



INTERIM MANAGEMENT REPORT

KORADO-BULGARIA AD

31 December 2022

MANAGEMENT BOARD

Jiri Reznicek – Chairman of MB and Executive Director
Silviya Stefanova
Jana Havlova

SUPERVISORY BOARD

Tomas Kollert – chairman of SB
Eva Voborova
Ivan Lyaskov
Evelina Miltenova

AUDIT COMMITTEE

Sneznanka Kaloyanova
Martin Preisler
Irena Mihailova

LEGAL CONSULTANTS

Ivan Asenov Lyaskov
Konechna and Zaha Legal Firm

REGISTERED AND MANAGEMENT ADDRESS

Town of Strazhitsa
28 Gladstone Street

REGISTRATION NUMBER

UIC 814190902

BANKERS

UBB
DSK Bank

AUDITOR

Deloitte audit Ltd
103, Alexander Stambolijski Blvd.
Sofia Tower (Mall of Sofia)
Sofia, 1303

Management of Korado-Bulgaria AD presents the interim management report and interim financial statements as of 31 December 2022 prepared in accordance with the International Accounting Standard (IAS) 34 Interim financial statements, as adopted for use in the European Union.

THIS MANAGEMENT REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF APPENDIX 9 TO ARTICLE 33, PARAGRAPH 1, ITEM 3 AND ARTICLE 33 OF ORDINANCE NO 2 OF 17 SEPTEMBER 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION BY THE PUBLIC COMPANIES AND THE OTHER COMPANYS OF SECURITIES

DESCRIPTION OF THE ACTIVITY

Korado-Bulgaria AD (*the „Company”*) is registered with the Commercial Register at the Registry Agency under Unified Identification Code (UIC) 814190902, with registered address and address of management: Republic of Bulgaria, Veliko Tarnovo Region, Strazhitsa Municipality 5150, 28 Gladstone Street.

The main scope of activity of the Company includes: manufacture and sale of heating equipment, domestic and foreign trade in all their varieties, domestic and international transport, representation and agency. The Company may perform also any other types of activities not prohibited by the laws of the Republic of Bulgaria.

The Company has no branches registered in the country and abroad.

Since 1994 the Company has been manufacturing primarily steel water heating panel radiators. The traditional brand KORADO is perceived as a good product of European quality.

In 2022 the Company sells mostly to the European market, with the biggest share of sales being directed to KORADO a.s. Czech Republic (*the „parent company”*).

The main suppliers of materials to the Company in 2022 were: Balkan Steel Engineering Sofia, Liberti Galati Romania, Huss Ltd. Lom, Husung Corporation Korea, Bemas Metal Turkey, Comital Turkey, CZ Ferosteel, Czech Republic, Borcelik Turkey, US Steel Slovakia, Commital Turkey, Frei Lacke Germany and CWS Germany.

The Company does not depend on its suppliers as it is able to choose among numerous companies according to the prices offered, quality and method payment.

ANALYSIS OF THE OPERATING RESULTS

Production

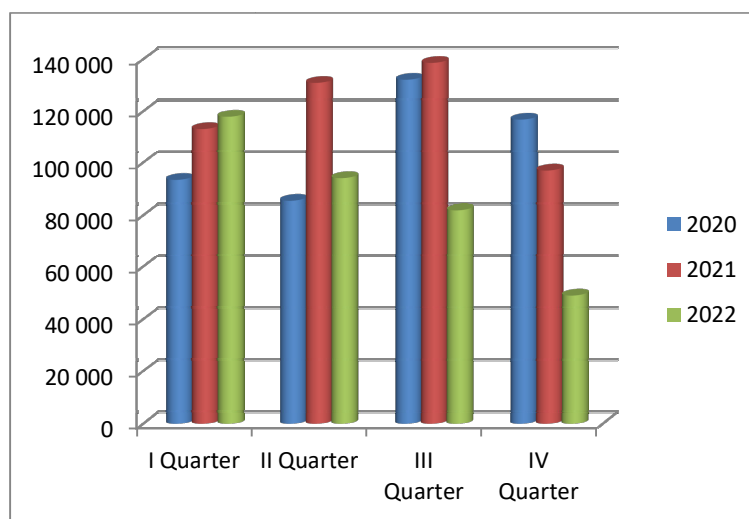
As of 31.12.2022, the Company manufactured 343,371 water heating panel radiators. The Holding's management implements an appropriate marketing strategy aiming at preserving the share on the existing markets and keeping people in jobs.

