SPOLCHEMIE

ANNUAL REPORT

SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST

2021

SPOLCHEMIE

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LIST OF DEFINITIONS AND ABBREVIATIONS USED

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

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1 / INTRODUCTION

INTRODUCTION

LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

The year 2021 was an exceptional one for our company. On one hand, due to the Covid-19 pandemic, where almost each and every one of us was affected in some way, we went through a very complicated period of extreme uncertainty, while on the other hand we achieved the best results in our company's history. A successful year with consolidated EBITDA of CZK 2.2 billion and a consolidated net profit of CZK 1.4 billion is thus perceived with great humility. We would like to thank all our colleagues for their very professional handling of this difficult situation.

From the point of view of sales, we continued with the adopted long-term strategy, thereby maintaining the high volumes from the previous years. This, combined with a significant reduction in supply chains, strong demand and outages of some European production, has significantly increased the unit margins for epoxy resins.

The improved financial situation has helped us to increase the investment budget and speed up the Group's debt reduction process. The strengthened financial position has allowed us to enter a new development phase of our company, where we are intensively monitoring market opportunities.

A key milestone in the context of the company's development took place at the end of last year, which culminated in the signing of the contractual documentation of more than a ten-year project with a foreign partner for the production of special precursors. It is a proprietary, in-house technology and the resulting product will significantly help reduce greenhouse gas emissions in the fight against global warming. Another success last year was the introduction of our own desalination technology, which recycles waste water in an innovative way and is an example for the future of the circular economy. As part of the development phase last year, we created a new company called Spolchemie Hydrogen, where we concentrate our activities in hydrogen.

In 2022, we want to continue with our successful business model and thus continue in the footsteps of the previous year. Unfortunately, the period of high volatility, the energy crisis, the significant sanction effects and the uncertainty in gas supplies will have a strong impact on the European market. The basic plan was conservatively set in EBITDA to CZK 1 billion with a possibility for review as the situation develops.

Ústí nad Labem, 29 April 2022

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

In the autumn of 2021, KAPRAIN Group completed its multiyear plan and became the sole shareholder of Spolek.

For KAPRAIN Group, Spolek is one of the most important investments in the industrial sector. KAPRAIN has actively contributed to the implementation of projects in Spolek for several years and it supports Spolek's 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 2021 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 2021
Audited period:	from 1 January 2021 to 31 December 2021
Financial reporting framework:	International Financial Reporting Standards as endorsed by the European Union
Date of issue of auditor's report:	29 April 2022
Auditor:	Jan Kellner Licence No. 2225
	Mazars Audit s.r.o. Licence No. 158

mazars

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 2021, 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 2021 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 consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular,

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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.
- 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain 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, 29 April 2022

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

SPOLCHEMIE

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 166 years.

The fully integrated manufacturing of the Group has always been based on two main pillars - proprietary research and development, and the construction of modern plants using the latest technologies. The Group 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.

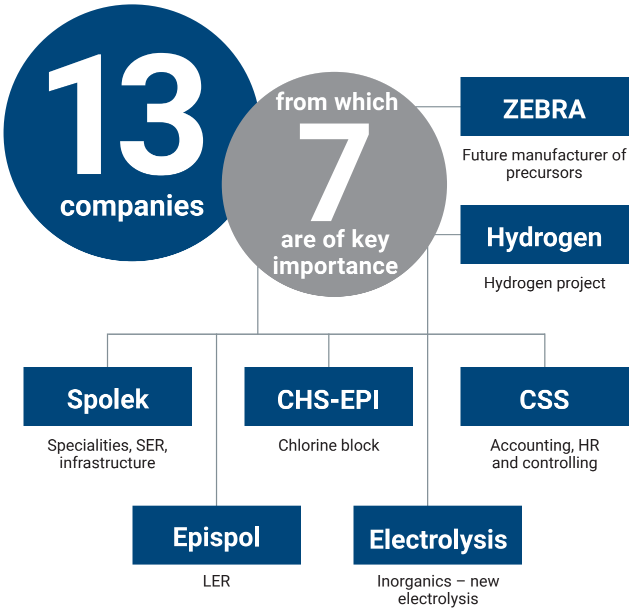
Since 2004, investments on the premises have exceeded CZK 5 billion so as to ensure that the company maintains its position at the top of the European chemicals industry. Hence the extensive area of the production site, measuring 52 ha, which displays contrasting historical buildings with the latest technologies and 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



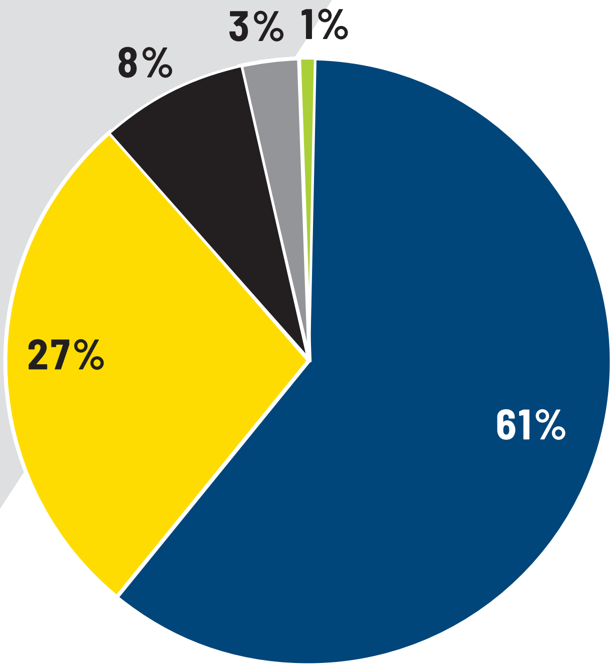
Alkyd resins complement the Group´s production programme and, together with epoxy resins, for which the Group is one of the leaders in the European market, they cover a large portion of the portfolio of paint and coating manufacturers.

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.

Last but not least, at the end of 2021, we successfully completed the negotiations with our strategic partner on the development project for the production of a new precursor. For these purposes, Spolchemie ZEBRA was established at the end of 2021, in which the investment construction of the new production unit related to the project will take place in 2022 and 2023

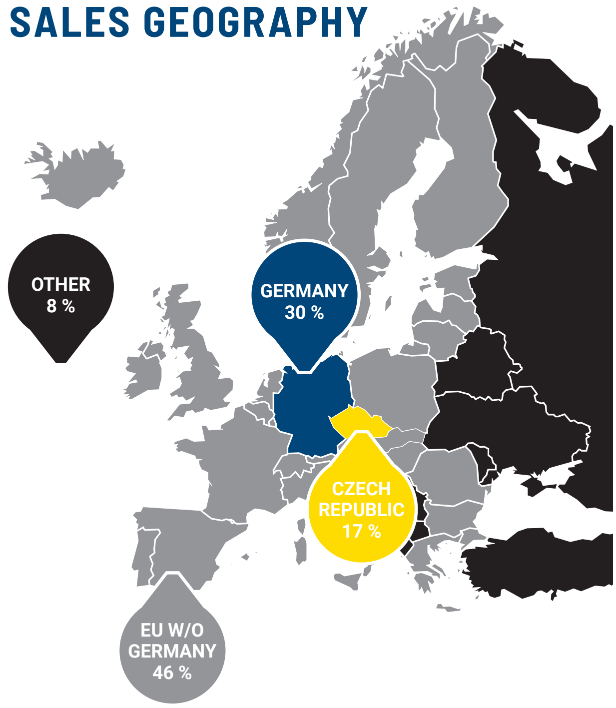
GROUP PROFILE

SPOLEK – REVENUE SPLIT BY PRODUCT GROUPS



- Epoxy resins
- Inorganics
- Special epoxy systems
- Alkyds
- Others

SALES GEOGRAPHY



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

INTERNATIONAL AND CZECH ASSOCIATIONS

SPOLCHEMIE is a member of prestigious international and Czech expert associations and societies

CEFIC

Euro Chlor

ECSA

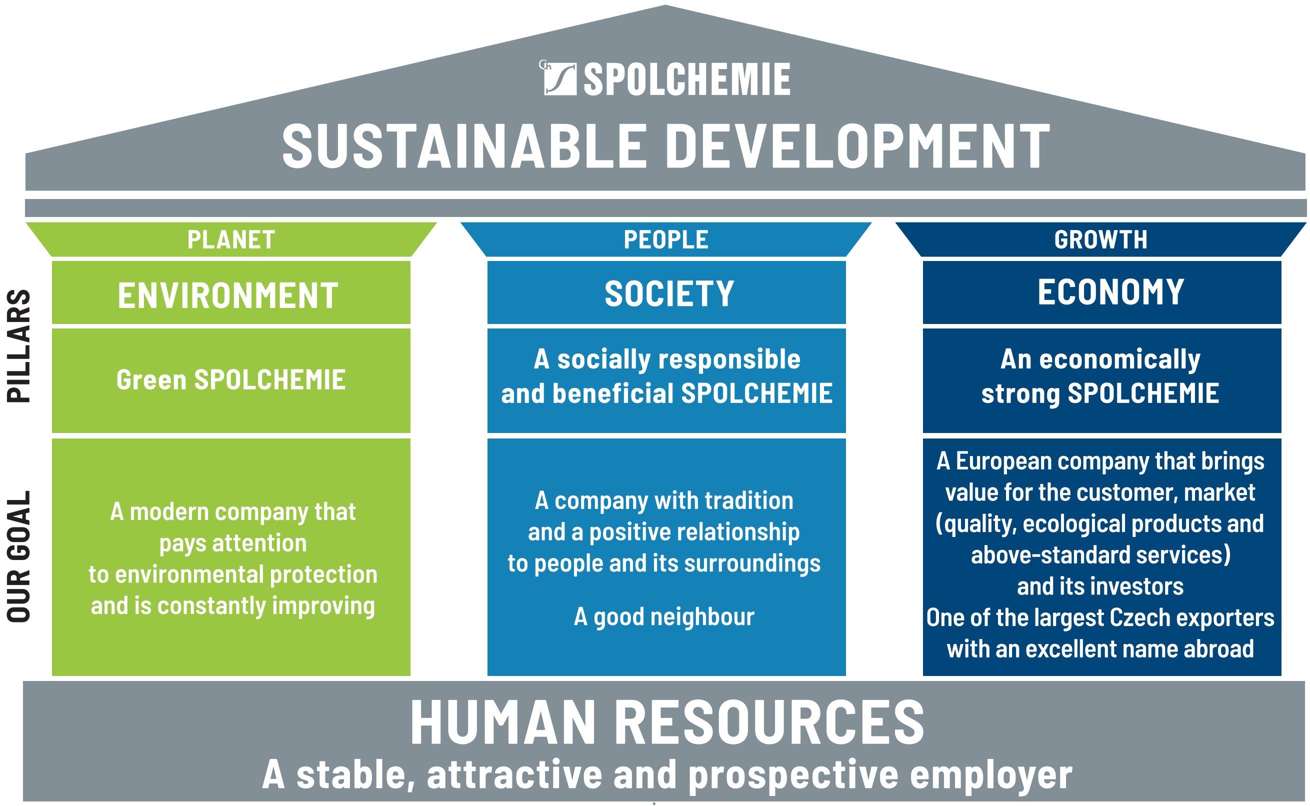
Plastics Europe

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
1953	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
2021	Desalination unit launched

SUSTAINABLE DEVELOPMENT



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

In order to cover and better coordinate our activities in the field of the environment, social responsibility and economic growth, we have formulated the concept of the sustainable development of SPOLCHEMIE. The concept is based on human resources, meaning our employees, and three basic pillars: Environment, Society, Economy.

THE ENVIRONMENT – THE PLANET

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

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

Last year, we became a member of the Czech Hydrogen Technology Platform HYTEP, which brings together and coordinates individual entities in the area of hydrogen technologies with the goal of developing the hydrogen economy in the Czech Republic. In the area of emission-free transport, we are continuing to work closely with Dopravní podnik města Ústí nad Labem, a.s. (i.e. local public transport company) on the project of using our hydrogen as a clean fuel for buses. In 2021, we managed to establish further cooperation in the field of hydrogen use. We are cooperating with ČEPRO, a.s. and ARRIVA TRANSPORT ČESKÁ REPUBLIKA a.s. on the project, which aims at hydrogen trains in the Ústí region. Both projects can make a significant contribution to improving the air in the city and the region and reducing dependence on fossil fuels.

SUSTAINABLE DEVELOPMENT

In the course of 2021, it became clear that customers and other business partners are increasingly demanding and promoting sustainable and environmentally friendly solutions, and we need to reflect these requirements. We have continued the Life Cycle Analysis (LCA) project, which includes data for the entire company and for the most important products. The results of the LCA will be used to set the most effective way to minimise our carbon footprint.

In 2021, we took a significant step toward reducing our carbon footprint when we started to take exclusively emission-free electricity from Czech nuclear power plants. The contract with ČEZ ESCO (a subsidiary of the ČEZ Power Group) was signed for 2021-24 and will total about 900 GWh (280 GWh per year).

SOCIETY - PEOPLE

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

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

We continue to work closely with the public sphere (e.g., with the city of Ústí nad Labem) and we are a partner of a number of sports, cultural and information-educational events (Ústecký half marathon, Ústí Christmas, Ústí Easter, etc.).

ECONOMY - GROWTH

The Economy pillar focuses on maintaining SPOLCHEMIE's position as an important employer and investor within the region and as a strong player in the markets in which it operates. The means to maintain

SUSTAINABILITY GOALS BY THE YEAR 2030

-40 %
carbon footprint (scope 1 and 2)

-20 %
specific reduction of waste

-15 %
specific pollution of waste water

-50 %
incidents in production

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

this position are primarily to meet the long-term goals of turnover growth and to maintain profitability. The company's strengths are mainly high quality products and a high standard of customer service in all major businesses, i.e. Inorganics, Epoxy, Specialities and Alkyds.

HUMAN RESOURCES

In the area of human resources, the safety and health protection of our employees is an absolute priority. In 2021, the important Occupational Health and Safety Programme „...because health matters" was launched.

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

We continue to participate in the global Responsible Care initiative and continue as well as in the assessment of sustainability with EcoVadis tools.

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

SUSTAINABILITY OBJECTIVES

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

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

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 2021, just like 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 2021, 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.

SPECIALTY EPOXY SYSTEMS

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.

ALKYD RESINS

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 long-standing tradition, human expertise, knowledge and skills. The Group systematically and continuously monitors the latest and state-of-the-art trends on the market and in science, and implements them to sustain its competitiveness. The monitoring of the latest trends in the area of sustainability, environmental protection, occupational health and safety are also an integral part.

RESEARCH AND DEVELOPMENT

- Research and development of new materials and technologies
- Applied development and technical service
- Innovation and optimisation of processes and technologies
- Circular and non-waste technologies

The Group carries out research and development 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 electrical engineering, composites, adhesives, paints and coatings, transportation and construction. The main fields in the inorganic part of the research are process innovations in the field of technologies for the chemical production technologies, the development of next-generation chlorinated derivatives and monomers, as well as advanced technologies for the removal of emissions from water and the atmosphere.

STRATEGIC ORIENTATION OF RESEARCH

- Focus on 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.

The newly conducted and validated LCA study of the Group's main production units will contribute significantly not only to further strengthening the position of EnviPOXY green epoxy resins and products from renewable resources, but will enable the Group to specifically and systematically strengthen the area of sustainable development through measurable objectives such as reducing carbon footprint, waste production, reducing waste water pollution, but also strengthening the reliability of production and safety at work.

THE GROUP RUNS THREE RESEARCH & DEVELOPMENT CENTERS

- 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 and testing activities to third parties. Synpo also provides independent research activities as well as start-up, low-tonnage or special production for the Group. All 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

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

> *The key research and development activities of the Group are concentrated on increasing sustainability and decreasing the carbon footprint and environmental burden.*

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. It also focuses on the development of products and technologies with the maximum use of environmentally-friendly and renewable resources and the lowest impact on the environment. It also monitors both ecological and legislative requirements and market requirements. In the area of the protection of intellectual assets, the Group (SPOLCHEMIE) was granted 19 patents (SYNPO - 2 utility models) in 2021 and 12 new patent applications were filed (SYNPO - 1 utility model application). The Group thus boasts 87 valid patents and 55 active patent applications.

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

The innovations implemented in 2021 arising from the research and development activities of resins include the expansion of the portfolio with new systems for electrical applications, composites, construction chemistry or the successful commercialisation of unique water-based and low-viscosity short alkyds with a high bio-content. The Group also consolidated and expanded the portfolio of special adhesive systems, which it is newly launching on the market under the new trademark VEROBOND.

EMPLOYEE-RELATED MATTERS

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 co-workers, but also for potential new talents, both university graduates and erudite experts with an interesting professional history.

Sustainable development here in SPOLCHEMIE stands, among other things, on human resources, our employees. That is why, in 2021, we invested time, energy and money to ensure that we are both a transparent, stable, attractive and prospective employer for our employees as well as for qualified job seekers.

The average number of Group staff in 2021 was 928.

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,

> *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.*

especially the teams for investments and for research and development. In contrast, the decrease in the number of employees compared to 2020 is due to the controlled departure of the employees of the polyesters plant to AOC.

In the field of human resource management, the Group focused on the following aims in 2021:

- The convergence of wages towards the levels of a comparable market. The average increase in wages reached 9.7% in the Group in 2021 compared to 2020, while the white-collar wages increased by 8.1% and blue collar wages by 11.0%. With the aforementioned growth in average wages of 3.8%, we secured a solid rise in real wages for our employees. Over the last three years, the average wage has increased by 18.8% (wages of manual occupations by 17.0%, technical professions by 20.3%).
- To further improve the partnership with the University of Chemistry and Technology Prague (VŠCHT) and the conclusion of a partnership agreement with the University of Pardubice from 2022 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.
- The preparation of the recruitment of Ukrainian university students and high school students in cooperation with a Czech external supplier. However, this initiative has been suspended for the time being due to the ongoing armed conflict.
- The launch of the Employer Branding programme with the goal of modernising and further building and developing the employer‘s brand.
- The introduction of a new employee benefit – work from home in the range of one day a week for all jobs where the nature of the work allows this benefit to be used.
- The conception and implementation of the TWO-WAY annual mutual cooperation evaluation instrument between managers and subordinate staff. The evaluation covered 77 employees on the levels n-1 and n-2. The introduction of this instrument significantly contributes to improving mutual communication and to mapping the development and career priorities of employees in key positions.

CORPORATE SOCIAL RESPONSIBILITY

We support public benefit projects and civic activities in the Ústí Region for six years as part of the successful MINIGRANTS programme, which focuses on three categories of activities: Healthy Body (children's and amateur sports, rehabilitation stays, senior activities, tourism, etc.), Bright Mind (education, cultural activities) and from 2021 also PURE NATURE (protection of the environment) category. In 2021 we proudly supported a total of 29, despite of the fact that many activities of sports clubs, interest groups or cultural events were limited due to the Covid-19 epidemic.

Selected projects included, for example:

Sports events:

- KNOSS cup 2021 (Český Lev Neštěmice, z.s. football club), Buřtosmec 2021 or do sports with us and December volleying (Volejbal Ústí nad Labem, z.s.), Sports Camp 2021 (Association of sports clubs Lovosice, z.s), Grand Prix SPOLCHEMIE (Sportovní klub policie sever, z.s., cross-country skiing section), Telnický Kecky 2021 (Pavel Dlabsk), 2021 LokomotifCup (Lokomotif, z.s. Ústí nad Labem)

Cultural events:

- Beřkovické léto 2021 (Horní Beřkovice psychiatry hospital), 11th annual Theatre Benefit of Amateur Troupes (Centrum pro náhradní rodinnou péči, o.p.s.), Unknown Heroes from Ústí nad Labem (Mgr. Michaela Valášková),

An event supporting disabled and disadvantaged citizens and events helping the elderly:

- Shooting for the blind (TyfloCentrum Ústí nad Labem,

o.p.s.), Thematic painting (Bystřany retirement home)
Educational events for children or events that help with the integration of children into a team::

- Research workshop for the public (Marstafit CLUB, z.s.), Christmas meeting of children from hospitals and children's homes („MODRÁČEK" Foundation)

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

ÚSTÍ ½ MARATHON

Since the beginning of the event, we have been the official partner of the traditional Ústí nad Labem ½ marathon, which is called the „Ferrari among the races", but also

> *In 2021 we proudly supported a total of 29, despite of the fact that many activities of sports clubs, interest groups or cultural events were limited due to the Covid-19 epidemic.*

the general partner of the Czech Cup in the handbike for handicapped athletes. In 2021, the 11th year of this important event was held, where employees and their families traditionally participate and thus voluntarily represent the Group's association with the region.

The Group provides security and organisation on the part of the race route running through the factory 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.

WATER AND CIVILISATION

In the spring of 2021, the Group became the partner of a very successful outdoor travelling exhibition, which, despite anti-coronavirus measures, also travelled to Ústí nad Labem. Over the two years of its existence, more than a million people have seen it in Czech and Moravian cities.

ÚSTÍ CHRISTMAS

In 2021, we became the proud general partner of this outstanding event and together with the City Hall of Ústí nad Labem, we are planning events such as Ústí Easter and the Ústí Food Festival.

ECONOMIC ENVIRONMENT 2021

Despite the macroeconomically highly turbulent year, marked primarily by the COVID-19 pandemic and significant inflation pressures, 2021 was the most successful year for the Group in its long history.

The European and world economy in 2021 was, like last year, heavily influenced by the COVID-19 pandemic. At the same time, there was unprecedented acceleration of prices for energy, raw material inputs and product outputs, especially at the end of 2021.

In terms of the CZK/EUR exchange rate, the level was volatile in 2021 and ranged from 25.14 to 26.42.

