

## Summary report on the purchases and sales of main grains in the subsidiary company "Gradus-3" AD

"Gradus" AD presents to the public a summary report on the purchases and sales of main grains in the subsidiary company "Gradus-3" AD. The report aims to provide an analysis of the average purchase and sale prices of the company and those of the person Svetoslav Ilchovski.

It should be noted that the prices have been affected by a number of factors, such as:

- Remoteness of our base and of the supplier's base;
- Time period of concluding the transaction;
- Existence and amount of an advance payment under the transaction;
- Quality of the delivered crops;

### *Analysis of Purchases*

In 2017 the following crops were purchased from Mr. Ilchovski: sunflower, wheat, and corn. There is no deviation from the average prices as regards wheat and corn. As for the sunflower, there was an insignificant difference of 3% in favor of "Gradus-3" AD, as this difference was the result of the following factors:

1. In 2017 "Gradus-3" AD paid approximately 30% in advance of the purchases from Mr. Ilchovski;
2. Lower quality of a part of the delivered production;
3. Delivery of a part of the goods at the expense of the buyer;

In 2018 corn was purchased from him. The deviation in the average price was once again approximately 3%, but in favor of the person Ilchovski this time.

In 2019 corn and wheat were purchased with a deviation of 3% once again in favor of the person Ilchovski, while as regards sunflower this difference was 5% to the opposite. Fluctuations were natural and were entirely a function of market factors.

In 2020 corn was purchased without any deviation from the average price.

In the period 01.01-30.04.2021 no deals were entered with the said person.

### *Analysis of Sales*

#### Sunflower BGN 1 962 985, or 0.8 % of the consolidated sales of "Gradus" AD

In 2017 Ilchovski also made purchases from "Gradus 3", but mostly wheat and limited quantities of sunflower. On 24.10.2017 "Gradus 3" sold to ET "Svetoslav Ilchovski" 3 633 305 tons of sunflower at a price of BGN 540, exclusive of VAT, per ton, or BGN 1 961 984.70, exclusive of VAT, for the entire quantity of sunflower. With this transaction "Gradus 3" sold a quantity of sunflower initially intended for its contractor, with which it had a long-term Forward Contract for the supply of sunflower at a price of BGN 660 per ton, exclusive of VAT. Due to default of the buyer under the contract in question, after "Gradus 3" had already provided the pre-ordered quantities, "Gradus 3" had to quickly find a buyer in order to realize it, even though at a loss (in this case at a price of BGN 540 per ton, exclusive of VAT, under the deal with Ilchovski).

Subsequently, in view of the permanent and at that time good trade relations established between “Gradus 3” and “Svetoslav Ilchovski” ET , “Gradus 3” continued to buy up additional quantities of sunflower at a price of BGN 640, exclusive of VAT, per ton. Due to the ongoing commitment of “Gradus 3” to buy up large quantities of sunflower and an agreement reached by the parties for the equalization of the purchase prices and the sale price of these single transaction, and that was for a limited quantity in view of the turnover between the parties. These counter operations resulted in neither party making any profit or any loss. Effective payments in full o the price due were made under counter deliveries on 12. 12 .2017, respectively 13.12.2017. Unlike Mr. Ilchovski, “Gradus” AD provided to the regulatory authorities the full package of accounting documents, including invoices, protocols of acceptance and delivery for accepting and delivering the goods, credit notes for adjustment of the price of delivered goods and protocols by virtue of Art. 163a, paragraph 2 of the VAT Act, which clearly confuted any allegations of fictitious transactions.

In the same year, “Gradus 3” also sold wheat to Ilchovski for the amount of BGN 2 774 990. Once again, this transaction was limited and represented only 1.13% of the consolidated sales of “Gradus” AD. The goods were realized with a deviation of 10% of the average sales prices of “Gradus – 3” AD for this type of crop in favor of the person Ilchovski, for the sale took place at the height of the season when prices were at their lowest. The wheat was purchased from three other suppliers and the company realized profit.

In 2018 a transaction was made for an insignificant amount of BGN 176 thousand.

In the following years there were no sales made to Mr. Ilchovski.

In 2018 Turkey was shaken by some serious cataclysms, where the Group realized significant quantities of sunflower. In the period from January 1, 2018 until August 1, 2018 the Turkish lira devalued by more than 40%, or from 3.76 Turkish lira for 1 US dollar to 6.54 Turkish lira for 1 US dollar, thus leading to the low solvency of our contractors in this country. The abovementioned circumstances forced the Group to focus on transactions with a higher profit margin, a lower risk and a smaller volume of concluded transactions. All of the above is described in detail in the Annual Consolidated Report on the activities of “Gradus” AD for 2018.

The above is also evident from the presented data on the volumes of the concluded transactions by years.

<b>Gradus 3 BGN '000</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Income from sales of goods (grains)	38571	90 416	18 035	24 091	18 582
Book value of sold goods (grains)	-37567	-86 353	-15 808	-21 156	-15 867
Gross profit	1 004	4 063	2 227	2 935	2 715
Margin %	2.60%	4.49%	12.35%	12.18%	14.61%

### *Conclusion*

The provided accounting data unequivocally prove that:

- All allegations of Mr. Ilchovski about fictitious transactions between “Gradus AD” and him are in contradiction with the facts and figures;
- All allegations of Mr. Ilchovski about him selling agricultural production to “Gradus” AD at significantly reduced prices do not correspond to the truth;
- All transactions between “Gradus – 3” and Mr. Ilchovski have taken place at prices comparable to the market prices and in compliance with the respective market factors, as this further refutes all allegations for him being subject to any pressure.