



Translation from Bulgarian

GRADUS AD

CONSOLIDATED MANAGEMENT REPORT

As at 30 June 2020

Contents

I. General information about the group	2
1. <i>Registration and business activities</i>	2
2. <i>Governing bodies of the parent company</i>	3
3. <i>Ownership and management of the parent company</i>	3
4. <i>Shareholding structure of the Group as at 30 June 2020</i>	4
5. <i>Personnel</i>	4
II. Current period result and main risks faced by the Group	4
1. <i>Current period results of the group</i>	4
2. <i>Main risks faced by the Group</i>	8
3. <i>Key ratios analysis</i>	9
4. <i>Prospective future development of the Group</i>	9
III. Significant events, which have occurred during the reporting period and until the issuance of the interim management report.....	10
IV. Information about related party transactions	13
V. Information about the shares of Gradus AD	14

I. General information about the group

1. Registration and business activities

The Gradus Group includes the parent company and its seven 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 June 2020, 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.

- Gold Farm 91 EOOD * (the Company) is registered into the Commercial Register with sole owner of capital "Gradus" AD.

Registered office address: Stara Zagora "Industrialen" Residential District, "Gradus" Poultry Slaughterhouse

* *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.
- **Gold Farm 91 EOOD** – the main activity of the company is poultry farming - breeding and realization of fattened birds - broiler chickens.

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

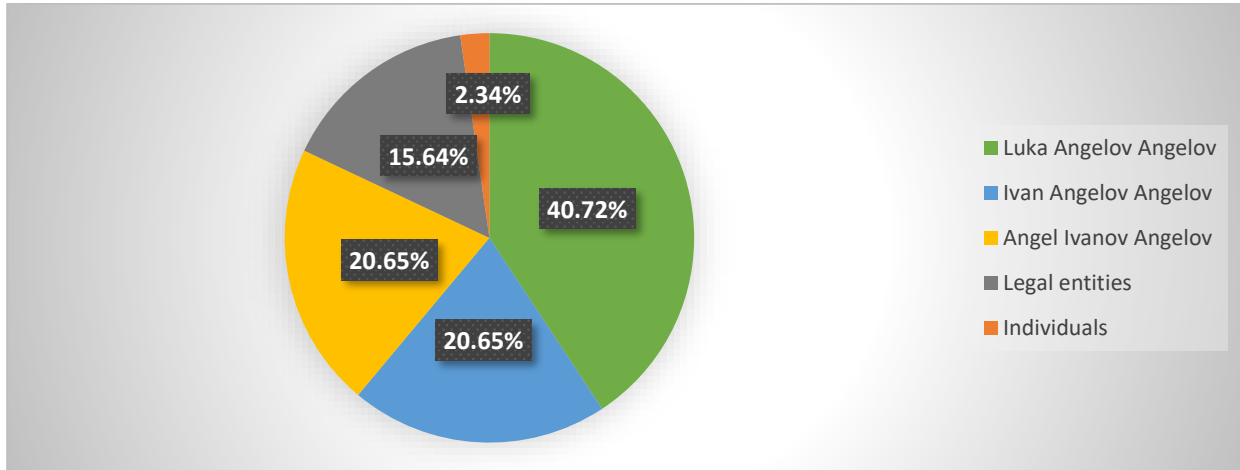
Gradus AD (the parent company) has a one-tier management system with a Board of Directors of three (3) members. Management of the parent company, the Board of Directors, has the following composition as at 30 June 2020:

- 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.
- Gold Farm 91 EOOD – 3837782 shares with a nominal value of BGN 1 лев each, representing 100% of the capital of Gold Farm 91 EOOD.

4. Shareholding structure of the Group as at 30 June 2020



5. Personnel

As of 30 June 2020, the average payroll staff of the Group was 1,335 workers and employees (30 June 2019: 1,265).

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

For the period 01 January 2020 – 30 June 2020, the Group has reported an operating profit of BGN **15,736** thousand (for the period 01 January 2019 – 30 June 2019 - BGN 17,710 thousand) and net profit of BGN **13,704** thousand (01 January 2019 – 30 June 2019 : BGN 15,698 thousand).

