STARA PLANINA HOLD PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the period ended 31 December 2022

BGN'000s

ASSETS	Note	31.12.2022	31.12.2021
Non-current assets			
Property, plant and equipment	1	92 712	86 204
Intangible assets	2	1 165	1 245
Positive goodwill		-	-
Investments in other companies	3	36 979	34 112
Other financial assets	4	1 218	1 218
Trade and other receivables	5	11 644	9 967
Deferred tax assets		125	106
Total Non-current assets		**143 843**	**132 852**
Current assets			
Materials	6	64 390	46 492
Trade and other receivables	7	50 206	46 396
Financial assets		-	-
Cash and cash equivalents	8	44 909	42 511
Prepaid expenses		358	394
Total current assets		**159 863**	**135 793**
TOTAL ASSETS		**303 706**	**268 645**
EQUITY			
Share capital	9	20 725	20 725
Reserves	9	45 838	44 115
Retained earnings/loss	9	61 113	50 725
Total equity		**127 676**	**115 565**
Non-controlling interest		**116 101**	**99 422**
LIABILITIES			
Non-current			
Trade and other payables	10	4 109	3 756
Deferred tax liabilities	10	1 859	1 751
Deferred revenues	10	50	50
State financing	10	1 084	1 279
Total non-current liabilities		**7 102**	**6 836**
Current			
Trade and other payables	11	51 907	45 715
Deferred revenues	11	20	139
State financing	11	900	968
Total current liabilities		**52 827**	**46 822**
Total liabilities		**59 929**	**53 658**
TOTAL EQUITY AND LIABILITIES		**303 706**	**268 645**

Date: 13.04.2023

Prepared by: Kremena Gantcheva Dulgerova — Digitally signed by Kremena Gantcheva Dulgerova Date: 2023.04.26 12:32:53 +03'00'

Kremena Dulgerova

Registered Auditor, Diploma No 0610

Katya Zlatareva

Manager:

Vasil Velev

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STARA PLANINA HOLD PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2022

BGN'000s

	Note	31.12.2022	31.12.2021
Net sales revenues	12	375 256	278 366
State finansing revenues		8 504	4 633
Cost of materials		(203 511)	(139 088)
Cost of hired services		(28 357)	(21 679)
Depreciation		(15 969)	(15 411)
Salaries		(71 062)	(58 814)
Social securities		(14 106)	(11 298)
Changes in finished goods and work in progress		6 939	458
Cost of disposals		(3 900)	(2 162)
Other expenses		(3 027)	(3 105)
Operational profit		**50 767**	**31 900**
Financial income	13	**1 404**	**1 541**
Financial expenses	14	**(787)**	**(431)**
Profit before tax		**51 384**	**33 010**
Tax expenses, net		5 771	3 250
Net profit for the period		**45 613**	**29 760**
Profit attributable to:			
Non-controlling interest		28 075	16 706
Equity holders of the parent company		17 538	13 054
Other comprehensive income			
Investments in equity instruments, reported at FVOCI, net		2 687	2 344
Other comprehensive income-revaluation of a defined benefit obligation		6	(18)
Other comprehensive income, net of taxes		**2 693**	**2 326**
Total comprehensive income		**48 306**	**32 086**
Total comprehensive income attributable to:			
Non-controlling interest		28 881	17 331
Equity holders of the parent company		19 425	14 755
Earnings per share		**0,85**	**0,63**

Date: 13.04.2023

Prepared by: Kremena Gantcheva Dulgerova — Digitally signed by Kremena Gantcheva Dulgerova Date: 2023.04.26 12:33:30 +03'00'

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STARA PLANINA HOLD PLC

CONSOLIDATED CASH FLOW STATEMENT
For the period ended 31 December 2022

BGN'000s

CASH FLOWS FROM OPERATING ACTIVITIES	31.12.2022	31.12.2021
Cash receipts from customers	401 751	282 363
Cash paid to suppliers	(282 074)	(196 572)
Cash paid to employees and social security institutions	(83 636)	(68 528)
Taxes paid/received	5 602	5 508
Interest, fees and commissions paid/received	(20)	(25)
Other payments/proceeds for operating activities	(750)	4 290
Net cash flow from operating activities	**40 873**	**27 036**

CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(23 822)	(13 944)
Proceeds from sales of non-current assets	126	193
Payments for loans granted	-	(1 100)
Proceeds from loans granted and lease contracts	140	997
Interests from loans received	125	359
Revenues from sale of a subsidiary	-	2 211
Dividends received from investment	31	1 033
Other payments/proceeds for investing activities	327	134
Net cash flow from investing activities	**(23 073)**	**(10 117)**

CASH FLOWS FROM FINANCIAL ACTIVITIES		
Proceeds from loans received	11 847	17 154
Payments for loans received	(11 338)	(16 892)
Payments under to lease contracts	(124)	(176)
Interest, fees and commissions paid	(110)	(73)
Dividends paid	(15 625)	(12 809)
Other payments/proceeds for financial activity	(52)	174
Net cash flow from financial activities	**(15 402)**	**(12 622)**

Net increase/decrease in cash and cash equivalents	2 398	4 297
Cash and cash equivalents at a beginning of the period	42 511	38 214
Cash and cash equivalents at the end of the period	**44 909**	**42 511**

Date: 13.04.2023

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STARA PLANINA HOLD PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2022

BGN'000s

	Share Capital	Premium reserve	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interest
Balance 01 January 2021	**20 724**	**1 178**	**19 100**	**19625**	**42 340**	**102 967**	**92 219**
Net result for the period	-	-	-	-	13 054	13 054	**16 706**
Profit sharing for dividents	-	-	-	-	(5 163)	(5 163)	(9 932)
Other profit sharing	-	-	-	342	(1 042)	(700)	(161)
Revaluation of financial assets	-	-	6 091	-	-	6 091	672
Other changes in equity	1	-	(292)	(1 929)	1 536	(684)	(82)
Balance 31 December 2021	**20 725**	**1 178**	**24 899**	**18 038**	**50 725**	**115 565**	**99 422**
Balance 01 January 2022	**20 725**	**1 178**	**24 899**	**18 038**	**50 725**	**115 565**	**99 422**
Net result for the period	-	-	-	-	**17 538**	**17 538**	**28 075**
Profit sharing for dividents	-	-	-	-	(6 181)	(6 181)	(11 870)
Other profit sharing	-	-	-	53	(1 009)	(956)	(218)
Revaluation of financial assets	-	-	1 708	-	-	1 708	802
Other changes in equity	-	-	(4)	(34)	40	2	(110)
Balance 31 December 2022	**20 725**	**1 178**	**26 603**	**18 057**	**61 113**	**127 676**	**116 101**

Date: 13.04.2023

Prepared by: Kremena Gantcheva Dulgerova
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STARA PLANINA HOLD PLC

ACCOUNTING POLICY AND EXPLANATORY NOTES

To the Annual Consolidated Financial Statements as of 31.12.2022

Name of Reporting Entity	STARA PLANINA HOLD Plc
Country of Registration	Republic of Bulgaria
Legal Form	Public company
Domicile and Address of Registerred Office	20, Fr. J. Curie Str., 9 floor, 1113 Sofia
Place of Business	Republic of Bulgaria
Nature of Operations	Holding Company
Change in name	none
Parent Entity	none
Ultimate Parent Entity	none

GENERAL INFORMATION

STARA PLANINA HOLD Plc was incorporated in Bulgaria on 27.09.1996 for an unlimited period of time. The Holding is a successor of Central Privatization Fund AD. On 19.12.1997 Central Privatization Fund AD was renamed to Central Fund Hold Plc, and since 30.04.1999 the company has been operating under its current name.

Stara Planina Hold Plc is registered in the Registry Agency under UICode 121227995.

The company is not registered under the VAT Act.

Stara Planina Hold Plc is a public company within the meaning of Art. 110 of the Public Offering of Securities Act.

The registered seat and business address are in the city of Sofia, Izgrev district, 20 Frederic Joliot-Curie, 9th floor; telephone/fax: 02/9634159; 9630577; 9633754; e-mail office@sphold.com, website www.sphold.com.

The scope of business activity of the holding is: acquisition, management, evaluation and sale of shareholdings in Bulgarian and foreign companies; acquisition, management and sale of bonds, evaluation and sale of patents, transfer of licenses for use of patents, belonging to companies where the holding company has participations; financing companies where the holding company has participations; other commercial operations, except those prohibited by law.

The registered capital of Stara Planina Hold Plc is BGN 21 000 000 (twenty-one million) leva divided into 21 000 000 (twenty-one million) non-preferred registered voting shares with a nominal value of BGN 1.00 each.

The management body of the company is the Board of Directors with the following members:

- Evgeniy Vasilev Uzunov – Chairman of the Board of Directors and representative of the company;
- Vasil Georgiev Velev – executive member of the Board of Directors and representative of the company;
- Finance Invest OOD, having its registered seat and business address in the town of Plovdiv, 14, Maria Luiza Blvd., UIC 115016144, represented for the purpose of performing its obligations as a member of the Board of Directors by the legal representative Spas Borisov Videv;
- Stefan Atanasov Nikolov – member of the Board of Directors.

Shareholders holding more than 5 % of the voting rights as of 31.12.2022:

Potbul Invest Foundation - 4655400 shares, representing 22.17 % of the capital;
Garant-5 Ltd - 2595972 shares, representing 12.36 % of the capital;
ZUPF Allianz Bulgaria AD - 1285293 shares, representing 6.12 % of the capital.

LIST

of subsidiaries included in the consolidated financial statements

Enterprise	*Location*	*Share capital and voting rights*
Hydraulic elements and systems Plc	Yambol	64.53%
Elhim-Iskra Plc	Pazardzhik	51.40%
Fazan Plc	Ruse	92.65%
SPH Invest Jsc	Sofia	99.39%

LIST

of associates included in the consolidated financial statements

Enterprise	*Location*	*Share capital and voting rights*
M+C Hydraulic Plc	Kazanluk	30.61%
Bulgarian Rose Plc	Karlovo	49.99%
Boryana Jsc	Cherven Briag	50.00%
Ustrem Jsc	Svishtov	45.00%

Explanatory information

1. Taking into account the influence of the holding on the decision-making process with regard to the associates' operations and the need to provide more comprehensive and correct information to the shareholders, investors and all interested parties, since 01.01.2011 Stara Planina Hold Plc has been applying accounting policies to further facilitating investors in making well-informed investment decisions.
2. The current financial statements of the companies in the Group are consolidated with the current financial statements of the parent company as of the same date - 31.12.2022.
3. The Investments in the companies of the Group are reported and presented under the acquisition cost method in the Separate Financial Statements of the Stara Planina hold Plc.
4. Data in the consolidated statement of financial position for the previous reporting period are stated based on the data presented in the consolidated statement of financial position as of 31.12.2021 prepared on the basis of the financial statements of the companies in the Group as of the same date.
5. Consolidation of the Separate Financial Statements of companies in the Group and the Separate Financial Statements of the parent company has been made successively for the assets, liabilities, equity, incomes and expenses.
6. In the consolidation procedure the value of equity shares of the companies in the Group held by the parent company has been eliminated successively in relation to:
• registered capital;
• reserves;
• accrued profit / loss.
7. The consolidated profit of the Group is BGN 17 538 thousand.
8. In the consolidated statement of financial position, the non-controlled participation amounts to BGN 116 101 thousand.
9. In the consolidated statement of comprehensive income in the Group under the section "Profit", the amount not belonging to the Group is indicated separately and amounts to BGN 28 075 thousand.

