

Materials for Regular annual general meeting of shareholders of Gradus AD

***5th of June 2020, 11 am, town of Stara Zagora 6009, Park Hotel Stara
Zagora, 50, Khan Asparuh Street, Tervel Hall***

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.
- a. 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.

- a. 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;

Content

1. *Annual Financial Statements of the Company for the year 2019;*
2. *Registered Auditor's Report for auditing the Annual Financial Statements of the Company for the year 2019;*
3. *Activity Report of the Board of Directors of the Company for the year 2019;*
4. *Report on the Implementation of the Remuneration Policy;*
5. *Report on the activity of the Investor Relations Director of the Company for the year 2019;*
6. *CV of Dobri Svetlozarov;*
7. *Diploma for higher education of Dobri Svetlozarov;*
8. *Declaration para 107 of Dobri Svetlozarov;*
9. *Audit committee report*
10. *Rules of Procedure of the Audit Committee of the company;*
11. *Audit committee recommendation;*
12. *Minutes of the Board of Directors with proposals for changes in the Audit Committee*

GRADUS AD
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31.12.2019 BGN'000	31.12.2018 BGN'000
ASSETS			
Non-current assets			
Computer equipment	4	26	-
Intangible assets	5	174	3
Investments in subsidiaries	6	269 012	264 960
Deferred tax assets	7	60	53
Total non-current assets		269 272	265 016
Current assets			
Related party trade receivables	21	18	-
Receivables on loans to related parties	21	38 847	55 389
Dividends receivable	21	5 999	9 081
Other current receivables and prepaid expenses	8	55	-
Cash and cash equivalents	9	899	3 145
Total current assets		45 818	67 615
TOTAL ASSETS		315 090	332 631
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	243 609	243 609
Issue premium	10	62 287	62 287
Retained earnings/ (loss)	10	8 891	26 700
Total equity		314 787	332 596
Current liabilities			
Tax liabilities	11	250	4
Payables to personnel and social security	12	41	31
Other current liabilities		12	-
Total current liabilities		303	35
TOTAL LIABILITIES		303	35
TOTAL EQUITY AND LIABILITIES		315 090	332 631

Date: 20 March 2020

Prepared by:

/Antoaneta Boeva/

Executive Director:

/Ivan Angelov/

Chairman of the Board of Directors:

/Luka Angelov/

The notes on pages 7 to 33 are an integral part of these financial statements.

Financial Statements were approved by the Board of Directors of Gradus AD on 20 March 2020

GRADUS AD
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		31.12.2019	31.12.2018
		BGN'000	BGN'000
Revenue			
Revenue	13.1	60	-
Dividend income	13.2	11 997	27 175
Other income	13.3	7	-
Costs of materials		(9)	(1)
Costs of hired services	14	(127)	(404)
Depreciation / amortisation expenses	4, 5	(2)	(1)
Personnel expenses	15	(449)	(386)
Impairment of assets		(4)	(11)
Other operating expenses	16	(65)	(22)
Operating profit / (loss)		11 413	26 350
Finance income	17	494	309
Finance costs	17	(3)	(11)
Finance income, net		491	298
Profit / (Loss) before taxes		11 904	26 648
Taxes	18	7	53
Net profit /(loss) for the period		11 911	26 701
Other comprehensive income		-	-
Total comprehensive income for the period		11 911	26 701
Earnings per share		0.05	0.11

Date: 20 March 2020

Prepared by:

/Antoaneta Boeva/

Executive Director:

/Ivan Angelov/

Chairman of the Board of Directors:

/Luka Angelov/

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GRADUS AD
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Issue premium	Retained earnings / (loss)	Total equity
	BGN'000	BGN'000	BGN'000	BGN'000
Balance on 28.11.2017	-	-	-	-
Issue of shares	221 000	44 200	-	265 200
Loss for the period	-	-	(1)	(1)
Balance on 31.12.2017	221 000	44 200	(1)	265 199
Net profit for the period	-	-	26 701	26 701
Issue of shares	22 609	18 087	-	40 696
Balance on 31.12.2018	243 609	62 287	26 700	332 596
Net profit for the period	-	-	11 911	11 911
Distributed profit for dividends	-	-	(29 720)	(29 720)
Balance on 31.12.2019	243 609	62 287	8 891	314 787

Date: 20 March 2020

Prepared by:

/Antoaneta Boeva/

Executive Director:

/Ivan Angelov/

Chairman of the Board of Directors:

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GRADUS AD
INDIVIDUAL CASH FLOWS STATEMENT
FOR THE PERIOD ENDING ON 31 DECEMBER 2019

	2019	2018
	BGN'000	BGN'000
Cash flows used in operating activity		
Receipts from customers	125	-
Payments to suppliers	(269)	(379)
Payments to personnel	(399)	(352)
Taxes paid/ refunded, other than income tax, net	(70)	32
Other payments for operating activity	(5)	(20)
Net cash flows used in operating activity	(618)	(719)
Cash flows used in investing activity		
Assets purchase	(199)	(4)
Loans to related parties	(18 700)	(56 900)
Proceeds from loans	35 259	1 500
Interest received on granted loans	481	309
Purchase of investments	(4 052)	-
Dividends received	15 079	18 094
Net cash flow from investing activities	27 868	(37 001)
Cash flows from financing activity		
Proceeds from issue of capital	-	40 696
Dividends paid	(28 464)	-
Taxes paid on dividends paid	(1 029)	-
Other proceeds/payments from investing activity	(3)	(71)
Net cash flows from financing activity	(29 496)	40 625
Net increase in cash and cash equivalents	(2 246)	2 905
Cash and cash equivalents at the beginning of the period	3 145	240
Cash and cash equivalents at the end of the period	899	3 145

Date: 20 March 2020

Prepared by:

/Antoaneta Boeva/

Executive Director:

/Ivan Angelov/

Chairman of the Board of Directors:

/Luka Angelov/

The notes on pages 7 to 33 are an integral part of these financial statements.

Financial Statements were approved by the Board of Directors of Gradus AD on 20 March 2020

GRADUS AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Translation from Bulgarian

1. Status and subject of activity

Gradus AD, Stara Zagora, was established on 28 November 2017.

Management address: Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse

BULSTAT: 204882907

Gradus AD is a public company registered on 30 July 2018 by the Financial Supervision Commission.

The shares of the company are listed on the Bulgarian Stock Exchange.

The capital of the company consists of 243,608,710 (two hundred forty-three million, six hundred and eight thousand, seven hundred and ten) non-preferential registered voting shares with nominal amount of BGN 1 each.

Object of activity of the company: 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.

Ownership and management

Shareholders of the company as at 31 December 2019:

- Luka Angelov Angelov – 40.72% of the capital,
- Ivan Angelov Angelov – 20.65% of the capital
- Angel Ivanov Angelov - 20.65% of the capital
- Legal entities – 15.72% of the capital
- Individual shareholders – 2.26% of the capital.

Management bodies of the company

- General Meeting of Shareholders
- Board of Directors

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

Audit Committee:

The Audit Committee supports the work of the Board of Directors; it has the role of those in charge of governance who monitor and supervise the internal control system, risk management and financial reporting system of the company.

Members of the Audit Committee are:

- Dobri Svetlozarov Simeonov – Chair of the Audit Committee;
- Petya Radoslavova Panova – Member of the Audit Committee;
- Georgi Aleksandrov Babev – Member of the Audit Committee.

The average number of staff of Gradus AD as at 31 December 2019 was 4 hired under employment contracts (2018: 2).

GRADUS AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Basis of preparation of the separate financial statements

These separate financial statements have been prepared based on the principles of going concern and historical cost convention.

These financial statements are the separate financial statements of Gradus AD.

The company will prepare consolidated financial statements in accordance with IFRS, endorsed by the European Union, until 30 April 2020.

Functional currency and currency of presentation

Pursuant to the requirements of the Bulgarian legislation, the company keeps its accounting books and records and prepares its financial statements in the national currency of the Republic of Bulgaria – the Bulgarian lev. Since 1 January 1999 the exchange rate of the Bulgarian lev has been pegged to the exchange rate of the Euro in a ratio of EUR 1 = BGN 1.95583.

These financial statements have been prepared in BGN'000 (BGN thousand), unless stated otherwise.

3. Significant accounting policies

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate prevailing on the date of preparation of the statement of financial position. Foreign exchange gain or loss originating from monetary items is the difference between the amortised cost in the functional currency at the beginning of the period adjusted by the effective interest and the payments over the period and the amortised cost in foreign currency translated at the exchange rate at end of the period.

Non-monetary assets and liabilities that are measured in terms of fair value in a foreign currency are translated using the exchange rate at the date of measurement of the fair value. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Any foreign exchange differences, which occur upon translation into the functional currency, are reported as profits and losses, except for differences arising on the translation into the functional currency of available-for-sale equity instruments or eligible cash flow hedges that are recognised in other comprehensive income (if any).

(b) Property, plant and equipment

(i) Recognition and measurement

Initial recognition

Items of property, plant and equipment are measured initially at cost, which comprises all directly attributable costs of acquisition of the asset.

The cost comprises the asset's purchase price, including any import duties and non-refundable purchase taxes, and any costs directly incurred in bringing the asset to its location and working condition necessary to prepare the asset for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and the appropriate proportion of indirect production overheads; costs directly incurred in bringing the asset to its location and working condition necessary to prepare the asset for its intended use; initial estimate of the costs of dismantling and removing the assets, and restoring the site on which they are located, and capitalised interest expenses. Software acquired without which it is impossible to operate equipment purchased is capitalised as part of the equipment.

When items of property, plant and equipment contain components with different useful lives, they are reported separately.

3. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Subsequent measurement

Subsequent to initial acquisition, fixed tangible assets (property, plant and equipment) are carried under the revaluation model of IAS 16.

The fair value of fixed tangible assets (property, plant and equipment) is determined on the basis of market evidence presented in a report prepared by an approved licensed valuer. Revaluation is scheduled to take place every 3 years. When the fair value changes significantly over a shorter period of time, the revaluation may be made more often to ensure that their carrying amount at the relevant reporting date does not materially differ from their fair value.

Gains and losses on derecognition of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognised net in other income / other expenses in profit or loss. When the revalued assets are sold or derecognised on other grounds, the amounts included in the revaluation reserve are reclassified to retained earnings or accumulated losses.

The other fixed tangible assets (motor vehicles, hardware, fixtures and fittings, etc) are presented under the cost model of IAS 16.

(ii) Subsequent costs

Subsequent costs of replacing part of the property, plant and equipment are capitalised to the carrying amount of the relevant asset only to the extent that it is probable that economic benefits originating from that part of the asset will flow to the company and the expenditure can be measured reliably. Current repairs and maintenance are recognised as an expense when incurred.

(iii) Depreciation

An item of property, plant and equipment is depreciated from the date on which it is installed and ready for use, or for the self-constructed assets, from the date on which the asset is completed and ready for use. Depreciation charges are recognised up to the amount of the asset's original value minus the estimated residual value of the asset based on the straight-line method over the estimated useful life of each component of property, plant and equipment. Depreciation charges are recognised in profit or loss unless they are included in the carrying amount of another asset. Assets acquired under leases are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless it is virtually certain that the ownership of the asset will be acquired by the end of the lease term. Land is not depreciated.

Depreciation rates are defined as follows:

	2019
	Annual depreciation
	rate, %
Buildings and facilities	1.5
Plant and equipment	8
Motor vehicles	10
Hardware	33.3
Fixtures and fittings	10
Other fixed assets	4 – 10

The methods of depreciation, useful lives and assets residual values (if not immaterial) are reviewed at each date of preparation of financial statements.

3. Significant accounting policies (continued)

(c) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and any impairment losses.

The carrying amount of intangible assets is tested for impairment when events or changes in circumstances indicate that the carrying amount could exceed their recoverable amount. Intangible assets are derecognised from the statement of financial position when they are permanently retired and no future economic benefit is expected from their disposal, or when they are sold.

Gains and losses on sale of individual assets from the group of intangible assets are determined by comparing the consideration to which the company expects to be entitled (sales proceeds) with the asset's carrying amount at the date on which the recipient obtains control of the asset. They are stated net, as part of "Other operating income/(losses), net" on the statement of comprehensive income.

Subsequent costs

Subsequent costs are capitalised only when they increase the future economic benefit from the specific asset to which they relate. Any other costs, including costs of internally generated goodwill and trademarks, are recognised as an expense when incurred.

Amortisation

Intangible assets are amortised on a straight-line basis in profits and losses over the estimated useful economic life from the date on which they are ready for use.

	2019	2018
	Annual amortisation	Annual amortisation
	rate, %	rate, %
Software	33.33	33.33
Intellectual property rights	15	15

The methods of amortisation, useful lives and assets residual values are reviewed at each year-end.

(d) Investments

The long-term investments representing stocks and shares in subsidiaries are presented in the financial statements at acquisition price (cost), which is:

- the fair value of the consideration paid for the acquisition of stocks and shares and / or
- the value of the paid-up monetary shareholding and / or
- the value of the shares contributed in-kind against the shares issued, which value is determined by appraisers appointed by the court, incl. the direct costs of acquiring the investment, less any impairment losses.

These investments are not traded on stock exchanges. This circumstance does not make it possible to provide market price quotations in an active market that adequately reflect the fair value of those shares.

Investments held by the company are subject to impairment testing. When there are conditions and indications of impairment, it is calculated as the difference between the investment's carrying amount and its recoverable amount and is recognised in the statement of comprehensive income (in profit or loss for the year). In case of subsequent reversal of impairment, it is recognised in the statement of comprehensive income.

Investments are derecognised when the entity transfers the rights originating from the asset to other persons when the legal grounds for that arise and thus control on the economic benefits from the respective specific type of investment is lost.

3. Significant accounting policies (continued)

(e) Financial instruments

A financial instrument is each contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets

Initial recognition, classification and measurement

On initial recognition, financial assets are classified in three groups according to which they are subsequently measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss.

The company initially measures financial assets at fair value and, in the case of financial assets which are not carried at fair value through profit or loss, plus the direct transaction costs. Trade receivables that do not contain a significant financing component are an exception - they are measured on the basis of the transaction price determined in accordance with IFRS 15.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade (transaction) date, i.e., the date that the company commits to purchase or sell the asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (debt and equity instruments).

Classification groups

Financial assets at amortised cost (debt instruments)

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held and used within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the statement of comprehensive income.

The company's financial assets at amortised cost include cash and cash equivalents, trade receivables, and loans to related parties.

Financial assets at fair value through other comprehensive income (debt and equity instruments)

The company has no such assets.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets at fair value through profit or loss

The company has no such assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Expected credit loss on financial assets

The company recognises an allowance (impairment provision) for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For the purposes of calculation of expected credit losses on loans to related and third parties, and cash and cash equivalents with banks, the company has adopted the general approach to impairment as set by IFRS 9. According to this approach, the company applies a three-stage impairment model based on changes compared to the initial recognition of the financial instrument's credit quality.

Expected credit losses are recognised in two stages.

a. A financial asset that has not been credit impaired at its initial origination/acquisition is classified in phase 1. Since its initial recognition, its credit risk and qualities are subject to continuous monitoring and analyses. The expected credit losses on financial assets classified in Phase 1 are determined on the basis of expected credit losses resulting from possible default events which could occur within the next 12 months of the life of the asset concerned (12-month expected credit losses for the instrument).

b. In cases where, after initial recognition of a financial asset, its credit risk increases significantly and as a result its qualities deteriorate, it is classified in phase 2.

Expected credit losses on financial assets classified in phase 2 are determined over the remaining life (term) of the relevant asset (lifetime expected credit losses for the instrument).

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

The company's management has developed a policy and a set of criteria for analysis, identification and evaluation of the occurrence of a status of a "significant increase in credit risk".

In cases where the credit risk of a financial asset increases to a level indicating that an event of default has occurred, the financial asset is considered to be impaired and it is classified in phase 3. At this stage, losses incurred by the relevant asset for its entire remaining lifetime (term) are established and calculated.

The company adjusts expected credit losses based on historical data using forecast macroeconomic indicators that are found to be correlated and are expected to affect the amount of the expected credit losses in the future.