1. Current period results of the group

REVENUE

Sales revenue reported by the Group for the reporting period amount to BGN 78,699 thousand, including:

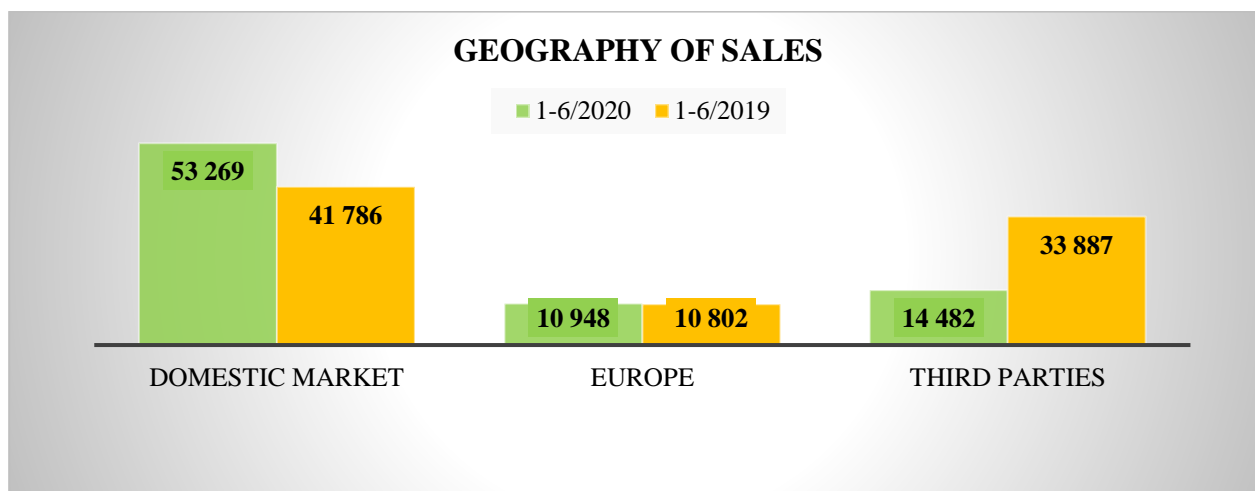
Sales revenue	01-06/2020 BGN'000	01-06/2019 BGN'000	Change %	Relative share 2020 %
Revenue from sale of finished products	61 352	61 936	-1%	78%
Revenue from sale of goods	16 870	24 146	-30%	21%
Revenue from sale of services	477	393	21%	1%
Total sales revenue	78 699	86 475	-9%	100%

Revenue from sale of finished products for the period decreased by BGN **584 thousand** or by **0,94%** compared to the same period of 2019. The Group expects to be able to take advantage of the better opportunities in the future and sustain them in the long term.

Revenue from sale of goods for the period decreased significantly by BGN **7,3 million** or by **30,13%** compared to the same period of 2019. This is due to the sales in the Grains and components segment and in particular to most of the sunflower transactions realized in January-June 2019.