Statement of Compliance

Stara Planina Hold Plc presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and retains their use as an applicable basis in the preparation of the consolidated financial statements for the current period. The company observes the principles and provisions of the Accountancy Act.

New and amended International Financial Reporting Standards

The Company has adopted the following new standards, amendments and clarifications to IFRS, issued by the International Accounting Standards Board and approved by the EU, relevant and effective for the Company's financial statements for the annual period beginning on January 1, 2022, but do not have significant influence on the financial results or positions of the companies in the group:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022, adopted by the EU;
- Annual improvements 2018-2020 effective from 1 January 2022, adopted by the EU.

- Standards, clarifications and amendments to standards that have been issued by the ISMS and have been adopted by the EU, but have not entered into force:
- Amendments to IFRS 17 Insurance Contracts effective from 1 January 2023, adopted by the EU;
- Amendments to IAS 1 Presentation of Financial Statements, IFRS Statements for Appendix 2: Disclosure of Accounting Policies, effective from 1 January 2023, adopted by the EU;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective from 1 January 2023, adopted by the EU;
- Amendments to IAS 12 Income Taxes: Deferred Taxes Related to Assets and Liabilities Arising from Single Transactions, effective from 1 January 2023, adopted by the EU;
- Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information, effective from 1 January 2023, adopted by the EU;

- Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current and non-current, effective not earlier than 1 January 2024, not yet adopted by the EU;
- Amendments to IFRS 16 Leases: Leaseback obligation on sale and leaseback, effective not earlier than 1 January 2024, not yet adopted by the EU.

Documents issued by the IASB/IFRIC that have not been approved for implementation by the EU

The following new or revised standards, new clarifications and amendments to existing standards, which as of the reporting date have been issued by the ISMS, have not yet been approved for application by the EU and, have not been taken into account by the Company, accordingly, when preparing the financial statements.

- IFRS 14 "Deferred accounts at regulated prices" effective from 1 January 2016, not yet adopted by the EU.

Basis for preparation of the financial statements

The financial statements of Stara Planina Hold Plc have been prepared on the historical cost basis, except for the following items, which are being measured under an alternative basis at each reporting date:

Position: Equity securities, reported at fair value through other comprehensive income.

Measurement base: Fair value.

Functional currency and presentation currency

These financial statements are presented in Bulgarian levs which is the functional currency of the Company. All data for 2022 and 2021 are presented in thousands of BGN unless otherwise stated at the respective place. The income per share is calculated and disclosed in BGN.

Upon initial recognition, a foreign currency transaction is recorded in the functional currency and the exchange rate at the time of the transaction or operation published by the BNB is applied to the foreign currency amount. Cash, receivables and payables, such as monetary reporting items denominated in foreign currency, are valued in Bulgarian levs using the final exchange rate of the BNB.

In preparing these financial statements, the management has made valuations, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual result may differ from these estimates.

Estimates and key assumptions are currently under review.
The Company presents comparative information in these financial statements for the previous year, as the articles on the Statement of Financial Position and the Statement of Changes in Equity, as well as the notes thereto, include comparative data as of the beginning of the earliest comparative period.

Statement on the impact of Covid-19

This statement is set out under the recommendation of ESMA, dated March 11th, 2020 addressed to the financial market participants in relation to the influence of Covid-19.

Stara Planina Hold Plc and the companies in the Group have undertaken measures that have been implemented sustainably for a third year in order to guarantee the health and working capacity of the employees, continuity of our business and the activities related to the regulatory obligations. For the period after 13.03.2020 until the end of the reporting financial period of 2022 the companies in the group of Stara Planina Hold Plc have continued their activities with variable deviations from the established mode of operation, in compliance with the precautionary measures for limiting the spread of the Covid-19 infection.

The effect of the restrictive measures taken in relation to Covid-19 did not have a material impact on the results in 2022 and has a diminishing significance, especially given the reopening of the Chinese economy after the country ended its strict restrictions against the spread of Covid- 19.

A potential renewal of pandemic restrictions and a possible shutdown of the economy, both in the country and in separate countries in Europe and the world, would represent a serious obstacle to global growth.

The management believes that potential adverse developments do not represent a material uncertainty for the application of the going concern principle. The management has reasonable expectations that the Company has sufficient resources to continue the normal development of the activity in the foreseeable future and does not intend to significantly limit or discontinue the activity. For this reason, in preparing the financial statements, the Company continues to apply the going concern principle.

ACCOUNTING POLICY

Financial instruments

Non-derivative financial instruments

The participation of Stara Planina Hold Plc in subsidiaries and associates is reported in accordance with the provisions and requirements of IFRS 10: Consolidated financial statements and IAS 28: Investments in Associates and Joint Ventures.

Subsidiaries are all enterprises under the control of the company. The control over the subsidiaries finds expression in the possibility of the company to manage and define the financial and business policies of the subsidiaries so as to benefit from their operations. In the separate financial statements of the company, investments in subsidiaries are accounted for at their cost price.

The Company recognizes dividend payments from subsidiaries in its profit or loss in the separate financial statements when the right to receive the dividend is established.
Associates are those entities over which the company is able to exercise significant influence but which are neither subsidiaries nor jointly controlled entities. Investments in associates are accounted for using the cost price method. The Company recognizes dividend payments from associates in its profit or loss in the separate financial statements when the right to receive the dividend is established.

Classification and measurement of investments in equity instruments (minority interests)

Investments in equity instruments (minority interests) are classified as reported at fair value under other comprehensive income (FVOCI) in accordance with IFRS 9. All changes in the fair value of these investments will be presented in other comprehensive income and no impairment losses will be recognized in the profit or loss and the amounts accumulated in other comprehensive income will not be reclassified in the profit or loss after their derecognition (in case of any future sale of the investments).

Income from dividends will continue being recognized in the profit or loss for the period.

Loans granted, commercial and other receivables are classified in the category reported at “amortized cost” in accordance with IFRS 9.
These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced with the impairment of losses. Interest income, foreign exchange rate gains and losses and impairment are recognized in the profit or loss. Any profit or loss from derecognition is recognized in the profit or loss.

Impairment of financial assets

The 'expected credit loss' impairment model applies to financial assets measured at amortized cost or fair value through other comprehensive income, excluding investments in equity instruments and contractual assets. Pursuant to IFRS 9, losses are measured under one of the following two bases: 1. expected credit losses for the next 12 months after the date of the financial statements or 2. expected credit losses for the entire term of the financial assets. The first basis applies when the credit risk has not increased significantly from the date of the initial recognition to the date of the financial statements (and the credit risk is low as of the date of the financial statements), otherwise the second basis applies. The Company applies the second basis for commercial receivables and contractual assets (whether with or without a significant financial component). The increase in the credit risk is monitored and defined on the basis of information on risk factors such as overdue liabilities, significantly worsen financial standing of the debtor and others.
As a result of the application of IFRS 9, the Company has adopted subsequent amendments to IAS 1 - Presentation of Financial Statements which requires that impairment of financial assets be presented as a separate item in the profit or loss account and the other comprehensive income.

Derivative financial instruments

The company has not used derivative financial instruments for hedging against currency, interest rate and cash flow risks.

Tangible fixed assets

The company has adopted a threshold of significance in the amount of BGN 700 under which tangible assets, regardless if fixed or not, are accounted for as current expenditures upon acquisition.

Tangible fixed assets are initially recognized at acquisition price, which includes the purchase price (including duties and non-recoverable taxes) and all direct costs. Direct costs are those necessary to turn the asset into working condition in accordance with its intended use.

Following the initial recognition, each individual tangible fixed asset is accounted for at acquisition price less accrued depreciation and accumulated impairment loss.

Subsequent costs related to a separate tangible fixed asset are used to adjust the book value of the asset when it is probable for the economic benefits of the company to exceed the initially measured standard efficiency of the existing asset. All of the other subsequent expenses are recognized as such during the period when they have incurred.

Tangible fixed assets are written off upon their sale or when no economic benefits are expected from their use or upon release of the asset.

When a tangible fixed asset is transformed into a commodity, no profit or loss is reported. The acquisition price of the commodity shall be the book value of the tangible fixed asset which is written off.

When a tangible fixed asset is acquired as a result of a complete or partial exchange for another dissimilar in nature asset or other assets, the acquisition price will be defined under the fair value of the asset received which is equivalent to the fair value of the given asset, adjusted with all transferred cash. The difference between the acquisition price of the asset received and the book value of the exchanged asset, along with all transferred cash shall be reported as profit or loss.

Amortized cost of tangible fixed assets is equal to their book value. Tangible fixed assets are amortized on a straight-line basis according to their expected useful life (service life). Service life is defined according to the period during which it is assumed that the depreciable assets will be used by the company taking into account their probable physical wear and obsolescence.

The terms are defined as follows:

Buildings – 25 years

Plant and equipment – 3.33 years

Motor vehicles – 4 years

Computers – 2 years
Other fixed assets – 6.66 years

Impairment of assets

Depreciable assets are regularly tested for impairment when events or changes in circumstances indicate that the book value of the asset may not be recoverable.

The depreciation loss from an asset is recognized immediately as a current operating expense. In case that after a depreciation of an asset its recoverable value exceeds the book value, a depreciation loss recovery shall be reported as a current operating income up to the amount of the previous depreciation which has been reported as a current operating expense.

Assets for which impairment loss has been recognized are subsequently tested for a possible recovery of the impairment at each date of preparation of the financial statements.

Intangible fixed assets

The Group recognizes identifiable non-monetary assets without physical substance as intangible assets when they meet the definition of an intangible asset and the recognition criteria set out under IAS 38.

Intangible fixed assets are initially recognized at acquisition price, which includes the purchase price (including duties and non- recoverable taxes) and all direct costs. Direct costs are those necessary to turn the asset into working condition in accordance with its intended use. Direct costs are the costs necessary to render the asset operational as per its intended use.

Intangible assets subject to amortization are amortized on a straight-line basis during their expected useful life.

Inventory

Inventories are initially measured at their delivery cost which is the sum of all purchase and processing costs, as well as other expenditures incurred in relation to the delivery to their current location and condition.

The valuation method of inventories when they are written off is "weighted average price".
Inventories are valued at the lower of the delivery cost and net realizable value and the difference shall be accounted for as other current operating expenses. At the end of the reporting period, the net realizable value of inventories will be assessed. The net realizable value is the estimated selling price within the course of normal business operations less the approximately measured sales costs.

Receivables

Receivables are presented and reported at their nominal value, reduced by the amount of impairment for uncollectible amounts. An estimate for doubtful and uncollectible receivables is made when collection of the entire amount or part thereof is highly uncertain. Uncollectible receivables are written off in full when legal grounds for this are established.
Commercial receivables are classified at amortized cost in accordance with IFRS 9.

