Basic earnings per share.

30. RESEARCH AND DEVELOPMENT

In 2020, the Company spent TCZK 39 599 (2019: TCZK 41 137) on research and development. From this, in-house expenses on research and development activities amounted to TCZK 24 034 (2019: TCZK 26 332).

31. CONTINGENT LIABILITIES

Removal of environmental damage

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.

If these costs exceed the level of state guarantees, the Company would be obliged to pay these expenses. As at the date of financial statements the management has no information about the reality of this situation, so no provision has been created.

So far, a total of TCZK 2 779 631 was spent for these purposes, of which TCZK 1 021 304 was spent to complete the landfill remediation in Chabařovice. Currently, there is soil remediation of the manufacturing facility of the Company being carried out.

The estimated expenditure of the Ministry of Finance on the removal of old environmental burdens does not exceed the adjusted contract between the Company and the Ministry of Finance. Since there is no withdrawal or acceptance of the Company's funds during the cleaning process of the area, the estimated costs are not reported as a provision.

Provided guarantee

In 2006, the Company provided its subsidiary EPISPOL, a.s. with a guarantee for an investment loan amounting to TCZK 600 000 from EXPOBANK CZ (formerly LBBW Bank CZ). As of 31 December 2020, the outstanding part of the loan was TCZK 182 347 (as at 31 December 2019: TCZK 209 053). The creditor of the receivable is AB – CREDIT a.s.

Based on the agreement on the accession to the commitment concluded by the Company, SPOLCHEMIE Electrolysis and Poštovní banka, a.s. as at 30 April 2014, the Company acceded, in full, the obligations of SPOLECHEMIE Electrolysis against Poštovní banka, a.s. loan agreement up to TEUR 32 000 and undertook to repay all the debts on the loan jointly and severally with SPOLCHEMIE Electrolysis. The Company drew on the loan in 2015. The balance of the loan as at 31 December 2020 amounts to TCZK 668 483 (as at 31 December 2019: TCZK 701 149). The creditor of the receivable is ISTROKAPITAL a.s.

Based on the Treaty of Accession to the debt concluded between CHS Epi and Raiffeisenbank a.s. as at 24 November 2014, the Company acceded all the company's debts to CHS Epi in full as Raiffaisenbank Loan up to TCZK 152 000 and undertook to repay all the debts on the loan jointly and severally with CHS Epi. The Company drew on the loan in 2015. The balance of the loan as at 31 December 2020 amounts to 153 948 TCZK (as at 31 December 2019: TCZK 170 879). The creditor of the receivable is AB – CREDIT a.s.

Other contingent liabilities

In 2017, the Company was informed of the issuance of an Exchange Order in connection with the bill issued by the Company for the amount of TCZK 40 116. The bill of exchange in question was a reinsurance (not a payment) promissory note, while the obligation provided by the present promissory note had already been fulfilled and therefore the Company considered the claims of the Exchange Order to be irrelevant.

On 29 October 2018 the Regional Court in Ústí nad Labem issued a ruling which confirmed the validity of the promissory note of payment. The Company filed an appeal against this decision in December 2018.

On appeal, the High Court in Prague ruled in a resolution of 1 April 2019 that the judgement of the court of first instance on the retention of the bill of exchange payment order was annulled and the case was returned to the court of first instance for further proceedings. The statement of reasons for the order states that the court of first instance did not state sufficient reasons for its decision, did not deal with all the defendant's objections, completely lacked an assessment of the evidence, the court did not carry out the evidence proposed by the defendant for no apparent reason and did not sufficiently establish the facts. In 2019, an oral hearing was held before the court of first instance, where some witnesses were questioned and subsequently, according to the Company's proposal, the court appointed an expert in the field of economics/accounting to prepare an expert opinion on certain economic issues decisive for assessing the case. The Company's current opinion on the possibility of success in the case thus remains unchanged after the annulment of the decision of the court of first instance.

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

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., IČ: 27294099, demands payment of a receivable from the Company in the amount of TCZK 200 000 with accessories (hereinafter referred to as the "Action"). This is a receivable that the Company records as a liability to its shareholder Via Chem Group under a loan agreement dated 5 October 2009 (see Note 17. NON-BANK LOANS above), and which was maintained in the insolvency proceedings of Via Chem Group in an incidental dispute in which the insolvency administrator of the debtor STZ a.s. sought the exclusion of the claim in question from the assets of Via Chem Group. The insolvency courts of the first and second instance ruled on the exclusionary action in such a way that the claim did not belong to the property of Via Chem Group. However, Via Chem Group filed an appeal in the exclusionary dispute against the decision of the insolvency court of appeal, thus initiating an appeal procedure before the Supreme Court, conducted under file no. No. 29 ICdo 91/2019. In the appeal proceedings, the Supreme Court decided in favour of Via Chem Group and changed the decision of the courts of the first and second instances so that the Action was refused and it concurrently expressed the opinion that it ensues from the defence arguments and factual findings that STZ a.s. can only have a claim against Via Chem Group and not against the Company. The court proceedings are still before the first hearings, while the Company is now awaiting how the insolvency administrator of STZ a.s. will handle the Action in connection with the decision of the Supreme Court.

Management is not aware of any other significant contingent liabilities of the Company as at 31 December 2020.

32. SUBSEQUENT EVENTS

A. Shareholder changes:
On 7 January 2021, an involuntary public auction of the Company's shares took place with a new nominal value of CZK 185. The subject of the auction was 366 454 shares that were not picked up. The final price achieved by the auction of these shares amounted to MCZK 100 .

Interested shareholders are entitled to receive the auction proceeds after offsetting the receivables created by the Company in connection with the auction. The proceeds will be paid by a cashless transfer.

