



Translation from Bulgarian

GRADUS AD

CONSOLIDATED MANAGEMENT REPORT
As at 30 September 2019

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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 2019, 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.

* *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.

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

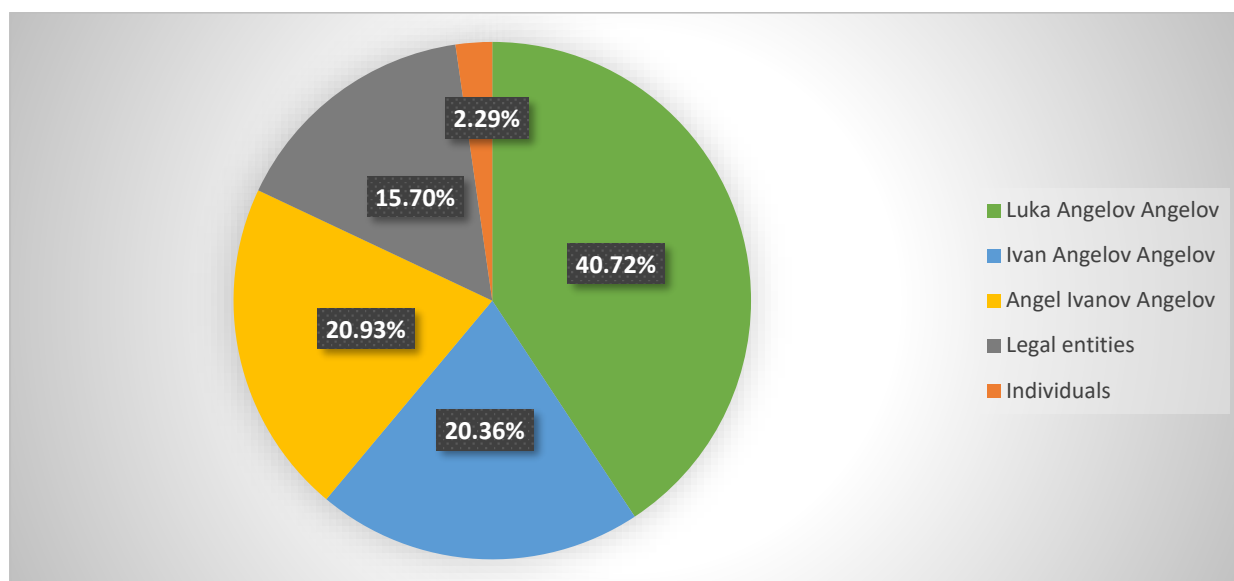
Gradus AD (the parent company) has a one-tier management system with a Board of Directors of three (3) members. Management of the parent company, the Board of Directors, has the following composition as at 30 September 2019:

- 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.

4. Shareholding structure of the Group as at 30 September 2019



5. Personnel

As of 30 September 2019, the average payroll staff of the Group was 1,294 workers and employees (30 September 2018: 1,288).

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

For the period 01 January 2019 – 30 September 2019, the Group has reported an operating profit of BGN **22,633** thousand (for the period 01 January 2018 – 30 September 2018 - BGN **18,187** thousand) and net profit of BGN **20,619** thousand (01 January 2018 - 30 September 2018: BGN 16,584 thousand). Despite the increase in impairment of biological assets (parent flocks) by almost 1,820 thousand, the profit scored a growth by 24.33 %. This growth in impairment of biological assets is a result of the increased capacity of the parent folks, which will contribute further to the results of the company in the following quarters.

1. Current period results of the group

REVENUE

Sales revenue reported by the Group for the reporting period amount to BGN 121,259 thousand, including:

Sales revenue	01-09/2019 BGN'000	01-09/2018 BGN'000	Change %	Relative share 2019 %
Revenue from sale of finished products	95 216	82 240	16%	79%
Revenue from sale of goods	25 451	15 281	67%	21%
Revenue from sale of services	592	578	2%	-
Total sales revenue	121 259	98 099	24%	100%

Revenue from sale of finished products for the period ending 30 September 2019 grew by BGN **12.9** million or by 16% compared to the same period of 2018. This development is due to the stabilisation of prices on international markets and the sales of significant quantities abroad. External factors also contributed to achieving better results. It

is expected that this trend will continue in the future as well, and the Group will succeed in taking advantage of better opportunities and sustain them in the long term.

