

KORADO-BULGARIA AD

ANNUAL ACTIVITY REPORT

ANNUAL FINANCIAL STATEMENTS

31 December 2025



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
Eva Voborova
Ivan Lyaskov
Evelina Miltenova

AUDIT COMMITTEE

Sneznanka Kaloyanova
Marketa Strjinkova
Vera Vytvarova

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 OOD
4, M. Tenev str.
Sofia, 1784

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Dear shareholders, colleagues, and partners of KORADO-Bulgaria AD,



The past year represented another pivotal period for our company, marked by both significant challenges and noteworthy achievements. These accomplishments reinforce our commitment to continuous development and the pursuit of stronger performance across all business areas. In this annual report, I would like to share with you the results of our work as well as our commitment to the future development of KORADO-Bulgaria AD (the Company).

The Company reported an 8% year-on-year increase in revenue and a 17% growth in total sales volume. The main reason for the difference between the growth in sales and the moderate increase in revenue lies in the lower selling prices, driven by strong market competition.

At the same time, the Company is facing rising production costs. An additional burden has been the introduction of new import quotas for steel from non-EU countries, which has led to a significant increase in raw material prices. Without these restrictions, the Company was expected to be more competitive compared to other manufacturers.

The new production line for the universal VKM8 radiator, launched in September, is expected to strengthen KORADO-Bulgaria's position in premium product segments. Building on the strategic expansion of our portfolio, the Company anticipates sustained growth, including a further increase in sales throughout 2026.

There are certainly many challenges ahead of us, but they also bring new opportunities. Together with our partners and customers, we will continue to build a stable future for KORADO-Bulgaria AD, remaining committed to innovation, quality, and sustainability.

Thank you all for your trust and support throughout the past year. I am confident that together we will continue to build success and achieve the ambitious goals we have set. With best wishes for health, success, and new achievements throughout 2026!

ENG. JIRI REZNICEK
Chairman of MB and Executive Director of
KORADO-BULGARIA AD

Management of KORADO-Bulgaria AD (the Company) presents the annual activity report and annual financial statements as of 31 December 2025 prepared in accordance with IFRS Accounting Standards, as adopted by EU.

THIS MANAGEMENT REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ART. 39 AND THE FOLLOWING OF THE ACCOUNTANCY ACT, ART. 100m, PARA 7 OF THE LAW ON THE PUBLIC OFFERING OF SECURITIES ACT AND ANNEXES 2 AND 3 OF ORDINANCE No. 2 OF 09.11.2021 ON INITIAL AND SUBSEQUENT DISCLOSURE OF INFORMATION 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 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 2025 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 2025 were: Balkan Steel Engineering Sofia, Liberti Galati Romania, Huss Ltd. Lom, Berg Metal Turkey, Borçelik Turkey, Profsan Turkey, Comital Turkey, Frei Lacke 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.

RESEARCH AND DEVELOPMENT ACTIVITY

In the area of research and development activity, the most important part is the continuing fruitful 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 the Company with Bulgarian supplies continued. Successes and positive results had been achieved in this area.

The intangible assets, resources different from human resources and relationships with clients and suppliers as outlined in this report, are not material for the Company, respectively they are not a source of value creation and are not associated with a significant dependency of the business model of the Company over them.

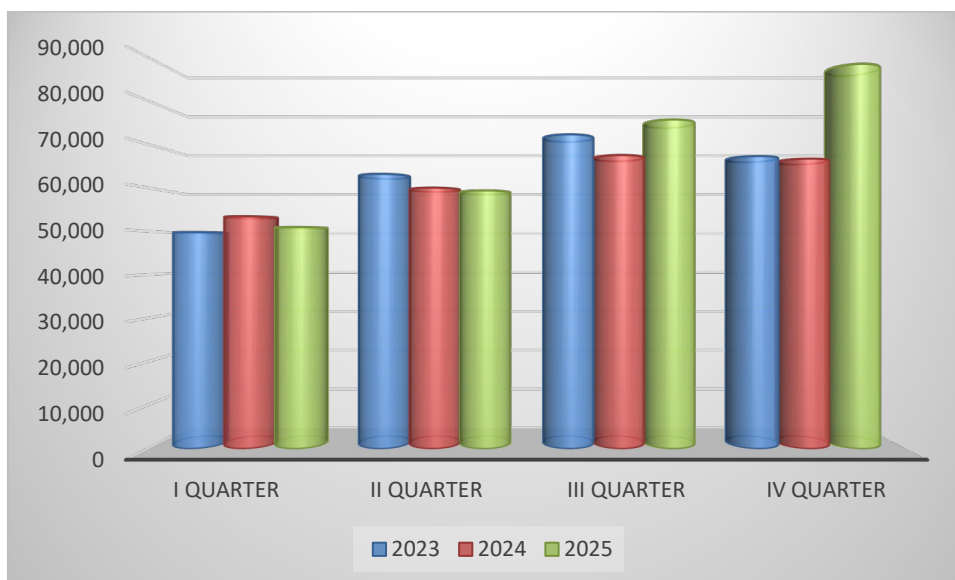
ANALYSIS OF THE OPERATING RESULTS

Production

During 2025, the Company manufactured 274 365 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 2025, as also in the previous years of 2023 and 2024, are shown in the table and graph below:

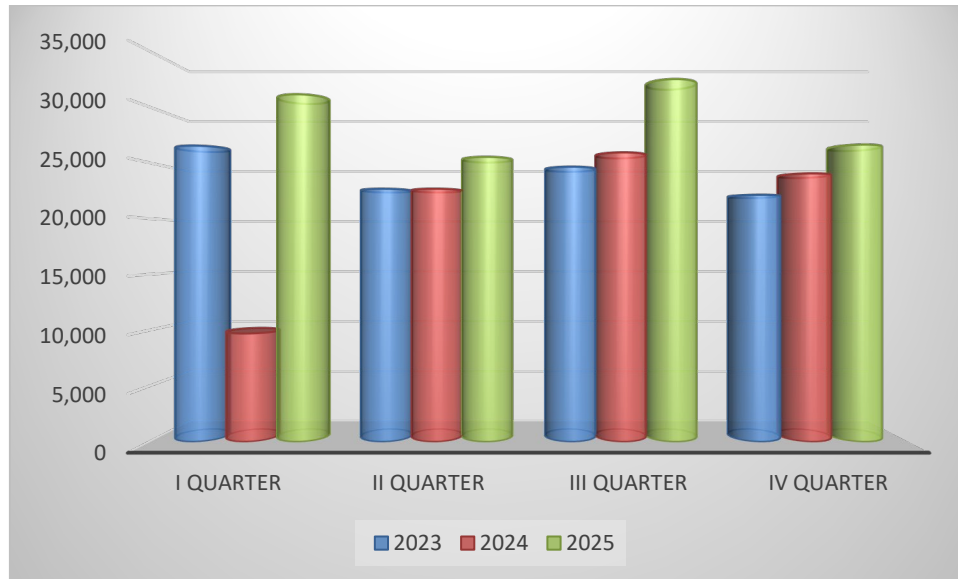
Year	I Quarter	II Quarter	III Quarter	IV Quarter	Total
2023	49 797	63 155	72 228	67 244	252 424
2024	53 428	59 982	67 483	66 671	247 564
2025	50 951	59 349	75 641	88 424	274 365



During 2025 Company manufactured 115 745 tubular heating units. The tubular radiators manufactured during 2025, as also in the previous years of 2023 and 2024, are shown in the table and graph below:

Year	I Quarter	II Quarter	III Quarter	IV Quarter	Total
2023	26 526	22 660	24 639	22 126	95 951
2024	9 708	22 665	25 919	24 039	82 331
2025	31 121	25 520	32 484	26 620	115 745

ANALYSIS OF THE OPERATING RESULTS (CONTINUED)



Sales

As of 31 December 2025, the major trading partners of the Company are KORADO a.s. and companies in the European market.

In 2025, the sales of KORADO-Bulgaria AD amount to 390,228 units, incl. panel radiators, tubular radiators and design radiators.

The sales in the territory of the country amount to 5,395 units, which forms a share of total sales of 1.4 %.

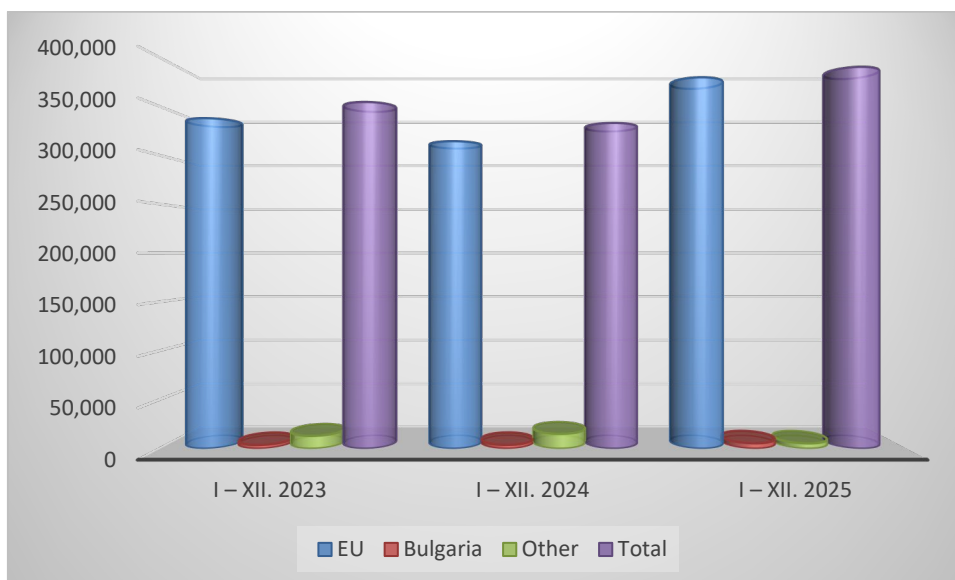
To EU partners there have been sold 379,549 panel radiators and tubular radiators, and to countries outside the EU 5,284 units. Compared to the same period of the previous year, there is an increase in the volume of products sold to EU countries, with a growth of 21%.

The sales of heating units in 2025 and the previous years of 2023 and 2024 are shown in the following table and graph:

Period	Units	EU	Bulgaria	Other	Total
I – XII. 2023	number	337 761	3 616	12 924	354 301
I – XII. 2024	number	314 185	3 698	15 004	332 887
I – XII. 2025	number	379 549	5 395	5 284	390 228

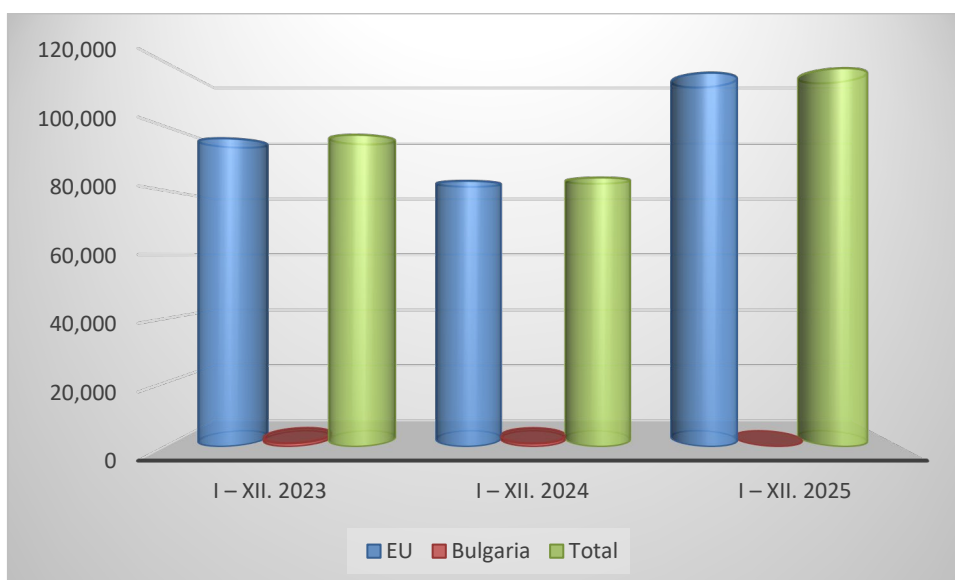
ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Sales (continued)



The following table illustrates the number of tubular and design heating units sold in 2025 and previous 2023 and 2024:

Period	Units	EU	Bulgaria	Total
I – XII. 2023	number	96 269	1 094	97 363
I – XII. 2024	number	82 996	1 034	84 030
I – XII. 2025	number	116 720	1 422	118 142



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.

ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

Operating expenses

The structure of operating expenses of the Company was not changed considerably in 2025 compared to the previous year.

Comprehensive income

The Company's Comprehensive income for 2025 is a profit after taxes amounting to BGN 767 thousand (2024: BGN 2,135 thousand).

The Comprehensive income for the last three years is shown in the following table:

Comprehensive income (BGN'000)	
2023	3,569
2024	2,135
2025	767

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	15.79 %	2,080,032	2,080,032
Individuals	2.06 %	270,659	270,659
TOTAL	100 %	13 168 614	13 168 614

At 31 December 2025 the Company held no shares in the capital of other companies.

CERTIFICATION

The Company has implemented a Quality Management System according to ISO 9001 system standard. The system guarantees a much better quality through the continuous improvement of process management. In April 2018 the Company shifted to ISO 9001:2015.

During the supervisory audit in May 2025, carried out by the certification organization BUREAU VERITAS CERTIFICATION, the audit team concludes that the organization has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to achieve requirements for products and/or services within the scope and the organization's policy and objectives.

ENVIRONMENTAL PROTECTION

The Company has assessed the importance of environmental aspects and set specific and measurable objectives related to the environmental protection, having defined activities to achieve them. The goals set include measures and tasks as well as deadlines and those responsible for their implementation. The Company monitors the environmental parameters in accordance with the Monitoring Plan. Environmental monitoring covers all structural units and processes. The Company has signed contracts with companies that possess permits from the Ministry of the Environment and Water for waste operating activities and to which KORADO Bulgaria AD promptly delivers its waste.

Management of hazardous waste - emulsions and other solutions not containing halogen elements, oils, etc. is at the required level: the constructed sites for the temporary storage of hazardous waste meet the regulatory requirements and are maintained in good condition. The release of emissions into the air is monitored in order to comply with the current regulations.

ENVIRONMENTAL PROTECTION (CONTINUED)

Annual monitoring of the released emissions is carried out by an accredited laboratory. Based on their results, a Solvents Management Plan /SMP/ is developed and approved by RIEW - Veliko Tarnovo. The measures and actions set out in the Volatile Organic Emissions Reduction Program are followed.

The Company is committed on environmentally responsible behaviour in all aspects of its operations. Its activity complies with the national environmental policy following the principles of the EU Directives and any activities relating thereto, which underlie the effective Bulgarian law in the field of environment.:

- ✓ Since 2013 the Company has been using natural gas in the technological processes and for heating, and in 2024, a parallel supply with propane-butane was built in view of the continuously changing prices of natural gas and during 2005 made was be done extension .
- ✓ Waste waters – periodic measurements of waste waters.
- ✓ A contract was signed in 2017 with BULECOPACK AD, an organization that deals with the separate collection and recycling of packaging waste.

The Management environmental management policy guarantees the Company's commitment to permanently improve the environmental condition by reducing and preventing environmental pollution.

HUMAN RESOURCES

The main human resource processes in 2025 were directed towards improving the qualification of the Company staff as the major resource to achieve the stated objectives and to improve effectiveness.

The average number of staff employed by KORADO-Bulgaria AD as at 31 December 2025 is 191, including 42 women.

- ✓ Employees with higher education degree - 30, including 14 women;
- ✓ Employees with secondary education degree – 135, including 27 women.
- ✓ Employees with elementary education degree – 26, 1 woman;
- ✓ Management positions occupied by women – 3.

To reach a high level of development of professional skills and qualification of workers and employees, professional training, participation in professional training courses and seminars on various topics were organized in 2025.

The commitment of workers and employees to follow steadily the principles of integrity and morality in their relationships and to precisely comply with the laws of the countries in which we operate is one of the basic principles underlying the Code of Ethics of KORADO-Bulgaria AD. It is mandatory to follow these principles in the relationships with clients and business partners, as also in personal and business relationships.

The Company's management expects and requires all employees at all levels to comply unconditionally with the above principles and requirements. Any non-compliance would jeopardize the confidence of our clients, suppliers, employees and other counterparties, and would harm and seriously threaten not only our competitiveness and image, but also our upward development.

KORADO-Bulgaria AD is committed to provide its employees with safe and secure work environment. Safety is particularly critical in our production workshops that are subject to strict work safety regulations. Safety rules apply to each workplace. We comply with all provisions, including with our own policies, which often introduce requirements not covered by law. All employees and other persons working in our premises are well informed about the safety requirements relating to their work. The lack of labour incidents during the last year supports this fact.

In all its business initiatives, KORADO-Bulgaria AD is attempting to be fair and correct company. We compete actively, but do it fairly and by observing all applicable competition laws and equality in the market. We adhere strictly to the laws for the protection of global markets from unfair competition.

HUMAN RESOURCES (CONTINUED)

KORADO-Bulgaria AD will pursue the highest standards in its activity with the aim 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.

KORADO-Bulgaria AD acknowledges that its efforts to maintain confidence and security of shareholders, employees, clients and all other stakeholders, as well as of the communities where it operates are of the utmost importance to ensuring the Company's constant development and success.

FINANCIAL RATIOS

Liquidity

General liquidity = Current assets / Current liabilities = BGN 21,361 thousand / BGN 10,328 thousand = **2,07**

Quick liquidity = (Current assets – Inventories) / Current liabilities = (BGN 21,361 thousand – BGN 11,932 thousand) / 10,328 thousand = **0,91**

Absolute liquidity = Cash and cash equivalents / Current liabilities = BGN 2,742 thousand / BGN 10,328 thousand = **0,27**

Net working capital = Current assets – Current liabilities = BGN 21,361 thousand – BGN 10,328 thousand = **BGN 11,033 thousand**

Profitability

Sales profit margin = Gross profit / Sales revenue = BGN 860 thousand / BGN 38,064 thousand = **2,3 %**

Return on assets before taxes = Gross profit / Total assets = BGN 860 thousand / BGN 34,438 thousand = **2,5%**

Return on equity = Profit for the year / Equity = BGN 767 thousand / BGN 23,353 thousand = **3,3 %**

The amounts of the financial ratios for the last three years are shown in the following table:

Ratio	2023	2024	2025
Liquidity			
General liquidity	4,55	3,27	2,07
Quick liquidity	2,76	1,70	0,91
Absolute liquidity	0,33	0,61	0,27
Net working capital	13,866	10,354	11,033
Profitability			
Sales profit margin	10,11%	6,83%	2,3%
Return on assets before taxes	12,42%	8,33%	2,5%
Return on equity	14,24%	9,17%	3,3%

CORPORATE GOVERNANCE

Pursuant to the effective Commercial Act of Bulgaria, at 31 December 2025 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 2025:

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

Members of the Management Board at 31 December 2025:

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

Jiri Reznicek is the Executive Director of the Company.

FINANCIAL RISK MANAGEMENT

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.

GOING CONCERN PRINCIPLE

Based on the analysis described in Note 1.1. Going concern principle, management has not identified material uncertainty that the Company will be able to continue to exist as a going concern.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the Introduction of the Euro in the Republic of Bulgaria Act, as of 1 January 2026, the euro shall become the official currency and legal tender in Bulgaria. The fixed conversion rate is set at BGN 1.95583 for one euro.

The introduction of the euro as the official currency in the Republic of Bulgaria represents a change in the functional (reporting) currency of the Company, which will be accounted for prospectively and does not represent an event after the reporting period which requires adjustment in the financial statements for the year ending 31 December 2025.