In calculating expected credit losses on trade receivables, assets under contracts with customers and lease receivables, the company applies a simplified approach to calculate expected credit losses and does not follow subsequent changes in their credit risk. According to this approach, the company recognises an allowance (impairment provision) based on the expected credit loss over the entire period of the receivables at each reporting date.

Financial liabilities

Initial recognition, classification and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

Classification groups

Financial liabilities at fair value through profit or loss

The Group has no such liabilities.

Loans and other borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured by the company at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the relevant financial liability is derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income (in the profit or loss for the year).

Derecognition

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. This requirement derives from the idea of the real business nature of the company's relationship with a counterparty that, in the simultaneous existence of these two requirements, the expected actual cash flow and benefits from these estimates to the enterprise is the net flow, i.e. the net amount reflects the actual right or liability of the company originating from these financial instruments – in any case, its right to receive or pay only the net amount. If both conditions are not met simultaneously, it is assumed that the rights and obligations of the company in respect of these counter-balances (financial instruments) are not covered only and solely by the receipt or payment of the net amount.

The netting policy is also linked to the assessment, presentation and management of the actual credit and liquidity risks associated with these counter-balances.

Criteria applicable to establishing *the existence of a current and legally enforceable netting right* are as follows:

- the right should not depend on a future event, i.e. it shall be enforceable not only if a particular future event occurs;
- it should be possible to exercise the right and to defend it by employing legal means in the course of (taken cumulatively):
 - the ordinary activity,
 - in case of default/delay, and
 - in case of bankruptcy and insolvency.

The applicability of criteria shall be assessed against the requirements of Bulgarian legislation and the established arrangements between the parties. The condition for *the existence of a current and legally enforceable netting right* is always and mandatorily assessed together with a second condition: *for the existence of obligatory intention to settle these balances on a net basis*.

(f) Trade and other receivables

Trade receivables are an unconditional right of an entity to receive remuneration under contracts with customers and other contractors.

Initial recognition

Initially, trade receivables are presented and measured at fair value based on the transaction price, which value is usually equal to the invoice amount, unless they contain a significant financing component that is not charged additionally. If this is the case, they are recognised at their present value calculated at a discount rate equal to the interest rate that is considered inherent to the debtor.

Subsequent measurement

The company holds trade receivables solely for the purpose of collecting contractual cash flows and measures them subsequently at amortised cost less the accumulated impairment for expected credit losses.

Impairment

The company applies the lifetime expected credit losses model for its trade receivables using the simplified approach required by IFRS 9. The expected credit loss from receivables is stated as Impairment of assets in the statement of comprehensive income.

(g) Cash and cash equivalents

Cash comprises cash on hand and cash in current accounts, and cash equivalents comprises deposits with banks with an original maturity of three months or less, and deposits with longer maturity that are freely disposable by the company in accordance with the arrangement with bankers during the term of the deposit.

3. Significant accounting policies (continued)

(g) Cash and cash equivalents (continued)

Subsequent measurement

Cash and cash equivalents in banks are measured subsequently at amortised cost, less any accumulated impairment for expected credit losses.

For the purposes of the preparation of the cash-flow statement:

- cash equivalents from customers and cash payments to suppliers are presented gross, VAT inclusive (20%);
- interest received on current accounts are presented as operating activity;
- VAT paid under purchases of long-term assets is specified on the “payments to suppliers” line to the cash-flows from operating activity, as long as it is included into and recovered together with the operating flows of the company for the respective period;
- proceeds from and payments from and on overdrafts are reported net by the company in cash flows from financing activity.

(h) Trade and other payables

Trade and other current liabilities in the statement of financial position are stated at cost of acquisition, which is deemed to be the fair value of the transaction and will be paid in future against the goods and services received. In cases of deferred payments beyond the usual credit term on which no additional payment of interest is envisaged or interest is quite different from the usual market interest rate, the liabilities are initially assessed at their fair value at the discount rate inherent to the company, and subsequently, at amortised cost.

(i) Interest-bearing loans and other financial resources provided

Loans and other financial resources are presented initially at an acquisition price which is considered fair value of consideration given in a transaction, net of direct costs associated with these loans and resources. Subsequent to initial recognition, interest-bearing loans and borrowings, and other resources given, are measured subsequently and presented in the statement of financial position at amortised cost determined by applying the effective interest rate method. The amortised cost has been calculated by taking into account of all types of charges, commissions and other amounts relating to these loans.

Gains and losses are recognized in the statement of comprehensive income as finance income or finance costs during the amortisation period.

Interest income is presented depending on the phase in which the relevant loan or other receivable on financial resource granted, as the case may be, has been classified using the effective interest rate method.

(j) Income

The company's usual income consists of dividends and interest on loans granted.

Dividend income is recognized in the current profit or loss on the date the company acquires the right to receive the payment as a result of a decision taken for the allocation of the accumulated profits of the subsidiaries.

Measurement of contracts with customers

A contract with customer exists when:

- the parties have approved the contract;
- the rights of each party can be identified;
- the payments terms can be identified.

A contract for which any of the above criteria has not yet been met shall be re-measured each reporting period. Remuneration received under such a contract is recognized as a liability (a contract liability) in the statement of financial position until all criteria for recognizing a contract with customer are complied with and the company fulfils its performance obligations. Upon initial recognition of its contracts with customers, the company makes an additional analysis and assessment of whether two or more contracts should be considered together and accounted for as only one contract. The company recognises revenue for each single performance obligation at the level of an individual contract with a customer by analysing the type, terms and conditions of each specific contract.

3. Significant accounting policies (continued)

(j) Income

Measurement of revenue under contracts with customers

Revenue is measured on the basis of the transaction price set under each contract. The transaction price is the amount of the consideration to which the company expects to be entitled, with the exception of amounts collected on behalf of third parties. In determining the transaction price, the company takes into account the terms and conditions of the contract and its usual commercial practices, including the impact of the variable remuneration, the existence of a significant financing component, the non-monetary consideration, and the consideration due to the customer.

(k) Finance income and finance costs

Finance income is reported in the statement of comprehensive income (in the profit or loss for the year), when occurs, and comprises of: interest income on loans granted and term bank deposits, interest income on receivables, and net foreign exchange gains.

Finance income is presented separately from finance costs on the face of the statement of comprehensive income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets in phases 1 and 2. Interest income on financial assets in phase 3 is calculated by applying the effective interest rate to their amortised cost (i.e. the gross carrying amount adjusted by expected credit losses).

Foreign currency gains and losses are reported net as either finance income or finance costs depending on whether the foreign currency differences represent a net gain or a net loss.

(l) Provisions

Provisions are recognised when the company has a present legal or constructive liability as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the liability. Provisions are determined by discounting the estimated future cash flows with a pre-tax interest rate that reflects the time value of money and the risks specific to the liability. Interest accrued on the discounted value is recognised as finance costs.

(m) Income tax

Income tax for the reporting period consists of current and deferred taxes. Income tax is recognised in profit and loss, except to the extent that it relates to business combinations or items recognised directly in equity or in other comprehensive income.

Current income tax is the expected tax payable on the taxable profit or loss for the year, using the tax rates that are enacted or substantially enacted by the reporting date, and any adjustments to tax payable in respect of previous years. Current income tax includes also any tax effects of dividends.

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised for all temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting nor taxable profit nor loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxation authority.

3. Significant accounting policies (continued)

(m) Income tax (continued)

Deferred income tax assets are recognised for all unused tax losses, credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that future benefits will be realised.

In assessing its current and deferred taxes the company takes into account the effect of uncertain tax items and whether additional taxes or interest might be due. The company is of the opinion that the tax liability accruals are adequate for all open tax years based on an assessment of lots of factors, including interpretation of tax laws and previous experience. The assessment is based on estimates and assumptions and may include judgements for future events. New information may appear as well, according to which the company may change its judgements on the adequacy of the existing tax liabilities; any such changes in the tax liabilities would affect the tax expense for the period in which such assessment is made.

(n) Key estimates and assumptions

Calculation of expected credit losses on loans granted, trade receivables and assets under contracts with customers

The measurement of the expected credit loss for financial assets carried at amortised cost (loans granted, receivables and assets under contracts with customers) is an area, which requires the use of significant assumptions about future economic conditions and credit behaviour of customers and debtors (for example, the likelihood of counterparties not fulfilling their obligations and the resulting losses).

Aiming at achieving compliance with these requirements, the company's management makes a number of important judgments, such as:

- (a) defines criteria for identifying and evaluating a significant increase in credit risk;
- (b) selecting appropriate models and assumptions for measuring expected credit losses;
- (c) formation of groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses,
- (d) establishing and evaluating the correlation between historical default rates and behaviour of certain macroeconomic indicators to reflect the effects of forecasts in future when calculating expected credit losses.

Estimates when recognising revenue from contracts with customers

When recognising revenue and preparing the annual financial statements, management makes different judgements, estimates and assumptions, which influence the reported income, expenses, assets and liabilities under contracts, and their corresponding disclosures. Despite the uncertainty regarding these assumptions and estimates, the company does not expect substantial adjustments to the carrying amount of the assets and liabilities in the future, and respectively, the reported costs and revenue.

Useful life of fixed assets - The company examines the estimated useful lives of the depreciable fixed assets at each year-end.

Recognition of tax assets - When recognising deferred tax assets, it is assessed the probability that individual deductible temporary differences will reverse in the future and the ability of the company to generate sufficient tax profits to offset them against those profits.

Impairment of investments – Investments in subsidiaries are measured at cost. At the end of each year, management assesses whether there are any indications of impairment of its investments in shares and subsidiaries. Management found no indications of impairment of its investments in subsidiaries as at 31 December 2019.

3. Significant accounting policies (continued)

(o) New standards and interpretations

Certain new standards and amendments that will become effective for financial periods beginning after 1 January 2019 have not been applied previously in the preparation of these financial statements. The effects of implementing these new standards and amendments are as follows:

Standards and amendments issued by IASB/ IFRIC and approved by the EU, which have not yet entered into force and have not been early applied:

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of ‘material’ (effective for annual periods beginning on or after 1 January 2020) - Management does not expect that these amendments will have a significant impact on the financial statements of the Company.

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020) - Management does not expect that these amendments will have a significant impact on the financial statements of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020) - Management does not expect that these amendments will have a significant impact on the financial statements of the Company.

Standards and amendments issued by IASB, but not yet endorsed by the EU:

Currently, the IFRS adopted by the EU do not differ significantly from those adopted by the IASB, except for the following new standards, amendments to existing standards and new interpretations, which have not been adopted by the EU yet as at the date of execution of the present Financial Statement (the dates of entry into force specified below refer to the complete IFRS):

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021 r.) – Management does not expect that the adoption of this standard will have a significant impact on the financial statements of the Company.

Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020) - Management does not expect that these amendments will have a significant impact on the financial statements of the Company.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Management does not expect that these amendments will have a significant impact on the financial statements of the Company.

The Company expects that the adoption of these standards and amendments will not affect significantly the financial statements of the Company in the period of their initial application.

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4. Fixed tangible assets

<i>In BGN'000</i>	Hardware	Motor vehicles	Total
Book value			
Balance on 01 January 2017	-	-	-
Balance on 31 December 2018	-	-	-
Additions	5	22	27
Balance on 31 December 2019	5	22	27
Depreciation			
Balance on 31 December 2017	-	-	-
Balance on 31 December 2018	-	-	-
Depreciation charge for the period	(1)	-	(1)
Balance on 31 December 2019	(1)	-	(1)
Net book value			
Net book value on 31 December 2017	-	-	-
Net book value on 31 December 2018	-	-	-
Net book value on 31 December 2019	4	22	26

5. Intangible assets

<i>In BGN'000</i>	Software	Licences	In profess of acquisition and development	Total
Book value				
Balance on 31 December 2017	-	-	-	-
Additions	4	-	-	4
Balance on 31 December 2018	4	-	-	4
Additions	1	86	85	172
Balance on 31 December 2019	5	86	85	176
Amortisation				
Balance on 31 December 2017	-	-	-	-
Amortisation charge for the period	(1)	-	-	(1)
Balance on 31 December 2018	(1)	-	-	(1)
Amortisation charge for the period	(1)	-	-	(1)
Balance on 31 December 2019	(2)	-	-	(2)
Net book value				
Net book value on 31 December 2017	-	-	-	-
Net book value on 31 December 2018	3	-	-	3
Net book value on 31 December 2019	3	86	85	174

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6. Investments in subsidiaries

As at 31 December 2019, the company held shares in the following companies:

Company	Country	Share – BGN	Equity share - %
Lora-2004 EOOD	Bulgaria	11 100	100
Zhyuliv EOOD	Bulgaria	16 200	100
Millennium 2000 EOOD	Bulgaria	35 700	100
Gradus-1 EOOD	Bulgaria	149 760	100
Gradus-98 AD	Bulgaria	52 200	99,94
Gold Farm 91 EOOD	Bulgaria	4 052	100
Total:		269 012	

Gradus-1 EOOD holds 96% of the capital of Gradus-3 AD, which is the effective participation of Gradus AD in Gradus-3 AD.

As at 31 December 2018, the company held shares in the following companies:

Company	Country	Share – BGN	Equity share - %
Lora-2004 EOOD	Bulgaria	11 100	100
Zhyuliv EOOD	Bulgaria	16 200	100
Millennium 2000 EOOD	Bulgaria	35 700	100
Gradus-1 EOOD	Bulgaria	149 760	100
Gradus-98 AD	Bulgaria	52 200	99,94
Total:		264 960	

Impairment of investments in subsidiaries

At the end of each year, management analyses and evaluates whether there are any indicators of impairment of its investments in subsidiaries.

The main indicators for impairment are: a significant reduction in the volume and / or discontinuance of the activity of the investee; loss of markets, customers or technological problems, reporting of losses over a longer period (more than three years), reporting of negative net assets or assets below the registered share capital, trends of deterioration of key financial indicators, and reduction of market capitalization. The calculations have been carried out by management with the assistance of independent licensed appraisers. The financial budgets developed by the respective companies covering a five-year period, as well as other medium- and long-term plans and intentions for their development, including forecasts of key economic indicators at national and the EU / the Balkans level, were used as a basis for pre-tax cash flow forecasts.

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6. Investments in subsidiaries (continued)

Tests and judgments of management about investments impairment have been made in the light of management's forecasts and intentions regarding the future economic benefits that are expected to be received from the subsidiaries, including commercial and industrial experience, gaining share on the Bulgarian and foreign markets, expectations for future sales, etc. The calculations have been made with the assistance of an independent licensed appraiser.

As a result of the calculations made, no need to recognise impairment of certain investments in subsidiaries was found in 2019 (2018: BGN 0).

7. Deferred tax assets

The recognised deferred tax assets relate to the following:

<i>In BGN'000</i>	Assets		Liabilities		Net	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Tax loss	57	50	-	-	57	50
Income of individuals	2	2	-	-	2	2
Provision for expected credit losses	1	1	-	-	1	1
Net tax assets	60	53	-	-	60	53

Movements in temporary differences during the period 01.01.2019 – 31.12.2019

In BGN'000

	Balance Sheet	Profit and loss	Balance Sheet
	31.12.2018		31.12.2019
Tax loss	50	7	57
Income of individuals	2	-	2
Provision for expected credit losses	1	-	1
Total:	53	7	60

Movements in temporary differences during the period 01.01.2018 – 31.12.2018

In BGN'000

	Balance Sheet	Profit and loss	Balance Sheet
	31.12.2017		31.12.2018
Tax loss	-	50	50
Income of individuals	-	2	2
Provision for expected credit losses	-	1	1
Total:	-	53	53

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8. Other current receivables and prepayments

<i>In BGN'000</i>	31 December 2019	31 December 2018
Taxes refundable	33	-
Deferred income	10	-
Others	12	-
Total:	55	-

9. Cash and cash equivalents

<i>In BGN'000</i>	31 December 2019	31 December 2018
Cash on hand	1	1
Cash in current accounts	898	3 144
Total	899	3 145

The company assesses the expected credit losses on cash and cash equivalents as immaterial and therefore, expected credit losses on cash and cash equivalents were not accrued.

