

Invitation to Extraordinary General Meeting of Korado - Bulgaria AD

Dear Shareholders and Vote-Holders,

The Supervisory Board of Korado - Bulgaria AD, a joint-stock company incorporated and existing under the laws of the Republic of Bulgaria, having its seat and address of management at: Strazhitsa, 28, Gladstone St., registered with the Commercial Registry at the Registry Agency under Uniform Identification Code 814190902, and having its official web-site on the Internet at <http://korado.bg> (hereinafter referred to as the “**Supervisory Board**” and the “**Company**”, respectively) took a resolution for convening an extraordinary session of the General Meeting of the Company (hereinafter referred to as the “**General Meeting**”), on the grounds of Art. 223, Par. 1 of the Law on Commerce.

In performance of the resolution, the Supervisory Board does hereby invite you to attend the General Meeting. The General Meeting will be held on 16 September 2020 at 11:00 a.m. at the following address: Strazhitsa, 28, Gladstone St., with the following agenda and draft-resolutions:

1. Approval of the 6-Month Financial Statements of the Company for the period ending on 30 June 2020

Draft-Resolution: “The General Meeting approves the 6-Month Financial Statements of the Company for the period ending on 30 June 2020.”

2. Approval of the report of the Management Board of the Company on the compliance with the statutory requirements to the payment of 6-month dividend

Draft-Resolution: “The General Meeting approves the report of the Management Board of the Company on the compliance with the statutory requirements to the payment of 6-month dividend.”

3. Payment of 6-month dividend from a portion of the profit of the Company for the first half of the year 2020

Draft-Resolution: “The General Meeting resolves that to the shareholders of the Company as 6-month dividend is paid a portion of the net profit of the Company of BGN 2 402 406 , 42 for the first half of the year 2020, as follows: (i). total gross amount of the dividend – BGN 1 316 861.40 ; (ii). gross amount of the dividend per share – BGN 0.10

4. Authorizing the Management Board of Korado – Bulgaria AD (“Korado BG”) to perform deals of sale of radiators, materials for radiators and spare parts for radiators to Korado, a.s., Czech Republic (“Korado CR”)

Draft-resolution: The General Meeting, on the grounds of 114, Par. 1, item 1 in relation to Art. 114a, Par. 7 of the Law on the Public Offering of Securities, authorizes the Management Board of Korado BG to perform deals of sale of radiators, materials for radiators and spare parts for radiators to Korado CR under Framework Agreement, subject to the following essential terms and conditions:

(a). parties to the deals:

Korado BG as Seller and Korado CR as Purchaser

(b). subject-matter of the deals:

The Framework Agreement and the deals are for the recurring (monthly, quarterly or yearly) sales of the following 4 types of assets: (a). radiators manufactured by Korado BG, which are ready for market realization; (b). radiators manufactured by Korado BG, which have not undergone surface treatment; (c). materials for employment in the manufacturing of radiators; and/or (d). spare parts for radiators, each individual deal of sale being subject to written order and confirmation.

(c). *value of the deals:*

The unit prices of the radiators, materials and/or spare parts shall be determined on an annual basis in alignment with the Transfer Pricing Documentation of Korado BG for the respective calendar year, as updated.

The aggregate price of the radiators, materials and spare parts shall not exceed **BGN 40 million** per financial year (net of VAT and transaction costs).

(d). *timeline of the deals:*

The sales of radiators, materials and spare parts, which have been hereby authorized and/or confirmed by the General Meeting, commence upon the entering into written Framework Agreement/s for such sales and end at the date of expiry or termination of such agreement/s, but not later than **31 December 2025**.

(e). *beneficiaries of the deals:*

Korado BG and KORADO CR

(f). *other essential terms and conditions of the deals:*

Korado CR shall pay for the radiators, materials and spare parts sold not later than 60 (sixty) days from the date of invoice. The transfer of title shall occur upon full payment.

The terms of delivery shall be agreed upon (including, but not necessarily, by reference to Incoterms 2010 or Incoterms 2020) on a case-by-case basis.

Korado BG shall not be bound by commitment to sell exclusively to Korado CR.

Korado BG shall not be bound by commitment to minimum volume of sales.

Korado CR shall assume the following obligations: (a). to procure for the distribution of the ready-for-market-realization radiators on terms, which Korado BG considers usual to the radiator market at the moment of the respective sale; (b). to adequately protect any and all intellectual property rights of Korado BG over the radiators and support the legitimate business interest of Korado BG in the most beneficial market realization of the radiators.

The framework terms and conditions of the deals shall be governed by the Czech law. The disputes arising from the deals shall be referred for solution to the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic.