On 10 February 2021, a Confirmation of the auctioneer on the acquisition of the ownership of the subject of the auction issued on 4 February 2021 was submitted to the shareholder of the Company, specifically to KAPRAIN CHEMICAL, which thereby increased its share as the largest shareholder to a 52.57% share in the registered capital and voting rights of the Company. Thus, from 10 February 2021, KAPRAIN CHEMICAL together with AB – CREDIT a.s., exercise voting rights with the Company's shares representing a 60.57% share in the registered capital and voting rights of the Company.

B. Changes in the holding of subsidiaries

In March 2021, the Company purchased the remaining share in CSS, a.s., thus becoming the sole shareholder of this company.

In April 2021, the Company purchased 100% of the shares of CHS Epi, a.s. from its subsidiary Spolchemie NV and thus became the 100% shareholder directly in CHS Epi. The purchase price was set on the basis of an expert appraisal from EQUITA consulting, s.r.o. and amounted to TCZK 180 447 and was settled by offsetting the mutual balances of receivables and payables.

C. Received dividend from subsidiaries

On 28 April 2021, the Company decided on the payment of the dividends from Epispol, a.s. and CHS-Epi, a.s. The Company accepted the dividend in the amount of TCZK 109 318 from CHS-Epi and TCZK 194 651 from Epispol. The receivables from the dividends will be settles by offsetting the mutual bilateral balances of receivables and payables. The received dividends were reported on the Company level as financial income and increased the Company's equity in this manner. Thus, with this distribution of the profit from the subsidiaries on the level of the parent company, the Company resolved the accounting loss reported for the year 2020.

After the balance sheet date there were no other 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 2020.

SPOLCHEMIE

8 / 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 2020 („Report on Relations")

processed in the sense of 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 2020 to 31 December 2020 (hereinafter referred to as the "**Decisive Period**").

1 Controlled entity

1.1 Controlled entity

The controlled entity is the company **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**").

During the two parts of the Decisive Period specified below, the Controlled Entity was controlled successively by two different controlling entities, namely Controlling Entity I and Controlling Entity II, as defined below in paragraphs 2.1 and 4.1 of this Report on Relations (Controlling Entity I and Controlling Entity II are hereinafter collectively referred to as the "**Controlling Entities**").

2 Structure of relations between the Controlling entity and the Controlled entity and entities controlled by the same controlling entity from 1 January 2020 to 5 February 2020