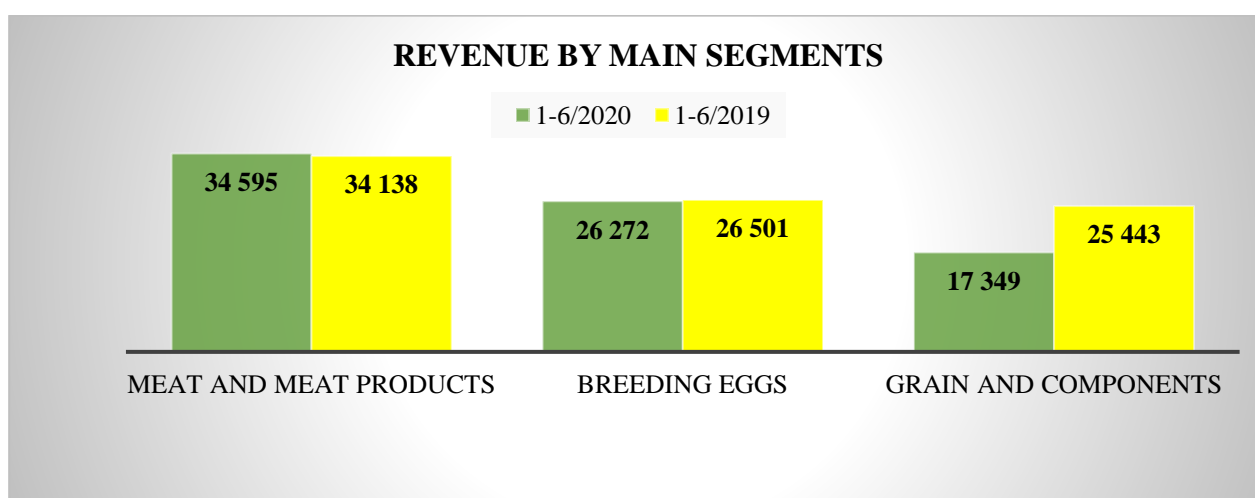
Revenue from sale of services for the period grew by BGN **84 thousand** or by **21,37%** compared to the same period of 2019.

Geography of sales	01-06/2020 BGN'000	01-06/2019 BGN'000	Change %	Relative share 2020 %
Domestic market	55 269	41 786	32%	70%
Europe	10 948	10 802	1%	14%
Third countries	14 482	33 887	-57%	16%
Total	78 699	86 475	-9%	100%



Revenue reported by main segments

Segments	01-06/2020 BGN'000	01-06/2019 BGN'000	Change %	Relative share 2020 %
Meat and meat products	34 595	34 138	1%	44%
Breeding eggs	26 272	26 501	-1%	34%
Grain and components	17 349	25 443	-32%	22%
Total	78 216	86 082	-9%	100%



For the reporting period the largest share of sales revenues by main segments is from the segment "Meat and meat products" with 44,23% of the total revenue BGN 78,216 thousand (For a period of time in the previous year with the largest share of sales is also a segment "Meat and meat products" – 39,66% of the total amount of BGN 86,082 thousand).

REVENUE BY MAIN SEGMENTS AND BY MARKET

Основни сегменти	Вътрешен пазар		Европа		Трети страни	
	1-6/2020	1-6/2019	1-6/2020	1-6/2019	1-6/2020	1-6/2019
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Месо и месни продукти	34 359	33 948	236	190	-	-
Разплодни яйца	4 661	3 655	10 712	10 612	10 899	12 234
<i>разплодни яйца</i>	4 152	2 945	2 716	2 188	10 899	12 234
<i>еднодневни пилета</i>	509	710	7 996	8 424	-	-
Зърна и компоненти	13 766	3 790	-	-	3 583	21 653
Общо	52 786	41 393	10 948	10 802	14 482	33 887

The realized sales revenues in the “Meat and Meat Products” segment for the period under review scored a growth by 1.34 % compared to the same period of the previous year.

The Group's trademarks – “Градус”, “Аз Ям” and “Le Poulet” - did not achieve the planned growth before the COVID-19 pandemic due to reduced consumer food consumption in the country as a whole. Separately, there is a decline in the price of chicken on the European poultry market. The uncertainty caused by the coronavirus infection suggests a future volatility in the price levels of meat and meat products.

The Group's forecasts, made before the announcement of the Covid-19 pandemic, for 2020 are for growth in sales volumes and revenues. The effects of the Covid-19 events are impeding the expected growth. The aim of the company is to maintain sales volume in 2020 compared to that in 2019. If the current situation is quickly overcome, the Group's management predicts a better 2021.

The revenues from sales in the "Breeding Eggs" segment (breeding eggs and day-old chicks) decreased slightly by 0.86%.

