

KORADO-BULGARIA AD
INTERIMACTIVITY REPORT
INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2023



Financial statements in English are translation from the original in Bulgarian. This version of the financial statements is a translation from the original, which was prepared in Bulgarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

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
Marketa Strjinkova
Irena Mihaylova

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 OOD
103, Alexander Stambolijski Blvd.
Sofia, 1303

Management of KORADO-Bulgaria AD presents the interim management report and interim financial statements as of 30 September 2023 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 ART. 100n, ITEM 3 OF THE LAW ON THE PUBLIC OFFERING OF SECURITIES AND ART. 12 OF ORDINANCE No. 2 OF 09.11.2021 ON INITIAL AND SUBSEQUENT DISCLOSURES IN PUBLIC OFFERING OF SECURITIES AND ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET

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 also perform 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 2023 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 2023 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

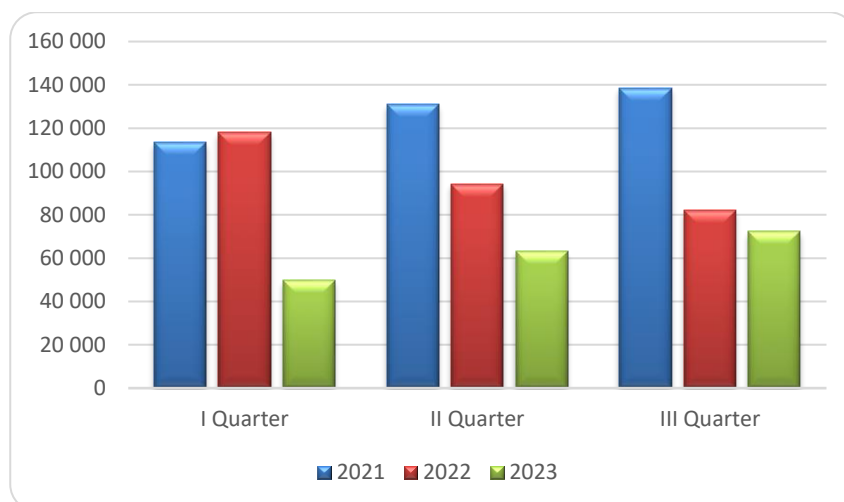
Production

As of 30.09.2023, the Company manufactured 185,180 water heating panel radiators. Despite the unfavourable political and economic situation in Europe, the management of the Company makes maximum efforts to preserve the share of the existing markets, to develop production and keeping people in jobs. The radiators manufactured in first nine months of 2023, as also in the previous years of 2021 and 2022, are shown in the table and graph below:

Year	I Quarter	II Quarter	III Quarter	Total
2021	113,347	130,980	138,546	382,873
2022	118,053	94,194	81,915	294,162
2023	49,797	63,155	72,228	185,180

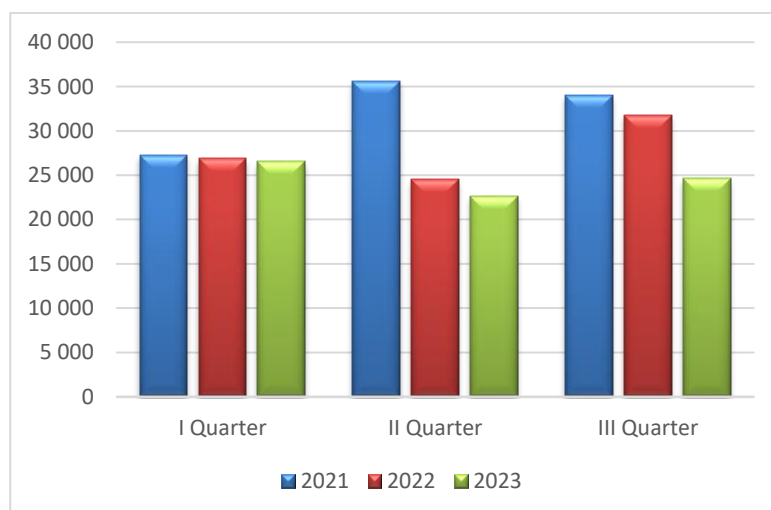
ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Production (continued)



As of 30.09.2023 Company manufactured 73,825 tubular heating units. The tubular radiators manufactured during first nine months of 2023, as also in the previous years of 2021 and 2022, are shown in the table and graph below:

	I Quarter	II Quarter	III Quarter	Total
2021	27,290	35,610	33,980	96,880
2022	26,918	24,550	31,823	82,751
2023	26,526	22,660	24,639	73,825



ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Sales

As of 30.09.2023 the major trade partners of the company are KORADO a.s. followed by companies in the European market.

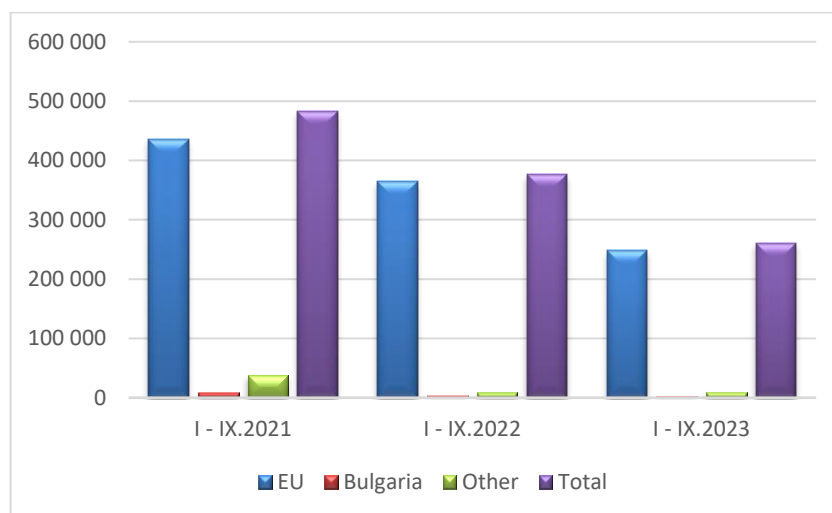
In the nine months of 2023, the sales of KORADO-Bulgaria AD amount to 260,969 units, incl. panel radiators, tubular radiators and designer heating units.