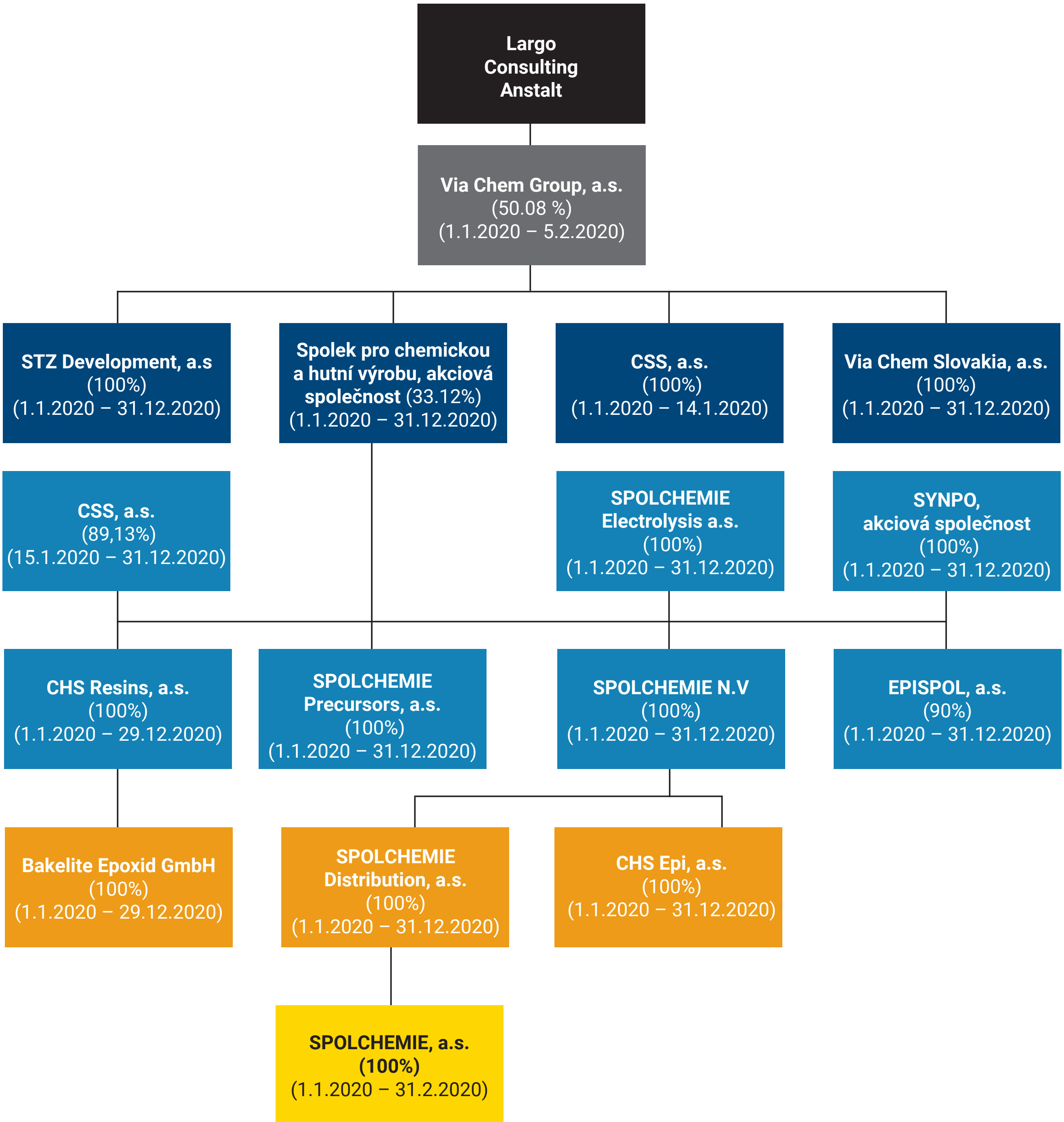
2.1 Controlling Entity

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 from 1 January 2020 to 5 February 2020 (the "**Decisive Period 1**") was **Largo Consulting Anstalt**, with its registered office in the Principality of Liechtenstein, 9491 Ruggell, Industriestrasse 26, registration number FL-0002.224.154-7, (hereinafter referred to as "**Controlling Entity I**"), which, according to the information available to the Board of Directors of the Controlled Entity, controlled the Controlled Entity indirectly through **Via Chem Group, a.s.**, with its registered office at Rudolfovská tř. 303/113, České Budějovice 4, 370 01 České Budějovice, ID number 266 94 590, entered in the Commercial Register kept by the Regional Court in České Budějovice, Section B, Insert 2180 (hereinafter referred to as "**Via Chem Group**"), which held voting rights with shares representing a share of 33.12% in the voting rights of the Controlled Entity during the Decisive Period 1. As the largest known shareholder, it was thus considered to be the controlling entity of the Controlled Entity.

Controlling Entity I had a 50.08% share in the share capital and voting rights of Via Chem Group. According to the information available to the Board of Directors of the Controlled Entity, Controlling Entity I did not have a shareholder who would have a share of more than 20% in the share capital and voting rights of Controlling Entity I, or who would otherwise control Controlling Entity I.

2.2 Graphic representation of the relations between the Controlling Entity I and the Controlled Entity and between the Controlled Entity and the entities controlled by the same Controlling Entity I

The diagram below shows the relations between individual persons within the structure of controlled relations during the Decisive Period I together with the shares in the voting rights of individual persons/companies.



3 Method and means of control during Decisive Period I

According to information available to the Board of Directors of the Controlled Entity, Controlling Entity I controlled the Controlled Entity indirectly through Via Chem Group, in which it exercised voting rights in the Decisive Period I, with shares representing 50.08 % of the voting rights of Via Chem Group.

Via Chem Group was the shareholder with the largest share in the Controlled Entity since, as at 5 February 2020, Via Chem Group had a 33.12% share in the registered capital and voting rights of the Controlled Entity. Given that no other entity had a larger share in the Controlled Entity, according to the information of the Board of Directors of the Controlled Entity, it can be assumed that the Controlling Entity I was an entity that could directly or indirectly exercise a decisive influence in the business corporation (Controlled Entity) within the meaning of Section 74 (1) of the ABC.

4 Structure of relations between the controlling entity and the controlled entity and between entities controlled by the same controlling entity from 5 February 2020 to 31 December 2020

4.1 Controlling Entity

According to the information available to the Board of Directors of the Controlled Entity acting with due diligence, the Controlling Entity in the part of the Decisive Period from 5 February 2020 to 31 December 2020 (hereinafter referred to as the "Decisive Period II") was Ing. Karel Pražák, residing at Otradovická 730/9, Kamýk, 142 00 Prague 4, date of birth 3.4.1969 (hereinafter referred to as the "Controlling Entity II"), who, according to the information of the Board of Directors of the Controlled Entity, controlled the Controlled Entity indirectly through:

• AB-CREDIT a.s., with its registered office at Opletalova 1603/57, Nové Město, 110 00 Prague 1, Company ID No.: 405 22 610, entered in the Commercial Register kept by the Municipal Court in Prague, Section B, Insert 5250 (hereinafter referred to as "AB-CREDIT"), which in Decisive Period II exercised voting rights with shares first representing 25.12% (in the period from 5.2.2020 to 5.3.2020), later 33.12% (in the period from 5.3.2020 to 10.7.2020) and ultimately 8% (in the period from 10.7.2020 to 31.12.2020) in the voting rights of the Controlled Entity; and

• 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 Decisive Period II exercised voting rights with shares first representing 17.81% (in the period from 5.2.2020 to 23.4.2020), later 18% (in the period from 23.4.2020 to 10.7.2020) and ultimately 43.12% (in the period from 10.7.2020 to 31.12.2020) in the voting rights of the Controlled Entity.

Thus, during Decisive Period II, AB-CREDIT and KAPRAIN CHEMICAL, as entities acting in concert in the sense of Section 78 (2) (b) of the ABC jointly handled shares in the voting rights first representing a share of 42.93% (in the period from 5.2.2020 to 5.3.2020), later 50.93 % (in the period from 5.3.2020 to 23.4.2020) and ultimately 51.12% (in the period from 23.4.2020 do 31.12.2020) of all votes in Spolek pro chemickou a hutní výrobu and were therefore considered to be the Controlling Entities in accordance with Section 75 (3).

AB-CREDIT was controlled by Controlling Entity II indirectly through KAPRAIN FINANCIAL HOLDING LIMITED, with its registered office at Giannou Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 179241 (hereinafter referred to as "KFHL"), which exercised in Decisive Period II voting rights with shares representing a share in the amount of 100% of the voting rights in AB-CREDIT. KAPRAIN CHEMICAL was controlled by Controlling Entity II 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").

In Decisive Period II, KFHL and KIHL were controlled by Controlling Entity II 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 exercised in Decisive Period II voting rights with shares representing a share in the amount of 100% of the voting rights in KFHL and voting rights with shares representing a share in the amount of 100% of the voting rights in KIHL.