5. Authorizing the Management Board of Korado – Bulgaria AD (“Korado BG”) to perform deals of purchase of radiators, materials for radiators and spare parts for radiators from Korado, a.s., Czech Republic (“Korado CR”)

Draft-resolution: The General Meeting, on the grounds of 114, Par. 1, item 1 in relation to Art. 114a, Par. 7 of the Law on the Public Offering of Securities, authorizes the Management Board of Korado BG to perform deals of purchase of radiators, materials for radiators and spare parts for radiators from Korado CR under Framework Agreement, subject to the following essential terms and conditions:

(a). *parties to the deals:*

Korado CR as Seller and Korado BG as Purchaser

(b). *subject-matter of the deals:*

The Framework Agreement and the deals are for the recurring (monthly, quarterly or yearly) purchases of the following 3 types of assets: (a). radiators for non-exclusive distribution by Korado BG on the territory of the countries of Central and Eastern Europe; (b). materials for employment in the manufacturing of radiators; and/or (c). spare parts for radiators, each individual deal of purchase being subject to written order and confirmation.

(c). *value of the deals:*

The unit prices of the radiators, materials and/or spare parts shall be determined on an annual basis in alignment with the Transfer Pricing Documentation of Korado BG for the respective calendar year, as updated.

The aggregate price of the radiators, materials and spare parts shall not exceed **BGN 5 million** per financial year (net of VAT and transaction costs).

(d). *timeline of the deals:*

The purchases of radiators, materials and spare parts, which have been hereby authorized and/or confirmed by the General Meeting, commence upon the entering into written agreements for such purchases and end at the date of expiry or termination of such agreements, but not later than **31 December 2025**.

(e). *beneficiaries of the deals:*

Korado BG and KORADO CR

(f). *other essential terms and conditions of the deals:*

The transfer of title to the radiators, materials and spare parts shall occur upon full payment of their price.

The General Terms and Conditions of Delivery of Korado CR, as amended from time to time, shall apply to the purchases. The terms of delivery shall be either FCA (registered office of Korado CR) under Incoterms 2010 or otherwise agreed upon (including, but not necessarily, by reference to Incoterms 2010 or Incoterms 2020) on a case-by-case basis.

Korado BG shall not be bound by commitment to purchase exclusively from Korado CR.

Korado BG shall not be bound by commitment to minimum volume of purchases.

The framework terms and conditions of the deals shall be governed by the Czech law. The disputes arising from the deals shall be referred for solution to the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic.

6. **Miscellaneous.**

Any and all shareholders and vote-holders of the Company are invited to attend the General Meeting. Please, note the following terms and conditions to the preparation for, participation in, and voting at, the General Meeting:

1. *Record Date of Holding Votes for the Purpose of the General Meeting*

The right to participate in, and vote at, the General Meeting is vested into the persons, who/which are registered as entitled to voting at the registry kept by Central Depository AD 14 (fourteen) days before the date of holding of the General Meeting, i.e. on 2 September 2020.

2. *Registration*

The registration of the shareholders and vote-holders for participation in the General Meeting will commence 1 (one) hour before the announced kick-off time at the announced venue of the General Meeting.

Shareholders and vote-holders – natural persons – will be required to evidence their identity by way of presentation of an identity card or passport.

People, who are statutory representatives of legal entities – shareholders or vote-holders, will be required to evidence: (a). their identity, as shown in the preceding paragraph; and (b). their representative power by way of presentation, in a hard-paper original counterpart, of an excerpt from the registry or other record by a competent authority, which is assigned by applicable law with the keeping of the corporate (or other, as relevant to any specific type of legal entity) files of the respective type of legal entity, such excerpt or other record containing the name and position of the respective statutory representative/s and being updated as of not earlier than 3 (three) months before the date of holding of the General Meeting, i.e. not earlier than 16 June 2020. Where the excerpt or other record is originally prepared in a foreign language, the excerpt or other record will be required to bear an Apostille seal or be otherwise legalized for use in Bulgaria, as required by Bulgarian law, and have translation of the relevant information into Bulgarian, which is done by a sworn translator.

3. *Representation by Power of Attorney*

Each shareholder and vote-holder has the right to authorize an individual or a legal entity for representation at the General Meeting by receiving the materials for, participating in, and voting at, the General Meeting in the name and at the expense of the shareholder or vote-holder by way of Power of Attorney.

No shareholder or vote-holder may be represented by a member of the Management Board or the Supervisory Board of the Company, unless the shareholder or vote-holder has expressly specified the manner of voting on each of the items on the agenda in the Power of Attorney.

The attorney-in-fact has the same rights as the shareholder or vote-holder represented by him. The attorney-in-fact is obliged to exercise the voting rights in accordance with the instructions of the shareholder or vote-holder contained in the Power of Attorney (if any).

An authorized attorney-in-fact may represent more than one shareholder or vote-holder at the General Meeting. In such event, the authorized attorney-in-fact may vote in a different manner with the shares or votes held by the different shareholders or vote-holders represented by him.

The Power of Attorney for the representation of a shareholder or vote-holder at the General Meeting should be: granted for the specific session of the General Meeting; express; set out in written form; and having the following requisites at the least: details of the grantor and the attorney-in-fact; number of the shares, to which the Power of Attorney refers; the agenda of the items proposed for discussion; the draft resolutions on each of the items on the agenda; the manner of voting on each of the items on the agenda, if applicable; date and signature. In the event that the Power of Attorney does not contain the manner of voting on any or all of the items on the agenda, the Power of Attorney needs to contain the statement that the attorney-in-fact has full discretion as to whether or not and, if yes, how to vote.