Breeding eggs

In this segment, and in particular the breeding eggs, the group has suffered not only from the negatives of some of the measures taken to deal with Covid-19, but also from geopolitical shocks, mainly with sales bans in Russia and Iraq. The lost benefits from the unrealized income of hatching eggs in these markets are of nearly 6 million eggs. The effects of the Covid-19 pandemic have led to a reduction in market prices for hatching eggs. The decrease in the sales of breeding eggs in third countries for the period under review amounts to BGN 1,335 thousand or 10.91% compared to the same period in 2019. Despite the extraordinary circumstances, the realized revenues from sales of breeding eggs increased by 2.3% or BGN 400 thousand compared to the same half of the previous year as a result of an increase in revenues from domestic sales (an increase of 40.98% or 1,207 BGN thousand) and European market (growth 24.13% or BGN 528 thousand).

Day-old chicks

The Group reported a decrease in the revenues from sales of day-old chicks in the amount of BGN 629 thousand or 6.89% for Jan-Jun 2020 compared to the same period of 2019. The realized revenues from sales of day-old chicks on the domestic market decreased by 28.31% or by BGN 201 thousand compared to the same period in 2019. The sales of day-old chickens in Europe reported a decrease of 5.08% or BGN 428 thousand compared to the same period in 2019.

For the reporting period the Group realized a decrease in the sales of the Grains and Components segment by 31,81% or by BGN 8 million. It is dictated by the lack of good sales opportunities and in particular significantly lower sales volumes of sunflower in Turkey - BGN 3.5 million for the first half of 2020 compared to BGN 21 million in the same half of 2019. This segment is not the Group's primary focus, but with good bargaining power, the Group will benefit from sales.

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

For the period January – June 2020 other reported operating income amounts to BGN 11,244 thousand and consists of:

Other operating income	1-6/2020 BGN'000	1-6/2019 BGN'000	Change %	Relative share 2020 %
Rental income	356	416	-14%	3%
Gain on sale of materials and FTAs	95	390	-76%	1%
Income from financing	10 000	10 148	-1%	89%
Others	793	1 929	-89%	7%
Total	11 244	12 883	-13%	100%

EXPENSES

The Group reports operating expenses amounting to BGN 74,880 thousand.

Operating expenses	1-6/2020 BGN'000	1-6/2019 BGN'000	Change %	Relative share 2020 %
Changes in stock of finished goods and work in progress	(8 852)	(7 359)	20%	-12%
Expenses on raw materials and materials	39 341	40 597	-3%	53%
Hired service expenses	4 062	4 605	-12%	5%
Personnel expenses	14 258	12 371	15%	19%
Depreciation / amortization expenses	3 443	3 115	11%	5%
Carrying amount of goods sold	14 734	21 191	-30%	20%
Other operating expenses	7 894	7 908	-2%	10%
<i>-Impairment of biological assets</i>	<i>6 542</i>	<i>6 188</i>	<i>6%</i>	
Total	74 880	82 428	-9%	100%

During the reporting period *operating costs* decreased by BGN 7.5 million or by 9% compared to the same period of 2019. The change is mainly due to a decline in sales of goods and, accordingly, to the carrying amount of goods sold by the Group for the reporting period of 2020.

Costs of raw materials and materials decreased by BGN 1,3 million or by 3.1% for Jan-Jun 2020 compared to the same period of 2019.

Expenditure on external services decreased by 543 thousand or by 11,79% for Jan-Jun 2020 compared to the same period in 2019.

The reported personnel costs increased by BGN 1,9 million or by 15.25% compared with the same period of 2019 mainly due to the increase in the average number of employees, as well as the additional social payments made.

For the reporting period the depreciation expenses have increased by BGN 328 thousand or by 10,6% compared to the same period of 2019.

Other operating expenses decreased by BGN 152 thousand or by 1,89% in the first half of 2020 compared to the same period of 2019.

The changes in the stocks of finished goods and work in progress affect the operating costs in a decreasing direction by BGN 1.8 million.

