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Translation from Bulgarian

**GRADUS AD**

**CONSOLIDATED MANAGEMENT REPORT**

*As of 31 December 2020*



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## 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 31 December 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

- Gradus Logictics 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.
- **Gradus Logistics EOOD** – the main activity of the company is rental of vehicles.

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 2020:

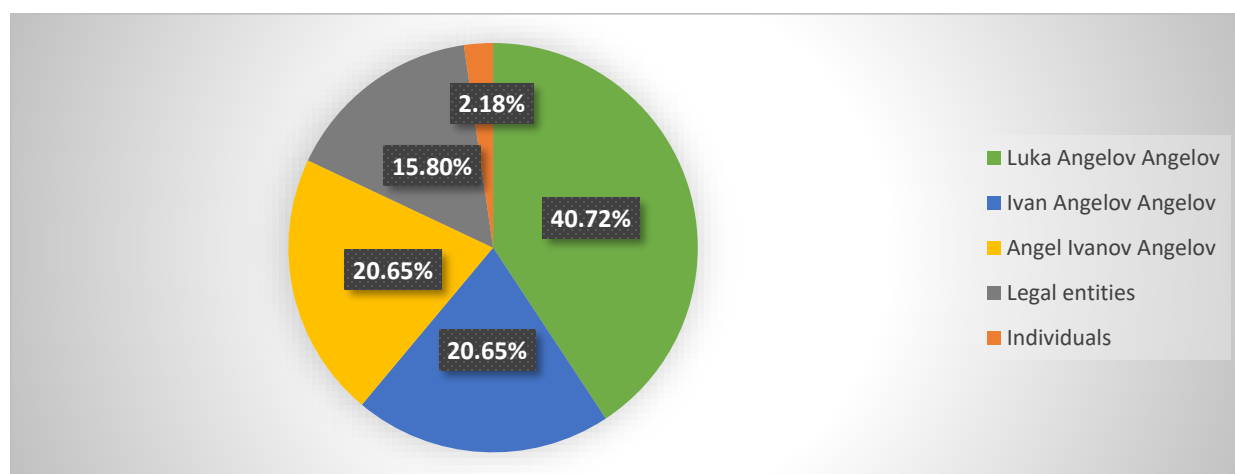
- Luka Angelov Angelov - Chairman of the Board of Directors of Gradus AD
- Ivan Angelov Angelov - Member of the Board of Directors and Executive Director of Gradus AD
- Georgi Aleksandrov Babev - Member of the Board of Directors of Gradus AD

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 each, representing 100% of the capital of Gold Farm 91 EOOD;
- Gradus Logistics EOOD – 4000 shares with a nominal value of BGN 100 each, representing 100% of the capital of Gradus Logistics EOOD.

#### 4. Shareholding structure of the Group as at 31 December 2020



#### 5. Personnel

As of 30 September 2020, the average payroll staff of the Group was 1317 workers and employees (31 Dec. 2019: 1316).

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

For the period 01 January 2020 – 31 December 2020, the Group has reported an operating profit of BGN **12 300** thousand (for the period 01 January 2019 – 31 December 2019 - BGN 19 299 thousand) and net profit of BGN **10 865** thousand (01 January 2019 – 31 December 2019 - BGN 17 095 thousand).

## 1. Current period results of the group

### REVENUE

Sales revenue reported by the Group for the reporting period amount to BGN 140,759 thousand, including:

Sales revenue	2020 BGN'000	2019 BGN'000	Change %	Relative share 2020%
Revenue from sale of finished products	115 633	126 590	-9%	82%
Revenue from sale of goods	24 320	27 176	-11%	17%
Revenue from sale of services	806	764	5%	1%
<b>Total sales revenue</b>	<b>140 759</b>	<b>154 530</b>	<b>-9%</b>	<b>100%</b>

