



Translation from Bulgarian

**MANAGEMENT REPORT**  
**ON THE ACTIVITY OF GRADUS AD**  
***IN 2019***

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## I. Introduction. General information about Gradus AD

Gradus AD closed the financial year 2019 by reporting a positive result of BGN 11,911 thousand, formed primarily from dividends paid by the subsidiaries and interest on loans granted. During the past year 2019, a six-month dividend from the current result of BGN 5,359 thousand was paid.

### 1.1. Registration and object of activity

GRADUS AD (the „Company”) is a company registered in Bulgaria with the Commercial Register of the Registry Agency under UIC: 204882907 on 28 November 2017.

The Company is a **parent entity**.

Its existence is not limited by time.

Management address:

Stara Zagora 6000, Industrialen quarter, Gradus Poultry Slaughterhouse

On **30 July 2018**, by decision N 770 – ПД of 30 July 2018, the Financial Supervision Commission registered GRADUS AD as a public company with the Public Companies and Other Issuers of Securities Register, kept by the Financial Supervision Commission, pursuant to Article 30, paragraph 1, item 3 of the Financial Supervision Commission Act.

The company shares are admitted to trading on the BSE Main Market, Standard Segment. Stock Exchange Code **GR6**.

### OBJECT OF ACTIVITY OF THE COMPANY

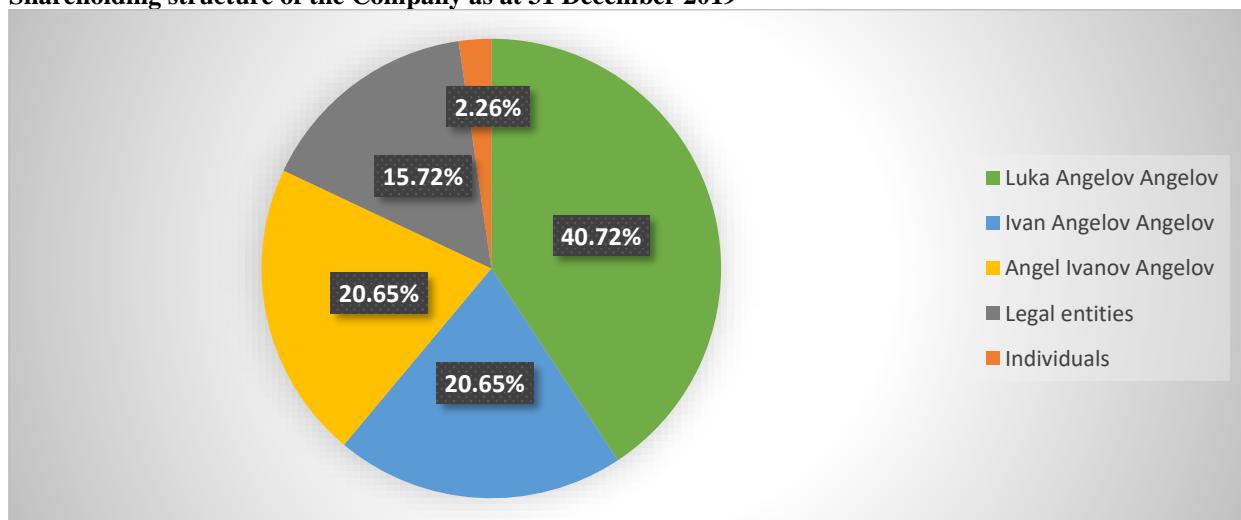
The object of activity of the Company is: Investments in stocks and shares of companies, acquisition and management of shares in Bulgarian and foreign companies; activity as a holding company; acquisition, assessment and sale of patents, concession of licenses for the use of patents of companies, in which the Company has shares; financing of companies, in which the Company has shares, as well as any other activity not prohibited by law, provided that if 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.

### 1.2. Share capital

The registered capital of the company as at 31 December 2019 amounts to BGN 243,609 thousand, split into 243,608,710 shares with nominal amount of BGN 1 (one) each.

The shares of GRADUS AD are ordinary, registered, dematerialized voting shares.

### Shareholding structure of the Company as at 31 December 2019



### 1.3. Board of Directors

Gradus AD has a one-tier management system - Board of Directors.

The Board of Directors consists of three (3) members who are as follows as at 31 December 2019:

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

**Participation of the members of the Board of Directors** in commercial companies as general partners, holding of more than 25 percent of the capital of another entity, as well as participation in governing bodies of other companies or cooperatives as procurators, general managers or board members:

#### **Luka Angelov Angelov**

1.1. As a general partner - No

1.2. Owns directly more than 25% of the capital of:

"Equity Invest-1" AD (UIC 204750154), "Equity Invest-2" OOD (UIC 204746138), "Energy-2" OOD (UIC 123655788), "Agro Invest-7" OOD (UIC 123654743) "Mirena" OOD (UIC 123655806), "Gold Agro-2005" OOD (UIC 119642703), "Wolf" OOD (UIC 123760892), "Marieta" EOOD (UIC 123655770), "Auto Spa Center" OOD (UIC 204959983), "Gradus" AD (UIC 204882907)

#### **and indirectly through "Gradus" AD:**

"Zhyuliv" EOOD (UIC 119053781), "Millennium 2000" EOOD (UIC 119591422), "Gradus-98" EAD (UIC 123120561), "Gradus-1" EOOD (UIC 822132592), "Lora-2004" EOOD (UIC 123658624), "Gradus-3" AD (UIC 123152751), „Gold Farm 91“ EOOD (UIC 205933500).