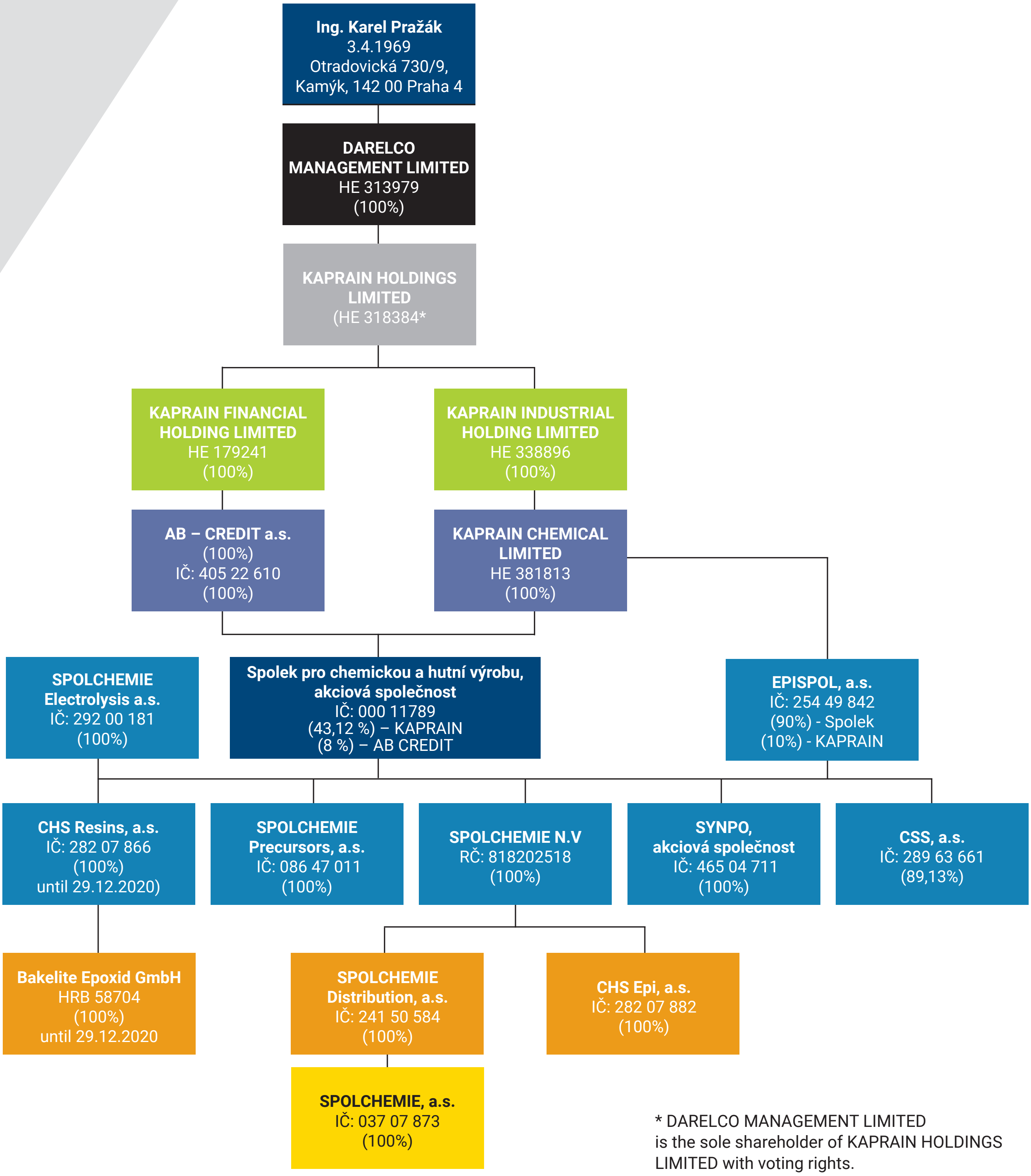
In Decisive Period II, KAPRAIN HOLDINGS were controlled by Controlling Entity II indirectly through DARELCO MANAGEMENT LIMITED, with its registered office at Giannou Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 313979 (hereinafter referred to as “DARELCO”),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

In Decisive Period II, DARELCO was controlled by Controlling Entity II indirectly as the sole shareholder exercising the voting rights connected with his share in the amount of 100% in DARELCO.

4.2 Graphic representation of the relations between the Controlling Entity II and the Controlled Entity and between the Controlled Entity and the entities controlled by the same Controlling Entity II

The diagram below shows the relations between individual entities within the structure of controlled relations during the Decisive Period II, from Controlling Entity II to the Controlled Entity, together with the shares in the voting rights of individual persons/companies as at 31.12.2020, unless specified otherwise.

Appendix No. 1 to this Report on Relations specifies all the entities that were controlled by the same Controlling Entity II during Decisive Period II.



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

5 Method and means of control in Decisive Period II

According to information available to the Board of Directors of the Controlled Entity, Controlling Entity II controlled the Controlled Entity indirectly through AB-CREDIT and KAPRAIN CHEMICAL. AB-CREDIT was controlled by KFHL and KAPRAIN CHEMICAL was controlled by KIHL. KFHL and KIHL were controlled by KAPRAIN HOLDINGS, which was controlled by DARELCO.

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

According to information available to the Board of Directors of the Controlled Entity, KAPRAIN HOLDINGS was controlled indirectly through DARELCO in Decisive Period II, which was the sole shareholder of KAPRAIN HOLDINGS with the voting rights.

During Decisive Period II, KFHL exercised the voting rights with shares representing a share in the amount of 100% of the voting rights in AB-CREDIT.

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

As entities acting in concert in the sense of Section 78 (2) (b) of the ABC, AB-CREDIT and KAPRAIN CHEMICAL were the shareholders with the largest share in the Controlled Entity when, during Decisive Period II, AB-CREDIT first had a 25.12% share (in the period from 5.2.2020 do 5.3.2020), then a 33.12% share (in the period from 5.3.2020 to 10.7.2020) and ultimately an 8% share (in the period from 10.7.2020 to 31.12.2020) in the voting rights of the Controlled Entity and KAPRAIN CHEMICAL first had a 17.81% share (in the period from 5.2.2020 to 23.4.2020), later 18% (in the period from 23.4.2020 to 10.7.2020) and ultimately 43.12% (in the period from 10.7.2020 to 31.12.2020) share in the registered capital and voting rights of the Controlled Entity.