10. Equity

Share capital

The share capital consists of:

	Number of voting shares	Amount in BGN'000
At 31 December 2017	221 000 000	221 000
Issue of shares	22 608 710	22 609
At 31 December 2018	243 608 710	243 609
At 31 December 2019	243 608 710	243 609

The total number of shares at 31 December 2019 is 243,608,710 with nominal value of BGN 1 each. The share capital is paid in full.

The shareholders of Gradus AD at 31 December 2019 are as follows:

	Number of voting shares	Shareholding, %
Luka Angelov Angelov	99 195 645	40,72
Ivan Angelov Angelov	50 312 465	20,65
Angel Ivanov Angelov	50 312 465	20,65
Legal entities	38 292 755	15,72
Individual shareholders	5 495 380	2,26
Total:	243 608 710	100,00

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10. Equity (continued)

The shareholders of Gradus AD at 31 December 2018 are as follows:

	Number of voting shares	Shareholding, %
Ivan Angelov Angelov	99 195 645	40,72
Luka Angelov Angelov	99 195 645	40,72
Legal entities	38 134 878	15,65
Individual shareholders	7 082 542	2,91
Total:	243 608 710	100,00

Equity	31 December 2019	31 December 2018
<i>In BGN'000</i>		
Share capital	243 609	243 609
Issue premium	62 287	62 287
Retained earnings	8 891	26 700
Total:	314 787	332 596

The share capital is presented at the nominal value of the shares issued and paid. Receipts above their nominal value are reported as issue premium.

11. Tax liabilities

<i>In BGN'000</i>	31 December 2019	31 December 2018
Tax on expenses	-	1
VAT	20	-
Personal income tax liabilities	4	3
Tax on dividends	226	-
Total:	250	4

12. Payables to personnel and for social security

<i>In BGN'000</i>	31 December 2019	31 December 2018
Payables to personnel	36	29
Social security payable	5	2
Total:	41	31

13. Income

13.1. Revenue from services

<i>In BGN'000</i>	2019	2018
Training	60	-
Total:	60	-

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13.2. Dividend income

In BGN'000

	2019	2018
Gradus-1 EOOD	-	2 500
Millennium 2000 EOOD	4 000	11 331
Lora-2004 EOOD	500	350
Gradus-98 AD	4 497	9 494
Zhyuliv EOOD	3 000	3 500
Total:	11 997	27 175

See note 21, „Related party transactions“

13.3. Other income

In BGN'000

	2019	2018
Income from reversed impairment	7	-
Total:	7	-

14. Costs of hired services

In BGN'000

	2019	2018
Consulting services	31	70
Audit costs	31	41
Subscription fees	17	4
Marketing and advertising costs	17	33
Short-term rentals	9	1
Translation / interpretation services	7	12
Insurances	1	-
Service charges current bank accounts	-	9
Commission fees	-	225
Other expenses	9	9
Total:	122	404

15. Personnel expenses

In BGN'000

	2019	2018
Current remuneration	425	372
Social security contributions	24	14
Total:	449	386

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16. Other operating expenses

In BGN'000

	2019	2018
Non-deductible taxes	57	-
Business trips expenses	2	10
Entertainment costs	2	11
Expenses on local taxes and charges	2	-
Taxes on expenses	-	1
Other expenses	2	-
Total:	65	22

17. Finance income/costs

In BGN'000

	2019	2018
Interest income on loans granted	494	309
Bank charges	(3)	(11)
Total:	491	298

18. Tax expenses

	2019	2018
Tax profit for the year as per the tax return	-	-
Current income tax expense for the year – 10% (2018: 10%)	-	-
Deferred income taxes relating to:		
Origination and reversal of temporary differences	7	53
Total income tax benefit recognized in the separate statement of comprehensive income	7	53

	2019	2018
Reconciliation of income tax expense with the accounting result		
Accounting profit for the year	11 904	26 648
Income taxes – 10% (2018: 10%)	(1 190)	(2 665)
Tax effect of revenue unrecognized for tax purposes	1 197	2 718
Total income tax benefit recognized in the separate statement of comprehensive income	7	53

19. Financial instruments

Categories of financial instruments:

Financial assets at amortised cost	31.12.2019	31.12.2018
<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
Total:	45 763	67 615

In the course of its ordinary activity the company is exposed to various financial risks, the most significant of which are the following: market risk (including currency risk, risk of changes in fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows.

19. Financial instruments (continued)

The overall risk management is focused on difficulties in forecasting financial markets aimed at minimising the potential negative effects that might impact the financial results and performance of the company.

Financial risks are identified, measured and monitored currently, using different control mechanisms, in order to determine adequate prices of company's goods and to assess adequately the forms of maintenance of free liquidity without permitting unjustified concentration of a particular risk.

Risks faced by the company are managed on an ongoing basis in accordance with a policy elaborated by the company's management. Main principles of the overall financial risk management have been set, on the basis of which specific procedures for management of particular risks, such as credit risk, currency risk, liquidity risk, and interest rate risk.

Credit risk

The main financial assets of the company comprise cash on hand and cash in bank accounts, and receivables on loans granted.

Credit risk is the risk that the company's counterparties might not be able to repay fully and within the usual time limits the amounts they owe on credit receivables.

Receivables

To calculate the expected credit losses on *trade receivables*, the company applies a simplified approach to calculating expected credit losses and does not track subsequent changes in their credit risk. By applying this approach, the company recognises an adjustment (impairment allowance) on the basis of the expected credit loss over the entire period of the receivables at each reporting date.

The Company has not segmented receivables into different groups as it believes that they have similar characteristics, and for each type of financial asset it has conducted a collectability analysis in the different ranges of aging analysis. Provision rates applied are based on days past due according to aging analysis. Initially, these rates were determined on the basis of historical data monitored by the company over a 2-year period.

The company has analysed the effects on the estimated default rates based on historical forecast data for certain macroeconomic parameters, such as GDP and unemployment rate. Management has analysed future information on these parameters and determined that the effects are immaterial, so historical loss rates have not been adjusted for 2019.

The expected credit losses are calculated on the date of each reporting period.

Monetary, including payment transactions are limited to banks with good credit rating. Moreover, the company seeks to limit its exposure to a bank.

19. Financial instruments (continued)

Loans granted and financial guarantees

The Company measures the credit risk of loans to related parties by using the probability of default (PD), exposure at default (EAD) and loss given default (LGD). To determine the credit risk, the company's management uses internal estimates that reflect the probability of default for individual counterparties. The activity, financial performance of the borrower and the value of the collateral received is included in the risk assessment.

The Company considers that a financial instrument has undergone a significant increase in credit risk (migration from phase 1 to phase 2) when one or more of the following quantitative or qualitative criteria are met:

- the borrower is past due by more than 60 days;
- significant adverse changes in business, financial and economic conditions in which the borrower operates;
- actual or expected significant adverse changes in the operating results of the borrower;

Criteria used to determine whether there is a significant increase in credit risk are monitored and reviewed periodically.

The company considers a financial instrument as being in default and exposed to a credit loss (migration from phase 1 or phase 2 to phase 3) when one or more of the following quantitative or qualitative criteria are met:

- the borrower is past due by more than 90 days;
- the borrower experiences significant financial difficulties;
- the borrower is in an insolvency / liquidation procedure.

Calculation of expected credit losses

Expected credit losses are calculated by discounting the resulting value of the product of: the probability of default (PD), exposure at default (EAD) and loss given default (LGD), determined as follows:

- PD the probability of that the borrower would fail to perform its financial obligation either in the next 12 months or for the entire lifetime of the financial asset;
- EAD is the amount due by the company at the time of default;
- LGD is the expectation of the company for the amount of the loss in case of exposure at default. The LGD amount has been reduced by the insured portion of the financial asset.

The discount rate used to calculate the expected credit loss (ECL) is the instrument's original effective interest rate.

When determining the 12-month and lifetime PD, EAD and LGD for the instrument, forecast information has been employed as well. The company's management has conducted an historical analysis and has identified the main economic variables affecting credit risk and expected credit losses.

The expected credit losses on certain loans classified in Phase 1 are determined on the basis of expected credit losses resulting from possible default events which could occur within the next 12 months of the lifetime of the relevant asset (12-month expected credit losses for the instrument).

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19. Financial instruments (continued)

Analysis of expected credit losses on loans granted:

<i>In BGN'000</i>	Loan granted at 31.12.2019	Interest rate	Probability of non-performance, %	Loss in case of non-performance	Expected credit losses	Loan granted, net
Gradus-1 EOOD	16 663	0.86%	0.02%	16 663	(3)	16 660
Gradus-3 AD	9 090	0.86%	0.02%	9 090	(2)	9 088
Lora-2004 EOOD	10 601	0.86%	0.02%	10 601	(2)	10 599
Gradus-98 AD	2 501	0.86%	0.02%	2 501	(1)	2 500
Total:	38 855			38 855	(8)	38 847

<i>In BGN'000</i>	Loan granted at 31.12.2018	Interest rate	Probability of non-performance, %	Loss in case of non-performance	Expected credit losses	Loan granted, net
Gradus-1 EOOD	19 400	1.3%	0.02%	19 400	(4)	19 396
Gradus-3 AD	20 000	1.3%	0.02%	20 000	(4)	19 996
Millennium 2000 EOOD	5 000	1.3%	0.02%	5 000	(1)	4 999
Lora-2004 EOOD	11 000	1.3%	0.02%	11 000	(2)	10 998
Total:	55 400			55 400	(11)	55 389

Currency risk

At the moment, this risk is immaterial for the Company has no transactions in currencies other than the Bulgarian lev.

Liquidity risk

Liquidity risk is reflected in the adverse situation of the Company not being able to meet unconditionally all of its liabilities as they fall due. The Company applies conservative liquidity management policy through which it constantly maintains optimal cash levels. The company does not experience a shortage of cash.

Interest rate risk

The company did not hold interest-bearing financial liabilities at 31 December 2019 and 31 December 2018.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The policy of the company is to disclose in its separate financial statements the fair value of financial assets and liabilities, primarily for which there are quoted market prices. The fair value of financial instruments not traded on active markets is determined using valuation techniques based on various valuation methods and management's assumptions made on the basis of market conditions prevailing at the balance sheet date.

GRADUS AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. Financial instruments (continued)

Fair values (continued)

The concept of fair value implies the realization of financial instruments through sale. In most cases, especially in respect of trade receivables and payables, loans and deposits, the Company expects to realize these financial assets through their full repayment or, respectively, repayment over time. That is why they are stated at their amortised cost. The Company's financial assets and liabilities are mainly short-term in nature (trade receivables and payables, short-term loans) and therefore, it is assumed that their carrying amount approximates their fair value. The Company's management considers that, under the existing circumstances, the estimates of financial assets and liabilities included on the balance sheet are the most reliable, adequate and trustworthy as possible for the purposes of financial reporting.

The fair value of financial instruments is determined in accordance with the valuation methodology corresponding to Level 3 in the fair value hierarchy.

Fair values compared to carrying amounts

The fair values of financial assets and liabilities, together with their carrying amounts included on the separate statement of financial position are as follows:

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

20. Segment reporting

At 31 December 2019, the Company identified one operating segment – management of companies.

Segment income, expenses and results include:

	Management of companies 2019	Total 2019	Management of companies 2018	Total 2018
Segment income	12 064	12 064	27 175	27 175
Segment expenses	(651)	(651)	(825)	(825)
Segment result :	11 413	11 413	26 350	26 350
Finance income, net	491	491	298	298
Pre-tax profit	11 904	11 904	26 648	26 648
Tax benefit	7	7	53	53
Net profit for the year	11 911	11 911	26 701	26 701

GRADUS AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. Segment reporting (continued)

Segment assets include:

	Management of companies 2019	Total 2019	Management of companies 2018	Total 2018
Fixed tangible assets	26	26	-	-
Intangible assets	174	174	3	3
Investments in subsidiaries	269 012	269 012	264 960	264 960
Deferred tax assets	60	60	53	53
Trade receivables from related parties	18	18	-	-
Receivables on loans to related parties	38 847	38 847	55 389	55 389
Dividends receivable	5 999	5 999	9 081	9 081
Other current receivables	55	55	-	-
Cash and cash equivalents	899	899	3 145	3 145
Segment assets	315 090	315 090	332 631	332 631
Total assets:	315 090	315 090	332 631	332 631

Segment liabilities include:

	Management of companies 2019	Total 2019	Management of companies 2018	Total 2018
Payables to personnel and for social security	41	41	31	31
Tax liabilities	250	250	4	4
Other liabilities	12	12	-	-
Segment liabilities	303	303	35	35
Total liabilities:	303	303	35	35

GRADUS AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Related party transactions

Identification of related parties

For the purposes of preparing these separate financial statements, the owners, the companies under their control, the senior management (key management staff) and close family members, including companies controlled by them, are treated as related parties.

Related parties:	Relation
Luka Angelov Angelov	Equity owner
Ivan Angelov Angelov	Equity owner
Angel Ivanov Angelov	Equity owner
Georgi Aleksandrov Babev	Member of the Board of Directors
Gradus-1 EOOD	Company under joint control
Gradus-3 AD	Company under joint control
Millennium 2000 EOOD	Company under joint control
Gradus-98 AD	Company under joint control
Zhyuliv EOOD	Company under joint control
Lora-2004 EOOD	Company under joint control
Gold Farm 91 EOOD	Company under joint control from 27 December 2019
Gold Farm 91 EOOD	Relationship through a person exercising significant influence from 10 December 2019 to 27 December 2019
Energy-2 OOD	Relationship through a person exercising significant influence
Agro Invest-7 OOD	Relationship through a person exercising significant influence
Mirena OOD	Relationship through a person exercising significant influence
Gold Agro-2005 OOD	Relationship through a person exercising significant influence
Ayazmo AD	Relationship through a person exercising significant influence
Marieta EOOD	Relationship through a person exercising significant influence
Trade Home EOOD	Relationship through a person exercising significant influence
Ralitsa 2004 OOD	Relationship through a person exercising significant influence
Wolf OOD	Relationship through a person exercising significant influence
Biser Oliva AD	Relationship through a person exercising significant influence
SP Gradus-Ivan Angelov-55 (obliterated from the Register)	Relationship through a person exercising significant influence until 16 December 2019
Equity Invest-1 AD	Relationship through a person exercising significant influence
Equity Invest-2 OOD	Relationship through a person exercising significant influence
M.O. Stara Zagora OOD	Relationship through a person exercising significant influence
Biser Distribution OOD	Relationship through a person exercising significant influence
Zagora Oil OOD	Relationship through a person exercising significant influence
LG Auto OOD	Relationship through a person exercising significant influence
Auto Spa Center	Relationship through a person exercising significant influence

Transactions with key management personnel

The remuneration of the Directors and Board members amounts to BGN 361 thousand (2018: BGN 339 thousand).