The Company does not anticipate significant effects from the revaluation of opening balances as of 1 January 2026 into euro, nor from the process of changing the functional (reporting) currency, the only change will be in the value of the capital, since the nominal value of one share is 0.51 euros, the currency conversion is up to the fourth digit.

On 28 February 2026, a military operation initiated by the United States and its allied forces commenced within the territory of Iran. As of the approval date of the financial statements, the conflict has escalated and extended into other region within the area. The military operation may have impact on the European and global economies. The Company does not have material direct exposure to the countries, directly affected by the conflict as of the date of the approval of the financial statements. The effect on the overall economic situation may require reassessment of some assumptions and estimates. This may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-to-day.

The longer-term impact may also affect trading volumes, cash flows, and profitability. Nevertheless, at the date of the financial statements the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation. Management considers the situation to be a non-adjusting event after the reporting period.

No other events have occurred after 31 December 2025, that would require additional adjustments and/or disclosures in the Company's financial statements for the year ended 31 December 2025.

INFORMATION ON THE PERFORMANCE OF THE RPOGRAM FOR IMPLEMENTATION OF THE INTERNATIONALLY RECOGNISED GOOD CORPORATE GOVERNANCE STANDARDS

1. National Corporate Governance Code

KORADO-Bulgaria AD implements its own long-term good corporate governance program. The program envisages various initiatives in a number of key directions, the performance of which facilitates the achievement of its priority objectives: independence and responsibility of corporate management, protection of the rights of shareholders; ensuring equal treatment of all shareholders (including minority and foreign shareholders); ensuring recognition of the rights of any persons concerned of the Company's management and steady development and encouraging cooperation with them; ensuring timely and precise disclosure of important information on the financial performance, operating results, property and management of KORADO-Bulgaria AD, as required by law; facilitating strategic management of KORADO-Bulgaria AD; efficient control over the activities of the Management Board (MB) and Supervisory Board (SB), and their reporting to all stakeholders.

Having regard to the important role of modern corporate governance in promoting the sustainable development of the national economy of the Republic of Bulgaria and being guided by their commitment to continue implementing the internationally recognized good corporate governance standards, MB and SB of KORADO-Bulgaria AD have decided that the Company shall carry out its activity in compliance with the principles and provisions of the National Corporate Governance Code.

2. Implementation of the National Corporate Governance Code

Management of KORADO-Bulgaria AD implements the National Code of the basis of the principle "comply or explain". The observance of this principle is based on the recommendation of the European Commission on the quality of the reporting in the area of corporate governance.

The main direction in fulfilling the commitments of the Code was bringing all in-house acts of the Company and its overall activity in accordance with the constantly changing effective regulations.

All financial statements of the Company are prepared in accordance with IFRS accounting standards as adopted by EU and the annual audit is carried out by an independent auditor to ensure the unbiased and objective assessment of the method of preparation and presentation of these financial statements. These financial statements are accompanied by detailed activity reports.

MB and SB manage the Company independently and responsibly, in line with the Company's vision, goals, strategies and the shareholders' interests. They establish and monitor the strategic guidance for developing the Company. MB and SB have established a risk management policy and supervise the development and operation of an internal control and risk management system. MB and SB ensure compliance with statutory, regulatory and contractual obligations of the Company, provide guidelines, approve and monitor the performance of the Company's business plan, significant transactions and activities provided for by in-house regulations. A financial and information system of the Company has been developed and operates reliably.

SB has adopted an information disclosure and investor relations policy. Following the policy for more transparency in its relationships with shareholders, investors and the public, KORADO-Bulgaria AD has announced the media through which it discloses regulated information: X3-News platform of Service Financial Markets EOOD, owned by Bulgarian Stock Exchange – Sofia AD.

The members of MB and SB base their actions on common principles of integrity and managerial and professional competence, a basis of which is the adopted Code of Ethics. MB and SB report to the General Meeting of Shareholders on their activities. The General Meeting of Shareholders appoints and discharges the members of SB in compliance with the law and the Company's Articles of Association, by observing the principles of continuity and stability of the governing bodies' activities. The members of SB are elected through a transparent procedure, which ensures timely and sufficient information on the applicant's personal and professional skills. Management contracts comply with the requirements of the law, constituent acts and good professional and management practice, and define the competences, rights and obligations of the members of SB and MB, criteria to apply in determining their remuneration, their obligation to be loyal to the Company, as also the grounds for their dismissal.

INFORMATION ON THE PERFORMANCE OF THE PROGRAM FOR IMPLEMENTATION OF THE INTERNATIONALLY RECOGNISED GOOD CORPORATE GOVERNANCE STANDARDS (CONTINUED)

2. Implementation of the National Corporate Governance Code (continued)

The number of the members of the governing bodies is defined by the Company's Articles of Association. The composition of Boards is structured in a manner which ensures that their decisions concerning the Company's management will be professional, unbiased and independent. MB and SB have made an appropriate division of tasks and duties among its members. The members of the governing bodies possess appropriate skills and experience, and after being elected new members are introduced to the major legal and financial matters relating to the Company's operations. It is a constant practice to improve the competence and qualification of the members of the governing bodies. Consistency in mandates to ensure the effective operation of the Company and compliance with legal requirements.

The members of the governing bodies have the time required to fulfil their tasks and obligations. The rules of procedure of MB and SB define the maximum number of the companies outside the portfolio of KORADO-Bulgaria AD, in which the members may occupy governing positions. The amount and structure of remuneration of the members of the governing bodies are determined by the General Meeting of Shareholders. They take into account the obligations and contribution of each member, the likelihood of selecting and retaining qualified and loyal members, the need to ensure consistency between the member's interests and the long-term interests of the Company. The members of MB and SB receive fixed remuneration.

The General Meeting of Shareholders adopted a Remuneration Policy applicable to the members of MB and SB, with the objective to support the long-term business goals of the Company and to encourage behaviour that facilitates the creation of value for the shareholders, at the same time ensuring competitive remuneration that is sufficient to attract and retain directors possessing the skills necessary for the successful management and development of the Company. Information on the remuneration of the members of the governing bodies is disclosed in an annual report, a separate document to the annual financial statements of the Company. The Remuneration Policy and the annual report are published on the Company's website.

MB and SB of KORADO-Bulgaria AD have adopted procedures for the avoidance and disclosure of conflicts of interest. These procedure put the members under the obligation to avoid any real or potential conflicts of interest, and if necessary, to disclose immediately any conflicts of interest and to ensure access for the shareholders to information about transactions among them and the Company or their related parties. On the other hand, any conflict of interest within the Company shall be notified to the governing bodies.

Taking into account the specifics of the Company, the SB has judged that an Audit Committee should be established. Simultaneously, following the amendments to the law, the Audit Committee was established by the General Meeting of Shareholders and its composition and mandate were set. The Audit Committee operates on its own operational rules and work schedule. Its activity is directed towards improving effectiveness of financial reporting processes, internal control systems and risk management.

The Audit Committee, being guided by the established professional requirements, makes a substantiated proposal to the General Meeting of Shareholders for the election of an external auditor. The Company has implemented an internal control system, which guarantees the effective functioning of the reporting systems and disclosure of information aimed at identifying the risks inherent to the activity of the Company and facilitating their efficient management.

The corporate governance of KORADO-Bulgaria AD ensures equal treatment for all shareholders, including minority and foreign shareholders, and protects their rights. All shareholders have the right to participate in the General Meeting of Shareholders and to express their opinions. They are able to exercise their right to vote at the General Meeting of Shareholders of the Company through representatives as well.

INFORMATION ON THE PERFORMANCE OF THE PROGRAM FOR IMPLEMENTATION OF THE INTERNATIONALLY RECOGNISED GOOD CORPORATE GOVERNANCE STANDARDS (CONTINUED)

2. Implementation of the National Corporate Governance Code (continued)

Rules have been adopted for the organization and holding of regular and extraordinary General Meetings of Shareholders, which guarantee equal treatment for all shareholders and the right of each shareholder to express his/her opinion on the agenda topics. The procedures and order for convening a General Meeting of Shareholders do not prevent or make the voting unnecessary more expensive. These procedures encourage the shareholders' participation in the General Meeting of Shareholders, but do not envisage a possibility for remote presence through technical devices as this would make the holding of the General Meeting more onerous. Rules on proxy voting have been adopted. The wording of written materials on the agenda of the General Meeting of Shareholders are specific and clear, and do not mislead the shareholders. All proposals on major corporate events are presented as separate agenda items, including the proposal for profit distribution.

To improve the confidence of shareholders, investors and stakeholders in the Company's management and operations is one of the key tasks of corporate governance. With respect to that, the Company constantly reaffirms its position of a stable institution.

In 2025 as well, the approval and implementation of various ways for disclosure of current information on the Company's financial and business performance and important corporate events, and their promotion, continued.

KORADO-Bulgaria AD has approved a policy and system for disclosure of information in compliance with the legal requirements. It guarantees equality of the information addressees (shareholders, stakeholders, investment society) and prevents abuses in the form of insider dealing.

The system for disclosure of information ensures complete, timely, true and understandable information, which enables objective and informed decisions and valuations. The Company has implemented in-house rules for the preparation of annual and interim reports, and disclosure procedure.

The Company maintains its website, which contains corporate information, information about the governing bodies and shareholding structure of KORADO-Bulgaria AD. The investor section contains internal documents of the Company, information about the shareholders' rights and their participation in the General Meeting of Shareholders, the financial statements for the last 13 years, information about the payment of dividends, as also for personal data protection. This section also contains materials for the forthcoming General Meetings of Shareholders of the Company, information on the decisions passed by the General Meeting of Shareholders. Information about initiatives of the Company, for the auditors and the media that publish news about the holding is publicly available.

The News section contains information on the periodical publications of the Company, forthcoming events and important information concerning the Company's activity. There is a procedure for payment of prior year's dividends to be followed by the shareholders.

The practice of sending timely responses to letters and inquiries of shareholders, including such received by email and their recording in a register duly kept by the Investor relation Directors continues. There is a practice that, irrespective of the nature of the question, the answer shall contain a detailed explanation of the rights of the shareholders of the holding. The procedure for transfer of shares by way of inheritance is described in detail. Each shareholder who, on various occasions, addresses the Company is thoroughly informed of his rights and provided with information on various matters concerning the activity and current status of the Company, including for the movement of share prices of KORADO-Bulgaria AD on the stock market.

The corporate governance of KORADO-Bulgaria AD ensures efficient relationships with all stakeholders, identified by the Company as such. The policy to stakeholders is compliant with statutory requirements and in conformity with the principles of transparency, reporting and business ethics. A policy for taking into account the stakeholders' interest, which ensures their attraction and guarantees the balance between the development of the Company and the environment, in which it operates, has been developed. Efficient connections with all stakeholders are maintained. The Company informs periodically its shareholders, stakeholders and the investment society on significant matters.

INFORMATION ON THE PERFORMANCE OF THE PROGRAM FOR IMPLEMENTATION OF THE INTERNATIONALLY RECOGNISED GOOD CORPORATE GOVERNANCE STANDARDS (CONTINUED)

2. Implementation of the National Corporate Governance Code (continued)

KORADO-Bulgaria AD participates actively in various forms of mutual cooperation with government institutions and non-governmental organizations on corporate government matters. The process of information disclosure by KORADO-Bulgaria AD is subject to multiple controls. So far, no violations of the provisions and terms of disclosure have been established. The financial statements are published on the Company's website immediately after they have been forwarded to the regulatory authority and the public, thus providing for controls by the shareholders, investors and all stakeholders.

In conclusion, we may summarize that the activities of the governing bodies of KORADO-Bulgaria AD in 2025 were compliant with the National Corporate Governance Code and international standards.

The review and the report on the implementation of the program have found that the basic principles have been observed, and namely:

- ✓ Fair presentation and transparency with respect to the occurrence of important corporate events relating to the Company's activity;
- ✓ Protection of the shareholders' rights and their equal treatment;
- ✓ Good corporate governance aiming at attracting the interest of potential investors;
- ✓ Loyalty to the Company;
- ✓ Regular control over the Company's business activity by employees of Internal Audit of the parent company;
- ✓ Compliance with the Code of Ethics with respect to the internal rules of ethics, business behaviour standards, and prevention of abuses in the form of insider dealing.

In the course of the year, through their regular meetings, Management Board and Supervisory Board, and the independent Audit Committee assist in ensuring efficient management of the Company.

The procedure for prior notification to the members of SB and MB of the meetings, and their detailed and precise recording, has been complied with.

As a result of the current control on the activity of the person in charge of investor relations it has been found the following:

- ✓ Timely presentation of reports and current information to the Financial Supervision Commission, Bulgarian Stock Exchange, Central Depository. Information is published on the Company's website at www.korado.bg and presented to the public through the e-media www.X3news.com.
- ✓ Regular keeping of registers for the materials of the General Meeting of Shareholders, minutes of the meetings of MB and SB, reports and current information sent;
- ✓ The deadlines for publication of the official notices convening a General Meeting of Shareholders have been complied with and the notifications required by POSA have been sent;

All quarterly, six months and annual financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by EU.

In addition to the above-specified information, the Executive Director has drawn up and signed a Statement of Corporate Governance pursuant to Article 100m, paragraphs 7 – 9 of POSA, which is enclosed to this report and forms an integral part hereof.

Dividend

There is no resolution of the General Meeting held on 18.06.2025 for the distribution of dividends.

On 10 September 2025 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 658 thousand, gross dividend of BGN 0.05 per share.

INFORMATION ON THE PERFORMANCE OF THE PROGRAM FOR IMPLEMENTATION OF THE INTERNATIONALLY RECOGNISED GOOD CORPORATE GOVERNANCE STANDARDS (CONTINUED)

Dividend (continued)

The dividends are paid through the system of Central Depository AD and the branches of DSK Bank. Their payment commenced on 09 October 2025.

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

ISIN code of issue - BG11LUSTAT13.

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

Holding of own shares by the Company

The Company holds no own shares.

Holding of shares of the Company by the members of the corporate management of the Company

At 31 December 2025 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.

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

There are no plans at 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 |
|--------------|--|

Shares of the Company were neither acquired nor transferred by the Board members in 2025.

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 |
|---------------|---|

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 2025.

ADDITIONAL INFORMATION UNDER APPENDIX 2 TO ORDINANCE 2 OF FSC

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the Company as a whole and the changes that occurred during the reporting fiscal year.

Information is given in the following table:

	Finished product manufactured, Pcs.		Finished products sold (without goods)			
			Quantity		Amount (BGN thousand)	
	2024	2025	2024	2025	2024	2025
Panel radiators	247 564	274 365	247 515	269 296	28 562	29 684
Steel rail bathroom radiators	82 331	115 745	82 331	115 745	5 425	7 471

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of finished products or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user and in the event that the relative share of any of them exceeds 10 percent of the costs or revenues from sales, information is provided for each person separately, about his share in sales or purchases and his relations with the issuer, respectively the person under § 1e of the additional provisions of the POSA.

REVENUE	in BGN'000
<i>Net sales revenue:</i>	
1.Finished products	37,155
2.Goods	873
3. Services	36
Total revenue	38,064

Sales revenue by markets:

- ✓ Domestic market – amounting to BGN 868 thousand, representing 2,28 %.
- ✓ Export market - amounting to BGN 37,196 thousand, representing 97,72%, including sales amounting to BGN 30,795 thousand to KORADO a.s., Czech Republic – 80,90%, BGN 482 sales to clients in Ukraine – 1,27% and BGN 1,546 thousand sales to a client Sekpral Pro Instalatii (Romania) – 4,06%, BGN 579 thousand sales to client Hegedus Hungary – 1,52%, client from Greece BGN 1,150 thousand – 3,02%, Slovakia BGN 1,518 - 3,99%, Germany BGN 948 thousand – 2.49% and other clients - BGN 178 thousand.

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of finished products or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user and in the event that the relative share of any of them exceeds 10 percent of the costs or revenues from sales, information is provided for each person separately, about his share in sales or purchases and his relations with the issuer, respectively the person under § 1e of the additional provisions of the POSA. (continued)

Total purchases of materials for 2025 amount to BGN 28,291 thousand. Purchases are concentrated in 5 major suppliers, which constitute 57.30% of total purchases. The general suppliers which deliver all materials are:

- ✓ Borcelik Tikaret (Turkey) - BGN 7,268 thousand or 25,70%
- ✓ Berg Metal (Turkey) BGN 862 thousand or 3,05%
- ✓ Hus OOD (Bulgaria) BGN 1,550 thousand or 5,50%
 - ✓ Commital Turkey BGN 600 thousand or 2,10 %
 - ✓ Hyosung Corporation Korea BGN 5,922 thousand or 20,95 %

ADDITIONAL INFORMATION UNDER SECTION IVA OF APPENDIX 2 TO ORDINANCE 2 OF FSC (CONTINUED)

3. Information about concluded large transactions and such of material importance for the Company's activity.

In the reporting year of 2025, there were no large transactions or such of significant importance to the activity of the Company.

4. Information about the transactions concluded between the issuer, respectively the person under § 1e of the additional provisions of the POSA and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions, which are outside its usual activity or substantially deviate from the market conditions, to which the issuer, respectively the person under § 1e of the additional provisions of the POSA or its subsidiary, is a party, indicating the value of the transactions, the nature of the relation and any information necessary to assess the impact on the issuer's financial condition, respectively, the person under § 1e of the additional provisions of the POSA.

During the reporting period, there were no transactions, which are outside the usual activity of the Company, and proposals for conclusion of such transactions were not received. Besides with the parent company KORADO a.s., Czech Republic, in 2025, the Company had deals with other related parties as well, such as LICON HEAT, Czech Republic (a 100% subsidiary of KORADO a.s., Czech Republic). All related party transactions of the Company are concluded on usual market conditions, including, but not limited to, their price levels. Related party transactions concluded in 2025 are disclosed in Note 16 to the financial statements.

5. Information about events and indicators of unusual for the issuer, respectively the person under § 1e of the additional provisions of the POSA nature, having substantial influence over its operation and the realized revenues and expenses incurred; assessment of their influence over the results during the current year.

In 2025, there were no events or indicators of unusual for the Company nature.

6. Information about off-balance transactions- nature and business purpose, indication of the financial impact of the transactions on the activity, if the risk and benefits of these transactions are material for the issuer, respectively the person under § 1e of the additional provisions of the POSA, and if the disclosure of this information is essential for the assessment of the financial position of the issuer, respectively, the person under § 1e of the additional provisions of the POSA.

Off-balance sheet transactions were not concluded in 2025.

ADDITIONAL INFORMATION UNDER APPENDIX 2 TO ORDINANCE 2 OF FSC (CONTINUED)

7. Information about holdings of the issuer, respectively the person under § 1e of the additional provisions of the POSA, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group according to the Accountancy Act and the sources/ways of financing.

At 31 December 2025, KORADO-Bulgaria AD held no shares in other companies and/or participations in subsidiaries. Information with regards to the acquired intangible assets and property, plant and equipment is disclosed in Notes 6 and 7 to the financial statements.

8. Information about the concluded by the issuer, respectively the person under § 1e of the additional provisions of the POSA, by its subsidiary in their capacity as borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities.

In October 2022 KORADO-Bulgaria AD received a loan from the parent company at the amount of BGN 2,347 thousand which is due in 2027. As of 31 December 2025 the due loan amounts to BGN 978 thousand.

ADDITIONAL INFORMATION UNDER APPENDIX 2 TO ORDINANCE 2 OF FSC (CONTINUED)

Contracts were not concluded and commitments for provision of guarantees and assumption of liabilities were not taken by the Company.

The parent company has received financing for the total amount of CZK 62 031 million (2024: CZK 80 700 million) maturing in 2026-2030 years from financial institutions with an interest rate of 1M EURIBOR+1.55 % and 1M EURIBOR +0.95 %.