FINANCIAL RESULTS FOR 2021 AND 2022 OUTLOOK

The year 2021 was generally influenced by the subsiding COVID-19 pandemic. At the same time, the global economy was hit by significant inflationary pressures, and therefore any predictability of results was very difficult throughout the year. The Group managed to maintain the supply of its raw production materials within its supply chain in the difficult times of interrupted global supply chains, which was the primary success factor. Thanks to the trade policy, we managed not to lose market shares with our customers, to meet all long-term contracts and thus to keep our production capacities under peak load.

The volumes sold remained at the same record level as in the previous year, however, the aforementioned market fluctuations caused an exceptional increase in margins, especially in the epoxy resin segment. The Group thus significantly exceeded the set Basic Plan for 2021.

The consolidated net profit for 2021 reached CZK 1 428.4 million (2020: a profit of CZK 100.6 million). The operating performance expressed by the consolidated EBITDA reached CZK 2 225 million* (2020: CZK 625 million).

2022 OUTLOOK

The main priority of the Group in 2022 will be the maximum utilisation of production capacities and the satisfaction of the high demand of European customers for epoxy resins and hydroxides. The challenge will be to tackle the inflationary tendencies that have generally affected all commodity markets. The competitiveness of production in Europe in general will continue to be threatened by the advancing European Green Deal and its impact on energy prices. It is very difficult to predict the impact of the war in Ukraine and its impact on the global economy, especially in the field of energy. Concerns remain about the possible adjustment of demand due to high inflation and the negative effects of trade sanctions.

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 2022 will reach the value of CZK 1 053.9 million. The war situation in Ukraine and its impact on world markets, especially in the field of energy, are a major uncertainty for the future economic development of the Company.

> *The consolidated EBITDA for the year 2021 reached CZK 2 225 million*

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

BUSINESS EVALUATION ACCORDING TO SEGMENTS

In 2021, consolidated sales of the Group's own products amounted to CZK 9.2 billion, which represents an increase of CZK 3.8 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.

EPOXY RESINS (SBU EPOXY RESINS)

As in other segments, 2021 was fundamentally affected in the commodity epoxy resin segment by the consequences of the Covid-19 pandemic and the non-functioning global supply chain.

Thanks to long-term relationships and contracts with suppliers, we (albeit with difficulty) secured all the necessary raw materials for production. We managed to maintain the set business model, and through business segmentation we have fulfilled all contractual obligations to our customers.

The prices of both raw materials and the resulting products increased at a high rate. Overall, prices increased by around 250% throughout the year. Energy and service prices have also increased, especially in the field of logistics.

HYDROXIDES & CHLORINE PRODUCTS (SBU INORGANICS)

The year 2021 was fundamentally influenced by two major events. The effects of the Covid-19 pandemic were fully felt in the first half of the year – rather negatively in the case of Inorganics. The high demand for chlorine molecular products forced all hydroxides producers to push through production to the maximum, leading to a drop in hydroxide prices, as supply clearly exceeded demand. In the second half of the year, like most of our competitors, we faced a sharp increase in energy prices – which we managed to reflect in our prices, though after a delay.

The result in 2021 for the SBU Inorganics was above 2020. At the end of last year the SBU proved its capacity to withstand the complicated, turbulent market situation and that it is ready for further growth.

SPECIALTY EPOXY SYSTEMS (SBU SPECIALTY SOLUTIONS)

Similarly to 2020, the year 2021 was in the shadow of the culminating Covid-19 pandemic at the time of its most intense impact. It was also marked by great turbulence. At the beginning it was already marked by an unprecedented increase in the price of epoxy resin raw materials and products. The failures of global players on the market have often led to a critical shortage of key materials. The problems with logistics from Asian markets have further exacerbated this situation. The extreme price increase of all raw materials and epoxy components was reflected in modified resins, systems or hardener.

Our business relationships and commitments in key segments are long-term and our customers often rely on us for tailored solutions. For this reason, 2021 was a major challenge for us, in which we were able to stand up thanks

In 2021, consolidated sales of the Group's own products amounted to CZK 9.2 billion, which represents an increase of CZK 3.8 billion compared to the previous year

to the hard work of all members of the SBU team and the whole Group. As one of the few European manufacturers, we met all our customer commitments in 2021.

We managed to overcome performance indicators compared to historical comparisons and the basic plan, thanks in part to 7% volume growth in modified epoxy, electrical, composite and building chemistry segments in the regions of Turkey, France, Germany and also Central Europe.

New qualifications in the field of transformation and insulation technology production contributed significantly to this, as did the successful qualifications in construction products for prestigious road and motorway constructions in the Czech Republic and Slovakia. At the same time, we managed to conclude key orders for the sale of modified epoxy and establish strategic cooperation in the area of joint business development and distribution in Western Europe. Price developments and the availability of epoxy resins and other input materials significantly affected the level of profitability of modified epoxy, which achieved a significant increase. In the area of special systems, we managed to maintain a stable level of profitability despite unprecedented increases in additives, modifiers and hardener prices. The equally important pillars of the Specialities business results were intensive work in purchasing raw materials in the past year at the time of the biggest market turbulence and our successful coordination of production and logistics.

The long-term strategic goal of the Group is to strengthen and accelerate the growth of special epoxy resins as a platform with a high degree of differentiation, especially in composite, electrical and construction applications. Last but not least, it is also transparency and ethical responsibility toward customers and strategic partners, and an effort to develop unique solutions with high added value in the long term. From this perspective, 2021 was another successful milestone on this path.

ALKYD RESINS (SBU ALKYD RESINS)

The SBU Alkyd Resins is historically one of the major European producers of alkyd resins used as binders in coating materials for the protection of wood and metals, as well as many other applications such as mould production in metallurgy. Alkyd resins are among our products with the highest content of organic components from renewable sources, as they are based on vegetable oils such as soy, linseed or tall.

Despite the long-term lower profitability, we managed to grow at a rapid pace in 2021, which was also full of challenges in the alkyd market. Thanks to the work of the purchasing team, we have managed to significantly improve our purchasing positions with primary suppliers in strategic materials of alkyd resins. Production managed to maintain stable high volumes and to maintain stable product quality and reliability.

At the same time, we have managed to market a number of new products meeting ever-tightening legislative and environmental standards and to develop an advanced tixotropic alkyd for prestigious customers in Western Europe.

SUPPLY CHAIN MANAGEMENT

The purchasing department of the Group is divided into two parts - the purchase of raw materials or direct materials for production, and non-chemical purchases, which cover all the remaining purchased commodities, i.e. energy, packaging, all maintenance, spare parts, transportation, auxiliary materials and overhead services 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. Close relations with key suppliers, which are reflected in long-term and mutually advantageous contracts, are a key tool to ensure the above. In recent times, the consistent planning and control of costs incurred is increasingly important. In 2021, the Group strongly confirmed the upward trend in the development of economic results and other indicators. This fact, together with impeccable payment behaviour, makes the Group a sought-after and preferred partner of our suppliers, which is reflected in favourable terms and conditions for purchases.

Unfortunately, 2021 was still marked by the continuing uncertainty caused by the Covid-19 pandemic. This, similarly to the year 2020, was reflected in the reduced availability of key commodities and, above all, of raw materials, especially in Asian countries, and a pressure to

increase purchase prices, especially in the spot market. In the area of non-chemical purchasing, we have seen unprecedented developments in the exchange prices of natural gas and power electricity since around Q3. At the same time, we had to reflect the continuous increase in prices in another key commodity, namely in steel products, where the purchase prices almost doubled during 2021. Steel is an essential product for the Group, not only in terms of shipping packaging, but also in the cost of operating maintenance and investment. Therefore, we continuously strive to maximise the efficiency and speed up the purchase process so that we can nominate suppliers as soon as possible, virtually execute material orders and avoid further increases in purchase prices.

This will make the supply chain an integral and essential part of our Green Spolchemie programme.

As regards raw materials, in terms of sustainability and ensuring safe operation of the production vertical, the purchase of sodium and potassium salt (NaCl, KCl) for membrane electrolysis is absolutely crucial. In these commodities, the Group continued to optimise logistics and the entire supply chain. We also continued in the search for other potential suppliers of both salts.

The Group is the largest European customer of Bisphenol A (BPA - a key raw material for the production of epoxy resins). In 2021, the Group continued with 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. In spite of the large logistics problems with deliveries, especially from Asia, where the delivery times were extended to almost three months, we managed to ensure the competitive raw material inputs for epoxy production.

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

Sustainability is a concept that overcomes all functions and activities in the Group. We are increasingly reflecting this concept in the supply chain. In 2021, we launched a project that aims, together with key suppliers, to understand and manage purchasing processes not only with regard to price and business terms and conditions, but primarily with an emphasis on safety and sustainability parameters (including sustainability in the acquisition and use of natural resources), as well as human rights and ethical standards. The aforementioned parameters will thus be part of the newly conceived and extended evaluation of suppliers in the near future, which we will subsequently project with a high weight in the selection of suppliers for individual commodities. This will make the supply chain an integral and essential part of our Green Spolchemie programme.

ENVIRONMENTAL PROTECTION

SUMMARY OF THE YEAR 2021

In 2021, the Group continued the established trend of continuously reducing negative impacts on the environment through the modernisation of production facilities and the introduction of new technologies.

From this point of view, the most important achievement was the start of the test operation of the unit for the desalination of waste water from the production of epoxy resins with new technology developed within the Group. The trial operation of the unit was begun in the spring of 2021 and during the year the operation was optimised to achieve the target parameters. The final approval of the unit was in March 2022. The desalination operation was positively reflected in the Group's waste water load (despite the increase in production volume). Further improvements are expected in the future due to the long-term and stable operation of the desalination technology.

Other important achievements, which will further move the Group toward long-term sustainability goals, were decisions on the purchase of emission-free electricity (from October 2021) and the start of the implementation of the ZEBRA project at the turn of 2021 and 2022. By purchasing emission-free electricity from Czech nuclear power plants, the Group significantly reduces its carbon footprint, effectively contributing to the EU's goal of achieving carbon neutrality. The ZEBRA project will allow the production of fourth-generation refrigerant and foaming agents, which have a significantly lower potential of global warming or a negative impact on the ozone layer during application. Thus, it is a further contribution to long-term sustainability and the protection of our planet for future generations. The ZEBRA project will also contribute to further improving the environmental performance of the Group in all indicators monitored.

From the point of view of the above-mentioned parameters, 2021 did not differ significantly from the previous year. Due to the end of production of polyester resins (in 2021, a new entity independent from the Group), the following data are converted into the production currently operated by the Group for reasons of historical continuity.

ENVIRONMENTAL PROFILE OF THE GROUP – DEVELOPMENT

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

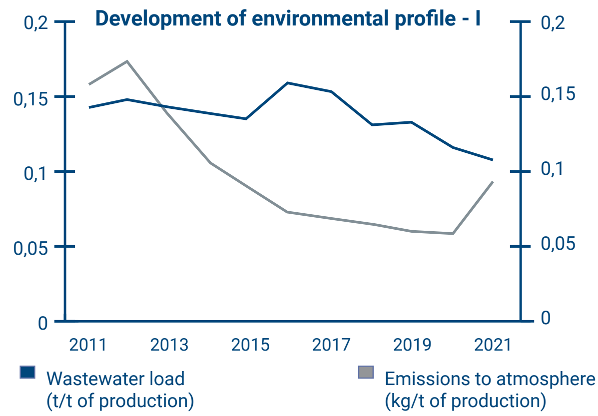
The graphs below show that the Group is continuously improving in the long term. In the year-on-year comparison, the Group also achieved improvements in most of the parameters under consideration (even if negligible). One of the parameters has deteriorated, but a solution is being developed.

<u>Atmosphere:</u> From a long-term perspective, the Group has managed to continuously reduce specific emissions to the atmosphere. In 2021, a figure representing the average over the last ten years was reached and corresponds to 2015. The

> *In 2021, a unit was put into operation for the desalination of wastewater from the production of epoxy resins, which resulted in a significant reduction in the wastewater load.In terms of environmental performance, the Group has achieved improvements over the previous year in most of the monitored indicators and has managed to maintain the trends in reducing environmental impacts.*

year-on-year increase is mainly related to the test operation of the waste water desalination technology and a solution to this condition is currently being intensively worked on.

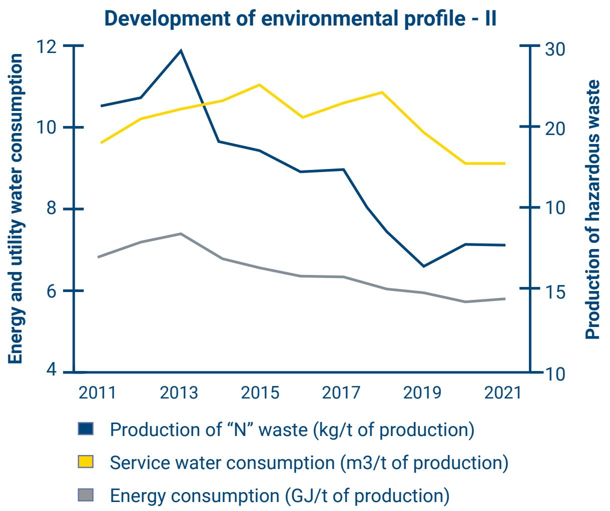
Wastewater: in 2021, a further decrease in the wastewater load was achieved through the desalination of the water from epoxy production and the increase in the production volume of products with lower wastewater production. The Group has managed to keep the waste water load below the usual level in the recent past and further reductions are expected.



Production of hazardous waste: The Group has long managed to reduce this indicator, which is mainly linked to indirect environmental impacts. This is due to the introduction of new production as well as optimisation of their operation and maximising capacity utilisation.

Energy consumption: An indicator that is indirectly related to air protection as well as to long-term sustainability. In the case of the Group, it is mainly the consumption of electricity and heat. The Group has long been improving in this area, not only through the introduction of new technologies, but through the ongoing implementation of austerity measures. Further improvements are expected in the future due to the plans currently in the project preparation phase. In 2021, essentially the same energy consumption (related to production volume) was achieved as in 2020 (down by 0.05%). Thus, the Group has maintained the long-term trend of the continuous reduction of energy intensity, when the lowest value of this indicator was again reached in 2021 since the beginning of its monitoring in 2005.

Utility water consumption (consumption from the Elbe River): an indicator that monitors the demand for a resource that the chemical industry cannot do without and which is essential for long-term sustainability. It concerns the protection of natural resources and landscapes. The Group has significantly improved in this area in recent years, mainly due to the introduction of new technologies and production optimisation. In 2021, similar water consumption (related to production volume) was achieved as in 2020 (a decrease by 0.02%) and it is at its historical minimum.



Emissions to air

2021	32.2 t	92 g/t of production
2020	18.7 t	55 g/t of production
2019	18.8 t	55 g/t of production

Specific load of wastewater

2021	108 kg/t of production
2020	111 kg/t of production
2019	125 kg/t of production

Production of hazardous waste

2021	17.7 kg/t of production
2020	17.9 kg/t of production
2019	16.2 kg/t of production

Specific energy consumption

2021	5 770 MJ/t of production
2020	5 500 MJ/t of production
2019	5 502 MJ/t of production

Specific service water consumption

2021	9.12 m^3/t of production
2020	9.12 m^3/t of production
2019	9.91 mv/t of production

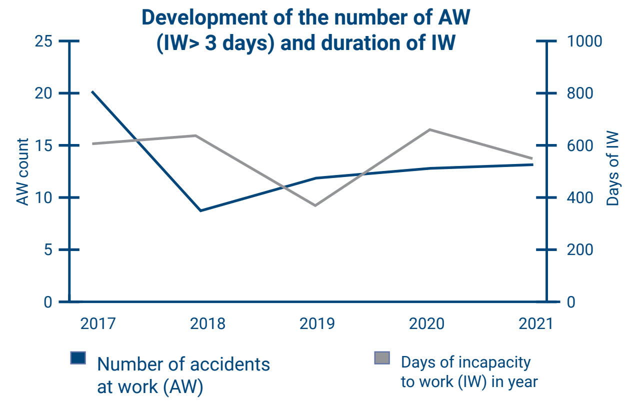
HEALTH AND SAFETY

OCCUPATIONAL SAFETY

In 2021, the Group recorded the same number of accidents at work (AW) with an incapacity for work (IW) of more than 3 days as in the previous year, i.e. 13. However, the number of days of incapacity for work due to accidents at work, i.e. the severity of the AW, has been reduced . The total number of IW days decreased from 696 to 555 (i.e., by 20%) and the average duration of IW per injury dropped from 49 days to 43 days. In this parameter, the Group has thus moved below the usual level for the manufacturing or chemical industry in the Czech Republic.

In terms of accidents at work, the year 2021 was a breakthrough in the fact that it recorded the longest period without an AW with an IW longer than 3 days in modern history, namely 141 day (at the turn of 2020 and 2021).

The fact that, since 2018, a low ratio of accidents at work caused by breaches of safety regulations has been maintained by employees (especially compared to the situation in 2017) is also positive.



In relation to events and activities in the previous year, the safety programme „...because health matters“ was launched in the second half of 2021. This long-term programme aims to continuously strengthen and improve the level of safety at work and is aimed primarily at improving employee habits and their greater commitment to safety.

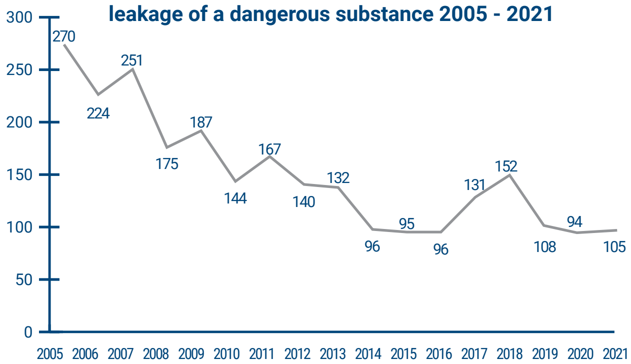
The main element of the programme is the tool for recording and responding to so-called “near misses”, risk situations and dangerous behaviour. Another element is the strengthening of communication about safety , so that it is on a regular basis. In the future, the programme will be further developed and complemented by other elements such as information campaigns or changes in the motivation system.

The launch of the safety programme fits fully into the Group's plans and objectives in relation to future development. The Group's management is fully aware of the essential and important importance of safety as its main priority.

ACCIDENT PREVENTION

In 2021, 105 cases of loss of control of a hazardous chemical were reported, i.e. all leaks including minor local leaks or liquid leaks from cars on the Group's premises. In the long term, the Group has reported positive developments in this area, thanks to a functional system of preventive repairs and the implementation of smaller investment actions aimed at improving operational safety.

Development in the number of events with the leakage of a dangerous substance 2005 - 2021



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

Significant changes in 2021 include the implementation of several investment actions that will contribute to the reduction of risks in the Group premises or increase the protection of residents of the city of Ústí nad Labem.

The modernisation of the warning system in the vicinity of the premises (in cooperation with the city of Ústí nad Labem - modernisation of the population alert information system), construction of a third dangerous substance monitoring circuit at the north-eastern border of the premises or the start of a project for the modification of the chlorine routes, which will lead to a reduction of risks related to the transport of chlorine in the premises.

> *In 2021, the Group launched the long-term safety programme "… because health matters" aimed at improving the level of safety through the active involvement of all employees.*

In the framework of long-term cooperation with the Integrated Rescue Service, in particular the Fire Rescue Service of the Czech Republic, the cooperation exercises of the Group's fire brigade with external units took place in the autumn of 2021. The topic of the exercise was the resolution of a chlorine leakage. The exercise was evaluated positively by all the involved units and the acquired knowledge will allow the further improvement of the response to possible emergency events.

In connection with the Covid-19 disease, the Group adopted a number of anti-epidemic measures during 2021, even beyond the regulations issued by the Czech Government, in order to ensure not only the maximum protection of its employees, but above all to minimise the potential impacts on safe operations. Thanks in part to these measures, no extraordinary event related to the epidemiological situation was recorded in 2021.