The radiators manufactured in 2022, as also in the previous years of 2021 and 2020, are shown in the table and graph below:

Year	I Quarter	II Quarter	III Quarter	IV Quarter	Total
2020	93 522	85 766	132 203	116 846	428 337
2021	113 347	130 980	138 546	97 092	479 965
2022	118 053	94 194	81 915	49 209	343 371

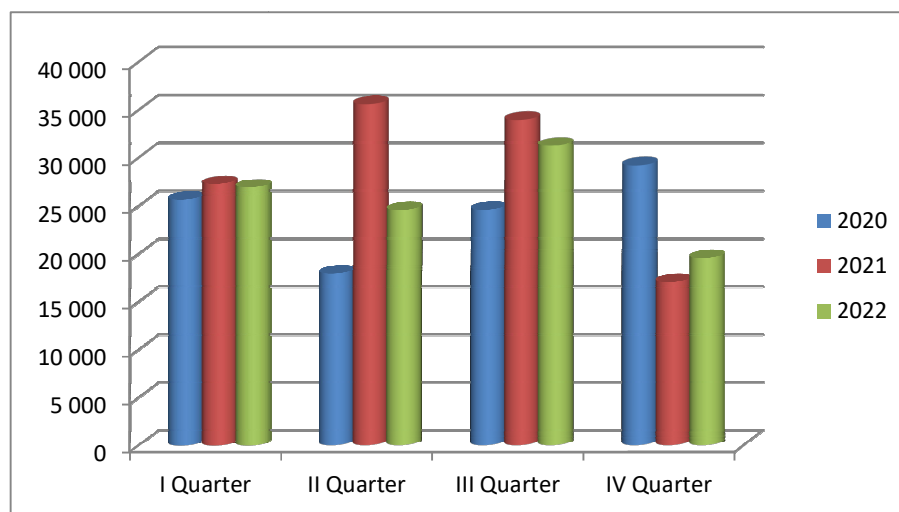
ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Production (continued)



As of 31.12.2022 Company manufactured 102,287 tubular heating units. The tubular radiators manufactured during 2022, as also in the previous years of 2021 and 2020, are shown in the table and graph below:

	I Quarter	II Quarter	III Quarter	IV Quarter	Total
2020	25 640	17 925	24 580	29 270	97 415
2021	27 290	35 610	33 980	17 033	113 913
2022	26 918	24 550	31 283	19 536	102 287



ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Sales

As of 31 December 2022, the major trading partners of the company are KORADO a.s. and companies in the European market.

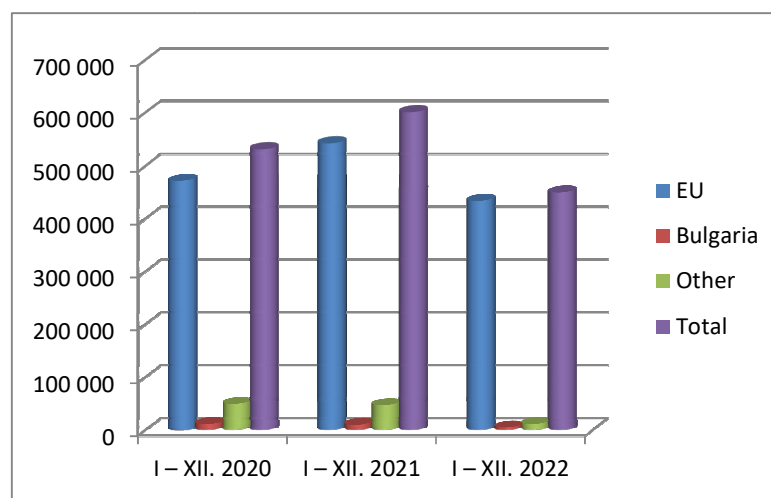
In 2022, the sales of Korado-Bulgaria AD amount to 449,701 incl. panel radiators, tubular radiators and design radiators.

The sales in the territory of the country amount to 4,594, which forms a minimum share of total sales of 1%.or about 1.7% of total sales.

To EU partners there have been sold 433,621 panel radiators and tubular radiators, and to countries outside the EU 11,486 units. Compared to the same period of the previous year, there is a significant decrease in the volume of products sold to countries outside the EU, and 20% decrease in sales to countries in the European Union. Sales in Bulgaria marked a 55% decrease compared to the previous period - January - December, 2021.