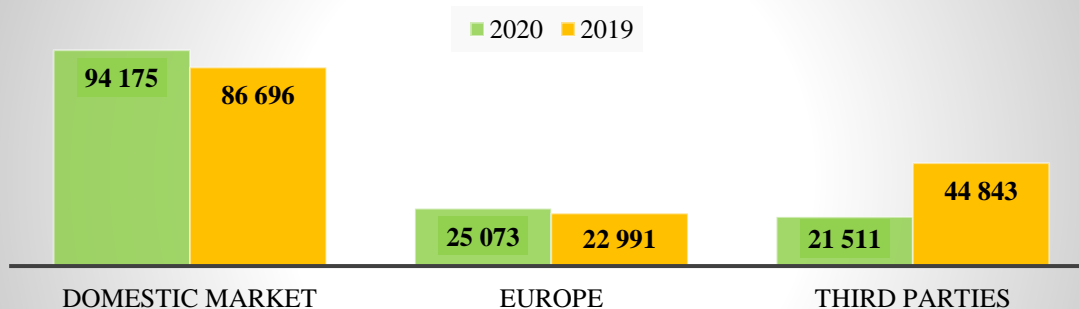
Revenue from sale of finished products for the period decreased by BGN **10 957 thousand** or by **8,66%** compared to the 2019, reflecting the effects of the COVID-19 pandemic.

Revenue from sale of goods for the period decreased significantly by BGN **2 856 thousand** or by **10,51%** compared to the 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-December 2019.

Revenue from sale of services for the period grew by BGN **42 thousand** or by **5,5%** compared to the 2019.

Geography of sales	2020 BGN'000	2019 BGN'000	Change %	Relative share 2020, %
Domestic market	94 175	86 696	9%	<b>67%</b>
Europe	25 073	22 991	9%	<b>18%</b>
Third countries	21 511	44 843	-52%	<b>15%</b>
<b>Total</b>	<b>140 759</b>	<b>154 530</b>	<b>-9%</b>	<b>100%</b>

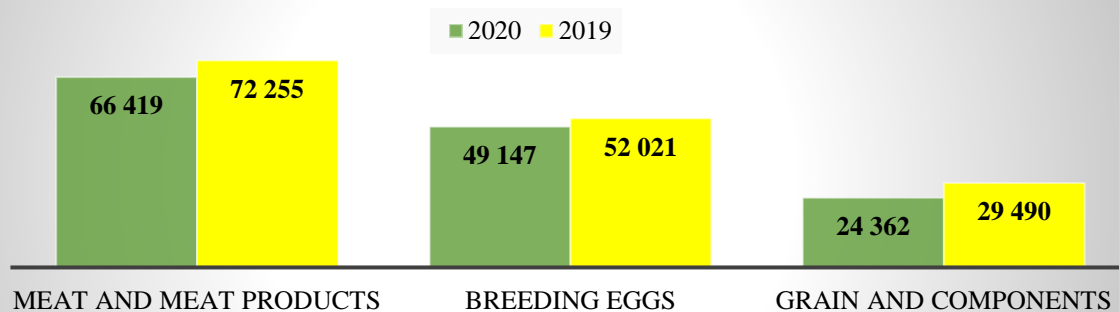
## GEOGRAPHY OF SALES



## Revenue reported by main segments

Segments	2020 BGN'000	2019 BGN'000	Change %	Relative share 2020, %
Meat and meat products	66 419	72 255	-8%	47%
Breeding eggs	49 147	52 021	-6%	35%
Grain and components	24 362	29 490	-17%	17%
Other	831	764	9%	1%
<b>Total</b>	<b>140 759</b>	<b>154 530</b>	<b>-9%</b>	<b>100%</b>

## REVENUE BY MAIN SEGMENTS



For the reporting period the largest share of sales revenues by main segments is from the segment "Meat and meat products" with 47,19% of the total revenue BGN 140,759 thousand (for the previous year with the largest share of sales is also a segment "Meat and meat products" – 46,76% of the total amount of BGN 154,530 thousand).