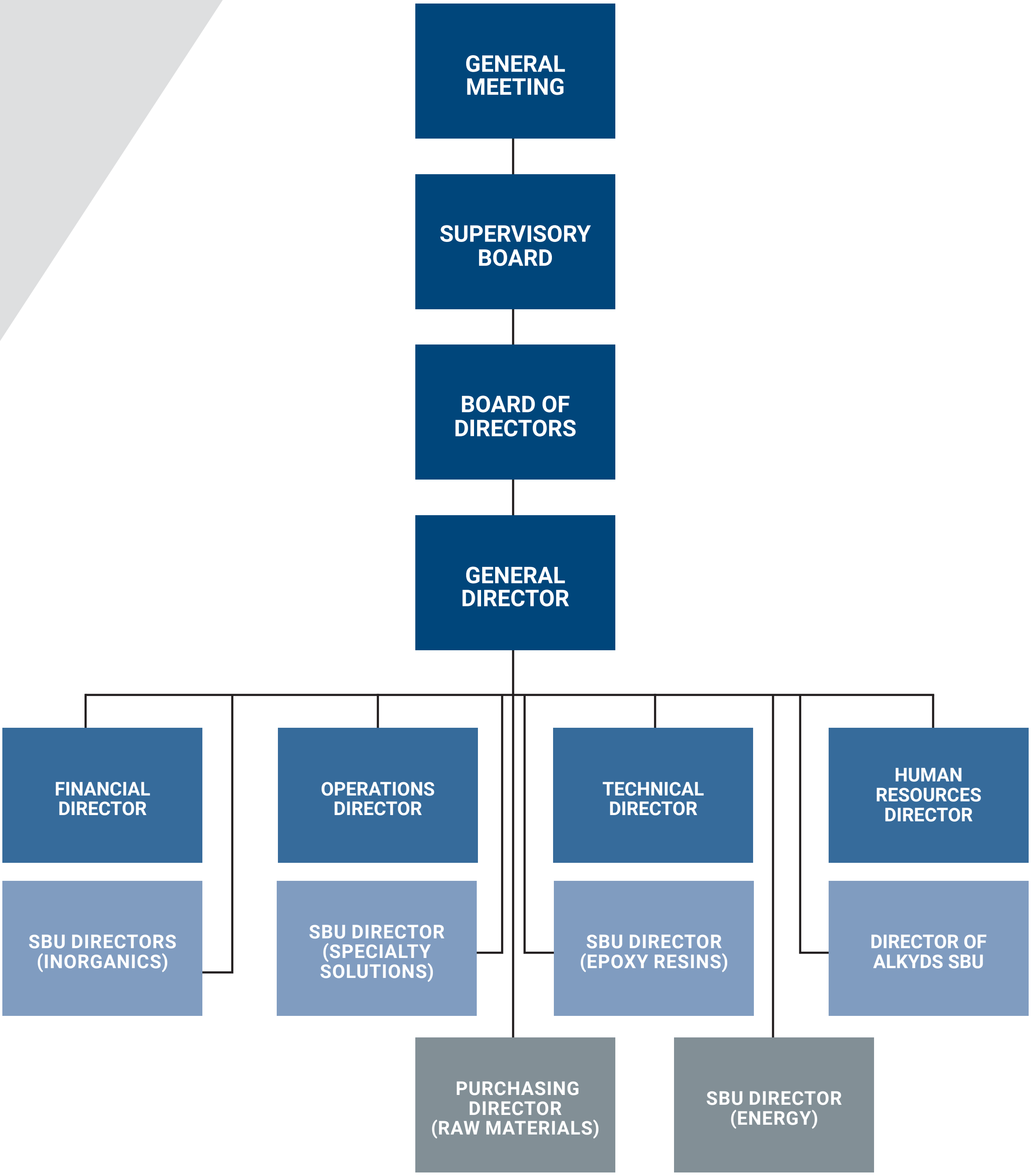
EXTERNAL INSPECTIONS

During the inspections carried out in 2021, no serious infringement of the valid legislation was indicated by the authorities. With regard to the minor shortcomings identified by the inspection authorities, measures have been taken and implemented within the framework of the established occupational health and safety management and major accident prevention system. The inspection authorities are regularly informed of the fulfilment of these measures.

At the beginning of 2021, the management system of occupational health and safety management, emergency prevention and fire protection pursuant to ČSN ISO 45001 (replacing the system pursuant to OHSAS 18001) was successfully verified and certified. The successful implementation of the new system was also confirmed by the certification audit at the end of 2021, when no deficiencies were found by the certification company, and only a few recommendations were issued for the further improvement of the established system.

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 2021

Name	Date of birth	Function
Ing. Pavel Jiroušek	10. 08. 1970	Chairman of the Board of Directors
Ing. Jiří Medřický	25. 12. 1974	Vice-Chairman of the Board of Directors
Ing. Daniel Tamchyna, MBA	09. 12. 1970	Member of the Board of Directors

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2021

Name	Date of birth	Function
JUDr. Petr Sisák	31. 08. 1967	Chairman of the Supervisory Board
Ing. Romana Benešová	07. 11. 1969	Vice-Chairman of the Supervisory Board
Robert Demeter	09. 05.1982	Member of the Supervisory Board
Josef Černý	09. 08. 1976	Member of the Supervisory Board
Ing. Jaromír Štantejský	18. 09. 1970	Member of the Supervisory Board
Ing. Vladimír Kubiš	26. 04. 1959	Member of the Supervisory Board

COMPANY MANAGEMENT AS AT 31 DECEMBER 2021

Name	Date of birth	Function
Ing. Daniel Tamchyna, MBA	09. 12. 1970	General Director
Ing. Jaromír Florián	16. 6. 1975	Financial Director
Ing. Jan Dlouhý, CSc.	17. 3. 1965	Operations Director/SBU Director (Energy)
Ing. Jan Chudoba	6. 12. 1968	Human Resources Director
Ing. Lukáš Bartek, Ph.D.	4. 10. 1977	Director of Specialities SBU
Ing. Zdeněk Moravec	17. 3. 1976	SBU Director (Epoxy Resins)
Ing. Štěpán Voleš, Ph.D.	24. 1. 1978	Purchasing Director (Raw materials)
Ing. Pavel Žák	29. 11. 1976	Technical Director
Mgr. Jan Křička	26. 5. 1963	Director of Alkyds SBU
Ing. Jakub Racek	25. 2. 1977	Director of SBU Inorganics

The Company does not have an organisation unit abroad.

INFORMATION ABOUT REGISTERED CAPITAL AND SECURITIES

As at 1 January 2021, the Company had a registered capital of CZK 717 580 960, which was fully paid and was divided into 3 878 816 certified ordinary shares 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 authorise 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 2021 or 2020.

REPORT OF THE BOARD OF DIRECTORS ON ENTREPRENEURIAL ACTIVITIES AND COMPANY ASSETS IN 2021

The consolidated net profit of the Group for 2021 reached CZK 1 428.4 million (2020: a profit of CZK 104.3 million). The operating performance expressed by consolidated EBITDA reached CZK 2 225 million (2020: CZK 625 million).

The Group's consolidated sales reached CZK 9 215.6 billion, which is 70% more than in 2020. The main contributor to the increase in sales was the commodity resins segment, where sales price levels increased significantly.

The value of the Group's consolidated fixed assets amounted to CZK 4.030 billion as at 31 December 2021 (as at 31 December 2020: CZK 4.244 billion).

SPOLCHEMIE

SPOLCHEMIE

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 2021

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 2021 accounting period.

As at 31 December 2021, the powers of the Company's Supervisory Board were performed by:

Chairman of the Supervisory Board:
JUDr. Petr Sisák
Vice-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 2021, the Company's consolidated financial statements for the financial year 2021, the Company's Board of Directors' proposal for the settlement of the Company's loss for the financial year 2021 and the Report on Relations for the financial year 2021, prepared in accordance with the provisions of Section 82 of the Act on Business Corporations No. 90/2012 Coll., as amended.

The Company's Supervisory Board reviewed the non-consolidated financial statements of the Company for the financial year 2021 and the consolidated financial statements of the Company for the financial year 2021 and concluded that the non-consolidated financial statements of the Company for the financial year 2021 and the consolidated financial statements for the financial year 2021 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 2021 and the full profit or loss of the Company for the financial year 2021 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 2021 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 the Act on Business Corporations No. 90/2012 Coll., 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 202a 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 2021, the consolidated financial statements of the Company for 2021 and the proposal of the Company's Board of Directors to transfer the profit in the unconsolidated financial statements for the financial year 2021 to the retained earnings.

Prague, 29 April 2022

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 2021 and for the period ending 31 December 2021 by the business corporation

Spolek pro chemickou a hutní výrobu, akciová společnost

In Ústí nad Labem, 29 April 2022

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 2021	31 December 2020
		TCZK	TCZK
ASSETS			
Property, plant and equipment	5	3 441 354	3 414 547
Investment property	6	34 673	36 272
Intangible assets	7	46 932	41 738
Rights of use	8	306 663	358 440
Shares in affiliates	9	1 236	1 901
Provided loans and other receivables	10	39 031	249 200
Deferred expenses	18	119 187	141 592
Deferred tax receivable	29	41 194	472
Total non-current assets		**4 030 270**	**4 244 161**
Inventories	11	1 024 500	630 606
Trade receivables	12	1 528 322	648 484
Other short-term receivables	12	163 381	77 995
Income tax receivables	13	112	14 000
Deferred expenses	18	22 406	23 980
Advances paid		93 023	26 287
Receivable from the auction of own shares	14	0	8 995
Cash and deposits		637 011	202 029
Total current assets		**3 468 755**	**1 632 375**
TOTAL ASSETS		**7 499 025**	**5 876 536**

The notes on pages 59 to 101 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

	Note	31 December 2021 TCZK	31 December 2020 TCZK
EQUITY			
Share capital	15	717 581	717 581
Reserve fund	15	1 524	1 524
Other comprehensive income	16	-3 273	2 029
Retained earnings		1 901 325	502 728
Equity attributable to the shareholders of the Company		**2 617 157**	**1 223 862**
Non-controlling interests		**0**	**54 131**
TOTAL EQUITY		**2 617 157**	**1 277 993**
LIABILITIES			
Non-bank loans	17	2 180 859	2 881 158
Lease liabilities	8	223 728	279 552
Deferred tax payable	29	168 848	146 084
Provisions	22	404 486	85 758
Long-term advances received	21	74 580	0
Retention of investment	19	3 632	3 928
Total non-current liabilities		**3 056 133**	**3 396 480**
Non-bank loans	17	267 076	276 600
Trade and other payables	20	800 995	619 222
Lease liabilities	8	55 822	54 368
Liabilities from the auction of own shares	14	20 902	8 995
Income tax payables	13	358 227	5 767
Advances received	21	297 166	224 377
Provisions	22	25 547	12 733
Total current liabilities		**1 825 735**	**1 202 063**
Total liabilities		**4 881 868**	**4 598 543**
TOTAL EQUITY AND LIABILITIES		**7 499 025**	**5 876 536**

The notes on pages 59 to 101 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2021 TCZK	Year ended 31 December 2020 TCZK
Revenues	23	9 215 570	5 434 980
Change in inventories		133 848	-11 352
Capitalisation of own production		5 084	3 742
Consumption of material and energy	24	-5 534 541	-3 583 442
Logistics, leases and other services	25	-594 622	-575 060
Personnel expenses	26	-620 543	-535 382
Depreciation and amortisation	5, 6, 7, 8	-293 674	-348 618
Other operating income	27	129 008	65 567
Other operating expenses	27	-576 801	-97 058
Operating profit		**1 863 329**	**353 377**
Financial income	28	77 788	9 075
Losses from the impairment of financial assets	28	0	-9 630
Financial costs	28	-152 517	-224 144
Financial profit/loss		**-74 729**	**-224 699**
Shares in losses of affiliates		-664	-100
Profit before income tax		**1 787 936**	**128 578**
Income tax	29	-359 564	-28 017
NET PROFIT		**1 428 372**	**100 561**

The notes on pages 59 to 101 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

	Note	Year ended 31 December 2021 TCZK	Year ended 31 December 2020 TCZK
NET PROFIT		**1 428 372**	**100 561**
Items that are or may be reclassified to profit or loss			
Foreign exchange diff. on foreign subsidiary company		-5 302	3 776
Total other comprehensive income		**-5 302**	**3 776**
TOTAL COMPREHENSIVE INCOME		**1 423 069**	**104 337**
Net profit attributable to shareholders		1 428 372	100 266
Net profit attributable to non-controlling interests		0	295
Total net profit		**1 428 372**	**100 561**
Total comprehensive income attributable to shareholders		1 423 069	104 042
Comprehensive income attributable to non-controlling interest		0	295
Total comprehensive income		**1 423 069**	**104 337**
Basic and diluted profit per share (CZK)			
Basic and diluted profit per share	33	368.25	25.85

The notes on pages 59 to 101 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Registered capital	Reserve fund	Other compre-hensive income	Retained earnings	Total equity attributable to shareholders	Non-controlling interests	Total equity
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2020	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	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
Profit for	0	0	0	1 428 371	1 428 371	0	1 428 371
Other comprehensive income	0	0	-5 302	0	-5 302	0	-5 302
Payment of dividends	0	0	0	0	0	-21 628	-21 628
Changes in subsidiaries	0	0	0	-29 774	-29 774	-32 503	-62 277
Balance as at 31 December 2021	717 581	1 524	-3 273	1 901 325	2 617 157	0	2 617 157

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 101 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ending 31 December 2021 TCZK	Year ending 31 December 2020 TCZK
Net profit		**1 428 372**	**100 561**
Adjustment for non-cash transactions:		**687 408**	**588 861**
Income tax	29	359 565	28 017
Depreciation and amortisation of non-current assets	5,6,7,8	298 313	316 482
Change in adjustments and provisions	5,7,11,12,22	-176 306	126 618
Profit/loss on sale of non-current assets	27	-11 170	4 957
Interest income and expenses	28	127 386	136 592
Other non-cash transactions		89 619	-23 805
Changes in non-cash components of working capital:		**-419 325**	**-20 016**
Change in trade and other non-current receivables	10,12,18,29	-385 470	-123 504
Change in trade and other short-term payables	20,21,29	366 608	85 108
Change in inventories	11	-400 463	18 380
Cash flows from operating activities before interest and taxes		**1 696 454**	**669 406**
Interest paid	28	-87 305	-85 209
Interest received	28	1 022	83
Payment of income tax	29	-10 196	-26 114
Net cash flows from operating activities		**1 599 975**	**558 166**
Cash flows from financing activities			
Expenses connected with acquisition of non-current assets	5,7	-382 993	-202 714
Proceeds from sale of non-current assets	27	55 141	2 285
Proceeds from sales of financial investments		0	20
Expenses connected with acquisition of financial investments	9	-66 533	-1 881
Net cash flows from investment activities		**-394 385**	**-202 290**
Cash flows from financing activities			
Proceeds from long-term liabilities and loans	17	25 246	61 139
Expenses from long-term liabilities and loans	17	-733 187	-228 757
Payments of leases	8	-56 252	-84 131
Changes in equity	15	0	-34 433
Net cash flows from financing activities		**-764 193**	**-286 182**
Net increase/decrease in cash and cash equivalents		**441 397**	**69 694**
Cash and cash equivalents at the beginning of the year		**202 029**	**129 443**
Effect of exchange rate fluctuations		-6 415	2 892
Cash and cash equivalents at the end of the year		**637 011**	**202 029**

The notes on pages 59 to 101 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 are effective from 1.1.2021 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 2020:

- When preparing these consolidated financial statements, the Group considered the amended Interest Rate Benchmark Reform – Phase 2 amending IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leasing, the effect of which is from 1.1.2021 and which did not have an influence on the results and information presented in these consolidated financial statements in comparison with the previous consolidated financial statements for the year 2020. 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 discussed changes in reference interest rates as a result of IBOR reforms had no influence on the Company's results and balances presented in these consolidated financial statements. For financial instruments with variable interest, the Group uses the reference rates and will continue to do so in 2022. The interest rates continue to be announced and for the Group remain the reference rate for reported financial instruments with variable interest. Thus, the amendment does not have an impact on the consolidated financial statements in 2021, nor does the Group expect an impact in the future as a result of the evaluated information.

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

As of the date of approval of these consolidated financial statements, the following new and amended IFRSs were issued, but they were not effective at the beginning of the current accounting period (1.1.2021) and were not used by the Group in preparing these consolidated financial statements for the year ending 31 December 2021:

- In September 2014, the amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures entitled "The sale or contribution of assets between an investor and its associate or joint venture" (the effect postponed indefinitely), which clarifies the accounting for transactions in which a parent company loses control of a subsidiary that does not meet the characteristics of an enterprise as defined in IFRS 3 by selling all or part of its interest in the associate or joint venture that is accounted for using the equivalence method. In December 2015, the effectiveness of the amendment was postponed indefinitely and should be determined after the completion of the project dedicated to the equivalence method. The Group does not expect any impact on the consolidated financial statements resulting from this amendment upon its eventual adoption.

- 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 the 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 July 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 February 2021, an amendment to IAS 1, *The Preparation and Disclosure of Financial Statements*, entitled *Disclosure of Accounting Policies* (effective for annual periods beginning on or after 1 January 2023) was issued. The amendments require entities to disclose their *material* accounting policies rather than their *significant* accounting policies and provide guidance and examples to assist in deciding which accounting policies to disclose in the financial statements. The Group assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

- In February 2021, an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* entitled *Definitions of Accounting Estimates* was issued (effective for annual financial statements beginning on or after 1 January 2023). The amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates. The Group does not expect any significant impact on the consolidated financial statements.

- In March 2021, an amendment to IFRS 16 *Leases* entitled *Lease Reliefs Related to COVID-19 after 30 June 2021* (effective for annual financial statements beginning on or after 1 April 2021) was released. The amendment extends by only one year the amendments adopted in May 2020 that provide an exception for lessees in assessing whether COVID-19 pandemic rent relief constitutes a lease modification. The Group does not expect any significant impact on the consolidated financial statements.

- In May 2021, an amendment to IAS 12 *Income Taxes entitled Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction*, was issued (effective for annual financial statements beginning on or after 1 January 2023), which will narrow the scope of the exception for not recognising deferred taxes for transactions for which there is a difference between the carrying amount and the tax basis of the asset or liability at initial recognition. This is due to the different approaches to recognising deferred tax on leases. The Group will assess the new regulations and the resulting changes and does not expect a material impact on the financial statements, although the amendments will require the deferred tax on the impact of lease contracts to be calculated and presented separately in the notes for the right-of-use asset and the lease liability.

New and amended IFRS accounting rules issued by the IASB, but not yet adopted by the EK

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,

- 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 1 Preparation and Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued in February 2021, effective 1 January 2023)

- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued in February 2021, effective 1 January 2023)

- Amendment to IAS 12 Income Taxes: Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction (issued in May 2021, effective 1 January 2023)

3. BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of preparation of financial statements

The consolidated financial statements have been prepared on the going concern basis, the historical cost basis, except for derivatives and financial instruments valued at fair value, as specified further in the accounting rules.

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 and liabilities, income and expenses as at the reporting date. These estimates and assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances that form the basis for estimating the carrying values of assets and liabilities and that are not readily apparent 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) Investments in associated companies

An associated company is an entity in which the Group has a considerable influence and which is neither a subsidiary nor 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.

g) Intangible assets

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

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

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

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

h) Property, plant and equipment

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

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

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

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

i) Investment property

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

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

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

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

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

The Group leases part of the manufacturing and office space 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.

j) Impairment of non-financial assets

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

k) Leases

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

The Group distinguishes between 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.

l) Inventories

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

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

Inventories are 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.

m) Receivables

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

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

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

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

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

The Group recognises the following groups of receivables:

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

n) Financial assets

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

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

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

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

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

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

p) Financial liabilities

Financial liabilities are financial instruments that are initially measured at fair value adjusted for transaction costs. Subsequently they are carried at amortised cost using the effective interest method. The 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.

q) Derivatives

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

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

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

r) Income tax

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

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

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

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

s) 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.

t) 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 or other penalties and fines, property acquired/granted, 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.

u) Financial income and financial expenses

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

Financial 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 credit, loans, guarantees.

v) Provisions

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

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

w) Employee benefits

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

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

Employee benefits after termination of employment (defined contribution pension plans)
The Group pays 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.

x) Grants

Government grants are support from the state, state agencies and similar local, national or international institutions in the form of the transfers of funds in favour of 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.

y) Research and development

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

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

4. CRITICAL JUDGEMENTS FOR THE APPLICATION OF ACCOUNTING 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 2021, 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 of assets 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 2021, 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 de recognised, 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

Acquisition cost

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

Accumulated depreciation

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

Adjustments

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

Net book value

As at 1 January 2021	1 636 138	1 582 168	196	196 045	3 414 547
As at 31 December 2021	1 587 957	1 494 247	196	358 954	3 441 354

In 2021, these most important actions were completed and put into use (and depreciation began):

Action	Initial costs MCZK
E712A/B exchangers - Condensers for condensation of dichlorohydrin	10.0
10 MVA transformer, 22/10kV	7.1

In 2021, expenses were realised for the acquisition of fixed assets for these most important investment actions:

Action	Initial costs MCZK
Desalination of waste water	42.3
Modernisation of TETRAPER plant	37.7
Demolition of HF, Cryolite and construction of earthwork	25.7
Reconstruction of EPITETRA incinerator	11.0

In 2021 and 2020, the Group did not capitalise any borrowing costs.

Comparable period balances:

Acquisition cost

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance 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

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance 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

	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
Balance 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

Balance 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

6. INVESTMENT IN PROPERTY

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

Comparable period balances:

	Acquisition cost	Accumulated depreciation	Carrying amount
Balance at 1 January 2020	99 784	-63 283	36 501
Depreciation	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

Assignable items to the statement of comprehensive income

	31 December 2021	31 December 2020
	TCZK	TCZK
Rental income	10 445	7 216
Depreciation	-1 376	-1 390
Direct operating costs (maintenance)	-937	-874
Operating result associated with investment property	8 132	4 952

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

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

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

Net book value

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

In 2021, the already amortised licence for the production of epichlorohydrin from glycerine for the territory of Asia was withdrawn from the register due to non-use.

Comparable period balances:

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
Balance 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
Balance 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
Balance at 31 December 2020	-122 087	0	-5 456	0	-127 543

Net book value					
Balance 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

8. RIGHTS OF USE OF ASSETS

Carrying amount

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

Comparable period

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

Assignable items to the statement of comprehensive income:

	31 December 2021	31 December 2020
	TCZK	TCZK
Depreciation of the right of use	-51 777	-58 927
Interest on the lease liability	-15 713	-18 795
Result from reassessment of leasing contracts	0	516
Short-term leasing costs	-37 745	-30 628
Total	-105 235	-107 834

As at 31 December 2021, the Group records the following related lease liabilities:

	31 December 2021	31 December 2020
	TCZK	TCZK
Lease liabilities	279 550	333 920
of which:		
Short-term balance of lease liability	55 822	54 368
Long-term balance of lease liability	223 728	279 552

From the total lease liability in the amount of TCZK 279 549 as at 31 December 2021 (2020: TCZK 333 920), the most important part of the liabilities is comprised of the leaseback in SPOLCHEMIE Electrolysis in the amount of TCZK 120 471 (2020: TCZK 139 077). The other leasing contracts are operating leases and similarly classified contracts pursuant to IFRS 16.

