



INTERIM MANAGEMENT REPORT

KORADO-BULGARIA AD

30 September 2021

**KORADO-BULGARIA AD
GENERAL INFORMATION**



MANAGEMENT BOARD

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

SUPERVISORY BOARD

Tomas Kollert – chairman of SB
Frantisek Hamacek
Eva Voborova
Josef Laska
Ivan Lyaskov
Evelina Miltenova

AUDIT COMMITTEE

Sneznanka Kaloyanova
Frantisek Hamacek
Milena Raykova

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

DSK Bank
UBB

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 30 September 2021 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 2021 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 2021 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, Comital 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

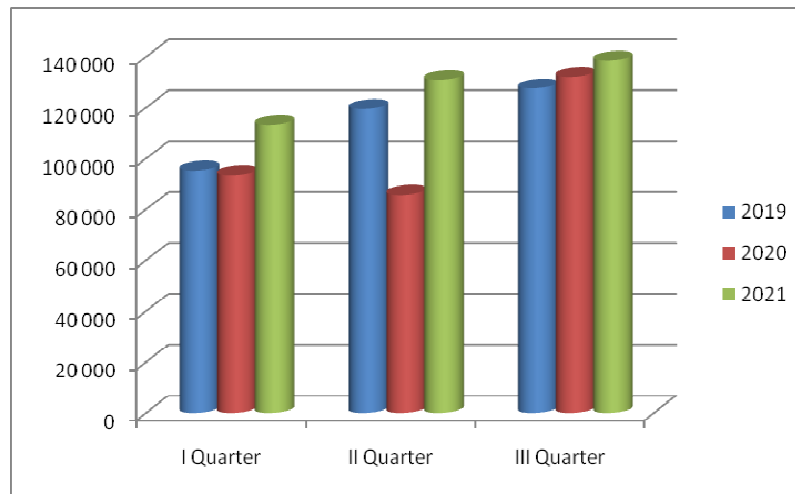
As of 30.09.2021, the Company manufactured 382,873 wather heating panel radiators. The Holding’s management implements an appropriate marketing strategy aiming at preserving the share on the existing markets and keeping people in jobs.

The radiators manufactured in first nine months of 2021, as also in the previous years of 2019 and 2020, are shown in the table and graph below:

Year	I Quarter	II Quarter	III Quarter	Total
2019	95 294	119 537	127 553	342 384
2020	93 522	85 766	132 203	311 491
2021	113 347	130 980	138 546	382 873

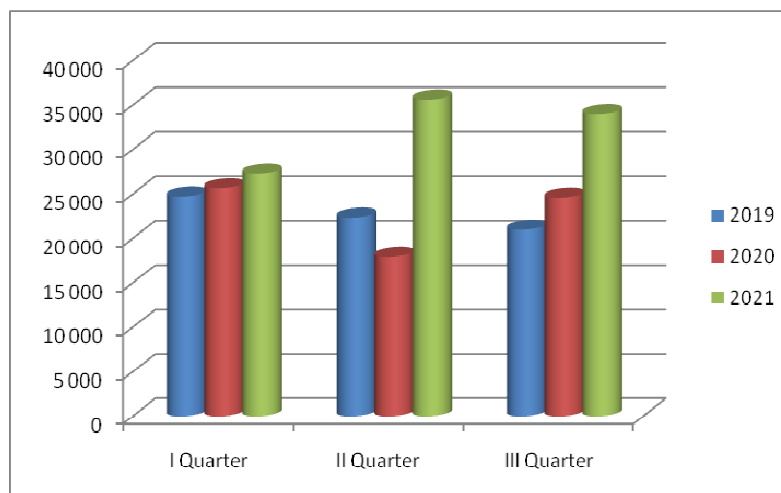
ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Production (continued)



As of 30.09.2021 Company manufactured 96,880 tubular heating units. The tubular radiators manufactured during first nine months of 2021, as also in the previous years of 2019 and 2020, are shown in the table and graph below:

	I Quarter	II Quarter	III Quarter	Total
2019	24 710	22 340	20 970	68 020
2020	25 640	17 925	24 580	68 145
2021	27 290	35 610	33 980	96 880



ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Sales

As of 30.09.2021 the major trade partners of the company are KORADO, a.s. followed by companies in the European market.