FINANCE INCOME AND FINANCE COSTS

Finance income	1-6/2020 BGN'000	1-6/2019 BGN'000	Change %	Relative share 2020 %
Interest income on loans granted	79	131	-40%	100%
Foreign exchange gains	-	61		
Total	79	172	-59%	100%

Finance costs	1-6/2020 BGN'000	1-6/2019 BGN'000	Change %	Relative share 2020 %
Interest expenses on bank loans received	34	16	113%	29%
Bank charges	57	119	-52%	49%
Interest expenses on lease contracts	3	9	-67%	3%
Expenses from foreign currency transactions	22	-	-	19%
Other	-	15	-	-
Total	116	159	-27%	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.

COVID-19

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. Management considers the going concern principle to be appropriate for these consolidated financial statements, as the Group has sufficient liquid resources to continue operating in the foreseeable future.

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)**

	1-6/2020	1-6/2019
Pre-tax profit	15 736	17 710
Income	78 699	86 475
Gross profit margin	20.00%	20.48%

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

	1-6/2020	1-6/2019
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	19 216	20 792
Income	78 699	86 475
EBITDA margin	24.42%	24.04%

- **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.

	30.06.2020	31.12.2019
Total liabilities	36 529	43 299
Total assets	356 407	354 832
Debt to Assets Ratio	0.10	0.12

4. Prospective future development of the Group

The Group's management continues its policy of effectively and successfully achieving its main goals:

- increasing the number of main flocks, increasing the number of fattened broilers, increasing the production and marketing of breeding eggs, as well as achieving full compliance with all European standards for the protection of the environment and the environment;
- full utilization of production capacities and increase in product range and sales volume under “Gradus” and “I Eat!” and “Le Poulet” brands;
- development of existing and new business lines related to the production of high-margin food products.

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

On **February 7, 2020**, Gradus AD notifies of an expansion of the production capacity of its subsidiary Gradus 98 AD. 16 production buildings with a total area of 14,400 square meters, centre NORTH 5, Ruse, were commissioned. 79,729 hens and 7,375 roosters were accommodated therein.

Additional investments in building and improving the infrastructure were made. As present, concrete on 720 meters (2,880 square meters) of roads and approximately 6,000 square meters of platforms with ramps was laid down.

On **February 24, 2020**, Gradus AD notifies of a planned forthcoming increase of production capacity and commissioning of buildings in the subsidiary Gradus 98 AD, namely:

- 4 buildings /3,600 square meters / „PARENT FLOKS PRODUCTION PERIOD“ at centre NORTH 3, Ruse – June 2020;
- Reconstruction of 8 production buildings /7,200 square meters / „PARENT FLOKS ADOLESCENTS“ at centre NORTH, Ruse – September 2020;
- Refurbishing of 2 double buildings /3,600 square meters / at centre NORTH 2, Ruse – January 2021.

On **March 26, 2020**, Gradus AD issued a statement in connection with the impact of the Covid-19 pandemic as a recommendation act to the capital market participants by the European Securities and Markets Authority (ESMA). As of the date of the statement, the management of Gradus AD does not consider Covid-19 to have a substantial negative impact on the financial position and liquidity of Gradus AD and its companies.

The management has taken all necessary measures to reduce the effects of the Covid-19 pandemic and apply them at the same time according to the impact options and in order to preserve the viability of the Group companies and the continuity of their business processes.

The Group companies continue to operate in strict compliance with all requirements for safe and healthy working conditions.

In situation of a pandemic, the effect of measures taken by the governments to limit the spread puts the global economy in a situation of contrasting economic sentiment and has a negative impact on the global business environment.

The company's management constantly monitors the development of the Covid-19 pandemic in order to take proper actions to limit the impact of the emergency situation.

The management of Gradus AD is aware of the responsibility it holds towards its investors, employees, partners and to the whole community.