In 2021, lease liabilities in the amount of TCZK 55 581 were paid (2020: TCZK 84 131).

9. INVESTMENTS IN AFFILIATES

The Group reports a share of 49% in Usti Truck Wash, a.s., which the Group intends to hold onto for an unspecified period. The investment is measured at TCZK 1 881, which represents an estimate of its real value on the basis of the original acquisition price, since there were no significant changes that would have changed the valuation for the duration held.

10. PROVIDED LOANS AND OTHER RECEIVABLES

	31 December 2021 TCZK	31 December 2020 TCZK
Receivable STZ Development, a.s.	0	514 454
Expected credit loss	0	-291 254
Total	0	223 200
Other receivables	39 031	26 000
Total	39 031	249 200

In 2021, the Group sold the receivable from STZ Development, a.s. For TCZK 50 000.
The Group does not record receivables with a maturity of more than five years.

11. INVENTORIES

	31 December 2021 TCZK	31 December 2020 TCZK
Raw materials	560 500	301 006
Work in progress	730	918
Finished goods	463 054	328 260
Goods for resale	216	422
Carrying amount	1 024 500	630 606

The gross amount of inventories as at 31 December 2021 amounted to TCZK 1 042 545 (2020: TCZK 643 838) and the fair value of inventories less cost to sell is TCZK 1 024 500 (2020: TCZK 630 606).

The amount of inventories charged to cost in 2021 is TCZK 5 400 693 (2020: TCZK 3 594 794).

12. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

	31 December 2021 TCZK	31 December 2020 TCZK
Gross value of trade receivables	1 574 944	692 129
Expected credit loss	-46 622	-43 645
Total	1 528 322	648 484

Other short-term receivables

	31 December 2021 TCZK	31 December 2020 TCZK
VAT	76 857	71 810
Other short-term receivables	114 250	33 911
Expected credit loss	-27 726	-27 726
Total	163 381	77 995

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 112 as of 31 December 2021 (as of 31 December 2020: TCZK 14 000) is mainly due to overpayments of corporate income tax.

The balance of tax liabilities in the amount of TCZK 358 227 (as of 31 December 2020: TCZK 5 767) 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. On these grounds, as at 31 December 2020, the Company reported a receivable from the company commissioned by the Company to carry out the auction in the amount of TCZK 8 995. The receivable had a counterpart 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. This receivable lapsed in 2021.

As at 31 December 2021, the Company only recognises a liability to shareholders arising from this auction and two other share auctions carried out in 2021 in the amount of TCZK 20 902.

15. REGISTERED CAPITAL AND FUNDS

Authorised and issued shares:

	Number units	31 December 2021 TCZK	Number units	31 December 2020 TCZK
Ordinary shares in the value of CZK 185, fully paid	3 878 816	717 581	3 878 816	717 581

Issued shares

As at 11 December 2007, the Company had issued 3 878 816 ordinary certificated bearer shares at the nominal value of CZK 500 per share.

The Company recorded no receivables as at 31 December 2021 or 31 December 2020 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 auctions 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.

On 7 January 2021, another 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.

On 1 June 2021, another involuntary public auction of the Company's shares which the shareholders were in delay with the exchange of the original paper shares for new shares with a lower nominal value in connection with the decision of the Company's General Meeting from 20 December 2019 to lower the nominal value of the shares.

Interested shareholders are entitled to receive the auction proceeds after offsetting the receivables created by the Company in connection with the auction. The proceedings from these other auctions are paid by cashless transfer.

As at 31 December 2021, the balance of unpaid auction proceeds amounted to TCZK 20 902 (as at 31 December 2020: TCZK 8 995).

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.

Squeeze out of shareholders

On 29 September 2021, the Company's General Meeting decided to transfer all the Company's shares to the main shareholder, KAPRAIN CHEMICAL LIMITED, pursuant to Section 375 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act), as later amended.

According to the decision by the Company's General Meeting, each former shareholder of the Company whose shares were transferred to the main shareholder are entitled to payment in the amount pursuant to the expert opinion for each individual ordinary share.

In connection with this decision of the Company's General Meeting, KAPRAIN CHEMICAL LIMITED became the sole shareholder of the Company as of 20 November 2021.

Shareholders

As at 31 December 2020, the largest shareholder of the Company was KAPRAIN CHEMICAL LIMITED, with its registered office at Gianni Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 381813 (hereinafter referred to as "KAPRAIN CHEMICAL LIMITED"), which exercised the voting rights with shares representing a 43.12% share in the Company's voting rights and registered capital as at 31 December 2021.

As at 31 December 2021, KAPRAIN CHEMICAL LIMITED is the sole shareholder of 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 2021 and 2020 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 2021, 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'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.

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 2021, the outstanding part of the loan was TCZK 142 288 (as at 31 December 2020: TCZK 182 347). 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 2021 are made in CHS Epi, a.s. for TCZK 113 789 (as at 31 December 2020: TCZK 153 948) and in SPOLCHEMIE Electrolysis, a.s. for TCZK 580 438 (as at 31 December 2020: TCZK 668 483).

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 2021, as well as 2020, all required minimum values of indicators were met.

Long-term non-bank loans

	31 December 2021 TCZK	31 December 2020 TCZK
ISTROKAPITAL, a.s.	1 380 320	1 600 807
AB – CREDIT a.s.	655 839	802 604
Via Chem Group, a.s.	0	327 181
Non-bank loan 1 – long-term part	51 256	61 251
State Environmental Fund Loan	62 593	44 302
Non-bank loan 2 - long-term part	26 103	36 743
Non-bank loan 3 - long-term part	4 362	7 117
Other	386	1 153
Total	2 180 859	2 881 158

In 2017, ISTROKAPITAL, a.s. took over the credit receivables of Poštová banka, a.s. and loans from a non-banking entity. The assumed credit and loans bear an interest rate of 1% p.a. from 1 January 2021. The final maturity of these payables is 30 September 2032, thus part of the payables in the amount of TCZK 1 068 874 is classified as long-term and the remaining part is classified as short-term.

In 2014 a non-banking entity provided a loan to the Group (Company). In 2018, a transfer agreement was concluded, on the basis of which there was a change in the creditor. ISTROKAPITAL, a.s. became the new creditor and an instalment plan was agreed with a final maturity of 30 September 2032 and the first instalment in 2022. The interest rate was reduced to 4.25% p.a. as of 1 January 2021. The unpaid balance of this payable as of 31 December 2021 amounts to TCZK 152 651, from which a payable in the amount of TCZK 138 773 is classified as long-term.

In 2014, the Group was granted loans from MONTE BRAVIA, a.s., which were assigned to a new creditor, ISTROKAPITAL, a.s., in 2018. Repayment schedules were agreed with the new creditor with the final maturity on 30 September 2032 and the first payment on 30 September 2022, therefore a part of the liabilities in the amount of TCZK 172 673 is classified as long-term. The interest rate was decreased to 4.25% p.a. as of 1 January 2021.

In 2017, AB-CREDIT, a.s. assumed the credit receivables from the financing banks Raiffeisenbank ,a .s. and Expobank CZ a.s. Effective from 1 January 2021, the loans bear interest at a rate of 5.55% p.a. and the final maturity is set to 30 September 2025. The quarterly instalments set out in the instalment plans due on 31 March 2021 have been paid in a due and timely manner. During the course of the second quarter of 2021, thanks to the Group's improved financial situation, amendments to the loan agreements were concluded with the lender based on which principal amounts originally due on 30 June, 30 September and 31 December 2021 were paid early. Further extraordinary repayments were agreed in Q3 2021 and the instalments due on 31 March and 30 June 2022 were paid early. These realised payments had a positive impact on the reduction of the financial expenses arising from paid interest. In light of these circumstances, the payables in the amount of the payments for the years 2023 - 2025 were classified as at 31 December 2021 as long-term and the remainder as short-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 instalment plan, the final maturity is in 2025. As at 31 December 2021, the outstanding balance, including related interest, amounts to a total of TCZK 61 251, of which the long-term part is in the amount of TCZK 51 256. The effective interest rate is 5.44%.

In 2021, the Group (EPISPOL, a.s.) exhausted an advantageous loan (concurrently with grants) from the State Environment Fund of the Czech Republic as part of the investment action "Desalination of EPISPOL waste water." The 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 instalment plan, the final maturity is in 2031 and the first instalment is set for 31 March 2022, thus the part of the payable as at 31 December is classified as long-term.

Non-bank loan 2 - long-term part: In 2016, the Group (SPOLCHEMIE Electrolysis a.s.) concluded a EUR 2.8 million instalment plan with one of the technology suppliers for the Membrane Electrolysis investment project. In 2017, an amendment was concluded with the supplier to adjust the final maturity to 30 June 2025 and set the interest rate at 5.5% p.a. The short-term portion 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. As at 31 December 2021, the long-term part amounted to TCZK 4 362 in accordance with the instalment plan. The short-term part is reported in the Short-term non-bank loans line.

Short-term non-bank loans

	31 December 2021 TCZK	31 December 2020 TCZK
AB – CREDIT a.s.	67 920	137 716
ISTROKAPITAL, a.s.	138 032	112 649
KAPRAIN CHEMICAL LIMITED	30 180	0
Non-bank loan 1 – short-term part	9 995	9 466
State Environmental Fund Loan	6 955	0
Non-bank loan 2 - short-term part	10 472	11 522
Non-bank loan 3 - short-term part	2 755	3 366
Other loans from non-bank subjects	767	1 881
Total	267 076	276 600

Payables towards AB – Credit, a.s. are payments of credit and loans payable in 2022.

Liabilities towards ISTROKAPITAL, a.s. are payments of loans and borrowings payable in 2022.

On 5 October 2009, the Group (Company) concluded a loan agreement with Via Chem Group as a debtor, according to which it was provided with a loan of MCZK 200. As of 1 January 2021, the interest rate was reduced from 7% p.a. to 3.5% p.a. During the course of 2021, the debt was assigned to a new creditor, KAPRAIN CHEMICAL LIMITED, and agreements to cancel the subordination were concluded between the Company, AB - CREDIT a.s. and ISTROKAPITAL a.s. New agreements were subsequently concluded with the new creditor, pursuant to which the payment of the principal and part of the accessories were paid and the final maturity of the unpaid interest was set at 30 June 2022. In light of this, the payable is classified as short-term at 31 December 2021.

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

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

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

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

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 long-term and short-term assets (deferred expenses). The balance of prepaid borrowing costs at 31 December 2021 amounted to a total of TCZK 141 593 (as at 31 December 2020: TCZK 165 572), with a long-term part of TCZK 119 187 (as at 31 December 2020: TCZK 141 592) and short-term part of TCZK 22 406 (as at 31 December 2020: TCZK 23 980).

19. INVESTMENT SUSPENSIONS

Other long-term liabilities consist of retentions related to the Group's investment activity of TCZK 3 632 (as of 31 December 2020: TCZK 3 928). The retainer is not remunerated due to the immaterial impact on the Group´s net result.

Suspension of investments by maturity

	31 December 2021	31 December 2020
	TCZK	TCZK
Maturity date		
2022	0	3 928
2023	3 632	0
Total	3 632	3 928

20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	TCZK	TCZK
Trade payables	672 360	543 842
Accruals (deferred expenses)	4 660	6 208
Estimated payables	58 135	21 660
Total trade	*735 155*	*571 710*
Payables to employees	34 698	25 780
Payables to social security	11 212	9 271
Payables to health insurance	6 148	5 084
Tax liabilities	8 741	5 727
Other liabilities	5 041	1 650
Total other	*65 840*	*47 512*
Total	800 995	619 222

Trade payables according to maturity

	31 December 2021	31 December 2020
	TCZK	TCZK
Due	672 072	543 394
0-90 days overdue	288	448
90-180 days overdue	0	0
180-360 days overdue	0	0
More than 360 days overdue	0	0
Total	672 360	543 842

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 2021.

21. ADVANCES RECEIVED

As at 31 December 2021, the Group has advances received amounting to TCZK 297 166 (as at 31 December 2020: TCZK 224 377), of which TCZK 288 231 (as at 31 December 2020: TCZK 181 913) are advances received based on regression factoring.

In addition, the Group records a balance of long-term advances received in the amount of TCZK 74 580 (as at 31 December 2020: TCZK 0).

22. PROVISIONS

	Litigation and other provisions	Employee benefits	Total
	TCZK	TCZK	TCZK
Balance as at 1 January 2020	55 440	24 658	80 098
Additions	3 407	18 794	22 201
Utilisation	0	-3 808	-3 808
Balance as at 31 December 2020	58 847	39 644	98 491
Additions	329 373	26 991	356 364
Utilisation	0	-24 822	-24 822
Balance as at 31 December 2021	388 220	41 813	430 033
of which long-term provisions	387 319	17 167	404 486
of which short-term provisions	901	24 646	25 547

In 2021, the Group proceeded to create a provision for the removal of environmental burdens in the amount of CZK 300 million; for more detailed comments see point 37.

In 2017, the Group created a provision for the potential risk arising from the legal dispute over the payment of the submitted promissory note amounting to TCZK 40 116 in the amount of the bill of exchange increased by interest and estimated costs of court proceedings. The provision is created each year with the amount of the accrued interest on the promissory note. The balance of the provision as at 31 December 2021 amounts to 60 254 TCZK (as at 31 December 2020: TCZK 58 847).

The promissory note 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 2022, the Group recognised the provision as long-term.

Employee bonuses represent a provision for bonuses for 2021, which are expected to be paid during the course of 2022.

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 2021, the provision amounted to TCZK 17 167 (2020: TCZK 15 548). The portion of the one-off bonus that is expected to be paid during the course of 2022 is reported as a short-term provision amounting to TCZK 540 (2021: TCZK 618).

23. REVENUES FROM SALES OF PRODUCTS, GOODS AND SERVICES

	31 December 2021	31 December 2020
Revenue from sales of goods	148 352	5 145
Revenue from services	128 800	162 463
- *of which revenue for Toll Fee*	*4 940*	*74 362*
- *of which revenue from leasing of fixed assets*	*10 164*	*8 283*
Revenues from products	8 938 418	5 267 372
Total sales	9 215 570	5 434 980

Revenues from products

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

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 products	25 966	0	25 966
Total sales for products	837 575	4 429 797	5 267 372

24. CONSUMPTION OF MATERIAL AND ENERGY

	2021	2020
	TCZK	TCZK
Material consumption	4 480 616	2 735 368
Costs of processing raw materials	395 098	217 428
Energy consumption	658 827	630 646
Total	5 534 541	3 583 442
Change in stocks of finished goods and incomplete production	133 848	-11 352

The amount of the inventory of material booked in 2021 in total costs is TCZK 5 400 693 (2020: TCZK 3 594 794).

25. LOGISTICS, LEASES AND OTHER SERVICES

	31 December 2021	31 December 2020
	TCZK	TCZK
Logistics services	252 045	217 162
Waste disposal	96 280	70 106
Costs of short-term leasing	22 343	31 271
Other services	223 954	256 521
Total	594 622	575 060

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

26. PERSONNEL EXPENSES

Personnel expenses

	31 December 2021	31 December 2020
	TCZK	TCZK
Short-term employee benefits		
Wages and salaries	430 734	374 275
Bonuses to members of statutory and supervisory bodies	30 295	18 855
Social security and health insurance expenses	56 028	47 544
Other social expenses	4 175	9 888
Pension plans	98 991	84 351
Employee benefits for early termination of employment		
Severance pay	320	469
Total personnel expenses	620 543	535 382

Average number of employees, personnel expenses

	2021	2020
Total average number of employees	928	950
Total personnel expenses	620 543	535 382

The structure of personnel expenses of managers

	31 December 2021	31 December 2020
	TCZK	TCZK
Wages and salaries	33 096	19 264
Health insurance premiums	5 138	1 806
Pension plans	4 171	3 418
Total	42 405	24 488

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 2021, the total amount of this contribution amounted to TCZK 7 454 (2020: TCZK 7 807).

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	2021	2020
	TCZK	TCZK
Profit from deconsolidation of company	0	35 012
Operating grants received	106 188	15 328
Profit from sale of fixed assets	11 170	0
Clearance of provisions and adjustments	0	4 386
Profit from sale of purchased stocks	5 964	2 043
Damage compensation	162	1 215
Received indemnity	224	262
Other operating income	5 300	7 321
Total other operating revenues	129 008	65 567

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

Other operating expenses	2021	2020
	TCZK	TCZK
Insurance	49 320	50 619
Creation of provisions and adjustments	329 647	20 683
Taxes and fees	7 260	7 153
Contributions and gifts	2 673	3 186
Losses from sales of fixed assets	0	4 957
Shortages and damage	18	27
Depreciation of receivables	176 680	89
Other operating expenses	11 203	10 344
Total other operating expenses	576 801	97 058

28. FINANCIAL REVENUES AND EXPENSES

Financial income

	2021	2020
	TCZK	TCZK
Interest income	227	83
Other interest income	1 686	0
Net foreign exchange gains on foreign currency transactions	68 813	0
Profit from sale of held shares	5 169	8 546
Other financial income	1 893	446
Total financial income	77 788	9 075

Financial costs

	2021	2020
	TCZK	TCZK
Interest expenses		
- non-bank loans	84 188	88 797
- interest expense on lease liabilities	15 713	18 795
- other interest	29 398	29 599
Factoring fees	16 110	11 180
Net exchange losses on foreign currency transactions	0	70 968
Other financial expenses	7 108	4 805
Total financial expenses	152 517	224 144

From the amount of the net exchange profit reported in 2021, the unrealised foreign exchange profit from the translation of foreign currency loans amounts to TCZK 88 960.

From the amount of the net exchange losses reported in 2020, the unrealised foreign exchange losses from the translation of foreign currency loans amount to TCZK 67 165.

29. INCOME TAX

	2021	2020
	TCZK	TCZK
Current tax		
Current tax - previous period	-924	0
Current tax - current year	-376 596	-8 414
Total current tax	-377 520	8 414
Deferred tax		
Impact of changes in temporary differences	17 957	-19 603
Total income tax	-359 564	-28 017

Reconciliation of effective tax rate	2021	2020
	TCZK	TCZK
Profit before income tax	1 787 936	128 578
income tax rate	19%	19%
Income tax calculated	-339 708	-24 430
Impact of tax non-deductible expenses	-105 892	-62 102
Impact of tax-exempt income	68 080	58 515
Total calculated income tax	**-377 520**	**-28 017**
Effective income tax rate	21.11%	21.79%

Deferred tax

	Receivables		Payables		
	2021	2020	2021	2020	Changes
Difference between accounting and tax depreciation of fixed assets	24 382	25 753	-234 231	-205 880	-29 722
Inventories	3 428	2 513	0	0	915
Receivables	916	0	0	0	916
Provisions	64 943	7 745	0	0	57 198
Tax losses carried forward	12 908	24 257	0	0	-11 349
Gross deferred tax receivables/(payable)	106 577	60 268	-234 231	-205 880	17 958
Recorded deferred tax liability	41 194	472	-168 848	-146 084	

30. TRANSACTIONS WITH RELATED PARTIES

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

	Receivables as at 31 December		Payables as at 31 December	
	2021	2020	2021	2020
Shareholders				
AB – CREDIT a.s.	20 000	20 000	723 759	940 320
KAPRAIN CHEMICAL LIMITED	0	0	30 180	0
Other related parties				
FORTISCHEM, a.s.	108 941	*	23 911	*
Total	128 941	20 000	777 950	940 320

	Purchases		Sales	
	2021	2020	2021	2020
Other related parties				
FORTISCHEM, a.s.	540 246	*	637 974	*

** This company was not a related entity 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 2021, the Group paid TCZK 508 in liability insurance (2020: TCZK 494). In 2021 and 2020, members of the Group´s statutory and supervisory bodies and management did not receive any non-monetary benefits. For more information, see the comments in Section 26 PERSONNEL EXPENSES

31. CONSOLIDATED COMPANIES

Name and share	Registered office	Note
SYNPO, akciová společnost (100%)	Czech Republic	Share acquired between 1994 to 2009
EPISPOL, a.s. (100 %)	Czech Republic	Founded in 2002
CSS, a.s. (100 %)	Czech Republic	Share acquired in 2020
SPOLCHEMIE Electrolysis, a.s. (100%)	Czech Republic	Founded in 2011
SPOLCHEMIE N.V. (100%)	Kingdom of the Netherlands	Share acquired in 2011
CHS Epi, a.s. (100%)	Czech Republic	a subsidiary of the Company from 2021, previously a subsidiary of SPOLCHEMIE N.V.
SPOLCHEMIE Distribution, a.s. (100%)	Czech Republic	Subsidiary of SPOLCHEMIE N.V.
SPOLCHEMIE Precursors, a.s. (100%)	Czech Republic	Founded in 2020
SPOLCHEMIE Precursors 2, a.s. (100%)	Czech Republic	Founded in 2019
SPOLCHEMIE Zebra, a.s. (100%)	Czech Republic	A subsidiary of EPISPOL, a.s. from 2021
SPOLCHEMIE SK, s.r.o.	Slovak Republic	A subsidiary of SPOLCHEMIE Distribution, a.s.
SPOLCHEMIE, a.s. (100%)	Czech Republic	A subsidiary of SPOLCHEMIE Distribution, a.s.

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.

In 2020, the Group entered into a Financial Market Trading Framework Agreement with PPF banka, under which the Group enters into partial forward transactions to hedge against negative fluctuations in the EUR/CZK exchange rate. In 2021, the exchanges agreed in 2020 were executed in the amount of EUR 24 million (EUR 2 million per month) at an exchange rate ranging from CZK 26.12 to 27.20/EUR. In the same year, the Group entered into further tranches for 2022 and 2023 for a total volume of EUR 45 million at rates ranging from CZK 25.54 - 26.11/EUR.