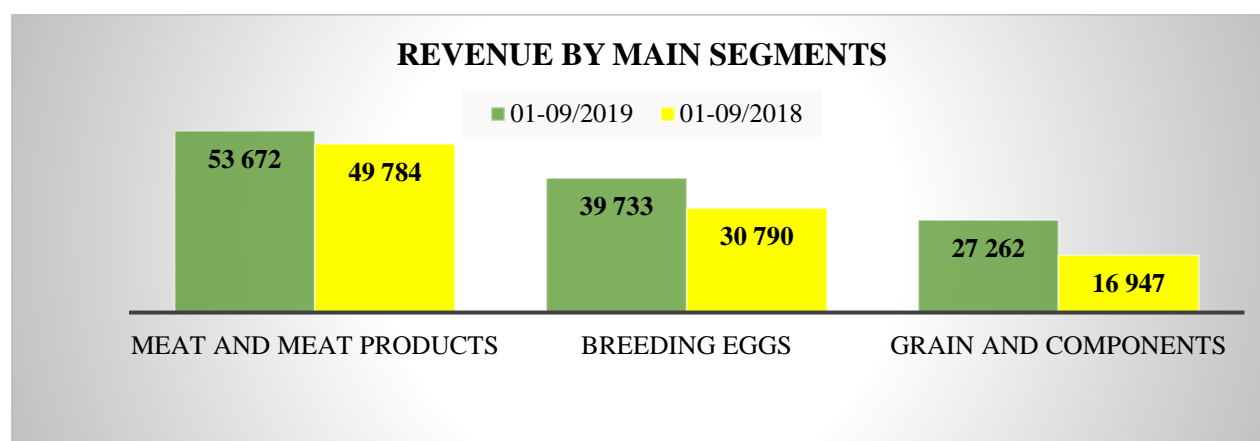
Revenue from sale of goods for the period ending 30 September 2019 grew by BGN 10.1 million or by 67% compared to the same period of 2018. The Group managed to contract good deals for sales of the products of the major Grains and Components segment. It is expected that this segment will develop positively in the current year.

Revenue from sale of services for the period ending 30 September 2019 grew by BGN 14 thousand or by 2% compared to the same period of 2018.

Geography of sales	01-09/2019 BGN'000	01-09/2018 BGN'000	Change %	Relative share 2019 %
Domestic market	65 337	54 567	20%	54%
Europe	17 611	16 834	5%	14%
Third countries	38 311	26 698	43%	32%
Total	121 259	98 099		100%

Revenue reported by main segments

Segments	01-09/2019 BGN'000	01-09/2018 BGN'000	Change %	Relative share 2019 %
Meat and meat products	53 672	49 784	9%	44%
Breeding eggs	39 733	30 790	29%	33%
Grain and components	27 262	16 947	61%	22%
Others	592	578	2%	1%
Total	121 259	98 099		100%



The biggest share in sales revenue for the reporting period was reported by the Meat and Meat Products segment: 44,26% of total revenue or BGN 121,259 (January- September 2018: the Meat and Meat Products segment also reported the biggest share in sales: 50.75%).

REVENUE BY MAIN SEGMENTS AND BY MARKET

Main segments	Domestic market		Europe		Third parties	
	01-09/2019 BGN'000	01-09/2018 BGN'000	01-09/2019 BGN'000	01-09/2018 BGN'000	01-09/2019 BGN'000	01-09/2018 BGN'000
Meat and meat products	53 227	49 115	285	615	160	54
Breeding eggs	5 876	1 711	17 326	16 215	16 531	12 864
<i>Breeding eggs</i>	<i>1 036</i>	<i>702</i>	<i>4 366</i>	<i>1 247</i>	<i>16 531</i>	<i>12 864</i>
<i>One-day old chickens</i>	<i>4 840</i>	<i>1 009</i>	<i>12 960</i>	<i>14 968</i>		
Grain and components	5 642	3 167	-	-	21 620	13 780
Total	64 745	53 993	17 611	16 830	38 311	26 698

The results of Meat and Meat Products segment for the period under review scored a growth by 7.81 % compared to the same period of the previous year.

The new product of the Group (Le Poulet) – the slow-growing yellow chicken continues its good trend of sales and price range throughout this quarter as well. The product has been introduced successfully into major store chains and the product is very well accepted by consumers, thus preserving its trend.

„A3 ЯМ“ reported a growth in sales by almost 12.54 % compared to the same period of 2018. This result is achieved primarily by expanding the product range and increasing sales prices.