Loans granted to related parties:

<i>In BGN'000</i>	Interest rate	Maturity	Collateral	Loan granted at 31.12.2019	Loan granted at 31.12.2018
Gradus-1 EOOD	0.86%	07-12.2020	No	16 660	19 396
Gradus-3 AD	0.86%	07-12.2020	No	9 088	19 996
Millennium 2000 EOOD	0.86%	07.2020	No	-	4 999
Lora-2004 EOOD	0.86%	07.2020	No	10 599	10 998
Gradus-98 AD	0.86%	12.2020	No	2 500	-
Total:				38 847	55 389

GRADUS AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Related party transactions (continued)

The transactions between Gradus AD and the related companies at 31 December 2019 were as follows:

<i>In BGN'000</i>	Type of transaction	Transaction value in 2019	Total liabilities 31 December 2019
Gradus-1 EOOD	Service	1	-
Energy-2 OOD	Service	10	-
Total liabilities:			-

<i>In BGN'000</i>	Type of transaction	Transaction value in 2019	Total receivables 31 December 2019
Gradus-1 EOOD	Service	25	10
Gradus-1 EOOD	Loans granted	15 300	16 647
Gradus-1 EOOD	Interest accrued	199	13
Gradus-3 AD	Service	17	-
Gradus-3 AD	Loans granted	900	9 088
Gradus-3 AD	Interest accrued	138	-
Millennium 2000 EOOD	Service	17	-
Millennium 2000 EOOD	Interest accrued	40	-
Lora-2004 EOOD	Service	17	8
Lora-2004 EOOD	Loans granted	-	10 599
Lora-2004 EOOD	Interest accrued	116	-
Zhyuliv EOOD	Service	17	-
Gradus-98 AD	Service	17	-
Gradus-98 AD	Loans granted	2 500	2 499
Gradus-98 AD	Interest accrued	1	1
Millennium 2000 EOOD	Dividends	4 000	3 000
Lora-2004 EOOD	Dividends	500	-
Gradus-98 AD	Dividends	4 497	1 999
Zhyuliv EOOD	Dividends	3 000	1 000
Total:			44 864
Including dividends receivable:			5 999
Including receivables on loans			38 847
Including trade receivables			18

GRADUS AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Related party transactions (continued)

<i>In BGN'000</i>	Type of transaction	Transaction value in 2019	Total receivables 31 December 2019
Gradus-1 EOOD	Loans granted	19 400	19 396
Gradus-1 EOOD	Interest accrued	104	-
Gradus-3 AD	Loans granted	21 500	19 996
Gradus-3 AD	Interest accrued	111	-
Millennium 2000 EOOD	Loans granted	5 000	4 999
Millennium 2000 EOOD	Interest accrued	29	-
Lora-2004 EOOD	Loans granted	11 000	10 998
Lora-2004 EOOD	Interest accrued	65	-
Total receivables on loans granted:			55 389
Gradus-1 EOOD	Dividends	2 500	1 000
Millennium 2000 EOOD	Dividends	11 331	5 731
Lora-2004 EOOD	Dividends	350	350
Gradus-98 AD	Dividends	9 494	2 000
Zhyuliv EOOD	Dividends	3 500	-
Total dividends receivable:			9 081
Total related party receivables:			64 470

22. Events after the reporting date

On March 11, 2020, the World Health Organization declared a coronavirus pandemic, and on March 13, 2020, the Bulgarian government declared a state of emergency. To limit the outbreak of contagion the following measures have been introduced: restricting cross-border movement of people, working from home, temporarily closing schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers with the exception of retailers, grocery stores, grocery stores and pharmacies.

The Company's management carefully analyzes the potential effects of the pandemic and the restrictions imposed by the government, expecting a decrease in economic activity and liquidity in general for the country's economy. The management of the company has taken measures to limit the effects of the pandemic. As the Company has sufficient liquid resources to continue in business for the foreseeable future, Management believes it is appropriate to have a going concern principle in these separate financial statements.

There were no other significant events occurring after 31 December 2019 that require additional adjustments and/or disclosures in the separate financial statements for the year ended 31 December 2019.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gradus AD

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Gradus AD ("the Company"), which comprise of separate statement of financial position as at December 31, 2019, and separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the separate financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the separate financial statements disclosing that at the date of their issuance, the consolidated financial statements of the Company for the same period have not yet been issued. The management plans to issue the consolidated financial statements not later than 30 April 2020. Our opinion is not qualified in respect of this matter.

ADVISORY • ASSURANCE • TAX

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
Valuation of Investments The Company has investments in subsidiaries with a carrying amount totaling BGN 269,012 thousand – included in the disclosures in Note 6 to the separate financial statements. The review of the indicators and the tests of the management for the necessity of impairment of the exposures to these subsidiaries is a complex process which requires from the management to apply significant assumptions, various judgments and estimates with regard to the future return on the investments. For the purposes of measuring the recoverable amount the management uses the method of discounted future cash flows. The latter are determined specifically for each subsidiary, which is treated as an separate cash generating unit, and taking into account a number of factors, such as: specific activities and location, business environment, past experience with the company, expected growth in the volume of sales for subsequent reporting periods, appropriate discount rate, other risks, etc. Therefore, there is inherent uncertainty in these assessments of the management. The calculations have been performed by the management with the assistance of independent certified appraisers – external experts. Due to the circumstances that (a) the process of estimating and testing of possible impairment losses on the exposures to subsidiaries assumes a number of judgments, higher degree of subjectivity and uncertainty in the projection assumptions, including revenue projections, cash flow projections and growth rate; and	In this area our audit procedures are: • Consideration and evaluation of Company's analyses on its investment in each of these subsidiaries and its potential of return by applying the discounted future cash flows method; • Analysis and assessment of the relevance of Company's budgets and projections as at 31 December 2019; • Analyses and assessment of the appropriateness of the key judgments and assumptions, used by Company's management, including the discount rate used in the application of the discounted cash flows model. • Testing and assessment of the completeness, appropriateness and adequacy of the disclosures in Company's separate financial statements with regard to the measurement of investments in subsidiaries.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
(b) the significance of the reporting item itself, as disclosed above, we have determined this matter as a key audit matter.	

Information Other than the separate financial statements and Auditors' Report Thereon

The Management Board of the Company ("the Management") is responsible for the other information. The other information comprises the annual report on activities and the corporate governance statement, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditors' report thereon, which we received prior to the date of our auditor's report.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditors' report and to the extent it is specifically stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Company ("Those charged with governance") are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and will communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

In addition to our reporting responsibilities according to ISAs described in section “Information Other than the separate financial statements and Auditors’ Report Thereon”, with respect to the annual report on activities and the corporate governance statement, we have also performed the procedures required by the Guidelines related to new extended audit reports and communication from the auditors of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants. These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (art. 100m, para 10 of POSA in relation to art. 100m, para 8, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion under Article 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual report on the activities for the financial year for which the separate financial statements have been prepared, is consistent with the separate financial statements.
- The annual report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100m, para 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the separate financial statements have been prepared.
- According to Accountancy Act article 41 separate non-financial declaration is not prepared

Opinion under Art. 100m, para 10 in relation to art. 100m, para 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and as a result of the acquired knowledge and understanding of the Company and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Company’s internal control and risk management systems in relation to the financial reporting process as part of the annual report on activities (as element of the content of the corporate governance statement) and the information under Article 10 , paragraph 1, letter "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, included in the corporate governance statement do not contain cases of material misrepresentations.

Additional Reporting on the audit of the separate financial statements under Art. 100m, para 4, p.3 b) “b” of the Public Offering of Securities Act

Reporting under Art. 100m, para 4, p.3 b) “b” of the Public Offering of Securities Act

The information on transactions with related parties is disclosed in Note 21 to the separate financial statements. Based on the audit procedures performed on the transactions with related parties, we have not identified any facts or other information, based on which we could conclude that the transactions with related parties are not disclosed in the attached financial statements, in all material aspects, in accordance with the requirements of IAS 24 Disclosure of related parties. The results of our audit procedures regarding transactions with related parties are considered in the context of forming our audit report on the separate financial statements taken as a whole, and not with the purpose of expressing the audit opinion on transactions with related parties.

Reporting under Art. 100m, para 4, p.3 b) “c” of the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements as a whole, described in the section **Auditors’ Responsibilities for the Audit of the separate financial statements** include assessment whether the separate financial statements presents true and fair view of material transactions and events. Based on the audit procedures performed on the material transactions, underlying the separate financial statements for the year ended 31 December 2019, no facts, circumstances or other information have come to our attention, based on which we can conclude that there are cases of material misstatements and disclosures in the separate financial statements in accordance with the requirements of IFRS, adopted by EU. The results of our audit procedures on the material transactions and events related to the Company are considered in the context of forming our audit report on the separate financial statements taken as a whole, and not with the purpose of expressing the audit opinion on these material transactions.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Baker Tilly Klitou and Partners OOD were appointed as statutory auditors of the separate financial statements of the Company for the year ended December 31, 2019 by the general meeting of shareholders held on October 25th, 2019 for a period of one year.
- The audit of the separate financial statements of the Company for the year ended December 31, 2019 represents third statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report provided to the Company’s audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- No prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Company.
- We hereby confirm that for 2019 we have not provided services other than the audit services.

Krassimira Radeva
Registered Auditor

Managing Director
Baker Tilly Klitou and Partners OOD

5, Stara Planina Str., 5th floor
1000 Sofia, Bulgaria
March 20, 2020

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

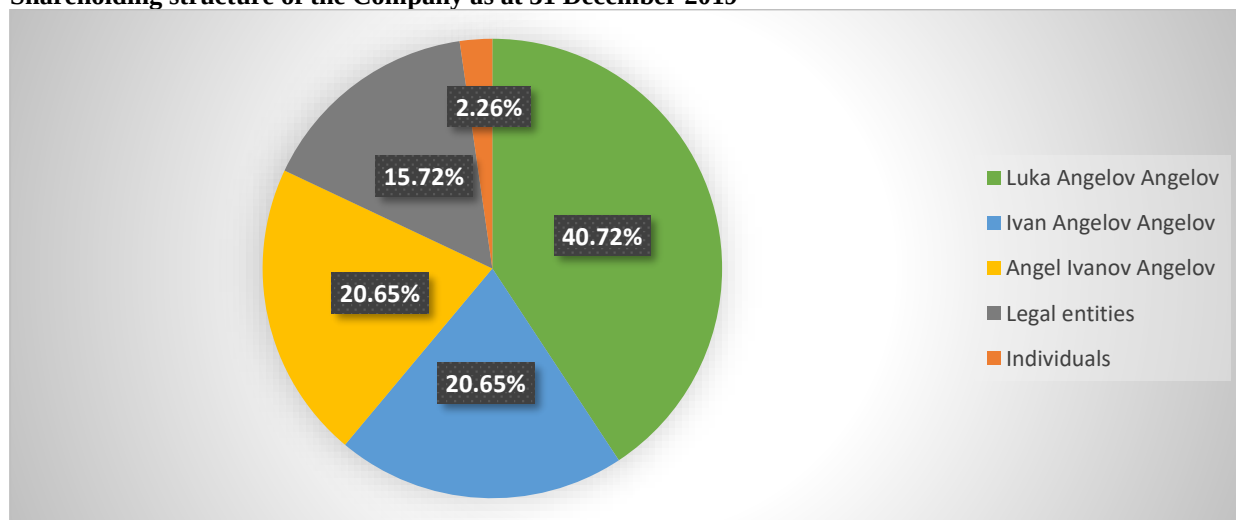
The object of activity of the Company is: Investments in stocks and shares of companies, acquisition and management of shares in Bulgarian and foreign companies; activity as a holding company; acquisition, assessment and sale of patents, concession of licenses for the use of patents of companies, in 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 BGN'000	2018 BGN'000	Relative share for 2019, %
Operating income			
Revenue from services	60	-	-
Dividend income	11 997	27 175	96%
Other income	7	-	-
Finance income			
Interest income	494	309	4%
Total	12 558	27 484	100%

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%
Total	11 997	27 175	100.00%

- 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	-
	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	29.12.2020	0,86%	2 501	1	-	-
Total amount		74 100			38 847	13	55 389	-

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 <i>BGN'000</i>	2018 <i>BGN'000</i>	Change %	Relative share, for 2019, %
Operating expenses				
<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%
Total:	651	825	-21%	100%
Finance costs				
Bank charges	3	11	-73%	
Total:	3	11		
Total operating expenses	654	836	-22%	

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)**

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

EFFECTIVENESS

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

	31.12.2019	31.12.2018
Total expenses	654	836
Total income	12 558	27 484
Cost effectiveness	0.05	0.03

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

	31.12.2019	31.12.2018
Total income	12 558	27 484
Total expenses	654	836
Revenue effectiveness	19.20	32.88

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:

Financial assets at amortised cost	31.12.2019	31.12.2018
<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
Total:	45 763	67 615

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	-	-
Total amount		74 100			38 847	13	55 389	-

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:

Name, father's name, family name	Number of shares	%
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

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.

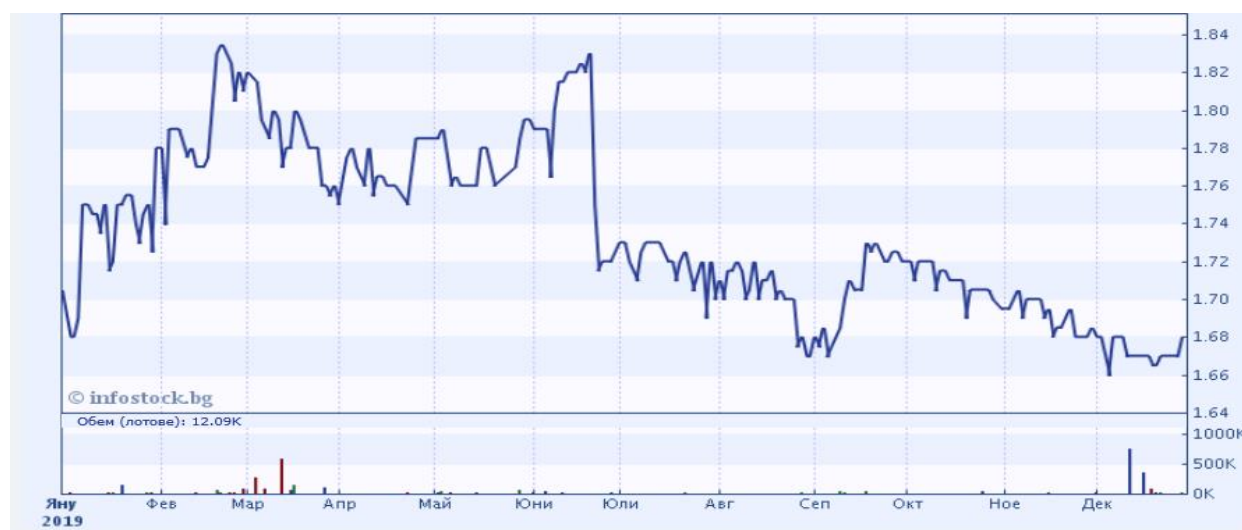
The company shares are admitted to trading on the BSE Main Market, Standard Segment.

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
1.680 лв.	▼0.025	▼1.47%	6 560 807	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
	TOTAL	243 608 710	100,00	243 608 710	100,00

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/

DECLARATION

in accordance to Article 100H, Para 4, Item 4 of the Public Offering of Securities Act

The undersigned,

Ivan Angelov Angelov – Executive Director of Gradus AD

Luka Angelov Angelov – Chairman of the Board of Directors

and

Antoaneta Nikiforova Boeva – Chief Accountant of Gradus AD

DECLARE HEREBY, that to the best of our knowledge:

(a) The financial statements prepared in accordance with the applicable accounting standards give a true and fair view of the assets and liabilities, financial performance, and of the profit or loss of Gradus AD;

(b) The management report contains a true and fair view of the development and operating performance of Gradus AD, as well as of the status of the issuer and the consolidated companies, together with a description of the main risks and uncertainties faced by the company.

20 March 2020

A. Boeva
/Chief Accountant/

I. Angelov
/Executive Director/

L. Angelov
/Chairman of the Board of Directors/

**TO
SHAREHOLDERS OF
GRADUS AD**

DECLARATION

*Art. 100m, para 4, item 3 from
Public Offering of Securities Act*

The undersigned:

Krassimira Ivanova Radeva, in the capacity of Managing Director of **Baker Tilly Klitou and Partners OOD**, with UIC 131349346, with headquarters and management address: 5, Stara Planina Str., 5, floor 5, Sofia, 1000 and address for correspondence: Sofia, 1000, 5, Stara Planina Str., 5, floor 5, **declare that:**

Baker Tilly Klitou and Partners OOD was engaged to carry out a mandatory financial audit of the separate financial statements of Gradus AD for the year 2019, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU, a generally accepted name of the accounting base defined in paragraph 8 of the Supplementary part of the Accounting Act under the name "International Accounting Standards". As a result of our audit, we issued an audit report on March 20, 2020.