Cash

Cash funds are short-term financial assets in the form of cash and/or cash equivalents. Cash means available cash in hand or deposits at demand. Cash equivalents are short-term highly liquid investments which are easily transferable into respective cash amounts and which bear insignificant risk from fluctuations in their value.
Cash and cash equivalents include cash in hand and current accounts. For the purpose of preparing the cash flows statements, cash receipts from customers and cash payments to suppliers are reported as gross amounts, VAT (20%) included.
Cash funds are classified at amortized cost under IFRS 9.The company considers that there is no need for impairment of available cash due to the fact that cash is held in a financial institution and has low credit risk.

Liabilities

Payables to suppliers and other current liabilities in BGN are accounted for at acquiring price which is assumed to be the fair value of the transaction. Liabilities denominated in foreign currency are valued in BGN at the exchange rate of the BNB on the day of their occurrence, and are revalued at the closing exchange rate of the BNB as of December 31, 2022.

Liabilities for dividends are recognized following a decision of the General meeting of shareholders.

Retirement benefits and other liabilities

The employer provides compulsory insurance of the employed personnel for retirement, healthcare and unemployment.
Social security and retirement plans offered by the company in its capacity of an employer are based on the Bulgarian legislation and constitute predetermined fixed instalments.

Short term employee benefits (due within 12 months following the end of the period when earned) are recognized as expenses in the income statement during the period wherein the work has been performed and as a current liability (less all amounts paid out and any due deductions) in an undiscounted amount. As of the date of the annual financial statements the company makes an estimate of the expected costs for the leave subject to compensation to be accumulated which is expected to be paid as a result of the unused right to accumulated leave. The assessment includes the costs for remunerations and the amounts for the compulsory social insurance, due by the employer, in an undiscounted amount.

Provisions

Provisions are recognized when the company has a current legal or constructive obligation resulting from a past event the repayment of which will require expenditure of economically-beneficial resources and it is possible to make a reliable estimate of the amount for repayment of the obligation. When a discount is used, the reported amount of the provision will be increased in each period in order to reflect the expired time. Such an increase will be recognized as a financial expenditure.
A contingent liability is disclosed in the statement unless the probable need for cash outflows, including economic benefits to repay the obligation, is deferred.

Temporary tax differences

Temporary tax differences are accrued using the balance sheet method for all temporary differences between the tax base of the assets and the liabilities and their book value, measured for accounting purposes. When calculating temporary tax differences, the applicable tax rates for the periods of reverse occurrence are used. When calculating temporary tax differences, tax rates are used which refer to the periods of reverse occurrence of the temporary tax differences.

The main temporary differences result from impairment of receivables, revaluations under fair value and accrued provision expenses.

Recoverable temporary tax differences arising from the transfer of unused tax losses from previous periods are recognized only when it is probable that future taxable profits will be available against which the losses can be utilized.

Recognizing income and expenses

Accounting policy applicable to revenue is based on IFRS 15 Revenue from Contracts with Customers. The usual revenue of the Group is from the sale of its own production. The revenue in the Group is recognized when the control over the goods and/or services subject to the contract with the customer are transferred to the customer. The control is transferred to the customer upon satisfaction of the performance obligations under the contract by transferring the promised goods and/or providing the promised services. Evaluation of a contract with a customer is present only when, upon its entry into force, it:

1. Has a commercial nature and motive;
2. The parties have approved it (orally, in writing or on the basis of "established and generally accepted business practice") and have committed to fulfill it;
3. The rights of each party are respected;
4. Payment terms can be identified;
5. There is a probability that the remuneration to which the group is entitled when fulfilling its performance obligations will be received.

When evaluating collectability, all relevant facts and circumstances in relation to the transaction are taken into account, incl. past experience, usual business practices, published policies and representations made by the group, guarantees and opportunities for remedies. A contract for which any of the above criteria has not yet been met is subject to a new assessment each reporting period.

The remuneration received under such a contract is recognized as a liability (contract liability) in the statement of financial position, while:

1. All five criteria for recognition of a contract with a customer are met;

2. The Group has fulfilled its performance obligations and has received all or substantially all of the remuneration (which is non-refundable); and/or

3. When the contract is terminated and the remuneration received is non-refundable.

When initially evaluating its contracts with customers, the group makes an analysis and a judgment whether two or more contracts should be considered in their combination and accounted for as one, and resp. whether the promised goods and/or services in each separate and/or combined contract should be accounted for as one and/or more performance obligations. Any promise to transfer goods and/or services that are distinguishable (by themselves and in the context of the contract) is counted as a single performance obligation. The Group recognizes revenue for each separate performance obligation at the level of a separate contract with a customer by analyzing the type, duration and terms of each specific contract.
Revenue is measured based on the transaction price set up for each contract. The transaction price is the remuneration amount to which the Group expects to be entitled, excluding amounts collected on behalf of third parties.
When defining the transaction price, the Group takes into account the terms of the contract and its usual commercial practices.
The revenues generated in the Group are mainly from the sale of own production. Revenues from sales of goods and services have an insignificant share. In its arrangements with customers, the Group acts as a principal because it usually controls the output and/or goods and/or services before transferring them to the customer.
Upon a sale, the control over the production/goods is transferred to the customer at a precise point in time which is usually when the goods are handed over to the customer/carrier at an agreed location, and the customer can dispose of the sold produce/goods by managing the use and receiving essentially all remaining benefits.
Control over services is transferred in the period of time when they are provided. Sales revenue is recognized over time by measuring the degree of fulfillment of the Group's obligations (stage of completion).
The transaction price usually includes a fixed selling price according to the price list, with reduced trade discounts. Variable consideration is included in the transaction price only to the extent that it is highly probable that no material adjustment will occur in the amount of cumulative revenue recognized.

The companies in the Group currently report the costs for the activities by economic elements and then refer them by functional purpose in order to form the amount of costs by directions and activities. Recognition of expenses for the current period is carried out upon accrual of their corresponding revenues.
Expenses are reported on an accrual basis. They are evaluated according to the fair value paid or payable.

General and administrative expenses
This expense category includes all expenses of a general and administrative nature.

Financial income and expenses
Financial income includes income from interest on invested funds (incl. investments available for sale), dividend income, profit from sale of financial assets available for sale, changes in the fair value of financial assets reported at fair value in the profit or loss, profit from operations in foreign currency recognized as profits and losses. Interest income is recognized at the time of its accrual using the effective interest method. Dividend income is recognized on the date when the Company's right to receive the payment is established.
Costs for the activity also include financial costs that are related to the usual activity.
The accrual principle applies to financial costs as it applies to all other components of the income statement. They also include all impairments of financial assets.
Financial expenses include interest expenses on loans, losses from foreign currency operations, changes in the fair value of financial assets reported at fair value in the profit or loss, impairment of

financial assets that are recognized in the profit or loss. All interest expense on borrowings is recognized in the profit or loss using the effective interest method.

Profits or losses for the period
All income and expense items recognized for the period are included in the profit or loss unless an IFRS standard or interpretation requires otherwise.
Profit or loss is the total amount of revenue minus expenses, excluding the components of other comprehensive income.

Related parties

For the purpose of preparing these financial statements, members of the Board of Directors have presented in the annual report the legal entities related to them and controlled by them. Related parties to the company are the subsidiaries and associates.

Changes in the related parties to Stara Planina Hold Plc are being followed for the entire reporting period and for the previous reporting period, as far as this information concerns reporting of transactions and events in the financial statements.

The Board of Directors of Stara Planina Hold Plc has adopted procedures to avoid and disclose conflicts of interest. They impose obligations for the members to avoid and not to admit actual or potential conflicts of interest and, if necessary, to immediately disclose conflicts of interest and provide shareholders with access to information on transactions between them and the company or any related party.

During the reporting period members of the Board of directors and parties related to them have not entered into agreements with the company under terms beyond the regular business operations or deviating significantly from the market conditions.

There are no transactions beyond the regular business operations of the issuer or deviating significantly from the market conditions.

Transactions between Stara Planina Hold Plc and related parties during the reporting period include mostly the loans provided to subsidiaries and associates.

Loan agreement dated 25.04.2019 granting Fazan Jsc the amount of BGN 407 000 with maturity until 25.12.2023 at 2.5 % annual interest rate.

Loan agreement dated 09.01.2022 granting Fazan Jsc the amount of BGN 550 000 with maturity until 08.01.2024 at 2.5 % annual interest rate.

Loan agreement dated 01.07.2022 with Boryana Jsc, – associated company, including three loand under the following conditions:

1. Loan in the amount of BGN 470 thousand with maturity until 16.09.2027 at 2.5% annual interest rate.
2. Loan in the amount of BGN 50 thousand with maturity until 31.12.2022 at 2.5% annual interest rate – fully paid.
3. Loan to finance the purchase of machines in the amount of BGN 483 thousand with a maturity until of 01.03.2027 at 2.5 % annual interest, unpaid principal as of 31.12.2022 in the amount of BGN 206 thousand.

Loan agreement dated 29.07.2022 granting Ustrem Ltd.,in the amount of BGN 358 thousand with maturity until 30.07.2024, at 2.5 % annual interest.

Loan agreement dated 23.06.2022 with HES Plc - in the amount of BGN 3 000 000 for a period until 31.03.2023 at an annual interest rate 2.125%.

Loan agreement dated 15.11.2022 with Elhim-Iskra Plc in the amount of BGN 1 200 000 with a maturity until of 30.11.2027 at 2.5 % annual interest.

Events after the balance sheet date

Events, both favorable or unfavorable, that occur between the end of the reporting period and the date that the financial statements are approved for issuance, may be: (a) adjusting events – events that provide further evidence on conditions that existed on the date of the annual financial statements, and (b) non-adjusting events – events that are indicative of conditions after the date of the annual financial statements.

The Company adjusts recognized amounts or recognizes amounts which have not been recognized, in case of reported adjusting events.
The Company does not adjust recognized amounts or does not recognize amounts which have not been recognized in case of reported non-adjusting events. They are only disclosed in the Notes to the annual financial statements.

Financial risk management

The Management monitors the overall risk and finds ways to neutralize potential negative effects on the company's financial indicators.

Market risk includes three types of risk:

Currency risk - the risk that the value of a financial instrument will vary due to changes in exchange rates.

Interest rate risk - the risk that the value of a financial instrument will vary due to changes in market interest rates.

Price risk - this is the risk that the value of a financial instrument will vary as a result of changes in market prices.

The main sales in the Group are realized in the European Union and from exports to third countries. Payments are in euros and US dollars. The management monitors exchange rate movements and takes measures to avoid the negative consequences as a result of their variance.

The interest-bearing financial instruments of Stara Planina Hold Plc are mainly the loans granted. The majority of them have a fixed interest rate of 2.5 annual interest.

Investments in subsidiaries and associates are accounted for and presented under the acquisition price method.

The risk of changes in the market price of equity instruments arises from equity stocks classified as reported under fair value in other comprehensive income (FVOCI) held for long-term investments.

Credit risk - Stara Planina Hold Plc has granted loans to companies in its portfolio which have a longstanding and unblemished credit reputation which minimizes the credit risk.

Due to the nature of the financial instruments used by Stara Planina Hold Plc, the liquidity risk and the interest rate risk of the cash flow are also minimized.