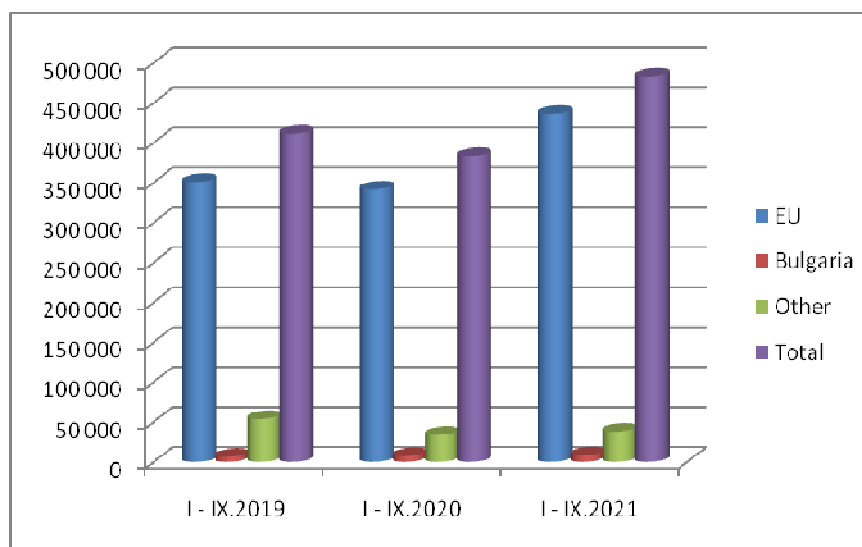
In the nine months of 2021, the sales of Korado-Bulgaria AD amount to 483,031 units, incl. panel radiators, tubular radiators and designer heating units.

The sales in the territory of the country amount to 8,521 units, or about 2% of total sales.

To EU partners (except Bulgarian market) there have been sold 436,181 panel radiators and tubular radiators, and to countries outside the EU 38,311 units. Compared to the same period of the previous year, was reported a 13% increase in the volume of sales of products to non-EU countries, accompanied by a significant increase in sales to EU countries is also accompanied by a significant decline in sales to countries outside the EU. Sales in Bulgaria marked an increase compared to the same period in 2020.

The sales of radiators in the nine months period of 2021 and the previous years of 2019 and 2020 are shown in the following table and graph:

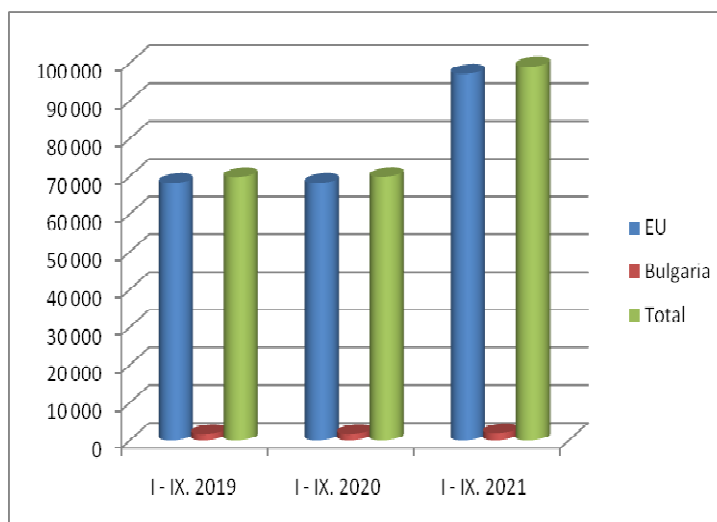
Period	Units	EU	Bulgaria	Other	Total
I - IX.2019	number	350 798	6 624	53 852	411 274
I - IX.2020	number	341 615	7 599	33 942	383 156
I - IX.2021	number	436 181	8 521	38 311	483 013



The following table illustrates the number of tubular and designer heating units sold over the nine months of 2021 and previous 2019 and 2020:

Period	Units	EU	Bulgaria	Total
I - IX. 2019	number	68 140	1 632	69 772
I - IX. 2020	number	68 167	1 659	69 826
I - IX. 2021	number	97 162	1 893	99 055

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 2021 and 2020 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 30 September 2021 and 31 December 2020, the loan liabilities to the parent company amounted to EUR 1,900 thousand.