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 2021	31 December 2020
	TCZK	TCZK
Appreciation of EUR – impact on income statement	24 191	-11 883
Appreciation of USD	764	184
Depreciation of EUR – impact on income statement	74 779	36 063
Depreciation of USD	-764	-184

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 2021	31 December 2020
	TCZK	TCZK
Long-term receivables	39 031	26 000
Non-bank loans	2 447 935	3 157 758

Financial instruments with a variable interest rate	31 December 2021	31 December 2020
	TCZK	TCZK
Long-term receivables	0	223 200
Loans in CZK	0	0
Loans in EUR	0	0
Non-bank loans	0	0

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 2021	31 December 2020
	TCZK	TCZK
Sensitivity to cash flow – increase of interest rate	0	2 232
Sensitivity to cash flow – decrease of interest rate	0	-2 232

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 2021	Effective interest rate	Receivable / liability amount	Future change in interest rate	Due date
	%	TCZK		
Total interest-bearing receivables		0		
Total non-bank loans CZK	5.63	752 068	*	to 2032
Total non-bank loans EUR	3.77	1 695 868	*	to 2032
Total financial liabilities		2 447 935		

31 December 2020	Effective interest rate	Receivable / liability amount	Future change in interest rate	Due date
	%	TCZK		
Total interest-bearing receivables	2.8	223 200		
Total non-bank loans CZK	4.57	1 195 311	*	to 2032
Total non-bank loans EUR	3.42	1 962 447	*	to 2032
Total financial liabilities		3 157 758		

* 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 KAPRAIN CHEMICAL Limited (originally 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 2021 TCZK	Fair value 2021 TCZK	Carrying value 2020 TCZK	Fair value 2020 TCZK
Trade receivables, other receivables without tax receivables, advances paid and deferred expenses	1 875 577	1 875 577	855 995	855 995
Long-term receivables	39 031	39 031	249 200	249 200
Cash and cash equivalents	637 011	637 011	202 029	202 029
Non-bank loans	-2 407 556	-2 407 556	-3 105 740	-3 105 740
Unpaid interest on loans	-40 379	-40 379	-52 018	-52 018
Trade and other receivables and advances paid	-2 186 873	-2 186 873	-1 290 773	-1 290 773
Total	**-2 083 189**	**-2 083 189**	**-3 141 307**	**-3 141 307**

(c) Credit risk

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

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

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

Net book value	31 December 2021 TCZK	31 December 2020 TCZK
Long-term receivables	39 031	249 200
Trade receivables	1 528 322	648 484
Other receivables and advances	256 404	104 282
Cash	637 011	202 029
Total	2 460 769	1 203 995

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

Analysis of maturity of trade receivables (net)

	31 December 2021	Expected credit loss	31 December 2020	Expected credit loss
	TCZK	TCZK	TCZK	TCZK
Due	1 441 869	-4 260	626 090	-20 019
1-90 days overdue	94 308	-3 595	42 501	-208
91-180 days overdue	11	-11	273	-214
181-360 days overdue	126	-126	465	-404
More than 360 days overdue	38 631	-38 631	22 800	-22 800
Total	1 574 944	-46 622	692 128	-43 645
Net book value		1 528 322		648 483

Changes in impairment losses related to trade receivables

	2021	2020
	TCZK	TCZK
Balance as at 1 January	-64 395	-52 599
Creation of provisions	-5 619	-24 361
Use of provisions – receivables write-off	30	271
Release of provisions	2 613	12 294
Balance as at 31 December	-67 372	-64 395

(d) Liquidity risk

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

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

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

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

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

At 31 December 2020	Contractual cash flows						
	Due or up to 2 months	2 - 6 months	6 – 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Non-bank loans	2 454	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

(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 for the year.

	2021	2020
Net profit in TCZK	1 428 372	100 561
Number of ordinary shares issued	3 878 516	3 878 516
Basic and diluted profit per share indicator in CZK	368.25	25.85

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

34. RESEARCH AND DEVELOPMENT

In 2021, the Group spent TCZK 50 618 (2020: TCZK 39 599) 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	
	2021	2020	2021	2020	2021	2020
Group total	4 281	4 120	1 964	1 842	648	186

36. CAPITAL COMMITMENTS

Before the end of 2021, the Group concluded a long-term business contract with a strategic foreign partner for the supply of precursors for the production of next generation chemicals. In this context, Sthe Group undertook to build an operating unit for the production of these precursors with an investment budget of EUR 62 million. The return on this investment is guaranteed by the aforementioned long-term sales contract. Spolek has contractually assumed responsibility for the successful construction of this operating unit.

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

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.

So far, a total of TCZK 2 792 517 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.

In view of various factors (including the rising inflation rate in the Czech Republic), the company concluded that the current amount of the environmental guarantee may not be sufficient for the remediation of the environmental burdens, and therefore, after unsuccessful negotiations with the Ministry of Finance, it filed a declaratory action against the Ministry of Finance before the District Court for Prague 1, seeking primarily a determination that the VAT paid or to be paid to the remediation contractors, which is also a revenue of the state budget, cannot be counted towards the use of the environmental guarantee. Spolek therefore seeks a declaration that the remaining unspent amount of the State guarantee is in fact higher than that recorded by the Ministry of Finance. No court decision has yet been issued in the case.

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

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

Other contingent liabilities

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

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.

On 29 October 2018 the Regional Court in Ústí nad Labem issued a ruling which confirmed the validity of the promissory note of payment, though on the Company’s appeal, the High Court in Prague ruled to annul the decision of the Regional Court in Ústí nad Labem and returned the case to it for further consideration.

On 22 November 2021, the Regional Court in Ústí nad Labem issued a new decision in which it annulled the promissory note of payment in its entirety and awarded the Company compensation for the costs of the proceedings. In the grounds for its judgement, the court fully agreed with the Company’s argument that the promissory note in question was a secured promissory note and that the secured obligation had lapsed many years ago. However, the insolvency administrator lodged an appeal in the case, which has not yet been decided.

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 Group was also informed that a lawsuit was filed against the Company at the District Court in Ústí nad Labem, in which JUDr. Ing. Martina Jinochová Matyášová, insolvency administrator of the debtor STZ a.s., Company ID No. (IČ): 27294099, demands payment of a receivable from the Company in the amount of TCZK 200 000 with accessories. This is a receivable originally recorded by the Company as a liability to its shareholder, Via Chem Group, on the grounds of a loan agreement dated 5 October 2009, the creditor of which has since become KAPRAIN CHEMICAL LIMITED. In 2021, the Company paid off almost all of this debt to KAPRAIN CHEMICAL LIMITED (the entire principal has been paid and only CZK 30 million of interest remains to be paid).

On 6 October 2021, the District Court in Ústí nad Labem issued a judgement dismissing the insolvency administrator's action in its entirety. In the grounds for its judgement, the court fully agreed with the legal opinion of the Supreme Court expressed in a related dispute that the debtor STZ a.s. could never have incurred a claim against the Company in the past. However, the insolvency administrator filed an appeal against the judgement, which has not yet been decided.

Management is not aware of any other significant contingent liabilities as at 31 December 2021.

38. INVESTMENT INCENTIVES

The group was not the recipient of investment incentives in 2021 or 2020.

39. SUBSEQUENT EVENTS

A. Early repayment of part of the payables on received loans

At the beginning of 2022, the creditors agreed that the Group (Spolek, CHS EPI, EPISPOL), thanks to its improved financial position and available funds, will make an early repayment to AB - CREDIT a. s. on the instalments due under the Loan Agreements at the end of Q3 and Q4 of 2022, and in 2023 and 2024.

During February 2022, these repayments were made, amounting to TCZK 339 601. The financial expenses arising from the interest on these loans have been reduced and the entire liability to AB - CREDIT a.s. is reported as long-term.

B. The war in Ukraine

The military conflict in Ukraine, which began at the end of February, has affected the Group's operations, both in the area of purchases and sales, mainly due to restrictions on trading with entities and products affected by the announced sanctions. However, the impact is not strategically significant. The Group is continuously monitoring the situation and taking measures to eliminate these impacts.

40. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved for disclosure on 29 April 2022.

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 2021 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 2021
Audited period:	from 1 January 2021 to 31 December 2021
Financial reporting framework:	International Financial Reporting Standards as endorsed by the European Union
Date of issue auditor's report:	29 April 2022
Auditor:	Jan Kellner Licence No. 2225 Mazars Audit s.r.o. Licence No. 158

mazars

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 non-consolidated 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 non-consolidate statement of financial position as at 31 December 2021, the non-consolidated statement of comprehensive income, non-consolidated statement of changes in equity and non-consolidated statement of cash flows for the year then ended and notes to the non-consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1. to the non-consolidated financial statements.

In our opinion, the non-consolidated 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 2021 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 non-consolidated 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 non-consolidated financial statements. For this reason, our comments on other information are not part of this auditor's report.

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

The Board of Directors is responsible for the preparation and fair presentation of the non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-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 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 Non-consolidated Financial Statements

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

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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, 29 April 2022

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 2021 and for the period ending 31 December 2021 by the business corporation

Spolek pro chemickou a hutní výrobu, akciová společnost

In Ústí nad Labem, 29 April 2022

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 2021	31 December 2020
		TCZK	TCZK
ASSETS			
Property, plant and equipment	5	1 286 536	1 159 682
Investment property	6	206 004	214 023
Intangible assets	7	35 922	30 544
Rights of use	8	44 213	60 489
Investment in subsidiaries	9	824 822	578 957
Shares in affiliates		1 981	1 981
Provided loans and other long-term receivables	10	13 031	367 420
Deferred expenses	18	55 064	65 426
Deferred tax receivable		41 194	0
Total non-current assets		**2 508 767**	**2 478 522**
Inventories	11	979 426	619 441
Trade receivables	12	1 452 099	718 159
Loans granted	10	168 119	0
Other short-term receivables	12	152 254	72 354
Advances paid		85 739	25 899
Income tax receivables		0	13 244
Deferred expenses	18	10 357	11 086
Receivable from auction of own shares		0	8 995
Cash and cash equivalents		512 885	145 813
Total current assets		**3 360 879**	**1 614 991**
Total assets		**5 869 646**	**4 093 513**

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

NON-CONSOLIDATED FINANCIAL STATEMENTS

	Note	31 December 2021 TCZK	31 December 2020 TCZK
EQUITY			
Share capital	13	717 581	717 581
Reserve fund	13	1 524	1 524
Retained earnings/accumulated losses		1 615 882	-22 715
Total equity		**2 334 987**	**696 390**
LIABILITIES			
Long-term payables			
Non-bank loans	16	1 138 327	1 873 724
Provisions	14	398 953	69 828
Long-term advances received	17	74 580	0
Lease liabilities	8	30 204	45 805
Retention of investment		3 632	0
Deferred tax payable	25	0	7 493
Total non-current liabilities		**1 645 696**	**1 996 850**
Short-term payables			
Trade and other payables	15	1 032 644	597 894
Non-bank loans	16	153 439	532 137
Advances received	17	295 495	224 201
Lease liabilities	8	15 585	16 193
Liabilities from the auction of own shares		20 902	8 995
Income tax payables	25	351 748	0
Provisions	14	19 150	20 853
Total current liabilities		**1 888 963**	**1 400 273**
Total liabilities		**3 534 659**	**3 397 123**
Total equity and liabilities		**5 869 646**	**4 093 513**

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 2021 TCZK	Year ended 31 December 2020 TCZK
Revenues	19	8 893 120	5 753 801
Change in inventories		126 544	-11 565
Capitalisation of own production		4 944	3 621
Consumption of material and energy	20	-5 922 401	-4 720 062
Logistics, leases and other services	21	-516 330	-427 435
Personnel expenses	22	-373 827	-327 705
Depreciation of fixed assets	5,6,7,8	-89 360	-108 249
Other operating income	23	24 764	14 452
Other operating expenses	23	-547 970	-72 429
Operating profit		**1 599 484**	**104 429**
Financial income	24	333 872	15 613
Profit/losses from the impairment of financial assets	24	219 118	-20 089
Financial costs	24	-200 735	-143 633
Profit/loss before tax		**1 951 739**	**-43 680**
Income tax	25	-313 142	-4 429
NET PROFIT/LOSS		**1 638 597**	**-48 109**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		**1 638 597**	**-48 109**
Profit/loss per share per shareholder (in CZK)	28	422.45	-12.40

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 2020	**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**
Profit for	0	0	1 638 597	1 638 597
Balance as at 31 December 2021	**717 581**	**1 524**	**1 615 882**	**2 334 987**

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 2021 TCZK	Year ending 31 December 2020 TCZK
Cash flows from operating activities			
Profit/loss for the period		**1 638 597**	**-48 109**
Adjustment for non-cash transactions:		**-78 847**	**179 747**
Income tax	25	313 142	4 429
Depreciation and amortisation of non-current assets	5,6,7,8	93 317	105 915
Change in status of expected credit losses and provisions	5,7,9,11, 12,13,15	-199 769	16 217
Profit/loss on sale of non-current assets	23	-10 930	4 968
Yield from dividends	24	-303 969	0
Interest income and expenses	24	59 475	65 871
Other non-cash transactions		-30 113	-17 652
Changes in non-cash components of working capital:		**88 457**	**-90 694**
Change in trade and other non-current receivables	10,12	-126 085	146 703
Change in trade and other short-term payables	15,17	579 287	67 658
Change in inventories	11	-364 745	18 206
Cash flow from operating activities before interest and taxes		**1 648 207**	**234 204**
Interest paid	24	-49 465	-44 080
Interest received	24	227	83
Income tax paid	25	3 163	-13 244
Net cash flows from operating activities		**1 602 132**	**158 145**

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

NON-CONSOLIDATED FINANCIAL STATEMENTS

	Note	Year ending 31 December 2021 TCZK	Year ending 31 December 2020 TCZK
Cash flows from investing activities			
Expenses connected with acquisition of non-current assets	5,7	-171 872	-92 247
Proceeds from sale of non-current assets	23	-245 865	9 039
Expenses connected with acquisition of financial investments	9	12 607	-2 035
Income from dividends	24	303 969	0
Cash flow from investing activities		**-101 161**	**-85 243**
Cash flows from financing activities			
Income from loans, credit and long-term liabilities	16	3 632	39 310
Payment from loans, credit and long-term liabilities	16	-1 103 418	-178 165
Payments of leases	8	-28 097	-47 879
Cash flow from financing activities		**-1 127 883**	**-186 733**
Net increase/decrease in cash and cash equivalents		**373 088**	**34 989**
Cash and cash equivalents at the beginning of the year		**145 813**	**108 087**
Effect of exchange rate fluctuations		-6 016	2 737
Cash and cash equivalents at the end of the year		**512 885**	**145 813**

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, Company 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.

As at 31 December 2020, the largest shareholder of the Company was KAPRAIN CHEMICAL LIMITED, with its registered office at Gianni Kranidioti 9, 2nd floor, Flat/ Office 210, 1065 Nicosia, Cyprus, registration number: HE 381813 (hereinafter referred to as "KAPRAIN CHEMICAL LIMITED"), which exercised the voting rights with shares representing a 43.12% share in the Company's voting rights and registered capital as at 31 December 2021.

As at 31 December 2021, KAPRAIN CHEMICAL LIMITED is the sole shareholder of the Company.

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

The composition of the Board of Directors as at 31 December 2021 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 2021 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 2021, 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 1.1.2021 and had no influence on the results and information presented in these financial statements in comparison with the previous financial statements for the year 2020:

> When preparing these financial statements, the Company considered the amended Interest Rate Benchmark Reform – Phase 2 amending IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leasing, the effect of which is from 1.1.2021 and which did not have an influence on the results and information presented in these financial statements in comparison with the previous financial statements for the year 2020. 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 discussed changes in reference interest rates as a result of IBOR reforms had no influence on the Company's results and balances presented in these financial statements. For financial instruments with variable interest, the Company uses the reference rates and will continue to do so in 2022. The interest rates continue to be announced and for the Company remain the reference rate for reported financial instruments with variable interest. Thus, the amendment does not have an impact on the financial statements in 2021, nor does the Company expect an impact in the future as a result of the evaluated information.

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 IFRSs were issued, but they were not effective at the beginning of the current accounting period and were not used by the Company in preparing these financial statements.

- In September 2014, the amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures entitled "The sale or contribution of assets between an investor and its associate or joint venture" (the effect postponed indefinitely), which clarifies the accounting for transactions in which a parent company loses control of a subsidiary that does not meet the characteristics of an enterprise as defined in IFRS 3 by selling all or part of its interest in the associate or joint venture that is accounted for using the equivalence method. In December 2015, the effectiveness of the amendment was postponed indefinitely and should be determined after the completion of the project dedicated to the equivalence method. The Company does not expect any impact on the financial statements resulting from this amendment upon its eventual adoption.

- 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, delayed until 1.1.2023 by an amendment from June 2020, or later), 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, delayed until 1.1.2023 by an amendment from July 2020 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 or after 1 January 2022), 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, IFRS 17 and amendments to IFRS 17 "Insurance Contracts" were issued (effective for financial statements beginning 1 January 2023 or later), and these amendments postpone the date of the first application of IFRS 17 (containing modifications) to the annual financial statements beginning on or after 1 January 2023. The Group's subject of business does not fall under the scope of IFRS 17.

- Amendments to IAS 1 "Presentation of Financial Statements" entitled "Classification of Liabilities as Current and Non-current" were issued in July 2020 (effective for annual reports beginning on or after 1 January 2023) and these amendments postpone the date of the initial application of the amendments for annual periods beginning on or after 1 January 2023.

- In February 2021, an amendment to IAS 1, The Preparation and Disclosure of Financial Statements, entitled Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023) was issued. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to assist in deciding which accounting policies to disclose in the financial statements. The Company assesses the new regulation and the resulting changes, without expecting a material impact on the financial statements.

- In February 2021, an amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors entitled Definitions of Accounting Estimates was issued (effective for annual financial statements beginning on or after 1 January 2023). The amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates. The Company does not expect any significant impact of this amendment on the financial statements.

- In March 2021, an amendment to IFRS 16 Leases entitled Lease Reliefs Related to COVID-19 after 30 June 2021 (effective for annual financial statements beginning on or after 1 April 2021) was issued. The amendment extends by only one year the amendments adopted in May 2020 that provide an exception for lessees in assessing whether COVID-19 pandemic rent relief constitutes a lease modification. The Company does not expect any significant impact of this amendment on the financial statements.

- In May 2021, an amendment to IAS 12 Income Taxes entitled Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction, was issued (effective for annual financial statements beginning on or after 1 January 2023), which will narrow the scope of the exception for not recognising deferred taxes for transactions for which there is a difference between the carrying amount and the tax basis of the asset or liability at initial recognition. This is due to the different approaches to recognising deferred tax on leases. The Company will assess the new regulations and the resulting changes and does not expect a material impact on the financial statements, although the amendments will require the deferred tax on the impact of lease contracts to be calculated and presented separately in the notes for the right-of-use asset and the lease liability.

New and amended IFRS accounting rules issued by the IASB, but not yet adopted by the EK

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,
- 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 1 Preparation and Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued in February 2021, effective 1 January 2023)
- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued in February 2021, effective 1 January 2023)
- Amendment to IAS 12 Income Taxes: Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction (issued in May 2021, effective 1 January 2023)

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 2021 and the results of its management and cash flows for the year ending 31 December 2021, 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 of 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) 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.

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) 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.

n) 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.

o) 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 values of derivatives held for trading are recognised in the profit or loss as part of finance costs or income.

p) 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.

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.

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

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 leases, fees for bank loans, loans, guarantees.

u) 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.

v) 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.

w) 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 2021, 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). The model classifies receivables according to the degree of their collateral and models potential losses by reference to the development of actual losses in previous periods. The value of losses calculated in this way is not significant in relation to the volume of receivables. The year-on-year evolution of losses is negligible.

d) Income taxes

The Company reports due tax liabilities as at 31 December 2021. It already used the accumulated loss in the past. The reported deferred tax receivable is calculated from the current differences of the accounting and tax carrying amounts.

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

e) Litigation and other legal disputes

The Company, in the context of its business activities, is part of court and other legal disputes for which it evaluates their recognition and/or disclosure in the 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 fulfil its commitment. The reimbursement amount shall not exceed the amount of the provision.

The total amount of created provisions amounts to CZK 418 million and represents a probable future liability of the Company, which may be corrected in the future, either by the inaccuracy of the estimates (especially for the provision for the removal of old environmental burdens) or by the elimination of the liability depending on the outcome of litigation.

5. PROPERTY, PLANT AND EQUIPMENT

Acquisition cost

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

Accumulated depreciation

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

Adjustments

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

Net book value

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

Comparable period balances:

Acquisition cost	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 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 tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance as at 1 January 2020	-1 105 375	-2 445 506	0	0	-3 550 881
Depreciation	-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

Adjustments	Property, plant and structures	Machinery, equipment and motor vehicles	Other tangible assets	Under construction and advances	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
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

Net book value					
	TCZK	TCZK	TCZK	TCZK	TCZK
As 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

The Company’s assets are pledged on the basis of a pledge agreement for the enterprise to the benefit of secured creditors. In 2021 and 2020, the Company did not activate any interest from loans.

