

TO THE ATTENTION OF

THE GENERAL MEETING OF SHAREHOLDERS
OF "KORADO BULGARIA" AD

REASONED REPORT

The Management Board of "KORADO Bulgaria" AD prepared in accordance with Article 114 "A" of the Public Offering of Securities Act.

Subject: Amendment and supplement to the adopted decision of the General Meeting of Shareholders held on 19.09.2020 to conclude transactions on the basis of Article 114, paragraph 1, point 1 in connection with Article 114 a, paragraph 7 of the Law on Public Offering of Securities

Dear Shareholders,

This report has been prepared in compliance with the provisions of Article 114 a, paragraph 1 of the Law on Public Offering of Securities and Article 33 of Regulation No. 2 of 09.11.2021 of the Financial Supervision Commission "On initial and subsequent disclosure of information in the event of a public offering of securities and admission of securities to trading on a regulated market" and it contains all information regarding the conditions and appropriateness of the transactions under Article 114, paragraph 1, in connection with Article 114 a, paragraph 7 of POSA.

The purpose of the report is to present to the shareholders of "KORADO Bulgaria" AD the necessary changes and additions to the essential terms and conditions and the expediency of the transactions approved by the General Meeting of Shareholders held on 19.09.2020.

This is necessary in order to make an informed decision by the General Meeting of Shareholders and to authorize the company's representatives to change and extend the term of validity and the conditions for these transactions.

"KORADO Bulgaria" AD is a public company within the meaning of Art. 110, para. 1 of the POSA, the securities issued by it are admitted to trading on a regulated market, therefore the special requirements of the POSA apply to it when concluding transactions of large value and with the participation of related and interested parties.

The provisions of both Art. 114, para. 1, p. 1 of the POSA, introduce thresholds, above which the members of the management body of the public company should obtain prior authorization from the General Meeting of Shareholders. After assessing the applicability of the individual thresholds, the Management Board of "KORADO Bulgaria" AD has determined that these thresholds are applicable to the specific transactions.

This report contains information about the parties, the subject matter, the conditions, the value and the terms of the already approved transactions, as well as an analysis of the circumstances that necessitated the need to change them, as well as authorization by the General Meeting of Shareholders in accordance with the provisions of Article 114 et seq. of the Public Offering of Securities Act.

The General Meeting of Shareholders held on 19.09.2020 approved and authorized the Management Board of the company on the basis of Article 114, paragraph 1, point 1 in connection with Article 114 a, paragraph 7 of the Public Offering of Securities Act to conclude with the parent company "Korado" A.S. CZECH REPUBLIC, two types of framework transactions as follows:

I. First type of transactions:

A. Parties to the transactions:

"KORADO Bulgaria" AD as the seller and "KORADO" A.S. as a buyer

B. subject of the transactions:

The transactions are for periodic (monthly, quarterly or annual) sales of the following 4 types of assets:

B.1. radiators manufactured by "KORADO Bulgaria" - AD, which are ready for sale on the market;

B.2. Radiators manufactured by "KORADO Bulgaria" - AD, which have not undergone surface treatment;

B.3. materials used in the production of radiators; and / or

B.4. spare parts for radiators, each individual sale transaction is subject to a written order and confirmation.

C. Value of the transactions:

The unit prices of the radiators, materials and / or spare parts are determined on an annual basis in accordance with the Transfer Pricing Documentation of "KORADO Bulgaria" - AD for the relevant calendar year, as updated. The total price of radiators, materials and spare parts shall not exceed [10 million leva] per quarter (excluding VAT and transaction costs).

D. Time frame of the transactions:

The sales of radiators, materials and spare parts that are authorized and/or confirmed by the General Meeting shall commence with the conclusion of written agreements for such sales and shall end on the date of expiration or termination of such agreements, but no later than [December 31, 2025]

E. Beneficiaries of the transactions:

"KORADO Bulgaria" – AD and "KORADO" A.S.

F. other material terms of the transactions:

“KORADO” A.S. shall pay for the radiators, materials and spare parts sold no later than 60 (sixty) days from the date of issue of the invoice. The transfer of ownership shall be effected upon full payment.