9. Information about the loans, granted by the issuer, respectively by a person under § 1e of the Additional Provisions of the POSA, or by their subsidiaries, providing guarantees or assuming obligations in total to one person or his subsidiary, including related parties with name and UIC of the person, the nature of the relationship between the issuer, respectively the person under § 1e of the additional provisions of the POSA, or their subsidiaries and the borrower, the amount of outstanding principal, interest rate, contract date, repayment deadline, the amount of the commitment, specific conditions other than those provided for in this provision, as well as the purpose for which they were granted, in case they were concluded as targeted.

Contracts were not concluded by the Company in the capacity as a lender and guarantees of any type were not provided by the Company in 2025. The parent company has provided financing to Licon Heat in the total amount of CZK 42 mil (2024: CZK 37 million) maturing on 31.12.2027 with an interest rate of 1 %, to KORADO Polska in the total amount of CZK 33 million (2024: CZK 36 million) maturing on 31.12.2026 and with an interest rate of 1.7 %.

10. Information on the use of the funds from a new issue of securities carried out during the reporting period.

The Company has not issued new securities in 2025.

11. Analysis of the ratio between the achieved financial results reflected in the financial statements for the fiscal year and previously published forecasts for these results.

The Company has published forecasted results for 2025.

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer, respectively by a person under § 1e of the Additional Provisions of the POSA, has undertaken or is to undertake with a view to their removal.

In 2025, the Company continued to implement systemically its financial resource management policy and thanks to that, it has sufficient funds to meet its liabilities in 2026. The Company's management is of the opinion that there are no threats to such current servicing, which go beyond the ordinary course of the activity. Therefore, measures for the removal of such threats are not envisaged. Liquidity ratios are described above.

13. Assessment of the possibilities for realization of the investment intentions indicating the amount of available funds and showing possible changes in the financing structure of this activity.

The activity of KORADO-Bulgaria AD is directed primarily towards management of current investments.

14. Information about changes occurred during the reporting period changes in the basic principles for management of the issuer, respectively by a person under § 1e of the Additional Provisions of the POSA and its economic group according to the Accountancy Act.

The base principles for management of the Company and its economic group have not been changed.

ADDITIONAL INFORMATION UNDER APPENDIX 2 TO ORDINANCE 2 OF FSC (CONTINUED)

15. Information about the main characteristics of the applied by the issuer, respectively by a person under § 1e of the Additional Provisions of the POSA in the course of preparation of the financial statements internal controls system and risk management system.

In the process of preparation of the financial statements for 2025, internal control activities include stocktaking of inventories carried out once a year and of work in progress carried out on a monthly basis, with all required accounting adjustments according to the inventory lists expressed in values.

The control on the waste of inventories is exercised on a monthly basis. Cash is counted on a quarterly basis. At the end of each financial year, the balances of the Company – receivables and payables, are checked as well. Financial control is exercised currently by management and on annual basis by internal auditors of the parent company in accordance with International Standards on Internal Auditing.

16. Information on the changes in the management and supervisory bodies during the reporting fiscal year.

In 2025 there are no changes to the management bodies.

17. Information on the amount of remuneration, rewards and / or benefits of each of the members of the management and supervisory bodies for the reporting financial year, paid by the issuer, which is not a public company, respectively the person under § 1e of the additional provisions of POSA and its subsidiary companies, regardless of whether they were included in the expenses of the issuer, which is not a public company, respectively the person under § 1e of the additional provisions of the POSA, or arise from the distribution of profit, including:

- (a) Received amounts and non-monetary remuneration;
- (b) Conditional or rescheduled remuneration arisen during the year, even if the remuneration is due at a later date;
- (c) An amount payable by the issuer, which is not a public company, respectively the person under § 1e of the additional provisions of the POSA, or its subsidiaries for payment of pensions, retirement benefits or other similar benefits.

The remuneration of the members of the management and control bodies is as follows:

- The members of the Management Board include the Executive Director, the Chief Accountant and a non-employee member of the Company, who is an employee of the Group. The remuneration they receive for the performance of their duties as employees are disclosed in Note 16 to the financial statements. They are remunerated for their role as board members from 16.09.2021 according to Decision of GM/15.09.2021 and changing with GM/10.09.2025 with the annual amount of BGN 11 thousand to each member.

- Two of the members of the Supervisory Board have received remuneration in 2025 and each of them has received the amount of BGN 27 thousand. Two of the members of the Supervisory Board have received remuneration for their role as SB members from 16.09.2021 according to Decision of GM/15.09.2021 and changing with GM/10.09.2025 at the amount of BGN 11 thousand to each member, as they are employees of the Group.

Unpaid remunerations as at 31 December to 2025 amount to BGN 14 thousand.

18. For the public companies – information about the owned by the members of the management and of the control bodies and procurators shares of the Company, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the Company by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options.

At 31 December 2025 the Chairman of MB Jiri Reznicek held 180 shares, the member of MB, Silviya Stefanova, held 507 shares and the member of SB, 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.

ADDITIONAL INFORMATION UNDER APPENDIX 2 TO ORDINANCE 2 OF FSC (CONTINUED)

19. Information about the known to the Company agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.

The Company has no information for such agreements.

20. Information about pending court, administrative or arbitration proceedings relating to liabilities or receivables of the issuer, respectively by a person under § 1e of the Additional Provisions of the POSA of an amount of at least 10 percent of its equity; if the total amount of the liabilities or receivables of the issuer, respectively by a person under § 1e of the Additional Provisions of the POSA under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately.

As at 31 December 2025, there were no pending courts, administrative or arbitration proceedings, involving the Company, relating to liabilities of an amount of at least 10 percent of its equity.

21. For public entities - name of the Investor Relations Director, including telephone and address for correspondence.

The person in charge of investor relations is Snezhana Petrova Baycheva,
Correspondence address: town of Strazhitsa, 28 Gladstone Street
e-mail: snezhana.baycheva@korado.bg, tel.: 06161 4245

22. Non-financial declaration under Art. 41 of the Accountancy Act - for financial statements on an individual basis, respectively under Art. 51 of the Accountancy Act - for financial statements on a consolidated basis, where applicable.

Not applicable.

23. Other information at the discretion of the Company.

Changes in the price of the stocks 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 01.01.2025 – 31.12.2025 the issue of shares was traded as follows:

Turnover /BGN/:	234,465 BGN / 119,880 €
Shares transferred	55,295
Number of transactions	224

According to BSE, the changes in the price of the Company's shares during 2025 are as follows:

- ✓ minimum – 3.96 BGN / 2.025 €
- ✓ maximum – 4.70 BGN / 2.403 €
- ✓ average – 4.24 BGN / 2.168 €
- ✓ last – 4.18 BGN / 2.137 €

The Company has submitted on time the required by the Public Information Act information to the Financial Supervision Commission and the Bulgarian Stock Exchange. This information is available to shareholders and investors on the Company's website -www.korado.bg и www.x3news.com.

ADDITIONAL INFORMATION UNDER APPENDIX 2 TO ORDINANCE 2 OF FSC (CONTINUED)

KORADO – Bulgaria AD is aware that maintaining the trust and security of shareholders, employees, customers and all the people it works with, as well as the communities in which it operates, is extremely important for the Company's continued development and success.

The following graph shows the movements in the price of the Company's shares in 2025:



The Company timely submitted to FSC and BSE the statutory information within the relevant deadlines.

ANALYSIS AND EXPLANATION OF INFORMATION PURSUANT TO APPENDIX 3 TO ORDINANCE 2 OF FSC

1. Information about securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another Member State.

As of December 31, 2025, the Company has not issued securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another Member State.

2. Information about the direct and indirect holding of 5 or more per cent of the voting rights at the General Meeting of the Company, including information about the shareholders, the amount of their shareholding and the manner in which the shares are owned.

More than 5 per cent of the shares of the Company are held directly only by the shareholder KORADO a.s. Czech Republic. This shareholder is registered with the Register of the local court Hradec Králové, Section B, Batch 1500, Date of entry: 01 September 1996, UIC 25255843 /according to the system of Czech Republic/, with registered address and address of management: Czech Republic, město ČeskáTřebová, okres Ústínad Orlicí, ulice Bří Hubálku 869, Postal Code 560 02.

The amount of the shareholding of this shareholder as of 31.12.2025 includes 10 817 923 shares, or 82.15% of the total shares of the Company.

3. Information about the shareholders with special control rights and description of these rights

There are no shareholders with special control rights.

4. Agreements among the shareholders, which are known to the Company and which may result in limitations over the transfer of shares or the voting right.

The Company is not aware of and it has not been notified of any agreements among the shareholders, which may result in limitations over the transfer of shares and/or the voting rights.

ANALYSIS AND EXPLANATION OF INFORMATION PURSUANT TO APPENDIX 3 TO ORDINANCE 2 OF FSC (CONTINUED)

5. Significant contracts of the Company which give rise to action, have been amended or terminated due to change in the control of the Company upon carrying out of obligatory tender offer and the consequences thereof, save for the cases when the disclosure of such information may cause serious damages to the Company; the exception of the previous sentence shall not apply in the cases when the Company must disclose information by virtue of the law.

The Company has no significant contracts concluded, which correspond to the type and nature described herein, including giving rise to action upon the occurrence of these conditions.

FUTURE DEVELOPMENT PERSPECTIVES

Management has set the following goals to be achieved in 2026:

- Maintenance and increase of the production volumes;
- 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 strives for high standards in its activity, aiming to maintain and develop its long-term positions in the competitive environment in which it has chosen to operate. We are committed to contributing to the sustainable development of society. This requires striking a balance between short-term and long-term interests and taking all economic, environmental and social considerations into account when making business decisions.

MANAGEMENT'S RESPONSIBILITIES

Management is required by Bulgarian legislation to prepare financial statements each financial year that give a true and fair view of the financial position of the Company as at the year end and of its financial performance and its cash-flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by EU.

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 financial statements for the year ended 31 December 2025. 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

CORPORATE GOVERNANCE STATEMENT FOR 2025
OF KORADO – Bulgaria AD

The undersigned,

Jiri Reznicek, in my capacity as a representative of **KORADO – Bulgaria AD**, a company, incorporated and existing in accordance with the laws of the Republic of Bulgaria, with head office and address of management in Veliko Tarnovo Region, Strazhitsa Municipality, town of Strazhitsa 5150, 28 Gladstone Street, registered with the Commercial Register of the Registry Agency under UIC 814190902 (hereinafter referred to as the „**Company**”),

HEREBY DECLARE:

I. Substance and subject-matter of the Corporate Governance Statement

1. This Corporate Governance Statement (hereinafter referred to as the „**Statement**”) has been prepared in accordance with Article 100m, paragraphs 7 and 8 of POSA and Article 40, paragraphs 1 and 2 of the Accountancy Act and forms an integral part of the annual management report on the Company’s activity for the period 01 January 2025 – 31 December 2025 (hereinafter referred to as the „**Reporting period**”). The purpose of the Statement is to provide information on the higher criteria and standards implemented by the Company in the area of corporate governance, which the Company intends to implement in future as well. In pursuance with the legal requirements, the Company has published its Statement on the website at: www.korado.bg.

II. Compliance with the Code of Corporate Governance

2. The Company is guided by the principles of good corporate governance. Pursuant to a decision of the Management Board of the Company, as of September 2017 the Company observes, as appropriate, the National Corporate Governance Code (hereinafter referred to as the „**NCGC**”). Being a member of KORADO Group, the Company complies with any and all internal corporate governance regulations. These regulations include, among others, also:
 - (a). Corporate governance key principles policy;
 - (b). Code of Ethics; and
 - (c). Prevention of corruptive practices rules.

The above internal regulations have been developed in compliance with the effective legislation, the provisions of the Articles of Association of the Company, NCGC, and the corporate governance principles of the Organisation of Economic Cooperation and Development. By applying these regulations, the Company ensures full compliance with corporate governance best practices and standards.

The Company applies the following mandatory requirements:

- protection of shareholders' rights;
 - ensuring fair treatment of all shareholders irrespective of the number of shares held by them;
 - recognition of stakeholders' rights and promotion of cooperation between the Company and stakeholders;
 - ensuring timely and accurate disclosure of information on all matters relating to the Company, including with regard to its financial performance, property and management;
 - ensuring effective control of Company's management and supervisory bodies and reporting to shareholders.
3. Good corporate governance standards are applied based on the principle “comply or explain”. This requires that in case of deviation from the standards the corporate management of the Company to explain the reasons for the deviation and disclose them. During the reporting period, there were no deviations or indications of possible deviations.

4. In addition to the above internal regulations, the Company has developed and operated effectively the following corporate governance policies and documents:
 - (a). Rules of Activity of the Management Board and the Supervisory Board (hereinafter referred to as „MB” and „SB”, respectively);
 - (b). Internal control and risk management systems, and financial and information system;
 - (c). Remuneration policy applicable to the members of MB and SB; and
 - (d). Policy of diversity with respect to the governing, managing, and supervisory authorities of the Company.

During the Reporting period, there were no deviations from the requirements of these Company regulations.

5. The Company has implemented a Quality Management System according to ISO 9001:2015 standard. The system guarantees much better quality through the continuous improvement of process management.

III. Internal control system

6. The Company has developed and implemented an internal control system. The operating activity in this field is entrusted to a specialist internal group unit – Internal Audit Department, which is part of the structure of the majority shareholder, KORADO”, a.s., Czech Republic, and performs the Group’s activity. The activities are subject to an audit plan prepared annually, which contains a description of the envisaged audit engagements in terms of: scope, duration, promoters and participants in the engagement; and estimated results. The Internal Audit Department prepares a report on the completed audit engagement, which contains the main findings, proposed corrective measures and the subsequent activities to be carried out after the audit completion.

The Internal Audit Department reports on its activity to the Audit Committee of the Company. The reporting is carried out on an ongoing basis at the regular and extraordinary meetings of the Audit Committee. The summarized findings of the Audit Committee from the reporting of the Internal Audit Department are included in the annual report on the activity of the Audit Committee, which is prepared and submitted to the General Meeting of Shareholders of the Company for approval (hereinafter referred to as the „GMS”).

7. In the process of financial reporting for the Reporting period, the internal control takes the form of stocktaking / check-ups of inventories, work in progress, and cash, which are carried out regularly (on a monthly or quarterly basis). At the end of every financial year, the balances of the Company – receivables and payables, are checked-up as well. Accounting adjustments are made currently, according to the inventory lists expressed in values.
8. The internal control system has been organised and implemented in such a way as to ensure, to the extent necessary, that:
 - The Company adheres to the statutory accounting requirements, observing the applicable legislation and accounting standards, and during the reporting period these are the International Financial Reporting Standards adopted for implementation in the European Union;
 - the necessary level of awareness of the relevant addressees of financial information is ensured and maintained;
 - the relevant transparency and completeness requirements of financial information and the principle of documentary reasoning are complied with; and
 - a set of basic principles are respected by persons engaged in financial accounting, including objectivity, impartiality, independence and transparency.
9. In general, the internal control system ensures efficient reporting and disclosure of information with a view to identifying the risks inherent to the Company’s activity.

IV. Risk management system

10. The Company has developed and implemented a risk management system. The operating activity in this field is entrusted to a specialist internal group unit – Risk Management Department, which is part of the structure of the majority shareholder, KORADO”, a.s., Czech Republic, and performs the Group’s activity. The activity consists of identification, measurement and assessment of risks inherent to the

Company's operations. It shall also ensure the effective functioning of the reporting and disclosure activities. The Risk Management Division prepares a report on the assessment and reports on its activity to the Audit Committee at its regular and extraordinary meetings. The summarized findings of the Audit Committee from the reporting of the Division are included in the annual report on the activity of the Audit Committee.

11. In making its investment decision the corporate management of the Company aims at improving the operational and financial stability of the Company, and achieving validity by employing the results of current and future risk analyses.

V. Composition and functioning of the administrative, management and supervisory bodies and committees

12. The Company has a two-tier system of governance and strictly adheres to the principles of transparency, independence and liability of the corporate management. This system includes the following bodies:
 - SB comprises 4 (four) members, including 2 / two / independent members in accordance with the requirements of Article 116a, paragraph 2 of POSA. SB operates in compliance with the Articles of Association of the Company and the Rules of Activity of the SB.
 - MB comprises 3 (three) members. MB operates in compliance with the Articles of Association of the Company and the Rules of Activity of the MB.
13. The SB and MB are structured in a way that guarantees professionalism, impartiality and independence of the decisions and actions of their members in relation to the governance and control of the management of the Company.
14. The MB and SB ensure a proper segregation of the functions and responsibilities of their members, subject to the principle of equal right and under the legal requirements, as well as effective participation in the management of the Company in accordance with the interests and rights of shareholders.
15. The members of the MB and SB are elected in a transparent manner, providing timely information in sufficient capacity on the personal and professional qualities of each candidate for a member of the Board in order to ensure that the relevant competent body of the Company will make an informed decision.
16. If a proposal for the election of a new member of the Board is made, the principles of compliance and competence of applicants with the nature of the Company's activities and the nature of the functions and/or powers assigned are respected.
17. The members of the MB and SB of the Company have the necessary qualifications, knowledge and experience to perform properly, in compliance with the highest professional standards, their obligations. The Company stimulates the upgrading qualification of the members of the MB and SB, and when a new member is to be elected, he/she is acquainted with the Company's overall activity, its financial performance and the main legal aspects related to business operations.
18. In their activity, the members of SB and MB apply the principle of avoidance and prevention of any real or potential conflicts of interest. Moreover, they are obliged to immediately disclose a conflict of interest and to provide shareholders with information about transactions between Company and a Board member or his/her related parties. The procedure for the avoidance and disclosure of conflicts of interest is governed by the regulations enumerated in clauses 2 - 4 of the Statement.
19. The members of the MB and SB should fulfil their obligations with the care of responsible merchantship, in a manner that they believe is in the interest of all shareholders of the Company, and to prefer the interests of the Company and shareholders and/or investors in the Company to their own interests. The members of the MB and SB should avoid direct or indirect conflicts between their own interest and the interest of the Company or, should any such conflicts arise, to disclose the said conflicts promptly and fully in writing to the competent body and not participating nor exerting influence on the rest of the members of the SB, and respectively the MB, in decision-making in such cases.

20. The members of the MB and SB are obliged to protect Company's business secrets and not to disclose non-public information even after they cease to be members of the relevant bodies until public disclosure of the relevant circumstances by the Company.
21. In compliance with the requirements of article 114b, paragraph 1 of the Public Offering of Securities Act, the members of the MB and SB are obligated to disclose to the Company, as well as to the Financial Supervision Commission Bulgarian Stock Exchange - Sofia, information regarding:
 - the legal persons wherein the said persons hold, directly or indirectly, at least 25 per cent of the votes in the General Meeting or which the said persons control;
 - the legal persons whereof the said persons are members of the management bodies or supervisory bodies or managerial agents;
 - any current and future transactions of which they are aware and in which, in their opinion, the said persons may be treated as interested parties.
22. The MB and SB convene at regular meetings at least once every three months. In compliance with the requirements of the law and Articles of Association of the Company, MB and SB may also take their resolutions non-attended.
23. Minutes shall be drawn up for all decisions of the MB and SB, which shall be signed by the members of the relevant board who have attended the meeting (in the case of resolutions attended), respectively by all members of the relevant board (in case of resolutions non-attended). The minutes shall be recorded and kept by the Investors Relation Director of the Company, who is responsible for their accuracy and completeness.
24. The minutes of MB and SB meetings shall constitute a commercial secret. Facts and circumstances thereof may be published, disclosed or presented in any way to the knowledge of third parties/outside the members of the SB only in compliance with a statutory requirement or by a decision of the MB and respectively, of the SB.
25. The SB shall be entitled to authorize one or more of its members to participate in meetings of the MB of the Company, and to receive materials and information identical to that of the members of the MB. The SB may at any time ask the MB to provide information or report on any matter affecting the Company. The SB, atleast once every three months, listens to a report of the MB on the Company's activities.
26. The members of the MB and SB are obliged to lodge a security guarantee within seven days of their election. The amount of the guarantee is determined by the General Meeting of Shareholders and may not be less than the 3-month gross remuneration of the relevant member of the MB, respectively the SB.
27. The Audit Committee is a specialized, mandatory for the Company body, which has its own operational rules and work schedule. Its activity is directed towards improving effectiveness of financial reporting processes, internal control systems and risk management. The Audit Committee makes a substantiated proposal to the General Meeting of Shareholders for the election of an external auditor and monitors the independent financial audit of the Company.
28. The Audit Committee at 31 December 2025 consists of three persons.
29. The members of the Audit Committee have the necessary qualifications and professional experience to perform properly, in compliance with corporate governance best practices, their functions.