It is expected that the market conjuncture will not change in the coming months and the Group will achieve good results. Forecasts are for product price increases, mainly due to more expensive raw materials, rising domestic consumption and inflation. The main objective of Gradus is to maximise margins and increase sales.

Sales revenue in the Breeding Eggs segment (breeding eggs and one-day-old chickens) grew significantly by 29,05%. This development is due to the stabilisation of prices on international markets and the sales of significant quantities abroad. Domestic sales also reported a significant increase. During the reporting period, the Group achieved a 48.07% growth in sales of breeding eggs or by BGN 7,1 million (domestic market – 47.58%, Europe – 250.12%, third countries – 28.51%) compared to the same period of 2018. During the period, the Group achieved more than three-times growth in sales of one-day-old chickens on the domestic market compared to the same period of 2018.

During the reporting period of 2019, the Group reported a decline in sales of one-day-old chickens in Europe by 13.42% or by BGN 2 million less compared to the same period of 2018, mainly due to the increase in sales of breeding eggs. During this period, considering the growth in prices on the European market, the Group focused mainly on the sale of breeding eggs.

For the nine-month period, the Group achieved sales growth in the Grains and Components segment. It is mainly driven by the poor performance in 2018 and the return to normal levels achieved in the reporting period of 2019. The focus of the Group is not directed towards this business segment. If good opportunities for contracting deals in this segment come along, they will be realized.

The Group continues implementing optimisation and restructuring processes aiming at reducing costs and increasing revenue.

For the period January – June 2019 other reported operating income amounts to BGN 13,441 thousand and consists of:

Other operating income	01-09/2019 BGN'000	01-09/2018 BGN'000	Change %	Relative share 2019 %
Rental income	646	506	28%	5%
Gain on sale of materials and FTAs	551	337	64%	4%
Income from financing	10 216	11 014	-7%	76%
Others	2 028	384	428%	15%
Total	13 441	12 241	10%	100%

EXPENSES

Operating expenses

The Group reports operating expenses amounting to BGN 114,093 thousand.

Operating expenses	01-09/2019 BGN'000	01-09/2018 BGN'000	Change: %	Relative share 2019 %
Changes in stock of finished products and work in progress	(9 500)	(10 412)	-9%	-8%
Expenses on raw materials and materials	62 172	56 390	10%	54%
Hired service expenses	6 717	5 942	13%	6%
Personnel expenses	18 575	16 986	9%	16%
Depreciation / amortization expenses	4 691	4 190	12%	4%
Carrying amount of goods sold	22 656	13 383	69%	20%
Other operating expenses	8 782	7 341	20%	8%
Total	114 093	93 820	22%	100%

During the reporting period January – September 2019, *operating costs* scored a growth by BGN 20.3 million or by 22% compared to the same period of 2018. The change is mainly due to the increase in sales and hence, in the carrying amount of goods sold by the Group and costs of hired services, personnel and depreciation/amortisation.

Costs of raw materials and materials grew by BGN 5.8 million or by 10% for the nine-month period of 2019 compared to the same period of 2018, primarily due to the enhanced capacity.

FINANCE INCOME AND FINANCE COSTS

Finance income	01-09/2019 BGN'000	01-09/2018 BGN'000	Change %	Relative share 2019 %
Interest income on loans granted	195	81	141%	32%
Foreign exchange gains	413	372	11%	68%
Other finance income	-	1		
Total	608	454	34%	100%

Finance costs	01-09/2019	01-09/2018	Change	Relative share
	BGN'000	BGN'000	%	%
				2019
Interest expenses on bank loans received	99	403	-75%	19%
Bank charges	212	168	26%	41%
Interest expenses on lease contracts	27	-	100%	5%
Foreign currency losses	179	235	-24%	35%
Total	517	806	34%	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 in order 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 in order 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.

3. Key ratios analysis

In order 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)**

	01-09/2019	01-09/2018
Pre-tax profit	22 633	18 187
Income	<u>121 259</u>	<u>98 099</u>
Gross profit margin	<u>18.67%</u>	<u>18.54%</u>

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

	01-09/2019	01-09/2018
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	27 233	22 729
Income	<u>121 259</u>	<u>98 099</u>
EBITDA margin	<u>22.46%</u>	<u>23.17%</u>

- **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.

	01-09/2019	12/2018
Total liabilities	45 347	39 100
Total assets	<u>366 169</u>	<u>363 663</u>
Debt to Assets Ratio	<u>0.12</u>	<u>0.11</u>

4. Prospective future development of the Group

The Group plans its development both in the short and long-term.