Approximate accounting estimates, fundamental errors and amendments to the accounting policy

Estimates are subject to revision in case of changes in the circumstances they are based on or resulting from further experience or subsequent developments. The effects of changes in the accounting estimates are taken into account when defining the profit or loss, as follows:

a) For the period of the change - if the change affects only that period;

b) For the period of the change and future periods - if the change affects these periods as well.

The effect of the changes in the accounting estimate is included in the same entry of the comprehensive income statement as previously used for the estimated value. The error related to prior periods is reported during the current period by increasing or decreasing the retained profit balance from previous years. The comparative information from the previous reporting period is recalculated. When the decrease in retained earnings is greater than the balance of retained earnings before the decrease, the difference is reported as an uncovered loss from previous years.

Changes in the accounting policy are to be made only when required by law, accounting standards, or if the change will lead to a more adequate representation of the events or transactions reported in the financial statements.

Changes in the accounting policy are to be applied retrospectively. Any adjustment due to the change must be recorded as an adjustment to the balance of the retained earnings from previous years. The comparative information must be recalculated. The difference resulting from the recalculation of tax expenses in the income statement for the previous period shall be reported as an adjustment to the retained earnings (uncovered loss). Changes in the accounting policy will not be applied retroactively when the adjustment to the balance of retained earnings from previous years

cannot be reliably defined. Changes in the accounting policy arising from adoption of new accounting standards or amendments or supplement to existing ones will be reported in accordance with the requirements indicated in the new or amended accounting standard, if specified. When the respective accounting standard does not stipulate specific requirements for reporting changes in the accounting policy, they are to be reported in accordance with IAS 8. During the reporting period, the accounting policy has not been changed.

No errors have been found for the current and previous reporting periods. Therefore, changes due to errors are not reported.

□ □ □ □ □

NOTES UNDER THE STATEMENT OF FINANCIAL STANDING

(In all applications amounts are shown in thousands BGN unless otherwise stated)

Note 1

Property, plant and equipment

Property, plant and equipment	*Land*	*Buildings and constructions*	*Machinery and equipment*	*Facilities*	*Vehicles*	*Office fittings*	*Expenses for acquisition and liquidation of assets in a business way*	*Others*	*Total*
Book value as of 31.01.2022	5652	56523	193092	14179	4551	3345	6110	1374	284826
Received during the period	2502	696	20363	1124	211	98	24542	10	49546
Out of use	25	118	4717	263	101	4	24556		29784
Depreciation accrued in the beginning of the period		26686	158100	6931	3418	2748		748	198631
Depreciation accrued during the period		2079	12166	569	302	203		177	15496
Depreciation written off during the period		49	2097	2	101	2			2251
Balance as of 31.12.2022	8129	28385	40569	7542	1042	490	6096	459	92712

Note 2

Intangible assets

Intangible assets	Rights of ownership	Software	R&D products	Others	Total
Book value as of 31.01.2022	1199	4485	1182	543	7409
Received during the period	83	232	58	21	394
Out of use					
Depreciation accrued in the beginning of the period	1142	4041	507	475	6165
Depreciation accrued during the period	20	406	31	16	473
Depreciation written off during the period					
Balance as of 31.12.2022	120	270	702	73	1165

Note 3
Investments in Other Companies

Company name and registered seat of the companies where the investments were made	Fair value	Percentage of the capital of the other company	Investment in securities admitted to trading on a stock exchange	Investment in securities not admitted to trading on a stock exchange
International Asst Bank JSC, Sofia	17418	12,97		17418
ZAD Asset Insurance JSC, Sofia	8536	40,00		8536
Hydraulic elements and systems Plc, Yambol	9642	8,28	9642	
Elhim - Iskra Plc, Pazardzhik	174	0,80	174	
Leasing Company JSC, Sofia	715	5,00		715
SPH Trans Ltd., Sofia	39	95		39
Medical Center “Center for Prevention of the health” Ltd, Sofia	2	25,00		2
Progres JSC, Stara Zagora	335	4,00		335
Dionisii Jsc, Nikopol	99	68,99		99
VR Bank Dreieich-Offenbach AG	19			19
TOTAL	36 979		9816	27163

Investments in equity instruments (minority shares), pursuant to IFRS 9 are classified as reported at fair value through the statement of other comprehensive income (FVOCI). Market valuation of the shares is prepared at the end of the year.

Note 4

Other financial assets	31.12.2022	31.12.2021
Additional cash contribution in accordance with art. 246, para 2, item 4 of Commercial Act	1218	1218

In 2016 an additional monetary contribution was made by Stara Planina Hold Plc in accordance with art. 246, para 2, item 4 of Commercial Act in the amount of BGN 609 thousand in the Reserve fund of Asset Insurance AD - a minority interest company in the portfolio of Stara Planina Hold Plc portfolio.

In 2016 an additional monetary contribution was made by HES Plc in accordance with art. 246, para 2, item 4 of Commercial Act in the amount of BGN 609 thousand in the Reserve fund of Asset Insurance AD - a minority interest company in the portfolio of Stara Planina Hold Plc portfolio.

Note 5

Long-term trade and other receivables	31.12.2022	31.12.2021
Trade loans	9400	8400
Others	2244	1567
Total	11644	9967

Note 6

Inventory	31.12.2022	31.12.2021
Materials	38605	26996
Finished goods	9064	6490
Goods for resale	2481	1483
Work in progress	14240	11521
Others		2

Total	64390	46492

Note 7

Current trade and other receivables	31.12.2022	31.12.2021
Trade accounts receivables	44516	41732
Advance payments	2452	705
Trade loans		1140
Court receivables	1	1
Recoverable taxes	2686	2593
Others	551	225
Total	50206	46396

Note 8

Cash and cash equivalents	31.12.2022	31.12.2021
Cash	76	101
Cash in banks	43080	40909
Restricted cash	1748	1495
Cash equivalents	5	6
Total	44909	42511

Note 9

Share capital and Reserves	31.12.2022	31.12.2021
Share capital	21000	21000
Treasury shares	-275	-275
Premium reserves when issuing securities	1178	1178
Reserve from subsequent valuations of assets and liabilities	26603	24899
General reserves	13394	13341
Special reserves		
Other reserves	4663	4697
Undistributed profit	44003	38099
Loss not covered	-428	-428
Current year profit (loss)	17538	13054
Total	127676	115565

Note 10

Long-term trade and other liabilities	31.12.2022	31.12.2021
Due to related parties	347	347
Due to banks under loans received	944	813
Lease obligations	107	64
Due to staff upon leave	2523	2283
Liabilities on deferred taxes	1859	1751
State financing	1084	1279
Provisions	150	200
Others	88	99
Total	7102	6836

Note 11

Current trade and other liabilities	31.12.2022	31.12.2021
Due for dividends	7324	6829
Due to banks under loans received	768	682
Trade loans	245	126
Trade accounts payables	26572	23765
Advance payments	2495	2220
Salaries payable	9158	7531
Social security payable	2006	1749
Tax liabilities	1555	1586
Others	1715	1141
Provisions	69	86
Deferred revenues	20	139
State financing	900	968
Total	52827	46822

Off-balance sheet liabilities

An agreement for undertaking a subordinated contingent liability has been concluded between Stara Planina Hold Plc and ZAD Asset Insurance AD. Pursuant to this agreement, Stara Planina Hold Plc shall provide ZAD Asset Insurance AD, upon request and upon occurrence of an activating event, the amount of up to BGN 294 thousand.

An agreement for undertaking a subordinated contingent liability has been concluded between HES Plc and ZAD Asset Insurance AD. Pursuant to this agreement, HES Plc shall provide ZAD Asset Insurance AD, upon request and upon occurrence of an activating event the amount of up to BGN 294 thousand.

NOTES UNDER THE COMPREHENSIVE INCOME STATEMENT

(In all applications amounts are shown in thousands BGN unless otherwise stated)

Note 12

Net sales revenues	31.12.2022	31.12.2021
Finished goods	357694	266064
Goods for sale	5173	2160
Services	3830	2994
Others	8559	7148
Total	375256	278366

Note 13

Other financial income	31.12.2022	31.12.2021
Interest revenue	227	242
Dividend income	501	420
Gains from operations with financial assets and instruments		254
Gains from foreign exchange operations	676	535
Other financial income		90
Total	1404	1541

Note 14

Other financial expenses	31.12.2022	31.12.2021
Interest expenses	202	94
Losses from foreign exchange operations	389	172
Other financial expenses	196	165
Total	787	431

Kremena Gantcheva Dulgerova

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Date: 2023.04.26 12:35:09 +03'00'

Chief Accountant: Kremena Dulgerova

Vasil Georgiev Velev

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Date: 2023.04.26 12:39:16 +03'00'

Executive Director: Vasil Velev

STARA PLANINA HOLD PLC

2022 CONSOLIDATED ACTIVITY REPORT

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This document contains information regarding the published estimates feasibility, future period forecasts, as well as data, which constitutes proprietary information pursuant to Art. 7 Regulation (EU) No 596/2017 on market abuse. This information could have significant impact on the price of shares issued by the company.

Introduction

The annual consolidated report on the activities of Stara Planina Hold Plc provides comments and analysis of the financial statements and other material information on the financial standing and operational results of the company, included in the consolidation as a whole. The report contains an objective overview presenting faithfully and honestly the development and results of the activities of the companies in the group of Stara Planina Group Hold Plc, together with a description of the main risks they face. The Report includes the information required under Art. 45 of the Accountancy Act, Art. 100n, para. 5 of the Public Offering of Securities Act (POSA), as well as Art. 11 of Ordinance № 2 of the Financial Supervision Commission.

STARA PLANINA HOLD PLC is a public company within the meaning of art. 110 of the Public Offering of Securities Act. The company is successor of Central Privatization Fund AD incorporated on 27 September 1996.

The holding is a parent company within the meaning of §1, item 18 of the Additional Provisions of the Accountancy Act and holds shareholdings in the capital of industrial enterprises in various fields of production. The company actively participates in the development of the Bulgarian industry by achieving European and world level of quality and profitability.

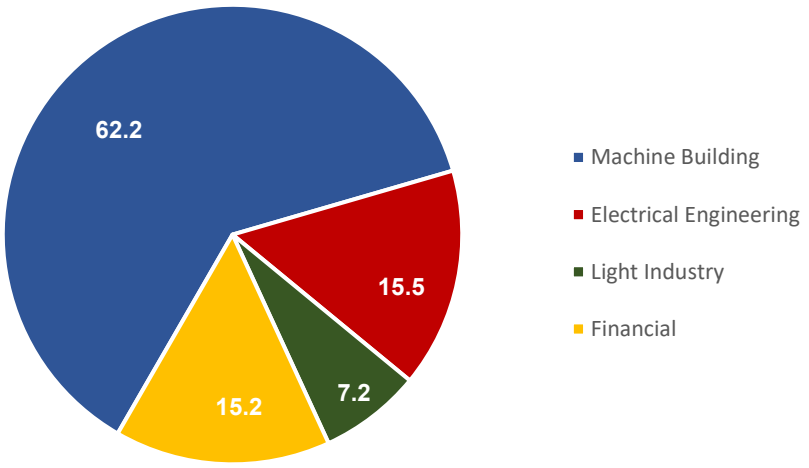
I. Activity overview

1. Indicators characterizing the main operational results

Indicator *(BGN'000s)*	Y2020	Y2021	Y2022
Income from main business activity	200 028	278 366	375 256
Net profit from business activity	8 096	13 054	17 538
Amount of assets	235 107	268 645	303 706
Shareholders' Equity	102 967	115 565	127 676

Structure of the investment portfolio

The economic group of Stara Planina Hold Plc consists of the parent company and its subsidiaries and associates. The investment portfolio of the holding is distributed mainly in the following industries:



2. Investment portfolio

The participation of Stara Planina Hold Plc in subsidiaries and associates is reported in accordance with the provisions and requirements of IFRS 10: Consolidated financial statements and IAS 28: Investments in Associates.