## REVENUE BY MAIN SEGMENTS AND BY MARKET

Main segments	Domestic market		Europe		Third countries	
	2020 BGN'000	2019 BGN'000	2020 BGN'000	2019 BGN'000	2020 BGN'000	2019 BGN'000
<b>Meat and meat products</b>	<b>65 962</b>	<b>71 391</b>	<b>457</b>	<b>490</b>	<b>0</b>	<b>374</b>
<b>Breeding eggs</b>	<b>6 603</b>	<b>6 670</b>	<b>24 616</b>	<b>22 501</b>	<b>17 928</b>	<b>22 850</b>
<i>breeding eggs</i>	5 595	5 403	10 914	5 343	17 928	22 850
<i>one-day-old chicks</i>	1 008	1 267	13 702	17 158	-	-
<b>Grains and components</b>	<b>20 779</b>	<b>7 871</b>	<b>-</b>	<b>-</b>	<b>3 583</b>	<b>21 619</b>
<b>Total</b>	<b>93 344</b>	<b>85 932</b>	<b>25 073</b>	<b>22 991</b>	<b>21 511</b>	<b>44 843</b>

The realized sales revenues in the “Meat and Meat Products” segment for the period under review reported a decrease of 8.08% or BGN 5,836 thousand compared to the previous year.

The Group's trademarks – “Gradus”, “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 Group’s management expects good prospects for sales in the Meat and meat products segment in the recovery period from the pandemic, as well as thereafter, in view of its good liquidity position and the ability to adequately respond to future growth rates of consumer consumption.

The revenues from sales in the "Breeding Eggs" segment (breeding eggs and day-old chicks) decreased by 5,52% or BGN 2 874 thousand.

### *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 10 million eggs. The effects of the Covid-19 pandemic have led to a reduction in market prices for hatching eggs. Despite the negatives accumulated during the period, the realized revenues from sales of hatching eggs reported an increase of 2.5% or BGN 841 thousand compared to the previous year.

The Group reports a significant increase in revenues from sales of hatching eggs on the European market - 104.27% or BGN 5,571 thousand and a significant decrease in revenues from sales of hatching eggs in third countries for the period under review - 21.54% or BGN 4,922 thousand compared to 2019. Revenues from sales of hatching eggs on the domestic market reported an increase of 3.55% or BGN 192 thousand compared to those reported in 2019.

The Group's management continues its expansion program in the segment, believing that these are extraordinary events and will not negatively affect its activities in the medium and long term.



#### *Day-old chicks*

During the period and against the background of the economic uncertainty caused by the pandemic of COVID-19, the Group realized a decrease in the revenues from sales of day-old chickens in the amount of BGN 3,715 thousand or 20,16% in 2020 compared to 2019. The realized revenues from sales of day-old chicks on the domestic market decreased by 20.44% or by BGN 259 thousand compared to 2019. In the sales of day-old chicks in Europe there is a decrease in revenues by 20.14% or by BGN 3,456 thousand compared to 2019.

The management of the group expects volatility in the market prices of meat and meat products, as well as breeding eggs in the medium term and benefits from the unreduced production capacities of the group in the long run.

For the reporting period the Group realized a decrease in the sales of the **Grains and Components segment** by 17.39% or by BGN 5,128 thousand. It is dictated by the lack of good opportunities for realization and in particular - significantly lower sales of sunflower in Turkey in 2020 compared to 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 2020 other operating income reported amounts to BGN 15,276 thousand and consists of:*

<b>Other operating income</b>	<b>2020 BGN'000</b>	<b>2019 BGN'000</b>	<b>Change %</b>	<b>Relative share 2020 %</b>
Rental income	925	878	5%	6%
Gain on sale of materials and FTAs	353	660	-47%	2%
Income from financing	11 788	10 552	12%	77%
Others	2 210	3 244	-32%	15%
<b>Total</b>	<b>15 276</b>	<b>15 344</b>	<b>-</b>	<b>100%</b>

## **EXPENSES**

*The Group reports operating expenses amounting to BGN 144,846 thousand.*

<b>Operating expenses</b>	<b>2020 BGN'000</b>	<b>2019 BGN'000</b>	<b>Changes %</b>	<b>Relative share 2020 %</b>
Changes in stock of finished goods and work in progress	(15 067)	(10 926)	38%	-11%
Expenses on raw materials and materials	77 269	81 579	-5%	53%
Hired service expenses	8 322	8 676	-4%	6%
Personnel expenses	28 613	26 081	10%	20%
Depreciation / amortization expenses	7 308	6 753	8%	5%
Carrying amount of goods sold	21 531	24 643	-13%	15%
Other operating expenses	16 870	16 624	1%	12%
<i>-Impairment of biological assets</i>	<i>13 994</i>	<i>13 517</i>	<i>4%</i>	
<b>Total</b>	<b>144 846</b>	<b>153 430</b>	<b>-6%</b>	<b>100%</b>

During the reporting period *operating costs* decreased by BGN 8.58 million, or by 6% compared to the same period of 2019. The change is mainly due to a decline in sales of goods and respectively to the carrying amount of goods sold by the Group for 2020, and a reduction in the reported costs for raw materials during the reporting period.