The sales of heating units in 2022 and the previous years of 2021 and 2020 are shown in the following table and graph:

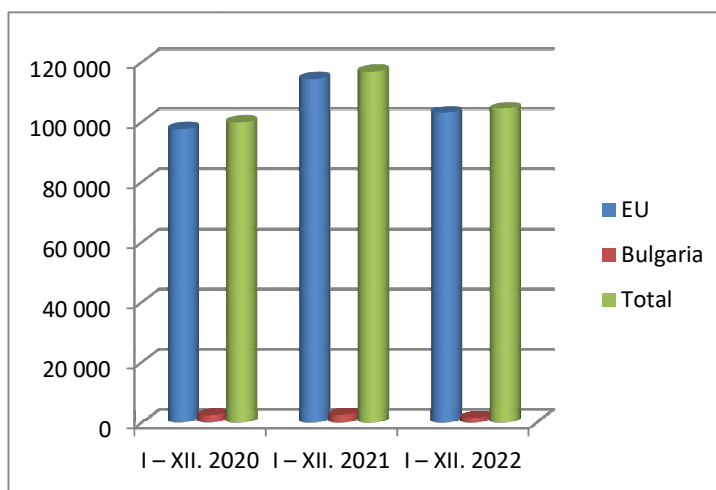
Period	Units	EU	Bulgaria	Other	Total
I – XII. 2020	number	471 523	11 415	49 654	532 592
I – XII. 2021	number	543 425	10 144	47 288	600 857
I – XII. 2022	number	433 621	4 594	11 486	449 701



The following table illustrates the number of tubular and design heating units sold in 2022 and previous 2021 and 2020:

Period	Units	EU	Bulgaria	Total
I – XII. 2020	number	97 589	2 214	99 803
I – XII. 2021	number	114 285	2 414	116 699
I – XII. 2022	number	103 011	1 296	104 307

ANALYSIS OF THE OPERATING RESULTS (CONTINUED)



The trade relationships between KORADO-Bulgaria AD and the companies from the economic group are on equal trade footing and no preferences or reliefs are provided on the basis that they are related parties.

RELATED PARTY TRANSACTIONS DISCLOSURE

Besides with its parent company KORADO a.s., Czech Republic, during 2022 and 2021 there have been transactions carried out by the Company with other related parties as well, namely with Licon Heat s.r.o., Czech Republic (a subsidiary of KORADO a.s., Czech Republic).

The related party transactions originate from commercial relationships and loans granted. The loan funds are mainly used for investments.

As at 31 December 2022, the loan liabilities to the parent company amounted to EUR 3,100 thousand.

The total amounts of related party transactions and balances due for the current and previous reporting period are as follows:

Nature		31.12.2022	31.12.2021
		<i>BGN'000</i>	<i>BGN'000</i>
Purchases from related parties			
<i>Ultimate parent company</i>			
Korado a.s. Czech Republic	Purchase of materials and goods	1,822	1,462
	Purchase of services	309	328
	Purchase of FTAs	-	-
	Interest on loan	85	65
Licon Heat s.r.o. Czech Republic	Purchase of materials and goods	79	92
		2,295	1,947

RELATED PARTY TRANSACTIONS DISCLOSURE (CONTINUED)

	Nature	31.12.2022 <i>BGN'000</i>	31.12.2021 <i>BGN'000</i>
Sales to related parties			
<i>Ultimate parent company</i>			
Korado a.s. Czech Republic	Sales of products	46,924	42,476
	Sales of materials	11	1,756
		46,935	44,232
Related party receivables			
<i>Ultimate parent company</i>			
Korado a.s. Czech Republic	Trade receivables	4,023	4,397
		4,023	4,397
Payables to related parties			
<i>Ultimate parent company</i>			
Korado a.s. Czech Republic	Trade payables	823	788
	Interest-bearing loan	6,063	3,716
Licon Heat s.r.o. Czech Republic	Trade payables	-	17
		6,886	4,521

SPECIFIC RISKS INHERENT TO THE COMPANY'S ACTIVITY

The Company's activities expose it to various financial risks, such as market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. Management monitors the overall risk exposure and seeks ways to eliminate any potential negative effects on the financial position of the Company, as disclosed in Note 21 to the financial statements.

RESEARCH AND DEVELOPMENT ACTIVITIES

The most important part in the area of research and development activity of the Company is the continuing useful collaboration with the parent company. The project completed, directed towards reducing the costs of maintenance and improving the production efficiency and quality and satisfying the customer's requirements towards the products manufactured, is a good example of that collaboration.