We hereby certify that as reported in our audit report on the annual separate financial statements of Gradus AD for 2019 issued on March 20, 2020:

1. Art. 100m, para. 4, item 3, letter "a" Audit opinion: In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year ending on that date in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

2. Art. 100m, para. 4, item 3, letter "b" Information related to the transactions of GRADUS AD with related parties. Information about related party transactions is duly disclosed in Note 21 to the separate financial statements. Based on the audit procedures we performed on related party transactions as part of our audit of the separate financial statements as a whole, we have not become aware of any facts, circumstances or other information on the basis of which we may conclude that related party transactions are not disclosed in the accompanying separate financial statements for the year ended 31 December 2019 in all material respects in accordance with IAS 24 Related Party Disclosures. The results of our audit procedures on related party transactions have been reviewed by us in the context of forming our opinion on the separate financial statements as a whole, rather than in order to express a separate opinion on related party transactions.

3. Art. 100m, para. 4, item 3, letter "c" Information relating to material transactions. Our audit responsibilities for the financial statements as a whole described in the section of our report "Auditor's Responsibilities for the Auditing of the Separate Financial Statements" include assessing whether the separate financial statements present the material transactions and events in a manner that delivers credible performance. Based on the audit procedures we performed on the material transactions underlying the separate financial statements for the year ended 31 December 2019, no facts, circumstances or other information have been disclosed to us in order to conclude that there are cases of material misrepresentation and disclosure in accordance with the applicable IFRS requirements adopted by the European Union.

The results of our audit procedures on the Company's transactions and events that are material to the Company's financial statements are reviewed by us in the context of our opinion on the separate financial statements as a whole and not for the purpose of obtaining a separate opinion on these material transactions.

The representations made by this declaration should be considered only in the context of our audit report as a result of the independent financial audit of the separate annual financial statements of GRADUS AD for the reporting period ending 31 December 2019, dated 20 March 2020. This declaration is intended solely for the above-mentioned addressee and has been prepared solely and solely in compliance with the requirements set forth in Art. 100m, para. 4 item 3 of the Public Offering of Securities Act (POSA) and should not be accepted as a substitute for our opinion expressed in the audit report issued by us on 20 March 2020 regarding the issues covered by Art. 100m, para. 4, item 3 of POSA.

Baker Tilly Klitou and Partners OOD:

20 March 2020

Sofia

Krassimira Radeva

Managing Director

Translation from Bulgarian

CORPORATE GOVERNANCE STATEMENT PURSUANT TO ARTICLE 100m, PARAGRAPH 8 OF POSA

1. Information whether the issuer complies as appropriate:

- Corporate Governance Code approved by the Deputy Chairperson of the Financial Supervision Commission, or
- Another Corporate Governance Code;
- Information regarding the corporate governance practices, which are applied by Gradus AD in addition to the code under Letter "a" or Letter "b";

Gradus AD complies with the National Corporate Governance Code /NCMC/ elaborated in October 2007 and approved by the National Corporate Governance Committee, as subsequently amended in February 2012 and April 2016. It was approved by the Deputy Chairperson of the Financial Supervision Commission.

The basis for corporate governance is the interaction between the Board of Directors of the company, the management bodies of subsidiaries, shareholders, potential investors and trading partners.

Good corporate governance means loyal and responsible corporate management bodies, transparency and independence, as well as the responsibility of the company to society.

The code should be applied on the basis of the “**comply or explain**” principle. This means that the company complies with the Code and, in the event of a deviation, the management should clarify the reasons thereof.

According to the Company, the adoption and implementation of a “Program for Implementation of Internationally Recognised Good Corporate Governance Standards” will facilitate investment decisions by shareholders and enhance the confidence of potential investors, given the Company's willingness to improve and optimise the information disclosure processes.

Considering the Program, the main goals of the company are:

- introduction and implementation by the company of good corporate governance principles;
- facilitating and supporting communication, and raising the level of awareness of the company's shareholders, regulatory authorities, financial media and analysts;
- improving the information disclosure processes of the company, including the quality and relevance of information;
- enhancing the confidence of shareholders, investors and any other interested parties in the management of the company and its development;

2. Explanation by the issuer as to which parts of the corporate governance code under Item 1, Letter "a" or Letter "b" the issuer does not comply with and as to what the ground for this non-compliance are, and when the issuer has opted not to refer to any of the rules of the corporate governance code - the grounds for that:

While performing its activity, the company complies with all sections of the National Corporate Governance Code.

3. Description of the main characteristics of the internal control system and of the risk management system of the issuer in connection with the financial reporting process:

The internal financial reporting and accounting control system of Gradus AD is developed on the basis of good reporting and control practices in the country and in compliance with the legislative framework. For the purpose of maximum improvement, it is subject to continuous monitoring by the management and represents a set of rules, procedures and control actions, which are developed according to the specific features of the Company, its activity and reporting system. It is directed towards:

- ongoing monitoring and distribution of reporting activities against their objectives;
- adequate and timely localisation of identified business risks affecting financial, management and operational reporting.

Using the system, the management is able to assure itself that:

- the Company applies the requirements of the accounting and reporting legislation, and in particular, the requirements of the Accounting Act and International Financial Reporting Standards;
- the Company observes the instructions and recommendations of senior management with regard to reporting and documentation;
- the necessary efficiency and efficiency in the financial and accounting process exist;
- there is reliable, qualitative and timely financial and operational information to be provided to internal and external users;
- there is a high degree of security for the protection and maintenance of the assets of the company, including prevention of fraud and errors.

The main components of the internal financial reporting control system are:

- 1) adoption and observance of ethical principles and rules of conduct adopted by the Ethics Code of Conduct of the employees of Gradus AD and with regard to financial reporting;
- 2) development of and setting an optimal structure of units involved in financial reporting processes with clearly defined responsibilities and powers;
- 3) implementation and maintenance of control procedures and rules for each stage of accounting and financial reporting processes;
- 4) development of policies for selecting, training and developing staff employed in accounting and financial reporting processes;
- 5) development of procedures for identifying, monitoring and managing risks relating to accounting, financial reporting and reporting, including development of adequate measures and actions to minimise those risks;

6) development of and maintaining the information system organisation, including access controls, commissioning, data processing, system changes, allocation of responsibilities of persons employed to operate it, and preserving of data integrity in the system.

4. Information under Article 10, Paragraph 1, Letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers:

4.1. Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC

No proposals for takeover and/or merger with another company were made to the Company as of 31 December 2019.

4.2. Holders of any securities with special control rights and a description of those rights

There are no shareholders enjoying special control rights in the Company. Pursuant to the Articles of Association of Gradus AD, all shares issued by the Company are of one class, ordinary, registered, dematerialised. All shares give the right to one vote at the General Meeting of Shareholders, right to dividend and right to liquidation share proportionate to the share's nominal value.

4.3. Restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

There are no restrictions on the voting rights attached to shares.

4.4. Rules governing the appointment and replacement of board members and the amendment of the articles of association

According to the applicable legal framework and Articles of Association of Gradus AD, the election and discharge of the members of the Board of Directors, as well as the determination of their remuneration and the guarantee of their management, are part of the competence of the General Meeting of Shareholders of the Company.

The Board of Directors of the Company is elected and exercises its powers in accordance with the decisions of the General Meeting, the Articles of Association of the Company, and the applicable law. The term of office of the members of the Board of Directors is five (five) years, without limitation of re-election. Upon termination of the term of office of a member of the Board of Directors, regardless of the grounds therefor, he/she shall continue to perform his/her functions and duties as a member of the Board of Directors until the election of a new member by the General Meeting.

4.5. Powers of board members, and in particular, the power to issue or buy back shares

According to the Articles of Association of Gradus AD, the Company's Board of Directors decides on all matters relating to the activities of the Company, with the exception of those which are of exclusive competence of the General Meeting.

The Company is managed and represented by the Board of Directors in accordance with the law and the Company's Articles of Association. The Board of Directors of the Company takes decisions on the following:

- ✓ organizes the implementation of the decisions taken at the General Meeting and controls this implementation;
- ✓ elects the Executive Director / representative(s), defines the limits of his / her / their competence and controls his / her / their activity;
- ✓ decides on long-term cooperation essential to the Company or terminates such cooperation;
- ✓ takes decisions on the establishing and / or closing a branch;
- ✓ takes decisions to increase the Company's capital, in cases where it is expressly authorized to do so by the General Meeting;
- ✓ approves disposition (including, but not limited to, transfer, encumbrance, burden, etc.) to the Company's business or parts thereof;
- ✓ approves the conclusion of transactions with shareholders, members of the Board of Directors or employees of the Company (or members of their families);
- ✓ approves borrowing or otherwise forming a Company's financial debt to a third party at a value above BGN 50,000 as a result of a single transaction or a series of transactions;
- ✓ decides on the participation and / or termination of the Company's participation in other companies in the Republic of Bulgaria and abroad;
- ✓ decides to exercise rights as a shareholder / partner in subsidiaries;
- ✓ decides to grant a loan or other form of financing the companies in which the Company owns and / or exercises control;
- ✓ decides to dispose of intellectual property of the Company as well as to grant intellectual property rights on assets of the Company;
- ✓ prepares, accepts and signs a prospectus for public offering of securities issued by the Company;
- ✓ elects and releases investment intermediaries to take and/or administer a securities issue issued by the Company, which will be subject to public offering;
- ✓ approves the conclusion of transactions other than those specified in Art.114, para.1 of the Public Offering of Securities Act (POSA) with the participation of interested persons within the meaning of Art.114, para.7 of POSA;
- ✓ approves the conclusion of transactions under Art.114, para.3 of the POSA by the subsidiaries of the Company,
- ✓ resolves on all matters that are not within the exclusive competence of a General Meeting.

5. Composition and functioning of the administrative, managerial and supervisory bodies and their committees

Members of the Board of Directors at the date of preparation of this report are:

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

The company is represented by the Chairman of the Board of Directors, Luka Angelov, and by Ivan Angelov, Member of the Board of Directors and Executive Director, jointly.

The company has a one-tier management system.

Management bodies of Gradus AD:

- General Meeting of Shareholders
- Board of Directors

General Meeting, Participation in a General Meeting

- The General Meeting comprises all shareholders with voting rights.
- The shareholders with voting rights are able to exercise their vote at a General Meeting of the parent company by a proxy;
- The members of the Board of Directors who are not shareholders participate in the General Meetings without a right to vote.

Competence of the General Meeting:

- Amends and supplements the Articles of Association of the Company;
- Increases and decreases the capital of the Company;
- Transforms and terminates the Company;
- Elects and dismisses the members of the Board of Directors;
- 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;
- 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;
- 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; takes a decision for profit distribution, for making contributions to the Reserve Fund and for payment of dividends;
- Resolves on the issuance of bonds;
- Appoints liquidators in the event of termination of the Company, except for the case of termination by bankruptcy;
- Releases from liability the members of the Board of Directors;
- Resolves on redemption of treasury shares of the Company;
- 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;
- Empowers the persons managing and representing the Company to conclude deals under Article 114, paragraph 1 of POSA;
- Resolves on all other matters within its competence according to the law and/or the Articles of Association.

Board of Directors:

- The Board of Directors manages and represents the company;
- The Board of Directors exercises its powers in compliance with the decisions of the General Meeting, these Articles of Association and the applicable law.

Competence of the Board of Directors:

- Organises the implementation of the decisions taken at the General Meeting and control this implementation;
- Elects the Executive Director(s)/representative(s), determines the limits of his/their competence and controls his/their activity;
- Takes decisions on long-term cooperation essential to the Company on the termination of such cooperation;
- Takes decisions on the establishment and/or closure of a branch;
- Takes decisions to increase the capital of the Company, in cases where it is expressly authorized to do so by a General Meeting;
- Approves the disposal (including, but not limited to, transfer, closure, burdening, etc.) of the Company's business or parts thereof;
- Approves the conclusion of transactions with Shareholders, members of the Board of Directors or employees of the Company (or members of their families);
- Approves the taking of a loan or otherwise forming a Company's financial debt to a third party at a value exceeding BGN 50,000 as a result of a single transaction or a series of transactions;
- Takes decisions on the participation and/or termination of the Company's participation in other companies in the Republic of Bulgaria and abroad;
- Takes decisions on the exercise of rights of the Company as a shareholder/partner in subsidiaries;
- Takes decisions on granting a loan or other form of financing to companies in which the Company has equity participation and /or on which it exercises controls;
- Takes decisions on disposal of Intellectual Property Rights of the Company, as well as on granting rights to objects of Intellectual Property of Company;
- Prepares, accepts and signs a prospectus for public offering of securities issued by the Company;
- Selects and releases investment intermediaries which to take over and/or administer the issue of securities issued by the Company, which will be subject to public offering;
- After obtaining a public status from the Company, it shall approve the conclusion of transactions other than those specified in Art.114, para.1 of the Public Offering of Securities Act with the participation of interested persons within the meaning of Art.114, para.7 of POSA,
- After obtaining a public status from the Company, it shall approve the conclusion of transactions under Art.114, para.3 of POSA by the subsidiaries of the Company;
- Resolves all matters which are not within the exclusive competence of the General Meeting.

Remuneration

The amount and structure of remuneration of the members of the Board of Directors are regulated by the Articles of Association of Gradus AD, approved by the General Meeting of the company, their management contracts, and the Remuneration Policy of the Board of Directors, adopted by the GMS of the company on 10 June 2019.

Conflict of interest

The company has implemented a related party transactions policy, approved by minutes of the Board of Directors dated 01 August 2018.

Supervisory bodies

The company has a one-tier management system and an Audit Committee has been established in accordance with Article 107 of the Independent Financial Audit Act.

The Audit Committee consists of 3 (three) members elected by the Board of Directors for a 4 (four)-year mandate. Two of the members of the Audit Committee, including its Chairperson, should be independent.

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.

The Chair of the Audit Committee complied with the requirements to be an independent member of the Audit Committee, as stipulated in Article 107, paragraph 4, item 1 of the Independent Financial Audit Act, only until 31 October 2019 inclusive. Pursuant to Article 4, paragraph 4 of the Rules of Procedure and Status of the Audit Committee, approved by decision of the GMS of 25 October 2019, after so ceasing to meet the requirements the person shall notify in writing the Board of Directors of Gradus AD and shall cease immediately to perform his/her functions in accordance with paragraph 7.

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.

The Audit Committee of Gradus AD is a specialised body entrusted with the following powers:

- Informs the Board of Directors of the results of the statutory audit and clarifies how the statutory audit has contributed to the credibility of financial reporting, and the role of the Audit Committee in this process;
- monitors the financial reporting and audit processes, internal control and risk management of the company, and provides recommendations and proposals to ensure their efficiency;
- monitors the statutory audit of the company's annual financial statements;
- inspects and monitors the independence of the registered auditors of the Company;
- is responsible for the registered auditor selection procedure and recommends the appointment of a registered auditor;
- perform other functions provided for by law.

6. Description of the diversity policy applied as regards the administrative, managerial and supervisory bodies of the issuer in connection with aspects such as age, gender or education and professional experience, the objectives of such diversity policy, its method of application and the results thereof during the reporting period; when no such policy is applied, the declaration shall contain an explanation regarding the reasons for that:

Gradus AD makes every effort to ensure equal opportunities for recruitment and respect in form and substance of the whole range of laws relating to fair practices in the working environment and the prevention of discrimination.

Discrimination and harassment, whether based on race, gender, feeling or expression of sex, colour of the skin, belief, religion, national origin, nationality, citizenship, age, disability, family status (including partnerships without marriage and civil alliances, defined and recognised by the current legislation), sexual orientation, culture, pedigree, veteran status, socio-economic situation or other law-protected personal characteristics are unacceptable and totally incompatible with the traditions of the Company, for ensuring a reputable, professional and decent job. Repressive measures to persons raising complaints about discrimination or harassment are also prohibited.

The main goals of the Company in implementing diversity policies include:

- attracting, hiring and retaining at work of people possessing a wide range of talents. The diverse abilities and talent of managers and employees open up new opportunities for innovative and creative solutions, increase creativity and innovation. This in turn would also lead to a more effective adaptation to the impact of globalisation and technological change. A more diverse workforce can improve the ability of the Company to achieve its objectives. This approach can raise the spirit of employees, give access to new market segments and increase productivity;
- promoting a working atmosphere that respects ethical diversity and in which differences between people are valued and respected;
- solving one of the most important problems for the employer – that of labour shortages, as well as problems relating to the recruitment and retention of highly skilled workers;
- improving the reputation and overall representation of the company vis-à-vis external stakeholders and society;
- creating opportunities for disadvantaged groups and building the unity of society.