The costs for raw materials and supplies have decreased by BGN 4.3 million or by 5.3% in 2020 compared to 2019.

Expenditure on external services also decreased by 354 thousand or by 4.1% in 2020 compared to 2019.

The reported personnel costs increased by BGN 2.5 million or by 9.7% compared to 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 555 thousand or by 8.2% compared to 2019.

Other operating expenses increased by BGN 246 thousand, or by 1.5% in 2020 compared to 2019. They mainly include expenses for impairment of biological assets, which reported an increase of BGN 477 thousand or 3.53% compared to the previous year. The increase in the costs of impairment of biological assets is related to the increase in the number of parent herds raised in 2020 compared to 2019.

The changes in the stocks of finished goods and work in progress affect the operating costs in a decreasing direction by BGN 4.1 million.

## **FINANCE INCOME AND FINANCE COSTS**

<b>Finance income</b>	<b>2020 BGN'000</b>	<b>2019 BGN'000</b>	<b>Change %</b>	<b>Relative share 2020 %</b>
Interest income on loans granted	154	254	-39%	100%
Foreign exchange gains	-	128		
<b>Total</b>	<b>154</b>	<b>382</b>	<b>-60%</b>	<b>100%</b>

<b>Finance costs</b>	<b>2020 BGN'000</b>	<b>2019 BGN'000</b>	<b>Change %</b>	<b>Relative share 2020 %</b>
Interest expenses on bank loans received	77	155	-50%	10%
Bank charges	95	217	-56%	12%
Interest expenses on lease contracts	4	4	-	1%
Expenses from foreign currency transactions	591	-	-	77%
Other	2	32	-94%	-
<b>Total</b>	<b>769</b>	<b>408</b>	<b>88%</b>	<b>100%</b>

## **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 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**

Economic instability and investment uncertainty, the decline in consumer consumption, the volatility of price levels in the segments operated by the Group are just some of the effects of the pandemic situation, which inevitably affect the results of the Group.

Management continues to apply the necessary and possible measures to limit the effects of COVID-19, considering the going concern principle to be appropriate for these consolidated financial statements, as the Group has sufficient liquid resources to continue in the foreseeable future.

### **Political risk**

Political risk is the probability of a change of government, or of a sudden change in its policy, of internal political turmoil and adverse changes in European and / or national legislation, as a result of which the environment in which local businesses operate will change negatively, and investors to incur losses.

The political environment in the Group's export markets, in particular Russia and Iraq, has had a material effect on the Group's operations and financial condition.

### **Macroeconomic risk**

This is the risk of macroeconomic shocks, which are measured by economic stability and the prospects for growth of the national economy. Trends in the macroeconomic environment directly or indirectly influence the formation and change of market conditions, as well as the investment climate.

## **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)**

	<b>2020</b>	<b>2019</b>
Pre-tax profit	12 300	19 299
Income	140 759	154 530
<b>Gross profit margin</b>	<b>8.74%</b>	<b>12.49%</b>

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

	<b>2020</b>	<b>2019</b>
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	20 223	26 078
Income	140 759	154 530
<b>EBITDA margin</b>	<b>14.37%</b>	<b>16.88%</b>

- **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.

	<b>31.12.2020</b>	<b>31.12.2019</b>
Total liabilities	39 579	43 299
Total assets	358 237	354 832
<b>Debt to Assets Ratio</b>	<b>0.11</b>	<b>0.12</b>

#### ***4. Prospective future development of the Group***

The Group's management continues its policy for effective and successful realization of the set long-term goals, taking into account the difficulties of some of them in the conditions of economic uncertainty caused by the pandemic of COVID-19.

The main goals of the group in the long run are:

- 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.

On **September 1, 2020**, Gradus AD notifies that in implementation of its investment program, recorded in the Prospectus for Public Offering of Securities, it puts into operation a business management software system Microsoft Dynamics NAV in its subsidiary Gradus 3 AD from September 1, 2020.