The project aiming at replacing materials supplied by the parent company with Bulgarian supplies continues. Successes and positive results have been achieved in this area.

CORPORATE GOVERNANCE

Pursuant to the effective Commercial Act of Bulgaria, at 31 December 2022 KORADO-Bulgaria AD is a joint-stock company with a two-tier management system: Supervisory Board and Management Board.

Members of the Supervisory Board at 31 December 2022:

1. Tomas Kollert—Chairman of SB
2. Eva Voborova
3. Ivan Lyaskov
4. Evelina Miltenova

Members of the Management Board at 31 December 2022:

1. Jiri Reznicek – Chairman of MB
2. Silviya Stefanova
3. Jana Havlova

Jiri Reznicek is the Executive Director of the Company.

SHARE CAPITAL

Shareholders	Share	Number of shares	Nominal value (BGN)
KORADO a.s., Czech Republic	82.15%	10 817 923	10 817 923
Legal entities	15,95 %	2 099 942	2 099 942
Individuals	1.90 %	250 749	250 749
TOTAL	100 %	13 168 614	13 168 614

At 31 December 2021 the Company held no shares in the capital of other companies.

INFORMATION UNDER ARTICLE 187E AND ARTICLE 247 OF THE COMMERCIAL ACT

Remuneration of members of the boards

The remuneration paid to the members of the Management and Supervisory Board for the period ended 31 December 2022 is BGN 127 thousand.

Dividends

On 18 May 2022 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 2,502 thousand or a dividend of BGN 0.19

On 14 September 2022 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 1.317 thousand, gross dividend of BGN 0.10 per share.

The dividends were paid through the system of Central Depository AD and the branches of UBB AD. Their payment commenced on 12 October 2022.

The unpaid dividends will be paid at the registered address of the Company within the statutory deadlines and by applying the statutory methods.

INFORMATION UNDER ARTICLE 187E AND ARTICLE 247 OF THE COMMERCIAL ACT (CONTINUED)

Shares held by the Company

At 31 December 2022 the Company held no treasury shares.

Shares of the Company owned by the members of the Management and Supervisory Board of the Company

At 31 December 2022 the chairman of Management Board Jiri Reznicek, held 180 shares, the member of the Management Board, Silviya Stefanova, held 507 shares of the Company and the member of the Supervisory board Evelina Miltenova, held 900 shares of the Company. The other members of the Management and Supervisory Boards hold no shares or bonds of KORADO-Bulgaria AD, or rights to acquire shares and bonds of the Company. For the period ended 31 December 2022 there were no changes in the shares owned by the members of the Company's boards.

Rights of the corporate management members to acquire shares and bonds of the Company

There are no plans within the Company or at the group level of KORADO Group for the acquisition of shares or share options by management or employees, relating to the shares of the Company. Rights for the acquisition of bonds of the Company have not been granted to any of the member of the Management Board and/or Supervisory Board.

Participation of the corporate management members in other companies

The members of the Management and Supervisory Boards do not participate in entities as unlimited liability shareholders.

The members of the Management and Supervisory Boards hold more than 25% of the capital of other entities, as follows:

Ivan Lyaskov	<ul style="list-style-type: none">• Smile OOD• Vitop OOD• Esam OOD• Dike-2003 OOD• Citistroy OOD• Krameks OOD
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Shares of the Company were neither acquired nor transferred by the Board members in 2021.

Membership in the management board of other entities

The members of the Management Board and Supervisory Board participate in the management of the following entities:

Tomas Kollert	<ul style="list-style-type: none">• Licon Heat s.r.o. – member of the Supervisory board
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Contracts with Board members and their related parties

No contracts, which fall beyond the ordinary course of business or significantly deviate from market conditions, were concluded between members of the Management Board and / or Supervisory Board in 2022.

CHANGES IN THE SHARE PRICE OF THE COMPANY

All shares of the issuer are registered and traded on Bulgarian Stock Exchange – Sofia AD, Premium Segment.