The terms of delivery are negotiated (including, but not necessarily, with respect to Incoterms 2010 or Incoterms 2020) on a case-by-case basis.

„KORADO Bulgaria „ – AD is not bound by an obligation to sell exclusively to “KORADO” A.S.

„KORADO Bulgaria „ – AD is not bound by an obligation to a minimum sales volume.

„KORADO” A.S. undertakes the following obligations:

To procure for the distribution of the ready-to-market radiators under conditions that „KORADO Bulgaria „ – AD considers normal for the radiator market at the time of the respective sale;

To adequately protect all intellectual property rights of „KORADO Bulgaria„ – AD over the radiators and support the legitimate business interest of „KORADO Bulgaria„ – AD in the most advantageous market realization of the radiators.

The terms of sale are governed by Czech law. Disputes arising from sales shall be referred for resolution to the Arbitration Court, attached to the Economic Chamber of the Czech Republic and the Agricultural Chamber of the Czech Republic.

II. Second type of transactions:

A. Parties to the transactions:

“KORADO” A.S. as seller and “KORADO Bulgaria” – AD as buyer

B. Subject of the transactions:

The transactions are for periodic (monthly, quarterly or annual) purchases of the following 3 types of assets:

1. radiators for non-exclusive distribution by "KORADO Bulgaria" - AD in Bulgaria, Central and Eastern Europe
2. materials used in the production of radiators; and/or
3. spare parts for radiators, with each individual sale transaction subject to a written order and confirmation.

C. Value of the transactions:

The unit prices of the radiators, materials and/or spare parts are determined on an annual basis in accordance with the Transfer Pricing Documentation of “KORADO Bulgaria” – AD for the relevant calendar year, as updated. The total price of the radiators, materials and spare parts shall not exceed [5 million BGN] per quarter (excluding VAT and transaction costs).“

D. Timeframe of the transactions:

The purchases of radiators, materials and spare parts, which are authorized and/or confirmed by the General Meeting, shall commence with the conclusion of written agreements for such purchases and shall end on the date of expiration or termination of such agreements, but no later than [December 31, 2025].

E. Beneficiaries of the transactions:

“KORADO Bulgaria” – AD and “KORADO” A.S.

F. Other essential terms of the transactions:

The transfer of ownership of the radiators, materials and spare parts shall be made upon full payment of their price.

The general terms and conditions of delivery of "KORADO" A.S., as amended from time to time, shall apply to the purchases. The terms of delivery shall be either FCA (seat of "KORADO" A.S.) under Incoterms 2010, or otherwise agreed (including, but not necessarily, with respect to Incoterms 2010 or Incoterms 2020), on a case-by-case basis.

"KORADO Bulgaria" - AD is not bound by a commitment to undertake an exclusive purchase from "KORADO" A.S.

"KORADO Bulgaria" - AD is not bound by a commitment to a minimum purchase volume.

The terms of purchase shall be governed by Czech law. Disputes arising from purchases shall be submitted for resolution to the Arbitration Court, attached to the Economic Chamber of the Czech Republic and the Agricultural Chamber of the Czech Republic.

Participation of interested parties in the transaction, within the meaning of Art. 114, para. 7 of the Public Offering of Securities Act.

Pursuant to the provision of Art. 114, para. 7 of the POSA, interested parties are the members of the management and control bodies of the public company, the persons - representatives of legal entities, members of such bodies, its procurator, persons who directly and/or indirectly own at least 25 percent of the votes in the general meeting of the company or control it, and in the case of transactions of a subsidiary - the members of its management and control bodies, the persons - representatives of legal entities, members of such bodies, its procurator, persons who directly and/or indirectly own at least 25 percent of the votes in the general meeting of the company, other than the public company, as well as persons related to them, when they: are a party, its representative or intermediary to the transaction or for their benefit the transactions or actions are carried out, or directly and/or indirectly own at least 25 percent of the votes in the general meeting or control a legal entity that is a counterparty, its representative or intermediary to the transaction or for whose benefit the transactions are carried out or actions; or

are members of management or control bodies, representatives of legal entities, members of such bodies or procurators of a legal entity under items 1 and 2. In the transaction proposed for approval, there is participation of interested parties, within the meaning of Art. 114, para. 7 of the POSA, given the following circumstance: "KORADO" A.S. is a person controlling the other party to the transaction - "KORADO Bulgaria" AD, owning more than 25% of the shares with voting rights in the general meeting of "KORADO Bulgaria" AD;

Given the changes in economic conditions and the presence of economic expediency, the Management Board of the company proposes to make the following changes to the terms and conditions of the current transactions:

I. The following changes are made to the wording of the first type of transactions:

I. 1. In Section - C. Value of transactions, the words 10,000,000 / ten million / leva are replaced by the words - 20,000,000 / twenty million / leva.

