



Translation from Bulgarian

GRADUS AD

MANAGEMENT REPORT

As at 31 March 2021

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I. Introduction

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 31.03.2021 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”.

At present, management of Gradus AD is not aware of any specific trends and events, which would directly influence the Company's future activity, but the Covid – 19 situation is dynamic.

OBJECT OF ACTIVITY OF THE COMPANY

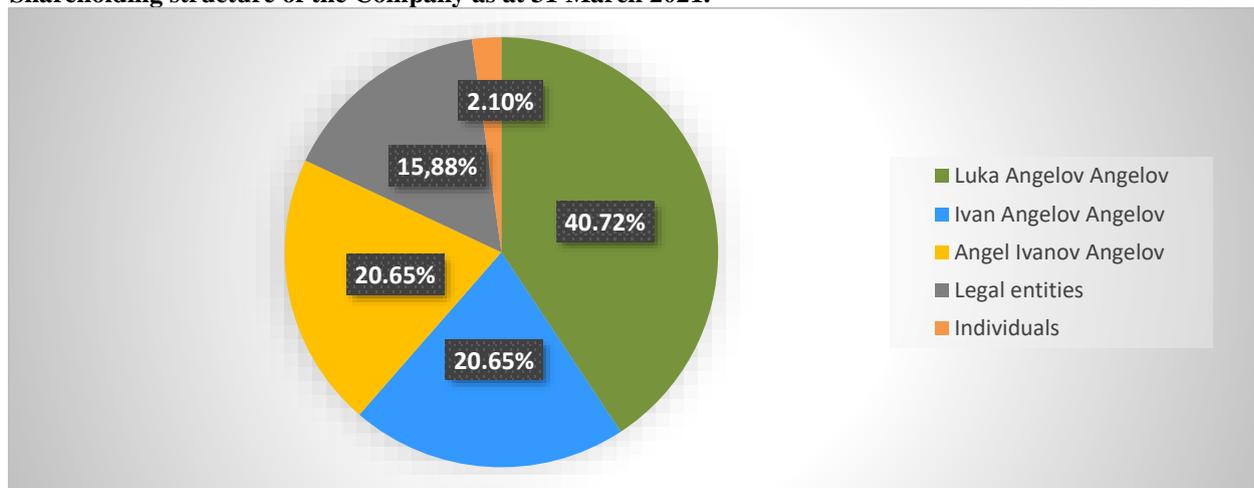
The object of activity of the Company is: Investments in stocks and shares of companies, acquisition and management of shares in Bulgarian and foreign companies; activity as a holding company; acquisition, assessment and sale of patents, concession of licenses for the use of patents of companies, in 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 2020 amounts to BGN 243,609 thousand, split into 243,608,710 shares with nominal value of BGN 1 (one) each.

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

Shareholding structure of the Company as at 31 March 2021.



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 2021:

- Luka Angelov Angelov – Chairman of the Board of Directors of Gradus AD
- Ivan Angelov Angelov – Member of the Board of Directors and Executive Director of Gradus AD
- Georgi Aleksandrov Babev - Member 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 at 31 March 2021 is 3 persons hired under employments contracts:

- Investor Relations Director
- Chief Risk Officer
- Chief Accountant
- Financial manager

II. Objective overview of the development and operating results of the entity, and of its performance, together with description of the main risks faced by the entity.

2. Operating results

For the period 01 January 2021 – 31 March 2021, the company realized a loss of BGN 44 thousand (for the period 01 January 2020 – 31 March 2020 - the Company realized net profit of BGN 78 thousand).

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

2.1. Income of the Company:

INCOME	01-03/2021 <i>in BGN'000</i>	01-03/2020 <i>in BGN'000</i>	Change %	Relative share for 2021 %
Finance income				
Interest income	112	82	37%	100%
Total	112	82	37%	100%

- The principal income for the period is interest income in connection with the loans granted to subsidiaries.

Interest income has increased by BGN 30 thousand or 37% compared to the same period in 2020. as a result of the increase in the amount of loans granted.

The conditions under which the loans were granted to the subsidiaries are described in detail in the explanatory notes to the financial statements for the first quarter of 2021.

The loans granted to subsidiaries are current. The purpose of the loans is to support the development of existing and new business lines, as described in the Public Offering of Securities Prospectus and to finance their operational activity.

2.2. Expenses of the Company:

Operating results:

EXPENSES	01-03/2021 in BGN'000	01-03/2020 in BGN'000	Change %	Relative share for 2021 %
Operating expenses				
Expenses by nature				
Expenses on materials	2	3		1%
Hired service expenses	28	29	-3%	19%
Depreciation / amortization expenses	2	1		1%
Expenses on wages and social security payments	122	124	-2%	78%
Other expenses	2	3		1%
Total:	156	160	-3%	100%

During the reporting period, the highest share of expenses is the cost of remuneration. A detailed breakdown of expenditure can be found in the Notes to the financial statement.

2.3. Risk factors for the activity

The unpredictable events of the Covid-19 pandemic would have an indirect effect on the activity. Management's expectations are that the impact would be limited.

The Company's risk management policy is designed to identify and analyze the risks, to which the Company is exposed with the purpose of establishing limits of undertaking a risk

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 31 March 2021.

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.

There were no changes in the capital management goals, policies or processes in the period ending 31 March 2021.

III. Significant events, which have occurred during the reporting period and until the issuance of the interim management report

There are no significant events occurred in the first quarter of 2021.

IV. Information about the shares of Gradus AD

The company shares are admitted to trading on BSE AD, Market: Standard Segment

Since 15 March 2019, the issue of Gradus AD (GR6) has been part of the main indices of BSE, namely SOFIX, BG40, BGTR30.

	31.03.2021
Number of shares in circulation as at 31 March 2021	243 608 710
Net profit per share in BGN	243 608 710
Price of share at the beginning of the period	1,46
Price of share at the end of the period	1,58
Market capitalization as at 31 March 2021 in BGN	384 901 762

28 April 2021

EXECUTIVE DIRECTOR:

/Ivan Angelov/

CHAIRMAN OF BD:

/Luka Angelov/