

Translation from Bulgarian

GRADUS AD

MANAGEMENT REPORT

for the January - September 2024

Contents

I. INTRODUCTION. General information about Gradus AD	3
1. Registration and object of activity	3
1.1. Share capital.....	3
1.2. Board of Directors.....	3
1.3. Audit Committee.....	3
1.4. Personnel.....	4
II. 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.	4
2. Main indicators related to profit	4
2.1. Operating results.....	5
2.2. Income of the Company:.....	5
2.3. Expenses of the Company.....	7
2.4. Risk factors for the activity.....	7
III. Information, according to Art. 100o, para 4, item 2 of the Public Offering of Securities Act.....	7
IV. Important events for Gradus AD that occurred during the reporting period.....	8

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 30.09.2024 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 30 June 2024 amounts to BGN 243,609 thousand, split into 243,608,710 shares with nominal value of 1 (one) BGN each.

As of 30.09.2024 the fixed capital, net of the repurchased shares amounted to 237 710 thousand bgn

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

Shareholders of the Company as of 30.09.2024 are:

• Gradus AD	2.42% of the capital
• Ivan Angelov Angelov	20.68% of the capital
• Angel Ivanov Angelov	20.68% of the capital
• Luka Angelov Angelov	40.77% of the capital
• Legal entities	13.74% of the capital
• Individual shareholders	1.71% 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 30 September 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 30 September 2024 is 6 people hired under employments contracts:

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

II. 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.

The main profit-related indicators that the Company monitors are as follows:

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

	30.09.2024	30.09.2023
EBITDA (earnings before interest, taxes, depreciation and amortization)	-799	4 238
Revenue	1 026	5 910
EBITDA margin	-77.88%	71.71%

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

	30.09.2024	30.09.2023
Total expenses	867	820
Total income	1 026	5 910
Cost effectiveness	0.85	0.14

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

	30.09.2024	30.09.2023
Total income	1 026	5 910
Total expenses	867	820
Revenue effectiveness	1.18	7.21

2.1. Operating results

For the period 01 January 2024 – 30 September 2024, the company realized net profit of BGN **143** thousand (for the period 01 January 2023 – 30 September 2023 - the company realized a loss of BGN **5 090** 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	1-9/2024 in BGN'000	1-9/2023 in BGN'000	Change %	Relative share for 2024 %
Operating income				
Dividend income	16	6	167%	2%
Revenue from services	-	4 999	-	-
Other revenue	-	1	-	-
Finance income				
Interest income	1 010	904	12%	98%
Total	1 026	5 910	-83%	100%

- The main income for the period 01.01.2024. – 30.09.2024, which has the greatest impact on the current financial result of the Company, is due to interest income on loans granted to subsidiaries.
- The main income for the period 01.01.2023 - 30.09.2023, 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	1-9/2024 in BGN'000	1-9/2023 in BGN'000	Relative share for 2024 %
Milenium 2000 EOOD	-	2 000	-
Gradus-98 AD	-	1 999	-
Gradus- EOOD	-	1 000	-
Total	-	4 999	-

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 30.09.2024 in BGN'000	Including interest	Loans granted 31.12.2023 in BGN'000	Including interest
Gradus-3 AD	BGN	11 600	31.12.2024	3,30%	10 725	127	-	-
	BGN	4 500	22.01.2025	3,30%	1 618	18	-	-
	BGN	15 000	18.06.2025	3,30%	8 570	70	-	-
	BGN	2 000	31.12.2024	3,30%			401	1
	BGN	3 000	31.12.2024	3,30%			3 010	10
	BGN	4 500	31.12.2024	3,30%			4 514	15
	BGN	1 000	31.12.2024	3,30%			1 003	3
	BGN	1 000	31.12.2024	3,30%			1 003	3
	BGN	1 700	31.12.2024	3,30%			1 704	5
Gradus-1 EOOD	BGN	26 100	26.02.2025	3,30%	8 921	24	13 742	45
	BGN	5 000	22.01.2025	3,30%			-	-
Gradus-98 AD	BGN	1 500	29.05.2025	3,30%	2	2	513	13
Gradus Logistics EOOD	BGN	800	07.04.2025	3,30%	401	1	401	1
	BGN	1 000	13.12.2024	3,30%	1203	3	100	-
Millennium 2000 EOOD	BGN	10 600	31.03.2025	3,30%	4 711	13	-	-
	BGN	6 600	27.10.2024	3,30%			3 861	12
	BGN	5 000	01.11.2024	3,30%			4 514	15
	BGN	2 000	02.10.2024	3,30%			1 756	6
	BGN	5 500	17.05.2024	3,30%			1 505	5
Total:					36 151	258	38 027	134

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 the public offering of securities, as well as to finance their operational activities.

