



“GRADUS” AD

INTERIM ACTIVITY REPORT

30 JUNE 2018

The Management presents herewith an Interim Activity Report for the first period of six months of 2018.

INFORMATION ABOUT THE COMPANY

REGISTRATION

“Gradus” AD (the “Company”) is a company registered in Bulgaria in the “Trade Register” at the “Registry Agency” under Unified Identification Code (UIC): 204882907. The Company is a **parent company**. It is registered for an unlimited period of time.

Registered office address:

Republic of Bulgaria,

6000 Stara Zagora, “Industrialen” Residential District, “Gradus” Poultry Slaughterhouse.

SUBJECT OF ACTIVITY

The Company has the following subject of activity: Investments in stocks and shares of companies, acquisition and management of shares in Bulgarian and foreign companies; implementation of activity as a holding company; acquisition, assessment and sale of patents, concession of licenses for the use of patents of companies, in which the Company has shares; financing of companies, in which the Company has shares, as well as any other activity not prohibited by the law, provided that a permit or a license is required, or registration for the purpose of carrying out any activity, then such activity shall take place following the obtaining of such permit or license, respectively following the completion of such registration.

The results presented in the Financial Statement of the Company depend directly on the activity of the subsidiary companies.

REVIEW OF THE ACTIVITY

Gradus AD as a holding company carries out its subject of activity by managing and representing the following subsidiary companies:

As at 30.06.2018 the subsidiary companies within the Group are as follows:

		% shares
Lora-2004 EOOD	effective percentage share	100,00
Shyuliv EOOD	effective percentage share	100,00
Millenium 2000 EOOD	effective percentage share	100,00
Gradus-1 EOOD	effective percentage share	100,00
Gradus-3 AD	effective percentage share through Gradus-1 EOOD	96,00
Gradus-98 AD	effective percentage share	99,94

The main subject of activity of the companies within the Gradus Group is concentrated in the field of “Poultry-farming”, except for companies having as their subject of activity the “production of combined fodders and trade”.

Results for the current period

For the period 01.01.2018 – 30.06.2018 the Company realized a net profit to the amount of BGN 20 972 thousand.

The Company’s **income** is only from dividends allocated by the subsidiary companies as a result of their trade activity from past years – amounting to BGN 21 326 thousand.

The **expenditure on activity** include: total and administrative costs, amount to BGN 382 thousand.

The **financial costs** amount to BGN 11 thousand.

Main share capital

As at 30.06.2018 the registered share capital of “Gradus” AD amounts to BGN 221 000 thousand, allocated in 221 000 000 shares with a nominal value of BGN 1 (one) each.

The shares of “Gradus” AD are ordinary, registered, non-materialized, voting shares.

The Company’s capital is deposited in full.

As at 30.06.2018 the Company's shareholders are as follows:

- Luka Angelov Angelov - 50% of the capital, and
- Ivan Angelov Angelov - 50% of the capital

Board of Directors

The Board of Directors consists of three (3) members who are as follows as at 30.06.2018:

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

Financial instruments and financial risk

The Company's Risk Management Policy is designed to identify and analyze the risks, to which the Company is exposed with the purpose of establishing limits of undertaking a risk. Based on the analysis made of those risks, the Company develops and introduces respective controls, through which to ensure control on those risks. This Policy, as well as the built risk management controls are subject to periodic inspection for the purpose of reflecting any changes made to the external and internal conditions, under which the Company operates.

Credit risk

There is a credit risk upon the occurrence of loss, when a party under a financial instrument cannot fulfill an obligation under a contractual obligation. The Company is not exposed to any credit risk.

Liquidity risk

Liquidity risk is the risk for the Company having difficulties upon fulfilling its obligations connected with financial liabilities. The Company's approach towards liquidity management is to make sure, as far as possible, that there would be always sufficient liquidity in order to fulfill its obligations, both under normal and stressful conditions, including without undertaking any unacceptable losses or without causing any damages to the Company's reputation.

Market risk

Market risk is the risk upon any change of market prices, such as a currency exchange rate, interest rates or prices of capital instruments, the Company's revenue or the value of its investments being affected.

Financial risk management

The Company's objectives connected with the capital management are to ensure its capacity to keep existing as an operating enterprise and to ensure adequate profitability for shareholders.

During the period ending on 30.06.2018 there were no changes of the objectives, policy or processes related to capital management.

Foreseen Company's development

The Board of Directors of “Gradus” AD believes that the Company needs some additional capital in order to invest in the growth of the Group's activity set in the Investment Policy of “Gradus” AD. The Board of Directors has taken a decision that it would be most appropriate as regards its financing to increase the capital via public offering on the “Bulgarian Stock Exchange – Sofia” AD.

The investment policy, including the planned target allocation of the funds to be obtained as a result of the capital increase, is described in detail in a Prospectus for public offering of securities, subject to the approval of the Financial Supervision Commission.

Activities in the field of scientific researches and developments

During the period under review there were no scientific researches and developments carried out in the Company.

Branches

The Company has no branches.

Information about acquisition of own shares, as required by virtue of Art. 187e of the Commercial Act

There were no own shares acquired in the period 01.01.2018 – 30.06.2018.