#### **and indirectly through "Marieta" EOOD in "Trade Home" EOOD (UIC 123644254)**

1.3. Participates in the governing bodies of:

"Equity Invest-1" AD (UIC 204750154), "Equity Invest-2" OOD (UIC 204746138), "Zhyuliv" EOOD (UIC 119053781), "Millennium 2000" EOOD (UIC 119591422), "Gradus-98" AD (UIC 123120561), "Energy-2" OOD (UIC 123655788), "Agro Invest-7" OOD (UIC 123654743), "Gradus-1" EOOD (UIC 822132592), "Mirena" OOD (UIC 123655806), "Lora-2004" EOOD (UIC 123658624), "Gold Agro-2005" OOD (UIC 119642703), "Gradus-3" AD (UIC 123152751), "Wolf" OOD (UIC 123760892), "Marieta" EOOD (UIC 123655770), "Auto Spa Center" OOD (UIC 204959983), "Bisser Oliva" AD (UIC 123036597).

#### **Ivan Angelov Angelov**

1.1. As a general partner - None

1.2. Owns directly more than 25% of the capital of:

"Equity Invest-1" AD (UIC 204750154), "Ayazmo" AD (UIC 201974859), "Mirena" OOD (UIC 123655806), "Gold Agro-2005" OOD (UIC 119642703), "Wolf" OOD (UIC 123760892), "Zagora Oil" OOD (UIC 202473858), „Ralitsa 2004“ OOD (UIC 123658631).

#### **and indirectly through "Gradus" AD:**

"Zhyuliv" EOOD (UIC 119053781), "Millennium 2000" EOOD (UIC 119591422), "Gradus -98" EAD (UIC 123120561), "Gradus-1" EOOD (UIC 822132592), "Lora-2004" EOOD (UIC 123658624), "Gradus-3" AD (UIC 123152751), „Gold Farm 91“ EOOD (UIC 205933500).

1.3. Participates in the governing bodies of:

"Equity Invest-2" Ltd. (UIC 204746138), "Ayazmo" AD (UIC 201974859), "Zhyuliv" EOOD (UIC 119053781), "Millennium 2000" EOOD (UIC 119591422), "Energy-2" OOD (UIC 123655788), "Agro Invest-7" OOD (UIC 123654743), "Gradus-1" EOOD (UIC 822132592), "Mirena" OOD (UIC 123655806), "Lora-2004" OOD (UIC 123658624), "Gold Agro-2005" OOD (UIC 119642703), "Wolf" OOD (UIC 123760892), „Ralitsa 2004“ OOD (UIC 123658631), „Gold Farm 91“ EOOD (UIC 205933500).

#### **Georgi Alexandrov Babev**

1.1. As a general partner - No

1.2. Owns directly more than 25% of the capital of: LG Auto OOD (UIC 205395076)

1.3. Participates in the governing bodies of:

#### 1.4. Audit Committee

Members of the Audit Committee are:

- Radka Dincheva Peneva – Chair of the Audit Committee – until 02 November 2019;
- Dobri Svetlozarov Simeonov - Chair of the Audit Committee – from 02 November 2019;
- Petya Radoslavova Panova – Member of the Audit Committee;
- Georgi Aleksandrov Babev – Member of the Audit Committee.

## II. An objective review of the development and operating performance of the Company, as well as its status, together with a description of the main risks faced by it

### 2.1. Indicators characterizing the operating performance

Being a holding company, Gradus AD carries out no independent commercial activity. The Company's activity is focused on management of subsidiaries and allocating financial resources among them.

Group subsidiaries as at 31 December 2019:

		% share
Lora-2004 EOOD	effective shareholding	100.00
Zhyuliv EOOD	effective shareholding	100.00
Millennium 2000 EOOD	effective shareholding	100.00
Gradus-1 EOOD	effective shareholding	100.00
Gradus-3 AD	effective shareholding through Gradus-1 EOOD	96.00
Gradus-98 AD	effective shareholding	99.94
Gold Farm 91 EOOD	effective shareholding	100.00

The main object of activity of the group of Gradus AD is concentrated in Poultry-farming Sector, except for the companies with object of activity „manufacture of and trading in compound feeding stuff“.

At present, there are no trends and events that have a significant impact on the company's future activity and operating performance.

### 2.2. Operating results

The net profit of the Company for the period 01 January 2019 – 31 December 2019 amounts to **BGN 11,911 thousand** (for the period 01 January 2018 – 31 December 2018 - a net profit of **BGN 26,701 thousand**).