VI. Remuneration of the members of the MB and SB

30. In accordance with the legal requirements and the normal corporate governance standards adopted, the amount and structure of remuneration determined in accordance with the Remuneration policy of the members of the MB and SB shall take into account:

- the obligations, responsibilities and contribution of each of the members of the Boards to the activities and performance of the Company;
- the qualifications and professional experience of the Board members and the need to retain in the Company of the most qualified and loyal members;
- the need to match the interests of the Board members with the long-term interests of the Company, with remuneration being formed on the basis of Company's performance and in line with Company's business strategy, objectives, values and long-term business plans;
- remuneration (to the extent applicable) of the members of the MB and SB are defined by the GMS.

VII. Policy of diversity

31. The Company shall devote the necessary efforts to prevent discrimination and to ensure equal opportunities for recruitment, regardless of gender, race, nationality, ethnic origin, human genome, citizenship, religion or belief, education, belief, political affiliation, personal or social situation, disability, age, sexual orientation, family status, property situation or any other signs laid down in the applicable legislation.
32. The main criteria and principles of the Policy of diversity in the selection and assessment of the members of the administrative, management and supervisory bodies of the Company are:
 - members of these bodies can be natural persons and legal entities having legal capacity, without any restrictions in terms of age, gender, nationality, education;
 - only non-discriminatory criteria may be applied as requirements for the appointment of members of these bodies, such as: good reputation, professional experience and managerial skills, depending on the complexity and specifics of the Company's operations; and
 - the following are also among the goals for achieving compliance with the principles of diversity in the Company's management: independence and objectivity in expression of opinions, taking into account of maximum wide scope of views and interests of a maximum wide range of social groups upon taking decisions, etc.
33. The Company complies with the principle of diversity with respect to the composition of its corporate bodies. The MB of the Company, by its decision dated 1 March 2017, adopted a Policy of diversity.
34. No cases of discrimination were found in the Company during the reporting period.

VIII. Protection of shareholders' rights

35. The corporate management of the Company guarantees equal treatment of all shareholders, including minority and foreign shareholders, and protects their rights. All shareholders have the right to participate in the GMS and to express their opinion in person or through proxies. The procedures and order of holding GMS facilitate at maximum the shareholders and comply with the principle of undue obstruction or unnecessary increase in costs. Actions shall be taken to encourage the participation of minority shareholders in the GMS. The corporate management shall endeavor to provide at least one MB and SB representative to each GMS to provide information to shareholders and to answer the questions raised in the field of his/her competence and in accordance with the requirements of the law.
36. The shareholders have been informed of the rules of convocation and holding a GMS, and of their right to add items to the agenda of a convened GMS and/or to make alternative proposals for a resolution on items already included in the agenda, in strict compliance with any legal restrictions.
37. Materials on the agenda items shall be made available to the shareholders in a timely manner. These materials shall be fair and clear as far as possible. Thus, it is guaranteed that informed decisions will be passed and the shareholders will not be misled.
38. All shareholders of one class are treated equally.

39. In compliance with the requirements of article 114b, paragraph 1 of the Public Offering of Securities Act, the persons holding, directly or indirectly, at least 25 per cent of the votes in the General Meeting of the Company or controlling the Company, are obligated to disclose to the Company, as well as to the Financial Supervision Commission and Bulgarian Stock Exchange - Sofia, information regarding:
- the legal persons wherein the said persons hold, directly or indirectly, at least 25 per cent of the votes in the General Meeting or which the said persons control;
 - the legal persons whereof the said persons are members of the management bodies or supervisory bodies or managerial agents;
 - any current and future transactions of which they are aware and in which, in their opinion, the said persons may be treated as interested parties.

IX. Information disclosure system

40. The Information disclosure policy and system, approved by the Company, guarantee equality of the information addressees (shareholders, stakeholders, investment society) and prevent abuses in the form of insider dealing. The system for disclosure of information ensures complete, timely, true and understandable information, which enables objective and informed decisions and valuations. The Company has implemented in-house rules for the preparation of annual and interim reports, and disclosure procedure.
41. The system for disclosure of information ensures provision and/or disclosure of timely, correct and understandable information in accordance with the requirements of the law and good corporate practices. The system for disclosure of information ensures access to relevant, sufficient and reliable information about the Company, as well as information about the decisions taken by the GMS.
42. The Company maintains its website. The investor section contains internal documents of the Company, information about the shareholders' rights and their participation in the General Meeting of Shareholders, the financial statements for the last 10 years, information about the payment of dividends, as also for personal data protection. This section also contains materials for the forthcoming General Meetings of Shareholders of the Company and information on the decisions passed by the General Meeting of Shareholders.
43. Pursuant to the regulatory requirements, the Company has Investors Relation Director, who has been appointed to ensure due disclosure of regulated information that must be disclosed, and to maintain active communication with shareholders and/or investors in the Company.
44. The Company discloses regulated information that must be disclosed by providing it to the Financial Supervision Commission, Bulgarian Stock Exchange – Sofia and Central Depository and making it available to the general public through the information system of the portal www.X3news.com. Thus, information is disseminated effectively and reaches simultaneously the widest possible range of people in a way that is not discriminatory to them
45. The Company ensures adequate transparency regarding its commercial activities, financial results, decisions made, and maintains its relationships with investors, media, financial and market analysis at professional level.

X. Information on the existence of takeover/merger bids and according to Article 10, paragraph 1, letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 on takeover bids

46. During the reporting period, takeover/merger bids were not sent to the Company.
47. Information about direct or indirect significant shareholdings:

- The Company is controlled by KORADO, a.s., Czech Republic, a company holding 82.15% of the share capital of the Company as at 31 December 2025, or 10,817,923 shares.
 - In turn, the majority shareholder of KORADO, a.s. is the Ministry of Finance of the Czech Republic, and other significant shareholders, such as the European Bank for Development and Reconstruction and 3 individuals.
 - The sole shareholder with significant shareholding is KORADO, a.s., Czech Republic, a company registered with the Register of the local court Hradec Králové, Section B, Batch 1500, Czech UIC 25255843.
 - At 31 December 2025, 15.79 % / 2,080,032 shares / of the Company's capital is held by other legal entities and 2.06% / 270,659 shares / of the capital – by individuals; there are no other significant, direct or indirect, shareholdings which must be disclosed.
48. As at 31 December 2025, the Company held no shares in the capital of other entities.

XI. Information about the shareholders with special control rights and description of these rights

49. The Company has not issued shares with special control rights.

XII. Information about the limitations over the voting rights, such as limitations over the voting rights of the shareholders with a given percent or number of votes, deadline for exercising the voting rights or systems whereby with the Company's assistance, the financial rights attaching to the shares are separated from the holding of shares.

50. The financial rights attached to the shares are indissolubly linked to the holding of shares. There are no restrictions on the voting right, besides those imposed by the law as mandatory (such as non-exercising the right to vote by a shareholder who is also a stakeholder in the case of transactions under Article 114 of POSA). Votes are exercised only by open ballot (no secret ballots were held so far) at place where the session of the GMS takes place. Until now, electronic means for remote participation within the meaning of Article 115, paragraph 8 – 10 of POSA were not allowed.

XIII. Information about the provisions about the appointment and dismissal of the members of the company's management bodies and about introduction of amendments to the articles of association

51. Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders on the grounds of a decision passed by ordinary majority. Members of the Management Board are appointed and dismissed by the SB of the Company on the grounds of a decision passed by ordinary majority.
52. A member of the MB and SB can be a natural person with legal capacity, as well as a legal entity. Where a member of the MB and/or SB is a legal entity, it designates a representative(s) for the performance of its duties in the board. If more than one representative has been appointed by a legal entity, only one of them participates in the work of the MB and/or SB. The legal entity is jointly and unlimitedly liable together with the other members of the board for the obligations arising from the actions of its representative.
53. The members of the MB and SB cannot be persons sentenced to imprisonment for wilful crime of general character, as well as persons, who at the time of their appointment were convicted by a final judgment for crime against property, economy or against the financial, tax and social security systems committed in the Republic of Bulgaria or abroad, unless they have been rehabilitated. A member of the MB and SB cannot be also a person, who has been a member of an executive or supervisory body in a company, when it is terminated due to bankruptcy in the past two years preceding the date of the resolution for bankruptcy, if there have been unsatisfied creditors remaining; a person who has been a manager, member of a management or supervisory body of a company, for which was established, through an effective administrative penalty deed, the non-performance of obligations for accumulation and maintenance of the determined levels of reserves under the Bulgarian Oil and Oil Products Reserves Act; and a person who do not meet the requirements of the Articles of Association of the Company.
54. The natural persons who represent the legal entities – members of the MB and/or SB must comply with the requirements applicable to a member of SB and MB.

55. One and the same person cannot a member of the SB and the MB, at the same time.
56. At least 1/3 of the members of the SB must be independent persons. The independent member of the SB cannot be:
- an employee of a public company;
 - a shareholder, who holds, directly or through related parties, at least 25 percent of the votes in the General Meeting or is a related party to the Company;
 - a person, who has secret relations with the public company; a member of a management or supervisory body, managerial agent or employee of a commercial company or another legal person under items 2 and 3;
 - a related party to another member of a management or supervisory body of the public company.
57. The members of the MB and SB may be re-elected without limitation.
58. The General Meeting of Shareholders is the body exclusively competent to amend and supplement the Articles of Association of the Company. In accordance with the law and Articles of Association of the Company, the required majority to pass such a decision is equal to 2/3 of the voting shares presented or represented at the GMS meeting.

XIV. Information on the powers of the Board members, in particular the right to issue and redeem (buy- back) shares

59. The share capital of the Company amounts to BGN 13,168,614 at 31 December 2025, split into 13,168,614 dematerialized, registered, voting shares with nominal value of BGN 1 each. All shares are of one class. All shares of the Company provide equal rights to their holders. A share gives the right to one vote in GMS, right to dividend and liquidation share proportionate to the share's nominal value.
60. According to the requirements of the Articles of Association and the effective legislation, the decision to issue or buy back shares is among the powers of the GMS. During the reporting period, shares, share options or other financial instruments, envisaged to be provided to or to be subscribed by Board members or key personnel, were not issued by the Company. Shares with buy-back preference were not issued by the Company.
61. According to the Company's Articles of Association, the General Meeting of Shareholders of the Company has the exclusive power to take decisions on share buy-backs. The decision shall be registered with the Commercial Register. The majority required to pass such a decision is equal to 1/2 of the voting shares presented or represented at the GMS meeting.

XV. Disclosure of financial and non-financial information.

62. The Management Board shall implement the policy for disclosure of information in accordance with the law requirements and bylaws.
63. In accordance with this policy under item 1, the Management Board uses a system for disclosure of financial and non-financial information.
64. The financial and non-financial disclosure system seeks to ensure equality of the addressees of the information (shareholders, stakeholders, investment community) and to prevent the misuse of inside information.
65. The Management Board shall endeavor to ensure that the financial and non-financial disclosure system information provides complete, timely, accurate and understandable information that enables objective and informed decisions and assessments.
66. The Management Board shall promptly disclose the capital structure of the Company and agreements leading to controls under its disclosure rules information and current legislation.
67. The Management Board shall approve and control the observance of internal rules for preparation of the annual and interim reports and the procedure for disclosing information.

68. The Management Board shall use internal rules to ensure the timely disclosure of any material periodic and incidental information concerning the Company, its management, its corporate management, its operational activities, its shareholder structure.
69. Where applicable, the Management Board shall apply rules that ensure disclosure of annual basis of non – financial information in accordance with national law; and applicable European law. In this regard, the Management Board is making efforts to include its annual reports information on how and to what extent the Company's activities can be qualify as environmentally sustainable, such as: what part of its turnover is the result of products and services that relate to economic activities that qualify as environmentally sustainable; what part of its capital expenditure, where applicable, and what part of operating costs are related to assets or processes related to economic activities that qualify as environmentally sustainable.
70. The Company, as part of the disclosure system, has developed and maintains website of the Company approved content, scope and periodicity of the disclosed through it information.

The information disclosed through the Company's website includes at least:

- basic information identifying the Company and its business model;
- up-to-date information on the shareholder structure;
- the by-laws of the Company and the adopted policies related to the activity and the functioning of the Company;
- information on the structure and composition of the management and control bodies of the Company, as well as basic information about their members, including information about the Audit committee;
- financial statements for the last 10 years;
- the materials for the forthcoming general meetings of the shareholders of the Company.

Information on the decisions taken by the general meetings of shareholders for at least the last five years, incl. information on the dividends distributed by the Company for this period;

- information on auditors;
- information about upcoming events;
- information on issued shares and other financial instruments;
- important information related to the Company's activities;
- information on the rights of the shareholders, incl. sufficient information on the right to shareholders to request the inclusion of issues and to propose solutions to issues already included in the agenda of the general meeting by the order of art. 223a of the Commercial Law;
- contact information for the Investor Relations Director of the Company.

- 70.1. The Company also maintains an English language version of the corporate website with similar content.
72. The Company periodically discloses information about corporate governance. The disclosure on information on corporate governance is in accordance with the "comply or explain" principle. All recommendations of the Code are followed.

XVI. Stakeholders. Sustainable Development.

73. Sustainable development aims to meet the needs of the current generation without exposing it at risk the ability of future generations to meet their own needs.
74. The Management Board is committed to identifying concrete actions for sustainable development of the Company
75. The Management Board shall ensure effective interaction with stakeholders. To the group of the interested parties refer to certain groups of persons on whom the Company directly influences an which in turn may affect its activities, including suppliers, customers, employees, creditors, etc.
The Company identifies the interested parties in relation to its activities based on their degree and spheres of influence, role and attitude towards its sustainable development.

76. The Management Board shall ensure respect for the rights of the persons concerned, established by law or by mutual agreement with the Company, guided by the understanding that good corporate governance practice requires compliance with stakeholders according with the principles of transparency, accountability and business ethics and protection of human rights.
77. The Management Board shall ensure that all stakeholders are adequately informed about their legally established rights.
78. The Management Board shall maintain effective relations with stakeholders.
79. The Management Board shall guarantee the right of timely and regular access to relevant, sufficient and reliable information about the Company when stakeholders are involved in the process corporate management.

XV. Miscellaneous

80. The Company participates actively in various forms of mutual cooperation whit government institutions and non- government organizations on corporate government matters. The process of information disclosure by the Company is subject to multiple controls. So far, violations of the provisions and forms of disclosure have been established.
- The financial statements are published on the Company's website immediately after they have been forwarded to the regulatory authority and the public, thus providing for controls by shareholders, investors and all stakeholders.

This declaration has been prepared and adopted on the basis of the current provisions of the National Corporate Governance Code from BSE-Sofia, which is mandatory for public companies, whose shares are traded on an official market adopted in October 2007. The Code was approved by the National Commission for Corporate Governance and subsequently amended in February 2012, April 2016 and July 1, 2021 and June 2024

For KORADO – Bulgaria AD

Jiri Reznicek

**REPORT
ON THE IMPLEMENTATION OF THE POLICY ON THE REMUNERATION OF THE MEMBERS
OF THE SUPERVISORY BOARD, THE MANAGEMENT BOARD AND THE AUDIT COMMITTEE
OF KORADO - BULGARIA AD FOR THE YEAR 2025**

1. INTRODUCTION

1.1. Legal Grounds of the Report

During the period January 1, 2025 - December 31, 2025 (hereinafter referred to as the "Reporting Period"), Korado-Bulgaria AD (hereinafter referred to as the "Company") applied the Remuneration Policy of the members of the Supervisory Board, the Management Board and the Audit Committee of the Company, approved in its current version by the General Meeting of the Company (hereinafter referred to as the "General Meeting"), held on May 13, 2015, a new version adopted by decision of the General Meeting of the Company, held on 19.05.2021 and respectively partially amended by a decision of the General Meeting of the Company, held on 15.09.2021. The content of the Remuneration Policy for the members of the Supervisory Board, the Management Board and the Audit Committee of "KORADO BULGARIA" AD was reviewed at the regular General Meeting of Shareholders of the Company, held on June 18, 2025 and was confirmed without amendments by a resolution under item eleven of the agenda and it was published on the Internet at the following address: www.korado.bg (hereinafter referred to as the "Policy").

This present report was prepared by the Management Board of the Company (hereinafter referred to as the "MB") in execution of the requirement of Art. 12, Par. 1 of Ordinance No. 48 of 20 March 2013 on the Requirements to Remuneration issued by the Financial Supervision Commission (hereinafter referred to as "**Ordinance No. 48**"). The Report constitutes a separate document appended to the Annual Financial Statements of the Company for the year 2025. The Report is presented to the attention of the shareholders of the Company and could be discussed on with the members of the MB at the regular annual session of the General Meeting of the Shareholders of the Company.

1.2. Subject-Matter and Scope of the Report

In accordance with Art. 12, Par. 2 of Ordinance 48, the Report consists of:

- (a) review of the manner of implementation of the Policy during the Reporting Period; and
- (b) programme on the implementation of the Policy during the period 1 January 2026 – 31 December 2026.

Furthermore, the Report also contains all of the mandatory requisites pursuant to Art. 13 of Ordinance No. 48.

Given the cancellation of the existing policy by a decision of the General Meeting of Shareholders held on 19.05.2021 and its amendment by a decision of the General Meeting of Shareholders held on 15.09.2021 and both amendments before the Reporting Period, as well as its full confirmation by a decision of the General Meeting of Shareholders held on 18 June 2025 - during the reporting period, the Report contains the necessary information on the adopted amendments.

2. INFORMATION ABOUT THE IMPLEMENTATION OF THE POLICY DURING THE REPORTING PERIOD

2.1. Information about the process of adopting resolutions upon the determination of the Policy

In accordance with Art. 116c, Par. 1 of the POSA, the Articles of Association of the Company and the Policy, the determination of the amount of the remuneration of the members of the MB, the members of the Supervisory Board of the Company (hereinafter referred to as the “**SB**”) and of the members of the Audit Committee of the Company (referred to hereinafter as the “**AC**”), their right to receive a portion of the profit, as well as their right to acquire shares or debt instruments of the Company, are within the competence of the General Meeting.

Pursuant to the Policy, the remuneration of the members of the MB, SB and AC is determined by a resolution of the General Meeting. The Policy does not envisage the creation of a permanent Remuneration Committee of the Company as an optional body.

In fulfilment of this authority, the General Assembly, during the previous period,

- determines the amount of the remuneration of the members of the Management Board, the Supervisory Board and the Audit Committee with decisions on the agenda of the regular annual General Meetings held on May 19, 2021, September 15, 2021 and June 19, 2024.
- determines the amount of the remuneration of the members of the Management Board, the Supervisory Board and the Audit Committee which is based on the adopted decision under item 12 of the agenda of the regular annual meeting of the General Meeting held on 19 May 2021 and under item 12 of the agenda of the regular annual meeting of the general meeting, held on June 19, 2024.