Thus, During Decisive Period II, AB-CREDIT and KAPRAIN CHEMICAL first jointly had 42.93% in the period from 5.2.2020 do 5.3.2020), later 50.93% (in the period from 5.3.2020 to 23.4.2020) and ultimately 51.12% (in the period from 23.4.2020 to 31.12.2020) in the registered capital and voting rights of the Controlled Entity and thus, in accordance with Section 75 (2), Controlling Entity II was the entity that could directly or indirectly exercise a decisive influence in the business corporation (Controlled Entity) in the sense of Section 74 (1) of the ABC.

6 The concern of Spolek pro chemickou a hutní výrobu in the Decisive Period

The Controlled Entity is the controlling entity of the Group in the sense of Section 79 of the ABC, which in the Decisive Period included the following companies as controlled entities.

Legal entity	ID no.	from – to
SYNPO, akciová společnost Pardubice - Zelené Předměstí, S.K. Neumanna 1316, Postal Code 532 07	46504711	1.1.2020 – 31.12.2020
EPISPOL, a.s. Revoluční 1930/86, Ústí nad Labem – centrum, 400 01 Ústí nad Labem	25449842	1.1.2020 – 31.12.2020
CHS Resins, a.s. Revoluční 1930/86, Ústí nad Labem – centrum, 400 01 Ústí nad Labem	28207866	1.1.2020 – 29.12.2020
SPOLCHEMIE Electrolysis a.s. Ústí nad Labem, Revoluční 1930/86, Postal Code 40032	29200181	1.1.2020 – 31.12.2020
SPOLCHEMIE Precursors, a.s. Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	08647011	1.1.2020 – 31.12.2020
SPOLCHEMIE N.V. Radarweg 29, 1043 NX, Amsterdam, Kingdom of the Netherlands	818202518	1.1.2020 – 31.12.2020
Bakelite Epoxy GmbH Victoriaplatz 2, Düsseldorf, Germany	HRB58704	1.1.2020 – 29.12.2020
SPOLCHEMIE Distribution, a.s. Revoluční 1930/86, Ústí nad Labem – centrum, 400 01 Ústí nad Labem	24150584	1.1.2020 – 31.12.2020
CHS Epi, a.s. Ústí nad Labem, Revoluční 1930/86, Postal Code 40032	28207882	1.1.2020 – 31.12.2020
SPOLCHEMIE, a.s. Prokopova 148/15, Žižkov, 130 00 Prague 3	03707873	1.1.2020 – 31.12.2020
CSS, a.s. Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	28963661	15.1.2020 – 31.12.2020

7 The role of the Controlled Entity in the structure of control relations in the Decisive Period

The Controlled Entity is the controlling entity at the head of the Group, which includes the companies listed in Article 6 of this Report on Relations. The top management of the Controlled Entity participate in the management in other companies of the Group and in the promotion of group interests through orders and other agreements. The Controlled Entity is a producer of synthetic resins and a wide range of chemical products from inorganic chemistry, for the production and processing of which it uses other companies from the group.

8 Overview of actions performed on the initiative or in the interest of the Controlling entities or entities controlled by them showing characteristics pursuant to Section 82 (d) of the ABC

During the Decisive Period, the Controlled Entity did not, at the instigation or in the interest of the Controlling Entities or their controlled entities, engage in any conduct that would relate to assets exceeding 10% of the Controlled Entity's equity determined in accordance with the last financial statements.

9 Overview of mutual agreements between the Controlled Entity and the Controlling Entities or between the entities controlled by the Controlling Entities

9.1 Contracts concluded between the Controlled Entity and the Controlling Entities that were valid in the Decisive Period

No agreements were concluded between the Controlled Entity and the Controlling Entities that would be valid in the Decisive Period.

9.2 Contracts concluded between the Controlled Entity and the entities controlled by the Controlling Entities 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
- Order agreement dated 1 November 2016
- Agreement on the processing of personal data dated 25 May 2018
- Contract on replacement of the obligation dated 10 September 2019
- Agreement on the subscription of shares and set-off of a receivable dated 13 December 2019

STZ Development, a.s.

- Loan contract dated 10 August 2007

Via Chem Slovakia, a.s.

- Service contract dated 15 July 2016

Via Chem Group, a.s.

- Loan contract dated 5 October 2009
- Guarantee contract dated 23 March 2009

CHS Epi, a.s.

- Service contract dated 25 September 2013
- Framework agreement on the regulation of mutual relations, rights, obligations and services from 25 September 2013
- Service contract dated 30 September 2013
- Agreement on 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
- Lease agreement dated 1 October 2013
- Cooperation agreement dated 1 October 2013, as amended
- Framework contract for work dated 1 October 2013, as amended
- Inter-credit agreement dated 24 November 2014, as amended
- Contract for accession to debt dated 24 November 2014
- Agreement on the establishment of a lien on receivables from insurance contracts dated 24 November 2014 (NZ 1019/2014)
- Agreement on the establishment of a lien on a movable item (stock) dated 24.11.2014 (NZ 1021/2014)
- Contract for the provision of services dated 31 December 2015, as amended
- Order agreement dated 1 November 2016, as amended
- Framework purchase agreement dated 21 November 2016
- Agreement 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
- Contract on the lease of the plant dated 20 December 2018
- Debt Recognition and Repayment Agreement dated 31 December 2019
- Debt Recognition and Repayment Agreement dated 31 March 2020
- Debt Recognition and Repayment Agreement dated 30 June 2020
- Contract for the assignment of a contract for work dated 29 July 2020
- Contract for the assignment of a contract for work dated 7 September 2020
- Contract for the assignment of a contract for work dated 9 September 2020
- Contract for the assignment of a contract for work dated 10 September 2020
- Contract for the assignment of a contract for work dated 10 September 2020
- Contract for the assignment of a contract for work dated 10 September 2020
- Contract for the assignment of a contract for work dated 10 September 2020
- Contract for the assignment of a contract for work dated 14 September 2020
- Debt Recognition and Repayment Agreement dated 30 September 2020
- Debt Recognition and Repayment Agreement dated 31 December 2020