Gradus AD aims to achieve the goals set by promoting and implementing in practice the types of diversity that are of importance to the Company. By adopting good practices applied by other companies and institutions, the Company's management aims at making diversity management a functioning part of the Company. Gradus AD devotes its efforts to inform its employees, consumers, customers and investors of the importance of diversity for them and their work, aiming to build trust willingness to render support.

20 March 2020

Executive Director

Ivan Angelov

Chairman of Board of Directors:

Luka Angelov

Translation from Bulgarian

REPORT

ON THE WAY OF APPLICATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE BOARD OF DIRECTORS OF GRADUS AD FOR 2019

This Report has been prepared in accordance with Article 12, paragraph 1 of Ordinance No 48 dated 20 March 2013, issued by the Financial Supervision Commission, and Article 3, paragraph 1 of the 2013 Remuneration Policy for the members of the Board of Directors of Gradus AD, elaborated by the Board of Directors

The Report presents the way of application of the Remuneration Policy for the members of the Board of Directors and the Executive Director, the main goal of which is to establish principles and rules for determining and paying their remuneration in carrying out their duties.

I. Information about the way of application of the Remuneration Policy for the period from its approval to the 2019 year-end

1. Information about the decision-making process concerning the Remuneration Policy, including, if applicable, information about the mandate and composition of the Remuneration Committee, the name of external consultants, whose services have been used in determining the Remuneration Policy

The Remuneration Policy for the members of the Board of Directors has been elaborated in accordance with the requirements of Ordinance No 48 and also takes into account the recommendations of the National Corporate Governance Code.

Pursuant to the effective Remuneration Policy for the members of the Board of Directors, they have not set up a Remuneration Committee. The services of external consultants have not been used in the elaboration of the Remuneration Policy.

2. Information about the weight of the variable and fixed remuneration of the members of the managing and control bodies

The company may pay the members of the Board of Directors both permanent (fixed) and variable remuneration.

The remuneration and tantiemmes of the members of the Board of Directors shall be determined by decision of the General Meeting of Shareholders and shall be paid in accordance with the terms and conditions of the management contracts concluded between them and the Company.

At the time of adoption of this Policy, the members of the Board of Directors are paid only fixed remuneration.

3. *Information about the assessment criteria, on the basis of which share options, company shares or other types of variable remuneration are granted; and explanation on how the criteria under Article 14, paragraphs 2 and 3 contribute to the achievement of the long-term goals of the Company*

No remuneration was paid to the members of the Board of Directors in the form of company shares, share options or rights to acquire shares.

4. *Explanation of the method applied and assessment whether the criteria reflecting the results achieved have been met*

According to the Remuneration Policy, the members of the Board of Directors are entitled to receive additional variable remuneration in case of a positive financial result (objectives achieved) for the previous year.

5. *Explanation of the interrelation between the remuneration and the results achieved*

Variable remuneration, if voted on, depends on the achievement of certain objectives and is linked to the following criteria:

1. Financial indicators, namely operating results, as follows:

- 1.1. amount and dynamics of EBITDA (the earnings of the company and its subsidiaries before interest, taxes, depreciation and amortisation);
- 1.2. amount and dynamics of the sales of the subsidiaries;
- 1.3. amount and dynamics of the receivables of the subsidiaries.

2. Non-financial indicators, as follows:

- 1.1. compliance with the principles of the National Corporate Governance Code;
- 1.2. implementation of observance of the approved Code of Ethical Conduct and other internal rules and policies of the Company.

6. *Basic payments and reasons underlying the annual scheme for payment of bonuses and/or other non-monetary consideration*

The remuneration of the members of the Board of Directors shall be paid on a monthly basis to a bank account up to the 25th day following the month for which it is due.

Bonuses and other non-cash supplementary remuneration were not paid to the members of the Board of Directors in 2019.

7. Description of the key features of the additional voluntary pension insurance plan and information about contributions paid and/or due by the company in favour of a director for the respective financial year, where applicable

Additional voluntary pension insurance is not envisaged for the members of the Board of Directors.

8. Information about the period of deferral of variable remuneration

The payment of 40% of the variable remuneration defined in the decision of the General Meeting of Shareholders shall be deferred for a period of 3 years, and the payment of the deferred part of the variable remuneration shall be effected proportionally during the period of deferral.

9. Information about the compensation policy to an early termination of a contract

The contract with a member of the Board of Directors shall regulate the terms and conditions, and the maximum amount of benefits in case of its early termination, as well as payments relating to the period of notice or provided for in the clause prohibiting the pursuit of a competitive activity.

Upon termination of the contract, compensation is paid corresponding to the amount of the unused paid annual leave and the unpaid remuneration in an amount set in the contract.

Benefits from the Company shall not be due if the termination of the contract is due to unsatisfactory results and/or guilty behaviour of a member of the Board of Directors.

10. Information about the period in which shares cannot be transferred and share options cannot be exercised in the case of share-based variable remuneration

No such period is set.

11. Information about the policy for preserving a certain number of shares until the end of the mandate of the members of the managing and control bodies after the expiry of the period under item 10

No such a policy is pursued by the Company.

12. Information about the contracts of the members of the managing and control bodies, including the term of each contract, the term of the notice of termination and details about the compensations and/or other payments due in case of early termination

The contract with each member of the Board of Directors was concluded by the end of the term of office for which he/she was elected by the General Meeting of Shareholders. During the reporting financial year, the company has no contract terminated with a member of the Board of Directors.

13. Full amount of the remuneration and other incentives paid to the members of the managing and control bodies for the respective financial year

The full remuneration of the members of the Board of Directors for the financial year 2019 amounts to BGN 324,000.00. Remuneration is current and no other incentives or deferred remuneration have been paid.

Ivan Angelov – BGN 108 thousand

Luka Angelov – BGN 108 thousand

Georgi Babev - BGN 108 thousand

14. Information about the remuneration of each individual who has been a member of a managing or control body of a public company for a certain period of time during the respective financial year

The following remuneration was paid to the members of the Audit Committee:

Radka Peneva – BGN 1,250

Petya Panova – BGN 1,750

Georgi Babev – BGN 1,750

15. Information about the shares and/or share options and/or other share-based incentive schemes

There is no such information

II. Program on the application of the Remuneration Policy during the subsequent year

The Remuneration Policy aims to support the long-term business goals of the Company and promote behaviour, which supports the creation of value for the shareholders while ensuring a competitive remuneration that is sufficient to attract and retain directors with qualities necessary for the successful management and development of the company.

This Policy has been developed for a long period of time, unless the shareholders of the company request its update and revision. Amendments to the Policy approved by the General Meeting

of Shareholders shall be adopted in accordance with the procedure followed in its preparation and approval.

The Board of Directors believes that the principles for determining remuneration at present, underlying this Policy, are effective in view of the financial results achieved during the reporting period. Their implementation will continue to be a priority of the Board of Directors.

The Board of Directors shall be responsible for the timely disclosure of the Remuneration Policy approved by the General Meeting of Shareholders and any subsequent amendments thereto.

20 March 2020

Executive Director:

Ivan Angelov

Chairman of Board of Directors:

Luka Angelov

REPORT
for the activity of the Investor Relations Director of Gradus AD
in 2019

This report provides information on the activities of the Investor Relations Director of Gradus AD in 2019. The Public Offering of Securities Act gives the Investor Relations Director certain obligations related to the timely disclosure of information in favor of investors, the regulated market and the supervisory authorities. The present report is prepared in accordance with the requirements of the Public Offering of Securities Act and shall be provided to the shareholders of the company at the Regular Annual General Meeting. It reflects the activities performed by the Investor Relations Director for the presentation of the Company's periodic reports and in accordance with the provisions of the Public Offering of Securities Act.

The main priority of the Investor Relations Director is to establish an effective relationship between the Board of Directors of the Company and its shareholders and those who have expressed an interest in investing in the company's securities. During the past year, investors and shareholders were active in seeking information about the company's activities. The Director provided the necessary information regarding the current financial and economic situation of the company, the stages of realization of the investment plans of the company as well as any other information to which the persons referred to in the preceding sentence are legally entitled as shareholders or investors.

In the past 2018 and up to this moment the Investor Relations Director meets regularly questions from shareholders that for the reporting period are mainly related to:

- The ways of purchase and / or sale of shares of the Company;
- Payment of dividends;
- The results of the company;
- Information on the stages of realization of the investment intentions of the company;

The Investor Relations Director shall keep and store:

- the minutes of the meetings of the Board of Directors of Gradus AD;
- a journal for the held meetings of the Board of Directors of Gradus AD, in chronological order, the date, opening hours and closing hours of the meeting, agenda and decisions taken, in a way that does not allow subsequent amendments or additions to it .

The minutes accurately and faithfully reflect the information about the held meetings of the Board of Directors, incl. agenda, issues discussed and decisions taken.

The Investor Relations Director is responsible for the timely submission of all necessary reports and notices to the Financial Supervision Commission, Bulgarian Stock Exchange AD and Central Depository AD.

In 2018, the Investor Relations Director presented in full and in full time all normative regulated materials, including events related to the Company's activities, which could have an impact on the price of the shares, the supervisory body, the stock exchange and the public through the e-register platforms and x3News, the information is also published on the company's website: www.gradus.bg

The functionalities of the company's website were used to enable investors to have up-to-date information on the investments made and the results of the business.

The Investor Relations Director keeps a record of the reports and notifications sent to the regulators, a register of received requests and materials for general meeting given to shareholders and a register of received requests and information provided by shareholders and investors.

Gradus AD held two General Meeting of Shareholders. The Investor Relations Director participated actively in the preparation and holding of the General Meeting of the Shareholders by providing all the written materials on the agenda at the disposal of the shareholders at the address of the company's management. Upon request, the materials for a general meeting was sent to each shareholder. Whenever possible, the shareholders' rights in the General Meeting were clarified, including the right to vote in the decision-making process, the right to include additional issues on the agenda, the right to ask questions to the management of the holding regardless of whether they are related to the agenda.

The Investor Relations Director can be contacted through a publicly available electronic address and telephone, also announced on the website of Gradus AD: <https://gradus.bg/contact-investors>

The Investor Relations director of Gradus AD is a member of the Association of Investor Relations Directors in Bulgaria and participates in seminars, trainings and meetings organized by this association.

**RULES OF PROCEDURE
OF THE AUDIT COMMITTEE
OF GRADUS SA**

I. GENERAL PROVISIONS

Art. 1. (1) These Rules of Procedure of the Audit Committee of Gradus SA /hereinafter: the Statute/ have been adopted on the basis of and reflect the requirements of Art. 107, para. 7 of the Independent Financial Audit Act.

(2) GRADUS SA is a public-interest entity within the meaning of §1, item 26 of the Independent Financial Audit Act (IFAA).

(3) In fulfillment of its obligations under the Independent Financial Audit Act, the Company has established an Audit Committee.

**II. COMPOSITION AND MANDATE
OF THE AUDIT COMMITTEE**

Art. 2. The Audit Committee of GRADUS SA consists of 3 (three) members – natural persons, and one of them is the Chair of the Audit Committee.

Art. 3. (1) The members of the Audit Committee shall be elected and dismissed by the General Meeting of Shareholders at the proposal of the Board of Directors of GRADUS SA.

(2) The members of the Audit Committee of GRADUS SA shall be elected for a term of 4 (four) years. After the expiration of the term of office, the members of the Audit Committee of GRADUS SA shall continue to carry out their roles until the election of new members by the General Meeting of Shareholders.

(3) The members of the Audit Committee may be re-elected without restriction [in mandates].

Art. 4. (1) As members of the Audit Committee of GRADUS SA shall be elected persons who have a bachelor's degree of education, knowledge in the field the enterprise operates in, with at least one of the members having no less than 5 (five) years of professional experience in the field of accounting or auditing.

(2) Members of the Audit Committee of GRADUS SA may also be elected from members of the Board of Directors of the Company who are not executive members.

(3) The majority of the members of the Audit Committee are external and independent of GRADUS SA. An independent member of the Audit Committee of GRADUS SA may not be:

1. an executive member of a management or control body, an executive member of the supervisory body or an employee of the company;
2. a person who has a lasting commercial relationship with the company;
3. a member of a management or control body, procurator or employee of an entity under item 2;
4. a related party to another member of a management or control body or to a member of the Audit Committee of the public-interest entity/enterprise.

(4) The lack of circumstances under para. 3 shall be established by a written declaration to the General Assembly submitted before the election date by each nominee to be a member of the Audit Committee. When one or more of these circumstances arise after the election, the respective member of the Audit Committee shall immediately notify in writing the Board of Directors of GRADUS SA and terminate the performance of their role, and a new member shall be elected in their place at the next General Meeting.

(5) The Chair of the Audit Committee of GRADUS SA shall be elected by its members. The Chair must also meet the requirements pursuant to para. 3.

(6) Any member of the Audit Committee may submit a written reasoned request to the Board

of Directors of the company for their dismissal from the position they have been holding.

(7) Until an appropriate resolution is adopted by the General Meeting of Shareholders of the company on the dismissal of a member of the Audit Committee, the latter shall continue to carry out their obligations and responsibilities to the company, except in the cases under Art. 4, para. 4 of these Rules when the Audit Committee continues to operate with a reduced staff.

III. RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Art. 5. The Audit Committee of GRADUS SA:

- 1.** Informs the Board of Directors of GRADUS SA about the results of the mandatory audit and clarifies how the mandatory audit contributed to the reliability of the financial statements as well as the role of the Audit Committee in this process;
- 2.** Oversees the financial reporting process and provides recommendations and proposals to ensure its effectiveness;
- 3.** Monitors the effectiveness of the internal control system, the risk management system and the internal audit activity with respect to financial reporting in the audited entity;
- 4.** Observes the mandatory audit of the annual financial statements, including its implementation, taking into account the findings and conclusions of the Public Supervision Commission on the certified/registered auditors on the application of Art. 26 (6) of Regulation (EU) No 537/2014;
- 5.** Checks and monitors the independence of the certified auditors in accordance with the requirements of Chapters Six and Seven of the IFAA, as well as with Art. 6 of Regulation (EU) #537/2014, including the feasibility of providing services outside the audit of the audited entity under Art. 5 of the same regulation;
- 6.** Is responsible for the selection procedure of an certified auditor and recommends their appointment unless the audited entity has a selection committee;
- 7.** Notifies, through its Chairperson, the Committee for Public Supervision of the Certified auditors (CPSRA), as well as the Board of Directors of GRADUS SA for each approval given under Art. 64, para. 3 and Art. 66, para. 3 of the IFAA within 7 days from the date of the decision;
- 8.** Reports annually to the General Meeting of the shareholders of GRADUS SA;
- 9.** Issues and submits, through its Chairperson, to the CPSRA an annual report on its activities – by 31 May;
- 10.** Discusses and resolves all other matters falling within its competence under these Rules and the legislation in force;
- 11.** Carries out all other obligations assigned to it by these Rules and the legislation in force;

Art. 6. The Audit Committee may:

- 1.** Receive assistance from the Board of Directors of GRADUS SA, as well as from the employees of the Company, in performing its activity;
- 2.** Require and receive documents, data, facts and other information related to financial reporting, risk management and internal control within a reasonable time from the management of GRADUS SA or from authorized employees;
- 3.** Attend meetings of the Board of Directors of GRADUS SA or working meetings on matters within the competence of the Audit Committee, if necessary;
- 4.** Review the financial reporting processes of the company, the internal control systems and risk management and submit recommendations and proposals to ensure their effectiveness;
- 5.** Request and obtain access to any information and documents necessary for carrying out their tasks and duties;

6. Require the certified auditor / audit company be informed in writing without delay of any circumstances that have or would impair its independence in the performance of the audit engagement undertaken, as required by Art. 31, para. 2, item 1 of IFAA;
7. Request to be informed in writing immediately by the certified auditor / audit company about identified and possible significant violations of the existing legislation, constituent and other internal acts of GRADUS SA, insofar as such have become known to the certified auditor / audit company while carrying out their audit commitment;
8. Demand clarification from the certified auditor / audit company on the nature and reasons for the modification of the audit opinion in the audit report, as well as on the paragraphs to be considered and other matters that did not modify the auditor's opinion;
9. Require a copy of the signed compulsory professional indemnity insurance of the certified auditor / audit company;
10. Receive an additional paper to the audit report according to Art. 59 and Art. 60 of the IFAA;
11. Receive warnings/complaints from the employees and shareholders of the company about mistakes, wrong or illegal actions related to the financial reporting processes in the company;
12. Investigate all warnings/complaints of irregularities related to the performance of its tasks and duties, receiving assistance from the management of the enterprise;
13. Keep confidentiality in receiving warnings/complaints about reported and closed irregularities related to the performance of its tasks and duties.
14. Receive remuneration for the service provided by them, resolved by a decision of the General Meeting of Shareholders of Gradus SA.
15. Require the Board of Directors of the company to pay the expenses related to the performance of its activity.