The results of the Company reported in its financial statements depend directly on the performance of its subsidiaries.

#### 2.2.1. Revenue of the Company

REVENUE	2019 <i>BGN'000</i>	2018 <i>BGN'000</i>	Relative share for 2019, %
<b>Operating income</b>			
Revenue from services	60	-	-
Dividend income	11 997	27 175	96%
Other income	7	-	-
<b>Finance income</b>			
Interest income	494	309	4%
<b>Total</b>	<b>12 558</b>	<b>27 484</b>	<b>100%</b>

The main income, which has the greatest impact on the current financial result of the Company, originates from distribution of dividends by the subsidiaries, which are as a result of their commercial activity.

The 2019 dividend income is much lower than that in 2018, mainly due to:

- The dividends that were distributed in 2018 to the parent company cover the results of the subsidiaries for a period longer than one year;
- The 2018 results of the subsidiaries have been affected negatively by the crisis in Turkey and depreciation in Turkish lira, as well as by the drop in the breeding eggs prices on international markets.

Dividend income by companies:

Subsidiary	2019 BGN'000	2018 BGN'000	Relative share, %
Millennium 2000 EOOD	4 000	11 331	33%
Gradus-98 АД	4 497	9 494	38%
Zhyuliv EOOD	3 000	3 500	25%
Gradus-1 EOOD	-	2 500	-
Lora-2004 EOOD	500	350	4%
<b>Total</b>	<b>11 997</b>	<b>27 175</b>	<b>100.00%</b>

- Interest income relate to loans granted to subsidiaries.

Terms and conditions of loans to subsidiaries:

Subsidiary	Currency	Agreed principal BGN'000	Maturity	Interest %	Balance as at 31 December 2019	Incl. interest	Balance as at 31 December 2018	Incl. interest
Gradus-3 AD	BGN	12 000	17.07.2020	0,86%	8 188	-	11 998	-
	BGN	5 000	27.08.2019	0,86%	-	-	4 999	-
	BGN	3 000	03.09.2019	0,86%	-	-	2 999	-
Gradus-1 EOOD	BGN	900	29.12.2020	0,86%	900	-	-	-
	BGN	12 000	17.07.2020	0,86%	6	6	11 998	-
	BGN	1 000	06.08.2020	0,86%	-	-	1 000	-
	BGN	1 000	15.08.2020	0,86%	1 001	1	1 000	-
	BGN	5 400	28.08.2020	0,86%	354	4	5 398	-
	BGN	3 400	19.12.2020	0,86%	3 400	1	-	-
	BGN	2 500	22.12.2020	0,86%	2 500	-	-	-
	BGN	2 800	26.12.2020	0,86%	2 800	-	-	-
	BGN	3 200	29.12.2020	0,86%	3 199	-	-	-
Millennium 2000 EOOD	BGN	3 400	29.12.2020	0,86%	3 399	-	-	-
	BGN	5 000	17.07.2020	0,86%	-	-	4 999	-
Lora-2004 EOOD	BGN	11 000	17.07.2020	0,86%	10 599	-	10 998	-
Gradus-98 AD	BGN	2 500	29.12.2020	0,86%	2 501	1	-	-
<b>Total amount</b>		<b>74 100</b>			<b>38 847</b>	<b>13</b>	<b>55 389</b>	<b>-</b>

The loans granted to subsidiaries are current. The purpose of the loans is to support the development of existing and new business lines, as described in the Public Offering of Securities Prospectus and to finance their operational activity.

## 2.2.2. Expenses of the Company

### Operating expenses:

EXPENSES	2019 BGN'000	2018 BGN'000	Change %	Relative share, for 2019, %
<b>Operating expenses</b>				
<i>Expenses by nature</i>				
Expenses on materials	9	1	800	1%
Hired service expenses	122	404	-69%	20%
Depreciation / amortization expenses	2	1	100	-
Expenses on wages and social security payments	449	386	16%	69%
Other expenses	69	33	94%	10%
<b>Total:</b>	<b>651</b>	<b>825</b>	<b>-21%</b>	<b>100%</b>
<b>Finance costs</b>				
Bank charges	3	11	-73%	
<b>Total:</b>	<b>3</b>	<b>11</b>		
<b>Total operating expenses</b>	<b>654</b>	<b>836</b>	<b>-22%</b>	

During the reporting period, the remuneration expenses held the highest share of costs.

A detailed breakdown of expenditure can be found in the Notes to the financial statement.

## 2.2. Risk factors for the activity

At present, management of Gradus AD is not aware of any specific trends and events, which would directly influence the Company's future activity.

The Company's risk management identifies and analyses potential risks, to which the Company might be exposed. Different levels of control have been implemented with the aim to ensure effective monitoring of those risks.

### Credit risk

Credit risk exists if a loss is generated when a counterparty to a financial instrument is not able to meet its obligations under a contractual term.

The exposure to a credit risk depends on the individual characteristics of each customer. The Company measure the credit risk of loans to related parties using internal valuations that reflect the probability of default. In 2019, the Company granted loans only to related parties – subsidiaries, which reduces the credit risk to a minimum.

### Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in fulfilling its obligations related to financial liabilities. The liquidity management approach of the Company 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 Company.

### 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 Company's income or the value of its investments may be affected. At present, this risk is immaterial.

### Financial risk management

The overall capital management goal of the Company is to ensure its ability to continue as a going concern and to ensure adequate return to its shareholders.

There were no changes in the capital management goals, policies or processes in the period ending 31 December 2019.

### III. Analysis of financial and non-financial key performance indicators related to business activity, including information on environmental and personnel-related matters

#### 3.1. Key financial indicators

Aiming at achieving greater efficiency and control on the Company's performance, management monitors certain key performance indicators. These indicators are mainly directed towards the amount of profit, the debt level and efficiency.

Main indicators related to profit, which the Company monitors, are as follows:

- **EBITDA margin (EBITDA/sales)**

	<b>31.12.2019</b>	<b>31.12.2018</b>
EBITDA (earnings before interest, taxes, depreciation and amortisation)	11 415	26 351
Revenue	12 064	27 175
<b>EBITDA margin</b>	<b>94.62%</b>	<b>96.97%</b>

#### EFFECTIVENESS

- **Cost effectiveness ratio (total expenses /total income)**

	<b>31.12.2019</b>	<b>31.12.2018</b>
Total expenses	654	836
Total income	12 558	27 484
<b>Cost effectiveness</b>	<b>0.05</b>	<b>0.03</b>

- **Revenue effectiveness ratio (total income /total expenses)**

	<b>31.12.2019</b>	<b>31.12.2018</b>
Total income	12 558	27 484
Total expenses	654	836
<b>Revenue effectiveness</b>	<b>19.20</b>	<b>32.88</b>

The analysis of the revenue and costs effectiveness for 2019 reveals that revenue covers fully the company's expenses and thus, the company is able to meet the dividend commitments undertaken and to finance the companies included in the Group's portfolio.

The Company had no financial liabilities as at 31 December 2019. The Company timely pays its current liabilities.

#### 3.2. Non-financial Statement

Gradus AD is a holding company and does not carry out its own production and trading activity, nor it produces or markets its own goods or services. The company's activities are focused on management of subsidiaries and distribution of finance resources among them.

Being a parent entity in a large Group, the Company will draw up and include also a consolidated Non-financial Statement in its consolidated management report.

#### 3.3. Personnel

The average number of staff of Gradus AD at 2019 year-end is 4 employees hired under employment agreements (2018: 2 employees). All employees of the Company have a higher education degree and qualification that is in conformity with the post occupied.

During the reporting period, the company did not hire temporary workers.



Posts within the Company as at 31 December 2019:

- Investors Relations Director
- Finance Manager
- Risk Manager
- Chief Accountant

The Company provides additional qualification possibilities to improve the professional qualification of its employees.

#### **IV. Important events, which have occurred after the date of preparation of the annual separate financial statements**

The Company's management is not aware of any important and significant events, which have occurred after 31 December 2019 that would have an impact on the separate financial statements.

#### **V. Future perspectives of the company**

Gradus AD intends to continue to finance its subsidiaries aiming at extending their production capacity and optimising activities. Investments are planned in all segments in which the entities operate. Business software to manage activities is to be implemented.

The company would benefit from each opportunity to invest, if favourable financial conditions exist.

#### **VI. Research and development activities**

The Company was not involved in research and development activities in 2019.

#### **VII. Information on the acquisition of treasury shares required by Article 187e of the Commercial Act**

Treasury shares were not acquired during the reporting period.

#### **VIII. Branches of the Company**

The Company has no branches.

#### **IX. Financial instruments used by the Company**

Financial instruments used by the Company as at 31 December 2019:

<b>Financial assets at amortised cost</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<i>In BGN'000</i>		
Related party receivables	6 017	9 081
Receivables on loans to related parties	38 847	55 389
Cash and cash equivalents	899	3 145
<b>Total:</b>	<b>45 763</b>	<b>67 615</b>

Management of the company assesses the estimated credit risk on financial instruments at each period-end. Parameters affecting the amount of expected credit losses are defined collectively or individually depending on the type and nature of the financial instruments concerned. For further details on the write down of receivables on loans granted and financial instruments, see the accounting policies and notes to the financial statements.

#### **X. Additional information pursuant to Appendix 10 of Ordinance 2 of FSC**

**1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the Company as a whole and the changes that occurred during the reporting fiscal year.**

During the reporting financial year, revenue from services represents 100% of sales revenue with related parties. Gradus AD, as a contractor, concluded contracts for the provision of services to its subsidiaries with the following subject-matter: implementation of systems for analysis, control and reporting upon disclosure of issuer's information, as well as staff training.

**2. Information about the revenue allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenue from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the Company.**

Information on revenue is disclosed in Section II, point 2.2.1. hereof.

**3. Information about concluded large transactions and such of significant importance to the issuer's activity**  
Large transactions and such of significant importance to the activity of Gradus AD were not concluded in 2019.