The Company recognizes dividends from a subsidiary or associate company in the profit or loss account in its separate financial statements when its right to receive the dividend is established.

Subsidiaries are all enterprises under the control of the company. The control over the subsidiaries of the company is expressed in its ability to manage and define the financial and operational policy of the subsidiaries so as to derive benefits as a result of their operations. In the separate financial statements of the company, investments in subsidiaries are accounted for at their cost value.

Associates are those enterprises over which the company is able to exercise significant influence but are neither subsidiaries, nor jointly controlled entities. Investments in associates are accounted for at their cost value.

Major investments in the portfolio of Stara Planina Hold Plc as of 31.12.2022:

Investments in subsidiaries

Hydraulic Elements and Systems Plc	64.53 %
Elhim Iskra Plc	51.40 %
Fazan Jsc	92.65 %
SPH Invest Jsc	99.39 %

Investments in associates

M+C Hydraulic Plc	30.61 %
Bulgarian Rose Plc	49.99 %
Boryana Jsc	50.00 %
Ustrem Jsc	45.00 %

Investments in other companies

Asset Insurance Jsc	20.00 %
Leasing Company Jsc	5.00 %

The subsidiary of Stara Planina Hold Plc SPH Invest Jsc holds 8.28 % of the capital of Hydraulic Elements and Systems Plc and 0.8 % of the capital of Elhim-Iskra Plc.

Taking into account the influence of the holding on the decision-making process with regard to the associates and the need to provide more comprehensive and correct information to the shareholders, investors and all interested parties, as of 01.01.2011 Stara Planina Hold Plc applies an accounting policy aimed at further facilitating investors in making a well-grounded investment decision.

3. Operational results

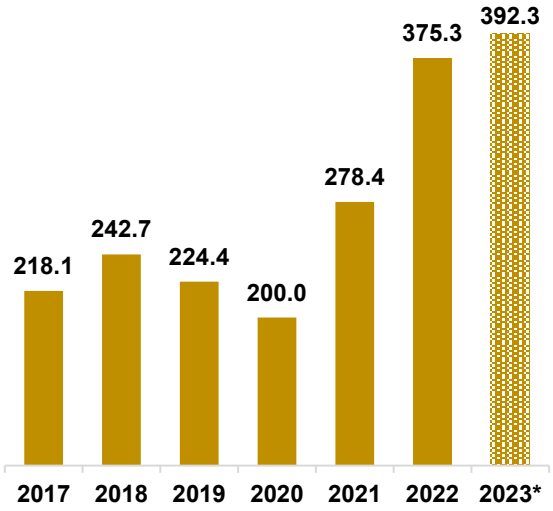
As a holding company, Stara Planina Hold Plc does not perform independent commercial operations and has only financial income. The consolidated activity results are formed mainly from the results of the entities within the group which participate in the consolidated statements.

The structure of income within the last three years is summarized in the table below:

INCOME *(BGN'000s)*	**Y2020**	**Y2021**	**Y2022**
Sales of finished goods	191 136	266 064	357 694
Sales of trading goods and services	5 162	5 154	9 003
Other incomes	3 730	7 148	8 559
Grants	11 494	4 633	8 504
Financial income	722	1 541	1 404
Total Income	212 244	284 540	385 164

The consolidated sales of the companies in the group as of 31.12.2022 reached BGN 375.3 million thus reporting a 34.81 % increase compared to the sales in 2021 and an increase by 87.6 % compared to the reported sales in the pre-crisis 2020.

Annual sales of all companies in the group of Stara Planina Hold group
(million BGN)

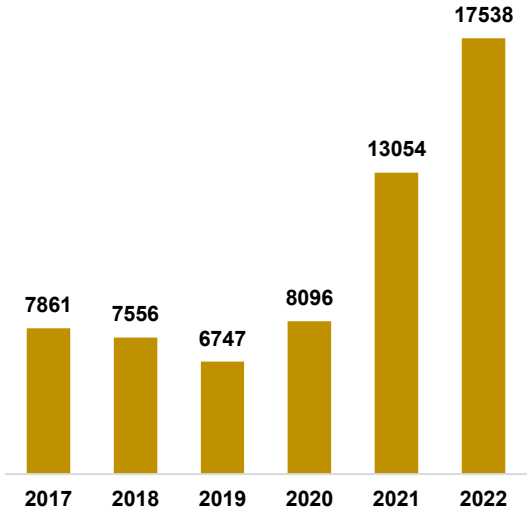


* forecast

Based on the results achieved in the first months of 2023 and the updated forecast for the first half of the year we expect sales in the first quarter of 2023 to be almost 7 % higher than the business plan, reaching BGN 105.9 million. With these results we will report an increase by over 21 % compared to the same period of 2022 and an increase by over 67 % compared to the first quarter of 2021. We expect sales revenues for the first half of 2023 to grow by over 15 % compared to the same period of the previous year and around 61 % compared to the first half of 2021.

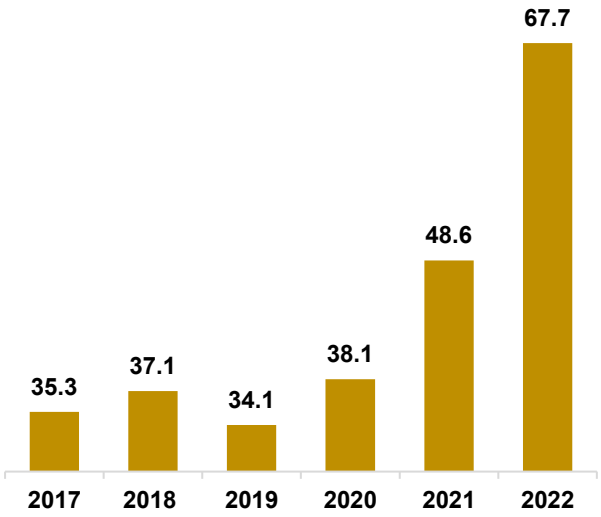
Based on the results achieved in the first months of 2023 and the updated forecast for the first half of 2023 we revise the sales forecast for 2023 upwards and expect them to exceed BGN 399 million.

Consolidated Net Profit *(BGN'000s)*



The net consolidated profit as of 31.12.2022 amounts to BGN 17 538 thousand which is an increase by 34.35 % compared to 2021 and an increase by 116.63 compared to 2020.

Consolidated EBITDA (million BGN)



EBITDA is very important benchmark for any business group. The graph provides data on the consolidated EBITDA of the Group of Stara Planina Hold Plc for the last 5 years.

The 2022 consolidated EBITDA amounts to BGN 67.7 thousand which is a 39.3 % growth compared to 2021 and an increase by 77.7 % compared to 2020.

4. Major indicators for financial and accounting analysis on a consolidated basis

Profitability Indicator

	31.12.2020	31.12.2021	31.12.2022
K1	0.079	0.113	0.137
K2	0.034	0.049	0.058

K1 Profitability of Shareholders' equity ratio = Net profit / Shareholders' equity
K2 Asset capitalization ratio = Net profit / Total assets

Profitability (yield) is the ability of the company to provide economic profit to its owners through the skillful management of the assets, the shareholders' equity and the borrowed capital and the other liabilities. It is the most important indicator for the efficiency of the activity carried out by us.

The return on equity ratio is calculated by expressing net profit as a percentage of equity. This ratio measures the absolute return to shareholders in terms of their absolute investment.

In 2022, compared to 2021, the return on equity ratio reports an increase due to the increase in the net consolidated profit by 34.35% compared to the reported increase in the value of equity on a consolidated basis by 10.48 %.

The return on assets ratio shows the efficiency of using the total assets and in 2022 and also reported an increase compared to the previous year due to the increase in the net consolidated financial result by 34.35% compared to the increase in the amount of consolidated assets by 13.05 %.

Efficiency Indicator

	31.12.2020	31.12.2021	31.12.2022
K3	1.124	1.131	1.154
K4	0.890	0.884	0.867

K3 Expenses efficiency ratio = Total income / Total expenses
K4 Income efficiency ratio = Total expenses / Total income

The analysis of the efficiency of the consolidated revenues and expenses for 2020 shows that BGN 1.154 revenues were received per BGN 1.00 of the expenses. Revenues fully cover the expenses on a consolidated basis which is a pre-condition for a positive cash flow from operational activity, meeting

the undertaken dividend commitments as well as for partial financing of the companies in the portfolio of the Holding.

Liquidity Indicator

	31.12.2020	31.12.2021	31.12.2022
K5	3.196	2.900	3.026
K6	1.140	0.908	0.850

K5 Total liquidity ratio = Current assets / Current liabilities
K6 Absolute liquidity ratio = Cash / Current liabilities

It is assumed that the optimal values of the total liquidity indicator are above 1-1.5. In 2022, the value of this indicator on a consolidated basis reports an increase compared to the previous year which is due to an increase in the value of consolidated current assets by 17.73 % compared to an increase in the value of current liabilities by 12.83 %.

The absolute liquidity ratio expresses the ability of the Group to meet its short-term obligations with its available cash. In 2022, the value of this ratio on a consolidated basis reports a slight decrease compared to the previous year which is due to a decrease in the short-term liabilities by 11.37 % compared to an increase in cash by 5.64 %.

In 2022 again the Group of Stara Planina Hold Plc has been covering its current liabilities on time with the available current assets. The liquid structure of current assets and liabilities allows part of the funds to be directed to long-term financing of the companies under control.

Financial Autonomy Indicators

	31.12.2020	31.12.2021	31.12.2022
K7	2.579	2.154	2.130
K8	0.388	0.464	0.469

K7 Financial Autonomy ratio = Shareholders' equity / Borrowed capital
K8 Debt ratio = Borrowed capital / Shareholders' equity

Through the financial autonomy indicator and debt ratio, the proportion between shareholders' equity and borrowed funds in the capital structure of the group is taken into account. The high level of the financial autonomy ratio, respectively the low level of the debt ratio is a guarantee, both for the investors /creditors/ and for the owners themselves, regarding the ability of the companies in the group to regularly pay their long-term obligations.

5. Risk factors for the activities of the Group of Stara Planina Hold Plc

A significant effect on the financial standing of Stara Planina Hold Plc has the direct dependence on the financial condition of the subsidiaries and associates as far as their operations are primarily export-oriented - mainly to the countries of the European Union.

Stara Planina Hold AD and the companies in the group are exposed to systematic risks related to the market and the macroenvironment where they operate, therefore they cannot be managed and controlled by the management team of the holding and the companies in the group.