Art. 7. (1) The enterprise shall be obliged to cover the expenses incurred by the members of the Audit Committee related to the performance of their duties.

(2) The remuneration of the members of the Audit Committee shall be defined by the General Meeting of the shareholders and shall be consistent with the quantity and quality of the service provided and their participation in the meetings of the committee and shall not be less than BGN 250 (two hundred and fifty) per month.

(3) The expenses for business trips related to the activity of the members of the Audit Committee shall be borne by the company and shall not be part of the remuneration under para. 2.

Art. 8. The members of the Audit Committee shall have the following rights:

1. To attend the meetings of the Audit Committee in person or by giving written authorization to another member of the Audit Committee;
2. To request a meeting of the Audit Committee;
3. To propose for consideration items on the agenda and to propose solutions;
4. To vote in favor or against the proposed decisions.

Art. 9. The members of the Audit Committee shall have the following responsibilities:

1. To monitor the processes of financial reporting, the effectiveness of internal control systems and the risk management systems;
2. To monitor the independent financial audit of the company;
3. To attend the meetings of the Audit Committee;
4. To inform immediately the other members of any circumstances of material importance to the company and would contribute to the prevention of errors, abuses or fraud and which have become known to them while carrying out their duties.

IV. SESSIONS OF THE AUDIT COMMITTEE

Art. 10. (1) The Audit Committee of GRADUS SA meets at least 3 (three) times a year.

(2) The Chair of the Audit Committee may schedule a meeting on his/he own initiative or at the request of a member of the Audit Committee. The Chair of the Audit Committee may not refuse to call a meeting.

(3) The meeting is regular if it is attended by more than half of the members of the Audit Committee, personally or represented by another member of the Audit Committee. No one present may represent more than one absentee. Meetings can also be held remotely.

(4) Members of the Board of Directors, the certified auditor, company employees, consultants or other external specialists relevant to the issues discussed may be invited to attend a meeting of the Audit Committee without having the right to vote.

Art. 11. (1) In exercising the powers conferred on it, the Audit Committee of GRADUS SA shall announce its decisions/resolutions.

(2) Decisions shall be taken by simple majority, except in cases where the law or these Rules provide otherwise.

(3) The Audit Committee may also take decisions in absentia if all members have given their written consent on the decision and have signed the Minutes.

(4) In the absence of a simple majority voting the weight shall be determined by the independent member of the Audit Committee.

Art. 12. (1) The Audit Committee shall carry out its activity promptly. Minutes shall be drawn up for each meeting of the Audit Committee, reflecting the agenda, the decisions taken and the manner of voting of the members. The Minutes shall be signed by all members of the Audit Committee present at the meeting.

(2) The decisions of the Audit Committee shall enter into force after the Minutes of the meeting have been signed.

(3) The Minutes of the Audit Committee meetings, as well as all reports and other papers issued by the Committee, shall be kept in the company for a minimum of 5 years from the end of the year they have been issued in.

V. RELATIONSHIPS OF THE AUDIT COMMITTEE WITH THE BOARD OF DIRECTORS

Art. 13. (1) The Audit Committee of GRADUS SA:

1. Shall inform the Board of Directors of the company of the results of the mandatory audit and explain how the mandatory audit contributed to the reliability of the financial statements and the role of the Audit Committee in this process;

2. Shall periodically report to the Board of Directors of the company on carrying out of its commitments and shall make recommendations for improving the effective functioning of the company's audit committee;

3. Shall notify the Board of Directors of the company, as well as the CPSRA, of any approval given under Art. 64, para. 3 and Art. 66, para. 3 of the Independent Financial Audit Act within 7 days from the date of the decision;

4. Shall notify and make recommendations to the Board of Directors in cases provided by the law and at its own discretion;

5. Shall review and make proposals to the Board of Directors of the company for updating these Rules;

6. May attend meetings of the Board of Directors of the company to discuss matters within its competence.

(2) The Board of Directors of GRADUS SA:

1. Shall provide appropriate annual training for all members of the Audit Committee of the company and provide the necessary budget for carrying out its tasks within the company;

2. Shall provide the Audit Committee with sufficient resources for carrying out its duties effectively;

(3) The members of the Board of Directors and the employees of the company shall be obliged to assist the Audit Committee in the performance of its activity, including to provide the information requested by it within a reasonable time.

VI. REPORTING OF THE AUDIT COMMITTEE

Art. 14. (1) The Audit Committee of GRADUS SA shall annually report its activities to the General Meeting of the Shareholders of the company and submit a Report on its activities during the respective financial year.

(2) The report of the Audit Committee of the company shall be submitted to the Board of Directors and shall be part of the written documents for the General Meeting of the shareholders to be considered at.

(3) The members of the Audit Committee may attend the session of the General Meeting of the shareholders, where the annual report of the committee for the respective financial year should be reviewed at, without any voting right, unless they are shareholders of the company.

VII. FINAL PROVISIONS

§ 1. These Rules have been drawn up in compliance of the Independent Financial Audit Act.

§ 2. Amendments and supplements to these Rules shall be made in the order of their adoption.

§ 3. Legislative changes repealing or amending a single provision of these Rules shall not invalidate the Rules as a whole.

These Rules are approved by Minutes of a meeting of the Audit Committee on 11 June 2019, approved by the Board of Directors of GRADUS SA by a resolution of 14 June 2019 and approved by the General Meeting of Shareholders of GRADUS SA held on 25 Oct 2019.

These Rules have been amended by minutes of the Audit Committee meeting on 24.03.2020 and approved by the Board of Directors of GRADUS SA by decision of 25.03.2020.

The amendments will be proposed for approval by the General Meeting of Shareholders of GRADUS SA - the session shall be held on 05.06.2020.

TO THE GENERAL MEETING OF SHAREHOLDERS (GMS)
OF GRADUS AD, UIC 204882907

ANNUAL REPORT
On the activity of the AUDIT COMMITTEE of Gradus AD
For the period June 2019 – April 2020

This report of the Audit Committee of Gradus AD has been prepared in accordance with Article 108, paragraph 1, item 8 of the Independent Financial Audit Act (IFAA).

The Audit Committee was elected by decision of the General Meeting of Shareholders dated 10 June 2019 in compliance with the requirements of IFAA to the independent financial audit of public-interest entities.

The Audit Committee of Gradus AD consists of four members – natural persons, of whom one Chair, elected for a mandate of 4 (four) years.

1. Radka Dimcheva Peneva – Chair; education degree: a Master's degree in Accounting– UNWE, having an experience of more than ten years in the area of accounting and control;
2. Petya Radoslavova Panova; education degree: a Master's degree;
3. Georgi Alexandrov Babev; education degree: a Master's degree.

The Chair of the Audit Committee complied with the requirements to be an independent member of the Audit Committee, as stipulated in Article 107, paragraph 4 of the Independent Financial Audit Act, only until 31 October 2019 inclusive. Pursuant to Article 107, paragraph 5 of the Independent Financial Audit Act and Article 4, paragraph 4 of the Rules of Procedure and Status of the Audit Committee, approved by decision of the GMS of 25 October 2019, after so ceasing to meet the requirements the person shall notify in writing the Board of Directors of Gradus AD and shall cease immediately to perform his/her functions in accordance with paragraph 7.

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.

On March 23, 2020 Petya Radoslavova Panova was elected by a meeting minutes of the Audit Committee to serve temporarily as Chairperson of the Audit Committee of Gradus AD for the period until the election of a third member of the Audit Committee of the General Meeting of Shareholders.

Activity of the Audit Committee during the reporting period

The main functions of the Audit Committee, governed by the IFAA and the Rules of Procedure and Status of the Audit Committee, include:

- To inform the Board of Directors of Gradus AD of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process;
- To monitor the financial reporting process and submit recommendations or proposals to ensure its efficiency;

- To monitor the effectiveness of the internal control system, the risk management system and the internal audit activities regarding the financial reporting of the audited entity;
- To monitor the statutory audit of the annual financial statements, including its performance, taking into account any findings and conclusions of the Commission for Public Oversight of Statutory Auditors in implementing Article 26, paragraph 6 of Regulation (EU) No 537/2014;
- To review and monitor the independence of statutory auditors in accordance with the requirements of Chapters Six and Seven of this Act as well as with Article 6 of Regulation (EU) No 537/2014, including the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that Regulation;
- To be responsible for the procedure for the selection of a statutory auditor and recommend the statutory auditor to be appointed, except where the audited entity has a nomination committee;
- To inform, through its chairperson, within a 7-day period from the decision, the Commission for Public Oversight of Statutory Auditors, as well as the management and supervisory bodies of the entity, on any approval granted under Article 64, paragraph 3 and Article 66, paragraph 3;
- To report on an annual basis on its activities to the General Meeting of Shareholders of Gradus AD;
- To prepare and, through its chairperson, submit to the Commission for Public Oversight of Statutory Auditors, by 31st May, an annual report on its activities.

The activity of the Audit Committee during the reporting period aimed at improving the effectiveness of the financial reporting processes, and the internal control and risk management systems of the company. The Audit Committee held meetings to discuss and take decision on matters relating to its main functions, while at the same time communicated actively with the Company's management and the independent statutory auditor.

The Audit Committee had not received any signals of irregularities affecting the Company's operations that could have an adverse impact on the shareholders' interests. No signals of omissions and irregularities related to the work of the independent statutory auditor were received as well.

In compliance with its obligations, the Audit Committee informs timely the Board of Directors of Gradus AD about the results of the statutory financial audit of the Company. The operation of the Audit Committee of the Company, a public-interest entity, enhances the quality of the statutory financial audit and the reliability of financial reporting by independently monitoring and overseeing the process of creating and providing reliable, accurate and precise financial information.

Monitoring the financial reporting processes

Management of Gradus AD is responsible for the financial reporting of the enterprise, for the management and protection of its assets, as well as for taking measures for the prevention and detection of possible errors and deficiencies, including due to abuse.

The Audit Committee has held consultative meetings with the Chief Accountant of the holding and established that the financial reporting processes in Gradus AD present truly and comprehensively the financial information. During the audited period, the Chief Accountant has conducted a review covering the lawfulness before assuming any obligations or incurring expenses, in accordance with the entity's internal risk control and risk management rules.

In 2019, the Company applied consistently adequate accounting policies in accordance with the effective International Accounting Standards and International Financial Reporting Standards. During the current year, Gradus AD applied all new and amended IFRS relevant to its activity and effective for the reporting period commencing on 1 January 2019. The financial statements have been prepared in compliance with the applicable accounting standards and information therein reflects objectively the activity and financial performance of the Company.

Pursuant to the Public Offering of Securities Act and other acts regulating this activity, quarterly interim financial statements and separate and consolidated annual financial statements have been prepared regularly and submitted to the Financial Supervision Commission and BSE – Sofia AD, and disclosed to the public through the information system of x3news.com and the company website: gradus.bg.

Monitoring the effectiveness of the internal control system and the risk management system regarding the financial reporting

The Audit Committee monitors the effectiveness of the internal control system and the risk management system regarding the financial reporting of the audited entity. Management has implemented effective controls at various levels of financial reporting within the Company with the main focus being placed on controlling assets, expenses and cash flows. There is no an independent internal audit unit functioning within the Company. The internal control system is monitored by separate individuals and structures, which are entrusted with other control activities as well. In this sense, the Audit Committee considers the internal audit in the context of the overall internal control system.

The internal control on the accounting system is aimed at the following: 1) all transactions to be carried out only after obtaining authorisation by the company's management and in accordance with the laws and regulations, and (2) all transactions and other events to be recorded in a timely manner and at accurate amounts in the appropriate accounts and for the relevant reporting period so as to allow for the preparation of financial statements in accordance with a specific financial reporting framework.

The established internal control system operates effectively and provides a high level of financial reporting in all material respects, and allows for the timely preparation of reliable interim financial statements, as well as annual financial statements of the company, and their presentation to the public.

The Audit Committee finds that management has identified the risks to which the Company is exposed as a result of its activity. Continuous monitoring of the Company's exposure to specific risks is carried out and timely actions are taken to reduce any possible adverse effects. The Board of Directors has implemented and applies internal control and risk management rules.

Management includes in financial statements and management reports detailed information on all risks identified, to which the company is exposed, as well as on the methods of managing those risks. The majority of risks are appropriately identified and managed, and are limited to an acceptable level.

There are no systemic weaknesses in the internal control and risk management systems requiring adjustments. Findings regarding optimisation and improvement of the Company's financial reporting processes, respectively those of its group, were communicated. No specific recommendations have been made to improve the effectiveness of the entity's financial reporting processes, the internal control structure, functions and processes, and the risk management system.

On March 11, 2020, the World Health Organization declared a coronavirus (COVID-19) pandemic, and on March 13, 2020, the Bulgarian government declared a state of emergency. Measures have been introduced to limit the outbreak of contagion, including restricting cross-border movement of people, working from home, temporarily closing schools, universities, restaurants, cinemas, theatres, museums and sports facilities, retailers with the exception of retailers, grocery stores, grocery stores and pharmacies. Given the current situation, the uncertainty about the economic development projections around the world, the Management of Gradus AD carefully analysed the potential effects of the pandemic and the restrictions imposed by the government, expecting a decrease in economic activity and liquidity in general for the country's economy, but considers that Gradus AD and its group are able to continue their businesses as a going concern.

In connection with the Covid-19 pandemic and to date, the Audit Committee does not identify events and conditions that could raise significant doubts about the ability of Gradus AD to maintain its business and viability.

Monitoring the independent financial audit of the company

The Audit Committee has tracked out the work of the appointed independent auditor, namely Baker Tilly Klitou and Partners OOD Audit Firm, Commission number 129, and found that the independent financial audit of Gradus AD was conducted lawfully, in compliance with the regulatory requirements. Meetings were held with the statutory auditor to discuss the implementation of the engagement, as well as other key audit matters, significant risks identified in planning the audit, and the draft of the auditor's report.

The statutory auditor has identified key audit matters that have been communicated and analysed in relation to the assertions in the financial statements and associated risks, evidence and procedures. The key matters were discussed with the Audit Committee and the Company's management at the level of planning of audit engagements and upon their completion. No significant matters concerning the audit process in 2019 were reported by the appointed statutory auditor. The company observed all deadlines for the preparation and presentation of the financial statements to the statutory auditor. The auditor's reports were issued within the scheduled time limits.

The statutory auditor provided a high quality and objective audit service, whereas a full-scope audit of the company's activity had been carried out, and the report thereon had been prepared in accordance with the statutory requirements.

The statutory auditor issued an additional report on the audit of the individual financial statement of the Company dated 20.03.2020. The findings and recommendations of the auditor had been considered.

Review of the independence of the statutory auditor

The Audit Committee has satisfied itself of the independence of the company's statutory auditor in accordance with the IFAA and the Code of Ethics for Professional Accountants. It has been established that the requirement that the auditor is independent from the audited entity has been complied with and that there are no financial and/or other relationships between the auditor and the audited entity, other than the audit, which could affect the auditor's judgement. Considering the above, on the grounds of Article 108, paragraph 1, item 5 of IFAA, the Audit Committee was provided with a statement, in which the statutory auditor had declared that it was independent from the company and that it provided no services other than audit to the entity.