On **April 22, 2020**, Gradus AD presented an invitation for convening a Regular General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 05-06-2020. from 11:00 am in 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 05 June 2020 at 11:00 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 2019;
Draft resolution: The General Meeting of Shareholders approves the Activity Report of the Board of Directors of the Company for the year 2019.;
2. Approval of the Registered Auditor's Report for auditing the Annual Financial Statements of the Company for the year 2019;
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 2019;
3. Approval of the Annual Financial Statements of the Company for the year 2019;
Draft resolution: The General Meeting of Shareholders approves the Annual Financial Statement of the Company for the year 2019;
4. Approval of the report on the activity of the Investor Relations Director of the Company for the year 2019;
Draft resolution: The General Meeting of Shareholders approves the report on the activity of the Investor Relations Director of the Company for the year 2019;
5. Dismissal of a member of the audit committee;
Draft resolution: The General Meeting of Shareholders dismisses the former member of the Audit Committee - Mrs. Radka Peneva, who has applied for her dismissal from her position - member and chairman of the Audit Committee of Gradus AD
6. Election of a new member of the Audit Committee of the Company on proposal of the Board of Directors;

Draft resolution: 1. The General Meeting of Shareholders elects a new member of the Audit Committee proposed by the Board of Directors as follows: Dobri Svetlozarov Simenonov

7. Approval of the report on the activity of the Audit Committee;

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

8. Adoption of changes in the Rules of the Audit Committee of Gradus AD

Draft resolution: The General Meeting of Shareholders adopts the prepared and proposed by the Audit Committee of Gradus AD amendments to the Rules of Procedure of the Audit Committee of the company, in accordance to the regulatory framework;

9. Proposal for distribution of the profit for 2019, which is BGN 11 910 268.74, as follows;

Draft resolution: 9.1. The Board of Directors proposes the profit for 2019 to be distributed as follows:

- part of the profit, which is in the total gross amount of BGN 5 359 391.62, has already been distributed to the shareholders of the Company as a 6-month dividend (gross single 6-month dividend BGN 0.022 per share), according to a decision of the General Meeting of Shareholders of The Company as of October 25, 2019;

- part of the profit, which is a part of the total gross amount of BGN 5 359 391.62, to be distributed to the shareholders of the Company as an annual dividend, the gross single annual dividend BGN 0.022 per share.

- The balance of BGN 1 191 485.50 to be transferred to the undistributed profit of the Company.

9.2. Condition and term of dividend distribution: Commencement of payment of dividends: 13 July 2020; Term for payment of dividends: - 60 days; Method of payment of dividends: through Central Depository AD and branches of Unicredit Bulbank AD;

10. Deciding on the dismissal of the members of the Board of Directors of the Company for their activity in 2019;

Draft resolution: The General Meeting of Shareholders releases from responsibility the members of the Board of Directors of the Company for their activity in 2019;

11. Extension of the term of office of the Board of Directors of Gradus AD and determination of the amount of their remuneration.

Draft resolution:

11.1. The General Meeting of Shareholders shall extend the term of office of the present members of the Board of Directors for another 5 (five) years from the date of the expiry of the first term of office - 17.11.2020.

The following decision shall take effect upon the expiration of the term of office of this Board of Directors - 11/17/2020 and shall take effect from the date of its entry in the Commercial and Non-profit Legal Entities Register of the Registry Agency.

11.2. The General Meeting of Shareholders decides to preserve the current amount of the remuneration of the members of the Board of Directors. This Decision shall enter into force on the date on which the decision appointing the members of the Board of Directors under the preceding paragraph is entered.

12. Election of a certified (registered) auditor to verify and certify the Company's Individual Annual Financial Report for 2020 and the Company's Consolidated Financial Statements for 2020.

Draft resolution: The General Meeting of Shareholders elects a registered auditor to verify and certify the annual financial statements of the Company for 2020, in accordance with a proposal of the Audit Committee included in the materials on the agenda.

13. Proposal of the Board of Directors for covering the accumulated loss in the amount of BGN 1040.08 from the retained earnings for 2019.

Draft resolution: The General Meeting of Shareholders adopts proposal of the Board of Directors for covering accumulated loss in the amount of BGN 1040.08 from retained earnings for 2019.