The main risks for Stara Planina Hold Plc and the companies in the Group for 2022 and in the following financial periods are:

Overall macroeconomic risk: Macroeconomic conditions and trends for the development of the market and the macro environment where the companies operate represent a systematic risk that cannot be managed and controlled by the corporate board of the holding and those of the companies in the Group but has a significant impact on the activities and results of the enterprises.

Macroeconomic indicators such as inflation, instability of financial markets and the slowdown of economy, as well as the energy crisis, as a result of the global economic and political consequences of

Covid-19 and the military actions in Ukraine, continue having a significant impact on business processes and prospects for economic development in global aspect.

The macroeconomic forecasts of the ECB staff as of December 2022 foresee global real GDP growth (excluding the euro area) to slow to 2.6% in 2023 – below the long-term average – before recovering gradually to 3.1% and 3.3 % in 2024 and 2025 respectively. This outlook is weaker than the one outlined in the September 2022 forecast. The outlook for world trade and external demand for euro area goods also decreased from the one in the September 2022 forecast.

At the same time, the European Commission's Winter Economic Forecast raises growth prospects and slightly lowers inflation forecasts. Growth for 2022, according to the data from the January forecast, is estimated at 3.5 % in both the EU and the euro area. GDP is projected to grow by 0.8 % in 2023 and 1.6 % in 2024 (0.9 % and 1.5 % in the euro area), with Bulgaria expected to grow by 1.2 % in 2023 and 2.5 % in 2024. Expected headline inflation to fall from 9.2 % in 2022 to 6.4 % in 2023 and 2.8 % in 2024 in the EU. In the euro area, it is expected to slow from 8.4 % in 2022 to 5.6% in 2023 and to 2.5 % in 2024.

The January forecast of the European Commission foresees the growth of the gross domestic product (GDP) of Bulgaria for the past year 2022 to reach 3.9 percent, compared to the forecast for an increase of 3.1 percent given in November. For 2023, the European Commission expects Bulgaria's economy to increase its volume by 1.4 percent compared to the previous growth forecast of 1.1 percent, and in 2024 by 2.5 percent compared to the previous expectation of an increase of 2.4 percent.

Pursuant to data of the National Statistical Institute, in December 2022 the composite indicator "business climate in industry" in Bulgaria increases by 2.5 percentage points as a result of the more positive industrial entrepreneurs' expectations about the business situation of the enterprises over the next 6 months. According to them, in the last month there is a certain increase of the production assurance with orders but that is not accompanied by increased expectations about the production activity over the next three months. The uncertain economic environment and labor shortages continue being the main problems for business development in Bulgaria.

According to EUROSTAT data, in the fourth quarter of 2022 compared to the same quarter of the previous year, seasonally adjusted GDP increased by 1.8 % in the euro area and by 1.7 % in the EU, after a growth by 2.4 % in the euro area and 2.6 % in the EU in the third quarter. In the fourth quarter of 2022, seasonally adjusted GDP remained stable in the euro area and decreased by 0.1% in the EU compared to the previous quarter, while in the third quarter of 2022 GDP grew by 0.4% in both the euro area and the EU. For 2022, overall GDP increased by 3.5% in both the euro area and the EU, with a corresponding increase of 5.3% in the euro area and 5.4% in the EU in 2021.

According to EUROSTAT estimates, in December 2022, seasonally adjusted industrial production fell by 1.1 % in the euro area and by 0.4 % in the EU compared to November 2022. In December 2022, compared to December 2021, industrial production decreased by 1.7 % in the euro area and by 0.4 % in the EU. Average annual industrial production for 2022 compared to 2021 increased by 0.9 % in the euro area and by 1.9 % in the EU.

In December 2022, the Economic Confidence Indicator (ESI) rose for the second consecutive month in both the EU (+1.5 points to 94.2), the kata and the Eurozone (+1.8 points to 95.8), however, remaining below the long-term average.

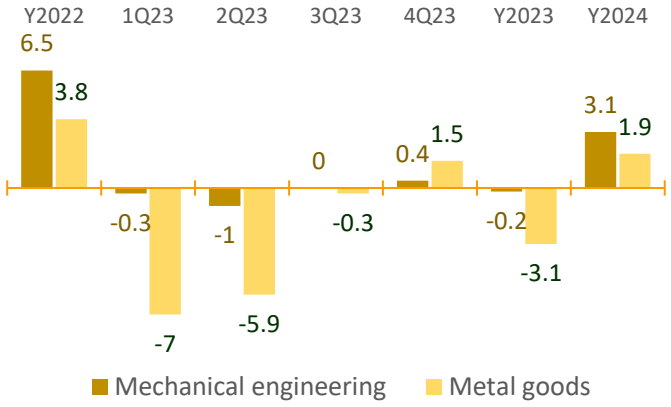
According to data from the European Commission as of 30.01.2023, economic confidence in the euro area reached a seven-month high in January 2023, as there was a strong improvement in expectations in all sectors except construction. The confidence index, a monthly indicator of the regional economic outlook, rose to 99.9 in January from 97.1 in the last month of 2022. Confidence improved for a third straight month to reach its highest level since June 2022, when it was 103.1 points. The increase in general confidence reflected strong growth in manufacturing, services, retail trade and consumer confidence.

According to EUROFER (European Steel Association), total production in the steel-using sectors in 2021 recovered (+6.8%) after the sharp decline reported in 2020 due to the impact of the pandemic. Production in steel-using sectors is expected to continue to grow in 2022 with a slightly higher percentage growth than previously forecast (+2.1% vs. +1.9%). On the one hand, developments in the second and

third quarters of 2022 were stronger than expected, as output growth proved to be stable and resilient despite the war in Ukraine and related disruptions. On the other hand, a rapid deterioration in the global industrial and economic outlook, combined with the lingering effects of rising energy costs, based on preliminary data leads to a production decline in the last quarter of 2022. The overall outlook for steel demand remains with very high uncertainty, which is likely to continue to undermine demand at least through the first half of 2023.

The heavy impact of the conflict in Ukraine on steel-using industries and the deteriorating overall economic outlook will affect apparent steel consumption, leading to a deeper-than-expected recession (-4.6%, previously estimated at -3.5%), as a result of the three-month decline in the second, third and fourth quarters of 2022. Due to the continuing negative factors (war, energy prices, high inflation) and a deteriorating economic outlook for 2023, apparent steel consumption will also decline in 2023, albeit slightly less than previous estimates (-1.6% vs. previous expectation of a decline of -1.9%). In 2024, with a more favorable industrial outlook and improvements in steel demand, steel consumption is expected to experience a moderate recovery (+1.6%).

EUROFER Forecast for the Mechanical Engineering and Metal Goods Sectors (E-28, % change YoY)



According to EUROFER data, after a sharp decline (-11.8%) in 2020 due to the pandemic, preceded by a smaller decline (-0.1%) in 2019 due to global trade tensions and the decline in manufacturing sectors, production in the engineering sector recovered strongly (+16.0%) in 2021, thanks to the sharp recovery of industrial sectors in the European Union, especially in the first half of the year. Production in the mechanical engineering sector is expected to report growth in 2022 as well (+6.5% revised upward expectation compared to the previous growth forecast of +5.8%), but in 2023 it is projected to experience a slight decline (-0.2%) as a result of continued disruptions due to the ongoing war and high energy costs. The negative effects on production in the sector will be particularly visible in the first two quarters of 2023. Subject to an overall positive development of the economic cycle in the second half of 2023, the sector is expected to achieve growth again in 2024 (+3.1 %).

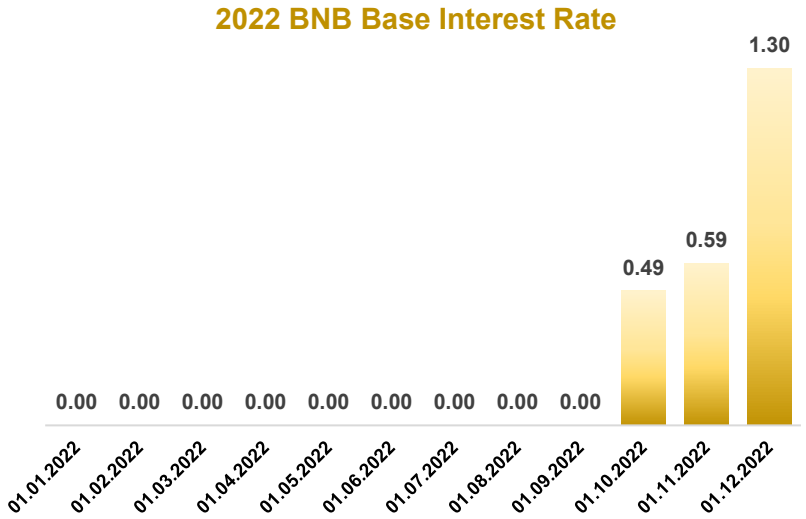
Main task for the management of the companies in 2022 will be to increase profitability, keep the existing and attract new customers with quality and timely delivered products.

The interest rate risk is related to changes in the levels of the market interest rates, which could lead to an increase in the interest expenses and a corresponding decrease in the financial result of the companies in the Group.

On 15 December 2022, the Governing Council of the ECB adopted a new decision to increase the three key ECB interest rates by 50 basis points announcing that they will continue rising significantly at a steady pace to reach levels that are sufficiently restrictive, to ensure a timely return of inflation to the medium-term target of 2%.

As a result of the previous decisions to increase the three main interest rates of the ECB from July and September, on 30.09.2022 the BNB announced for the first time since 2016 a main interest rate

higher than zero and effective from 01.10.2022 the main interest rate in Bulgaria rises to 0.49 percent. For November, the main interest rate announced by the BNB is 0.59 % and for December 2022- 1.30 %.



The change in the interest rates also has an effect depending on the share of bank and commercial loans taken. In the beginning of 2022, Euribor started its movement from a negative position, and for 5 years its value has only been negative, and since September 2011, the direction of the annual trend is only downward. Throughout 2022, a strong upward trend is reported, which continues into the first months of the current year to reach its highest values since 2009.



Stara Planina Hold Plc uses optimally the available resource in order to reduce the impact of the interest rate levels.

Inflation risk is related to the probability for the purchase prices of goods and services to increase significantly which leads to lower incomes, shrinking consumers' demand and limiting the country's economy growth. Inflation can directly affect the real return on a given investment since with high inflation, even high nominal incomes can appear to have a negative nominal return.

The December 2022 ECB's staff macroeconomic forecasts for inflation have been revised up significantly and forecast inflation to reach on the average 8.4 % in 2022 before slowing to 6.3 % in 2023, and during the year it is expected to noticeably decrease. Inflation is then projected to average 3.4 % in 2024 and 2.3 % in 2025. Inflation, excluding energy and food, is projected to average 3.9 % in 2022 and rise to 4.2 % in 2023, then drop to 2.8 % in 2024 and to 2.4 % in 2025.

Pursuant to data of the National Statistical Institute, in December 2022, the monthly inflation rate in Bulgaria was 0.9 % compared to the previous month, and the annual inflation rate in December 2022 compared to December 2021 was 16.9 % and reported lower levels for the third consecutive month compared to the peak value of September 2022. The annual average inflation rate for the period January - December 2022 compared to the period January - December 2021 was 15.3%.

