

Translation from Bulgarian

GRADUS AD

INTERIM MANAGEMENT REPORT
for the Q1 of 2023

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I. INTRODUCTION. General information about Gradus AD

1. Registration and object of activity

Gradus AD, town of Stara Zagora, was incorporated on 28 November 2017.

Management address: Republic of Bulgaria, Stara Zagora 6000, Industrialen quarter, Gradus Poultry Slaughterhouse.

The Company is a **parent company**.

The Group subsidiaries as at 31.03.2023 are as follows:

		% shares
Lora-2004 EOOD	effective percentage share	100.00
Zhyuliv EOOD	effective percentage share	100.00
Millenium 2000 EOOD	effective percentage share	100.00
Gradus-1 EOOD	effective percentage share	100.00
Gradus-3 AD	effective percentage share through Gradus-1 EOOD	96.00
Gradus-98 AD	effective percentage share	99.94
Gold Farm 91 EOOD	effective percentage share	100.00
Gradus Logistics EOOD	effective percentage share	100.00

The main object of activity of the Gradus Group companies is concentrated in the field of “Poultry-farming”, except for companies having as their subject of activity the “production of combined fodders and trade”.

OBJECT OF ACTIVITY OF THE COMPANY

The object of activity of the Company is: Investments in stocks and shares of companies, acquisition and management of shares in Bulgarian and foreign companies; activity as a holding company; acquisition, assessment and sale of patents, concession of licenses for the use of patents of companies, in which the Company has shares; financing of companies, in which the Company has shares, as well as any other activity not prohibited by law, provided that if a permit or a license is required, or registration for the purpose of carrying out any activity, then such activity shall take place following the obtaining of such permit or license, respectively following the completion of such registration.

1.1. Share capital

The registered share capital of Gradus AD as at 31 March 2023 amounts to BGN 243,609 thousand, split into 243,608,710 shares with nominal value of BGN 1 (one) each.

As of 31.03.2023 the fixed capital, net of the repurchased shares amounted to 242 688 thousand. left.

The shares of Gradus AD are ordinary, registered, dematerialised, voting shares.

Shareholders of the Company as of 31.03.2023 are:

• Gradus AD	0.25% of the capital
• Luka Angelov Angelov	40.77% of the capital
• Ivan Angelov Angelov	20.68% of the capital
• Angel Ivanov Angelov	20.68% of the capital
• Legal entities	15.69% of the capital
• Individual shareholders	1.93% of the capital

1.2. Board of Directors

Gradus AD has a one-tier management system - Board of Directors.

The Board of Directors consists of three (3) members who are as follows as at 31 March 2023:

- Angel Ivanov Angelov – Chairman of the Board of Directors of Gradus AD
- Georgi Aleksandrov Babev – Chairman of the Board of Directors and Executive Director of Gradus AD
- Bistra Stoyanova Kotseva - Deputy Chairman of the Board of Directors of Gradus AD

1.3. Audit Committee

Members of the Audit Committee are:

- Dobri Svetozarov Simeonov – Chairman of the Audit Committee.
- Petya Radoslavova Panova – Member of the Audit Committee;
- Georgi Aleksandrov Babev – Member of the Audit Committee.

The Audit Committee supports the work of the Board of Directors; it has the role of those in charge of governance who monitor and supervise the internal control system, risk management and financial reporting system of the company.

1.4. Personnel

The average number of staff of Gradus AD as of 31 March 2023 is 4 persons hired under employment contracts:

- Investor Relations Director
- Financial manager
- Head of the financial department
- Chief Risk Officer
- Chief Accountant

II. Information according to art. 100o1, para 5 of LPOS

An objective overview of the development and performance of the enterprise, as well as its condition, together with a description of the main risks it faces.

2. Main indicators related to profit

Gradus AD as a holding company does not carry out independent commercial activity. The company has focused its activities in the management of subsidiaries and the distribution of finances between them.

Key financial indicators

Aiming at achieving greater efficiency and control on the Company's performance, management monitors certain key performance indicators. These indicators are mainly directed towards the amount of profit, the debt level and efficiency.

- **EBITDA margin (EBITDA/sales)**

	31.03.2023	31.03.2022
EBITDA (earnings before interest, taxes, depreciation and amortisation)	1 754	-170
Revenue	2 248	99
EBITDA margin	78.02%	-1.72%

- **Cost effectiveness ratio (total expenses /total income)**

	31.03.2023	31.03.2022
Total expenses	265	190
Total income	2 248	99
Cost effectiveness	0.12	1.92

- **Revenue effectiveness ratio** (total income /total expenses)

	31.03.2022	31.03.2022
Total income	2 248	99
Total expenses	265	190
Revenue effectiveness	8.48	0.52

The analysis of the revenue and costs effectiveness for the period 1-3/2023 reveals that revenue covers fully the company's expenses and thus, the company is able to meet the dividend commitments undertaken and to finance the companies included in the Group's portfolio.