A form of a Power of Attorney for the General Meeting will be prepared by the Company and made available to the shareholders and vote-holders for use from the date of announcement of this present invitation at the Trade Registry until the date of holding of the General Meeting, as follows: (a). in a hard-paper copy amongst the materials for the General Meeting at the address of management of the Company; and (b). in an electronic form at the official web-site of the Company on the Internet.

In the event that a shareholder or vote-holder authorizes an attorney-in-fact for the General Meeting, a copy of the Power of Attorney will be required to be sent to Ms. Snezhana Baycheva, Investor Relations Director of the Company: (a). by registered post to the address of management of the Company specified hereinabove; or (b). by e-mail to info@korado.bg, by 4:00 p.m. Bulgarian time on the last working day before the date of holding of the General Meeting, i.e. by 15 September 2020. The notice of the authorization could also be given by use of electronic means – the e-mail of the Company announced at the official web-site of the Company on the Internet.

The original hard-paper counterparts of the Powers of Attorney will be required to be presented upon the registration of the shareholders and vote-holders for participation in the General Meeting.

4. *No Voting by Correspondence or Electronic Means*

To the General Meeting will not apply the rules for voting by correspondence or by electronic means provided for in Art. 115, Par. 2, item 6 of the Law on Public Offering of Securities.

5. *Rights of the Shareholders and Vote-Holders Associated with the General Meeting*

5.1. *Number of Shares and Voting Rights*

The total of all shares of the Company as at the moment of the resolution of the Supervisory Board on the convocation of the General Meeting is 13,168,614 (thirteen million one hundred and sixty eight thousand six hundred and fourteen). Each of these shares entitles to 1 (one) vote at the General Meeting. The total of all votes at the General Meeting is 13,168,614 (thirteen million one hundred and sixty eight thousand six hundred and fourteen).

5.2. *Statements, Questions and Proposals for Resolution*

Each shareholder or vote-holder has the right to make statements, ask questions and, subject to compliance with the statutory procedure for that – propose resolutions on any and all of the items of the agenda of the General Meeting, as announced by this present invitation. Unless otherwise required by law, the deadline for exercising the right to propose resolutions is the end-time of the regime of discussions on the respective item of the agenda and before the start-time of the regime of voting on the item. The questions of the shareholders and vote-holders may also refer to matters, which are not covered by the announced items of the agenda of the General Meeting.

5.3. *Proposals for Resolutions on Matters of Substance on Items of the Agenda*

Each shareholder or vote-holder has the right to make proposals for resolution on the substance of any matter included in the agenda, subject to compliance with the requirements of the law, where the restriction under Art. 118, Par. 3 of the Law on Public Offering of Securities shall apply accordingly. The deadline for exercising this right is the end-time of the discussion regime on the respective item of the agenda before the start-time of the voting regime at the General Meeting.

5.4. *Addition of Items to the Agenda*

Shareholders or vote-holders who/which, individually or collectively, hold shares or votes representing at least 5% of the registered capital of the Company may, after the announcement of this present invitation at the Trade Registry, include other items in the agenda of the General Meeting. For that, they should submit for announcement at the Trade Registry a list of the items for adding to the agenda and the draft resolutions on such items not later than 15 days before the date of holding of the General Meeting. By their announcement in the Trade Registry, the items should be considered included in the proposed agenda. Not later than the next working day after the announcement, the shareholders or vote-holders should present the list of items, the draft resolutions and the written materials at the seat and the address of management of the Company and to the Financial Supervision Commission.

6. *Inadmissible Resolutions*

The General Meeting cannot take resolution concerning issues, which have not been announced in accordance with Art. 223 and 223a of the Law on Commerce, except where all shareholders and vote-holders are attending or are represented at the General Meeting and no one objects to the raised issues being discussed.

7. *Lack of Quorum*

In the event of lack of quorum, pursuant to Art. 227, Par. 3 of the Law on Commerce and Art. 61, Par. 2 of the Articles of Association of the Company, will be held a new session of the General Meeting on 30 September 2020 at 11:00 a.m., at the same place and with the same agenda.

8. *Availability of the Materials for the General Meeting*

As from the date of announcement of this present invitation at the Commercial Registry until the date of holding of the General Meeting, the materials relating to its agenda will be made available to the shareholders, vote-holders and their representatives at the address of management of the Company: Strazhitsa, 28, Gladstone St., on any business day between 9:00 a.m. and 4:00 p.m. and will be provided, upon request by a shareholder or a representative of a shareholder, at no cost. Throughout the same period of time, the materials will also be available at the official web-site of the Company on the Internet.

9. *Breach of the Requirements for Registration and Representation by Power of Attorney*

In the event of breach of any of the requirements for registration and/or representation by Power of Attorney, as set out in items 2 and 3 of this present invitation, of any character whatsoever, the respective shareholder, vote-holder or his statutory representative or proxy will not be allowed to participate in the discussion and vote on any or all the of items of the agenda of the General Meeting, as the case may be, or where he has participated or voted so, his statement/s and vote/s will be disqualified.

Chairman of the Supervisory Board of the Company:



Tomáš Kollert

Executive Director of the Company:



Jiří Rezníček