**4. Information about the transactions concluded between the Company and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the Company or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial status;**

Large transactions of significant importance to the activity of Gradus AD were not concluded in 2019, with the exception of loans to subsidiaries, as disclosed in the Notes to the separate financial statements. There are no transactions falling beyond the issuer's normal activity or such concluded not at arm's length.

**5. Information about events and indicators of unusual for the Company nature, having substantial influence over its operation and the realized by its revenue and expenses made; assessment of their influence over the results during the current year;**

There were no events and indicators of unusual nature, having substantial influence over the issuer's operations.

**6. Information about off-balance sheet transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the Company's financial status;**

There were no such transactions.

**7. Information about holdings of the Company, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing;**

Investments of Gradus AD are in shares of subsidiaries.

The Company owns no real estate.

Information on share participation of Gradus AD is disclosed in the Management Report to the separate financial statements, Section II, point 2.1. hereof.

**8. Information about the concluded by the Company, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities**

At 31 December 2019, Gradus AD had no loan payables and was not a party to guarantees provided and liabilities assumed.

**9. Information about the concluded by the Company, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under, including the deadlines for repayment and the purpose for which they have been granted**

The short-term loans provided by the issuer are as follows:

Subsidiary	Currency	Agreed principal BGN'000	Maturity	Interest %	Balance at 31.12.2019	incl. interest	Balance at 31.12.2018	incl. interest
Gradus-3 AD	BGN	12 000	17.07.2020	0,86%	8 188	-	11 998	-
	BGN	5 000	27.08.2019	0,86%	-	-	4 999	-
	BGN	3 000	03.09.2019	0,86%	-	-	2 999	-
	BGN	900	29.12.2020	0,86%	900	-	-	-
Gradus-1 EOOD	BGN	12 000	17.07.2020	0,86%	6	6	11 998	-
	BGN	1 000	06.08.2020	0,86%	-	-	1 000	-
	BGN	1 000	15.08.2020	0,86%	1 001	1	1 000	-
	BGN	5 400	28.08.2020	0,86%	354	4	5 398	-
	BGN	3 400	19.12.2020	0,86%	3 400	1	-	-
	BGN	2 500	22.12.2020	0,86%	2 500	-	-	-
	BGN	2 800	26.12.2020	0,86%	2 800	-	-	-
	BGN	3 200	29.12.2020	0,86%	3 199	-	-	-
	BGN	3 400	29.12.2020	0,86%	3 399	-	-	-
Millennium 2000 EOOD	BGN	5 000	17.07.2020	0,86%	-	-	4 999	-
Lora-2004 EOOD	BGN	11 000	17.07.2020	0,86%	10 599	-	10 998	-
Gradus-98 AD	BGN	2 500	22.12.2020	0,86%	2 501	1	-	-
<b>Total amount</b>		<b>74 100</b>			<b>38 847</b>	<b>13</b>	<b>55 389</b>	<b>-</b>

The purpose of short-term loans provided is to support the development of existing and new business lines, and to finance the operations of subsidiaries.

#### 10. Information on the use of the funds accumulated through a new issue of securities over the reporting period

The Company has not issued a new securities issue over the reporting financial year.

#### 11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results

There are no forecasts published by the Company for the respective period.

#### 12. A Analysis and assessment of the financial resource management policy with indication of the possibilities for servicing of the liabilities, eventual risks and measures which the issuer has undertaken or is to undertake with a view to their removal

The policy of Gradus AD is directed primarily to management of the subsidiaries included in its portfolio. Free cash is used to finance the companies' operations. At 31 December 2019, the company used no loan funds.

#### 13. Assessment of the possibilities for realization of investment intentions with indication of the amount of available funds, as also of any changes in the financing structure of this activity

The activity of Gradus AD is directed primarily to developing the entities included in its portfolio.

#### 14. Information about occurred during the reporting period changes in the base principles for management of the issuer and its economic group.

In December, Gradus acquired through purchase 100% of the shares of Gold Farm 91 EOOD, incorporated by contributing in-kind SP GRADUS – IVAN ANGELOV- 55.

The purpose of the transaction is to combine the cycle of production and distribution of products bearing the Gradus trademark, a portion of which has been carried so far by SP GRADUS – IVAN ANGELOV- 55, namely – live birds fattening. Historically, SP GRADUS – IVAN ANGELOV- 55 was the first manufacturer of the Gradus products and its integration with the corporate group of Gradus would result in the optimisation of certain administrative and operating expenses, as well as to better protection of the image of the group companies' core brand. Considering the above, the commercial entity of SP GRADUS – IVAN ANGELOV- 55 has been contributed in-kind in its entirety into the capital of Gold Farm – 91 EOOD, UIC 205933500, a company that was incorporated simultaneously with

making the in-kind contribution, which holds no other assets nor carries out other business, but the business of the commercial entity being acquired.