1. remuneration is determined for all members of the Management Board, the Supervisory Board and the Audit Committee, which is in accordance with the current in the respective body.
2. the respective remuneration of the employees of the holding is also determined
3. the remuneration determined for employees under an employment contract may be different from that for those not working in the holding

In accordance with the rules contained in the adopted program for the implementation of the Policy for the current reporting period, changes in the remuneration of the members of the Supervisory Board, the Management Board and the Audit Committee were made by decision under point four of the Extraordinary General Meeting of Shareholders held on September 10, 2025, increasing them by 50 percent compared to the existing amounts, on the following grounds:

- The remuneration of members of the Supervisory Board who are not employees of the holding company has not been increased since 2008. It is assumed that they will increase from 1000 to 1500 euros.
- The remuneration of members of the Management Board who are employees of the holding company has not been increased since 2021. It is assumed that they will increase from 400 to 600 euros
- The remuneration of members of the Audit Committee has not been increased since 2010. It is expected that they will increase their salary from 500 to 750 euros.

2.2. Information about the relative weight of the variable and the fixed remuneration of the members of the MB and the SB

Pursuant to item 6.2 of the Policy, the remuneration of the members of the MB, SB and AC consists of a fixed component only (i.e. no variable component was determined for any of those members).

According to the adopted Policy, remuneration for their activities in this capacity can be received by all members of the Management Board, the Supervisory Board and the Audit Committee.

During the Reporting Period:

- to each of the entitled members of the MB, SB and AC was paid permanent remuneration containing only a fixed component, which represented 100% (one hundred percent) of the remuneration accordingly accrued by the Company for their activity as such members during the Reporting Period; and

- none of the bodies of the Company resolved on the payment of additional remuneration, tantiemes, tangible incentives, in-kind remuneration or payments or fringe benefits to the members of MB, SB and AC.

2.3. Information about the assessment criteria, on the basis of which variable remuneration could be accrued; substantiation of how these criteria benefit to the long-term interests of the Company; explanation of the methods adopted for the assessment of the achieved results and of the relevance between the remuneration and the achieved results, as well as regarding the periods of deferral of the payment of variable remuneration

During the Reporting Period, no variable remuneration was accrued or paid to any of the members of the MB, SB and AC. Respectively, no assessment criteria of the achieved results, on the basis of which such remuneration could be paid, were elaborated. Neither were applied methods of assessment of meeting such criteria and relevance between the achieved results and such remuneration.

During the Reporting Period, none of the payments of remuneration of the members of the MB, SB and AC whether in whole or in any portion, was deferred. These remunerations were paid, as permanent remunerations *per se*, in their full amounts and by the deadline provided for in the individual agreements between the respective member of the MB, SB or AC and the Company.

2.4. Information about the main payments and substantiation of the annual bonus payment schedule and/or of all additional in-kind remuneration

For the Reporting Period, the total amount of basic remuneration accrued and paid by the Company is as follows:

For the period 01.01.2025 – 10.09.2025:

- the members of the Supervisory Board, under the terms of Article 5, paragraph 3 of the Policy, were paid a remuneration of EUR 1000 (one thousand euros) and EUR 400 /for those working in the KORADO group/ - decision of the General Meeting of Shareholders of 15.09.2021 / per month;

- the members of the Management Board, under the terms of Article 5, paragraph 3 of the Policy, were paid a remuneration of EUR 400 per month. /for those working in the KORADO group/– decision of the General Meeting of Shareholders of 15.09.2021 /;

- the members of the Audit Committee, under the terms of Article 5, paragraph 3 of the Policy, were paid a remuneration of EUR 500 (five hundred euros) and EUR 400 / for those working in the KORADO group/ - decision of the General Meeting of Shareholders of 15.09.2021 / per month;

For the period 11. 09. 2025 - 31. 12. 2025:

- the members of the Supervisory Board, under the terms of Article 5, paragraph 3 of the Policy, were paid a remuneration of EUR 1500 (one thousand five hundred euros) and EUR 600 / six hundred / for those working in the KORADO group / - decision of the General Meeting of Shareholders of 10.09.2025 / per month;

- the members of the Management Board, under the terms of Article 5, paragraph 3 of the Policy, were paid a remuneration of 600 / six hundred / EUR per month. / for those working in the KORADO Group / – decision of the General Meeting of Shareholders dated 10.09.2025 / ;

- the members of the Audit Committee, under the terms of Article 5, paragraph 3 of the Policy, were paid a remuneration of EUR 750 (seven hundred and fifty euros) – decision of the General Meeting of Shareholders dated 10.09.2025 / per month;

In each accrual or payment of remuneration to the members of the Supervisory Board, the Management Board and the Supervisory Board, the Company has withheld and paid into the respective budgets within the statutory period each and all public obligations (including but not limited to: tax, state social security contributions, additional mandatory insurance and health insurance) in the manner in which these obligations are established by law.

For the Reporting Period

- no other tangible incentives were accrued or due by the Company to any of the members of the MB, SB and AC; and

- the Company did not adopt or implement any annual scheme for the payment of bonuses and/or other in-kind remuneration to members of the MB, SB and AC.

2.5. Description of the main characteristics of any adopted additional voluntary pension insurance scheme and information about the paid and/or due by the Company contributions on behalf of the members of the MB, SB and AC

For the Reporting Period, the Company did not adopt or realize any additional voluntary pension insurance scheme on behalf of the members of the MB, SB and AC and no contributions in relation to such scheme were either paid or due by the Company.

2.6. Information about the policy on compensations for premature termination of contracts

The rules, which govern the compensations to the members of the MB, SB and AC in the event of premature termination of their contracts, are set forth in item 10 of the Policy. The Company brings the individual contracts of each of the members of the MB, SB and the AC into full alignment with these rules.

For the Reporting Period, there was no termination of the management and control contract with any member of the Supervisory Board, Management Board and Audit Committee of the Company.

Benefits for early termination are not accrued and paid.

2.7. Information about the non-transferability period of shares or of the vesting period of options whenever shares are provided as variable remuneration and information about the period of retaining of a definite number of shares up to the end of the mandate of the MB, SB and AC members

For the Reporting Period there were no due or paid any variable remuneration based on shares or options on shares. Respectively, in the Company were not adopted any terms and conditions for the restriction of the transfer of such shares or options on shares or for the retention of a specific number of shares up until the expiry of the mandate of the members of the MB, SB and AC.

2.8. Information about the contracts of the MB, SB and AC members of the Company

During the Reporting Period, members of the MB were:

- Jiří Řezníček (during the whole Reporting Period);
- Sylvia Drumeva Stefanova (during the whole Reporting Period); and
- Jana Havlová (during the whole Reporting Period).

The mandate of all members of the MB is 5 years. It was determined by a resolution of the SB starting from 15 August 2022 and expiring on 15 August 2027.

The duration of the contracts of the members of the MB in the Reporting Period and the advance notice period in the event of premature termination of the contracts by the Company are, as follows:

Member of the MB	Duration of the Contract	Advance Notice Period in the Event of Premature Termination by the Company
Jiří Řezníček	until the expiry of the 5-year mandate	as per the requirements of the law
Sylvia Drumeva Stefanova	until the expiry of the 5-year mandate	as per the requirements of the law
Jana Havlová	until the expiry of the 5-year mandate	as per the requirements of the law

During the Reporting Period, members of the SB were:

- Tomas Kollert (during the whole Reporting Period)
- Eva Voborová (during the whole Reporting Period);
- Ivan Lyaskov (during the whole Reporting Period); and
- Evelina Miltenova Velikova (during the whole Reporting Period);

The mandate of all members of the SB is 5 years.

By decision of the General Meeting of the Company / GMS of 21. 06. 2023 / all members of the Supervisory Board elected for a new five-year term, which expires on 21. 06. 2028 year.

The duration of the contracts of the members of the SB in the Reporting Period and the advance notice period in the event of premature termination of the contracts by the Company are, as follows:

Members of the SB	Duration of the Contract	Advance Notice Period in the Event of Premature Termination by the Company
Tomas Kollert	until the expiry of the 5-year mandate	as per the requirements of the law
Eva Voborová	until the expiry of the 5-year mandate	as per the requirements of the law
Ivan Lyaskov	until the expiry of the 5-year mandate	as per the requirements of the law
Evelina Miltenova Velikova	until the expiry of the 5-year mandate	as per the requirements of the law

In the Reporting Period members of the AC were:

- Marketa Strzhinkova (during the whole Reporting Period)
- Vera Vytvarova (during the whole Reporting Period) and
- Snezhanka Kaloyanova (during the whole Reporting Period).

The mandate of all members of the AC is 3 years, determined by a decision of the General Assembly held on 19.05.2021, 14.09.2022 , 14.02.2023 and 19.06.2024 and expires on 19.06.2027.

Pursuant to item 10, Par. 1 of the Policy, compensation for a premature termination of the contracts for management or supervisory services in the Company shall not be due.

Pursuant to item 10, Par. 2 of the Policy the total of all compensations in the event of premature termination, including compensation for non-compete following such termination of the respective contract (inasmuch as such would become due) does not exceed the total of the respective fixed remuneration for the last 2 years ending on the date of termination.

2.9. Information about the remuneration of each person, who has been a member of the MB, SB and AC of the Company for a specific period within the respective financial year

2.9.1. Remunerations from the Company

The total amount of the remuneration accrued and/or paid by the Company to the persons, who were members of the MB, SB and AC in the Reporting Period is indicated in item 2.4 of the Report.

2.9.2. Other payments by the Company for services provided by the members of the MB, SB and AC beyond the scope of their usual functions

In the Reporting Period, the Company accrued and made payments for services beyond the scope of the ordinary functions of those members only to the member of the SB Ivan Lyaskov. That is namely remuneration for services provided by him as a lawyer under a separate agreement for legal services. The remuneration is determined on market terms and is at the expense of the Company and not relating to the functions of Mr. Lyaskov as a member of the SB.

2.9.3. Remunerations and other payments to the members of the MB, SB and AC by other persons / legal entities belonging to the same group as the Company

In the Reported Period, to the members of the MB, SB and AC were not made payments by other persons / legal entities belonging to the same group as the Company, except for Tomas Kollert, Jiri Reznicek, and Jana Havlova, who also receive remuneration under an employment contract with the parent company.

2.9.4. Paid and/or accrued compensations in the event of termination of the functions of members of the MB, SB and AC

In the Reporting Period, no compensation in the event of termination of functions was either accrued or paid to any of the members of the MB, SB and AC.

All terminated contracts are voluntary and no compensation is due

2.9.5. Overall estimation of all in-kind benefits, equal to remuneration, granted to the members of the MB, SB and AC

In the Reporting Period, no in-kind benefit, equal to remuneration, was either accrued, paid or granted in any way whatsoever to any of the members of the MB, SB and AC.

2.9.6. Information about all the loans and the social benefits granted and the warranties made by the Company or by subsidiary companies which were a subject to consolidation into its annual financial statements, including data of the yet unpaid instalments and the interests due thereto

For the Reporting Period, the members of the MB, SB and AC did not receive any loans, payments as social benefits or grant of warranty by the Company, a subsidiary of the Company or any other company, which is subject to consolidation into the Annual Financial Statements of the Company.

2.9.7. Shares and/or options on shares and/or other incentive schemes based on shares to the members of the MB, SB and AC

In the Reporting Period was not accrued, paid or granted any remuneration or payment based on shares or options on shares to any of the members of the MB, SB and AC. Neither did incentive schemes based on shares, regarding the members of the MB, SB and AC, function in the Company.

3. Annual change in the remuneration, the results of the Company and the average amount of remuneration on the basis of full-time employees of the Company, who are not directors, during the previous at least five financial years, presented together in a way that allows comparison;

The results of the Company's activity in the previous five financial years are the following:

/ In thousands BGN /

2021 - profit 4,759

2022 - profit 4,382

2023 - profit 3,569

2024 - profit 2,135

2025 - profit 767

The average remuneration based on full-time employees of the Company who are not directors in the previous at least five financial years are as follows:

2021 - BGN 1,870

2022 - BGN 1,840

2023 - BGN 2,090

2024 - BGN 2,490

2025 - BGN 3,040

4. Information on the exercise of the possibility to demand a refund of the variable remuneration;

As stated above, during the reporting period variable remuneration was not paid and there is no objective possibility for its return.

5. Information on all deviations from the procedure for the implementation of the remuneration policy in connection with extraordinary circumstances under Art. 11, para. 13, including an explanation of the nature of the exceptional circumstances and an indication of the specific components that have not been applied.

So far, no procedure has been discussed and a procedure for deviation from the application of the adopted Remuneration Policy has been discussed in connection with and / or on the basis of extraordinary circumstances, as well as the definition of such circumstances.

6. PROGRAMME ON THE IMPLEMENTATION OF THE POLICY THROUGH THE FINANCIAL YEAR 1 JANUARY 2026 – 31 DECEMBER 2026

For the period January 1, 2026 - December 31, 2026, the Company intends to adhere to the current Remuneration Policy of the members of the Management Board, the Supervisory Board and Audit committee. These remunerations would be determined as fixed, unless the General Meeting adopts a resolution on the introduction of a variable component of such remuneration, in compliance with the relevant requirements to the introduction of assessment criteria for the achieved results and the deferral of the payment of a specific portion of such variable remuneration.

In the event that in the period 1 January 2026 – 31 December 2026 the General Meeting adopts a resolution on granting to the MB, SB or AC members any remuneration based on shares or on any other way of granting tangible or in-tangible incentives, the accrual and the payment of such remuneration will be performed only following the adoption of scheme on granting of remuneration based on shares, as proposed to and approved by the General Meeting and/or in accordance with adopted rules on determination of a bonus scheme.

In the event that in the period 1 January 2026 – 31 December 2026 any amendments or supplementations to the legislation occur, which require any respective amendment or supplementation to the contracts on the assignment of management or supervisory services, as already concluded, such amendments will be accomplished and realised on the basis of negotiations with the respective members of the MB, SB and AC in accordance with the adopted Policy, the Articles of Association of the Company and the applicable legislation.

In view of the changes in the legislation during the reporting period, a new Remuneration Policy is to be adopted and approved by the forthcoming GMS, which will accordingly take into account and include all changes that have occurred.

This report on the implementation of the Policy on the remuneration of the members of the Supervisory Board, the Management Board and the Audit Committee of Korado-Bulgaria AD for the year 2025 was adopted at a meeting of the Management Board of the Company, held on 17 February 2026.

Chairman of the Management Board of KORADO-Bulgaria AD:

Jiří Řezníček

KORADO-BULGARIA AD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025



	Note	2025	2024
		<i>BGN'000</i>	<i>BGN'000</i>
Sale of products		37,155	33,987
Sale of goods		873	711
Sales of services		36	36
Revenue from contracts with customers	3.1	38,064	34,734
Other income	3.2	362	642
Government grants	3.2	142	236
Expenses for materials	8	(25,592)	(22,457)
Employee benefit expense	3.3	(8,529)	(6,779)
Expenses for hired services	3.4	(1,622)	(1,493)
Depreciation and amortization expenses	6, 7, 12.2	(1,126)	(1,112)
Other expenses	3.5	(1,255)	(1,294)
Changes in finished goods and work in progress		449	(59)
Operating profit		893	2,418
Finance costs	3.6	(33)	(44)
Profit before income tax		860	2,374
Income tax	4	(93)	(239)
Profit for the year		767	2,135
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial losses on defined benefit plans	13	(54)	(97)
Income tax effect	4	9	10
Other comprehensive income, net of taxes		(45)	(87)
Total comprehensive income		720	2,048
Basic and diluted earnings per share	5	0,06	0,16

These financial statements have been approved by the Management Board of KORADO – Bulgaria AD on 17 February 2026.

Jiri Reznicek
 Executive Director

Silviya Stefanova
 Chief Accountant

Rositsa Boteva
 Registered Auditor, in charge of the audit
 Deloitte Audit OOD
 Registration number: 033

KORADO-BULGARIA AD
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2025



	Note	31.12.2025	31.12.2024
		<i>BGN'000</i>	<i>BGN'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	13,064	13,255
Right-of-use assets	12.2	-	342
Intangible assets	7	13	11
		13,077	13,608
Current assets			
Inventories	8	11,932	7,175
Trade and other receivables	9	1,736	671
Related party trade receivables	16	4,951	4,280
Cash and cash equivalents	10	2,742	2,780
		21,361	14,906
TOTAL ASSETS		34,438	28,514
EQUITY AND LIABILITIES			
Equity			
Share capital	11.1	13,169	13,169
Share premium	11.2	119	119
Reserves	11.4	433	479
Retained earnings		8,865	9,522
Profit for the year		767	-
Total equity		23,353	23,289
Non-current liabilities			
Retirement benefit obligation	13	757	673
		757	673
Current liabilities			
Trade and other payables	14	7,260	2,612
Related party trade payables	16	2,675	1,537
Current tax liabilities		15	26
Provisions	15	378	238
Lease liabilities	12.1	-	139
		10,328	4,552
Total liabilities		11,085	5,225
TOTAL EQUITY AND LIABILITIES		34,438	28,514

These financial statements have been approved by the Management Board of KORADO – Bulgaria AD on 17 February 2026.

Jiri Reznicek
Executive Director

Silviya Stefanova
Chief Accountant

Rositsa Boteva
Registered Auditor, in charge of the audit
Deloitte Audit OOD
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KORADO-BULGARIA AD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025



	Share capital (Note 11.1) <i>BGN'000</i>	Share premium (Note 11.2) <i>BGN'000</i>	Statutory and other reserves (Note 11.4) <i>BGN'000</i>	Reserve from actuarial valuations <i>BGN'000</i>	Retained earnings <i>BGN'000</i>	Total <i>BGN'000</i>
At 1 January 2024	13,169	119	1,327	(761)	11,207	25,061
Profit for the year	-	-	-	-	2,135	2,135
Other comprehensive income	-	-	-	(87)	-	(87)
Total comprehensive income	-	-	-	(87)	2,135	2,048
Transactions with owners						
Dividends (Note 11.5)	-	-	-	-	(3,820)	(3,820)
Total transactions with owners	-	-	-	-	(3,820)	(3,820)
At 31 December 2024	13,169	119	1,327	(848)	9,522	23,289
At 1 January 2025	13,169	119	1,327	(848)	9,522	23,289
Profit for the year	-	-	-	-	767	767
Other comprehensive income	-	-	-	(45)	-	(45)
Total comprehensive income	-	-	-	(45)	767	722
Transactions with owners						
Dividends (Note 11.5)	-	-	-	-	(658)	(658)
Total transactions with owners	-	-	-	-	(658)	(658)
At 31 December 2025	13,169	119	1,327	(893)	9,631	23,353

These financial statements have been approved by the Management Board of KORADO – Bulgaria AD on 17 February 2026.

Jiri Reznicek
Executive Director

Silviya Stefanova
Chief Accountant

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Registered Auditor, in charge of the audit
Deloitte Audit OOD
Registration number: 033

KORADO-BULGARIA AD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025



	Note	2025	2024
		<i>BGN'000</i>	<i>BGN'000</i>
CASH FLOWS FROM OPERATING ACTIVITY			
Proceeds from customers*		35,514	37,610
Payments to suppliers*		(26,262)	(26,749)
Payments to personnel and social security		(7,754)	(6,291)
Taxes and customs duties paid (other than income taxes)		(3,900)	(2,109)
Taxes refunded (other than income taxes)		4,210	4,017
Income tax paid		(244)	(312)
Interest paid		(26)	-
Bank charges paid and foreign currency differences		(4)	(52)
Other payments, net		(182)	(184)
Net cash flows from operating activity		1,352	5,930
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of property, plant and equipment		(593)	(514)
Net cash flows used in investing activity		(593)	(514)
CASH FLOWS FROM FINANCING ACTIVITY			
Lease payments	12.1, 20	(139)	(116)
Dividends paid	11.5, 20	(658)	(3,816)
Net cash flows used in financing activity		(797)	(3,932)
Net (decrease)/increase in cash and cash equivalents		(38)	1,484
Cash and cash equivalents at 1 January	10	2,780	1,296
Cash and cash equivalents at 31 December	10	2,742	2,780

*Proceeds from customers and payments to suppliers are presented gross including Value Added Tax (VAT)

These financial statements have been approved by the Management Board of KORADO – Bulgaria AD on 17 February 2026.