The short-term plans include: continued increase in the capacity of Breeding Eggs and Meat and Meat Products segments.

In implementation of its investment programme announced in the Prospectus for public offering of shares, Gradus AD, through its subsidiary, Gradus 98 AD, has increased and continues to increase its capacity in the Breeding Eggs segment. There are prerequisites for a significant increase in sales in this segment and opportunities to attract new long-term customers. Investments in this direction will therefore continue. Capacity growth is also envisaged in the Meat and Meat Products segment mainly targeting exports. New meat products will be produced and launched on a market. Additional capacity will be required to support the increase in volumes of production in the Meat and Meat Products segment.

The broiler breeding area in the subsidiary Lora – 2004 EOOD was expanded. Investments in this direction also continue.

Due to the higher demand for one-day old chickens, the Group considers that the capacity of this direction should be increased. A long-term objective of the Group is to increase the market penetration of one-day old chickens in the neighbouring countries Greece and Romania, as the current capacity is not sufficient to achieve a significant increase in sales in this segment.

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

Notifications of disclosure of significant shareholding were submitted to Gradus AD by Ivan Angelov Angelov and Angel Ivanov Angelov on **07 June 2019**.

According to the facts disclosed in these Notifications, Ivan Angelov Angelov transferred to Angel Ivanov Angelov, through donation, 49,597,822 shares, or 20.36% of the capital of Gradus AD.

A regular General Meeting of Shareholders (GMS) of Gradus AD was held on **10 June 2019** and the following decisions were taken:

1. The GMS approves the annual Report of the Board of Directors on the activity of the company in 2018;
2. The GMS approves the Registered Auditor's Report on the audit of the annual financial statements of the Company for 2018;
3. The GMS approves the annual financial statements of the Company for 2018;
4. The GMS approves the annual Report on the activity of the Investor Relations Director in 2018;
5. 1) The GMS approves the members of the Audit Committee, nominated by the Board of Directors of the Company, namely: - Radka Dincheva Peneva – Chair of the Audit Committee; Petya Radoslavova Panova-Ivanova – Member of the Audit Committee, and Georgi Aleksandrov Babev – Member of the Audit Committee. 2) The GMS sets gross monthly remuneration of BGN 250 /two hundred and fifty/ for each one of the members of the Audit Committee;
6. The GMS approves Remuneration Policy of the Company, as proposed by the Board of Directors;
7. The GMS approves the Report on the implementation of the Board of Directors Remuneration Policy;
8. The GMS approved the recommendation of the Board of Directors on the distribution of the Company's profit earned in 2018, as follows: - The total amount of the profit to be distributed is BGN 26,700,772.43 (twenty-six million, seven hundred thousand, seven hundred and seventy-two Bulgarian leva and forty-three stotinki), including BGN 24,360,871 (twenty-four million, three hundred and sixty thousand, eight hundred and seventy-one Bulgarian leva) for payment of dividend of BGN 0.10 per share. The remaining balance after the distribution of BGN 2,339,901.43 (two million, three hundred and thirty-nine thousand, nine hundred and one Bulgarian leva and forty-three stotinki) shall be taken to the Company's retained earnings. Persons, who are registered with the Central Depository as shareholders on the 14th day after the date of the General Meeting at which the annual financial statements were approved and a decision was taken to distribute the profit, shall have the right to receive dividend. Expenses on paying the dividend are borne by the Company. The dividend shall be paid through the Central Depository and branches of UniCredit Bulbank AD;
9. The GMS exonerates from responsibility the members of the BD of the Company for their activity in 2018;
10. The BD proposed the following amendments and supplementations to the Company's Statute: 1) A new item 18 shall be added to article 32 of the Statute „Competence of the Board of Directors“, which shall read as follows: „18. Approves the annual consolidated financial statements of the Company“, 2) The current item 18 of article 32 of the Statute becomes item 19.

A regular General Meeting of Shareholders (GMS) of Gradus-98 AD was held on **30 May 2019** and the following decisions were taken:

1. The GMS approves the annual and audited annual financial statements of the Company for 2018 and the Report of the Board of Directors on the activity of the company in 2018;
2. The GMS exonerates from responsibility the members of the BD of the Company for their activity in 2018;
3. The GMS approves a change in the remuneration of the members of the Board of Directors for 2019;
4. The GMS appoints the audit firm Baker Tilly Klitou and Partners OOD, UIC 1313493346, Sofia 1000, 5 Stara Planina Street, represented by the General Manager, Krasimira Ivanova Radeva, as a registered auditor to audit and certify the annual financial statements for 2019;
5. The GMS resolves on distributing the 2018 operating profit of the company to retained earnings and dividends of BGN 2,500,000 (two million, five hundred thousand Bulgarian leva) from the profit to be distributed to the shareholders.