According to the macroeconomic forecast of the Bulgarian National Bank for the annual inflation, measured by the harmonized index of consumer prices (HIPC), it is to slow down to 4.2% at the end of 2023 under the influence of the assumptions of downward dynamics of the euro prices of oil and food on the international markets. Inflation is expected to average 7.0% for the year, and in the short term, pressures on producer prices from factors such as realized increases in commodity prices and supply and labor shortages will continue affecting consumer prices. Administratively determined prices are also expected to have a relatively high positive contribution to general inflation at the end of 2023. BNB forecasts inflation at the end of 2024 to slow down to 3.3 %, following the downward dynamics of food and energy raw material prices on the international markets.

The systematic currency risk is the probability of a possible change in the currency regime of the country (currency board) which would lead either to the devaluation of the lev or to the appreciation of the lev against foreign currencies. According to the current legislation in the country, the Bulgarian lev is fixed to the common European currency - euro in the ratio EUR 1 = BGN 1.95583 and the risk of depreciation of the lev against the European currency is minimal, but there is a risk of adverse changes in the euro against other major currencies, such as the US dollar, the Swiss franc, the British pound and others.

Given the export orientation of most of the companies in the group of Stara Planina Hold Plc, changes in the values of currencies have a certain effect and are a risk factor for their activities. Exchange rates affect revenues from sales abroad and the cost of deliveries of imported raw materials as they largely compensate each other. Due to the fact that these companies make their main payments in BGN and EUR and realize the main part of their sales revenues in EUR, the impact of this risk on their activity is significantly reduced. The management of the holding observes the movement of the exchange rates and takes measures to avoid the negative consequences of their change.

Changes in the values of currencies have a certain effect and are a risk factor for the activity. Exchange rates affect revenues from sales abroad and the cost of supplies of imported raw materials. The annual growth of the average monthly US dollar/BGN exchange rate by the end of 2022 is 6.8 % in favor of the BGN. At the same time, the end of the third quarter of the year, the common European currency reached its lowest level against the US dollar in 20 years - 0.9538 US dollars for 1 euro, and at the end of January 2023, the euro rose to 1.0929 US dollars which is its highest level since April 2022 and represents an increase by more than 14 % from the lowest value in September.

Political risk: The political risk is the probability for a change of Government or a change in its policy, occurrence of internal political turbulences and unfavorable changes in the European and/or national legislation, as a result of which the environment where local companies operate will change unfavorably and investors will suffer losses.

The ongoing political instability in the country for more than three years is assessed as one of the main factors negatively affecting economic activity and the business environment in the country, which is a serious obstacle to attracting new investments and retaining foreign investments in the country in the medium and longer term. This instability may not only hinder the reform program and Bulgaria's ability to fully invest the EU funds, but also delay the country's accession to the Eurozone and significantly weaken the growth potential of the Bulgarian economy. In addition, the political instability and the lack of consistency in the government policies applied also lead to financial instability, which increases the risk of a sudden change in the tax legislation applicable to the company's activities, which will lead to unforeseen, significant costs and, accordingly, adversely affected the financial result.

Internationally, the political risks for Bulgaria is related to the failure in achieving sustainable results in relation to our country's commitments to implement serious structural reforms in accordance with the EU policies for affirming the rule of law, effectively countering corruption and increasing social stability,

as well as to the ongoing military conflict in Ukraine, the potential instability of other countries in the immediate vicinity of the Balkan Peninsula, and the pressure of waves of refugees from countries in the Middle East.

In addition to the indicated systematic risks, the activities of the companies in the group of Stara Planina Hold Plc are related to non-systematic risks such as industry risk, concerning the state and trends for development of a given industry as a whole and a company risk arising from the specifics of the company. The management of Stara Planina Hold Plc does not expect significant influence from them.

Influence of the main risks and uncertainties

According to the ECB, the euro area economy is likely to contract in the first quarter of 2023 due to the energy crisis, high uncertainty, weakening economic activity and tighter financing conditions. Under the conditions of slowing pace of the world economy, the risks for growth are mainly for its decrease, especially in the short term. The military conflict in Ukraine continues posing a material adverse risk to the economy. Energy and food costs could also remain persistently higher than expected. There could be a further slowdown in growth in the euro area if the global economy weakens more sharply than expected.

Risks to the inflation forecast are mostly on the upside. In the short term, existing supply chain pressures may lead to larger than expected increases in energy and food retail prices. In the medium term, risks stem mostly from domestic factors, such as a sustained rise in inflation expectations above the ECB's 2 % target or higher than expected wage increases. In the short term, the risk of energy supply disruptions remains high.

According to the European Commission's Winter Economic Forecast, the increase in investment from EU funds, especially under the Recovery and Resilience Plan, is expected to support aggregate investment in Bulgaria in both 2023 and 2024. The Commission emphasizes that potential delays in the implementation of the national recovery and resilience plan represent a negative risk for the growth of investments in our country.

Under these conditions, the companies in the Group of the Stara Planina Hold Plc make serious efforts to guarantee their security with orders also for 2023, as well as to maintain and even increase their market positions. The companies continue their investment policies aimed at technological renewal, digitization of processes and expansion of production capabilities with a view to increasing productivity and quality of the manufactured products in parallel with their policies on optimizing the production process and stimulating the persons employed in the Group.

The military conflict in Ukraine since February 2022, as well as the ongoing process of imposing mutual sanctions between the US and the EU, on the one hand, and Russia, on the other, have objectively affected economic activity and trade relations not only in Europe, but also globally, leading to an increase in the prices of raw materials, fuels and energy carriers in general, additional difficulties in logistics, strong inflationary pressure. The companies in the Group of Stara planina hold Plc do not have investments in assets related to Russia and Ukraine but some of them have established commercial relations with companies from these countries. In the reporting year 2022, the companies did not carry out transactions and have no receivables or liabilities to persons/entities against whom restrictive measures have been imposed. In relation to supply chains, companies are dependent on these countries but at this stage there are no circumstances that could endanger the activities of these companies in the group.

Factors that will continue influencing costs in 2023 as well are the market prices of raw materials for the production, transportation of supplies, regional market price of labor, energy prices and security of their supply. The macroeconomic development of the country, the unstable political situation, financial policy, as well as geopolitical factors appear to be the most worrisome circumstances that will have an impact on business in 2023 as well. The development of the military conflict in Ukraine and the effect of the measures taken at European and national level will affect the activities of the companies in the group and may lead to adjustments of the expected business results.

The management of the holding will continue monitoring, analyzing and making assessments of the decisions and actions taken by the governing bodies of Bulgaria and the EU and, accordingly, of the possible direct and indirect consequences on the activities of the companies in the group.

Possible changes in the demand for the manufactured products are also risky due to changes in the price levels, quality, reliability and solvency of the consumers, the technologies used and the organization of the production.

Given the continuation of the conflict in Ukraine, as of the date of this report, we assess the risks associated with securing the supply of materials, as well as the sale of finished products to partners related to the affected region as highly increased. Along with the threat to the European and regional stability, the situation puts an additional risk to the energy supplies and opportunities for sustainable economic growth. We expect inflation in Bulgaria to slow down in 2023 and the average annual value of inflation, measured by the harmonized index of consumer prices (HIPC), not to exceed 7-9%.

II. Consolidated Non-financial Declaration

The consolidated non-financial declaration of Stara Planina Hold Plc and the companies in the group has been prepared on the basis of the provision of art. 51 and according to the requirements of art. 48 of the Accountancy Act. The declaration provides description of the policies applied by the group with respect to activities conducted in in the field of ecology, social issues and those related to employees, respect for human rights, fight against corruption and bribery. All companies in the group strive to introduce and apply practices of good corporate governance and social responsibility, applied by Stara Planina Hold Plc as a parent company.

Good corporate governance and social responsibility policy

The corporate policy of Stara Planina Hold Plc is based on responsible, sustainable and transparent management in accordance with the recognized standards and principles of good corporate governance, changes in the regulatory, financial and economic environment where the companies in the group operate and the principles of corporate social responsibility, reflecting the responsibility of enterprises for their impact on society, environment and the economy as a whole.

Stara Planina Hold Plc and the public companies in the group have their own long-term good corporate governance programs, subject to the principles of:

- responsibility and independence of the corporate Boards;
- shareholders' rights protection and ensuring equal treatment of all shareholders;
- ensuring the recognition of the rights of persons interested in the management and sustainable development of the company and promoting cooperation with them;
- ensuring timely and accurate information disclosure about the financial standing, operational results, ownership and management of the company;
- effective control over the activities of the board of directors and its accountability to all stakeholders.

The activities of the non-public companies in the group are in compliance with the main priorities and directions of the corporate program of Stara Planina Hold Plc.

The corporate governance of the group is carried out in accordance with the constitution, laws, by-laws and applicable regulations of the Republic of Bulgaria and the jurisdictions where they operate. In all their actions the companies in the group of Stara Planina Hold Plc comply with the relevant provisions of the current legislation and monitor the renewal and strict application of the requirements concerning their operations.

Business model

Our mission

Stara Planina Hold Plc unites industrial enterprises dedicated to manufacturing of products intended to meet various consumer and business needs. Our investment portfolio includes companies operating in the machine building, electrochemical industry, in the field of finance and in the field of perfumery, cosmetics and textile.

We participate in the development of the Bulgarian industry by achieving European and global level of quality, productivity and profitability of our business. Our success is being shared among all parties involved in its achievement.

Our values

We believe that the world will always need a modern and productive industry that in at the core of wealth throughout the world.

We believe that the Bulgarian industry can rise to the challenge of accelerated development imposed by the global economy by focusing on people's knowledge, the resultant innovations and the investments that make them happen and we sustainably implement these policies in all companies in the group.

We believe that achieving high goals is a reward for the work and collaboration of all parties involved in our development and that it is possible to share our success on a large scale.

Our future

Stara Planina Hold Plc will continue managing its subsidiary companies setting high goals in terms of quality, safety, productivity and profitability.

Our leading priority is to increase productivity along with increasing the satisfaction of our employees and customers, as well as the quality of the products manufactured.

We will continue investing annually in technological renewal, innovation and infrastructure improvements, as well as in the development and training of our employees by providing opportunities for their professional realization.

Important task for 2023 again will be to retain the major markets and expand the customer base. This will require us to continue offering good prices, high quality and short delivery terms.

Under these conditions, achieving good financial results with the expected volume of production is the main priority for the companies in the Group, thus guaranteeing the investments of shareholders and increasing their well-being.

Organizational structure

The corporate governance of Stara Planina Hold Plc is a system with clearly defined functions, rights and responsibilities at all levels - General Meeting of Shareholders, Board of Directors, Audit Committee, employees. Each of the companies in the group of the holding has an operating organizational structure compliant with the legal and organizational form of the company and the nature of the respective business processes. All companies in the group follow the policies of corporate governance and social responsibility of the parent company Stara Planina Hold Plc.

General Meeting of Shareholders - the main governing body, enabling shareholders in making decisions on fundamental issues regarding the activities of Stara Planina Hold Plc and the joint stock companies in the group.