Jiri Reznicek
 Executive Director

Silviya Stefanova
 Chief Accountant

Rositsa Boteva
 Registered Auditor, in charge of the audit
 Deloitte Audit OOD
 Registration number: 033

1. Corporate information

KORADO-Bulgaria AD (“the Company”) is a joint-stock company, registered with the Veliko Tarnovo District Court under UIC 814190902, with registered address and address of management in the town of Strazhitsa, Veliko Tarnovo Region, 28 Gladstone Street. All shares of the Company are registered and traded on Bulgarian Stock Exchange – Sofia AD, Premium Segment. Number of shares in circulation: 13 168 614. Stock exchange code is KBG (4KX).

The main scope of activity of the Company includes: manufacture and sale of heating equipment.

At 31 December 2025 the Company’s shareholders are:

-	KORADO a.s., Czech Republic	82,15 %
-	Individuals and legal entities	17,85 %

The ultimate parent company is KORADO a.s., Czech Republic. None of the owners of the ultimate parent company owns more than 35% of the parent’s shares.

The Company’s management consists of Management Board. Those charged of governance are represented by the Supervisory Board and the Audit Committee of the Company.

According to the Bulgarian legislation, a decision of the General Meeting for approval of these annual financial statements can be subsequently revoked (by applying the relevant procedure) and in case it is considered appropriate, new revised financial statements can be prepared and issued for the same financial year.

1.1. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). IFRS Accounting Standards as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act “International Accounting Standards” (IASs).

Historical cost convention

The financial statements have been prepared on a historical cost basis.

The preparation of financial statements in conformity with IFRS accounting standards requires the use of certain critical and accounting estimates. It also requires management of the Company to execute its judgment and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Going concern

The financial statements have been prepared on a going concern basis. The financial statements have been prepared in Bulgarian leva and all amounts have been rounded off to the nearest thousand (BGN’000), unless otherwise stated.

The Company's current assets exceed its current liabilities as of 31 December 2025 with the amount of BGN 11,033 thousand (31 December 2024: BGN 10,354 thousand). For the year ended 31 December 2025 the Company generates profit in the amount of BGN 767 thousand (2024: BGN 2,135 thousand). As at 31 December 2025 the Company has equity in the amount of BGN 23,353 thousand (31 December 2024: BGN 23,289 thousand) and cash and cash equivalents in the amount of BGN 2,742 thousand (31 December 2024: BGN 2,780 thousand). For the year ended 31 December 2025 the Company generates positive net cash flows from operating activities in the amount of BGN 1,352 thousand. (2024: BGN: 5,930 thousand).

1.1. Basis of preparation (continued)

Going concern (continued)

The Company's sales revenue in 2025 was slightly increased by 9.6% % compared to the previous year.

Based on the current analysis, management has not identified a significant uncertainty as to whether the Company will be able to continue as a going concern. The Company also has the intention and ability to take the measures necessary to continue as a going concern. Currently, the Company has no liquidity difficulties and delays in deliveries, it performs timely payments to its suppliers and takes measures to reduce operating costs.

1.2. Summary of significant accounting policies

a) Foreign currency translation

The financial statements are presented in Bulgarian leva, which is also the functional and presentation currency of the Company. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on a monthly basis by applying the exchange rate published by the Bulgarian National Bank for the last working day of the respective month.

All exchange differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as of the date of initial transaction (acquisition).

b) Revenue from contracts with customers

The Company produces and sells radiators. Customers of the Company are wholesalers. Respectively, sales are recognised when control of the products (finished goods and goods for resale) has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

For the purposes of management, the Company has only one operating segment.

The products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30-60 days, which is consistent with market practice. The Company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company analyses its sales arrangements according to specific criteria in order to determine whether it acts as a principal or agent. It has reached the conclusion that it acts as a principal in relation to all such arrangements, as it controls the goods before transferring them to the customers.

1.2 Summary of significant accounting policies (continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Management analyses the individual items of the tax return for which the applicable tax provisions are subject to interpretation and recognises provisions where appropriate.

Current income tax is recognised directly in the equity or in other comprehensive income (and not in profit or loss) where the tax relates to items that have been recognised directly in the equity or in other comprehensive income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxes relating to items recognized outside profit and loss are recognized out of profit and loss. Deferred taxes are recognized depending on the transaction they relate to in other comprehensive income, or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. As of reporting date – offsetting is applied by Company.

Value added tax (VAT)

Revenue, expenses and assets are recognised net of VAT except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.2 Summary of significant accounting policies (continued)

d) Financial instruments

(d.1.) Investments and other financial assets

Debt instruments

(i) Classification

The Company classifies its financial assets depending on the business model used to manage these assets and the specifics of their contractual cash flows as follows:

- those to be measured subsequently at fair value through profit or loss;
- those to be measured subsequently at fair value through OCI, and
- those to be measured at amortised cost.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value less the costs directly related to the transaction for the acquisition of the financial asset, except in the case of financial assets that are reported at fair value in profit or loss. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit or loss.

At initial recognition, the Company measures trade receivables at their transaction price, as defined in IFRS 15, as based on standard contract terms applied to them, these do not contain a significant financing component.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. As the below are immaterial, the following presentation is applied: Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(Losses) together with foreign exchange gains and losses. Impairment losses are presented in other expenses.
- Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value at other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

1.2 Summary of significant accounting policies (continued)

d) Financial instruments (continued)

(d.1.) Investments and other financial assets (continued)

Debt instruments (continued)

(iii) Measurement (continued)

- Assets that do not meet the criteria for amortised cost or fair value in other comprehensive income are measured at fair value in profit and loss. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Company owns only financial assets stated at amortised cost.

(iv) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value in other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d.2.) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities subsequently measured at fair value through profit or loss, or at amortized cost such as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus the transaction costs directly related to the acquisition of the financial liability.

The Company's financial liabilities include trade and other payables, and interest-bearing borrowings and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the EIR method. Gains and losses are recognised in the profit and loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (NPV changes by more than 10%), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

1.2 Summary of significant accounting policies (continued)

e) Offsetting of financial instruments

Financial assets and liabilities are off set and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Company determines whether transfer(s) have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As of 31 December 2025 and 31 December 2024 all financial instruments are measured at amortized cost. The carrying amounts of the short-term trade receivables and trade payables approximate their fair value. The fair value is classified at level 2 and it is determined based on the discounted cash flows (the discount rate reflects the current market interest rate for the similar instruments). The fair value of borrowings is estimated via discounting technique based on Bulgarian National Bank statics for similar types of financing lent by commercial banks to companies– respectively, classified as level 2. The Company has no financial instruments at fair value.

g) Share capital

The share capital is presented at the par value of shares issued (or subscribed) and paid. Any proceeds from shares issued over their nominal value are stated as share premiums.

1.2 Summary of significant accounting policies (continued)

h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Cost comprises all expenses directly related to the acquisition of the asset. Such cost includes also the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When a major inspection of an item of plant and/or equipment is performed, its cost is recognised in the carrying amount of the respective assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income for the period in which they were incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, determined for the current and previous period as follows:

	2025	2024
Buildings	10-50 years	10-50 years
Plant and equipment	3-30 years	3-30 years
Hardware	4-7 years	4-7 years
Motor vehicles	7-15 years	7-15 years
Fixtures and fittings	5-10 years	5-10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income for the period in which the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and if the expectations differ from the estimates, the latter are adjusted prospectively.

i) Lease - the Company as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The right-of-use asset is presented separately in the statement of financial position.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

1.2 Summary of significant accounting policies (continued)

i) Lease - the Company as a lessee (continued)

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The amortisation periods for the right-of-use assets, depreciated using the straight-line method are as follows:

- right of use for vehicles 7-15 years

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of comprehensive income. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e., for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The Company's lease activity

The Company has lease agreements for vehicles. The lease agreements are concluded on an individual basis and contain a wide range of different conditions. The lease agreements do not contain covenants, but lease assets cannot be used as collateral for borrowings.

j) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

k) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period, subject to distribution among the shareholders, to the weighted average number of ordinary shares held for the period. The weighted average number of shares is the number of ordinary shares held in the beginning of the period, adjusted by the number of redeemed ordinary shares and the shares newly issued over the period, multiplied by the time-weighting factor. This factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period. In case of capitalization of reserves, bonus issues, etc., which do not result in change in the Company's resources, the number of the ordinary shares before the transaction is adjusted proportionately to their change as if the transaction has been carried out at the earliest period presented. As a result, the number of ordinary shares is recalculated and respectively, the earnings per share for the comparative period.

1.2 Summary of significant accounting policies (continued)

l) Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and/ or any accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be finite, and are estimated as follows:

	<u>2025</u>	<u>2024</u>
Licenses	5-10 years	5-10 years
Software	5-10 years	5-10 years

Intangible assets with finite lives are amortised over the useful economic life applying straight-line amortization method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profits and losses when the asset is derecognised.

m) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each item of inventory to its present location and condition, are accounted for as follows:

Materials and goods	– acquisition cost determined under the weighted average value method
Finished products and work in progress	– cost of direct materials used, labour and overheads allocated based on the normal production capacity, excluding borrowing costs, determined under the weighted average value method

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n) Impairment of non-financial assets

The Company assesses at each reporting date whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions, if any, are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiple and other available sources of fair values of assets or CGUs.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth index is calculating and applied to future cash flows after the fifth year.

Impairment losses are recognized as other expenses in the statement of comprehensive income.

1.2 Summary of significant accounting policies (continued)

n) Impairment of non-financial assets (continued)

An assessment is made by the Company at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profits and losses.

o) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash in bank accounts and in hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

p) Employee benefits

Short-term benefits

Short-term employee benefits include salaries, wages, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. When the Company receives the service, they are recognised as an employee benefit expense in profit or loss or are capitalised to the asset's value. Short-term employee benefits are measured at the undiscounted amount of the expected cost of benefits. See Note 3.3. for further details.

Retirement benefits

The Company operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation and the Collective Labour Agreement to pay a certain number of gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for KORADO-Bulgaria AD for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, if he/she has worked for the Company from 5 to 10 years – four gross monthly salaries, and if he/she has worked for less than five years - two gross monthly salaries. Besides, if an employee has worked for KORADO-Bulgaria AD for more than twenty years, he/she received eight gross monthly salaries upon retirement. These retirement benefits are unfunded.

The cost of providing benefits under the retirement benefit plan is determined by the Company using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to the reserve from actuarial valuations through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company recognises the following changes in the defined benefit obligation in profit or loss for the period:

- interest expense;
- current and past-service costs.

Share based payment plans

Payments for share based plans to employees are valued at the fair of the equity instrument at the date, when the shares are provided. Remuneration for conditional share based payment plans, which have not vested is measured at the fair value at the grant date of the share based payment reflecting these conditions and having no difference between the expected and actual results.

1.2 Summary of significant accounting policies (continued)

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Directors assesses the financial performance and position of the Company and makes strategic decisions.

The Board of Directors has been identified as being the chief operating decision maker and consists of the chief executive officer, chief accountant and financial officer of the Company.

1.3. Changes in accounting standards

Amendments to IFRS accounting standards that are effective for the current reporting period

The following amendments to the existing IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 21:** Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

The adoption of the new amendments to the existing IFRS accounting standards has not led to any material changes in the Company's financial statements.

New and revised IFRS accounting standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following amendments to IFRS accounting standards that have been issued by IASB and adopted by EU but are not yet effective:

- **Amendments to IFRS 9 and IFRS 7** - Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026);
- **Amendments to IFRS 9 and IFRS 7** - Contracts Referencing Nature-dependent Electricity (effective for annual periods beginning on or after 1 January 2026);
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7** - Annual Improvements to IFRS Accounting Standards - Volume 11 - effective for annual periods beginning on or after 1 January 2026;
- **IFRS 18 - Presentation and Disclosures in Financial Statements** (effective for annual periods beginning on or after 1 January 2027).

New standards and amendments to the existing IFRS accounting standards issued by IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS Accounting Standards adopted by the IASB except for the following new accounting standards and amendments to the existing accounting standards, which were not endorsed for use in EU as at the date of authorization of these financial statements (the effective dates stated below is for IFRS Accounting Standards as issued by IASB):

- **IFRS 19 with further amendments - Subsidiaries without Public Accountability: Disclosures** (effective for annual periods beginning on or after 1 January 2027);
- **Amendments to IAS 21** - Translation to a Hyperinflationary Presentation Currency (effective for annual periods beginning on or after 1 January 2027);
- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded.

1.3. Changes in accounting standards(continued)

The Company does not expect that the adoption of the accounting standards listed above will have a material impact on the financial statements of the Company in future periods, except for IFRS 18 which is expected to have material impact on the presentation and disclosure of information in the financial statements. The Company is in process of analysing the specific impact of IFRS 18 on its financial statements.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 Financial Instruments - Recognition and Measurement would not significantly impact the financial statements, if applied as at the reporting date.

2. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires the management to apply accounting judgements, estimates and assumptions, which have effect on the amount of reported assets and liabilities, and the disclosure of the contingent liabilities at the reporting date, as well as on the income and expenses reported for the period. Uncertainties related to these assumptions and estimates may lead to actual results requiring material adjustments in the carrying amounts of the respective assets or liabilities in subsequent reporting periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Net realisable value of inventories

Inventories are written-down in accordance with the accounting policy of KORADO Group based on the estimated sale / turnover of goods. The related write-downs are presented as other expenses in the statement of comprehensive income. The Company's management believes that the carrying amount of goods as of reporting date is the best estimate of their net realizable value in compliance with the requirements of IAS 2 Inventories. Respectively, there were no inventory write offs as at 31 December 2025 and 31 December 2024.

Impairment of receivables

Based on the available information the management has assessed the future cash flows of the receivables from clients and has not recognised other than immaterial in amount expected credit losses as at 31 December 2025 - 0 thousand and (31 December 2024 – 0 thousand), and respectively are not separately disclosed in the statement of comprehensive income. Additional information is presented in Note 19.

Applicability of the Organisation for Economic Co-operation and Development's (OECD) Pillar Two Model Rules

At the end of 2023, amendments to the Corporate Income Tax Act (CITA) were adopted, effectively implementing taxation with a global minimum corporate tax of 15% for multinational and large national groups of entities from January 1, 2024, in accordance with the conditions specified in the CITA. These amendments are in the context of the so-called OECD Pillar Two Model Rules in line with the global and European level agreement launched by the OECD's BEPS (Base Erosion and Profit Shifting) initiative to address tax challenges arising as a result of the digitalisation of the economy. The Company is not subject to the additional corporate tax.

3. Income and expenses

3.1 Revenue from contracts with customers and segment information

a) Geographic information

	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Bulgaria	868	709
Other countries:		
Czech Republic	30,795	27,512
Romania	1,546	1,738
Ukraine	482	1,535
Hungary	579	1,158
Greece	1,150	1,122
France	-	316
Tunisia	-	-
Cyprus	178	259
Slovakia	1,518	-
Germany	948	385
	38,064	34,734

The geographic information on the revenue from sales of products is based on the customers' location. There are no differences between the measurements of the reportable segments' profits or losses - only one segment identified and the entity's profit or loss before income tax expense or income from continuing operations

b) Information by key customers in 2025 and 2024

	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Customer 1	30,795	27,512
Customer 2	1,546	1,738
Customer 3	1,518	-

3.2 Other income

	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Income from sale of materials	321	604
Income from Government	142	236
Other	41	38
	504	878

The sale of materials is incidental to the main activities. The materials were sold to a Bulgarian company and the Parent-Company. Respectively, it is accounted as other income. Income from government is a subsidy for electricity prices.

3.3 Employee benefit expense

	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Salaries	(7,305)	(5,812)
Social security contributions	(1,224)	(967)
	(8,529)	(6,779)

3. Income and expenses (continued)

3.4 Expenses for hired services

	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Management services from related parties	(371)	(312)
Insurances	(72)	(67)
Consulting services	(160)	(123)
Security	(369)	(319)
Transport costs	(85)	(101)
Repair and maintenance	(146)	(181)
Commissions	(96)	(88)
Advertising	(38)	(47)
Taxes and charges	(100)	(83)
Legal services	(24)	(21)
Telephone charges	(54)	(67)
Training	(8)	(5)
Other	(99)	(79)
	(1,622)	(1,493)

3.5 Other expenses

	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Carrying amount of goods for resale sold	(732)	(570)
Carrying amount of materials sold	(266)	(548)
Business trips	(85)	(72)
Scrap of assets	(17)	(19)
Entertainment expenses	(9)	(9)
Expenses of provision	(91)	(74)
Court fees	(1)	-
Other	(54)	(2)
	(1,255)	(1,294)

3.6 Finance costs

	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expenses on borrowings and leasing	(12)	(24)
Expenses on charges and commission fees	(17)	(16)
FX gains and losses, net	(4)	(4)
	(33)	(44)

4. Income tax

The major components of the income tax expense as at 31 December 2025 and 31 December 2024 are:

	<u>2025</u>	<u>2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
Current income tax expense	(104)	(236)
Deferred tax expense	11	(3)
Income tax expense recognized in profit or loss	(93)	(239)
Deferred tax on actuarial gains and losses	9	10
Income tax credit recognized in other comprehensive income	9	10

The applicable tax rate in 2025 and 2024 is 10%.

A reconciliation between the income tax expense and the accounting profit at the applicable tax rate for the years ended 31 December 2025 and 31 December 2024 are:

	<u>2025</u>	<u>2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
Profit before taxes	860	2,374
Income tax expense at the applicable tax rate of 10% for 2025 and 2024	(86)	(237)
Permanent differences	(7)	(4)
Income tax expense at an effective tax rate of 10 %	(93)	(239)

As at 31 December 2025 and 31 December 2024 deferred taxes are related to the following:

	<u>Statement of financial position</u>		<u>Comprehensive income</u>	
	<u>31.12.2025</u>	<u>31.12.2024</u>	<u>2025</u>	<u>2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
<i>Deferred tax assets/(liabilities)</i>				
Accelerated depreciation	(93)	(92)	(1)	(7)
Unused paid leave	37	24	13	(3)
Remuneration of personnel	-	1	(1)	1
Impairment	-	-	-	-
Retirement benefits liability	76	67	9	15
Deferred tax assets/(liabilities), net	20	-	20	6

Reconciliation of deferred taxes, net

	<u>2025</u>	<u>2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
At 1 January	-	(6)
Deferred taxes recognized in profit or loss for the period	11	(4)
Deferred taxes recognized in other comprehensive income	9	10
At 31 December	20	-

5. Earnings per share

Basic earnings per share are calculated by dividing the profit for the period to the weighted average number of ordinary shares held for the period.