SPOLCHEMIE Distribution, a.s.
- Cooperation agreement dated 1 December 2017
- Cooperation agreement dated 27 November 2014

SPOLCHEMIE Electrolysis, a.s.
- Lease agreement dated 1 December 2013, as amended
- Framework contract for work dated 8 April 2014
- Cooperation Agreement dated 4 August 2014, as amended
- Inter-credit agreement dated 24 November 2014, as amended
- Loan agreement dated 20 July 2015, as amended
- Framework agreement on the regulation of mutual relations, rights, obligations and provision of services dated 9 November 2015
- Agreement on the establishment of a lien on receivables from insurance contracts dated 24 November 2014 (NZ 1018/2014)
- Agreement on the establishment of a lien on a movable item (stock) dated 24 November 2014 (NZ 1020/2014)
- Order agreement dated 1 November 2016, as amended
- Contract for the provision of services dated 30 December 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)
- Agreement on the processing of personal data dated 25 May 2018
- Contract on the lease of the plant dated 20 December 2018
- Agreement on the establishment of the right of construction dated 30 October 2019
- Energy Supply Agreement dated 20 December 2019
- Contract for the assignment of a contract for work dated 14 September 2020
- Contract for the assignment of a contract for work dated 14 September 2020
- Contract for the assignment of a contract for work dated 14 September 2020
- Contract for the assignment of a contract for work dated 14 September 2020
- Contract for the assignment of a contract for work dated 22 September 2020
- Contract for the assignment of a contract for work dated 29 September 2020
- Contract for the assignment of a contract for work dated 29 September 2020
- Contract for the assignment of a contract for work dated 29 September 2020
- Contract for the assignment of a contract for work dated 30 September 2020
- Contract for the assignment of a contract for work dated 5 October 2020

- Contract for the assignment of a contract for work dated 5 October 2020
- Contract for the assignment of a contract for work dated 5 October 2020
- Contract for the assignment of a contract for work dated 6 October 2020
- Contract for the assignment of a contract for work dated 30 October 2020
- Contract for the assignment of a contract for work dated 16 November 2020

SYNPO, akciová společnost

- Service contract dated 6 January 2020

EPISPOL, a.s.

- Order agreement dated 1 November 2016, as amended
- Cooperation Agreement dated 7 December 2015, as amended
- Framework contract for work dated 7 December 2015
- 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 of 1 October 2004.
- Contract for the provision of services dated 31 December 2015
- Agreement on the processing of personal data dated 25 May 2018
- Contract on the lease of the plant dated 20 December 2018
- Debt assumption and compensation agreement dated 15 September 2017
- Agreement on the establishment of the right of construction dated 4 June 2020
- Contract on the protection of confidential information dated 20 June 2020
- Debt recognition and repayment agreement dated 31 December 2020

SPOLCHEMIE Precursors, a.s.

- Agreement on the recognition and repayment of an obligation dated 31 December 2020

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 27 May 2020 (NZ 77/2020)
- Debt recognition and repayment agreement dated 18 October 2019 (NZ 218/2019)
- Contract for the establishment of a lien dated 31 July 2009 (NZ 313/2009)
- Pledge agreement dated 7 October 2008 (NZ 284/2008)
- Contract for the establishment of a lien on property dated 7 January 2008
- Contract for the establishment of a lien on property dated 5 March 2008
- Agreement on the establishment of a lien 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 lien on property dated 13 June 2008
- Contract for the establishment of a lien on property dated 20 October 2006
- Contract for the establishment of a lien 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 pledge agreement dated 31 July 2009
- Contract for the establishment of a lien dated 30 September 2009 (NZ 376/2009)
- Agreement on the application of the right to complete to the note dated 7 March 2008

10 Assessment of the occurrence of damage to the Controlled Entity and its compensation

With regard to the reviewed legal relations between the Controlled Entity and the Controlling Entities and between the Controlled Entity and entities controlled by the same Controlling Entities, it is clear that as a result of contracts, other legal proceedings or other concluded measures, the initiative of individual entities controlled by the Controlling Entities or the Controlling Entities themselves did not cause any harm to the Controlled Entity.

Thus, compensation for damage according to Section 71 and 72 of the ABC does not come under consideration in this case.

11 Evaluation of advantages, disadvantages and risks

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 does not incur any disadvantages or risks from the relationships that are the subject of this Report on Relations, nor has it suffered any damage from these relationships.

12 Confidentiality of information

The Board of Directors of the Controlled Entity states that this Report on Relations does not contain confidential information, since information and facts that are part of the business secrets of the Controlling Entities, the Controlled Entity, entities controlled by the Controlling Entity or other persons controlled by the Controlling Entity are considered to be confidential information that cannot be made publically available, as is that information that has been identified as confidential by any of those entities. Furthermore, it is all information from business dealings, which could be to the detriment of any of the aforementioned entities by itself or in connection with other information or facts.

This report has been prepared by the Board of Directors, as the statutory body of the Controlled Entity, on the basis of information known to the members of the Board of Directors, as persons acting with due diligence

Ústí nad Labem, 31 March 2021

Ing. Pavel Jiroušek
Chairman of the Board of Directors

Ing. Daniel Tamchyna, MBA
Member of the Board of Directors

Appendix No. 1:

List of companies directly or indirectly controlled by the same Controlling Entity II during Decisive Period II