Gradus AD manages its investments by setting high but achievable objectives in terms of quality, productivity and profitability. Particular attention is paid to environmental protection, human resources development and corporate social responsibility. There were no changes over the reporting period to the basic principles of management of Gradus AD.

**15. Information about the main characteristics of the applied by the issuer in the course of preparation of the financial statements internal controls system and risk management system.**

The Company has an established internal control and risk management system. Regarding the financial reporting process, financial statements are drawn up in accordance with International Financial Reporting Standards. The current financial and accounting activity of the company is subject to periodic control and analysis by the management body. The company has implemented a well-established practice for periodic discussion of the current financial performance of the companies included in its strategic investment portfolio with a view to ensuring the implementation of their business programmes and a precise analysis of the possibilities for the implementation of future investment projects.

**16. Information on changes in the management and supervisory bodies during the reporting fiscal year.**

- There were no changes in the management bodies.
- There were changes in the supervisory bodies (Audit Committee): Radka Dimcheva Peneva – Chair of the Audit Committee (she performed her functions until 31 October 2019 inclusive as a consequence of a notification submitted to the Board of Directors of Gradus AD for non-compliance with the independence requirements to members of the Audit Committee, as stipulated in Article 107, paragraph 4, item 1 of the Independent Financial Audit Act).

**On 02 November 2019**, by virtue of Minutes of the Board of Directors of Gradus AD, the company's management proposed to the General Meeting of Shareholders to elect as Chair of the Audit Committee Mr Dobri Svetlozarov Simeonov, who complied with the requirements of the Independent Financial Audit Act to be a member and Chair of an audit committee.

**17. Information on the amount of the remuneration, rewards and/or the benefits of each member of the management and control bodies for the fiscal year under review, paid by the Company and its subsidiaries, irrespective of whether they have been included in the Company's expenses or arise from profit distribution, including:**

- a) amounts received and in-kind benefits;
- b) conditional or postponed remuneration over the year, even if the remuneration is due at a later point in time;
- c) amount due by the issuer or its subsidiaries for payment of pensions, retirement benefits or other similar compensation

Information is provided in a separate Report on the Implementation of the Members of the Board of Directors Remuneration Policy.

**18. Information about shares of the Company owned by the members of the management and of the control bodies, procurators and the senior management, including shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the Company by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options.**

Shares held at 31 December 2019 by the members of the Board of Directors:

<b>Name, father's name, family name</b>	<b>Number of shares</b>	<b>%</b>
Luka Angelov	99 195 645	40.72%
Ivan Angelov	50 312 465	20.65%
Georgi Aleksandrov Babev	0	0

**19. Information about agreements known to the Company (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.**

No such agreements are known.

## 20. Information about pending court, administrative or arbitration proceedings relating to issuer's liabilities or receivables of an amount of at least 10 percent of its equity

Gradus AD is not a party to pending court, administrative or arbitration proceedings, nor there are any decisions taken or claims to terminate the activity of the company and announce it in liquidation.

## 21. Contact information of the Investor Relations Director, including telephone number and correspondence address

Commencing 1 January 2020, Marieta Babeva was appointed on the position of Investors Relation Director, 0883 773 993

[ir@gradusbg.com](mailto:ir@gradusbg.com)

Sofia, 110B Simeonovsko Shosse Boulevard, floor 4, office 22

## XI. Additional information under Appendix 11 of Ordinance 2 of FSC

### 1. Structure of the Company's capital including the securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another Member State, with indication of the different classes of shares, the rights and liabilities attaching to any of the classes of shares and the portion of the total capital which each individual class constitutes.

The share capital of GRADUS AD as at 31 December 2019 amounts to BGN 243,608,710 (two hundred forty-three million, six hundred and eight thousand, seven hundred and ten Bulgarian leva) split into 243,608,710 (two hundred forty-three million, six hundred and eight thousand, seven hundred and ten) ordinary registered dematerialized voting shares with nominal amount of BGN 1 each in accordance with the Company's Articles of Association.

The subscribed capital of the Company was paid fully and registered with the Commercial Register at the Registry Agency.

All shares give the right to one vote at the General Meeting of Shareholders, right to dividend and liquidation share proportionate to the share's nominal value.