2.1. Operating results

For the period 01 January 2023 – 31 March 2023, the company realized net profit of BGN **1 983** thousand (for the period 01 January 2022 – 31 March 2022 - the company realized a loss of BGN **91** thousand).

The reports reported on the financial statements of the Company are directly dependent on the activity of its subsidiaries.

2.2. Income of the Company:

INCOME	01-03/2023 <i>in BGN'000</i>	01-03/2022 <i>in BGN'000</i>	Change %	Relative share for 2023 %
Operating income				
Revenue from services	1	2	-50%	-
Dividend income	1 999		-	89%
Other revenue	1		-	-
Finance income				
Interest income	247	97	155%	11%
Total	2 248	99	2171%	100%

- The main income for the period 01.01.2023 - 31.03.2023, having the greatest impact on the current financial result of the Company, is due to the distribution of dividends by the subsidiaries, which are a result of their commercial activit.

The main income for the period 01.01.2022. – 31.03.2022, having the greatest impact on the current financial result of the Company, is the interest income from the subsidiaries, which is the result of granted loans for the implementation of their commercial activities.

Dividend income by subsidiaries is as follows:

Subsidiaries	01-03/2023 <i>in BGN'000</i>	01-03/2022 <i>in BGN'000</i>	Relative share for 2023 %
Gradus-98 AD	1 999	-	100%
Total	1 999	-	100%

- Interest income increased by BGN 150 thousand or by 154,632% compared to the same period of 2022 as a result of an increase in the annual interest rate from 1.15% to 2.90%.

The terms on which the loans to the subsidiaries are made are as follows:

<i>In BGN'000</i>	Interest rate %	Maturity date	Collateral	Loans granted 31.03.2023	Loans granted 31.12.2022
Gradus-1 EOOD	2.90%	02.2024	No	17 478	17 440
Gradus-3 AD	2.90%	09.2023	No	4 410	4 414
Lora-2004 EOOD	2.90%	10-11.2023	No	11 149	11 125
Gradus Logistics EOOD	2.90%	04.2024	No	402	401
Millennium 2000 EOOD	2.90%	11.2023	No	1 303	1 303
Total:				34 742	34 683

2.3. Expenses of the Company

Operating results:

EXPENSES	01-03/2023 in BGN'000	01-03/2022 in BGN'000	Change %	Relative share for 2023 %
Operating expenses				
<i>Expenses by nature</i>				
Expenses on materials	5	4	25%	2%
Hired service expenses	42	36	17%	15%
Depreciation / amortization expenses	18	18	-	7%
Expenses on wages and social security payments	199	132	51%	76%
Other expenses	1	-	7%	-
Total:	265	190	39%	100%

During the reporting period, the highest share of expenses is the cost of remuneration.

2.4. Risk factors for the activity

Currently, the management of Gradus AD is not aware of specific trends and events that would directly affect the future activity of the Company.

The risk management policy identifies and analyzes the potential risks to which the Company is exposed. Various levels of control have been introduced to ensure the effective monitoring of these risks.

Credit risk

Credit risk exists if a loss is generated when a counterparty to a financial instrument is not able to meet its obligations under a contractual term.

The exposure to a credit risk depends on the individual characteristics of each customer. The Company measure the credit risk of loans to related parties using internal valuations that reflect the probability of default.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in fulfilling its obligations related to financial liabilities. The liquidity management approach of the Company aims at ensuring, as far as possible, that there will always be sufficient liquidity to meet its obligations, both under normal and stressful conditions, and without incurring unacceptable losses or harming the reputation of the Company.

The Company had no payables under financial liabilities as at March 2023.

Market risk

Market risk is the risk that in case of changes in market prices, such as foreign exchange rates, interest rates or prices of equity instruments, the Company's income or the value of its investments may be affected. At present, this risk is immaterial.

Financial risk management

The overall capital management goal of the Company is to ensure its ability to continue as a going concern and to ensure adequate return to its shareholders.

During the period ending 31.03.2023 there are no changes to capital management objectives, policies or processes.