A regular General Meeting of Shareholders (GMS) of Gradus-3 AD was held on **05 June 2019** and the following decisions were taken:

1. The GMS approves the annual and audited annual financial statements of the Company for 2018 and the Report of the Board of Directors on the activity of the company in 2018;
2. The GMS exonerates from responsibility the members of the BD of the Company for their activity in 2018;
3. The GMS decides to retain the remuneration of the members of the Board of Directors to its current amount;
4. The GMS re-appoints the audit firm Baker Tilly Klitou and Partners OOD, as a registered auditor to audit and certify the annual financial statements for 2019;
5. The GMS of Gradus-3 AD resolves on not distributing the 2018 operating profit of the company.

On 06 June 2019

1. On behalf of Gradus AD, being the sole owner of the shares of ZHYULIV EOOD's capital, we accept and approve the audited and certified annual financial statement of ZHYULIV EOOD for 2018, and the annual management report on the company's activity in 2018.

2. On behalf of Gradus AD, being the sole owner of the shares of ZHYULIV EOOD's capital, we exonerate from responsibility the General Managers of ZHYULIV EOOD for their management and representation activity for the company in 2018.
3. On behalf of Gradus AD, being the sole owner of the shares of ZHYULIV EOOD's capital, we decide that part of the 2018 operating profit of the company amounting to BGN 2,000,000 to be distributed as dividends to the sole equity owner. The remaining balance of the 2018 operating profit of the company, namely BGN 1,178,592.44 to remain undistributed;
4. On behalf of Gradus AD, being the sole owner of the shares of ZHYULIV EOOD's capital, we appoint Kapka Dimitrova Stoycheva, Registered Auditor, Diploma 0163, as a registered auditor to audit the annual financial statements of ZHYULIV EOOD for 2019.

On 14 June 2019, the Board of Directors (BD) of Gradus AD (the sole equity owner of the subsidiary Gradus- EOOD) passed the following decisions:

1. The sole equity owner approves the management report to the annual financial statements of the company for 2018;
2. The sole equity owner approves the annual financial statements of the company for 2018 and the notes thereto;
3. The sole equity owner approves the registered auditor's report for the audit and certification of the annual financial statements of the company for 2018;
4. The sole owner exonerates from responsibility the General Managers of the Company for their activity in 2018;
5. The sole owner appoints the audit firm Baker Tilly Klitou and Partners OOD, UIC 1313493346, Sofia 1000, 5 Stara Planina Street, represented by the General Manager, Krasimira Ivanova Radeva, as a registered auditor to audit and certify the annual financial statements for 2019;;
6. The sole equity owner resolves on setting aside the 2018 operating profit of the company amounting to BGN 128,335.75 to Retained earnings;
7. The sole owner authorizes and assigns each of the General Managers of the Company with the task to perform, personally or through a proxy, all necessary actions according to the Bulgarian legislation, for submission to the Commercial Register at the Registry Agency for announcement of the audited and approved annual financial statements of the Company, auditor's report and a management report on the activity of the company in 2018.

On 18 June 2019, the Board of Directors (BD) of Gradus AD (the sole equity owner of the subsidiary Millennium 2000 EOOD) passed the following decisions:

1. The sole equity owner approves the management report to the annual financial statements of the company for 2018;
2. The sole equity owner approves the annual financial statements of the company for 2018 and the notes thereto;
3. The sole equity owner approves the registered auditor's report for the audit and certification of the annual financial statements of the company for 2018;
4. The sole owner exonerates from responsibility the General Managers of the Company for their activity in 2018;
5. The sole owner appoints Todor Krastev Stoyanov, Registered Auditor, Diploma 0155 of 1992, practicing his activity with Stoliczna Oditorska Firma EOOD, UIC 131561662, with head office and registered address in Sofia 1408, Strelbishte Housing Estate, 9 Trayanovi Vrata Street, floor 1, ap. 2, as a registered auditor to audit and certify the annual financial statements for 2019;
6. The sole equity owner resolves on distributing as dividends part of the 2018 profit of the company, namely BGN 1,000,000 /one million Bulgarian leva/, and the remaining balance of the profit amounting to BGN 5,331,837.21 /five million, three hundred and thirty-one thousand, eight hundred and thirty-seven Bulgarian leva and twenty-one stotinki/ to be set aside as Retained earnings;
7. The sole equity owner authorizes and assigns each of the General Managers of the Company with the task to perform, personally or through a proxy, all necessary actions according to the Bulgarian legislation, for submission to the Commercial Register at the Registry Agency for announcement of the audited and approved annual financial statements of the Company, auditor's report and a management report on the activity of the company in 2018.