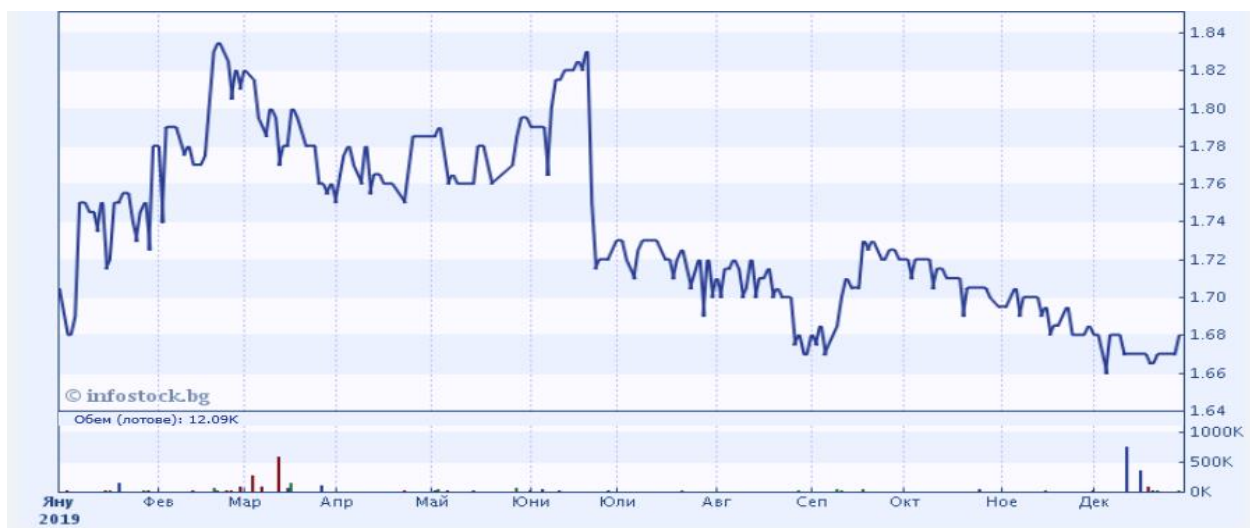
The company shares are admitted to trading on the BSE Main Market, Standard Segment.

The stock exchange code is **GR6**.

The capital structure of GRADUS AD as at 31 December 2019:

- Individuals – 1,176: 205,319,955 shares, 84.28%
- Legal entities - 71 : 38,292,755 shares, 15.72%

### Trading in shares of GRADUS AD on BSE AD during the period 1 January 2019 – 31 December 2019



In 2019, Gradus AD distributed two dividends as follows:

- BGN 24,361 thousand for the financial year 2018
- BGN 5,359 thousand for the first six months of 2019

Последна цена	Промяна	Промяна проценти	Обем (лева)	Последна сделка
<b>1.680 лв.</b>	<b>-0.025</b>	<b>-1.47%</b>	<b>6 560 807</b>	30 Декември 2019 16:46

в абсолютна стойност / в проценти

	Цена	Към дата	Изменение спрямо				
			Начална	Минимална	Максимална	Средна	Последна
Начална	1.690	03.01.2019	-	▲3.05%	▼8.40%	▼2.76%	▲0.60%
Минимална	1.640	19.12.2019	▼2.96%	-	▼11.11%	▼5.64%	▼2.38%
Максимална	1.845	21.02.2019	▲9.17%	▲12.50%	-	▲6.16%	▲9.82%
Средна	1.738	-	▲2.84%	▲5.98%	▼5.80%	-	▲3.45%
Последна	1.680	30.12.2019	▼0.59%	▲2.44%	▼8.94%	▼3.34%	-

## Исторически данни

Месечно

Дата	Отваряне	Мин.	Макс.	Затваряне	Δ	Δ%	Обем(лота)	Обем(лева)
12/2019	1.680	1.640	1.690	1.680	▼0.005	▼0.30 %	1 270 988	2 121 527
11/2019	1.710	1.650	1.710	1.685	▼0.010	▼0.59 %	87 148	147 145
10/2019	1.710	1.690	1.720	1.695	▼0.025	▼1.45 %	64 533	110 003
09/2019	1.680	1.670	1.730	1.720	▲0.050	▲2.99 %	117 781	199 975
08/2019	1.710	1.670	1.720	1.670	▼0.030	▼1.76 %	71 608	121 246
07/2019	1.740	1.690	1.745	1.700	▼0.020	▼1.16 %	62 445	107 221
06/2019	1.770	1.715	1.830	1.720	▼0.075	▼4.18 %	131 920	235 748
05/2019	1.785	1.750	1.800	1.795	▲0.010	▲0.56 %	190 833	337 490
04/2019	1.750	1.750	1.785	1.785	▲0.025	▲1.42 %	39 969	70 397
03/2019	1.820	1.750	1.820	1.760	▼0.050	▼2.76 %	1 270 340	2 282 193
02/2019	1.780	1.740	1.845	1.810	▲0.030	▲1.69 %	218 665	395 573
01/2019	1.690	1.670	1.780	1.780	▲0.075	▲4.40 %	249 566	432 289

## 2. Limitations over the securities transfer, such as limitations for holding of securities or a requirement to obtain approval of the Company or another shareholder.

There are no restrictions on the transfer of shares, such as restrictions on the holding of shares or a need to obtain the approval of the Company or other shareholder.

The transactions with registered dematerialised shares of the Company may be concluded on the securities regulated markets only through investment brokers, as well as by other ways provided for in a law.

The transfer of registered dematerialised shares issued by the Company has an effect from the moment of registration of the transaction with the Register kept by the Central Depository certifying the right to these shares. Registered dematerialised shares of the Company are transferred in compliance with the requirements of the effective legislation.

## 3. Information on the direct and indirect holding of 5 or more percent of the voting rights in the Company's General Meeting of Shareholders, including information about the shareholders, the amount of their holding and the manner of holding the shares.