On **September 8, 2020**, Gradus AD notifies of investments made through the subsidiary company Gradus-1 EOOD. Following its investment program mentioned in the Prospectus of public offering of securities, Gradus AD informs of investments made through its subsidiary company Gradus-1 EOOD amounting 1020000 lv. by construction of photovoltaic power plants with capacity 999,74 kWp in Slaughterhouse Stara Zagora, kv. Industrialen. The produced electricity will be used only for internal needs. The life of the installation is over 25 years. The estimated return on the project is 5 years.

On **September 10, 2020**, Gradus AD presented an invitation for convening an Extraordinary General Meeting of Shareholders and materials for a General Meeting of Shareholders, which will be held on 16-10-2020. from 11:00 am in Stara Zagora.

On the grounds of Article 223 of the Commercial Act, the Board of Directors of Gradus AD convenes an Extraordinary General Meeting of Shareholders of Gradus AD /the "Company"/ to be held on 16 October 2020 at 11:00 a.m. local time, (8 a.m. UTC), in the town of Stara Zagora 6009, Stara Zagora Park Hotel, 50 Khan Asparukh Street, Tervel Hall, under the following agenda:

1. Approval of the six-month financial statements of the Company for the first half of 2020

Draft decision: The General Meeting approves the six-month financial statements of the Company for the first half of 2020.

2. Approval of Report on compliance with the requirements of the Public Offering of Securities Act for payment of six-month dividend.

Draft decision: The General Meeting approves Report on compliance with the requirements of the Public Offering of Securities Act for payment of six-month dividend.

3. Decision making pursuant to Art. 39 of the By-Laws of the Company for profit distribution and the payment of an interim dividend on the basis of the adopted 6-month financial statement.

Draft decision: The General Meeting resolves on distributing 6-month dividends from the profit reported by the Company in accordance with the prepared 6-month financial statements for the first half of 2020, under the following parameters: (i) Total gross dividend amount: – BGN 5,359,391.62; (ii) Gross dividend amount per share – BGN 0.022; (iii) Dividend payment start date: 17 November 2020; (iv) Dividend payment period – two months; (v) Method of payment of the dividend: through Central Depository AD and branches of UniCredit Bulbank AD.

An Extraordinary General Meeting of Shareholders (GMS) was held on **16<sup>th</sup> October 2020** and the following decisions were taken:

1. The GMS approves the six-month financial statements of the Company for the first half of 2020;
2. The GMS approves Report on compliance with the requirements of the Public Offering of Securities Act for payment of six-month dividend;
3. The GMS resolves on distributing 6-month dividends from the profit reported by the Company in accordance with the prepared 6-month financial statements for the first half of 2020, under the following parameters: (i) Total gross dividend amount: BGN 5,359,391.62; (ii) Gross dividend amount per share –BGN 0.022; (iii) Dividend payment start date: 17 November 2020; (iv) Dividend payment period –two months; (v) Method of payment of the dividend: through Central Depository AD and branches of UniCredit Bulbank AD.

On **October 16, 2020**, Gradus AD published a notification for dividend payment.

The General Meeting of Shareholders of Gradus AD /the Company/ held on 16<sup>th</sup> of October 2020 decided to distribute part of the Company's profit for the first half of 2020 at the amount of BGN 5 359 391.62 BGN to pay dividends.

- 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: 17<sup>th</sup> of November 2020;
- 1.4. Dividend payment term: -2 months;
- 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 14<sup>th</sup> day following the day of the General Meeting at which the Financial Statement for the first 6 months of 2020 was adopted and a decision on the distribution of the profit was taken, namely 30<sup>th</sup> of October 2020.

On **October 28, 2020**, Gradus AD published a notification for a decision taken on 28<sup>th</sup> of October of the Board of Directors for establishing a new subsidiary company. A company with the name Gradus Logistics EOOD (single-member limited liability company) is to be established, with a sole owner Gradus AD and a capital of BGN 400,000 (four hundred thousand). The amount of the indicated capital represents 0.12% of the value of the assets of Gradus AD, according to the last audited report of the company as of 30.06.2020 (BGN 320,688 thousand) and approximately 0.13% of the assets of Gradus AD, according to the last prepared financial statement of the Company for the third quarter of 2020 (BGN 315,471 thousand). Mr. Luka Angelov Angelov and Mr. Ivan Angelov Angelov were elected as representatives of the company. The main activity of the company is related to the acquisition and rental of vehicles.