In 2021, these most important assets were completed and put into use (and depreciation began):

Assets	Acquisition price in millions of crowns
E712A/B exchangers - Condensers for condensation of dichlorohydrin	10.0
10 MVA transformer, 22/10kV	7.1

In 2021, expenses were realised for the acquisition of fixed assets for these most important investment actions:

Assets	Expenses 2021 MCZK
Modernisation of TETRAPER plant	37.7
Demolition of HF, Cryolite and construction of earthwork	25.7
Reconstruction of EPITETRA incinerator	11.0

6. INVESTMENT PROPERTY

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

Comparable period balances:

	Acquisition cost	Accumulated depreciation	Net book value
	TCZK	TCZK	TCZK
Balance at 1 January 2020	457 309	-235 265	222 044
Depreciation	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

Assignable items to the statement of comprehensive income:

	31 December 2021	31 December 2020
	TCZK	TCZK
Rental income	67 386	67 931
Depreciation	-9 259	-9 246
Direct operating costs (maintenance)	-8 097	-6 084
Operating result associated with investment property	50 030	52 601

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 2021, this is real estate with an acquisition cost of TCZK 359 050 (2020: TCZK 357 590), in a amortised price of TCZK 171 330 (2020: TCZK 177 752) 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 of TCZK 155 515 (2020: TCZK 169 937).

7. INTANGIBLE ASSETS

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

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

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

Comparable period balances:

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

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

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

8. RIGHTS OF USE

Carrying amount

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

Comparable period balances:

Carrying amount

	Buildings and structures	Railway cars	Cars	Other	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Balance at 1 January 2020	6 441	28 271	1 469	28 062	64 242
Depreciation	-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

Assignable items to the statement of comprehensive income:

	31 December 2021	31 December 2020
	TCZK	TCZK
Depreciation	-16 276	-23 401
Interest on the lease liability	-2 483	-3 624
Result from reassessment of leasing contracts	0	516
Short-term leasing costs	-37 745	-29 813
Total	-56 504	-56 322

-

The Company records the following related lease liabilities:

	31 December 2021	31 December 2020
	TCZK	TCZK
Short-term balance of lease liability	15 585	16 193
Long-term balance of lease liability	30 204	45 805
Total	45 789	61 998

In 2021, lease liabilities in the amount of TCZK 30 791 were paid (in 2020: TCZK 47 879).

9. INVESTMENT IN SUBSIDIARIES

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

Changes in structure of investments into subsidiaries

In 2021, the Company acquired the remaining share (10.87%) in CSS, a.s.

In 2021, the Company purchased a minority share (10%) in EPISPOL, a.s. and thus achieved a 100% share.

In 2021, the Company renamed SPOLCHEMIE Precursors, a.s. to SPOLCHEMIE Precursors 2, a.s. and founded a new company SPOLCHEMIE Precursors, a.s. with a monetary investment in the amount of CZK 2 million.

Registered offices of companies included in ownership interests:

EPISPOL, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01
CHS Epi, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 32
SYNPO, akciová společnost	Pardubice - Zelené Předměstí, S. K. Neumanna 1316, postal code 532 07
SPOLCHEMIE N.V.	Radarweg 29, 1043 NX, Amsterdam, Kingdom of the Netherlands
SPOLCHEMIE Electrolysis, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 32
SPOLCHEMIE Precursors, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01
SPOLCHEMIE Precursors 2, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01
CSS, a.s.	Ústí nad Labem, Revoluční 1930/86, postal code 400 01

As at 31 December 2020	Share of registered capital	Acquisition price	Impairment losses	Carrying amount of share	Own Equity
	%	TCZK	TCZK	TCZK	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	x	585 646	-6 689	578 957	x

10. PROVIDED LOANS AND OTHER LONG-TERM RECEIVABLES

	31 December 2021	31 December 2020
	TCZK	TCZK
STZ Development, a.s.	0	514 454
Expected credit loss	0	-291 254
	0	223 200
SPOLCHEMIE N.V.	0	358 090
Expected credit loss	0	-213 870
	0	144 220
ISTROKAPITAL, a.s.	13 031	
SPOLCHEMIE SK, s.r.o.	153 327	0
SPOLCHEMIE Distribution, a.s.	14 792	0
Total	181 150	367 420
of which long-term	13 031	367 420
of which short-term	168 119	0

In 2021, the Company concluded two Loan Agreements with SPOLCHEMIE SK, s. r. o., on the basis of which loans in the total amount of EUR 6 million were provided. The maturity of the loan, incl. accessories, is negotiated for 31 December 2022. In the event of the risk that the Debtor would not pay its liabilities in a due and timely manner, KAPRAIN CHEMICALS LIMITED is prepared to conclude a Contract to Transfer the Debt with the Company under standard conditions and for payment in the amount of the nominal value of the debt.

In December 2021, the Company concluded a Loan Agreement with SPOLCHEMIE Distribution, a.s., on the basis of which funds in the amount of EUR 595 thousand were provided with the final maturity on 31 December 2022.

The debt to SPOLCHEMIE N.V. was completely settled in 2021.

In 2021, the Company sold the receivable from STZ Development, a.s. For TCZK 50 000.

11. INVENTORIES

	31 December 2021	31 December 2020
	TCZK	TCZK
Material	525 924	293 088
Finished goods	453 498	326 197
Goods for resale	4	156
Carrying amount	979 426	619 441

The gross amount of inventories as at 31 December 2021amounted to TCZK 996 680 (2020: TCZK 631 786) and the fair value of inventories less cost to sell is TCZK 979 426 (2020: TCZK 619 441).

The amount of inventories charged to cost in 2021 is TCZK 5 795 857 (2020: TCZK 3 253 563).

12. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables

	31 December 2021	31 December 2020
	TCZK	TCZK
Gross value of trade receivables	1 494 067	759 351
Expected credit loss	-41 968	-41 192
Total	1 452 099	718 159

Other short-term receivables (net)

	31 December 2021	31 December 2020
	TCZK	TCZK
Tax receivables	60 918	61 153
Other	91 336	11 201
Total	152 254	72 354

The tax receivables primarily represent excessive VAT deductions from the Czech tax authorities. The Company is convinced of the profitability of the aforementioned receivables.

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

13. REGISTERED CAPITAL AND FUNDS

Authorised and issued shares:

	Number units	31 December 2021 TCZK	Number units	31 December 2020 TCZK
Ordinary shares with a nominal value of CZK 185, fully paid	3 878 816	717 581	3 878 816	717 581

Issued shares

As at 11 December 2007, the Company had issued 3 878 816 ordinary certificated bearer shares at the nominal value of CZK 500 per share.

The Company recorded no receivables as at 31 December 2021 or 31 December 2020 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.

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.

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 are paid by a cashless transfer.

Public auction of shares III

On 1 June 2021, an involuntary public auction of the Company's shares which the shareholders were in delay with the exchange of the original paper shares for new shares with a lower nominal value in connection with the decision of the Company's General Meeting from 20 December 2019 to lower the nominal value of the shares.

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

As at 31 December 2021, the balance of unpaid auction proceeds amounted to TCZK 20 902 (as at 31 December 2020: TCZK 8 995).

Squeeze out of shareholders

On 29 September 2021, the Company's General Meeting decided to transfer all the Company's shares to the main shareholder, KAPRAIN CHEMICAL LIMITED, pursuant to Section 375 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act), as later amended.

According to the decision by the Company's General Meeting, each former shareholder of the Company whose shares were transferred to the main shareholder are entitled to payment in the amount pursuant to the expert opinion for each individual ordinary share.

In connection with this decision of the Company's General Meeting, KAPRAIN CHEMICAL LIMITED became the sold shareholder of the Company as of 20 November 2021.

Shareholders

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

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.

14. PROVISIONS

	Litigation and other provisions	Company benefits	Total
Balance as at 1 January 2020	55 440	19 539	74 979
Additions	3 407	31 834	35 241
Utilisation	0	-19 153	-19 153
Release	0	-386	-386
Balance as at 31 December 2020	58 847	31 834	90 681
Additions	329 473	18 803	348 276
Utilisation	-1 000	-19 854	-20 854
Release	0	0	0
Balance as at 31 December 2021	387 320	30 783	418 103
- short-term provisions	0	19 150	19 150
- long-term provisions	387 320	11 633	398 953

In 2021, the Company proceeded to create a provision for the removal of environmental burdens in the amount of CZK 300 million; for more detailed comments see point 30.

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 2021, the reserve amounted to TCZK 11 633 (2020: TCZK 10 981).

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 60 254 (as at 31 December 2020: TCZK 58 847).

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 likely to be closed before the end of 2022, 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 2022.

15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	TCZK	TCZK
Trade		
Trade payables	911 460	523 433
Accrued expenses	3 080	2 385
Accrued revenues	387	382
Estimated payables	86 079	44 723
Total trade	*1 001 006*	*570 923*
Other		
Payables to employees	18 780	15 506
Payables to social security	6 246	5 670
Payables to health insurance	3 453	3 134
Tax liabilities	3 159	2 661
Total other	*31 638*	*26 971*
Total	1 032 644	597 894

The major part of tax liabilities in 2021 is the personal income tax of TCZK 1 985 (In 2020: TCZK 2 536).

Trade payables breakdown according to their maturity

	31 December 2021	31 December 2020
	TCZK	TCZK
Due	911 230	523 030
1-90 days overdue	230	403
90-180 days overdue	0	0
180-360 days overdue	0	0
More than 360 days overdue	0	0
Total	911 460	523 433

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 2021.

16. LIABILITIES FROM NON-BANK LOANS

As at 31 December 2021, 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.

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 2021, as well as 2020, all required minimum values of indicators were met.

As at 31 December 2021, the Company has recognised short-term and long-term non-bank loans of TCZK 1 291 796 (2020: TCZK 2 405 861) from the following companies:

	31 December 2021	31 December 2020
	TCZK	TCZK
AB – CREDIT a.s.	467 682	604 024
ISTROKAPITAL, a.s.	724 383	815 006
EPISPOL, a.s.	0	333 774
CHS Epi a.s.	0	241 641
KAPRAIN CHEMICAL LIMITED	30 180	0
Via Chem Group, a.s.	0	327 181
Non-bank loan 1	61 251	70 717
Non-bank loan 2	7 117	10 483
Other liabilities	1 153	3 035
Total	1 291 796	2 405 861
of which short-term	153 439	532 137
of which long-term	1 138 327	1 873 724

In 2017, AB-CREDIT, a.s. assumed the credit receivables from the financing banks Raiffeisenbank, a. s. and Expobank CZ a.s. From 1 January 2021, the loans bear interest at a rate of 5.5531% p.a. and the final maturity is 30 September 2025. The quarterly instalments set out in the instalment plans due on 31 March 2021 have been paid in a due and timely manner. During the course of the second quarter of 2021, thanks to the Company's improved financial situation, amendments to the loan agreements were concluded with the lender based on which principal amounts originally due on June 30, September 30 and December 31, 2021 were paid early. Further extraordinary repayments were agreed in Q3 2021 and the instalments due on 31 March and 30 June 2022 were paid early. These realised payments had a positive impact on the reduction of the financial expenses arising from paid interest. As of December 31, 2021, the Company recognises the instalments due in the second half of 2022 as current. The other instalments due in 2023 - 2025 are classified as long-term.

In 2017, ISTROKAPITAL, a.s. assumed the credit receivables of Poštová banka, a.s. and loans from a non-banking entity in the amount of TCZK 548 021. From 1 January 2021, the assumed credit and loans bear interest at a rate of 1% p.a. and the final maturity is 30 September 2032. In light of these circumstances, the amount of the payments for the year 2023 - 2032 was classified as at 31 December 2021 as long-term.

In 2014 a non-banking entity provided a loan to the Company. In 2018, a transfer agreement was concluded, on the basis of which there was a change in the creditor. ISTROKAPITAL, a.s. became the new creditor and an instalment plan was concluded with a final maturity of 30 September 2032 and the first instalment in 2022. The interest rate was reduced to 4.25% p.a. as of 1 January 2021. The unpaid balance of this payable as of 31 December 2021 amounts to TCZK 152 651. The amount of the payments for the year 2023 - 2032 are classified as at 31 December 2021 as long-term.

In 2014, the Company concluded a credit agreement with the non-bank subject to the amount of TEUR 3 665. In 2018, part of the receivable with accessories in the amount of TEUR 954 (the exchange rate conversion as at 31 December 2021 is TCZK 23 712) was transferred to the new creditor ISTROKAPITAL, a.s., with which an instalment plan was agreed with a final maturity of 30 September 2032 and the first instalment in 2022. From 1 January 2021, the interest rate was also reduced to 4.25% p.a. The payables in the amount of the instalments for the years 2023 - 2032 are classified as at 31 December 2021 as long-term.
The remaining part of the untransferred payables from the credit was paid to the non-banking subject in 2020.

On 5 October 2009, 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. As of 1 January 2021, the interest rate was reduced from 7% p.a. to 3.5% p.a. During the course of 2021, the debt was assigned to a new creditor, KAPRAIN CHEMICAL LIMITED, and agreements to cancel the subordination were concluded between the Company, AB - Credit a.s. and ISTROKAPITAL a.s. New agreements were subsequently concluded with the new creditor, pursuant to which the payment of the principal and part of the accessories were paid and the final maturity of the unpaid interest was set at 30 June 2022. In light of this, the payable is classified as short-term at 31 December 2021.

As at 31 December 2021, AB-Credit a.s., EPISPOL a.s. and KAPRAIN CHEMICAL LIMITED represent companies related in terms of property or personnel.

Non-bank loan 1: In 2016, the Company entered into an agreement with a non-banking entity, the essence of which is the provision of funds secured by movable property. In accordance with the instalment plan, the outstanding balance as at 31 December 2021 totals TCZK 61 251, including related interest, from which a short-term amount of TCZK 9 995 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 accordance with the payment calendar, the unpaid balance as at 31 December 2021 amounts to TCZK 7 117.

17. ADVANCES RECEIVED

As at 31 December 2021, the Company has advances received amounting to TCZK 370 075 (2020: TCZK 224 201), of which long-term advances amount to TCZK 74 580 (2020: TCZK 0), and of which TCZK 288 231 (2020: TCZK 181 913) are advances received based on regression factoring.

18. 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 long-term and short-term assets (deferred expenses). The balance of prepaid borrowing costs at 31 December 2021 amounted to a total of TCZK 65 421 (as at 31 December 2020: TCZK 76 512), with a long-term part of TCZK 55 064 (as at 31 December 2020: TCZK 65 426).

19. 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 2021	31 December 2020
Revenue from sales of goods	28 662	589
Revenue from services	515 900	550 434
- sales for Toll Fee	*2 146*	*74 362*
- of which revenue from leasing of fixed assets	*72 671*	*71 544*
Revenues from products	8 348 558	5 202 778
Total sales	8 893 120	5 753 801

Revenues from products

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

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
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

Revenues from products - abroad in 2021

Country	Foreign revenues %	Foreign Revenues TCZK
Germany	36.2	2 611 363
France	8.2	593 688
Poland	6.9	495 056
Italy	5.2	375 318
Austria	5.1	365 508
Spain	4.8	348 064
Turkey	4.3	307 744
Belgium	3.7	267 505
Netherlands	3.0	219 042
Great Britain	2.8	203 066
USA	2.5	177 344
Russia	2.4	175 359
Slovakia	1.5	107 713
Sweden	1.4	99 391
Croatia	1.4	98 786
Serbia	1.1	82 116
Ukraine	1.0	68 960
Other	8.6	622 597
Total	**100.0**	**7 218 620**

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

20. CONSUMPTION OF MATERIAL AND ENERGY

	31 December 2021	31 December 2020
	TCZK	TCZK
Material consumption	3 835 634	2 618 727
Energy consumption	653 868	625 483
The expenses for the reprocessing of materials of Epispol, a.s., CHS-Epi, a.s., and Spolchemie Electrolysis, a.s.	1 432 899	1 475 852
Total	5 922 401	4 720 062

21. LOGISTICS, LEASES AND OTHER SERVICES

	31 December 2021	31 December 2020
	TCZK	TCZK
Costs of short-term leasing	37 745	29 813
Logistics services	245 082	216 644
Other services	233 503	180 978
Total	516 330	427 435

Mainly railway wagons are rented under operating leases. These are short-term leases for which the Company has used exemption from the activation of the subject of leasing as the Rights of Use.

22. PERSONNEL EXPENSES

Structure of personnel expenses

	31 December 2021	31 December 2020
	TCZK	TCZK
Short-term employee benefits		
Wages and salaries	274 298	233 986
Bonuses to members of statutory and supervisory bodies	3 540	3 540
Social security and health insurance expenses	24 996	22 666
Other social expenses	942	1 089
Pension plans	69 834	65 429
Employee benefits for early termination of employment		
Severance pay	217	995
Total	373 827	327 705

Average number of employees, personnel expenses

	2021	2020
Total average number of employees	578	602
Total personnel expenses (TCZK)	373 827	327 705

The structure of personnel expenses of managers

	31 December 2021	31 December 2020
	TCZK	TCZK
Wages and salaries	24 555	19 264
Health insurance premiums	2 282	1 806
Pension plans	3 803	3 418
Total	30 640	24 488

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 2021, the total amount of this contribution amounted to TCZK 4 435 (2020: TCZK 4 885).

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 2021, the Company paid out TCZK 219 (2020: TCZK 995) in severance pay.

23. OTHER OPERATING REVENUES AND EXPENSES

Other operating income

	31 December 2021	31 December 2020
	TCZK	TCZK
Change in adjustments to the receivables and stock	0	4 386
Proceeds from the sale of non-current assets	10 930	0
Profit from sale of purchased stocks	5 826	2 003
Damage compensation	263	1 418
Other operating income	7 745	6 645
Total	24 764	14 452

Other operating expenses

	31 December 2021	31 December 2020
	TCZK	TCZK
Creation of provisions and adjustments	333 108	21 773
Insurance	28 935	25 851
Taxes and fees	6 630	6 527
Losses from sales of fixed assets	0	4 968
Depreciation of receivables	173 230	0
Contributions and gifts	2 479	2 972
Other operating expenses	3 588	10 338
Total	547 970	72 429

24. FINANCIAL REVENUES AND EXPENSES

Financial income

	2021	2020
	TCZK	TCZK
Interest income		
- bank accounts	227	83
- other interest	5 803	5 943
Received dividends	303 969	0
Net foreign exchange gains on foreign currency transactions	17 889	0
Income from derivative transactions	5 169	8 546
Other financial income	815	1 041
Total	333 872	15 613

In 2021, the Company received the payment of dividends from EPISPOL, a.s. and CHS EPI, a.s. in the total amount of TCZK 303 969.

Other interest income in 2021 consists mainly of interest arising from a loan receivable provided in 2021 to SPOLCHEMIE SK, a.s. (TCZK 4 204) and a receivable from SPOLCHEMIE N.V. for TCZK 674 (2020: TCZK 4 949).

Financial costs

	2021	2020
	TCZK	TCZK
Interest expenses		
- non-bank loans	51 826	54 124
- other interest	7 510	13 584
- interest expense from lease liabilities	6 169	4 189
Settlement of sale of license to Spolchemie N.V.	112 400	0
Net exchange losses on foreign currency transactions	0	55 808
Factoring expenses	16 102	11 180
Other financial expenses	6 728	4 748
Total financial expenses	200 735	143 633

Adjustments to financial assets

The financial result for 2021 also includes the yield from the release of the adjustment for the receivable from Spolchemie N.V. in the amount of TCZK 219 118.

25. INCOME TAX

	31 December 2021	31 December 2020
	TCZK	TCZK
Current tax		
Previous period	-1 113	0
Current year	-360 696	2 031
Deferred tax		
Impact of changes in temporary differences	48 687	-6 460
Total income tax	-313 142	-4 429

Reconciliation of effective tax rate	31 December 2021	31 December 2020
	TCZK	TCZK
Profit/loss before tax	**1 951 739**	**-43 680**
income tax rate	19%	19%
Income tax calculated	-370 830	8 299
Impact of tax non-deductible expenses	-99 499	-54 176
Impact of tax-exempt income	157 188	41 448
Total calculated income tax	-313 142	-4 429
Effective income tax rate	16.04%	10.14%

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

Deferred tax

	Receivables		**Payables**		**Changes**	
	2021	2020	2021	2020	2021/2020	2020/2019
Difference between the book and tax value of fixed assets	23 951	25 244	-48 884	-41 321	-8 856	2 241
Inventories	3 278	2 345	0	0	933	-834
Provisions	62 849	6 239	0	0	56 610	-7 866
Deferred tax (receivable) / liability	90 078	33 828	-48 884	-41 321	48 687	-6 459
Deferred tax liability recorded	41 194	x	x	-7 493	x	x

As of 31 December 2021 and 2020, the Company does not record usable tax losses from previous years.

26. 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	
	2021	2020	2021	2020
Subsidiaries				
EPISPOL, a. s.	0	30 433	90 747	0
SPOLCHEMIE N.V.	0	2 737	0	0
SYNPO, akciová společnost	32	1 424	3 153	3 473
CHS Epi, a.s.	26 171	23 107	52 267	0
SPOLCHEMIE Electrolysis, a.s.	0	33 348	90 112	0
SPOLCHEMIE Distribution, a.s.	0	0	1	7
SPOLCHEMIE Precursors 2, a.s.	0	4	0	0
SPOLCHEMIE Precursors, a.s.	0	*	41	*
SPOLCHEMIE Zebra, a.s.	2	*	0	*
SPOLCHEMIE SK, s. r. o.	2 924	*	0	*
CSS, a.s.	419	210	0	2 745
Spolchemie, a.s.	191	161	0	0
Total	29 739	91 424	236 321	6 225

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

The Company's payables are generated mainly from the purchase of services under the toll fee regime and other overhead services. The Company's receivables are primarily 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	
	2021	2020	2021	2020
AB – CREDIT a.s.	0	0	467 682	604 024
KAPRAIN CHEMICAL LIMITED	0	0	30 180	0
SPOLCHEMIE N.V. (net)	0	144 220	0	0
EPISPOL, a.s.	0	0	0	333 774
SPOLCHEMIE SK, s.r.o.	153 327	*	0	*
SPOLCHEMIE Distribution, a.s.	14 792	0	0	0
CHS Epi, a.s.	0	0	0	241 806
Total	168 119	144 220	497 862	1 179 604

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

Purchase and sales volumes with related parties

	Purchases		Sales	
	2021	2020	2021	2020
Subsidiaries				
SYNPO, akciová společnost	18 201	17 665	734	7 778
EPISPOL, a.s.	205 712	240 679	39 434	31 436
SPOLCHEMIE Electrolysis, a.s.	697 788	761 925	334 594	317 931
CHS Epi, a.s.	378 314	304 859	90 950	83 226
SPOLCHEMIE SK, s.r.o.	0	*	4 204	*
SPOLCHEMIE Distribution, a.s.	0	30 261	33	32 224
CSS, a.s.	33 927	30 982	2 476	2 450
Total of consolidated companies	1 333 942	1 386 371	472 425	475 045
Fortischem, a.s.	1 075	**	19 853	**
Total of other related parties	1 075	0	19 853	0
Total	1 335 017	1 386 371	492 278	475 045

** As at 31 December 2020, the Company did not have a share in this company*
*** As at 31 December 2020, this company was 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 2021, the Company paid TCZK 286 in liability insurance (2020: TCZK 268).

