

Translation from Bulgarian

GRADUS AD

INTERIM MANAGEMENT REPORT
for the period January – September 2022

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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 30.09.2022 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
Radus 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

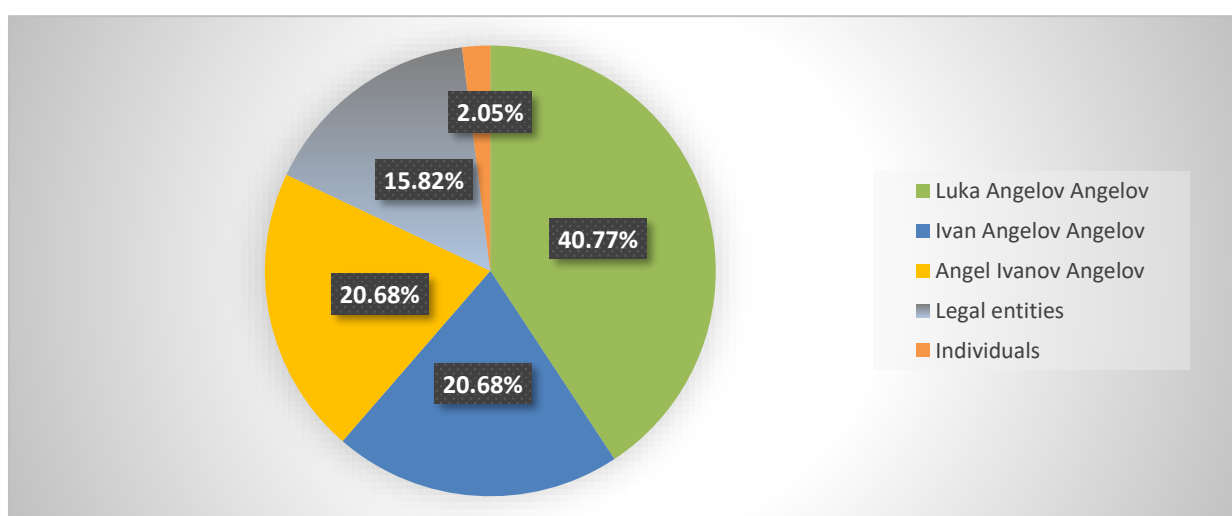
The object of activity of the Company is: Investments in stocks and shares of companies, acquisition and management of shares in Bulgarian and foreign companies; activity as a holding company; acquisition, assessment and sale of patents, concession of licenses for the use of patents of companies, in 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 30 September 2022 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 30 September 2022.



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 30 September 2022:

- 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

As of 10.10.2022 changes occur in the Board of Directors as follows:

- Luka Angelov Angelov – Deputy Chairman of the Board of Directors of Gradus AD
- Ivan Angelov Angelov – Chairman 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 of 30 September 2022 is 4 persons hired under employments 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)**

	30.09.2022	30.09.2021
EBITDA (earnings before interest, taxes, depreciation and amortisation)	11 438	6 509
Revenue	12 002	7 006
EBITDA margin	95.30%	92.91%

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

	30.09.2022	30.09.2021
Total expenses	619	536
Total income	12 293	7 320
Cost effectiveness	0.05	0.07

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

	30.09.2022	30.09.2021
Total income	12 293	7 320
Total expenses	619	536
Revenue effectiveness	19.86	13.66

The analysis of the revenue and costs effectiveness for 2022 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 2022 – 30 September 2022, the company realized net profit of BGN **11 674** thousand (for the period 01 January 2021 – 30 September 2021 - the company realized net profit of BGN **6 784** 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	01-09/2022 <i>in BGN'000</i>	01-09/2021 <i>in BGN'000</i>	Change %	Relative share for 2022 %
Operating income				
Dividend income	11 997	6 998	71%	98%
Revenue from services	5	3	67%	-
Other revenue	-	5	-100%	-
Finance income				
Interest income	291	314	-7%	2%
Total	12 293	7 230	70%	100%

- The main income for the period 01.01.2022 - 30.09.2022, 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.

For the period 01.01.2021 - 30.09.2021, 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.

Dividend income by subsidiaries is as follows:

Subsidiaries	01-09/2022 <i>in BGN'000</i>	01-09/2021 <i>in BGN'000</i>	Relative share for 2022 %
Milenium 2000 EOOD	3 000	2 500	25%
Gradus-98 AD	4 997	2 998	42%
Zhyuliv EOOD	300	400	2%
Gradus-1 EOOD	3 500	1 000	29%
Lora-2004 EOOD	200	100	2%
Total	11 997	6 998	100%

• Interest income decreased by BGN 23 thousand or by 7.32% compared to the same period of 2021. as a result of the reduced amount of loans granted (as at 30.09.2021 loans granted by the company amount to BGN 35 300.)

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 30.09.2022	Loans granted 31.12.2021
Gradus-1 EOOD	1.15%	02.2023	No	17 531	17 614
Gradus-3 AD	1.15%	09.2023	No	4 403	4 515
Lora-2004 EOOD	1.15%	10-11.2022	No	9 106	9 307
Gradus-98 AD	1.15%	10.2022	No	-	602
Gradus Logistics EOOD	1.15%	02-04.2023	No	1 001	1 001
Millennium 2000 EOOD	1.15%	11.2022	No	1 301	1 503
Total:				33 342	34 542

On February 1, 2022, the Company signed an annex with Gradus Logistics Ltd. to a contract from 01.02.2021 extension of the loan granted until 05.02.2023.

On February 23, 2022, the Company signed an annex with Gradus-1 EOOD to a contract from 26.02.2021 extension of the loan granted until 25 February 2023.

On 01.04.2022 the Company signed an annex with Gradus Logistics Ltd. to a contract from 07.04.2021 extension of the loan granted until 07.04.2023.

On 16.09.2022 the Company signed an annex with Gradus -3 AD to a contract from 21.09.2021 extension of the loan granted until 21.09.2023.

On 20.09.2022 the Company signed an annex with Gradus -3 AD to a contract from 24.09.2021 extension of the loan granted until 24.09.2023.

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.

2.3. Expenses of the Company

Operating results:

EXPENSES	01-09/2022 in BGN'000	01-09/2021 in BGN'000	Change %	Relative share for 2022 %
Operating expenses				
<i>Expenses by nature</i>				
Expenses on materials	17	10	70%	3%
Hired service expenses	125	107	17%	20%
Depreciation / amortization expenses	54	37	46%	9%
Expenses on wages and social security payments	414	372	11%	67%
Other expenses	8	8	-	1%
Total:	618	534	16%	100%

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

2.4. Risk factors for the activity

Unforeseen events in connection with the Covid-19 pandemic would have an indirect effect on the company's activities. The effects of the pandemic, as well as their impact, are difficult to predict, but management continues to take the necessary measures to limit them. Gradus AD has sufficient liquid resources to continue its activities in the foreseeable future. Various levels of control have been introduced to ensure the effective monitoring of these risks.

The continuing uncertainty regarding the expected economic development at the national, regional and global levels, as well as the observed inflationary processes, are a challenge in determining the Group's strategy and may affect its results. The geopolitical risk associated with the conflict in Ukraine may have a negative effect on economic processes in Bulgaria and the region, as well as in particular on supply chains in a number of sectors of the economy, and hence affect the Group's operations. This uncertainty creates risks that the Group analyzes and assesses, which would also had an indirect effect on the Company's activity.

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 30 September 2022.

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 30.09.2022 there are no changes to capital management objectives, policies or processes.

2.5. Events for Gradus AD occurred in the period January - September 2022.

On February 24, 2022, a military conflict between Ukraine and Russia arose. A number of countries subsequently imposed sanctions against certain natural and legal persons in Russia. The Russia-Ukraine conflict and related economic sanctions and other measures taken by governments around the world are expected to have a significant effect on both the local economies of individual countries and the global economy.

Degree AD and its subsidiaries do not own investments on the territory of the parties involved in the military conflict. The Company and its subsidiaries have no commercial relationship with counterparties to which sanctions have been imposed. Degree AD and its subsidiaries do not have suppliers of goods or services from the parties to the conflict. Sales to customers from the parties concerned are not significant for the activities of the Company and its subsidiaries and may be redirected to other markets on the same or more advantageous terms. At this stage, management has not identified any significant indirect economic effects on the activities of the Company and its subsidiaries arising from the conflict.

On 20.04.2022 "Gradus" AD presented an invitation to convene a Regular General Meeting of Shareholders and materials for a general meeting of shareholders, which will be held on 03-06-2022. from 11:00 a.m. Stara Zagora.

The Board of Directors of Gradus AD pursuant to Article 223 of the Commercial Act convenes a regular General Meeting of Shareholders of Gradus AD ("the Company"), to be held on 03 June 2022 at 11:00 (8:00 UTC) am in the town of Stara Zagora 6009, Park Hotel Stara Zagora, 50, Khan Asparuh Street, Tervel Hall, with the following agenda:

1. Approval of the Activity Report of the Board of Directors of the Company for the year 2021;
Draft resolution: The General Meeting of Shareholders approves the Activity Report of the Board of Directors of the Company for the year 2021.;
2. Approval of the Registered Auditor's Report for auditing the Annual Financial Statements of the Company for the

year 2021;

Draft resolution: The General Meeting of Shareholders approves the Report of the Registered Auditor for the Verification of the Annual Financial Statement for the year 2021;

3. Approval of the Annual Financial Statements of the Company for the year 2021;

Draft resolution: The General Meeting of Shareholders approves the Annual Financial Statement of the Company for the year 2021;

4. Approval of the report on the activity of the Investor Relations Director of the Company for the year 2021;

Draft resolution: The General Meeting of Shareholders approves the report on the activity of the Investor Relations Director of the Company for the year 2021;

5. Approval of the report on the activity of the Audit Committee for the year 2021;

Draft resolution: The General Meeting approves the report on the activity of the Audit Committee for the year 2021;

6. Proposal for distribution of the profit for 2021, which is BGN 13 670 682.66 and part of the retained earnings, as follows;

Draft resolution: 6.1. The Board of Directors proposes the profit for 2021 to be distributed as follows:

- part of the profit, which is in the total gross amount of BGN 6 333 826.46, has already been distributed to the shareholders of the Company as a 6-month dividend (gross single 6-month dividend BGN 0.026 per share), according to a decision of the General Meeting of Shareholders of The Company as of October 22, 2021;

- the rest of the profit for 2021 (BGN 7 336 856.20) plus part of the retained profit as of 31.12.2021 (BGN 3 625 535.75) total gross amount BGN 10 962 391.95, to be distributed to the shareholders of the Company as an annual dividend, the gross single annual dividend BGN 0.045 per share.

6.2. Condition and term of dividend distribution: Commencement of payment of dividends: 18 July 2022; Term for payment of dividends: - three months ; Method of payment of dividends: through Central Depository AD and branches of UniCredit Bulbank AD;

7. Deciding on the dismissal of the members of the Board of Directors of the Company for their activity in 2021;

Draft resolution: The General Meeting of Shareholders releases from responsibility the members of the Board of Directors of the Company for their activity in 2021;

8. Election of a certified (registered) auditor to verify and certify the Company's Individual Annual Financial Report for 2022 and the Company's Consolidated Financial Statements for 2022.

Draft resolution: The General Meeting of Shareholders elects a registered auditor to verify and certify the annual financial statements of the Company for 2022, in accordance with a proposal of the Audit Committee included in the materials on the agenda.

9. Approval of the Report on the Implementation of the Remuneration Policy of the Board of Directors;

Draft resolution: The General Meeting of Shareholders approves the Report on the Implementation of the Remuneration Policy of the Board of Directors of the Company;

On 17.05.2022 "Gradus" AD notifies of a protocol of findings, prepared on 16 May 2022, of the results of an inspection of the company activity carried out by the Deputy Chair of the Financial Supervision Commission. The conclusion of the inspection team is: Based on the information provided and analysed in the course of the inspection, there were no violations of the requirements of the Public Offering of Securities Act, the Financial Supervision Commission Act, and the regulations on their implementation relevant for the activities of Gradus AD found.

On 03.06.2022 a regular General Meeting of the shareholders of Gradus AD was held, where the following decisions were taken:

1. The General Meeting of Shareholders approves the annual Report of the Board of Directors on the activities of the company in 2021;

2. The General Meeting of Shareholders approves the Report of the registered auditor for performed audit of the annual financial statements for 2021;

3. The General Meeting of Shareholders approves the annual financial report of the Company for 2021;

4. The General Meeting of Shareholders approves the annual Report on the activities of the Investor Relations Director of the company in 2021;

5. The General Meeting of Shareholders approves the Report of the Audit Committee on its activities in 2021;

6. The GMS accepts the proposal of the Board of Directors for distribution of the profit of the Company, realized in 2021 and part of the accumulated undistributed profit from previous years:

6.1. The General Meeting of Shareholders in "Gradus" AD distributes the Company's profit for 2021, which is BGN 13,670,682.66, as follows:

- part of the profit, which is in the total gross amount of BGN 6,333,826.46, has already been distributed to the shareholders of the Company as a 6-month dividend (gross single 6-month dividend BGN 0.026 per share), according to the decision of the general meeting of shareholders of the Company from October 22, 2021;

- the rest of the profit for 2021 (in the amount of BGN 7,336,856.20), in one with part of the accumulated undistributed profit as of 31.12.2021 (in the amount of BGN 3,625,535.75) in a total amount of BGN 10,962,391.95 is distributed to

the Company's shareholders as a dividend, with the gross single dividend being BGN 0.045 per share.

6.2. Condition and term of dividend distribution: Commencement of payment of dividends: 18 July 2022; Term for payment of dividends: - three months; Method of payment of dividends: through Central Depository AD and branches of UniCredit Bulbank AD;

7. The General Meeting of Shareholders releases from liability the members of the Board of Directors of the Company for their activity in 2021;

8. The General Meeting of Shareholders Selects as a registered auditor to check and certify the Individual Annual Financial Statements of the Company for 2022. Baker Tilly Klitu and Partners OOD, Reg. № 129, represented by the manager Galina Lokmadjieva-Nedkova;

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

On 06.06.2022 from 5:00 p.m. in the Grand Hotel "Sofia", Sofia, "Gradus" JSC held an event "Financial review of the first quarter of 2022 and discussion with investors".

On 08.06.2022 with the Protocol for Decisions of "Gradus" AD, the Board of Directors made a decision, part of the profit of "Gradus - 1" EOOD for 2021. in the amount of BGN 3,500,000 (three million five hundred thousand) to be distributed to the sole owner of the capital in the form of a dividend;

On 08.06.2022 with the Protocol for decisions of "Gradus" AD, the Board of Directors made a decision, part of the profit of "Millennium 2000" EOOD for 2021. in the amount of BGN 3,000,000 (three million) to be distributed to the sole owner of the capital in the form of a dividend;

On 08.06.2022 with the Protocol for Decisions of "Gradus" AD, the Board of Directors made a decision, part of the profit of "Lora - 2004" EOOD for 2021. in the amount of BGN 200,000 (two hundred thousand) to be distributed to the sole owner of the capital in the form of a dividend;

On 08.06.2022 with the Minutes of Decisions of "Gradus" AD, the Board of Directors decided that part of the accumulated profit from previous years of "Zhuliv" EOOD in the amount of BGN 300,000 (three hundred thousand) will be distributed to the sole owner of the capital in the form of a dividend;

On 20.06.2022 with the Minutes of the General Meeting of "Gradus - 98" JSC, the General Meeting of Shareholders decided on the profit realized by the company's activities in 2021. in the amount of BGN 4,996,700 (four million nine hundred and ninety-six thousand seven hundred) to be distributed as a dividend to Gradus AD, the majority shareholder of Gradus-98 AD.

On 22.06.2022 "Gradus" AD presents information about the total amount of dividends voted by the subsidiaries to Gradus AD for the first half of 2022 as follows:

Period	Amount of the dividend to "Gradus" AD in BGN	Growth in %
H1 2022	11 996 700	71.43%
H1 2021	6 998 020	16.66%
H1 2020	5 998 482	

As disclosed by the Company during the initial public offering in 2018, the Policy of the Board of Directors with respect to dividends distributed by the Issuer will be to offer for distribution not less than 90% of the distributed portion of the Issuer's net profit after all statutory deductions.

On 11.07.2022 Gradus PLC informs that for the course of its development strategy, the group has successfully passed international audits of its subsidiaries and is already a certified supplier of KFC to Europe.

On 27.10.2022 with the Protocol for Decisions of "Gradus" AD, the Board of Directors made a decision, part of the profit of "Gradus - 1" EOOD in the amount of BGN 4,000,000 (four million) BGN to be distributed to the sole owner of the capital in the form of a dividend;

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 October 2022

EXECUTIVE DIRECTOR:

/Ivan Angelov/