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.

On 01.04.2024, the Company renegotiated all loans granted, adjusting their interest rate from 4.40% to 3.30%.

On 07.04.2024, the Company signed an annex with Gradus Logistics EOOD to a contract dated 07.04.2021 for extending the term of the loan until 07.04.2025.

On 27.05.2024, the Company signed an annex with Gradus-98 AD to extend the term of the loan until 29.05.2025.

On 05.08.2024, the Company signed an annex with Gradus-3 AD to a contract dated 19.06.2024. to increase the amount of the loan granted from BGN 10,000 thousand to BGN 15,000 thousand.

2.3. Expenses of the Company

Operating results:

EXPENSES	1-9/2024 in BGN'000	1-9/2023 in BGN'000	Change %	Relative share for 2024 %
Operating expenses				
Expenses by nature				
Expenses on materials	10	11	-9%	1%
Hired service expenses	118	135	-13%	14%
Depreciation / amortization expenses	48	51	-6%	6%
Expenses on wages and social security payments	672	613	10%	77%
Other expenses	15	9	67%	2%
Total:	863	819		
Interest costs on right-of-use contracts	1	1		-
Other	3	-	100%	-
Total:	4	1		
Общо разходи за дейността:	867	820	6%	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 September 30 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 30.09.2024 there are no changes to capital management objectives, policies or processes.

III. Information, according to Art. 100o, para 4, item 2 of the Public Offering of Securities Act

The company has not entered into major transactions between related parties outside its usual activities and there are no newly arisen and significantly amended receivables/liabilities for the respective reporting period.

IV. Important events for Gradus AD that occurred during the reporting period

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

As of 03.01.2024. the total number of own shares owned 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 shares of UPF Doverie and 1,009,446 shares. shares from PPF Doverie.

On 29.03.2024. Gradus AD bought back 1,753,336 own shares at an average price of BGN 1,697 per share.

As of 29.03.2024. the total number of own shares owned by the company is 5,897,130 or 2.42% of the voting rights of Gradus AD.

On 09.05.2024. Gradus AD submission of an invitation to convene a general meeting of shareholders and materials for a general meeting of shareholders, which will be held on 28-06-2024. from 11:00 a.m. in the town of Sofia. Stara Zagora, with the following agenda:

The Board of Directors of Gradus AD on the basis of Art. 223 of the CA convenes a regular annual General Meeting of Shareholders of Gradus AD /the "Company"/, which will be held on 28.06.2023, at 11:00 a.m., and in coordinated universal time - 08.00 a.m. in the city of Sofia. Stara Zagora 6009, Park-Hotel Stara Zagora, ul. 50 Khan Asparuh Street, Tervel Hall, with the following agenda:

1. Adoption of a Report of the Board of Directors on the Company's activities in 2023;

Draft resolution: The General Meeting of Shareholders adopts the Report of the Board of Directors on the Company's activities for 2023;

2. Adoption of the Report of the Registered Auditor for the audit of the annual financial statements of the Company for 2023;

Draft decision: The General Meeting of Shareholders adopts the Report of the Registered Auditor for the audit of the annual financial statements for 2023;

3. Adoption of the Company's annual financial statements for 2023;

Draft resolution: The General Meeting of Shareholders adopts the Company's annual financial statements for 2023;

4. Adoption of a report on the activities of the Director of Investor Relations of the Company for 2023;

Draft resolution: The General Meeting of Shareholders adopts a report on the activities of the Investor Relations Director of the Company for 2023;

5. Adoption of a Report of the Audit Committee on its activities in 2023;

Draft decision: The General Assembly adopts the Report of the Audit Committee on its activities in 2023.

