



Translation from Bulgarian

GRADUS AD

CONSOLIDATED MANAGEMENT REPORT
As of 31 December 2021



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I. General information about the group

1. Registration and business activities

The Gradus Group includes the parent company and its six subsidiaries.

Parent company

Gradus AD (the "Company") is a company registered in Bulgaria with the Commercial Register at the Registry Agency under UIC 204882907.

The company is of unlimited duration.

Management address:

Republic of Bulgaria,

6000 Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse.

Gradus AD is a public company in accordance with the Public Offering of Securities Act.

Subsidiaries:

As of 30 September 2021, the Group subsidiaries are:

- Lora-2004* (the Company) is registered as OOD (a limited liability company) with the Stara Zagora Regional Court, under company file 332/2004. On 14 December 2017, it was registered with the Commercial Register as EOOD (a single-member limited liability company) with the sole owner of the capital being Gradus AD.

Management address: Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse

- Zhyuliv* (the Company) is registered as OOD (a limited liability company) with the Sliven District Court, under company file 369/1997. On 14 December 2017, it was registered with the Commercial Register as EOOD (a single-member limited liability company) with the sole owner of the capital being Gradus AD.

Management address: the town of Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse

- Millennium 2000* (the Company) is registered as OOD (a limited liability company) by decision 1976 / 20 December 2001 with the Sliven District Court, under company file 948/2001. On 14 December 2017, it was registered with the Commercial Register as EOOD (a single-member limited liability company) with the sole owner of the capital being Gradus AD.

Management address: the town of Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse

- Gradus-1* (the Company) is registered with the District Court of Pazardzhik under company file 732/1995. On 14 December 2017, its legal form was changed to EOOD (a single-member limited liability company) with the sole owner of the capital being Gradus AD.

Management address: the town of Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse

- Gradus-3** (the Company) was established on 20 April 1999 by decision of the Stara Zagora District Court on company file 895/1999.

Management address: the town of Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse

- Gradus-98* ("Biser Oliva-98" AD) was registered on 10 July 1998 by decision of the Stara Zagora District Court on company file No. 1399/1998. By decision of the General Meeting of the Shareholders held on 08 August 2017, it was decided to change the company name from Biser Oliva-98 AD to Gradus-98 AD, which was entered into the Commercial Register on 06 September 2017.

Management address: the town of Stara Zagora, Industrialen quarter.

- Gold Farm 91 EOOD * (the Company) is registered into the Commercial Register with sole owner of capital "Gradus" AD.

Registered office address: Stara Zagora "Industrialen" Residential District, "Gradus" Poultry Slaughterhouse

- Gradus Logistics EOOD * (the Company) is registered into the Commercial Register with sole owner of capital "Gradus" AD.

Registered office address: Stara Zagora "Industrialen" Residential District, "Gradus" Poultry Slaughterhouse

* *Effective percentage of participation*

** *Indirect participation*

Business activities of the Group companies

The main business activity of the Group companies is concentrated in the Poultry Farming sector, with the exception of companies whose activity includes also production of compound fodder and trade.

The scope of business activities of the Group companies is as follows:

- **Lora-2004 EOOD** - the main business activity of the company is poultry farming - breeding and realization of fattened poultry – broilers;
- **Zhyuliv EOOD** – the main business activity of the company is fattening of broilers and hatching of chickens. The company is registered in the State Fund Agriculture as a farmer.
- **Millennium 2000 EOOD** - the main business activity of the company is poultry farming - breeding parents of broilers, production and realization of breeding eggs, production and realization of fattened broilers;
- **Gradus-1 EOOD** - the main business activity of the company is the processing and sale of poultry meat products;
- **Gradus-3 AD** - the main business activity of the company is the production of compound fodder intended for the market, containing grains and feed additives in a ratio according to established and approved recipes. For the exercise of the activity, the company is entered in the register under Article 19, para.11 of the Law on Fodders and has received a certificate of approval № 00041 dated 26 January 2007 issued by the National Grain and Fodder Service.
- **Gradus-98 AD** - the main business activity of the company is production, processing and realization of all kind of agricultural and animal products.
- **Gold Farm 91 EOOD** – the main activity of the company is poultry farming - breeding and realization of fattened birds - broiler chickens.
- **Gradus Logistics EOOD** - the main activity of the company is rental of vehicles.

The parent company and the subsidiaries carry out their business activities in the Republic of Bulgaria.

2. Governing bodies of the parent company

- General Meeting of Shareholders
- Board of Directors

3. Ownership and management of the parent company

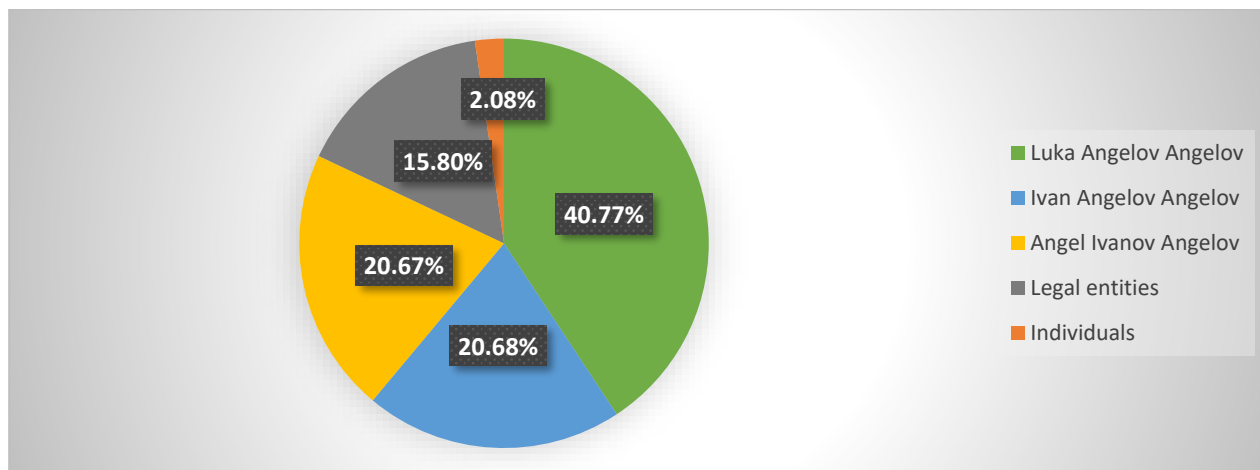
Gradus AD (the parent company) has a one-tier management system with a Board of Directors of three (3) members. Management of the parent company, the Board of Directors, has the following composition as at 30 September 2021:

- 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

The parent company holds the following equity interest in the subsidiaries:

- Lora-2004 EOOD - 50 shares with a nominal value of BGN 100 each representing 100% of the capital of Lora-2004 EOOD;
- Zhyuliv EOOD - 50 shares with a nominal value of BGN 100 each representing 100% of the capital of Zhyuliv EOOD;
- Millennium-2000 EOOD - 10 shares with a nominal value of BGN 500 each representing 100% of the capital of Millennium-2000 EOOD;
- Gradus-1 EOOD - 100 shares with a nominal value of BGN 50 each representing 100% of the capital of Gradus-1 EOOD;
- Gradus AD participates indirectly in the capital of Gradus 3 AD through its subsidiary Gradus-1 EOOD, owning 96.00% of the capital of Gradus 3 AD;
- Gradus 98 AD – 49,967 ordinary registered voting shares with a nominal value of BGN 10 each, representing 99.94% of the capital of Gradus 98 AD.
- Gold Farm 91 EOOD – 3837782 shares with a nominal value of BGN 1 лев each, representing 100% of the capital of Gold Farm 91 EOOD.
- Gradus Logistics EOOD - 4000 shares with a nominal value of BGN 100 each representing 100% of the capital of Gradus Logistics EOOD

4. Shareholding structure of the Group as of 31 December 2021



5. Personnel

As of 31 December 2021, the average payroll staff of the Group was 1,275 workers and employees (31 December 2020: 1,335).

II. Current period result and main risks faced by the Group

1. Current period results of the group

For the period 01 January 2021 – 31 December 2021, the Group has reported an operating profit of BGN **19,543** thousand (for the period 01 January 2020 – 31 December 2020 - BGN **12,496** thousand) and net profit of BGN **17,633** thousand (01 January 2020 – 31 December 2020: BGN **10,530** thousand).

REVENUE

Sales revenue reported by the Group for the reporting period amount to BGN 156,921 thousand, including:

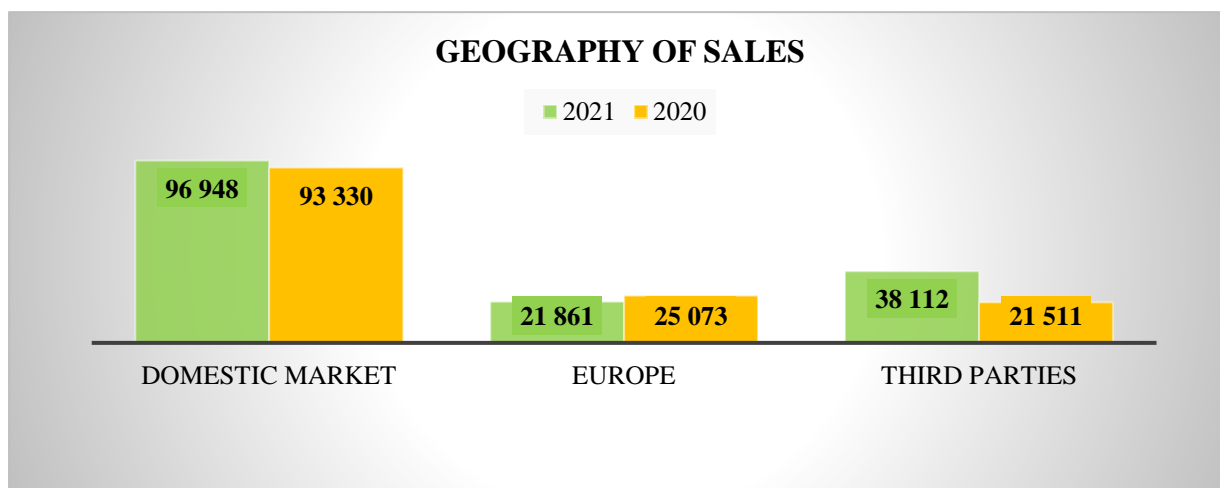
Sales revenue	2021 BGN'000	2020 BGN'000	Change %	Relative share 2021 %
Revenue from sale of finished products	137 913	115 888	19%	88%
Revenue from sale of goods	17 990	23 220	-23%	11%
Revenue from sale of services	1 018	806	26%	1%
Total sales revenue	156 921	139 914	12%	100%

Revenues from sales of products for the reporting period increased by BGN 22,025 thousand, or by 19.01% compared to those realized during the same period of 2020.

Revenues from sales of goods for the reporting period decreased by BGN 5,230 thousand, or by 22.52% compared to the same period of 2020.

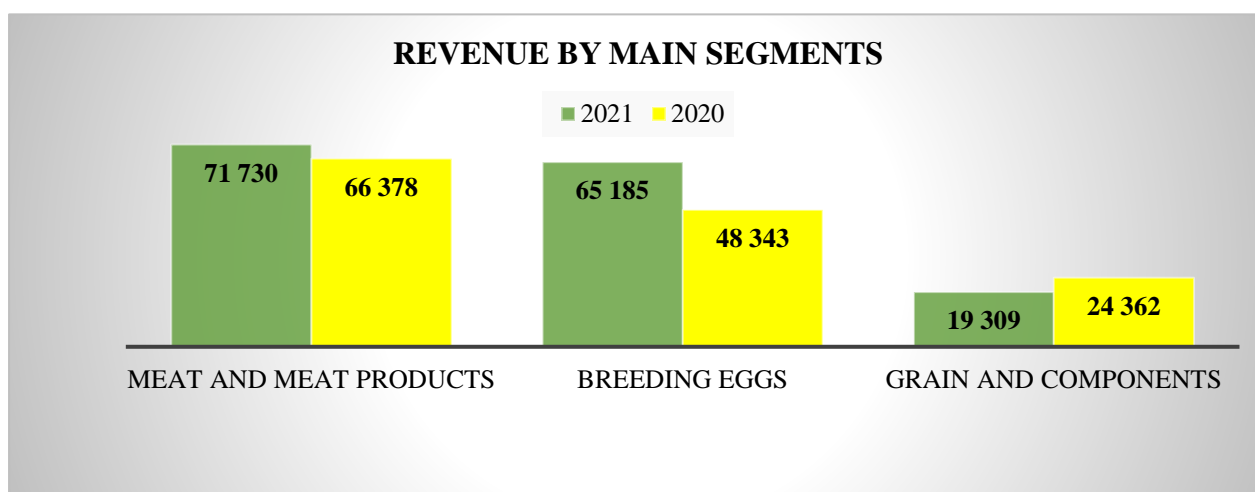
Revenues from sales of services for the reporting period increased by BGN 212 thousand, or by 26.30% compared to those reported in the same period of 2020.

Geography of sales	2021 BGN'000	2020 BGN'000	Change %	Relative share 2021 %
Domestic market	96 948	93 330	4%	62%
Europe	21 861	25 073	-13%	14%
Third countries	38 112	21 511	77%	24%
Total	156 921	139 914	12%	100%



Revenue reported by main segments

Segments	2021 BGN'000	2020 BGN'000	Change %	Relative share 2021 %
Meat and meat products	71 370	66 378	8%	45%
Breeding eggs	65 185	48 343	35%	42%
Grain and components	19 309	24 362	-21%	12%
Others	1 057	831	27%	1%
Total	156 921	139 914	12%	100%



For the reporting period with the largest share of sales revenues by main segments is the segment "Meat and meat products" with 45,48% of the total revenue BGN 156,921 thousand (For the same period of the previous year with the largest share of sales is also segment "Meat and meat products" – 47,42% of the total amount of BGN 139,914 million).

REVENUE BY MAIN SEGMENTS AND BY MARKET

Main segments	Domestic market		Europe		Third parties	
	2021 BGN'000	2020 BGN'000	2021 BGN'000	2020 BGN'000	2021 BGN'000	2020 BGN'000
Meat and meat products	70 600	65 921	630	457	140	-
Breeding eggs	5 982	5 799	21 231	24 616	37 972	17 928
<i>Breeding eggs</i>	<i>5 110</i>	<i>4 791</i>	<i>9 594</i>	<i>10 914</i>	<i>37 972</i>	<i>17 928</i>
<i>One-day old chickens</i>	<i>872</i>	<i>1 008</i>	<i>11 637</i>	<i>13 702</i>	-	-
Grain and components	19 309	20 779	-	-	-	3 583
Total	95 891	92 499	21 861	25 073	38 112	21 511

The realized sales revenues in the "Meat and Meat Products" segment for the period under review reported an increase of 5,52 % or BGN 4,992 thousand compared to the same period of the previous year.

The uncertainty caused by the coronavirus infection and the rising prices of grains production on world markets suggests future volatility in the price levels of meat and meat products.

The management of the group envisages good prospects for sales in the Meat and Meat Products segment in the recovery period from the pandemic, as well as thereafter, in view of its good liquidity position and the ability to adequately respond to future growth rates of consumer consumption.

Revenues from sales in the segment "**Breeding eggs**" (breeding eggs and day-old chicks) for the period under review increased by 34,84% or by BGN 16,842 thousand compared to the same period of the previous year.

Breeding eggs

The realized revenues from sales of hatching eggs for 2021 reported a significant increase by 56,62% or BGN 19,043 thousand compared to the previous year. Demand for products in this segment outpaces supply, limited by reduced production due to the effects of the Covid-19 pandemic. There is a significant increase in price levels for hatching eggs on international markets. It should be noted that during the reporting period of 2021 there is no fluctuation in the prices of this type of production, typical for the summer season.

The Group reports a significant increase in revenues from sales of hatching eggs in third countries for the period under review – 111,80% or BGN 20,044 thousand, as well as an increase in revenues from sales of hatching eggs on the domestic market – 11,44% or 506 thousand BGN compared to the same period of 2020. In the reporting year 2021, there was a decrease in revenues from sales of hatching eggs on the European market by 12.09% or BGN 1,320 thousand compared to the previous 2020.

The Group's management continues its program for expansion in the segment in the medium and long term.

Day-old chicks

During the period and against the background of economic uncertainty caused by the COVID-19 pandemic, as well as concentrating on sales of breeding eggs due to good price levels and higher economic efficiency, the Group realized a decrease in sales revenues of day-old chicks in the amount of BGN 2,201 thousand or 14,96% compared to those reported in 2020. The realized revenues from sales of day-old chicks on the domestic market also marked a decrease of 13,49% or BGN 136 thousand compared to the previous year. The sales of day-old chicks in Europe show a decrease in revenues by 15,07% or by BGN 2,065 thousand compared to the same reporting period of 2020.

The Group's management closely monitors the markets for meat and meat products, as well as for hatching eggs, and with increasing demand and / or the price of day-old chicks, it is possible to increase the load on the production capacity.

For the reporting period the Group realized a decrease in the sales of the Grains and Components segment by 20,74% or by BGN 5 053 thousand, compared to the ones reported in 2020.

The Group does not focus on this segment of its activity, but if there are good opportunities for transactions in this segment, they will be used.

Continues optimisation and restructuring processes aiming at reducing costs and increasing revenue.

For the period January – December 2021 other reported operating income amounts to BGN 14,726 thousand and consists of:

Other operating income	2021 BGN'000	2020 BGN'000	Change %	Relative share 2021 %
Rental income	589	925	-36%	4%
Gain on sale of materials and FTAs	392	348	13%	3%
Income from financing	13 014	11 788	10%	88%
<i>including compensation for electricity</i>	707	-	-	5%
Others	731	1 069	-32%	5%
Total	14 726	14 130	4%	100%

EXPENSES

The Group reports operating expenses amounting to BGN 172,606 thousand.

Operating expenses	2021 BGN'000	2020 BGN'000	Change %	Relative share 2021 %
Expenses on raw materials and materials	92 722	77 301	20%	54%
Hired service expenses	8 901	8 252	8%	5%
Personnel expenses	30 198	28 681	5%	17%
Depreciation / amortization expenses	8 166	7 279	12%	5%
Carrying amount of goods sold	13 996	20 431	-31%	8%
Other operating expenses, incl.	18 623	15 567	20%	11%
<i>*- impairments of biological assets</i>	14 985	12 836	17%	9%
Total	172 606	157 511	10%	100%

During the period under review, operating expenses increased by BGN 15,095 thousand or by 9,58% compared to the same period of 2020. The change is mainly due to an increase in the costs reported by the Group for raw materials.

The costs for raw materials and supplies have increased by BGN 15,421 thousand or by 19,95% during the reporting period of 2021 compared to the same period of 2020 mainly due to rising electricity prices and rising feedstock prices.

Expenditures for external services also increased by BGN 649 thousand or by 7,86% compared to the same period in 2020.

The reported personnel costs have increased by BGN 1,517 thousand or by 5.29%, compared to the same period in 2020.

For the reporting period depreciation expenses increased by BGN 887 thousand or by 12.19% compared to the same reporting period of 2020.

The book value of goods sold decreased by BGN 6,435 thousand or 31.50% compared to the same period in 2020, due to a decline in sales of goods and respectively the book value of goods sold by the Group for 2021.

Other operating expenses increased by BGN 3,056 thousand or by 14.12% during the reporting period of 2021 compared to the same reporting period of 2020. They mainly include expenses for impairment of biological assets - BGN 14,985 thousand during the reporting period of 2021 and BGN 12,836 thousand for the same period of 2020. The increase in the

impairment of biological assets is related to the increased parent herds, which in turn generate additional income and profit of the group in the Breeding Eggs segment.

FINANCE INCOME AND FINANCE COSTS

Finance income	2021 BGN'000	2020 BGN'000	Change %	Relative share 2021 %
Interest income on loans granted	180	154	17%	59%
Foreign exchange gains	125	-	-	41%
Total	305	154	98%	100%

Finance costs	2021 BGN'000	2020 BGN'000	Change %	Relative share 2021 %
Interest expenses on bank loans received	11	77	-86%	7%
Bank charges	74	92	-20%	47%
Interest expenses on lease contracts	3	4	-25%	2%
Foreign currency losses	-	591	-	-
Others	70	4	-	44%
Total	158	768	-79%	100%

2. Main risks faced by the Group

The risk management policy of the Group is directed towards identifying and analysing the risks to which the Group is exposed to set limits of risk appetite. Based on the analysis of these risks, the Group develops and implements appropriate controls to address these risks. This policy, as well as the risk management controls introduced are subject to periodic reviews to reflect any changes in the external and internal conditions in which the subsidiaries operate.

Credit risk

Credit risk arises mainly from receivables from customers. The exposure to credit risk is the result of the individual characteristics of each individual client.

The Group manages credit risk primarily by placing credit limits on each client individually, depending on the sales volume and the client's credit history, as well as by exercising constant control over delayed payments.

Currency risk

Sometimes, the Group companies undertake transactions denominated in foreign currencies. The Group is exposed to currency risk relating to possible fluctuations in exchange rates of foreign currencies. Currently, such risk originates from fluctuations in the USD exchange rate upon trading in agricultural produce.

Liquidity risk

Liquidity risk is the risk that the Group companies will have difficulty in fulfilling their obligations related to financial liabilities. The liquidity management approach 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 Group. For the purpose, the subsidiaries maintain credit lines and use short-term borrowings from banks.

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 companies' income or the value of their investments may be affected. The goods' prices are monitored by the Group's management. Sales are managed locally using competitive market prices. The main factors determining price changes are changes in competitors' prices as well as changes in the cost of products.

COVID-19

Economic instability and investment uncertainty, the decline in consumer consumption, the volatility of price levels in the segments operated by the Group are just some of the effects of the pandemic situation, which inevitably affect the results of the Group.

Management continues to apply the necessary and possible measures to limit the effects of COVID-19, considering the going concern principle to be appropriate for these consolidated financial statements, as the Group has sufficient liquid resources to continue in the foreseeable future.

Political risk

Political risk is the probability of a change of government, or of a sudden change in its policy, of internal political turmoil and adverse changes in European and / or national legislation, as a result of which the environment in which local businesses operate will change negatively, and investors to incur losses.

The political situation in the Group's export markets has a significant effect on the Group's operations and financial condition. Russia is still unavailable as a market for hatching eggs for the group.

At present, the Russian invasion of Ukraine creates preconditions for uncertainty and negative consequences for Bulgaria in many dimensions, including economic.

The Group's sales revenues realized during the reporting period in Ukraine amount to BGN 6,954 thousand (BGN 4,689 thousand in 2020) and are situated in the Breeding Eggs segment. At present, given the significant predominance of demand for hatching eggs over supply in the export markets in which the Group operates, management expects that, if necessary, these sales can be redirected to other markets under the same or more profitable conditions.

Macroeconomic risk

This is the risk of macroeconomic shocks, which are measured by economic stability and the prospects for growth of the national economy. Trends in the macroeconomic environment directly or indirectly influence the formation and change of market conditions, as well as the investment climate.

3. Key ratios analysis

To achieve greater efficiency and control over the Group companies' results, management monitors certain key performance indicators related to business activities. These indicators are mainly focused on the amount of profit, debt level and effectiveness.

- **Gross Profit Margin (Gross profit from operations / Sales)**

	2021	2020
Pre-tax profit	19 543	12 496
Income	156 921	139 914
Gross profit margin	12.45%	8.93%

- **EBITDA margin (EBITDA-Earnings before interest, taxes, depreciation and amortisation /Sales)**

	2021	2020
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	27 562	20 389
Income	156 921	139 914
EBITDA margin	17.56%	21.43%

- **Debt to Assets Ratio (Total Liabilities / Total Assets).** Through this indicator, management monitors how much of the assets have been financed by debt in one form or another.

	31.12.2021	31.12.2020
Total liabilities	31 082	39 713
Total assets	360 742	363 725
Debt to Assets Ratio	0.09	0.11

4. Prospective future development of the Group

The management of the group continues its policy for effective and successful realization of the set long-term goals, taking into account the difficulties of some of them in the conditions of economic uncertainty caused by the pandemic of COVID-19.

The Group's management continues its policy of effectively and successfully achieving its main goals:

- increasing the number of main flocks, increasing the number of fattened broilers, increasing the production and marketing of breeding eggs, as well as achieving full compliance with all European standards for the protection of the environment and the environment;
- full utilization of production capacities and increase in product range and sales volume under “Gradus” and “I Eat!” and “Le Poulet” brands;
- development of existing and new business lines related to the production of high-margin food products.

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

On February 8, 2021, Gradus AD notified of investments made by a subsidiary of Gradus Logistics EOOD. To ensure the activity of the companies from Gradus Group, vehicles were purchased - cars and a tractor. The total value of the investment amounts to BGN 370,853.

On April 1, 2021, Gradus AD notified that in implementation of its investment program, recorded in the Prospectus for Public Offering of Securities, it put into operation the Microsoft Dynamics NAV business management software system in the subsidiaries: Gradus 98 "AD and“ Millennium 2000 "EOOD from April 1, 2021. For the other companies in the group the implementation processes continue.

On April 29, 2021, Gradus AD presented an invitation for convening a Regular General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 11-06-2020. from 11:00 in Stara Zagora. The Board of Directors of Gradus AD on the grounds of Art. 223 of the CA convenes a regular annual General Meeting of Shareholders of Gradus AD / "The Company" /, which will be held on 11.06.2021, from 11:00 am, and in coordinated universal time - 08.00 hours in the town. Stara Zagora 6009, Park-Hotel Stara Zagora, 50 Khan Asparuh Str., Tervel Hall, with the following agenda:

1. Adoption of a Report of the Board of Directors on the activities of the Company in 2020;
Draft resolution: The General Meeting of Shareholders approves the Report of the Board of Directors on the activities of the Company for 2020;
2. Acceptance of a Report of the registered auditor for inspection of the annual financial statements of the Company for 2020;
Draft resolution: The General Meeting of Shareholders approves the Report of the registered auditor for the audit of the annual financial statements for 2020;
3. Adoption of the annual financial report of the Company for 2020;
Draft resolution: The General Meeting of Shareholders adopts the annual financial statements of the Company for 2020;
4. Adoption of a report on the activity of the Investor Relations Director of the Company for 2020;

Draft resolution: The General Meeting of Shareholders adopts a report on the activities of the Investor Relations Director of the Company for 2020;

5. Adoption of a Report of the Audit Committee on its activities in 2020;

Draft resolution: The General Assembly adopts a Report of the Audit Committee on its activities in 2020.

6. Proposal for profit distribution for 2020

Draft decision:

6.1. The General Meeting of Shareholders in Gradus AD distributes the profit of the Company for 2020, which is BGN 11,694,487.87, as follows:

- part of the profit, which amounts to a total gross amount of BGN 5,359,391.62, has already been distributed to the shareholders of the Company as a 6-month dividend (gross single 6-month dividend 0.022 BGN per share), according to a decision of the General Meeting of Shareholders of the Company dated October 16, 2020;

- part of the profit, which part is in the total gross amount of BGN 5,359,391.62, is distributed to the shareholders of the Company as an annual dividend, as the gross single annual dividend is BGN 0.022 per share.

- the balance in the amount of BGN 975,704.63 relates to the retained earnings of the Company.

6.2. Terms and conditions for distribution of the profit: (i) Commencement of dividend payment: July 26, 2021; (ii) Term for payment of the dividend: - three months; (iii) Manner of payment of the dividend: through Central Depository AD and branches of Unicredit Bulbank AD.

7. Making a decision to release from liability the members of the Board of Directors of the Company for their activity in 2020;

Draft resolution: The General Meeting of Shareholders releases from liability the members of the Board of Directors of the Company for their activities in 2020;

8. Selection of a registered auditor to certify the annual financial statements of the company for 2021.

Draft decision: GMS elects a registered auditor to inspect and certify the annual financial statements of the Company for 2021, according to a proposal of the Audit Committee, included in the materials on the agenda.

9. Adoption of a Report of the Board of Directors on the implementation of the Remuneration Policy of the members of the Board of Directors of the Company for 2020;

Draft resolution: The General Meeting adopts the Report of the Board of Directors on the implementation of the Remuneration Policy of the members of the Board of Directors.

10. Review of the Remuneration Policy of the members of the Board of Directors.

Draft resolution: The General Meeting cancels, as of 01.07.2021 the Remuneration Policy of the members of the Board of Directors, adopted by the General Meeting of Shareholders, held on 10.06.2019. The GMS adopts the Remuneration Policy of the members of the Board of Directors, which enters into force on 01.07.2021.

On May 7, 2021, Gradus AD decided to file all possible cases against the person Svetoslav Ilchovski and will refer to the competent authorities in defense of their rights and legitimate interests for the export and dissemination of false allegations by him. All actions have been taken to protect our investors and customers.

On May 17, 2021, Gradus AD entered the Financial Supervision Commission with a signal in connection with widespread false and misleading circumstances about the company by Svetoslav Ilchovski during his hearing on 5 and 7 May 2021 in the Temporary Commission for Inspection for Establishment of Abuses and violations in the spending of funds by the Council of Ministers, ministries, state bodies, state enterprises and companies with more than 50 percent state participation in the last 10 years.

These circumstances give false or misleading signals regarding the price of the shares of Gradus AD, which are traded on the Bulgarian Stock Exchange and determine this price on an unusual and artificial level.

The company referred to the Financial Supervision Commission with the request for conducting a full and comprehensive inspection of whether these actions constitute manipulation of the market of the shares of Gradus AD.

The signal to the regulator is accompanied by all financial and accounting information (as opposed to partially and selectively provided by Mr. Ilchovski), including invoices, handover protocols and other documents that clearly prove that any allegations of “fictitious revolutions” are groundless and malicious.

The regulator should check whether there have been violations of the Regulation on Market Abuse and the Law on the Application of Measures against Market Abuse of Financial Instruments (the Law on Measures against Market Abuse).

The position of Gradus AD is that:

- The disseminated circumstances are false and misleading and give false and misleading signals regarding the share price of Gradus AD;

- The turnover of Gradus 3 AD is not decisive for the price at which the shares of Gradus AD were sold in the IPO. The prospectus itself clearly shows the three ways of valuing the share, as none of them takes into account the traded volumes, which makes the accusations of "hollow turnovers" and "fictitious transactions" meaningless. The transactions themselves, which Mr. Ilchovski claims to be fictitious, are negligibly small compared to the company's total turnover for the reference period;
- The Prospectus discloses complete and reliable information about the financial condition of Gradus 3 AD and the risks related to its activity;
- The spread of false circumstances for the Gradus group has had a negative impact on the market capitalization of Gradus AD and has directly affected mainly the small shareholders;

The request is for conducting a full and complete inspection of the notification of violation, as the FSC is invited to exercise its supervisory powers under Art. 18 of the Law on the Financial Supervision Commission and Art. 28e (2) supra art. 25 (2) to (5) of the Rules for the structure and activity of the Financial Supervision Commission and its administration in order to establish whether the described actions of the person Svetoslav Ilchovski constitute manipulation of the share market of Gradus AD within the meaning of the Regulation on market abuse.

Upon establishing an administrative violation, the Commission may impose the provisions of Art. 23 of the Law on Administrative Offenses, administrative penalties in the amount of up to BGN 5 million.

Gradus AD will assist the FSC in performing the inspection with any additional information and full access to the company's accounting and legal database.

As a public company, we at Gradus AD believe in the rule of law and transparency, and we want the facts to be clarified quickly and the truth to be made public. The pledge is the justice and the good name of our company, as well as the overall image of the domestic capital market.

On June 1, 2021, Gradus AD informed that in implementation of its investment program, recorded in the Prospectus for Public Offering of Securities, it put into operation a Microsoft Dynamics NAV business management software system in the subsidiaries: " Juliv "EOOD," Gold Pharm 91 "EOOD and" Lora-2004 "EOOD from June 1, 2021.

On June 4, 2021, on a meeting of the Board of Directors of Gradus AD held on 4th of June 2021, it is resolved that part of the 2020 profit of the subsidiary Juliv EOOD shall be distributed to Gradus AD in its capacity of sole owner of the capital, in the form of a dividend amounting to BGN 400 000.

On June 4, 2021, on a meeting of the Board of Directors of Gradus AD held on 4th of June 2021, it is resolved that part of the 2020 profit of the subsidiary Lora-2004 EOOD shall be distributed to Gradus AD in its capacity of sole owner of the capital, in the form of a dividend amounting to BGN 100 000.

On June 4, 2021, on a meeting of the Board of Directors of Gradus AD held on 4th of June 2021, it is resolved that part of the 2020 profit of the subsidiary Gradus - 1 EOOD shall be distributed to Gradus AD in its capacity of sole owner of the capital, in the form of a dividend amounting to BGN 1 000 000.

On June 4, 2021, on a meeting of the Board of Directors of Gradus AD held on 4th of June 2021, it is resolved that part of the 2020 profit of the subsidiary Millennium 2000 EOOD shall be distributed to Gradus AD in its capacity of sole owner of the capital, in the form of a dividend amounting to BGN 2 500 000.

On June 11, 2021, a regular General Meeting of the shareholders of Gradus AD was held, where the following decisions were taken:

1. GMS approves the annual Report of the Board of Directors on the activities of the company in 2020;
2. GMS accepts the Report of the registered auditor for performed audit of the annual financial statements of the Company for 2020;
3. GMS approves the annual financial report of the Company for 2020;
4. GMS approves the annual Report on the activities of the Investor Relations Director in 2020;
5. GMS approves the Report of the Audit Committee on its activities in 2020;
6. The GMS accepts the proposal of the Board of Directors for distribution of the profit of the Company, realized in 2020, as follows: - 6.1. The total amount of distributable profit amounts to BGN 11,694,487.87 (eleven million six hundred ninety-four thousand four hundred eighty-seven levs and eighty-seven stotinki, as follows: - part of the profit, which totals 5,359,391.62 BGN, has already been distributed to the shareholders of the Company as a 6-month dividend (gross single

6-month dividend BGN 0.022 per share), according to a decision of the General Meeting of Shareholders of the Company dated October 16, 2020;

- part of the profit, which part is in the total gross amount of BGN 5,359,391.62, is distributed to the shareholders of the Company as an annual dividend, as the gross single annual dividend is BGN 0.022 per share.

- the balance in the amount of BGN 975,704.63 refers to the retained earnings of the Company: - 6.2. Terms and conditions for distribution of the profit: (i) Commencement of dividend payment: July 26, 2021; (ii) Term for payment of the dividend: - 3 (three) months; (iii) Manner of dividend payment: through Central Depository AD and branches of Unicredit Bulbank AD;

7. GMS releases from liability the members of the Board of Directors of the Company for their activity in 2020;

8. GMS Selects as a registered auditor to check and certify the Individual Annual Financial Statements of the Company for 2021. Baker Tilly Klitu and Partners OOD, Reg. № 129, UIC: 131349346, Sofia, 1000, 5 Stara Planina Str., 5th floor, represented by the manager Krassimira Ivanova Radeva;

9. The GMS approves the Report of the Board of Directors on the implementation of the Remuneration Policy of the members of the Board of Directors;

10. Review of the Remuneration Policy of the members of the Board of Directors.

The General Meeting cancels, as of 01.07.2021 the Remuneration Policy of the members of the Board of Directors, adopted by the General Meeting of Shareholders, held on 10.06.2019. The GMS adopts the Remuneration Policy of the members of the Board of Directors, which enters into force on 01.07.2021.

On June 11, 2021, Gradus AD published a notification for dividend payment.

The General Meeting of Shareholders of Gradus AD /the Company/ held on 11th of June 2021 decided to distribute part of the Company's profit for the 2020 at the amount of BGN 5 359 391.62 BGN as dividend.

1.1. Gross amount per share: BGN 0.022;

1.2. Net amount per share after deduction of 5% dividend tax: BGN 0.0209.

1.3. Commencement of payment of dividends: 26.07.2021;

1.4. Dividend payment term: - 3 months;

1.5. Method of payment of the dividend: According to the regulations of Central Depository AD, the dividend will be paid as follows: for the shareholders having open client accounts with investment intermediaries - through the respective investment intermediary; for shareholders without accounts with investment intermediaries - through the branches of Unicredit Bulbank AD, in compliance with the requirements of the Public Offering of Securities Act and the applicable requirements of the effective legislation.

1.6. The right to receive a dividend shall have the persons in the register of Central Depository AD as shareholders of the Company on the 14th day following the day of the General Meeting at which the Financial Statement for the 2020 was adopted and a decision on the distribution of the profit was taken, namely 25.06.2021.

On June 28, 2021, on General Meeting of Shareholders of Gradus-98 AD was taken a decision for the distribution of part

of the 2020 profit in the amount of BGN 3 000 000. As a result of the decision, Gradus AD, as a majority shareholder of Gradus-98 AD, will receive a dividend of BGN 2 998 020.

On July 28, 2021, on the grounds of Art. 95, para. 1 of the EPA "Gradus-98" AD notifies the Project "Construction of a photovoltaic power plant with a capacity of 500.18kWp for own needs, without connection to the distribution and transmission network, built on the roofs of existing buildings in properties with identifier 80460.13.175 and 80460.132.227 in the village of Chervena Voda, municipality Ruse, Ruse region. Opinions and opinions can be submitted in writing in the municipality of Rousse, the mayor's office of the village of Chervena Voda and the RIEW - Rousse.

On October 22, 2021, Gradus AD presented an invitation for convening a for Extraordinary General Meeting of Shareholders of Gradus AD.

On the grounds of Article 223 of the Commercial Act, the Board of Directors of Gradus AD convenes an Extraordinary General Meeting of Shareholders of Gradus AD /the "Company"/ to be held on 22 October 2021 at 11:00 a.m. local time /8 am UTC/, in the town of Stara Zagora 6009, Stara Zagora Park Hotel, 50 Khan Asparukh Street, Tervel Hall, under the following agenda:

1. Approval of the six-month financial statements of the Company for the first half of 2021

Draft decision: The General Meeting approves the six-month financial statements of the Company for the first half of 2021.