The aim is to provide the necessary vehicles for the activities of the other subsidiaries. By differentiating this type of activity in a separate company, a higher degree of profiling of the subsidiaries and better conditions for servicing the activity are achieved.

On **October 30, 2020**, Gradus AD notifies that on a meeting of the Board of Directors of Gradus AD, held on 30<sup>th</sup> of October 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 BGN 200 000.

On **October 30, 2020**, Gradus AD notifies that on a meeting of the Board of Directors held on 30<sup>th</sup> of October 2020, it is resolved that part of the 2019 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 BGN 100 000.

On **October 30, 2020**, Gradus AD notifies that on a meeting of the Board of Directors of Gradus AD held on 30<sup>th</sup> of October 2020, it is resolved that part of the 2019 profit of the subsidiary Lora -2004EOOD 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 **October 30, 2020**, Gradus AD notifies that on a meeting of the Board of Directors of Gradus AD held on 30<sup>th</sup> of October 2020, it is resolved that part of the 2019 profit of the subsidiary Millennium 2000EOOD 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.

On **November 9, 2020**, Gradus AD announces that with number 20201109115824 in the Commercial Register is registered the company Gradus Logistics EOOD with sole owner of the capital Gradus AD.

Information about the subsidiary: Gradus Logistics EOOD, UIC206290911

Address: Stara Zagora, p.k. 6000, zh.k. Industrial, poultry slaughterhouse "Gradus"

The company is managed and represented together and separately by the managers: Ivan Angelov and Luka Angelov

Subject of activity: Acquisition and rental of vehicles, provision of transport services, purchase of goods or other items for resale in original, processed, or processed form, commercial representation and mediation, commission, forwarding and transportation transactions, as well as all other activities and services not prohibited by law, such as the activities subject to licensing or licensing regime will be performed after obtaining a relevant license or permit.

On **November 17, 2020**, Gradus AD started the payment of the 6-month dividend.

The right to receive a dividend shall have the persons in the register of Central Depository AD as shareholders of the Company on the 14<sup>th</sup> day following the day of the General Meeting of Shareholders, which was held on 16<sup>th</sup> of October 2020. The term for payment of the dividend is until 17<sup>th</sup> November 2021.

On **November 18, 2020** Pursuant to Art. 17 of Chapter Three in conjunction with Art. 7 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Regulation on market abuse) and repealing Directive 2003/6 / EC of the European Parliament and of the Council and Directive 2003 / 124 / EC, 2003/125 / EC and 2004/72 / EC of the Commission, Gradus AD hereby informed that on 18 November 2020 a change was entered in the batch of Gradus AD with the Commercial register and the Register of non-profit legal entities at the Registry Agency, namely the extension of the mandate of the current Board of Directors of the company for a new 5 (five) year period.

On **December 9, 2020** on General Meeting of Shareholders of Gradus-98 AD was taken a decision for a distribution of part of the 2019 profit in the amount of BGN 2 600 000 as dividend. As a majority shareholder of Gradus-98 AD Gradus AD will receive an additional dividend of BGN 2 598 284.

On **February 8, 2021** Gradus AD notifies of investment made through the subsidiary company „Gradus Logistics”. To ensure the activity of the Gradus Group companies, vehicles were purchased - cars and a tug track. The total value of the investment amounts to BGN 370,853.

## **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 – December 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.

**31 December 2020**

Total number of shares issued	243 608 710
Number of shares in circulation as of 30 December 2020	243 608 710
Price of share at the beginning of the period	1,680
Price of share at the end of the period	1,460
Market capitalisation as of 31 December 2020 in BGN	355 668 717

**Trading in shares of Gradus AD on BSE AD over the period 01 January 2020 – 31 December 2020**



26 February 2021

EXECUTIVE DIRECTOR:

/Ivan Angelov/

CHAIRMAN OF BD:

/Luka Angelov/