The new text acquires the following wording:

"The unit prices of the radiators, materials and / or spare parts are determined on an annual basis in accordance with the Transfer Pricing Documentation of "KORADO BULGARIA" - AD for the relevant calendar year, updated accordingly. The total price of the radiators, materials and spare parts must not exceed 20,000,000 / twenty million / leva per quarter (excluding VAT and transaction costs)."

I.2. In the wording of Section D. The time frame of the transactions, the date 31. 12. 2025, is replaced by the date 31.12. 2030 and the text acquires the following wording:

„ The purchases of radiators, materials and spare parts that are authorized and / or confirmed by the General Meeting begin with the conclusion of written agreements for such sales and end on the date of expiration or termination of such agreements, but no later than December 31, 2030. „

II. The following changes are made to the wording of the second type of transactions:

II. 1. In Section - C. Value of transactions, the words 5,000,000 / five million / leva are replaced by the words - 10,000,000 / ten million / leva.

The new text acquires the following wording:

"The unit prices of radiators, materials and / or spare parts are determined on an annual basis in accordance with the Transfer Pricing Documentation of "KORADO BULGARIA" - AD for the relevant calendar year, as updated. The total price of radiators, materials and spare parts must not exceed 10,000,000 / ten million / leva per quarter (excluding VAT and transaction costs)."

II.2. In the version of Section D. Timeframe of transactions, the date 31. 12. 2025 is replaced by the date 31.12. 2030 and the text acquires the following version:

"The purchases of radiators, materials and spare parts, which are authorized and / or confirmed by the General Meeting, begin with the conclusion of written agreements for such purchases and end on the date of expiration or termination of such agreements, but no later than December 31, 2030. "

III. No other changes to the existing text of the previous resolution of the General Meeting of Shareholders held on 19.09.2020 are made and it retains the existing wording.

The Management Board, based on the results presented in the financial statements and the company's activity report, considers that there is a proven economic benefit and expediency for the company's interests from concluding these transactions.

Based on the results achieved, it proposes that the conclusion of the above-mentioned transactions continue under the conditions, type and terms according to the proposed changes and proposes:

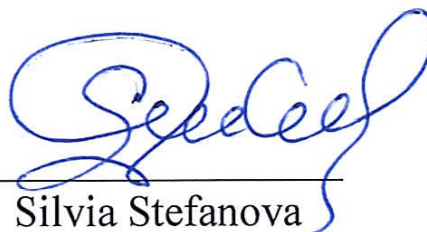
Draft resolution of the General Meeting of Shareholders:

„The General Meeting of Shareholders adopts the report of the Management Board prepared in accordance with Article 114 "A" paragraph 1 of the Public Offering of Securities Act and, on the basis of Article 114, paragraph 1, point 1 in connection with Article 114 a, paragraph 7 of the Public Offering of Securities Act, authorizes the Management Board and the representatives of "KORADO Bulgaria" AD with rights to conclude with the parent company "Korado" A.S. transactions of the type, conditions and for a period explicitly specified in the report of the Management Board, which is attached.“

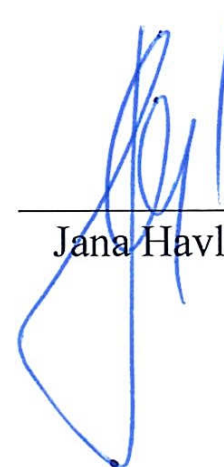
APPROVED THIS REPORT BY THE MEMBERS OF THE BOARD:



Jiri Rzeznicek



Silvia Stefanova



Jana Havlova