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

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

15. Buy back decision:

Draft resolution: Pursuant to Art. 187b of the Commercial Code and Art. 111, para. 5 of the Law on Public Offering of Securities, the General Meeting of Shareholders of Gradus AD decides to repurchase shares from the capital of the company under the following conditions:

a) maximum number of shares to be repurchased: up to 3% (three percent) of the total number of shares issued by the company;

b) minimum price per share – 1.20 levs

c) maximum price per share – 2.00 levs

d) redemption term: up to 5 years from the day on which the decision of the General Assembly for redemption is entered in the Commercial Register.

e) redemption order: through a licensed stockbroker.

f) Assign actions to the Board of Directors of the Company:

The General Assembly assigns to the Board of Directors of the Company:

(i). to set specific dates for the beginning and end of the redemption. In the event that the maximum number of shares is not redeemed within the period specified by the Board of Directors, the General Meeting authorizes the Board of Directors at its discretion to extend this period.

(ii). to identify the investment intermediary through which the redemption takes place;

(iii). to determine each and all other terms and conditions of the redemption, subject to the requirements of the law and the Articles of Association of the Company;

(iv) to undertake any and all necessary legal and factual actions related to the redemption;

A regular General Meeting of Shareholders (GMS) was held **on 5th June 2020** and the following decisions were taken:

1. The GMS approves the Activity Report of the Board of Directors of the Company for the year 2019;

2. The GMS approves the Registered Auditor's Report for auditing the Annual Financial Statements of the Company for the year 2019;

3. The GMS approves the Annual Financial Statements of the Company for the year 2019;

4. The GMS approves the report on the activity of the Investor Relations Director of the Company for the year 2019;

5. The GMS dismisses the former member of the Audit Committee - Mrs. Radka Peneva, who has applied for her dismissal from her position - member and chairman of the Audit Committee of Gradus AD;

6. The GMS elects a new member of the Audit Committee proposed by the Board of Directors as follows: Dobri Svetlozarov Simenonov

7. The GMS approves the report on the activity of the Audit Committee;

8. The GMS adopts the prepared and proposed by the Audit Committee of Gradus AD amendments to the Rules of Procedure of the Audit Committee of the company, in accordance to the regulatory framework;

9. The GMS approves the proposal for distribution of the profit for 2019, which is BGN 11 910 268.74, as follows;

9.1. The Board of Directors proposes the profit for 2019 to be distributed as follows:

- part of the profit, which is in the total gross amount of BGN 5 359 391.62, has already been distributed to the shareholders of the Company as a 6-month dividend (gross single 6-month dividend BGN 0.022 per share), according to a decision of the General Meeting of Shareholders of The Company as of October 25, 2019;

- part of the profit, which is a part of the total gross amount of BGN 5 359 391.62, to be distributed to the shareholders of the Company as an annual dividend, the gross single annual dividend BGN 0.022 per share.

- The balance of BGN 1 191 485.50 to be transferred to the undistributed profit of the Company.

9.2. Condition and term of dividend distribution: Commencement of payment of dividends: 13 July 2020; Term for payment of dividends: - 60 days; Method of payment of dividends: through Central Depository AD and branches of Unicredit Bulbank AD;

10. The GMS releases from responsibility the members of the Board of Directors of the Company for their activity in 2019;

11. 11.1. The GMS extends the term of office of the present members of the Board of Directors for another 5 (five) years from the date of the expiry of the first term of office - 17.11.2020. The following decision shall take effect upon the expiration of the term of office of this Board of Directors - 11/17/2020 and shall take effect from the date of its entry in the Commercial and Non-profit Legal Entities Register of the Registry Agency.

11.2. The GMS decides to preserve the current amount of the remuneration of the members of the Board of Directors. This Decision shall enter into force on the date on which the decision appointing the members of the Board of Directors under the preceding paragraph is entered.

12. The GMS elects a registered auditor to verify and certify the annual financial statements of the Company for 2020, in accordance with a proposal of the Audit Committee included in the materials on the agenda.