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

Nature	30.09.2021	30.09.2020
	BGN'000	BGN'000
Purchases from related parties		
<i>Ultimate parent company</i>		
Korado a.s. Czech Republic		
Purchase of materials and goods	775	589
Purchase of services	192	143
Purchase of FTAs	-	20
Interest on loan	49	49
Licon Heat s.r.o. Czech Republic		
Purchase of materials and goods	66	36
	1,082	837

RELATED PARTY TRANSACTIONS DISCLOSURE (CONTINUED)

		30.09.2021	30.09.2020
		<i>BGN'000</i>	<i>BGN'000</i>
Sales to related parties			
<i>Ultimate parent company</i>			
Korado a.s. Czech Republic	Sales of products	31,612	20,276
	Sales of materials	1,696	60
		33,308	20,336
		30.09.2021	31.12.2020
		<i>BGN'000</i>	<i>BGN'000</i>
Related party receivables			
<i>Ultimate parent company</i>			
Korado a.s. Czech Republic	Trade receivables	6,368	4,376
		6,368	4,376
		30.09.2021	31.12.2020
		<i>BGN'000</i>	<i>BGN'000</i>
Payables to related parties			
<i>Ultimate parent company</i>			
Korado a.s. Czech Republic	Trade payables	660	5
	Interest-bearing loan	3,716	3,716
Licon Heat s.r.o. Czech Republic	Trade payables	15	3
		4,391	3,724

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 19 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 30 September 2021 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 30 September 2021:

1. Tomas Kollert–Chairman of SB
2. Frantisek Hamacek
3. Eva Voborova

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4. Josef Laska
5. Ivan Lyaskov
6. Evelina Miltenova

Members of the Management Board at 30 September 2021:

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	15.98%	2 104 616	2 104 616
Individuals	1.87%	246 075	246 075
TOTAL	100 %	13,168,614	13,168,614

At 30 September 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 30 September 2021 is BGN 99 thousand.

Dividends

On 15 September 2021 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 will be paid through the system of Central Depository AD and the branches of BDSK AD. Their payment commenced on 13 October 2021 and as at the date of the issuance of these financial statements still hadn't completed.

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

Shares held by the Company

At 30 September 2021 the Company held no treasury shares.

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

At 30 September 2021 the chairman of Management Board Jiri Reznicek, held 180 shares, the member of the Management Board, Silviya Stefanova, held 327 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 30 September 2021 there were no changes in the shares owned by the members of the Company's boards.

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

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 2019.

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:

Frantisek Hamacek	<ul style="list-style-type: none">• Korado a.s. – member of the Management board
Tomas Kollert	<ul style="list-style-type: none">• Licon Heat s.r.o. – member of the Supervisory board

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 2021.

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: 4KX

ISIN code: BG11LUSTAT13

In the period 01.01.2021 r. – 30.09.2021 the issue of shares was traded as follows:

Turnover /BGN/:	740,009
Shares transferred	101,884
Number of transactions	280

CHANGES IN THE SHARE PRICE OF THE COMPANY (CONTINUED)

According to BSE, the changes in the price of the Company's shares for the first nine months of 2021 are as follows:

- ✓ minimum – 6.500 BGN
- ✓ maximum – 8.750 BGN
- ✓ average - 7.263 BGN
- ✓ last – 8.400 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 2021:

- 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 2020 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 other events occurred after the report date that would impose additional adjustments and / or disclosures in the company's interim financial statements.

INFORMATION AS PER NOTE 9 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
No opening of liquidation proceedings was made as at the date of the issuance of this report.
3. Agreement and completion of significant transactions
No agreements of completion of significant transactions outside the normal course of business were concluded.

INFORMATION AS PER NOTE 9 OF ORDINANCE 2 (CONTINUED)

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
By decision of GMS on 15 September 2021 Deloitte Audit OOD was elected as a new auditor.
6. 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.
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.
No transactions or pledge of shares in other companies were initiated.

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's 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 30 September 2021.

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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.

Jiri Reznicek
Executive Director
KORADO-Bulgaria AD

Town of Strazhitsa
29 October 2021