Significant events during the first six months of 2018 and up to the date of execution of the Interim Activity Report

On 26.03.2018 a Meeting of the shareholder of “Gradus” AD was held, where the following decision were approved: 1. To increase its capital up to BGN 248 777 778 (two hundred and forty-eight million, seven hundred and seventy-seven thousand, seven hundred and seventy-eight) through the issuance of 27 777 778 (twenty-seven million, seven hundred and seventy-seven thousand, seven hundred and seventy-eight) new ordinary, non-materialized, registered, freely transferable voting shares with a nominal value of BGN 1 (one) each, under the conditions of public offering of “Bulgarian Stock Exchange – Sofia”; 2. The General Meeting of shareholders took a decision for the main parameters of the emission of new shares, thus increasing the capital of “Gradus” AD; 3. The General Meeting of shareholders gave its consent for the public offering of the shares from the capital increase approved by a decision under item 1 to take place at the same time and together with the public offering of shares held by the Company’s shareholders; 4. The General Meeting of shareholders confirmed “First Financial Brokerage House” EOOD as the entity serving the increase of the capital of “Gradus” AD, as “First Financial Brokerage House” EOOD is a licensed investment intermediary holding License No. ПГ-03-2015/15.10.2008 issued by the Financial Supervision Commission; 5. The General Meeting assigned the investment intermediary “First Financial Brokerage House” EOOD with the execution of a Prospectus for the public offering of shares from the capital increase; 6. The General Meeting assigned the Board of Directors with the taking of all decision necessary in connection with the Prospectus for the public offering of shares of the capital increase, including the approval of the Prospectus, making corrections to it, etc.; 7. The General Meeting adopted the Report of the Board of Managers under Art. 194, para 4 of the Commercial Act and revoked the priority rights of the shareholders under Art. 194, para 1 - 3 of the Commercial Act for the acquisition of a part of the new shares corresponding to their share of the capital, as the right of all natural persons and legal entities to subscribe shares of the Company’s capital increase.; 8. The General Meeting of shareholders approved changes to the Company’s Statutes in conformity with the provisions of the Public Offering of Securities Act, according to Enclosure No. 1. Such changes shall take effect provided that the Company acquires the status of a public company.

On 16.04.2018 “Gradus” AD put forward a “Prospectus for the admission to trade on a regulated market of debt securities”, through the investment intermediary “First Financial Brokerage House” EOOD.

On 03.05.2018 a General Meeting of the shareholder of “Gradus” AD was held, where the following decisions were approved: 1. The General Meeting of shareholders approved the Report of the Board of Directors on the activity of the Company for 2017; 2. The General Meeting of shareholders approved the Report of the Registered Auditor on the performed check of the Individual Annual Financial Statement for 2017; 3. The General Meeting of shareholders approved the Individual Annual Financial Statement of the Company for 2017; 4. The General Meeting of shareholders approved the Report of the Registered Auditor on the performed check of the Consolidated Annual Financial Statement for 2017; 5. The General Meeting of shareholders approved the Consolidated Annual Financial Statement of the Company for 2017; 6. The General Meeting of shareholders took a decision for the non-allocation of any profit realized for the activity of the Company in 2017, due to the lack of such; 7. The General Meeting of shareholders released from responsibility the members of the Board of Directors of the Company as regards their activity in 2017; 8. In view of the decision taken on 26.03.2018 by the General Meeting for the increase of the Company capital through the issuance of new shares under the conditions of public offering of “Bulgarian Stock Exchange – Sofia” AD, the General Meeting of shareholders revoked its decision dated 29.12.2017 for the empowerment of the Board of Directors, by virtue of Art. 32, item 5 of the Statutes, to increase the Company capital through the issuance of new shares under the conditions of public offering, in conformity with the applicable legislation up to the amount of BGN 100 000 000 (one hundred million BGN) within a term of up to 2 years, by specifying all necessary details and taking all necessary decisions connected with the conditions and organization of the offering, including the appointment of an investment intermediary and the approval of a Prospectus for the public offering of shares.

On 11.05.2018 a General Meeting of the shareholder of “Gradus” AD was held in connection with the appointment of a registered auditor to verify and certify the Annual Financial Statement for 2018. The General Meeting of shareholders appointed the audit company “BAKER TILLY KLITOU & PARTNERS” LTD;

On 17.05.2018 “Gradus” AD put forward a corrected “Prospectus for the admission to trade on a regulated market of debt securities”, through the investment intermediary “First Financial Brokerage House” EOOD.

On 28.05.2018, by **Decision No. 542 – E/28.05.2018**, the Financial Supervision Commission confirmed a Prospectus for the public offering of an emission of shares for the increase of the capital of “Gradus” AD.

On 18 and 19 June an Initial Public Offering (IPO) took place on the “Bulgarian Stock Exchange – Sofia:” AD. Type of offering – IPO Auction. A total of 45 217 420 (forty-five million, two hundred and seventeen, four hundred and twenty) shares were sold at the price of BGN 1.80 per share to the total value of BGN 81 391 356 (eighty-one million, three hundred and ninety-one, three hundred and fifty-six), of which 22 608 710 (twenty-two million, six hundred and eight, seven hundred and ten) existing shares to the total value of BGN 40 695 678 (forty million, six hundred and ninety-five thousand, six hundred and seventy-eight) and 22 608 710 (twenty-two million, six hundred and eight, seven hundred and ten) new shares to the total value of BGN 40 695 678 (forty million, six hundred and ninety-five thousand, six hundred and seventy-eight).

On 17.07.2018 the capital increase of “Gradus” AD was registered into the Trade Register – Registry Agency. The Company increased its capital from BGN 221 000 000 to BGN 243 608 710;

On 20.07.2018 the emission of the capital increase of “Gradus” AD was registered into the “Central Depository” AD under **ISIN BG1100002184**. Registered 243 608 710 shares with a nominal value of BGN 1 (one) each, capital of the emission - BGN 243 608 710;

On 30.07.2018, by **Decision No. 770 – ПД/30.07.2018**, the Financial Supervision Commission entered “Gradus” AD as a public company into the Register of public companies and other emittents of securities pursuant to Art. 30, para 1, item 3 of the Financial Supervision Commission Act, kept by the Financial Supervision Commission.

31.07.2018
“Gradus” AD

Executive Director

/Ivan Angelov/