The Company's basic earnings per share are calculated by using the following data:

	<u>2025</u>	<u>2024</u>
Net profit for the year (in BGN'000)	767	2,135
Weighted average number of ordinary shares held for the period (in thousand)	13,169	13,169
Basic earnings per share (in BGN)	<u>0,06</u>	<u>0,16</u>

6. Property, plant and equipment

	Land (terrains) BGN'000	Buildings, installations and outdoor equipment BGN'000	Plant, equipment, fixtures and fittings BGN'000	Motor vehicles BGN'000	Assets under construction BGN'000	Total BGN'000
Cost						
At 1 January 2024	407	5,071	20,943	931	2,263	29,615
Additions	-	-	162	-	341	503
Disposals	-	-	-	46	-	46
Transferred to right of use assets	-	-	(22)	-	-	(22)
Transfers	-	-	342	-	(342)	-
At 31 December 2024	407	5,071	21,425	977	2,262	30,142
At 1 January 2025	407	5,071	21,425	977	2,262	30,142
Additions	-	-	337	602	237	1,176
Written off	-	-	(30)	(2)	-	(32)
Transfers	-	144	93	-	(237)	-
At 31 December 2025	407	5,215	21,825	1,577	2,262	31,286
Accumulated depreciation:						
At 1 January 2024	-	3,458	11,760	646	-	15,864
Depreciation charge for the year	-	88	890	67	-	1,045
Transferred to right of use assets	-	-	(22)	-	-	(22)
At 31 December 2024	-	3,546	12,628	713	-	16,887
At 1 January 2025	-	3,546	12,628	713	-	16,887
Depreciation charge for the year	-	88	907	372	-	1,367
Written off	-	-	(30)	(2)	-	(32)
At 31 December 2025	-	3,634	13,505	1,083	-	18,222
Carrying amount						
At 1 January 2024	407	1,613	9,183	285	2,263	13,751
At 31 December 2024	407	1,525	8,797	264	2,262	13,255
At 31 December 2025	407	1,581	8,320	494	2,262	13,064

6. Property, plant and equipment (continued)

Assets under construction

At 31 December 2025 and 31 December 2024 assets under construction are related to the building of a new production facility.

Impairment of property, plant and equipment

Based on the impairment testing of fixed tangible assets conducted at 31 December 2025 and 31 December 2024, the Company's management did not find any indications that the assets' carrying amounts might exceed their recoverable amounts. Therefore, no impairment of property, plant and equipment has been recognized at 31 December 2025 and 31 December 2024.

Fully depreciated assets

At 31 December 2025 the Company held assets with a cost of BGN 5,802 thousand (31 December 2024: BGN 6,210 thousand), which were fully depreciated but still in use. These included: buildings of BGN 1,648 thousand (31 December 2024: BGN 1,648 thousand), production equipment of BGN 3,583 thousand (31 December 2024: BGN 4,017 thousand), motor vehicles of BGN 297 thousand (31 December 2024: BGN 301 thousand), fixture and fittings of BGN 127 thousand (31 December 2024: BGN 122 thousand), hardware of BGN 133 thousand (31 December 2024: BGN 108 thousand), and other equipment of BGN 14 thousand (31 December 2024: BGN 14 thousand).

Items of property, plant and equipment has not been mortgaged by the Company.

Geographic information

All items of property, plant and equipment are located in the territory of Bulgaria.

7. Intangible assets

	<u>Software</u> <i>BGN'000</i>
Cost:	
At 1 January 2024	105
Additions	10
Disposals	(1)
At 31 December 2024	<u>114</u>
At 1 January 2025	114
Additions	6
Disposals	-
At 31 December 2025	<u>120</u>
Accumulated amortisation	
At 1 January 2024	98
Amortisation charge for the year	6
Amortisation of disposals	(1)
At 31 December 2024	<u>103</u>
At 1 January 2025	103
Amortisation charge for the year	4
Amortisation of disposals	-
At 31 December 2025	<u>107</u>
Carrying amount	
At 1 January 2024	<u>7</u>
At 31 December 2024	<u>11</u>
At 31 December 2025	<u>13</u>

7. Intangible assets (continued)

Impairment of intangible assets

The Company performed an impairment testing of intangible assets at 31 December 2025 and 31 December 2024.

No indications were found out that the assets' carrying amounts might exceed their recoverable amounts and therefore, no impairment loss was recognized in the financial statements.

Fully amortised intangible assets

At 31 December 2025 the Company held software with a cost of BGN 55 thousand (31 December 2024: BGN 58 thousand), which were fully amortised but still in use.

8. Inventories

	31.12.2025	31.12.2024
	<i>BGN'000</i>	<i>BGN'000</i>
Raw materials	10,370	6,045
Finished goods	1,173	761
Goods	236	226
Work in progress	153	143
	11,932	7,175

No write downs to net realizable value were made in the period. No inventories were pledged as a security. The inventories forming the cost of sales during the period and respectively recognized as an expense are at the amount of BGN 25,592 thousand (2024: BGN 22,457 thousand).

9. Trade and other receivables

	31.12.2025	31.12.2024
	<i>BGN'000</i>	<i>BGN'000</i>
Trade receivables, gross	338	129
VAT refundable	1,244	496
Other receivables	154	46
	1,736	671

Trade receivables are not interest-bearing and are normally settled within 0 - 60 days.

As at 31 December 2025 and 31 December 2024 the ageing analysis of trade receivables is presented in the table below:

	Total	Regular	Overdue				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
31.12.2025	338	338	-	-	-	-	-
31.12.2024	129	129	-	-	-	-	-

As at 31 December 2025 trade and other receivables of BGN 113 thousand (31 December 2024: BGN 102 thousand) are denominated in Euro and BGN 225 thousand (31 December 2024: 27 thousand) are denominated in Bulgarian leva.

10. Cash and cash equivalents

	<u>31.12.2025</u>	<u>31.12.2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
Cash in bank accounts	2,731	2,770
Cash on hand	11	10
	<u>2,742</u>	<u>2,780</u>

Cash at banks accrue interest at floating interest rates based on the intraday interest rates on bank deposits.

As at 31 December 2025 cash and cash equivalents of BGN 2,536 thousand (31 December 2024: BGN 2,183 thousand) are denominated in Euro and BGN 206 thousand (31 December 2024: 597 thousand) are denominated in Bulgarian leva.

11. Share capital and reserves

11.1 Share capital

	<i>number</i>	<i>BGN'000</i>
1 January 2024	13,168,614	13,169
At 31 December 2024	<u>13,168,614</u>	<u>13,169</u>
At 31 December 2025	<u>13,168,614</u>	<u>13,169</u>

All subscribed shares were paid at 31 December 2025 and 31 December 2024.

11.2 Share premium

As at 31 December 2025 and 31 December 2024 the share premium is amounting to BGN 119 thousand.

11.3 Redeemed own shares

In 2019 the Company redeemed 12,000 shares at the total amount of BGN 66 thousand. During the year 945 treasury shares were sold at the amount of BGN 5 thousand.

On 18 September 2019 the shareholders approved a decision for purchase of 12,000 redeemed shares to be provided to employees in the form of an additional one off compensation to all individuals employed by the Company for more than 1 year under a labour or management contract. The shares are allocated to 213 qualifying employees based on a step rate depending on the number of years of employment.

As at 31 December 2025 and 31 December 2024 there are no redeemed shares owned by the Company.

11.4 Statutory reserves and other reserves

Statutory reserves are formed by joint-stock companies, such as KORADO-Bulgaria AD, through distribution of profits on the grounds of article 246 of the Commercial Act. They are set aside until they reach one-tenth or more of the capital. Sources of statutory reserves are at least one-tenth of the net profit, share premiums and funds, stipulated in the Articles of Association or approved by decision of the General Meeting of Shareholders. The statutory reserves may only be used to cover losses of the Company from the current and previous reporting periods.

11.5. Dividends

Dividends distributed in 2025

On 10 September 2025 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 658 thousand or a dividend of BGN 0.05 per share.

Dividends distributed in 2024

On 19 June 2024 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 2,503 thousand or a dividend of BGN 0.19 per share.

11. Share capital and reserves (continued)

11.5. Dividends (continued)

On 11 September 2024 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 1,317 thousand or a dividend of BGN 0.10 per share.

Dividends distributed in 2023

On 21 June 2023 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 1,316 thousand or a dividend of BGN 0.10 per share.

Dividends distributed in 2022

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 per share.

On 14 September 2022 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 1,317 thousand or a dividend of BGN 0.10 per share.

Dividends distributed in 2021

On 19 May 2021 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 2,502 thousand or a dividend of BGN 0.19 per share.

On 15 September 2021 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 1,317 thousand or a dividend of BGN 0.10 per share.

Dividends distributed in 2020

On 20 May 2020 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 2,502 thousand or a dividend of BGN 0.19 per share.

On 16 September 2020 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 1,317 thousand or a dividend of BGN 0.10 per share.

12.1. Lease liabilities

The Company concluded lease contracts for vehicles. For leases the Company recognises according to IFRS 16 the carrying amount of right of use asset and lease liability. The Company has only finance leases with a clause for transferring of ownership of vehicles, these are not modified in the period, no extension or termination options have been assessed as relevant in determining the lease terms of the respective vehicles leases. In the period there were no contracts for short term or low value leases, for which the associated lease payments have been directly expensed.

Interest expense on lease liabilities for the period is BGN 3 thousand (2024: BGN 11 thousand).

As at 31 December 2025 the lease liability amounts to BGN 0 thousand and as at 31 December 2024 amounts to BGN 139 thousand.

	31.12.2025		31.12.2024	
	Lease payments <i>BGN'000</i>	Present value of payments <i>BGN'000</i>	Lease payments <i>BGN'000</i>	Present value of payments <i>BGN'000</i>
Within one year			147	139
From one to five years	-	-	-	-
Total minimum lease payments	-	-	147	139
Less finance charges	-	-	(8)	-
Present value of lease payments	-	-	139	139

12.1. Lease liabilities (continued)

The lease payments presented above do not include a variable component. The vehicles leased are not subleased. No sale and lease back transactions have been concluded. The total cash outflow on leases is BGN 136 for principal lease payments and BGN 3 thousand for interest – total BGN 139 thousand. During 2024 the principal is amounted on BGN 105 thousand and BGN 11 thousand for interest- total amount is BGN 116 thousand.

12.2. Right of Use Assets

As at 31 December 2025 the carrying amount of the right of use assets (vehicles) is BGN 0 thousand (31 December 2024: BGN 342 thousand).

The carrying amount of the right of use asset could be analysed as follows:

Vehicles	31.12.2025	31.12.2024
	<i>BGN'000</i>	<i>BGN'000</i>
Carrying amount		
At 1 January	342	450
Termination of lease contracts	(342)	(46)
Depreciation for the year	-	(62)
At 31 December	-	342

13. Retirement benefits

Pursuant to the requirement of the Bulgarian labour legislation and the Collective Labour Agreement, the Company is obliged to pay two to six gross monthly salaries to its employees upon retirement, depending on the length of their service in the Company. If an employee has worked for KORADO-Bulgaria AD for 10 years or more, the retirement benefit amounts to six gross monthly salaries upon retirement, if he/she has worked for the Company from 5 to 10 years – four gross monthly salaries, and if he/she has worked for less than five years - two gross monthly salaries. An employee, who has worked for KORADO-Bulgaria AD for more than 20 years, shall be entitled to receive 8 gross monthly salaries upon retirement. These retirement benefits are unfunded.

The components of the expenses for retirement benefits recognised in the statement of comprehensive income for 2025 and the liabilities recognised in the statement of financial position as at 31 December 2025 are as follows:

Expenses for retirement benefits

	31.12.2025	31.12.2024
	<i>BGN'000</i>	<i>BGN'000</i>
Interest expense	28	25
Current service costs	63	48
Expenses for retirement benefits, recognised in profit and loss	91	73
Actuarial losses recognised in other comprehensive income	55	97

Changes in the present value of the retirement benefit obligation are as follows:

	31.12.2025	31.12.2024
	<i>BGN'000</i>	<i>BGN'000</i>
At 1 January	673	519
Interest expense	28	25
Current service costs	63	48
Benefits paid	(62)	(16)
Actuarial losses	55	97
31 December	757	673

13. Retirement benefits (continued)

The actuarial gains and losses arising from experience adjustments are at the amount of BGN (26) thousand (2024: BGN (42) thousand), from changes in demographic assumptions are the amount of BGN (7) thousand (2024: BGN (2) thousand), while those arising from changes in financial assumptions are BGN (22) thousand (2024: BGN (54) thousand).

The key assumptions used in determining the retirement benefit liability are stated in the table below:

	<u>31.12.2025</u>	<u>31.12.2024</u>
Discount rate	3,5%	4%
Future salary increases	10%	15%

The tables below contain a quantitative sensitivity analysis of the retirement benefit liability as at 31 December 2025 and 31 December 2024:

Sensitivity level	Interest rate		Salary growth	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Assumptions 2025	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
Effect on the pension liability increase/(decrease)	74	(79)	66	(66)
Assumptions 2024				
Effect on the pension liability increase/(decrease)	69	(55)	63	(61)

14. Trade and other payables

	<u>31.12.2025</u>	<u>31.12.2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
Payables to suppliers	5,639	1,782
Payables to personnel	584	424
Payables for social securities	253	191
Other liabilities	784	215
	<u>7,260</u>	<u>2,612</u>

Terms and conditions of the financial liabilities, set out in the table above, are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-60 day's term;
- Tax payables are non-interest bearing and are settled within the legal deadlines;
- Other payables are non-interest bearing and are normally settled on 30 day's term.

As at 31 December 2025 trade and other payables of BGN 4,911 thousand (31 December 2024: BGN 841 thousand) are denominated in Euro and BGN 2,349 thousand (31 December 2024: 1,771 thousand) are denominated in Bulgarian leva.

15. Provisions

As at 31 December 2025 and 31 December 2024 provisions consist of unused paid leave provisions at the amount of BGN 378 thousand and BGN 238 thousand, respectively.

16. Related party disclosures

Ultimate parent company

The ultimate parent company is KORADO a.s., Czech Republic.

Entities with controlling interest in the Company

At 31 December 2025, 82,15% of the shares of KORADO-Bulgaria AD are held by KORADO a.s., Czech Republic. The remaining 17,85% of the shares are held by legal entities and individuals.

Besides with the parent company, KORADO a.s., Czech Republic, in 2025 and 2024 the Company concluded transactions with other related companies as well, namely Licon Heat s.r.o., Czech Republic (a subsidiary of KORADO a.s., Czech Republic).

The following table provides the total amount of related party transactions and the outstanding balances for the current and previous reporting period:

	Nature	2025	2024
		<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	3,080	1,216
	Purchase of services	423	339
	Interest on loan	10	14
Licon Heat s.r.o. Czech Republic	Purchase of materials and goods	54	65
		3,567	1,634
Sales to related parties			
<i>Ultimate parent company</i>			
KORADO a.s. Czech Republic	Sales of products	30,795	27,512
	Sales of materials	85	349
		30,880	27,861
Related party receivables			
<i>Ultimate parent company</i>			
KORADO a.s. Czech Republic	Trade receivables	4,951	4,280
		4,951	4,280
Payables to related parties			
<i>Ultimate parent company</i>			
KORADO a.s. Czech Republic	Interest-bearing loan	978	978
KORADO a.s. Czech Republic	Trade payables	1,692	547
KORADO a.s. Czech Republic	Trade interest	-	2
Licon Heat s.r.o. Czech Republic	Trade payables	5	10
		2,675	1,537

16. Related party disclosures (continued)

Agreements were concluded and executed under which a portion of trade receivables amounting to BGN 2,359 thousand (31 December 2024: BGN 2,453 thousand) due from related parties were settled against trade payables of BGN 2,347 thousand (31 December 2024: BGN 1,073 thousand) and loan payables of BGN 0 thousand (31 December 2024: BGN 1,369 thousand) and interest payable of BGN 12 thousand (31 December 2024: BGN 11 thousand and interest payable) without payment.

As at 31 December 2025 and 31 December 2024 receivables from related parties of BGN 0 thousand (31 December 2024: BGN 0 thousand) are overdue within 30 days.

The receivables from related parties are subject to individual credit risk assessment, which takes into consideration the available qualitative and non-statistical quantitative information. Based on this information, the management has not accrued impairment loss allowance for the receivables from related parties as at 31 December 2025 and 31 December 2024 as it is insignificant.

All receivables and payables to related parties as at 31 December 2025 and 31 December 2024 are denominated in euro.

Interest-bearing loan and borrowings from a related party

In October 2022, a loan was received from KORADO a.s. Czech Republic in the amount of BGN 2,347 thousand. These funds are intended for the purchase of raw materials. The loan is long-term, with an initial repayment period of December 31, 2027. The interest rate is 1M EURBOR+1.00 fixed margin.

As of 31 December 2025 and 31 December 2024 the payable under the loan is BGN 978 thousand.

	<u>31.12.2025</u>	<u>31.12.2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
Borrowings from related parties		
<i>Ultimate parent company</i>		
KORADO a.s. Czech Republic	978	978
	<u>978</u>	<u>978</u>

Changes in borrowings is as follows:

	<u>2025</u>	<u>2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
At 1 January	978	2,347
New credit	-	-
Interest expense	-	14
Offset to trade receivables	-	(1,380)
Outstanding interest presented in current payables to related parties	-	(3)
At 31 December	<u>978</u>	<u>978</u>

Terms of the transactions with related parties

Sales and purchases to/from related parties are at contractual prices. The outstanding trade payables and receivables at year end are unsecured, interest-free (except for loans) and their settlement is done with cash. For the payables to or receivables from related parties, there are no guarantees received or issued. The Company did not impair its related party receivables as of 31 December 2025 and 31 December 2024. A review for impairment of the related party receivables is performed at the end of each year and is based on the financial performance of the related party and the market it operates on, including actual cash flow settlements.

16. Related party disclosures (continued)

Remuneration to key management staff	2025	2024
	<i>BGN'000</i>	<i>BGN'000</i>
Short-term benefits of MB and SB	109	94
Short-term benefits of AC	40	34
	149	128

No post employment benefits or share based payments are provided to key management staff.

17. Commitments and contingencies

Legal claims

No material legal claims have been brought against the Company.

Other

The last tax audit by the tax administration authorities covered the following types of liabilities, by periods:

- Corporate income tax –until 31 December 2010;
- VAT –until 31 July 2008;
- Personal income tax –until 31 December 2007;
- Social security – until 31 January 2012; 30 September 2009
- Local taxes and charges – until 31 December 2006;
- Income tax foreign legal entities - until 31 December 2013.

The Company's management believes that no material risks exist as a result of the dynamic fiscal and regulatory environment in Bulgaria, which might require adjustments in the financial statements for the year ended 31 December 2025.

18. Fair value of financial instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	<i>Book value</i>		<i>Fair value</i>	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
<i>Financial assets</i>				
Trade receivables	338	129	338	129
Related party receivables	4,951	4,280	4,951	4,280
Cash and short-term deposits	2,742	2,780	2,742	2,780
<i>Financial liabilities</i>				
Interest-bearing borrowings to related parties	978	978	978	978
Trade payables	5,639	1,782	5,639	1,782
Payables to related parties	1,697	559	1,697	559

18. Fair value of financial instruments (continued)

The fair value of the financial instruments of the Company is determined as the price at which a financial asset could be sold or a financial liability could be transferred in an arm's length transaction between market participants at the date of the valuation. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade receivables, trade payables - their fair values approximate their book values due to the short-term maturities of these instruments;
- Interest-bearing loans and borrowings from related parties - the fair value is estimated by applying the DCF model and using a discount factor based on the interest rates for debt instruments of similar terms and remaining maturities.

The Company's principal financial liabilities comprise interest-bearing loans and borrowings from related parties, and trade payables.

The main objective of these financial instruments is to secure financing for the Company's operations. The Company holds financial assets such as trade receivables, cash and short-term deposits, which arise directly as a result of its operation. As of 31 December 2025, and 31 December 2024 the Company neither held nor traded in derivative financial instruments.

19. Financial risk management objectives and policy

The major risks arising from the Company's financial instruments are liquidity risk, foreign currency risk, interest risk and credit risk. The risk management policy the Company's management implemented to manage these risks is summarized below.

Interest rate risk

The Company not exposed to the risk of changes in market interest rates primarily to its short-term and short-term financial liabilities in the form of a related party loan at the amount of BGN 978 thousand bearing floating (variable) interest rate based on 1-month Euribor and margin of 1.00%.