13. The GMS adopts proposal of the Board of Directors for covering accumulated loss in the amount of BGN 1040.08 from retained earnings for 2019.

14. The GMS approves the Report on the Implementation of the Remuneration Policy of the Board of Directors of the Company;

15. Pursuant to Art. 187b of the Commercial Code and Art. 111, para. 5 of the Law on Public Offering of Securities, the General Meeting of Shareholders of Gradus AD decides to repurchase shares from the capital of the company under the following conditions:

a) maximum number of shares to be repurchased: up to 3% (three percent) of the total number of shares issued by the company;

- b) minimum price per share – 1.20 levs
- c) maximum price per share – 2.00 levs
- d) redemption term: up to 5 years from the day on which the decision of the General Assembly for redemption is entered in the Commercial Register.
- e) redemption order: through a licensed stockbroker.
- f) Assign actions to the Board of Directors of the Company:
The General Assembly assigns to the Board of Directors of the Company:
 - (i). to set specific dates for the beginning and end of the redemption. In the event that the maximum number of shares is not redeemed within the period specified by the Board of Directors, the General Meeting authorizes the Board of Directors at its discretion to extend this period.
 - (ii). to identify the investment intermediary through which the redemption takes place;
 - (iii). to determine each and all other terms and conditions of the redemption, subject to the requirements of the law and the Articles of Association of the Company;
 - (iv) to undertake any and all necessary legal and factual actions related to the redemption;

On **June 5, 2020**, Gradus AD published a notification for dividend payment.

The General Meeting of Shareholders of Gradus AD /the Company/ held on 5th of June 2020 decided to distribute part of the Company's profit for the 2019 at the amount of BGN 5 359 391.62 BGN as dividend.

1.1. Gross amount per share: BGN 0.022;

1.2. Net amount per share after deduction of 5% dividend tax: BGN 0.0209.

1.3. Commencement of payment of dividends: 13.07.2020;

1.4. Dividend payment term: - 60 days;

1.5. Method of payment of the dividend: According to the regulations of Central Depository AD, the dividend will be paid as follows: for the shareholders having open client accounts with investment intermediaries - through the respective investment intermediary; for shareholders without accounts with investment intermediaries - through the branches of Unicredit Bulbank AD, in compliance with the requirements of the Public Offering of Securities Act and the applicable requirements of the effective legislation.

1.6. The right to receive a dividend shall have the persons in the register of Central Depository AD as shareholders of the Company on the 14th day following the day of the General Meeting at which the Financial Statement for the 2019 was adopted and a decision on the distribution of the profit was taken, namely 19.06.2020.

On **June 22, 2020** on a meeting of the Board of Directors of Gradus AD held on 22th of June 2020, it is resolved that part of the 2019 profit of the subsidiary Lora - 2004 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 100 000.

On **June 22, 2020** on a meeting of the Board of Directors of Gradus AD held on 22th of June 2020, it is resolved that part of the 2019 profit of the subsidiary Gradus - 1 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 100 000.

On **June 22, 2020** on a meeting of the Board of Directors of Gradus AD held on 22th of June 2020, it is resolved that part of the 2019 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 3 500 000.

On **June 29, 2020** on General Meeting of Shareholders of Gradus-98 AD was taken a decision for the distribution of part of the 2019 profit in the amount of BGN 2 300 000. As a result of the decision, Gradus AD, as a majority shareholder of Gradus-98 AD, will receive a dividend of BGN 2 298 482.

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 – Jun 2020.

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 June 2020
Total number of shares issued	243 608 710
Number of shares in circulation as at 31 March 2020	243 608 710
Price of share at the beginning of the period	1,680
Price of share at the end of the period	1,470
Market capitalisation as at 31 March 2020 in BGN	358 104 804

Trading in shares of Gradus AD on BSE AD over the period 01 January 2020 – 30 Jun 2020



28 Aug. 2020

EXECUTIVE DIRECTOR:

/Ivan Angelov/

CHAIRMAN OF BD:

/Luka Angelov/