In 2021 and 2020, 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 22. PERSONNEL EXPENSES

27. 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.

In 2020, the Company entered into a Financial Market Trading Framework Agreement with PPF banka, under which the Company enters into partial forward transactions to hedge against negative fluctuations in the EUR/CZK exchange rate. In 2021, the exchanges agreed in 2020 were executed in the amount of EUR 24 million (EUR 2 million per month) at an exchange rate ranging from CZK 26.12 to 27.20/EUR. In the same year, the Company entered into further tranches for 2022 and 2023 for a total volume of EUR 45 million at rates ranging from CZK 25.54 - 26.11/EUR.

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 2021 represented 56.7% of the volume of sales in EUR (2020: 62.4%).

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

Receivable and payables classification by currency

As at 31. 12. 2021	CZK	EUR	USD	Other	Total
	TCZK	TCZK	TCZK	TCZK	TCZK
Receivables	365 153	1 519 811	89 498	3 395	1 977 857
Payables	1 885 253	1 623 957	25 449	0	3 534 659

As at 31. 12. 2020	CZK	EUR	USD	Other	Total
	TCZK	TCZK	TCZK	TCZK	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

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 2021	31 December 2020
	TCZK	TCZK
Appreciation of EUR	37 188	-1 749
Appreciation of USD	729	167
Depreciation of EUR	61 782	25 929
Depreciation of USD	-729	-167

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 2021	31 December 2020
	TCZK	TCZK
Non-bank loans	1 254 470	1 819 962

Financial instruments with a variable interest rate	31 December 2021	31 December 2020
	TCZK	TCZK
Long-term receivables	0	367 420

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 2021	31 December 2020
	TCZK	TCZK
Sensitivity to cash flow – increase of interest rate	1 681	3 674
Sensitivity to cash flow – decrease of interest rate	-1 681	- 3 674

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 2021	Effective interest rate in %	Receivable/liability amount in TCZK	Future change in interest rate	Due date
Total interest-bearing receivables	3.56	168 119	*	31 December 2022
Total non-bank loans CZK	5.61	504 286	*	To 2032
Total non-bank loans EUR	3.61	750 184	*	To 2032
Total interest-bearing liabilities		1 254 470	*	30 September 2032

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	1.1.2021	To 2032
Total non-bank loans EUR	3.44	861 784	1.1.2021	To 2032
Total interest-bearing liabilities		1 817 359		

* 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 2021 TCZK	Fair value 2021 TCZK	Carrying value 2020 TCZK	Carrying value 2020 TCZK
Trade receivables, other receivables without tax receivables, advances paid and accruals	1 807 650	1 807 650	775 339	775 339
Long-term receivables and accruals	109 289	109 289	432 846	432 846
Cash and cash equivalents	512 885	512 885	145 813	145 813
Non-bank loans	-1 311 438	-1 311 438	-2 375 441	-2 375 441
Unpaid interest on non-bank loans	-16 040	-16 040	-27 817	-27 817
Trade and other payables and advances	-893 088	-893 088	-950 868	-950 868
Total	209 258	209 258	-2 000 128	-2 000 128

(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 Group also uses the services of a credit insurance firm, and insures the major part of its receivables. This insurance also minimises the negative impact of any expected credit risk. The evaluation and implementation of customer credit limits is carried out by the Finance Department (Credit Manager). The credit policy also includes rules against exceeding the credit limit or the deterioration of payment discipline.

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

Net book value	31 December 2021	31 December 2020
	TCZK	TCZK
Long-term receivables	68 095	432 846
Trade receivables	1 452 099	718 159
Other receivables and advances	416 469	131 578
Cash	512 885	145 813
Total	2 449 548	1 428 396

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 2021	Expected credit loss	31 December 2020	Expected credit loss
	TCZK	TCZK	TCZK	TCZK
Due	1 408 937	-4 186	698 198	-20 024
1-90 days overdue	51 015	-3 667	40 174	-189
91-180 days overdue	13	-13	164	-170
181-360 days overdue	121	-122	179	-179
More than 360 days overdue	33 981	-33 981	20 635	-20 630
Total	1 494 067	-41 968	759 351	-41 192
Net book value		1 452 099		718 159

Changes in impairment losses related to trade receivables

	31 December 2021	31 December 2020
	TCZK	TCZK
Balance as at 1 January	-41 192	-35 121
Creation of provisions	-5 634	-19 011
Release of provisions	4 828	12 669
Use of provisions – receivables write-off	30	271
Balance as at 31 December	-41 968	-41 192

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.

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

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

As at 31 December 2021	Contractual cash flows						
	Due or up to 2 months	2 - 6 months	6 – 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Loans	32 527	4 535	116 449	170 884	570 507	396 864	1 291 766
Lease liabilities	2 844	5 772	6 969	14 631	15 573	0	45 789
Other liabilities	1 021 069	449 118	249 680	29 604	438 918	8 715	2 197 104
Tota	1 056 440	459 425	373 098	215 119	1 024 998	405 579	3 534 659

At 31 December 2020	Contractual cash flows						
	Due or up to 2 months	2 - 6 months	6 – 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK	TCZK
Loans	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

(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.

28. 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 for the year.

	31 December 2021	31 December 2020
Profit / loss for year (in TCZK)	1 638 597	-48 109
Number of ordinary shares issued	3 878 816	3 878 816
Basic earnings/loss per share indicator in CZK	422.45	-12.40

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

29. RESEARCH AND DEVELOPMENT

In 2021, the Company spent TCZK 50 618 (2020: TCZK 39 599) on research and development. From this, in-house expenses on research and development activities amounted to TCZK 32 615 (2020: TCZK 24 034).

30. CAPITAL PLEDGES

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

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.

So far, a total of TCZK 2 792 517 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.

In view of various factors (including the rising inflation rate in the Czech Republic), the company concluded that the current amount of the environmental guarantee may not be sufficient for the remediation of the environmental burdens, and therefore, after unsuccessful negotiations with the Ministry of Finance, it filed a declaratory action against the Ministry of Finance before the District Court for Prague 1, seeking primarily a determination that the VAT paid or to be paid to the remediation contractors, which is also a revenue of the state budget, cannot be counted towards the use of the environmental guarantee. Spolek therefore seeks a declaration that the remaining unspent amount of the State guarantee is in fact higher than that recorded by the Ministry of Finance. No court decision has yet been issued in the case.

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

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

Provided guarantee

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

In 2006, the Company provided its subsidiary EPISPOL, a.s. with a guarantee for an investment loan amounting to TCZK 600 000 from EXPOBANK CZ (formerly LBBW Bank CZ). As of 31 December 2021, the outstanding part of the loan was TCZK 142 288 (as at 31 December 2020: TCZK 182 347). 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 SPOLCHEMIE 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 2021 amounts to TCZK 580 438 (as at 31 December 2020: TCZK 668 483). 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 2021 amounts to 113 789 TCZK (as at 31 December 2020: TCZK 153 948). 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.

On 29 October 2018 the Regional Court in Ústí nad Labem issued a ruling which confirmed the validity of the promissory note of payment, though on the Company's appeal, the High Court in Prague ruled to annul the decision of the Regional Court in Ústí nad Labem in 2019 and returned the case to it for further consideration.

On 22 November 2021, the Regional Court in Ústí nad Labem issued a new decision in which it annulled the promissory note of payment in its entirety and awarded the Company compensation for the costs of the proceedings. In the grounds for its judgement, the court fully agreed with the Company's argument that the promissory note in question was a secured promissory note and that the secured obligation had lapsed many years ago. However, the insolvency administrator lodged an appeal in the case, which has not yet been decided.

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. This is a receivable originally recorded by the Company as a liability to its shareholder, Via Chem Group, on the grounds of a loan agreement dated 5 October 2009, the creditor of which has since become KAPRAIN CHEMICAL LIMITED. In 2021, the Company paid off almost all of this debt to KAPRAIN CHEMICAL LIMITED (the entire principal has been paid and only CZK 30 million of interest remains to be paid).

On 6 October 2021, the District Court in Ústí nad Labem issued a judgement dismissing the insolvency administrator's action in its entirety. In the grounds for its judgement, the court fully agreed with the legal opinion of the Supreme Court expressed in a related dispute that the debtor STZ a.s. could never have incurred a claim against the Company in the past. However, the insolvency administrator filed an appeal against the judgement, which has not yet been decided.

Management is not aware of any other significant contingent liabilities of the Company as at 31 December 2021.

32. SUBSEQUENT EVENTS

A. Changes in subsidiaries

In February 2022, the Company increased the registered capital of SPOLCHEMIE Zebra, which was a subsidiary (newly acquired in 2021) of EPISPOL, a.s. As at 31 December 2021, by TCZK 275 256 through a non-cash contribution of mainly intangible assets. It thus acquired a majority stake in this company.

In the same month, the Company increased the registered capital of EPISPOL, a.s. by TCZK 270 976 by a non-cash contribution of shares representing the majority stake in SPOLCHEMIE Zebra.

B. Early repayment of part of the payables on received loans

At the beginning of 2022, the creditors agreed that the Company, thanks to its improved financial position and available funds, will make an early repayment to AB - CREDIT a. s. on the instalments due under the Loan Agreements at the end of Q3 and Q4 of 2022, and in 2023 and 2024.

During February 2022, these repayments were made, amounting to TCZK 219 445. The financial expenses arising from the interest on these loans have been reduced and the entire liability to AB - CREDIT a.s. is reported as long-term.

C. The war in Ukraine

The military conflict in Ukraine, which began at the end of February, has affected the Company's operations, both in the area of purchases and sales, mainly due to restrictions on trading with entities and products affected by the announced sanctions. However, the impact is not strategically significant. The Company is continuously monitoring the situation and taking measures to eliminate these impacts.

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 2021.

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 2021

(“Related entities report”)

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 2021 to 31 December 2021 (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**”).

1.2 Controlling entity

According to the information available to the Board of Directors of the Controlled Entity acting with due diligence, the Controlling Entity of the Controlled Entity in the Decisive Period was **Ing. Karel Pražák**, with his residence at Otradovická 730/9, Kamýk, 142 00 Prague 4, date of birth 3 April 1969 (hereinafter referred to as the “**Controlling Entity**“), who, according to the information available to the Board of Directors of the Controlled Entity, controlled the Controlled Entity indirectly through:

- **AB-CREDIT a.s.**, with its registered office at Opletalova 1603/57, Nové Město, 110 00 Prague 1, ID number: 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 part of the Decisive Period from 1.1.2021 to 1.9.2021 exercised the voting rights with shares representing an 8% share in the voting rights of Spolek pro chemickou a hutní výrobu; and
- **KAPRAIN CHEMICAL LIMITED**, with its registered office at Gianni Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 381813 (hereinafter referred to as “**KAPRAIN CHEMICAL**), which during the Decisive Period exercised the voting rights with shares representing first in the amount of a 43.12% share (in the period from 1.1.2021 to 4.2.2021), then a 52.57% share (in the period from 4.2.2021 to 1.7.2021), later an 82.92% share (in the period from 1.7.2021 to 1.9.2021), subsequently a 91.02% share (in the period from 1.9.2021 to 20.11.2021) and finally a 100% share (in the period from 20.11.2021 to 31.12.2021) in the voting rights of Spolek pro chemickou a hutní výrobu.

Thus, during the Decisive Period AB-CREDIT and KAPRAIN CHEMICAL, as entities acting in concert in the sense of Section 78 (2) (b) of the ABC jointly had a share in the voting rights representing first 51.12% (in the period from 1.1.2021 to 4.2.2021), then 60.57% (in the period from 4.2.2021 to 1.7.2021), and later 90.92% (in the period from 1.7.2021 to 1.9.2021), of all the votes in Spolek pro chemickou a hutní výrobu (and in accordance with Section 75 (3) were thus considered to be the controlling entries of Spolek pro chemickou a hutní výrobu), while in the part of the Decisive Period from 1.9.2021 to 20.11.2021, KAPRAIN CHEMICAL itself exercised the voting rights with shares representing 91.02% of all the voting rights in Spolek pro chemickou a hutní výrobu, increasing this share in the part of the Decisive Period from 20.11.2021 to 31.12.2021 to a 100% share in the voting rights in Spolek pro chemickou a hutní výrobu.

AB-CREDIT controlled the Controlling Entity indirectly through **KAPRAIN FINANCIAL HOLDING LIMITED**, with its registered office at Gianni Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 179241 (hereinafter referred to as "**KFHL**"), which in the Decisive Period exercised the voting rights with shares representing a 100% share in the voting rights in AB-CREDIT. KAPRAIN CHEMICAL controlled the Controlling Entity indirectly through **KAPRAIN INDUSTRIAL HOLDING LIMITED**, with its registered office at Gianni Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 338896 (hereinafter referred to as "**KIHL**").

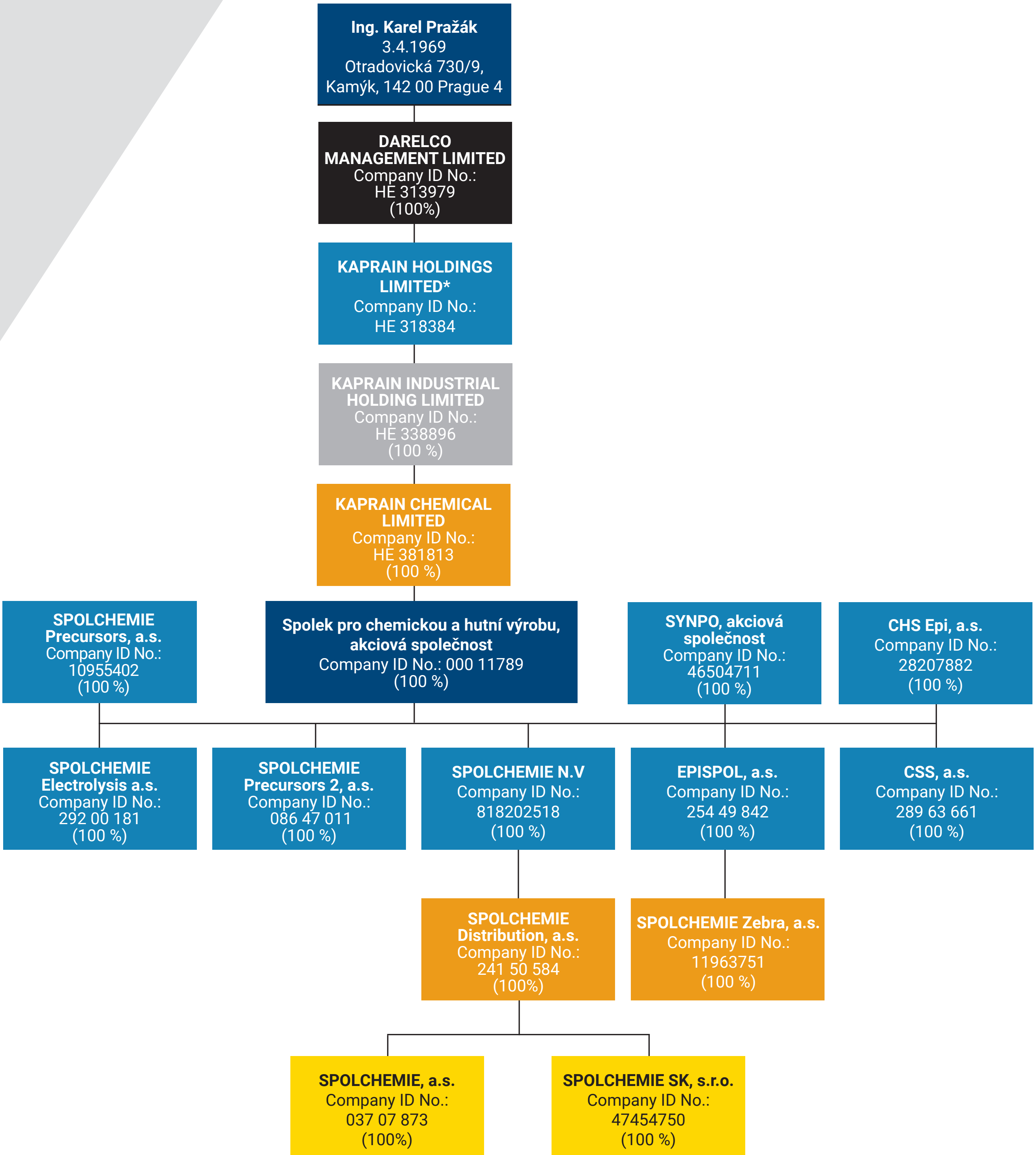
During the Decisive Period, KFHL and KIHL controlled the Controlling Entity indirectly through **KAPRAIN HOLDINGS LIMITED**, with its registered office at Gianni Kranidioti 9, 2nd floor, Flat/Office 210, 1065 Nicosia, Cyprus, registration number: HE 318384 (hereinafter referred to as "**KAPRAIN HOLDINGS**"),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

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

During the Decisive Period, DARELCO controlled the Controlling Entity directly as the sole shareholder exercising the voting rights connected to its share in the amount of 100% of the shares in DARELCO.

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

In the diagram below, the relations between the individual entities in the structure of controlled relations are presented from the Controlling Entity to the Controlled Entity with the shares in the voting rights for the individual entities/companies as at 31.12.2021.



DARELCO MANAGEMENT LIMITED is the sole shareholder of KAPRAIN HOLDINGS LIMITED with voting rights. All the entities that were controlled by the same Controlling Entity during the Decisive Period are presented in Appendix No. 1 to this Related Entities Report.

2 Method and means of control in Decisive Period

Pursuant to information available to the Board of Directors of the Controlled Entity, the Controlling Entity indirectly controlled the Controlled Entity through AB-CREDIT and KAPRAIN CHEMICAL (in the period from 1.9.2021 to 31.12.2021 only through KAPRAIN CHEMICAL). Společnost 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.

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

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

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

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

AB-CREDIT and KAPRAIN CHEMICAL were, as entities acting in concert in the sense of Section 78 (2) (b) of the ABC, the shareholders with the greatest share in Spolek pro chemickou a hutní výrobu, when in part of the Decisive Period from 1.1.2021 to 1.9.2021 AB-CREDIT had an 8% share in the registered capital and voting rights of Spolek pro chemickou a hutní výrobu and KAPRAIN CHEMICAL had first a 43.12% share (the period from 1.1.2021 to 4.2.2021), then a 52.57% share (the period from 4.2.2021 to 1.7.2021), later an 82.92% share (the period from 1.7.2021 to 1.9.2021), subsequently a 91.02% share (the period from 1.9.2021 to 20.11.2021) and finally a 100% share (the period from 20.11.2021 to 31.12.2021) in the registered capital and voting rights of Spolek pro chemickou a hutní výrobu.

Thus, during the Decisive Period, AB-CREDIT and KAPRAIN CHEMICAL jointly had first a 51.12% share (the period from 1.1.2021 to 4.2.2021), then a 60.57% share (the period from 4.2.2021 to 1.7.2021) and later a 90.92% share (the period from 1.7.2021 to 1.9.2021) in the registered capital and voting rights of Spolek pro chemickou a hutní výrobu, while in the part of the Decisive Period from 1.9.2021 to 20.11.2021 KAPRAIN CHEMICAL itself had a 91.02% share in the registered capital and voting rights of Spolek pro chemickou a hutní výrobu, only to increase this share in the part of the Decisive Period from 20.11.2021 to 31.12.2021 to a 100% share in the registered capital and voting rights of Spolek pro chemickou a hutní výrobu.

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

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

Legal entity	Company ID No. (IČO):	from - to
SYNPO, akciová společnost Pardubice - Zelené Předměstí, S.K. Neumanna 1316, postal code 532 07	46504711	1.1.2021 – 31.12.2021
EPISPOL, a.s. Revoluční 1930/86, Ústí nad Labem – centrum, 400 01 Ústí nad Labem	25449842	1.1.2021 – 31.12.2021
SPOLCHEMIE Electrolysis, a.s. Ústí nad Labem, Revoluční 1930/86, postal code 40032	29200181	1.1.2021 – 31.12.2021
SPOLCHEMIE Precursors 2, a.s. (in the period to 23.4.2021 as SPOLCHEMIE Precursors, a.s. and in the period between 23.4.2021 and 23.11.2021 as SPOLCHEMIE Hydrogen, a.s.) Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	08647011	1.1.2021 – 31.12.2021
SPOLCHEMIE N.V. Radarweg 29, 1043 NX, Amsterdam, Kingdom of the Netherlands	818202518	1.1.2021 – 31.12.2021
SPOLCHEMIE Distribution, a.s. Revoluční 1930/86, Ústí nad Labem – centrum, 400 01 Ústí nad Labem	24150584	1.1.2021 – 31.12.2021
CHS Epi, a.s. Ústí nad Labem, Revoluční 1930/86, postal code 40032	28207882	1.1.2021 – 31.12.2021
SPOLCHEMIE, a.s. Prokopova 148/15, Žižkov, 130 00 Prague 3	03707873	1.1.2021 – 31.12.2021
CSS, a.s. Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	28963661	1.1.2021 – 31.12.2021
SPOLCHEMIE SK, s.r.o. (in the period to 3.6.2021 as M - CHEMEX s. r. o.) Gagarinova 7/ABratislava - Ružinov city district 821 03, Slovensko	47454750	25.5.2021 – 31.12.2021
SPOLCHEMIE Zebra, a.s. (in the period to 14.12.2021 as ABACABA, a.s.) Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	11963751	19.11.2021 – 31.12.2021
SPOLCHEMIE Precursors, a.s. Revoluční 1930/86, Ústí nad Labem-centrum, 400 01 Ústí nad Labem	10955402	16.6.2021 – 31.12.2021

4 The role of the Controlled Entity in the structure of controlling relationships in the Decisive Period

The Controlled Entity stands as a managing entity in the head of a group containing the companies specified in Article 3 of this Related entities report. The top management of the Controlled Entity contributes to the management in other group companies and in the assertion of the group's interests through mandate and other contracts. The Controlled Entity is a manufacturer of synthetic resins and a wide range of chemical products from inorganic chemistry, using the other companies from the group for their production and processing.