The following table demonstrates the sensitivity to possible changes in interest rates of the Company's profit before tax (through the effect on variable rate loans and borrowings), with all other variables held constant. There is no effect on other equity components of the Company.

	Increase/ Decrease in interest rates	Effect on the pre- tax profit
		<i>BGN'000</i>
31 December 2025		
In EUR	+0.5%	(5)
In EUR	-1%	10
	Increase/ Decrease in interest rates	Effect on the pre- tax profit
		<i>BGN'000</i>
31 December 2024		
In EUR	+0.5%	(5)
In EUR	-1%	10

19. Financial risk management objectives and policy (continued)

Liquidity risk

The effective management of the Company's liquidity presumes that sufficient working capital will be ensured mainly through maintenance of sufficient cash and other current assets and financing from related parties.

Company's general ratio, calculated as current assets over current liabilities is 2,07 in 2025 (2024: 3,27), which shows an appropriate ability of the Company to settle its liabilities coming due over the next 12 months.

At 31 December 2025 and 31 December 2024, the maturity structure of the Company's financial liabilities, based on the agreed undiscounted payments, is presented below:

At 31 December 2025

	On demand	< 3 months	3-12 months	1-5 year	> 5 years	Total
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
Trade payables	-	5,639	-	-	-	5,639
Payables to related parties	-	1,697	-	-	-	1,697
Interest-bearing loans and borrowings	-	-	978	-	-	978

At 31 December 2024

	On demand	< 3 months	3-12 months	1-5 year	> 5 years	Total
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
Lease liabilities	-	-	147	-	-	147
Trade payables	-	1,782	-	-	-	1,782
Payables to related parties	-	559	-	-	-	559
Interest-bearing loans and borrowings	-	-	978	-	-	978

Currency risk

The Company performs purchases, sales, and receives loans in foreign currencies – EUR. Since the exchange rate BGN/EUR is fixed at ratio of EUR 1: BGN 1.95583, the currency risk relating to the EUR exposures of the Company is immaterial. The FX gains and losses reported by the Company are the outcome of the bid-ask spread on the fixed rate.

Credit risk

The Company trades only with recognised, creditworthy contractors. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Moreover, the trade receivable balances are monitored currently, and as a result of that the Company's exposure to bad and doubtful debts is insignificant. There are no significant concentrations of credit risk within the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and other financial assets, the Company's credit exposure arises from default of its counterparties.

The maximum credit exposure of the Company in relation to the recognised financial assets equals their respective carrying amount as per the statement of financial position as at 31 December 2025.

Cash transactions are made only with financial institutions with high credit ratings. Cash and cash equivalents are held with banks having a credit rating of BBB or higher or those with an excellent longstanding reputation. Approximately 98% (31 December 2024: 94%) of the cash and cash equivalents are concentrated in one bank.

19. Financial risk management objectives and policy (continued)

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	<u>31.12.2025</u>	<u>31.12.2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
Existing customers		
Trade receivables	338	129
Receivables from related parties	4,951	4,280
Cash and cash equivalents		
A- (Fitch)	2,591	2,610
Banks with no credit rating	140	160

Impairment of financial assets

The Company has the following financial assets, which are subject to the expected credit loss model:

- Trade receivables
- Cash and cash equivalents

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been analysed on an individual basis. The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2025 or 31 December 2024 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on this analysis, the Company concluded that all trade receivables are paid within 60 days and no receivables were written off in the period analysed.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but the impairment loss was immaterial.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise owner's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the payment of dividends to the shareholders, to redeem its treasury shares, to increase or decrease its share capital, by decision of the shareholders. No changes were made in the objectives, policies or processes for managing the Company's capital during 2025 and 2024.

The Company monitors its equity through the realized financial result for the reporting period ending 31 December 2025 and 31 December 2024, as follows:

	<u>2025</u>	<u>2024</u>
	<i>BGN'000</i>	<i>BGN'000</i>
Net profit	767	2,135

20. Reconciliation of the movements in liabilities the cash flows of which are presented in financing activity

	Borrowings	Lease liabilities	Retained earnings	Total
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
At 1 January 2024	2,347	255	11,207	13,809
Cash flows	-	(116)	(3,816)	(3,932)
Interest expense	14	-	-	14
Profit for the year	-	-	2,135	2,135
Non-cash transactions	(1,380)	-	-	(1,380)
Interest payables presented in current liabilities to related parties	(3)	-	(4)	(7)
At 31 December 2024	978	139	9,522	10,639
At 1 January 2025	978	139	9,522	10,639
Cash flows	-	(139)	(658)	(797)
Other	-	-	-	-
Interest expense	10	-	-	10
Profit for the year	-	-	767	767
Interest payables presented in current liabilities to related parties	(10)	-	-	(10)
At 31 December 2025	978	-	9,631	10,609

21. Events after the reporting date

Pursuant to the Introduction of the Euro in the Republic of Bulgaria Act, as of 1 January 2026, the euro shall become the official currency and legal tender in Bulgaria. The fixed conversion rate is set at BGN 1.95583 for one euro.

The introduction of the euro as the official currency in the Republic of Bulgaria represents a change in the functional (reporting) currency of the Company, which will be accounted for prospectively and does not represent an event after the reporting period which requires adjustment in the financial statements for the year ending 31 December 2025.

The Company does not anticipate significant effects from the revaluation of opening balances as of 1 January 2026 into euro, nor from the process of changing the functional (reporting) currency. The only change will be in the value of the capital, since the nominal value of one share is 0.51 euros and currency conversion is up to the fourth digit.

On 28 February 2026, a military operation initiated by the United States and its allied forces commenced within the territory of Iran. As of the approval date of these financial statements, the conflict has escalated and extended into other region within the area. The military operation may have impact on the European and global economies. The Company does not have material direct exposure to the countries, directly affected by the conflict as of the date of the approval of these financial statements. The effect on the overall economic situation may require reassessment of some assumptions and estimates. This may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-to-day.

The longer-term impact may also affect trading volumes, cash flows, and profitability. Nevertheless, at the date of these financial statements the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation. Management considers the situation to be a non-adjusting event after the reporting period.

No other events have occurred after 31 December 2025, that would require additional adjustments and/or disclosures in the Company's financial statements for the year ended 31 December 2025.

D E C L A R A T I O N

under Art. 100m, paragraph 4, item 4 of POSA

The undersigned, JIRI REZNICEK, Executive Director, and Silviya Stefanova, Head of Finance Department and preparer of the financial statements of KORADO-Bulgaria AD, town of Strazhitsa,

HEREBY DECLARE that to the best of our knowledge and belief:

1. The set of financial statements as at 31 December 2025 drawn up in accordance with the applicable accounting standards give a true and fair view of the assets, liabilities, financial position and financial performance of the Company;
2. The management activity report includes a fair review of the development and the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

DECLARANTS:

Head of Finance Department:
Silviya Stefanova

Executive Director:
Eng. JIRI REZNICEK

*This document is a translation of the original Bulgarian text,
in case of divergence the Bulgarian original shall prevail*

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Korado-Bulgaria AD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Korado-Bulgaria AD (the Company), which comprise the statement of financial position as at December 31, 2025, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of financial statements of public interest entities in Bulgaria. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Делойт се отнася към едно или повече дружества - членове на Делойт Туш Томацу Лимитид („ДТТЛ“), както и към глобалната мрежа от дружества – членове и свързаните с тях дружества (заедно наричани „организацията на Делойт“). ДТТЛ (наричано също „Делойт Глобал“) и всяко дружество – член и неговите свързани дружества са юридически самостоятелни и независими лица, които не могат да поемат задължения или да се обвързват взаимно по отношение на трети страни. ДТТЛ и всяко дружество член на ДТТЛ и свързаните с него дружества са отговорни единствено и само за своите собствени действия и бездействия, но не и за тези на останалите. ДТТЛ не предоставя услуги на клиенти. Моля, посетете www.deloitte.com/about, за да научите повече.

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Key audit matter	How our audit addressed the key audit matter
<p data-bbox="197 264 464 293">Revenue Recognition</p> <p data-bbox="197 331 817 360"><i>See Notes 1.2 (b) and 3.1 to the financial statements</i></p> <p data-bbox="197 398 817 528">The Company had one major revenue stream in 2025 consisting of sale of finished products and goods for resale, i.e. household heating radiators, amounting to BGN 38,064 thousand.</p> <p data-bbox="197 566 817 763">Sales are recognized when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client’s acceptance of the products.</p> <p data-bbox="197 801 817 999">The finished products and goods for resale are often sold with retrospective volume discounts based on the aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.</p> <p data-bbox="197 1037 817 1341">The majority of the revenue is derived from a limited number of customers, who settle their due balances within agreed terms. The sales to the parent company represent 80% of total revenue. This structure of the Company’s sales is driven by the business of the group the Company is part of, where trading is centralized. The Company is focused on the production of one of the major products sold by the group.</p> <p data-bbox="197 1379 817 1608">The remuneration of the Management of the Company is related to a certain extend to the achievement of pre-defined results. There is a risk that the management could influence the financial statements to report better results. The financial result could be potentially influenced by the management through revenue recognition.</p> <p data-bbox="197 1646 817 1843">Due to the significance of the circumstances set out above that: (a) revenue recognition is an area of significant risk and requires significant time and resource to audit; and (b) its significance as a whole for the financial statements of the Company, we have considered this matter as a key audit matter.</p>	<p data-bbox="842 264 1455 327"><i>In this area, our audit procedures included, among others:</i></p> <ul data-bbox="842 365 1455 965" style="list-style-type: none"> <li data-bbox="842 365 1455 427">• Inquiries and obtaining of an understanding of the Company's process of revenue recognition. <li data-bbox="842 465 1455 663">• Review and assessment of the adequacy and the consistency of application of the revenue recognition policy of the Company. Our audit procedures included also testing the adequacy of the adopted accounting policy for revenue recognition in accordance with the applicable standards. <li data-bbox="842 701 1455 965">• Assessment of design and implementation of key controls over the revenue recognition process. Tests of operating effectiveness of relevant controls, with specific focus on the key control over matching dispatch notes, issued invoices and cash receipts, as well as over the confirmation of the documents supporting credit notes, including those for discounts. <p data-bbox="842 1003 1455 1200">Based on the procedures set out above, we developed tailored audit procedures to enable us to address the risk of material misstatement associated with the revenue recognition, including that management could influence the revenue recognition.</p> <p data-bbox="842 1238 1455 1404">Our substantive procedures consisted mainly of confirming sales transactions for the year by sending confirmation letters. With this procedure, based on the received responses we confirmed a sample of the annual revenues from selected clients.</p> <p data-bbox="842 1442 1455 1572">We have tested selected revenue transactions realized close after the year-end in order to assess the recognition of revenue in the correct accounting period.</p> <p data-bbox="842 1610 1455 1709">We assessed the relevance and adequacy of the disclosures in the Company's financial statements related to revenue recognition and reporting.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management Board of the Company (Management) is responsible for the other information. The other information comprises the annual activity report, the corporate governance statement and the report on the implementation of the policy on the remuneration, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditor's report and to the extent it is specifically stated.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Supervisory Board and Audit Committee of the Company (Those charged with governance) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting in relation to the compliance with the electronic format of the financial statements, included in the annual financial report on activities under Art. 100m, para 4 of the Public Offering of Securities Act (POSA) with the requirements of the ESEF Regulation

In addition to our reporting responsibilities according to ISAs described in the section above *Auditor's Responsibilities for the Audit of the Financial Statements*, we performed the procedures in accordance with the Guidelines on the issuing of audit opinion with respect to the application of the European Single Electronic Format (ESEF) to the financial statements of companies which securities are admitted to trading on a regulated market in the European Union (EU) by the Professional Organization of the Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures are related to the verification of the structure and whether the human readable part of this electronic format corresponds to the audited financial statements and issuing an opinion on the compliance of the electronic format of the financial statements of Korado-Bulgaria AD for the year ending on December 31, 2025, attached in the electronic file "8945006GNF19M54P6947-20251231-EN-SEP.xhtml", with the requirements of the Commission Delegated Regulation (EU) 2019/815 from December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards to define the European Single Electronic Format for reporting (ESEF Regulation). Based on these requirements, the electronic format of the financial statements included in the annual financial report on activities under Art. 100m, para. 4 of POSA, should be presented in XHTML format.

The Management of the Company is responsible for the application of the requirements of the ESEF Regulation in preparing the electronic format of the financial statements in XHTML.

Our report covers only the electronic format of the financial statements, attached in the electronic file "8945006GNF19M54P6947-20251231-EN-SEP.xhtml" and does not cover the other information, included in the annual financial report on activities under Art. 100m, para. 4 of the POSA.

Based on the procedures performed in our opinion, the electronic format of the financial statements of the Company for the year ended December 31, 2025, contained in the attached electronic file "8945006GNF19M54P6947-20251231-EN-SEP.xhtml", has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Additional Matters Required to be Reported by the Accountancy Act and Public Offering of Securities Act (POSA)

In addition to our reporting responsibilities according to ISAs described in section *Information Other than the Financial Statements and Auditor's Report Thereon*, with respect to the annual activity report, the corporate governance statement and the report on the implementation of the policy on the remuneration, we have also performed the procedures, together with the required under ISAs, in accordance with the Guidelines regarding new extended reports and communication by the auditor of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100m, paragraph 10 of POSA in relation to Art. 100m, paragraph 8, p. 3 and 4 of POSA, as well as Art. 100m, paragraph 15 of POSA in relation to Art. 116c, paragraph 1 of POSA), applicable in Bulgaria.

Opinion under Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual activity report for the financial year for which the financial statements have been prepared, is consistent with the financial statements.
- The annual activity report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100m, paragraph 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the financial statements have been prepared.
- The report on the implementation of the policy on the remuneration, covering the financial year for which the financial statements have been prepared, has been provided and meets the requirements defined in the Ordinance referred to in Art. 116c, paragraph 1 of the Public Offering of Securities Act.

Opinion under Art. 100m, paragraph 10 in relation to Art. 100m, paragraph 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and as a result of the acquired knowledge and understanding of the Company and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Company's internal control and risk management systems in relation to the financial reporting process as part of the annual activity report (as element of the content of the corporate governance statement) and the information under Art. 10, paragraph 1, letter "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids do not contain cases of material misrepresentations.

Additional Reporting in Relation to the Audit of the Financial Statements under Art. 100m, paragraph 4, p. 3 of the Public Offering of Securities Act

Reporting in relation to Art. 100m, paragraph 4, p. 3, l. "b" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note 16 to the accompanying financial statements. Based on the procedures performed on related party transactions in the context of our audit of the financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying financial statements for the year ended December 31, 2025, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions.

Reporting in relation to Art. 100m, paragraph 4, p. 3, l. "c" of the Public Offering of Securities Act

Our responsibilities for the audit of the financial statements described in section *Auditor's Responsibilities for the Audit of the Financial Statements* include evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the financial statements for the year ended December 31, 2025, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS Accounting Standards as adopted by the EU. We have considered the results of our audit procedures on the material transactions underlying the financial statements in forming our opinion on the financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions.

Reporting in Accordance with Art. 10 of Regulation (EU) No 537/2014 in Connection with the Requirements of Art. 59 of the Independent Financial Audit and Assurance of Sustainability Reporting Act

In accordance with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Deloitte Audit OOD was appointed as a statutory auditor of the financial statements of the Company for the year ended December 31, 2025 by the General Meeting of Shareholders held on June 18, 2025 for a period of one year.
- The audit of the financial statements of the Company for the year ended December 31, 2025 represents fifth total consecutive statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report provided to the Company's Audit Committee on March 10, 2026, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.

- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Company.
- For the period to which our statutory audit refers, we have provided to the Company, in addition to the statutory audit, the following services which have not been disclosed in the Company's annual activity report or financial statements:
 - Audit of the group reporting package as of December 31, 2025 of Korado-Bulgaria AD, prepared in accordance with the accounting policies of Korado A.S. Group, Czech Republic, based on IFRS, in accordance with ISA;
 - Review of translation of the financial statements, the annual activity report, the corporate governance statement and the report on the implementation of the policy on the remuneration of the Company for 2025 from Bulgarian into English provided by the Company.

Deloitte Audit OOD
Registration number: 033

Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit

4, Mihail Tenev Str.
1784 Sofia, Bulgaria

**To
The shareholders of
Korado-Bulgaria AD**

DECLARATION

***Under art. 100m, para 4, p. 3
of the Public Offering of Securities Act***

The undersigned:

Rositsa Boteva, in my capacity of:

- Statutory Manager of audit firm Deloitte Audit OOD, with UIC 121145199, with a seat and management address in Sofia 1784, 4, Mihail Tenev Str., and correspondence address in Sofia 1784, 4, Mihail Tenev Str., and

- Registered auditor (with reg. № 0500 of the register of CPOSA under art. 20 of the Independent Financial Audit and Assurance of Sustainability Reporting Act), responsible for the audit engagement performed by the audit firm Deloitte Audit OOD (with reg. № 033 the register of CPOSA under art. 20 of the Independence Financial Audit and Assurance of Sustainability Reporting Act),

Declare that:

Deloitte Audit OOD was engaged to perform statutory financial audit of the annual financial statements of Korado-Bulgaria AD for 2025, prepared in accordance with the IFRS accounting standards, as endorsed by EU, generally accepted name of accounting framework, as defined in art. 8 of the additional provisions of the Accountancy Act with name "International accounting standards". As a result of our audit we issued audit report dated March 16, 2026.

Hereby I declare that as reported in our auditor's report regarding the annual financial statements of Korado-Bulgaria AD for 2025, issued on March 16, 2026 that:

- 1. Art. 100m, para 4, p. 3, l. "a" Audit opinion:*** In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU). *(page 1 of the auditor's report);*

Делойт се отнася към едно или повече дружества - членове на Делойт Туш Томацу Лимитид („ДТТЛ“), както и към глобалната мрежа от дружества – членове и свързаните с тях дружества (заедно наричани „организацията на Делойт“). ДТТЛ (наричано също „Делойт Глобал“) и всяко дружество – член и неговите свързани дружества са юридически самостоятелни и независими лица, които не могат да поемат задължения или да се обвързват взаимно по отношение на трети страни. ДТТЛ и всяко дружество член на ДТТЛ и свързаните с него дружества са отговорни единствено и само за своите собствени действия и бездействия, но не и за тези на останалите. ДТТЛ не предоставя услуги на клиенти. Моля, посетете www.deloitte.com/about, за да научите повече.

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2. **Art. 100m, para 4, p. 3, l. “b” Information regarding Korado-Bulgaria AD related party transactions.** Information on related party transactions is disclosed in Note 16 to the accompanying financial statements. Based on the procedures performed on related party transactions in the context of our audit of the financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying financial statements for the year ended December 31, 2025, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions. *(page 6 of the auditor’s report).*

3. **Art. 100m, para 4, p. 3, l. “c” Information regarding material transactions.** Our responsibilities for the audit of the financial statements described in section *Auditor’s Responsibilities for the Audit of the Financial Statements* include evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the financial statements for the year ended December 31, 2025, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS Accounting Standards as adopted by the EU. We have considered the results of our audit procedures on the material transactions underlying the financial statements in forming our opinion on the financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions. *(page 6 of the auditor’s report).*

The declarations made in the current declaration should be considered only in the context of our auditor’s report regarding the performed independent financial audit of the annual financial statements of Korado-Bulgaria AD for the reporting period ended December 31, 2025, dated March 16, 2026. This declaration is intended only for the above stated addressee and is prepared solely and only for the purpose of complying with the requirements of Art. 100m, para 4, p.3 of the Public Offering of Securities Act (POSA) and should not be accepted as replacement of our conclusions, included in our auditor’s report, dated March 16, 2026 regarding the matters, as scoped by art. 100m, para 4, p. 3 of POSA.

March 16, 2026

Sofia

For audit firm Deloitte Audit OOD:

**Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit**