

Translation from Bulgarian

GRADUS AD

MANAGEMENT REPORT

for the first quarter of 2024

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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 31.03.2024 are as follows:

		% shares
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
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" and rental of vehicles.

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 2024 amounts to BGN 243,609 thousand, split into 243,608,710 shares with nominal value of 1 (one) BGN each.

As of 31.03.2024 the fixed capital, net of the repurchased shares amounted to 234 546 thousand bgn

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

Shareholders of the Company as of 31.03.2024 are:

• Gradus AD	2.42% 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	13.73% of the capital
• Individual shareholders	1.72% 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 2024:

- 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:

- Hristina Atanasova Filipova – Chairman of the Audit Committee
- Ivailo Nikolaev Nikolov – Member of the Audit Committee
- Radka Dimcheva Peneva – 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 2024 is 6 persons hired under employment contracts:

- Investor Relations Director
- Financial manager
- Head of the financial department
- Finance Analyzer
- Chief Risk Officer
- Chief Accountant
- Legal Adviser
- HR Manager

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)**

	31.03.2024	31.03.2023
EBITDA (earnings before interest, taxes, depreciation and amortisation)	137	1 754
Revenue	414	2 248
EBITDA margin	33.09%	78.02%

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

	31.03.2024	31.03.2023
Total expenses	294	265
Total income	414	2 248
Cost effectiveness	0.71	0.12

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

	31.03.2024	31.03.2023
Total income	414	2 248
Total expenses	294	265
Revenue effectiveness	1.41	8.48

The analysis of the revenue and costs effectiveness for the period 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 2024 – 31 March 2024, the company realized net profit of BGN **120** thousand (for the period 01 January 2023 – 30 March 2023 - the company realized a loss of BGN **1 983** 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	1-3/2024 in BGN'000	1-3/2023 in BGN'000	Change %	Relative share for 2024 %
Operating income				
Revenue from services	5	1	400%	1%
Dividend income	-	1 999	-	-
Other revenue	-	1	-	-
Finance income				
Interest income	409	247	66%	99%
Total	414	2 248	-82%	100%

- The main income for the period 01.01.2024 – 31.01.2024, 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.
- 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 activity.

Dividend income by subsidiaries is as follows:

Subsidiaries	1-3/2024 in BGN'000	1-3/2023 in BGN'000	Relative share for 2024 %
Gradus-98 AD	-	1 999	-
Total	-	1 999	-

- Interest income increased by BGN 162 thousand or by 65,59% compared to the same period of 2023 as a result of an increase in the annual interest rate from 3.8% to 4.40%.

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

Subsidiary	Currency	Agreed principal in BGN'000	Maturity date	Interest rate %	Loans granted 31.03.2024 in BGN'000	Including interest	Loans granted 31.12.2023 in BGN'000	Including interest
Gradus-3 AD	BGN	11 600	31.12.2024	4,40%	11 641	43	-	-
	BGN	4 500	22.01.2025	4,40%	1 613	13	-	-
	BGN	2 000	31.12.2024	4,40%			401	1
	BGN	3 000	31.12.2024	4,40%			3 010	10
	BGN	4 500	31.12.2024	4,40%			4 514	15
	BGN	1 000	31.12.2024	4,40%			1 003	3
	BGN	1 000	31.12.2024	4,40%			1 003	3
	BGN	1 700	31.12.2024	4,40%			1 704	5
Gradus-1 EOOD	BGN	26 100	26.02.2025	4,40%	8 930	33	13 742	45
	BGN	5 000	22.01.2025	4,40%	1 001	1	-	-
Gradus-98 AD	BGN	1 500	30.05.2024	4,40%	518	18	513	13
Gradus Logistics EOOD	BGN	800	07.04.2024	4,40%	401	1	401	1
	BGN	1 000	13.12.2024	4,40%	502	2	100	-
Millennium 2000 EOOD	BGN	6 600	27.10.2024	4,40%	2 863	14	3 861	12
	BGN	5 000	01.11.2024	4,40%	4 516	17	4 514	15
	BGN	2 000	02.10.2024	4,40%	1 756	6	1 756	6
	BGN	5 500	17.05.2024	4,40%	1 506	6	1 505	5
Total:					35 247	154	38 027	134

On 02.01.2024, the Company renegotiated all loans granted, adjusting their interest rate from 3.80% to 4.40%.

On 23.02.2024, the Company signed an annex with Gradus-1 EOOD to extend the term of the loan until 26.02.2025.

Loans granted to subsidiaries are ongoing. The purpose of the loans is to support the development of existing and new business lines described in the Prospectus for public offering of securities, as well as to finance their operational activities..

2.3. Expenses of the Company

Operating results:

EXPENSES	1-3/2024 in BGN'000	1-3/2023 in BGN'000	Change %	Relative share for 2024 %
Operating expenses				
Expenses by nature				
Expenses on materials	4	5	-20%	1%
Hired service expenses	35	42	-17%	12%
Depreciation / amortization expenses	16	18	-18%	5%
Expenses on wages and social security payments	236	199	19%	81%
Other expenses	2	1	100%	1%
Total:	293	265	11%	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 measures 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 31 2024.

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 31.03.2024 there are no changes to capital management objectives, policies or processes.

2.5. Events for Gradus AD occurred in the period January – December 2023

On 03.01.2024 Gradus AD bought back 8 500 own shares at an average price of BGN 1.50 one share.

As of 03.01.2024 the total number of own shares held by the company is 4 143 794 or 1.70% of the voting rights of Gradus AD.

On 28.02.2024 Notifications were received from DPF Doverie, UPF Doverie and PPF Doverie for the sale of 517 000 shares of DPF Doverie, 11 306 857 of UPF Doverie and 1 009 446 pcs. shares of PPF Doverie.

On 29.03.2024 Gradus AD bought back 1 753 336 own shares at an average price of BGN 1.697 one share.

As of 29.03.2024 the total number of own shares held by the company is 5 897 130 or 2.42% 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.

III. Information about the shares of Gradus AD

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

As of 31 March 2024, the issue of Gradus AD (GR6) is part of the main indices of BSE (BGBX40, BG TR30).

April 2024

EXECUTIVE DIRECTOR:

/Georgi Babev/

CHAIRMAN OF THE BOARD OF DIRECTORS

/Angel Angelov/