Shareholders of GRADUS AD as at 31 December 2019 holding of 5 or more percent of the voting rights in the Company's General Meeting of Shareholders:

	Shareholders	31.12.2019		31.12.2018	
		Number of shares	%	Number of shares	%
1	Luka Angelov Angelov	99 195 645	40,72	99 195 645	40,72
2	Ivan Angelov Angelov	50 312 465	20,65	99 195 645	40,72
3	Angel Ivanov Angelov	50 312 465	20,65	1 400 000	0,57
4	Doverie Pension Insurance Company	12 541 468	5,15	12 225 000	5,02
5	Legal entities	25 751 287	10,57	25 909 878	10,63
6	Individual shareholders	5 495 380	2,26	5 682 542	2,34
	<b>TOTAL</b>	<b>243 608 710</b>	<b>100,00</b>	<b>243 608 710</b>	<b>100,00</b>

#### **4. Information about the shareholders with special control rights and description of these rights**

The Articles of Association of GRADUS AD does not envisage special control rights.

#### **5. The control system in exercising the voting right in cases when officials of the company are also its shareholders and when the control is not exercised directly by them.**

A control system is not envisaged. Every employee who is also a shareholder is able to vote freely as he/she wishes and at his/her own discretion.

#### **6. Limitations over the voting rights, such as limitations over the voting rights of the shareholders with a given percent or number of votes, deadline for exercising the voting rights or systems whereby with the company's assistance, the financial rights attaching to the shares are separated from the holding of shares.**

There are no restrictions on the voting rights of the company shareholders, regardless of the number of shares held, nor are there any restrictions as to the deadline for exercising the voting rights.

A voting right may be exercised by persons registered as holders of voting shares with the Register kept by the Central Depository 14 (fourteen) days before the date of convening the General Meeting.

Shareholders participate in the General Meeting in person or through a proxy authorised expressly by an explicit power of attorney in compliance with the requirements of POSA.

#### **7. Agreements among the shareholders, which are known to the company and which may result in limitations over the transfer of shares or the voting right.**

The company is not aware of any agreements among the shareholders, which may result in limitations over the transfer of shares and/or the voting rights.

#### **8. Provisions regulating the appointment and dismissal of the members of the company's management bodies and about introduction of amendments and supplements to the articles of association.**

##### **The General Meeting of Shareholders:**

1. amends and supplements the Articles of Association of the Company;
2. increases and decreases the capital of the Company;
3. transforms and terminates the Company;
4. elects and dismisses the members of the Board of Directors;
5. determines the remuneration of the members of the Board of Directors, to whom corporate governance functions will not be entrusted, including their right to receive a portion of the Company's profit, as well as the right to acquire shares and bonds of the Company;
6. appoints and dismisses registered auditors, when the audit is mandatory in the cases provided for in a law or when a decision has been taken that an independent financial audit shall be carried out;
7. approves the annual financial statements after they have been certified by the appointed registered auditor in the cases where an independent financial audit has been carried out;
8. takes a decision for profit distribution, for making contributions to the Reserve Fund and for payment of dividends;
9. resolves on the issuance of bonds;
10. appoints liquidators in the event of termination of the Company, except for the case of termination by bankruptcy;

11. releases from liability the members of the Board of Directors;
12. resolves on redemption of treasury shares of the Company;
13. elects an Audit Committee; determines the number and mandate of its members and approves its Rules of Procedure in compliance with the provisions of the Independent Financial Audit Act;
14. empowers the persons managing and representing the Company to conclude deals under Article 114, paragraph 1 of POSA;
15. resolves on all other matters within its competence according to the law and/or the Articles of Association.

#### **Majority required to pass decisions**

Decisions of the General Meeting shall be adopted by a majority of 50% plus one share of all voting shares issued, unless a higher majority is provided for in the law or in the Company's Articles of Association. The decisions referred to in points 1, 2, 3 and 12 shall require a majority of 2/3 of all voting shares issued.

The decision referred to in point 14 requires a majority of 3/4 of the capital represented in the event of acquisition or disposal of assets, and in all other cases, 50% plus one share of the capital represented.

#### **9. Powers of the company's management bodies, including the right to take decisions for the issue and redemption of shares in the company.**

The powers of the Board of Directors are stipulated in the Articles of Association of the Company.

**10. Significant contracts of the company which give rise to action, have been amended or terminated due to change in the control of the company upon carrying out of obligatory tender offer and the consequences thereof, save for the cases when the disclosure of such information may cause serious damages to the company; the exception of the previous sentence shall not apply in the cases when the company must disclose information by virtue of the law.**

There are no such contracts.

**11. Agreements between the company and its management bodies or officials for payment of compensation upon quitting or dismissal without legal grounds or upon termination of the labour relations due to reasons, related to a tender offer**

There are no such agreements, nor any such agreement are envisaged.

20 March 2020

EXECUTIVE DIRECTOR:

/Ivan Angelov/

CHAIRMAN OF THE BOARD OF DIRECTORS:

/Luka Angelov/