2. Approval of Report on compliance with the requirements of the Public Offering of Securities Act for payment of six-month dividend.

Draft decision: The General Meeting approves Report on compliance with the requirements of the Public Offering of Securities Act for payment of six-month dividend.

3. Decision making pursuant to Art. 39 of the By-Laws of the Company for profit distribution and the payment of an interim dividend on the basis of the adopted 6-month financial statement.

Draft decision: The General Meeting resolves on distributing 6-month dividends from the profit reported by the Company in accordance with the prepared 6-month financial statements for the first half of 2021, under the following parameters:

(i) Total gross dividend amount: – BGN 6 333 826.46;

(ii) Gross dividend amount per share – BGN 0.026; (iii) Dividend payment start date: 29 November 2021;

(iv) Dividend payment period – three months;

(v) Method of payment of the dividend: through

Central Depository AD and branches of UniCredit Bulbank AD.

On October 14, 2021, Gradus AD notifies about investments made by a subsidiary Gradus Logistics EOOD. To ensure the activity of the companies from Gradus Group, vehicles have been purchased. The total value of the investment amounts to BGN 189,539.49.

On October 22, 2021, an Extraordinary General Meeting of the shareholders of Gradus AD was held, where the following decisions were taken:

1. GMS approves the six-month financial statements of the Company for the first half of 2021.

2. GMS approves Report on compliance with the requirements of the Public Offering of Securities Act for payment of six-month dividend.

3. GMS resolves on distributing 6-month dividends from the profit reported by the Company in accordance with the prepared 6-month financial statements for the first half of 2021, under the following parameters: (i) Total gross dividend amount: – BGN 6 333 826.46;

(ii) Gross dividend amount per share – BGN 0.026; (iii) Dividend payment start date: 29 November 2021;

(iv) Dividend payment period – three months;

(v) Method of payment of the dividend: through

Central Depository AD and branches of UniCredit Bulbank AD.

On October 22, 2021, Gradus AD published a notification for dividend payment.

The General Meeting of Shareholders of Gradus AD /the Company/ held on 22th of October 2021 decided to distribute part of the Company's profit for the first half of 2021 at the amount of BGN 6 333 826.46 BGN as dividend.

1.1. Gross amount per share: BGN 0.026;

1.2. Net amount per share after deduction of 5% dividend tax: BGN 0.0247.

1.3. Commencement of payment of dividends: 29th of November 2021;

1.4. Dividend payment term: - 3 months;

1.5. Method of payment of the dividend: According to the regulations of Central Depository AD, the dividend will be paid as follows: for the shareholders having open client accounts with investment intermediaries - through the respective investment intermediary; for shareholders without accounts with investment intermediaries - through the branches of Unicredit Bulbank AD, in compliance with the requirements of the Public Offering of Securities Act and the applicable requirements of the effective legislation.

1.6. The right to receive a dividend shall have the persons in the register of Central Depository AD as shareholders of the Company on the 14th day following the day of the General Meeting at which the Financial Statement for the first 6 months of 2021 was adopted and a decision on the distribution of the profit was taken, namely 5th of November 2021.

On November 2, 2021, at a meeting of the Board of Directors of the Company, held on 02.11.2021, a decision was made to distribute part of the profit of the subsidiary "Zhuliv" EOOD to "Gradus" AD, in its capacity of sole owner. of the capital, in the form of a dividend in the amount of BGN 500,000 /five hundred thousand/.

On November 2, 2021, at a meeting of the Board of Directors of Gradus AD, held on November 2, 2021, a decision was made part of the profit for 2020 of the subsidiary Gradus - 1 EOOD to be distributed to Gradus AD, in its capacity of sole owner of the capital, in the form of a dividend in the amount of BGN 1,500,000 /one million and five hundred thousand/.

On November 2, 2021, at a meeting of the Board of Directors of Gradus AD, held on November 2, 2021, a decision was made to distribute part of the profit of the subsidiary Lora - 2004 EOOD to Gradus AD, in his capacity as sole owner of the capital, in the form of a dividend in the amount of BGN 100,000 /one hundred thousand/.

On November 2, 2021, at a meeting of the Board of Directors of Gradus AD, held on November 2, 2021, a decision was made to distribute part of the profit of the subsidiary Millennium 2000 EOOD to Gradus AD, in the capacity of to the sole owner of the capital, in the form of a dividend in the amount of BGN 2,500,000 /two million and five hundred thousand/.

On December 14, 2021, Gradus AD announced that at the General Meeting of Shareholders of Gradus-98 AD, held on December 13, 2021, a decision was made to distribute an additional dividend in the amount of BGN 2,400,000. As a result of the decision taken, Gradus AD, as the majority shareholder of Gradus-98 AD, will receive a dividend in the amount of BGN 2,398,416.

IV. Information about related party transactions

Information about related party transactions is disclosed in the notes to the interim consolidated financial statements for the period January – December 2021.

V. Information about the shares of Gradus AD

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

From March 15, 2019, until September 20, 2021, the issue of Gradus AD (GR6) is part of the main indices of the BSE (SOFIX, BGBX40, BG TR30). From September 20, 2021, the issue of Gradus AD (GR6) is part of the main indices of the BSE (BGBX40, BG TR30).

	31 December 2021
Total number of shares issued	243 608 710
Number of shares in circulation as of 31 December 2021	243 608 710
Price of share at the beginning of the period	1,460
Price of share at the end of the period	1,350
Market capitalisation as of 31 December 2021 in BGN	328 871 758

25 February 2022

EXECUTIVE DIRECTOR:

/Ivan Angelov/

CHAIRMAN OF BD:

/Luka Angelov/