Number of shares in circulation:	13 168 614.
Issuer:	KORADO Bulgaria AD
Stock exchange code:	KBG (4KX)
ISIN code:	BG11LUSTAT13

In the period 01.01.2022 r. – 31.12.2022 the issue of shares was traded as follows:

Turnover /BGN/:	442,778
Shares transferred	66,339
Number of transactions	450

CHANGES IN THE SHARE PRICE OF THE COMPANY (CONTINUED)

According to BSE, the changes in the price of the Company's shares during 2022 are as follows:

- ✓ minimum – 5.800 BGN
- ✓ maximum – 7.600 BGN
- ✓ average - 6.674 BGN
- ✓ last – 6.100 BGN

Public information required by the Public Information Act has been filed by the Company to Financial Supervision Commission and Bulgarian Stock Exchange within the time limits. This information is also available to shareholders and investors at the Company's website: www.korado.bg and www.X3news.com

Korado-Bulgaria AD is aware that the continued credibility and security of shareholders, employees, customers and all stakeholders, as well as the communities where it operates, is vital for the continuing development and success of the Company.

FUTURE DEVELOPMENT PERSPECTIVES

Management has set the following goals to be achieved in 2022:

- Maintenance of the production volumes amid continued market stagnation aiming at achieving a positive financial result;
- Seeking new partners in order to increase the sales on the Bulgarian market and most of all, of radiators manufactured by using new technology;
- Preserving the share of trade in heating units on the Bulgarian market;
- Maintaining the volume of sales at least at the level achieved in 2021 in the territories in which Korado-Bulgaria AD recently conducts its sales (Romania, France, Hungary, Ukraine, Tunisia and Greece);
- Full utilisation of all benefits of the memberships in KORADO Group;

Korado-Bulgaria AD will pursue the highest standards in its activity, to maintain and develop in the long run its positions won in the competitive environment, in which it has chosen to operate. We are committed to the sustainable development of our society. This requires reaching a balance between short-term and long-term interests and reporting of all economic, ecological and social concerns in taking business solutions.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events have been identified after the end of the reporting period, which could affect the financial statements, as disclosed in Note 21 to the financial statements.

INFORMATION AS PER NOTE 4 OF ORDINANCE 2

1. Change in the individuals controlling the Company

No changes in the individuals controlling the Company were made.

2. Opening of liquidation proceedings for the company or its subsidiary and all significant stages related to the proceedings until the company declared insolvency

No opening of liquidation proceedings was made as at the date of the issuance of this report.

INFORMATION AS PER NOTE 4 OF ORDINANCE 2 (CONTINUED)

3. Agreement and completion of significant transactions

No agreement of completion of significant transactions outside the normal course of business were concluded.

4. Decision for conclusion, termination or cancellation of joint venture agreement

No decisions were made for conclusion, termination or cancellation of joint venture agreement

5. Change in the Company's auditors

No change in the Company's auditors was made.

6. Initiation or resolution of court or arbitration proceedings relating to claims or liabilities of the Company or its subsidiary with an amount of at least 10% of the Company's equity.

No initiation or resolution of court or arbitration proceedings relating to claims or liabilities of the Company with an amount of at least 10% of the Company's equity.

7. Purchase, sale or pledge of shares in other companies of the Company or its subsidiary.

No transactions or pledge of shares in other companies were initiated.

8. Other circumstances that the company considers may be relevant to investors in deciding to acquire, sell or continue to hold public offered securities.

No such circumstances

OTHER INFORMATION

No changes in the Company's accounting policies were made.

No changes in Korado a.s. Group were made, part of which is the Company. No organizational changes were made in the Company, including:

- Restructuring or sale of companies;
- In-kind contribution;
- Rental of property;
- Non-current investments
- Discontinued operations

The Company is not part of current legal, administrative or arbitration proceedings relating to claims or liabilities of the Company with an amount of at least 10% of the Company's equity. The total value of receivables and payables for all proceedings does not exceed 10% of the Company's equity.

The Company has not provided borrowings or guarantees or recognised liabilities to one party or its subsidiary, including related parties.

There is no internal information, which was not made available publicly, directly or indirectly related to the Company and which, if made available, might impact significantly the share price of the Company.

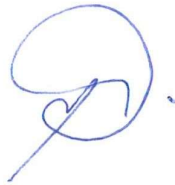
MANAGEMENT'S RESPONSIBILITIES

Management is required by Bulgarian legislation to prepare annual and interim financial statements that give a true and fair view of the financial position of the Company as at the period end and of its financial performance and its cash-flows for the period then ended in accordance with IFRS.

Management confirms that appropriate accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been used in the preparation of the interim financial statements for the period ended 31 December 2022.

Management also confirms that all applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

Management is responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A handwritten signature in blue ink, consisting of a large, stylized 'R' followed by a smaller 'z' and a final flourish.

Jiri Reznicek
Executive Director
KORADO-Bulgaria AD
Town of Strazhitsa
27 January 2023