5 Overview of actions taken on the initiative or in the interest of the Controlling Entity or entities controlled by it showing the characteristics pursuant to Section 81 (2) (d) of the ABC

During the Decisive Period the Controlled Entity did not make any actions taken on the initiative of the Controlling Entity or entities controlled by it or other measures that concern assets exceeding 10% of the equity of the Controlled Entity ascertained according to the financial statements for the financial period immediately preceding the accounting period for which the Related entities report was prepared.

6 Overview of mutual contracts between the Controlled Entity and the Controlling Entity and between the Controlled Entity and entities controlled by the Controlling Entity

6.1 Contracts concluded between the Controlled Entity and the Controlling Entity that were valid in the Decisive Period:

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

6.2 Contracts concluded between the Controlled Entity and the entities controlled by the Controlling Entity that were valid in the Decisive Period:

KAPRAIN CHEMICAL LIMITED

- Agreement on repayment of debts from 12.11.2021
- Agreement on repayment of debts from 9.11.2021

CSS, a.s.

- Contract for the provision of services dated 1.1.2011, as later amended
- Contract for the lease of non-residential premises dated 2.1.2015
- Contract for the provision of IT services dated 1.6.2010
- Framework agreement on the regulation of mutual relations in contracting a leased vehicle dated 1.6.2010
- Contract for the provision of telecommunication services dated 29.3.2011
- Framework agreement on the regulation of mutual relations, rights, obligations and services dated 23.6.2010
- Order agreement dated 1.11.2016
- Agreement on the processing of personal data dated 25.5.2018

CHS Epi, a.s.

- Service contract dated 25.9.2013
- Framework agreement on the regulation of mutual relations, rights, obligations and services from 25.9.2013
- Service contract dated 30.9.2013
- Agreement on the provision of maintenance services, inspection, planning and analytical activities and technical support of information systems for maintenance dated 30.9.2013
- Lease agreement dated 1.10.2013

- Lease agreement dated 1.10.2013
- Cooperation agreement dated 1.10.2013, as later amended
- Framework contract for work dated 1.10.2013, as later amended
- Inter-credit agreement dated 24.11.2014, as later amended
- Contract for accession to debt dated 24.11.2014
- Agreement on the right to complete a note from 24.11.2014
- Agreement on the establishment of a lien on receivables from insurance contracts dated 24.11.2014 (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 31.12.2015, as later amended
- Order agreement dated 1.11.2016, as later amended
- Framework purchase agreement dated 21.11.2016
- Agreement on mutual relations dated 1.8.2017
- Debt assumption and compensation agreement dated 15.9.2017
- Contract for the processing of personal data dated 25.5.2018
- Debt Recognition and Repayment Agreement dated 31.12.2020
- Netting agreement from 30.4.2021
- Debt Recognition and Repayment Agreement dated 30.9.2021
- Debt Recognition and Repayment Agreement dated 31.12.2021

SPOLCHEMIE Distribution, a.s.

- Cooperation agreement dated 1.12.2017
- Cooperation agreement dated 27.11.2014
- Loan agreement dated 7.12.2021

SPOLCHEMIE Electrolysis, a.s.

- Lease agreement dated 1.12.2013, as later amended
- Framework contract for work dated 8.4.2014, as later amended
- Cooperation agreement dated 4.8.2014, as later amended
- Agreement on the establishment of a lien on receivables from insurance contracts dated 24.11.2014 (NZ 1018/2014)
- Inter-credit agreement dated 24.11.2014, as later amended
- Framework agreement on the regulation of mutual relations, rights, obligations and services from 9.11.2015
- Agreement on the establishment of a lien on receivables from insurance contracts dated 24.11.2014 (NZ 1018/2014)
- Agreement on the establishment of a lien on a movable item (stock) dated 24.11.2014 (NZ 1020/2014)
- Order agreement dated 1.11.2016, as later amended
- Contract for the provision of services dated 30.12.2016, as later amended
- Compensation agreement dated 15.9.2017
- Recognition of a debt (obligation), Agreement with permission to enforce this record dated 29.9.2017 (NZ 812/2017)
- Contract for the processing of personal data dated 25.5.2018
- Agreement on the establishment of the right of construction dated 30.10.2019
- Energy Supply Agreement dated 20.12.2019
- Debt Recognition and Repayment Agreement dated 31.12.2021

SYNPO, akciová společnost

- Service contract dated 6.1.2021
- Contract on the protection of confidential information from 30.8.2021
- Agreement on the participation in a project solution from 29.3.2021

EPISPOL, a.s.

- Order agreement dated 1.11.2016, as later amended
- Cooperation agreement dated 7.12.2015, as later amended
- Framework contract for work dated 7.12.2015
- Guarantee agreement dated 15.9.2006
- Framework agreement on the regulation of mutual relations, rights, obligations, provision of services and adoption of the management system of 1.10.2004
- Service contract dated 31.12.2015
- Contract for the processing of personal data dated 25.5.2018
- Debt assumption and compensation agreement dated 15.9.2017
- Agreement on the establishment of the right of construction dated 4.6.2020
- Contract on the protection of confidential information from 20.6.2020
- Debt Recognition and Repayment Agreement dated 31.12.2021

AB - CREDIT, a.s.

- Framework lease agreement dated 14.6.2004, as later amended
- Lease agreement dated 11.5.2007, as later amended
- Lease agreement dated 28.1.2008, as later amended
- Lease agreement dated 1.7.2008, as later amended
- Lease agreement dated 13.6.2008, as later amended
- Debt recognition and repayment agreement dated 20.1.2021 (NZ 11/2021)
- Contract for the establishment of a lien dated 31.7.2009 (NZ 313/2009)
- Pledge agreement dated 7.10.2008 (NZ 284/2008)
- Contract for the establishment of a lien on property dated 7.1.2008
- Contract for the establishment of a lien on property dated 5.3.2008
- Agreement on the establishment of a lien on receivables dated 14.6.2004
- Pledge agreement dated 20.6.2008 (NZ 173/2008)
- Pledge agreement dated 24.3.2009 (NZ 71/2009)
- Pledge agreement dated 20.10.2006 (NZ 283/2006)
- Contract for the establishment of a lien on property dated 13.6.2008
- Contract for the establishment of a lien on property dated 20.10.2006
- Agreement on the establishment of a lien on receivables dated 8.2.2005
- Property pledge agreement dated 11.8.2009
- Contract for the pledge of the rights to items of industrial property dated 31.7.2009
- Property pledge agreement dated 31.7.2009
- Contract for the establishment of a lien dated 30.9.2009 (NZ 376/2009)
- Agreement on the right to complete a note from 7.3.2008

SPOLCHEMIE SK, s.r.o

- Loan agreement from 1.3.2021, as later amended
- Loan agreement from 23.4.2021, as later amended

7 **Evaluation of advantages, disadvantages and risks and any settlement of damage incurred by the Controlled Entity**

The Controlled Entity mainly derives benefits from participation in the structure of the control relations. The main advantages lie in the strong financial background of the Group with more favourable access to financing, from which the Controlled Entity benefits mainly in concluding transactions with its suppliers, as well as in negotiations with banks and other lenders, thus reducing costs.

The Controlled Entity did not incur any disadvantages or risks from the relationships that are the subject of this Report on Relations during the Decisive Period, nor has it suffered any damage from these relationships.

Thus the settlement of damages pursuant to Sections 71 and 72 of the ABC is not taken into account.

8 **Generalisation of information that comprises the subject of business secrets**

The Board of Directors of the Controlled Entity states that any information that comprises the subject of the business secrets of the Controlling Entity, Controlled Entity, or other entities controlled by the Controlling Entity are generalised in the Related entities report to a adequate extent corresponding to the purpose of the Related entities report.

This report was prepared by the Board of Directors, as the statutory body of the Controlled Entity, on the basis of information that was known to the members of the Board of Directors, as persons acting with due professional care.

Ústí nad Labem, 31 March 2022

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 during the Decisive Period

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled through
Darelco Management Limited	313979	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		Karel Pražák
KAPRAIN Holdings Limited	318384	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		Darelco Management Limited
KAPRAIN Financial Holding Limited	179241	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
KAPRAIN Real Estate Holding Limited	338897	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
KAPRAIN Industrial Holding Limited	338896	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
Fayvex Limited	1756022	British Virgin Islands	Entity controlled by the same controlling entity through property shares		KAPRAIN Holdings Limited
Jejomar Capital Limited	318224	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		Fayvex Limited
KAPRAIN Services a.s.	289 50 216	Czech Republic	Entity controlled by the same controlling entity through property shares		Jejomar Capital Limited
Kaprain Ice s.r.o.	108 24 723	Czech Republic	Entity controlled by the same controlling entity through property shares	from 4.5.2021	KAPRAIN Services a.s.
Kaprain Ice Letňany s.r.o.	117 39 983	Czech Republic	Entity controlled by the same controlling entity through property shares	from 12.8.2021	Kaprain Ice s.r.o.
ALS Investors, a.s.	079 05 149	Czech Republic	Entity controlled by the same controlling entity through property shares (50%)	from 28.5.2021	Kaprain Ice s.r.o.
AR DELTA, a.s.	284 30 824	Czech Republic	Entity controlled by the same controlling entity through property shares (25%)	from 28.5.2021	ALS Investors, a.s.
Credis Invest B.V.	34245967	The Netherlands	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
AB – CREDIT a. s.	405 22 610	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
CAVALET TRADE, s.r.o.	050 60 575	Czech Republic	Entity controlled by the same controlling entity through property shares	from 22.12.2021	AB – CREDIT a. s.

CM – CREDIT a.s.	250 95 048	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
FORTISCHEM a.s.	46 693 874	Slovak Republic	Entity controlled by the same controlling entity through property shares	from 26.2.2021	CM – CREDIT a.s.
CPP Strážov s.r.o.	46 358 421	Slovak Republic	Entity controlled by the same controlling entity through property shares	from 26.2.2021	FORTISCHEM a.s. (97%), CM – CREDIT a.s. (3%)
CP Inkaso s.r.o.	290 27 241	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
Alcathous Limited	264875	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
Tritiaco Limited	360704	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Financial Holding Limited
PUBLICOLA s.r.o.	053 06 159	Czech Republic	Entity controlled by the same controlling entity through property shares		AB – CREDIT a. s.
EDEN Jižní roh s.r.o.	017 55 706	Czech Republic	Entity controlled by the same controlling entity through property shares		AB – CREDIT a. s.
Travel Investment s.r.o.	258 76 881	Czech Republic	Entity controlled by the same controlling entity through property shares (50%)	from 27.7.2021	AB – CREDIT a. s.
KOVOTOUR PLUS s.r.o.	623 01 055	Czech Republic	Entity controlled by the same controlling entity through property shares	from 27.7.2021	Travel Investment s.r.o.
TRAVEL FAIMILY AIR s.r.o.	258 77 178	Czech Republic	Entity controlled by the same controlling entity through property shares	from 27.7.2021	KOVOTOUR PLUS s.r.o.
POMPILIUS s.r.o.	054 20 768	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited
Nej.cz s.r.o.	032 13 595	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited
Nej Kanál s.r.o.	027 38 252	Czech Republic	Entity controlled by the same controlling entity through property shares		Nej.cz s.r.o.
Telly CE s.r.o.	033 17 137	Czech Republic	Entity controlled by the same controlling entity through property shares	Cessation as a result of a merger by acquisition with Nej.cz s.r.o. as at 1.10.2021	Nej.cz s.r.o.
itself s.r.o.	188 26 016	Czech Republic	Entity controlled by the same controlling entity through property shares	Cessation as a result of a merger by acquisition with Nej.cz s.r.o. as at 1.10.2021	Nej.cz s.r.o.

Freebone s.r.o.	255 03 286	Czech Republic	Entity controlled by the same controlling entity through property shares	Cessation as a result of a merger by acquisition with Nej.cz s.r.o. as at 1.10.2021	itself s.r.o.
CentroNet, a.s.	261 65 473	Czech Republic	Entity controlled by the same controlling entity through property shares	Cessation as a result of a merger by acquisition with Nej.cz s.r.o. as at 1.10.2021	KAPRAIN Industrial Holding Limited
SporkNeT s.r.o.	483 94 009	Czech Republic	Entity controlled by the same controlling entity through property shares	Cessation as a result of a merger by acquisition with Nej.cz s.r.o. as at 1.10.2021	CentroNet, a.s.
kbNet s.r.o.	049 51 727	Czech Republic	Entity controlled by the same controlling entity through property shares		Nej.cz s.r.o. (to 1.10.2021 CentroNet, a.s.)
incrate s.r.o.	097 79 965	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited
MCnet internet s.r.o.	258 24 759	Czech Republic	Entity controlled by the same controlling entity through property shares	from 8.6.2021	Nej.cz s.r.o.
Kaprain Rubber a.s.	109 21 371	Czech Republic	Entity controlled by the same controlling entity through property shares	from 3.6.2021	KAPRAIN Industrial Holding Limited
Rubena, s.r.o.	097 25 351	Czech Republic	Entity controlled by the same controlling entity through property shares	from 1.10.2021	Kaprain Rubber a.s.
KAPRAIN CHEMICAL LIMITED	381813	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Industrial Holding Limited
Kaprain SK a.s.	283 61 881	Czech Republic	Entity controlled by the same controlling entity through property shares	from 26.2.2021	KAPRAIN CHEMICAL LIMITED
HC Sparta Praha a.s.	618 60 875	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Holešovice Services s.r.o.	091 70 065	Czech Republic	Entity controlled by the same controlling entity through property shares		HC Sparta Praha a.s.
Derlea Holdings Limited	349253	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Tenacity Limited	180866	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
WAIPA ENTERPRISES LIMITED	213047	Republic of Cyprus	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited

Vítězné náměstí s.r.o.	285 11 441	Czech Republic	Entity controlled by the same controlling entity through property shares (50%)		Derlea Holdings Limited
Office Star Two, spol. s r.o.	276 39 169	Czech Republic	Entity controlled by the same controlling entity through property shares		Tenacity Limited
Office Star Five, spol. s r.o.	276 39 185	Czech Republic	Entity controlled by the same controlling entity through property shares		Tenacity Limited
AXATAU a.s.	273 80 041	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED
ARANCIATA a.s.	276 21 707	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED
LONGORIA a.s.	276 30 188	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED
MIDATANER a.s.	290 55 768	Czech Republic	Entity controlled by the same controlling entity through property shares		WAIPA ENTERPRISES LIMITED
C & R Office Center One s.r.o.	282 29 045	Czech Republic	Entity controlled by the same controlling entity through property shares (60%)		KAPRAIN Real Estate Holding Limited
C & R Office Center Three s.r.o.	282 28 944	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DOMUS SENES, s.r.o.	604 70 771	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DOMUS SENES Property s.r.o.	096 66 389	Czech Republic	Entity controlled by the same controlling entity through property shares		DOMUS SENES s.r.o.
ZEFFIRO s.r.o.	279 13 571	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
KAPRAIN DEVELOPMENT s.r.o.	274 50 732	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
KAPRAIN FACILITY s.r.o.	070 54 033	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
FLUMINE ENERGY s.r.o.	261 81 568	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Flumine Energy Trading s.r.o.	067 19 741	Czech Republic	Entity controlled by the same controlling entity through property shares		FLUMINE ENERGY s.r.o.
DOC Mercury, a.s.	057 10 031	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited

FINERGIS REAL, a.s.	267 06 199	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Family Living Říčany s.r.o.	046 33 768	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Family Living Horoměřice s.r.o.	052 48 809	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 1 s.r.o.	071 77 551	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 2 s.r.o.	071 78 093	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 3 s.r.o.	071 78 131	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 4 s.r.o.	071 78 212	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Andego Real 5 s.r.o.	071 78 387	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
KAPRAIN Realty Trade a.s.	072 75 005	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DeVe Invest Two s.r.o.	072 71 344	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DeVe Fashion Store s.r.o.	086 82 089	Czech Republic	Entity controlled by the same controlling entity through property shares (80%)		DeVe Invest Two s.r.o.
DeVe Invest Three s.r.o.	072 72 863	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Paleoinvest s.r.o.	086 28 424	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Paleoinvest 2 s.r.o.	108 24 235	Czech Republic	Entity controlled by the same controlling entity through property shares	from 4.5.2021	KAPRAIN Real Estate Holding Limited
GEWI, s.r.o.	602 03 722	Czech Republic	Entity controlled by the same controlling entity through property shares	to 19.2.2021	KAPRAIN Real Estate Holding Limited
The Prague Outlet s.r.o.	062 63 615	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
The Prague Outlet One a.s.	241 88 107	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited

POP Outlet Services a.s. (formerly The Prague Outlet Two a.s.)	052 71 894	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DREITONEL One s.r.o.	039 39 863	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
DREITONEL Two s.r.o.	039 39 880	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Majaland Praha s.r.o.	039 39 898	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Smashing moment s.r.o.	024 50 682	Czech Republic	Entity controlled by the same controlling entity through property shares	from 5.3.2021 to 1.10.2021 (cessation as a result of a merger by acquisition with Majaland Praha s.r.o.)	Majaland Praha s.r.o.
POP Entertainment Services s.r.o.	064 94 536	Czech Republic	Entity controlled by the same controlling entity through property shares	from 8.4.2021	KAPRAIN Real Estate Holding Limited
POP retail s.r.o.	107 25 008	Czech Republic	Entity controlled by the same controlling entity through property shares	from 31.3.2021	KAPRAIN Real Estate Holding Limited
DeVe Invest Five a.s.	095 45 603	Czech Republic	Entity controlled by the same controlling entity through property shares	until 6.8.2021	KAPRAIN Real Estate Holding Limited
Tera Properties a.s. (formerly DeVe Invest Six a.s.)	095 68 981	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN Real Estate Holding Limited
Agro Tera, a.s.	251 38 481	Czech Republic	Entity controlled by the same controlling entity through property shares	from 19.4.2021 to 29.12.2021 (cessation as a result of a merger by acquisition with Tera Properties a.s.)	Tera Properties a.s. (formerly DeVe Invest Six a.s.)
Kovářská 939 s.r.o.	077 01 144	Czech Republic	Entity controlled by the same controlling entity through property shares	from 31.3.2021	KAPRAIN Real Estate Holding Limited
SPOLCHEMIE Precursors 2, a.s. (formerly SPOLCHEMIE Precursors, a.s. and SPOLCHEMIE Hydrogen, a.s.)	086 47 011	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
SPOLCHEMIE N.V.	818202518	The Netherlands	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost

SYNPO, akciová společnost	465 04 711	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
CSS, a.s.	289 63 661	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
EPISPOL, a.s.	254 49 842	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
SPOLCHEMIE Distribution, a.s.	241 50 584	Czech Republic	Entity controlled by the same controlling entity through property shares		SPOLCHEMIE N.V.
CHS Epi, a.s.	282 07 882	Czech Republic	Entity controlled by the same controlling entity through property shares	.	Spolek pro chemickou a hutní výrobu, akciová společnost (until 14.4.2021 through SPOLCHEMIE N.V.)
SPOLCHEMIE, a.s.	037 07 873	Czech Republic	Entity controlled by the same controlling entity through property shares		SPOLCHEMIE Distribution, a.s.
SPOLCHEMIE Precursors, a.s.	109 55 402	Czech Republic	Entity controlled by the same controlling entity through property shares	from 16.6.2021	Spolek pro chemickou a hutní výrobu, akciová společnost
SPOLCHEMIE Zebra, a.s. (formerly ABACABA, a.s.)	119 63 751	Czech Republic	Entity controlled by the same controlling entity through property shares	from 19.11.2021	EPISPOL, a.s. (do 13.12.2021 prostřednictvím SPOLCHEMIE Precursors 2, a.s.)
SPOLCHEMIE SK, s.r.o. (dříve M - CHEMEX s.r.o.)	47 454 750	Slovakia	Entity controlled by the same controlling entity through property shares	od 25.5.2021.	SPOLCHEMIE Distribution, a.s.
SPOLCHEMIE Electrolysis, a.s.	292 00 181	Czech Republic	Entity controlled by the same controlling entity through property shares		Spolek pro chemickou a hutní výrobu, akciová společnost
Spolek pro chemickou a hutní výrobu, akciová společnost	000 11 789	Czech Republic	Entity controlled by the same controlling entity through property shares		KAPRAIN CHEMICAL LIMITED

SPOLCHEMIE

SPOLEK PRO CHEMICKOU A HUTNÍ VÝROBU, AKCIOVÁ SPOLEČNOST

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