6. Profit distribution proposal for 2023

Draft decision:

The General Meeting of Shareholders of Gradus AD decides that the Company's profit for 2023, which is BGN 5,100,045.23, will remain undistributed.

7. Making a decision to release the members of the Board of Directors of the Company from liability for their activities in 2023;

Draft decision: The General Meeting of Shareholders releases the members of the Board of Directors of the Company from liability for their activities in 2023;

8. 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 2023.

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

On 14.06.2024 Gradus AD presented an updated invitation for convening a Regular General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 28-06-2024. at 11:00 a.m. in Stara Zagora, Park-Hotel Stara Zagora, ul. 50 Khan Asparuh Street, Tervel Hall with a proposal under Art. 118, para. 2, item 4 of the POSA, for making a decision under item 6 of the previously announced agenda in the following sense:

6.1. The General Meeting of Shareholders in Gradus AD distributes the Company's profit for 2023, which is BGN 5,100,045.23, as follows:

- Part of the profit, which is in the total gross amount of BGN 5,000,000, is distributed to the shareholders of the Company as an annual dividend. The gross unit annual dividend will be determined within the stipulated under Art. 115c, para. 3 of the POSA, as the company is in a procedure for redemption of its own shares.
- the balance of the Company's profit for 2023 in the amount of BGN 100,045.23 is attributed to the retained earnings of the Company;

6.2. Terms and Conditions for Profit Distribution: (i) Start of Dividend Payment: 28.08.2024; (ii) Dividend payment period: three months; (iii) Method of payment of the dividend: through Central Depository AD and branches of UniCredit Bulbank AD.

The proposal was announced under Art. 223a, para. 1 of the CA in the TRRYULNT with entry 20240614104440.

On 28.06.2024 Gradus AD presented the minutes of the General Meeting of Shareholders held on 28.06.2024 at 11:00 a.m. (and in coordinated universal time – 8:00 a.m.) Stara Zagora 6009, Park-Hotel Stara Zagora, ul. 50 Khan Asparuh Street, Tervel Hall. The General Meeting of Shareholders of Gradus AD made the following decisions:

1. The General Meeting of Shareholders adopts the Report of the Board of Directors on the Company's activities for 2023.
2. The GMS adopts the Report of the Registered Auditor for the audit of the annual financial statements for 2023;
3. The General Meeting of Shareholders adopts the annual financial statements of the Company for 2023;
4. The GMS adopts a report on the activities of the Investor Relations Director of the Company for 2023;
5. The GMS adopts a Report of the Audit Committee on its activities in 2023;
6. The GMS does not adopt a decision on the Company's profit for 2023, which is BGN 5,100,045.23;
1. The GMS does not adopt a decision to distribute part of the Company's profit for 2023 in the amount of BGN 5,000,000.00;
7. The GMS releases the members of the Board of Directors of the Company from liability for their activities in 2023;
8. The GMS adopts a Report of the Board of Directors on the implementation of the Remuneration Policy for the members of the Board of Directors.

On 29.07.2024. Gradus AD informs about a proposal of the Management Board for the implementation of a large-scale investment program in all segments in which the company operates. The objectives: modernization of the equipment in meat production, updating and purchase of new farm management systems and their centralization, increasing the energy efficiency of the building stock, optimization solutions for reducing the costs of heating and cooling and gasification of all bases. equipment suppliers are in different phases. The total value is expected to exceed BGN 29 million. Together with the usual amount of supporting investments of the Group, this represents a minimum 3-year investment budget of BGN 30-50 million. In view of the dynamics of interest rates worldwide and the realized in 2022. loss from overstocking of grains, with a carryover effect in 2023, the Management Board of GRADUS AD recommends that the financing of the above investments be implemented in stages and with its own funds. The Management Board considers it appropriate not to distribute an interim dividend in 2024, as well as not to distribute dividends to shareholders until the completion of the implementation of the presented investment program or at least until the end of the financial year 2026.

On 27.08.2024. Gradus AD bought back 1,935 own shares at an average price of BGN 1.40 per share.

As of 27.08.2024. the total number of own shares owned by the company is 5,899,065 or 2.42% of the voting rights of Gradus AD

October 2024

EXECUTIVE DIRECTOR:

/Georgi Babev/

CHAIRMAN OF THE BOARD OF DIRECTORS

/Angel Angelov/