On 19 June 2019, the Board of Directors (BD) of Gradus AD (the sole equity owner of the subsidiary Lora-2004 EOOD) passed the following decisions:

1. The sole equity owner approves the management report to the annual financial statements of the company for 2018;
2. The sole equity owner approves the annual financial statements of the company for 2018 and the notes thereto;
3. The sole equity owner approves the registered auditor's report for the audit and certification of the annual financial statements of the company for 2018;
4. The sole owner exonerates from responsibility the General Managers of the Company for their activity in 2018;
5. The sole owner appoints Todor Krastev Stoyanov, Registered Auditor, Diploma 0155 of 1992, practicing his activity with Stoliczna Oditorska Firma EOOD, UIC 131561662, with head office and registered address in Sofia 1408, Strelbishte Housing Estate, 9 Trayanovi Vrata Street, floor 1, ap. 2, as a registered auditor to audit and certify the annual financial statements for 2019;
6. The sole equity owner resolves on distributing as dividends part of the 2018 profit of the company, namely BGN 500,000 /five hundred Bulgarian leva/, and the remaining balance of the profit amounting to BGN 676,823.04 /six hundred seventy-six thousand, eight hundred and twenty-three Bulgarian leva and four stotinki/ to be set aside as Retained earnings;

7. The sole equity owner authorizes and assigns each of the General Managers of the Company with the task to perform, personally or through a proxy, all necessary actions according to the Bulgarian legislation, for submission to the Commercial Register at the Registry Agency for announcement of the audited and approved annual financial statements of the Company, auditor's report and a management report on the activity of the company in 2018.

A regular General Meeting of Shareholders (GMS) of Gradus AD was held on **25 October 2019** and the following decisions were taken:

1. Approves Operational Rules of the Audit Committee of Gradus AD, as prepared and proposed by the Audit Committee of Gradus AD;
2. Elects Baker Tilly Klitou and Partners OOD, reg. No. 129, UIC 131349346, Sofia, Postal Code 1000, 5 Stara Planina Street, floor 5, represented by the General Manager, Krasimira Ivanova Radeva, as Registered Auditor to audit and certify the separate annual financial statements of the Company for 2019 and the consolidated financial statements of the Company for 2019;
3. Approves the six-month financial statements of the Company for the first half of 2019;
4. Approves the report of the Board of Directors on the compliance with the requirements of the Public Offering of Securities Act for payment of six-month dividend;
5. Takes a decision to distribute six-month dividend from the Company's profit according to the prepared six-month financial statements for the first half of 2019, under the following parameters: Total gross dividend amount – BGN 5,359,391.62; Gross dividend amount per share – BGN 0.022; Effective date of dividend payment: 26 November 2019; Term of dividend payment: three months; Method of dividend payment: through Central Depository AD and branches of Unicredit Bulbank AD.

On a meeting of the Board of Directors of Gradus AD held on **11th of November 2019**, it is resolved that part of the 2018 retained profit of the subsidiary Zhyuliv 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 a meeting of the Board of Directors of Gradus AD held on **14th of November 2019**, it is resolved that part of the 2018 retained 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 3 000 000.

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 - September 2019.

V. Information about the shares of Gradus AD

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

Since 15 March 2019, the issue of Gradus AD (GR6) has been part of the main indices of BSE, namely SOFIX, BG40, BGTR30.

	30 September 2019
Total number of shares issued	243 608 710
Number of shares in circulation as at 30 June 2019	243 608 710
Net profit per share in BGN	0,025
Price of share at the beginning of the period	1,705
Price of share at the end of the period	1,720
Market capitalisation as at 30 June 2019 in BGN	419 006 981

Trading in shares of Gradus AD on BSE AD over the period 01 January 2019 - 30 September 2019



28 November 2019

EXECUTIVE DIRECTOR:

/Ivan Angelov/

CHAIRMAN OF BD:

/Luka Angelov/