The sales in the territory of the country amount to 2,742 units, or about 1% of total sales.

To EU partners (except Bulgarian market) there have been sold 248,514 panel radiators and tubular radiators, and to countries outside the EU 9,713 units. Compared to the same period of the previous year, there was a minimal increase in the volume of products sold to countries outside the EU by 8%, but a significant decrease of 32% in sales to countries in the European Union. Sales in Bulgaria marked a decrease compared to the same period in 2022.

The sales of radiators in the nine months period of 2023 and the previous years of 2021 and 2022 are shown in the following table and graph:

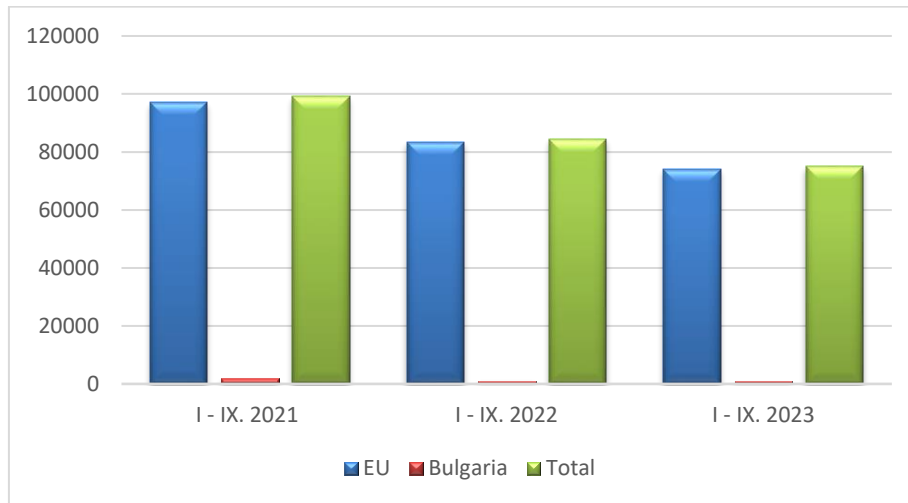
Period	Units	EU	Bulgaria	Other	Total
I - IX.2021	number	436,181	8,521	38,311	483,013
I - IX.2022	number	364,390	3,605	8,976	376,971
I - IX.2023	number	248,514	2,742	9,713	260,969



The following table illustrates the number of tubular and designer heating units sold over the nine months of 2023 and previous 2021 and 2022:

Period	Units	EU	Bulgaria	Total
I - IX. 2021	number	97,162	1,893	99,055
I - IX. 2022	number	83,472	1,047	84,519
I - IX. 2023	number	74,137	941	75,078

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 2023 and 2022 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 2022 the loan liabilities to the parent company amounted to EUR 2,000 thousand.

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

Nature		30.09.2023	30.09.2022
		<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	646	1,182
	Purchase of services	149	158
	Purchase of FTAs	-	-
	Interest on loan	154	49
Licon Heat s.r.o. Czech Republic	Purchase of materials and goods	53	48
		1,002	1,437

RELATED PARTY TRANSACTIONS DISCLOSURE (CONTINUED)

Nature		30.09.2023	30.09.2022
		<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	23,994	38,909
	Sales of materials	15	10
		24,009	38,919
		30.09.2023	31.12.2022
		<i>BGN'000</i>	<i>BGN'000</i>
Related party receivables			
<i>Ultimate parent company</i>			
KORADO a.s. Czech Republic	Trade receivables	6,709	4,023
		6,709	4,023
Payables to related parties			
<i>Ultimate parent company</i>			
KORADO a.s. Czech Republic	Trade payables	1	767
	Interest-bearing loan	3,912	6,099
Licon Heat s.r.o. Czech Republic	Trade payables	3	-
		3,916	6,886

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 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 2023 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 2023:

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

Members of the Management Board at 30 September 2023:

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	16.01%	2,095,783	2,095,783
Individuals	1.84%	254,908	254,908
TOTAL	100 %	13,168,614	13,168,614

At 30 September 2023 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 2023 is BGN 96 thousand.

Dividends

On 21 June 2023 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 are paid through the system of Central Depository AD and the branches of DSK Bank Their payment commenced on 19 July 2023.

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 2023 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 2023 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 2023 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 members 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 2023.

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 2023.

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 01.01.2023 r. – 30.09.2023 the issue of shares was traded as follows:

Turnover /BGN/:	215,463
Shares transferred	41,141
Number of transactions	268

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 2023 are as follows:

- ✓ minimum – 4.56 BGN
- ✓ maximum – 6.40 BGN
- ✓ average – 5.24 BGN
- ✓ last – 4.70 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 2023:

- 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 optimal volume of sales in the territories in which KORADO-Bulgaria AD recently conducts its sales (Romania, France, Hungary, 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.
No changes in the Company auditors.
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 2023.

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

A handwritten signature in blue ink, appearing to be "Jiri Reznicek", written over a light blue circular stamp.

Town of Strazhitsa
26 October 2023