No threats to the independence of Baker Tilly Klitou and Partners OOD, Commission number 129, represented by Krasimira Ivanova Radeva, General Manager, and conflicts of interest were identified. The Independent Auditor's Transparency Report is published on the website of the Audit Firm: (<https://www.bakertilly.bg/about-us/transparency-report/>).

Responsibilities in connection with the procedure for selection of a statutory auditor

The most recent preliminary selection for the appointment of a statutory auditor was carried out by the Board of Directors of Gradus AD in 2017. Three audit firms were invited to participate, which submitted offers for an independent financial audit. The Board of Directors tabled the proposal for the appointment of an external auditor to the General Meeting of Shareholders, as at that time there was no a functioning audit committee within the Company. Baker Tilly Klitou and Partners OOD Audit Firm, Commission number 129, represented by Krasimira Ivanova Radeva, General Manager, was appointed as a statutory auditor to audit and certify the separate and consolidated financial statements of Gradus AD for 2017.

The Audit Committee got acquainted with the decision of the Company's management and the reasons underlying the proposed choice, and judged the expediency and lawfulness of the choice. The Audit Committee verified the compliance with the IFAA criteria in respect of the relevant statutory auditor, and obtained from Baker Tilly Klitou and Partners OOD Audit Firm, Commission number 129,

represented by Krasimira Ivanova Radeva, General Manager, the document required by Article 6 of Regulation (EU) 537/2014 on specific requirements regarding statutory audit of public-interest entities.

Based on the results from monitoring of the work of a statutory auditor and good corporate practices the audit firm has followed, as well as the existence of a good cooperation between the independent auditor, the Company's management and the financial and accounting department of the Company, and having regard to the requirements of Article 65 of IFAA, the Audit Committee recommended to the General Meeting of Shareholders of Gradus AD to appoint Baker Tilly Klitou and Partners OOD Audit Firm, Commission number 129, represented by Krasimira Ivanova Radeva, General Manager, to conduct an independent financial audit of Gradus AD in 2019. This recommendation was for a renewal of the audit engagement.

By decision of the General Meeting of Shareholders taken at a meeting held on 25 October 2019, Baker Tilly Klitou and Partners OOD, Commission number 129, represented by Krasimira Ivanova Radeva, General Manager, was appointed as a statutory auditor of the financial statements of Gradus AD for the year ended 31 December 2019.

The audit of the financial statements of the Company for the year ended 31 December 2019 represents the third consecutive year of continuous statutory audit engagement.

In connection with the fulfilment of its obligations, in accordance with Article 108, paragraph 1, item 6 of the Independent Financial Audit Act, the Audit Committee makes a recommendation to General Meeting of Shareholders of Gradus AD for appointing Baker Tilly Klitou and Partners OOD Audit Firm, Commission number 129, represented by Krasimira Ivanova Radeva, General Manager to conduct the independent financial audit of the financial statements of the Company in 2020.

This recommendation is for renewal of the audit engagement for the fourth consecutive year and is unaffected by a third party.

Non-audit services

The policy of the Committee regarding other services that the statutory auditor is permitted to provide complies with Article 64, paragraph 1 of the Independent Financial Audit Act (IFAA) with reference to Article 5 of Regulation 537/2014 (the Regulation), and only the provision of tax services within the meaning of the Regulation is allowed, on the condition that:

- the services have no effect or have immaterial effect, separately or in the aggregate, on the audited financial statements;
- the estimation of the effect on the financial statements is comprehensively documented and explained in the report to the Audit Committee;
- the principles of independence are complied with by the statutory auditor.

Eligible non-audit services may be provided by the statutory auditor subject to the preliminary approval of the Audit Committee. The Audit Committee is obliged to inform the Commission for Public Oversight of Statutory Auditors thereof by providing them with a copy of the notification to the Committee. Considering the requirements of the Act and the Regulation, the Audit Committee has established a restrictive policy by allowing the provision of such services only as an exception and where essential.

In the case of the provision of additional services, other than the audit, by the statutory auditor, the Audit Committee requires the services to be provided by another team that is not involved in the audit of the financial statements.

In an extreme case, where services cannot be provided by a team not involved in the audit engagement, the Committee requests information on the engagement quality control review prior to issuing an auditor's report, and re-communicates the statutory auditor's independence and assessment of the effect of the services provided.

During the period under review, the independent auditor has not provided services other than those relating to the audit and no circumstances under Article 66, paragraph 3 of the IFAA have occurred, which require a decision of the Audit Committee.

During the reporting period, no approval was given by the Audit Committee under Article 64, paragraph 3 and Article 66, paragraph 3 of IFAA.

Approval of the Statutory auditor's Report

The Company has submitted to the Audit Committee the certified annual individual financial statement for 2019, as well as the auditor's reports for 2019.

The Audit Committee has no reason to recommend that the General Meeting of Shareholders not approve the audited financial statements.

Report on the activity of the Audit Committee

The Audit Committee presents this annual report on the activity approved at a meeting of the Audit Committee held on 09 April 2020 as a report to the appointing body – the General Meeting of Shareholders of Gradus AD.

In pursuance of its obligations under Article 108, paragraph 1, item 9 of IFAA, the Audit Committee prepares and submits to the Commission for Public Oversight of Statutory Auditors, by the statutory term, an annual report on its activities.

Audit Committee of Gradus AD:

1. Petya Radoslavova Panova (Chairperson)
2. Georgi Alexandrov Babev

TO: The shareholders of GRADUS

RECOMMENDATION

On the grounds of the Independent Financial Audit Act, Art. 108, it. 6, the Audit Committee recommends to the General Meeting of the shareholders of GRADUS SA to elect the Baker Tilly Klitou and Partners Ltd., Reg. #129, represented by the manager Krasimira Ivanova Radeva, to carry out the independent financial audit of the financial reports of Gradus SA for 2020.

The Audit Committee received a documented assessment pursuant to Art. 6 of Regulation EC #537/2014 (related to the specific requirements in regards to the mandatory audit of companies of public interest) by the Baker Tilly Klitou and Partners Ltd., Reg. #129, represented by the manager Krasimira Ivanova Radeva.

This recommendation is related to the renewal of the audit engagement for the fourth consecutive year and it is not influenced by any third party. The Audit Committee has not been imposed a provision of the type defined in Art. 16, para. 6 of Regulation EC #537/2014 related to specific requirements in regards to the mandatory audit of companies of public interest.

Sofia,
09.04.2020

Chair of the Audit Committee: Petya Panova, signature (illegible)

MINUTES MEETING OF THE BOARD OF DIRECTORS GRADUS AD

Today, on November 02, 2019, at 11:00 am, in Stara Zagora, at the headquarters of the company - at: Industrial District, Gradus Ptitseklanitsa, a meeting of the Board of Directors was held at GRADUS AD, entered in the Commercial Register of the Registry Agency of the Ministry of Justice with UIC: 204882907. The meeting was attended by:

1. Ivan Angelov Angelov;
2. Luka Angelov Angelov;
3. Georgi Alexandrov Babev;

All members of the Board of Directors have received a personal invitation to convene this meeting at least 3 (three) days before the date of the meeting containing the agenda and proposals for decisions.

Having ascertained compliance with the requirements of the Articles of Association of the Company for convening meetings of the Board of Directors, The meeting passed on the following agenda:

1. Deciding on a proposal for dismissal and responsibility of the former Chairman of the Audit Committee - Radka Dimcheva Peneva.
2. 2. Deciding on a proposal for the election of a new Chairman of the Audit Committee - Dobri Svetlozarov Simeonov
3. Others

След проведени разисквания,

Under item 1. the agenda of the Board of Directors took the following

Desicion

Taking into account the notification from Radka Dimcheva Peneva, dated 31.10.2019 on occurrence of a circumstance leading to violation of the requirements for independence of the members of the Audit Committee, defined in Art. 107, para 4, item 1 of the Independent Financial Audit Act and suspension of its functions as Chair of the Audit Committee of Gradus AD, the Board of Directors decides to propose to the next GMS the dismissal of the current Chairman of the Audit Committee of Gradus AD - Ms. Radka Dimcheva Peneva.

Voted:

„Yes“ – 3 (three);

„No“ – 0 (zero)

The decision is accepted.

Under item 2 the following decision was made:

Decision

The Board of Directors decided to propose to the next GMS the Chairman of the Audit Committee of Gradus AD - Mr. Dobri Svetlozarov Simeonov, who is meeting the requirements for the position.

Voted:

„Yes“ – 3 (three);

„No“ – 0 (zero)

The decision is accepted.

The Chairman of the Board of Directors, Mr. Luka Angelov Angelov, stated that no other proposals had been received for inclusion of topics on the agenda of the present meeting, therefore the meeting was closed at 11:30.

Board members:

Ivan Angelov Angelov

Luka Angelov Angelov

Georgi Alexandrov Babev

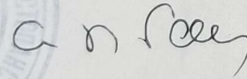
Добри Светозаров Симеонов
факултетен № M215010
ЕГН 7011206640, роден/а/ на 20.11.1970 година
в град /с./ София, област София-град,
Република България,
гражданин на Република България,
завърши през 2004 г. 3 годишен курс на обучение
/шест семестъра/, дистанционна форма на обучение,

по специалност
СЧЕТОВОДСТВО И КОНТРОЛ

Среден успех от курса на обучение: **Мн. добър 4.57**
Оценка от защита на дипломната работа: **Отличен 6.00**
Общ брой кредити:

Втора специалност - няма

Протокол на държавната изпитна комисия
№ 004 от 30.10.2004 година

ДЕКАН: 

/подпис и печат на ВУ/

Регистрационен № 180 от 23.12.2004 г.

РЕПУБЛИКА БЪЛГАРИЯ

ДИПЛОМА

ЗА
ВИСШЕ ОБРАЗОВАНИЕ



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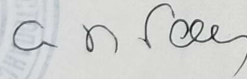
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РЕПУБЛИКА БЪЛГАРИЯ

ДИПЛОМА

ЗА
ВИСШЕ ОБРАЗОВАНИЕ



010200

АВТОБИОГРАФИЯ

ЛИЧНА ИНФОРМАЦИЯ

Име	ДОБРИ СВЕТОЗАРОВ СИМЕОНОВ
Адрес	БЪЛГАРИЯ, ГР. СОФИЯ, ПК 1303, БУЛ. СТЕФАН СТАМБОЛОВ №19, ЕТ. 6, АП. 16
Телефон	0887557873
Факс	
E-mail	dobri_ds1@abv.bg
Националност	Българин
Дата на раждане	20.11.1970 г.
Трудов стаж	
• Дати (от-до)	от м. 09.2007 г. – „Сим Консулт-2001“ ЕООД - СЧЕТОВОДНИ И ОДИТОРСКИ ДЕЙНОСТИ, ДАНЪЧНИ КОНСУЛТАЦИИ от 2005 г. до м. 09.2007 г. - ЕТ „Боди-Кар-Добри Симеонов“ – СЧЕТОВОДНИ И ОДИТОРСКИ ДЕЙНОСТИ, ДАНЪЧНИ КОНСУЛТАЦИИ от 1992 г. до 2005 г. – ЕТ „Боди-Кар-Добри Симеонов“ – ПРОИЗВОДСТВО И ТЪРГОВИЯ С ЯДКИ
• Име и адрес на работодателя	„Сим Консулт-2001“ ЕООД - ГР. СОФИЯ, БУЛ. СТЕФАН СТАМБОЛОВ №19, ЕТ. 6, АП. 16 - ЕТ „Боди-Кар-Добри Симеонов“ – ГР. СОФИЯ, БУЛ. СТЕФАН СТАМБОЛОВ №19, ЕТ. 6, АП. 16
• Вид на дейността или сферата на работа	СЧЕТОВОДНИ И ОДИТОРСКИ ДЕЙНОСТИ, ДАНЪЧНИ КОНСУЛТАЦИИ ПРОИЗВОДСТВО И ТЪРГОВИЯ С ЯДКИ; СЧЕТОВОДНИ И ОДИТОРСКИ ДЕЙНОСТИ, ДАНЪЧНИ КОНСУЛТАЦИИ
• Заемана длъжност	Счетоводител и управител

• Основни дейности и отговорности	ИЗГОТВЯНЕ НА ГОДИШНИ СЧЕТОВОДНИ ОТЧЕТИ; ОБРАБОТВАНЕ НА СЧЕТОВОДНИ ДОКУМЕНТИ; ПОДАВАНЕ НА ГОДИШНИ ДАНЪЧНИ ДЕКЛАРАЦИИ И ОТЧЕТИ; ПРОВЕРКА И КОНТРОЛ НА ОБРАБОТЕНИ ДОКУМЕНТИ, ИЗГОТВЕНИ ОТЧЕТИ И ПОДАДЕНИ ДЕКЛАРАЦИИ.
ОБРАЗОВАНИЕ И ОБУЧЕНИЕ	От 2001 г. до 2004 г. - Университет за национално и световно стопанство – магистър Счетоводство и контрол От 1989 г. до 1998 г. - Минно-геоложки университет „Свети Иван Рилски“ - гр. София – магистър по специалност Минно инженерство със специализация Индустриален мениджмънт До 1989 г. – Четвърта сменна вечерна гимназия.
ОРГАНИЗАЦИОННИ УМЕНИЯ И КОМПЕТЕНЦИИ	РАБОТА В ЕКИП; УМЕНИЕ ЗА РАЗПРЕДЕЛЯНЕ НА ПОСТАВЕНИТЕ ЗАДАЧИ
ТЕХНИЧЕСКИ УМЕНИЯ И КОМПЕТЕНЦИИ	ДОБРА КОМПЮТЪРНА ГРАМОТНОСТ; РАБОТА СЪС СПЕЦИАЛИЗИРАН СЧЕТОВОДЕН СОФТУЕР
ДРУГИ УМЕНИЯ И КОМПЕТЕНЦИИ	УЧАСТИЕ В ЕЖЕМЕСЕЧНИ СЕМИНАРНИ ОБУЧЕНИЯ СВЪРЗАНИ С НАСТЪПИЛИ ИЗМЕНЕНИЯ В ДАНЪЧНИТЕ И ОСИГУРИТЕЛНИТЕ ЗАКОНИ.
СВИДЕТЕЛСТВО ЗА УПРАВЛЕНИЕ НА МПС	Да, категория „В“

ДЕКЛАРАЦИЯ

по чл. 107, ал. 4 и 5 от Закона за независимия финансов одит

Долуподписанят, Добри Светозаров Симеонов, в качеството ми на кандидат за член на одитния комитет на „Градус“ АД, вписано в Търговския регистър при Агенцията по вписванията, ЕИК 204882907, със седалище и адрес на управление: гр. Стара Загора, ж.к. Индустриален, последното предприятие от обществен интерес по смисъла на § 1, т. 22, буква „а“ от допълнителните разпоредби на Закона за счетоводството, с настоящата

ДЕКЛАРИРАМ:

1. не съм член на управителния орган или служител на „Градус“ АД АД;
2. не съм лице, което е в трайни търговски отношения с „Градус“ АД;
3. не съм член на управителен или надзорен орган, прокурист или служител на лице по т. 2;
4. не съм свързано лице с друг член на управителен или надзорен орган на „Градус“ АД.

Известна ми е отговорността, която нося на основание чл. 313 от Наказателния кодекс на Република България за деклариране на неверни данни

02.04.2020 г.

гр. София

Декларатор:



/Добри Светозаров Симеонов/

ДЕКЛАРАЦИЯ

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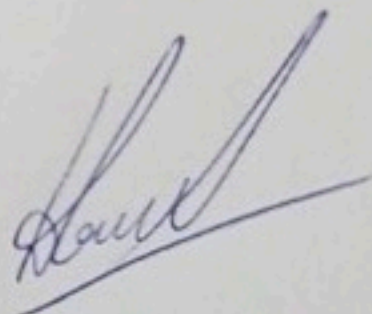
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01.11.2019 г.

гр. София

Декларатор:



/Добри Светозаров Симеонов/