2.5. Events for Gradus AD occurred in the period January - March 2023.

In connection with a decision of the Regular Annual General Meeting of Shareholders held on 05.06.2020. And on the basis of the provision of art. 111, para. 6 of the Public Offering of Securities Act, we notify you of a decision taken by the Board of Directors of Gradus AD to launch a program for redemption of up to 7 308 261 own shares, representing up to 3% of the capital of the Company, which is within the limit under Art. 111, para. 5 of POSA. The investment intermediary to whom orders will be placed is FFBH (First Financial Brokerage House) AD.

As of 17.01.2023. The program for redemption of the company's own shares was launched, and on the same date Gradus AD bought back 18,776 own shares at an average price of BGN 1.50. for one share.

As of 17.01.2023 the total number of own shares held by the company is 18 776 pieces or 0.008% of the voting rights of Gradus AD.

On 18.01.2023. Gradus AD bought back 107,900 own shares at an average price of BGN 1.50. for one share.

As of 18.01.2023. the total number of own shares held by the company is 126 676 or 0.052% of the voting rights of Gradus AD.

On 19.01.2023. Gradus AD bought back 20,197 own shares at an average price of BGN 1.50. for one share.

As of 19.01.2023. the total number of own shares held by the company is 146 873 or 0.060% of the voting rights of Gradus AD.

On 20.01.2023. Gradus AD bought back 248 own shares at an average price of BGN 1.50. for one share.

As of 20.01.2023. the total number of own shares held by the company is 147 121 or 0.060% of the voting rights of Gradus AD.

On 24.01.2023. Gradus AD bought back 1,690 own shares at an average price of BGN 1.50. for one share.

As of 24.01.2023. the total number of own shares held by the company is 148 811 or 0.061% of the voting rights of Gradus AD.

On 25.01.2023. Gradus AD bought back 95,404 own shares at an average price of BGN 1.50. for one share.

As of 25.01.2023. the total number of own shares held by the company is 244 215 units or 0.1% of the voting rights of Gradus AD.

On 26.01.2023. Gradus AD bought back 2,190 own shares at an average price of BGN 1.50. for one share.

As of 26.01.2023. the total number of own shares held by the company is 246 405 or 0.1% of the voting rights of Gradus AD.

On 27.01.2023 Gradus AD bought back 56,490 own shares at an average price of BGN 1.50 one share.

As of 27.01.2023 the total number of own shares held by the company is 302,895 or 0.12% of the voting rights of Gradus AD.

On 30.01.2023 Gradus AD bought back 137,705 own shares at an average price of BGN 1.50 one share.

As of 30.01.2023 the total number of own shares held by the company is 462,295 or 0.19% of the voting rights of Gradus AD.

On 31.01.2023 Gradus AD bought back 137,705 own shares at an average price of BGN 1.50 one share.

As of 31.01.2023 the total number of own shares held by the company is 600,000 or 0.25% of the voting rights of Gradus AD.

On 14.02.2023 at the General Meeting of the shareholders of "Gradus-98" AD, a decision was made to distribute part of the profit for 2021. in the amount of BGN 2,000,000. As a result of the decision, Gradus AD, as the majority shareholder of Gradus-98 AD, will receive a dividend in the amount of BGN 1,998,680.

On 02.03.2023 Gradus AD bought back 1,131 own shares at an average price of BGN 1.40 one share.

As of 02.03.2023 the total number of own shares held by the company is 601,131 or 0.25% of the voting rights of Gradus AD.

On 06.03.2023 Gradus AD bought back 5,643 own shares at an average price of BGN 1.40 one share.

As of 06.03.2023 the total number of own shares held by the company is 606,774 or 0.25% of the voting rights of Gradus AD.

On 07.03.2023 Gradus AD bought back 2,700 own shares at an average price of BGN 1.40 one share.
As of 07.03.2023 the total number of own shares held by the company is 609,474 or 0.25% of the voting rights of Gradus AD.

On 08.03.2023 Gradus AD bought back 650 own shares at an average price of BGN 1.40 one share.
As of 08.03.2023 the total number of own shares held by the company is 610,124 or 0.25% of the voting rights of Gradus AD.

2.6. Transactions with related and/or interested parties, as well as information on emerging material receivables and/or liabilities for the relevant reporting period.

The Company has not entered into large related party transactions outside its normal business and there are not newly arising and substantially amended receivables/payables for the respective reporting period.

28 April 2023

EXECUTIVE DIRECTOR:

/Georgi Babev/

CHAIRMAN OF THE BOARD OF DIRECTORS

/Angel Angelov/