Company name	Identification /registration number	Country of registration	Controlled through	Note
Darelco Management Limited	313979	Republic of Cyprus	Controlling Entity II	
KAPRAIN Holdings Limited	318384	Republic of Cyprus	Darelco Management Limited	
KAPRAIN Financial Holding Limited	179241	Republic of Cyprus	KAPRAIN Holdings Limited	
KAPRAIN Real Estate Holding Limited	338897	Republic of Cyprus	KAPRAIN Holdings Limited	
KAPRAIN Industrial Holding Limited	338896	Republic of Cyprus	KAPRAIN Holdings Limited	
Fayvex Limited	1756022	British Virgin Islands	KAPRAIN Holdings Limited	
Jejomar Capital Limited	318224	Republic of Cyprus	Fayvex Limited	
KAPRAIN Services a.s.	289 50 216	Czech Republic	Jejomar Capital Limited	
Credis Invest B.V.	34245967	The Netherlands	KAPRAIN Financial Holding Limited	
AB - CREDIT a. s.	405 22 610	Czech Republic	KAPRAIN Financial Holding Limited	
CM - CREDIT a.s.	250 9 5048	Czech Republic	KAPRAIN Financial Holding Limited	
CP Inkaso s.r.o.	290 27 241	Czech Republic	KAPRAIN Financial Holding Limited	
Alcathous Limited	264875	Republic of Cyprus	KAPRAIN Financial Holding Limited	
Tritiaco Limited	360704	Republic of Cyprus	KAPRAIN Financial Holding Limited	
CREDIS INVEST ALFA, s.r.o., v likvidácii	50032798	Slovak Republic	KAPRAIN Financial Holding Limited	until 1 December 2020
PUBLICOLA s.r.o.	053 06 159	Czech Republic	AB – CREDIT a. s.	
EDEN Jižní roh s.r.o.	017 55 706	Czech Republic	AB – CREDIT a.s.	from 26 November 2020, 50%
POMPILIUS s.r.o.	054 20 768	Czech Republic	KAPRAIN Industrial Holding Limited	
Nej.cz s.r.o.	032 13 595	Czech Republic	KAPRAIN Industrial Holding Limited	
Nej Kanál s.r.o.	027 38 252	Czech Republic	Nej.cz s.r.o.	
TELCONET s.r.o. acquisition with LTnet, s.r.o. as at 1.9.2020	278 04 780	Czech Republic	Nej.cz s.r.o.	Cessation as a result of a merger by
CATR Chodov s.r.o. acquisition with LTnet, s.r.o. as at 1.9.2020	067 02 104	Czech Republic	Nej.cz s.r.o.	Cessation as a result of a merger by
LTnet, s.r.o.	287 16 019	Czech Republic	Nej.cz s.r.o.	As a consequence of a merger by acquisition, the assets and liabilities of the following companies were acquired by LTnet, s.r.o. as at 1 September 2020: TELCONET s.r.o. (Company ID No.: 278 04 780), CATR Chodov s.r.o. (Company ID No.: 067 02 104) and Kyklop network systems s.r.o. (Company ID No.: 278 24 161), and of the following companies as at 7 December 2020: INTERNET Pb, spol. s r.o. (Company ID No.: 047 97 710) and MONEX s.r.o. (Company ID No.: 629 68 521)
Kyklop network systems s.r.o. acquisition with LTnet, s.r.o. as at 1.9.2020	278 24 161	Czech Republic	TELCONET s.r.o.	Cessation as a result of a merger by
Telly CE s.r.o.	033 17 137	Czech Republic	Nej.cz s.r.o.	from 14.12.2020
itself s.r.o.	188 26 016	Czech Republic	Nej.cz s.r.o.	from 14.12.2020
Freebone s.r.o.	255 03 286	Czech Republic	itself s.r.o.	from 14.12.2020
CentroNet, a.s.	261 65 473	Czech Republic	KAPRAIN Industrial Holding Limited	
INTERNET Pb, spol. s r.o.	047 97 710	Czech Republic	CentroNet, a.s.	Cessation as a result of a merger by acquisition with LTnet, s.r.o. as at 7.12.2020

Company name	Identification /registration number	Country of registration	Controlled through	Note
MONEX s.r.o.	629 68 521	Czech Republic	CentroNet, a.s.	Cessation as a result of a merger by acquisition with LTnet, s.r.o. as at 7.12.2020
Kaora s.r.o.	070 01 410	Czech Republic	CentroNet, a.s.	until 11 June 2020
SporkNeT s.r.o.	483 94 009	Czech Republic	CentroNet, a.s.	
kbNet s.r.o.	049 51 727	Czech Republic	CentroNet, a.s.	
incrate s.r.o.	097 79 965	Czech Republic	KAPRAIN Industrial Holding Limited	from 28 December 2020
KAPRAIN CHEMICAL LIMITED	381813	Republic of Cyprus	KAPRAIN Industrial Holding Limited	
Polyesters, a.s.	046 55 443	Czech Republic	KAPRAIN CHEMICAL LIMITED	until 10 December 2020
HC Sparta Praha a.s.	618 60 875	Czech Republic	KAPRAIN Real Estate Holding Limited	
Holešovice Services s.r.o.	091 70 065	Czech Republic	HC Sparta Praha a.s.	from 19 May 2020
Derlea Holdings Limited	349253	Republic of Cyprus	KAPRAIN Real Estate Holding Limited	
Tenacity Limited	180866	Republic of Cyprus	KAPRAIN Real Estate Holding Limited	
WAIPA ENTERPRISES LIMITED	213047	Republic of Cyprus	KAPRAIN Real Estate Holding Limited	
Vítězné náměstí s.r.o.	285 11 441	Czech Republic	Derlea Holdings Limited	50%
Office Star Two, spol. s r.o.	276 39 169	Czech Republic	Tenacity Limited	
Office Star Five, spol. s r.o.	276 39 185	Czech Republic	Tenacity Limited	
AXATAU a.s.	273 80 041	Czech Republic	WAIPA ENTERPRISES LIMITED	
ARANCIATA a.s.	276 21 707	Czech Republic	WAIPA ENTERPRISES LIMITED	
LONGORIA a.s.	276 30 188	Czech Republic	WAIPA ENTERPRISES LIMITED	
MIDATANER a.s.	290 55 768	Czech Republic	WAIPA ENTERPRISES LIMITED	
C & R Office Center One s.r.o.	282 29 045	Czech Republic	KAPRAIN Real Estate Holding Limited	60%
C & R Office Center Three s.r.o.	282 28 944	Czech Republic	KAPRAIN Real Estate Holding Limited	
DOMUS SENES, s.r.o.	604 70 771	Czech Republic	KAPRAIN Real Estate Holding Limited	
DOMUS SENES Property s.r.o.	096 66 389	Czech Republic	DOMUS SENES s.r.o.	from 11 November 2020
ZEFFIRO s.r.o.	279 13 571	Czech Republic	KAPRAIN Real Estate Holding Limited	
Střížkov Park a.s.	063 95 279	Czech Republic	KAPRAIN Real Estate Holding Limited	until 22 July 2020, 50%
KAPRAIN DEVELOPMENT s.r.o.	274 50 732	Czech Republic	KAPRAIN Real Estate Holding Limited	
KAPRAIN FACILITY s.r.o.	070 54 033	Czech Republic	KAPRAIN Real Estate Holding Limited	
FLUMINE ENERGY s.r.o.	261 81 568	Czech Republic	KAPRAIN Real Estate Holding Limited	
Flumine Energy Trading s.r.o.	067 19 741	Czech Republic	FLUMINE ENERGY s.r.o.	
DOC Mercury, a.s.	057 10 031	Czech Republic	KAPRAIN Real Estate Holding Limited	
FINERGIS REAL, a.s.	267 06 199	Czech Republic	KAPRAIN Real Estate Holding Limited	
Family Living Říčany s.r.o.	046 33 768	Czech Republic	KAPRAIN Real Estate Holding Limited	
Family Living Horoměřice s.r.o.	052 48 809	Czech Republic	KAPRAIN Real Estate Holding Limited	
Andego Real 1 s.r.o.	071 77 551	Czech Republic	KAPRAIN Real Estate Holding Limited	
Andego Real 2 s.r.o.	071 78 093	Czech Republic	KAPRAIN Real Estate Holding Limited	
Andego Real 3 s.r.o.	071 78 131	Czech Republic	KAPRAIN Real Estate Holding Limited	
Andego Real 4 s.r.o.	071 78 212	Czech Republic	KAPRAIN Real Estate Holding Limited	
Andego Real 5 s.r.o.	071 78 387	Czech Republic	KAPRAIN Real Estate Holding Limited	
KAPRAIN Realty Trade a.s.	072 75 005	Czech Republic	KAPRAIN Real Estate Holding Limited	
DeVe Invest Two s.r.o.	072 71 344	Czech Republic	KAPRAIN Real Estate Holding Limited	
DeVe Fashion Store s.r.o.	086 82 089	Czech Republic	DeVe Fashion Two s.r.o.	

Company name	Identification /registration number	Country of registration	Controlled through	Note
DeVe Invest Three s.r.o.	072 72 863	Czech Republic	KAPRAIN Real Estate Holding Limited	
Paleoinvest s.r.o.	086 28 424	Czech Republic	KAPRAIN Real Estate Holding Limited	
GEWI, s.r.o.	602 03 722	Czech Republic	KAPRAIN Real Estate Holding Limited	
GVU, spol. s r.o.	472 38 151	Czech Republic	KAPRAIN Real Estate Holding Limited	until 7 July 2020
The Prague Outlet s.r.o.	062 63 615	Czech Republic	KAPRAIN Real Estate Holding Limited	
The Prague Outlet One a.s.	241 88 107	Czech Republic	KAPRAIN Real Estate Holding Limited	
The Prague Outlet Two a.s.	052 71 894	Czech Republic	KAPRAIN Real Estate Holding Limited	
DREITONEL One s.r.o.	039 39 863	Czech Republic	KAPRAIN Real Estate Holding Limited	
DREITONEL Two s.r.o.	039 39 880	Czech Republic	KAPRAIN Real Estate Holding Limited	
Majaland Praha s.r.o.	039 39 898	Czech Republic	KAPRAIN Real Estate Holding Limited	Company name "DREITONEL T hree s.r.o." until 22 May 2020
DeVe Invest Five a.s.	095 45 603	Czech Republic	KAPRAIN Real Estate Holding Limited	from 24 September 2020
DeVe Invest Six a.s.	095 68 981	Czech Republic	KAPRAIN Real Estate Holding Limited	from 2 October 2020
SPOLCHEMIE Electrolysis a.s.	292 00 181	Czech Republic	Spolek pro chemickou a hutní výrobu, akciová společnost	
CHS Resins, a.s.	282 07 866	Czech Republic	Spolek pro chemickou a hutní výrobu, akciová společnost	until 29 December 2020
SPOLCHEMIE Precursors, a.s.	086 47 011	Czech Republic	Spolek pro chemickou a hutní výrobu, akciová společnost	
SPOLCHEMIE N.V.	818202518	The Netherlands	Spolek pro chemickou a hutní výrobu, akciová společnost	
SYNPO, akciová společnost	465 04 711	Czech Republic	Spolek pro chemickou a hutní výrobu, akciová společnost	
CSS, a.s.	289 63 661	Czech Republic	Spolek pro chemickou a hutní výrobu, akciová společnost	89.13%
EPISPOL, a.s.	254 49 842	Czech Republic	Spolek pro chemickou a hutní výrobu, akciová společnost + KAPRAIN CHEMICAL LIMITED	
Bakelite Epoxy GmbH	HRB58704	Germany	CHS Resins, a.s.	until 29 December 2020
SPOLCHEMIE Distribution, a.s.	241 50 584	Czech Republic	SPOLCHEMIE N.V.	
CHS Epi, a.s.	282 07 882	Czech Republic	SPOLCHEMIE N.V.	
SPOLCHEMIE, a.s.	037 07 873	Czech Republic	SPOLCHEMIE Distribution, a.s.	
Spolek pro chemickou a hutní výrobu, akciová společnost	000 11 789	Czech Republic	AB – CREDIT a.s. + KAPRAIN CHEMICAL LIMITED	51.1%

SPOLCHEMIE

SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST

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