Board of Directors - defines the strategy for development and management of the holding and the companies in the group by resolving all issues within the scope of activities, except for those that are the exclusive competence of the General Meeting of Shareholders. The Board of Directors is elected by the General Meeting of Shareholders with two of the members being independent directors.

In its capacity of a company of public interest and in accordance with the requirements of the Independent Financial Audit Act, an *audit committee* has been established and operates in Stara Planina Hold Plc.

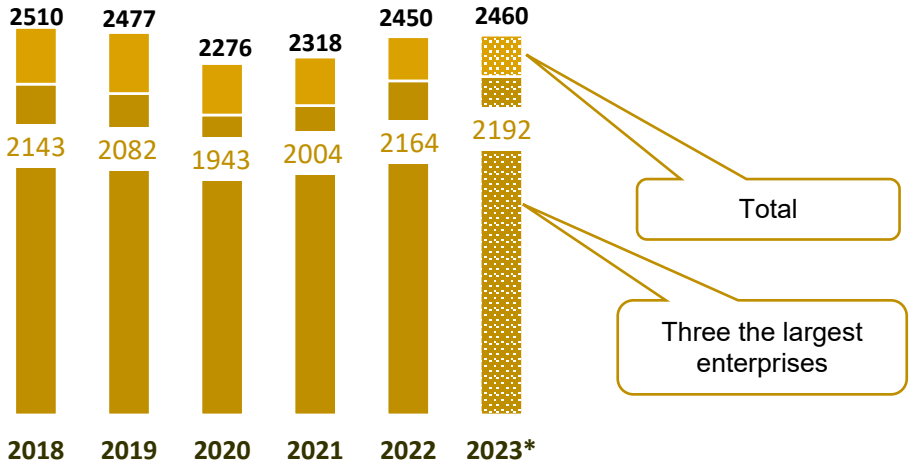
Employees - Stara Planina Hold Plc has an average number of 7 employees under employment contracts. The company has outsourced the legal services to a law firm. All company employees have university degrees and adequate qualifications for the positions occupied.

A total of 2450 employees work for the enterprises in the Group of Stara Planina Hold Plc. 2164 of them or 88.32 % work in the three largest companies.

In 2022 the number of employees in the group of Stara Planina Hold Plc reported ax increase by 5.7 %. With these employees we report a significant increase in labor productivity which is a result of the policy applied in the group of investing in people and in technological improvement of the working

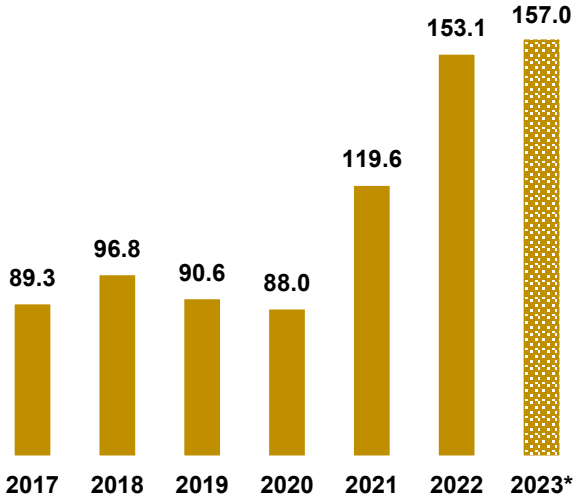
environment.

Number of people employed by all enterprises of the Group of Stara Planina Hold Plc



* forecast

Labor productivity per employee in the Group (*thousand BGN*)



* forecast

Against the background of the indicated increase in the number of employees in the group in 2022, labor productivity reported an increase by 28 % compared to the previous 2021. With the expected growth of sales revenues in 2023 by over 4 % we anticipate a minimal increase in the number of employees in 2023 by approximately 0.5 % with an expected growth of labor productivity by approximately 3 % and growth of the average salary in the companies within the Group of Stara Planina Hold Plc by over 10.2 % on an annual basis.

Infrastructure

The production and administrative facilities of the enterprises are located on their own territory.

The infrastructure of the enterprises of the group consists primarily of:

- Technical infrastructure – includes equipment and machinery, storage facilities and transport network on the territory of the enterprises
- Social infrastructure – includes activities on the physical working conditions, social interactions, breaks and healthcare.

- Information structure – includes reliably built information bases.
- Sales infrastructure – The companies in the Group operate in the domestic market, in the European Union and in third countries. The products of our companies are sold in more than 100 countries and are appreciated by customers such as Palfinger, Pinguely, Terex handlers.

Production

Low-speed, high-torque orbital hydraulic motors	Spare parts and custom equipment
Hydrostatic power steering systems	Metal items for furniture industry
Hydraulic valves, breaks and accessories for them	Essential oils - rose oil; lavender oil
Hydraulic piston cylinders	Natural flower waters
Hydraulic telescopic cylinders	Concretes
Hydraulic plunger cylinders	Absolutes
Hydraulic rack cylinders	Sauces and compositions
Starter batteries	Perfumery cosmetics
Traction batteries	Perfume compositions
Stationary batteries	Men's, women's and kid's socks
Production and repair of parts for grain combines	Sport socks
Production and repair of parts for grain cleaning machines	Children's tights
	Women's top knitwear
Perforated metal sheets	Men's top knitwear

Raw materials used

Machine building - ferrous metals (steel and cast iron), sintered items, gaskets, springs, sealing elements and other parts made primarily of polyurethane, fitting kits, packaging and auxiliary materials. In very limited cases, non-ferrous metals are used. Sheet metal, rails, pipes, powder coating, fixing elements and plastic elements.

Batteries - lead and lead alloys. The raw material is delivered in the form of blocks and is stored on a designated site. Polypropylene and polyethylene are also used in the production of rechargeable batteries for which there are no special transport and storage requirements, nor any special requirements towards their suppliers.

Light industry - The main raw materials used in the production of rose oil and the perfume industry are plants and herbs. In the production of vinegar are used quality wine material, apples supplied from farmers, sugar, alcohol and yeast. The packages are made of PET.

Textile - Cotton and bamboo yarn, small percentages of lycra, polyamide and elastomer. Wool and combined wool-acryl, wool-polyamide, cotton-acryl, cotton-viscose yarns.

Production inputs are accompanied by the necessary quality certificates.

The companies work primarily with suppliers and contractors that adhere to high environmental standards and apply the best environmental management practices, including energy efficiency and effective resource utilization, waste reduction and management.

Transport used for the delivery of raw materials and chemicals and for the sale of production

For delivery of raw materials and chemicals and shipment of finished products is used road and railroad, sea and air transport. The main criterion when choosing a forwarding company is the transit time of transport and delivery, as well as strict compliance with safety standards and relevant regulatory requirements.

A sustainable policy of the companies in the group is to partner with companies that have a license for international and domestic transport, disposing with the necessary equipment and reliable certificates to transport dangerous and specialized consignments.

Fuel and chemicals used

Natural gas - Mainly used for heating. Supplied to the production facilities over gas pipes that are subjected to checks by the State Technical Supervision.

Fuels (petrol, diesel, propane-butane) fuels and lubricants. They are used mainly for the purposes of in-house transport.

Hydraulic oils - Used as a production input for finished hydraulic products.

Concentrated sulfuric acid - Used for the production of batteries. Delivered by a specialized transport and stored in specially constructed tanks.

Paints and coatings - Used in painting and galvanization processes. This includes varnished polyurethanes, solvents, hardeners, epoxy primer, specific salts, sodium compounds, acids, etc.

Liquefied oxygen and carbon dioxide - Delivered by a specialized transport – tank trucks operated by licensed companies holding special permits (ADR). They are stored in specialized containers which are subjected to checks by the State Technical Supervision.

The STIO checks conducted throughout the year did not find any deviations.

Cleaning chemicals and detergents for textile items – perchlorethylene and silicone softener.

Environmental protection

Description of policies and their objectives

Stara Planina Hold Plc pays special attention to the impact on the environment that the productions of the enterprises in the group have. They annually report on the assessment of the environmental impact and the measures taken in this direction and annually make investments in the implementation of the common corporate policy for transition to a cleaner and green economy.

The main policies of the companies in the group are focused on compliance with the environmental norms and standards for the production activities, reduction of harmful emissions from electricity consumption through construction and commissioning of photovoltaic systems for generating energy for their own needs and implementing other energy efficiency measures.

With regard to all new projects and investments of Stara Planina Hold Plc and the companies in the group, including the purchase of new technical equipment, a preliminary assessment is made on the environmental impact.

The policies of the production companies in the group require a periodic review of the environmental impact of the energy use and are mainly aimed at:

- reducing energy consumption from conventional sources;
- increasing energy efficiency;
- use of less polluting fuels;
- implementation of renewable energy technologies.

M+S Hydraulic Plc - The policy of the company on the environmental protection and reduction of harmful environmental effects is an integral part of its Development Program.

Integral parts of the Environmental Program are the Environmental Management Action Plan, the Waste Management Program and the Waste Management Action Plan. Activities, measures and tasks are identified in the action plans, and respectively funds are provided, deadlines and responsible persons for their implementation are specified.

The management of hazardous waste: oils, lubricating and cooling fluids, filtering elements, rechargeable batteries, residues from lapping and grinding, etc. is at the necessary level: the built sites for the temporary storage of hazardous waste in Kazanlak and the three branches are maintained in good condition, contracts have been concluded with companies certified by the respective Regional Environmental and Water Inspectorates for the handling of such waste, other companies with permits are being sought with the aim of alternative options and/or expanding the range of waste delivered.

For 2022, the company's expenses for the transfer of hazardous waste are BGN 87.3 thousand, and the income from the industrial waste transferred for recovery is BGN 848 thousand.

A contract is in place with ECOPACK - an organization for utilization of packaging waste and thus the requirements arising from the Ordinance on packaging waste are being fulfilled. For 2022 the fees paid to this organization amount to BGN 23.9 thousand.

Every year, the company adopts and implements a Plan-program for its own environmental monitoring, covering all structural units and processes.

The company has its own wastewater treatment plant, maintained in good technical condition. The company carries out its own monitoring of water purity. The quality control of the company's waste waters is periodically conducted by the laboratory of the Wastewater Treatment Plant, Kazanlak, located in the village of Ovoshtnik.

In order to preserve the purity of the atmospheric air, every year an accredited laboratory performs measurements of the concentration of organic carbon released into the atmosphere from organized sources /chimneys / in the areas for painting the products. Based on the results of these measurements, the ecologist prepares a Solvent Management Plan /RMP/, approved by the Regional Environmental and Water Inspectorates - St. Zagora.

In order to control the quality of the groundwater used by the company for industrial purposes, an analysis of its quality is carried out regularly on an annual basis by an accredited laboratory. The results of the analysis are presented in the Basin Directorate "Eastern White Sea Region", Plovdiv.

The noise emitted by the company along the boundary of the property is regularly measured in order to prepare a noise map and assess the impact of noise in the environment.

All environment related activities are defined and conducted in accordance with the publicly disclosed Environmental Policy and the procedures provided for in the Environment Protection Management System (EPMS) operating in the company thus contributing to the systematization and improvement of the environment related activities. The Environment Protection Management System (EPMS) was successfully certified for compliance with the new standard ISO 14001:2015. The Environment Protection Management System which has been developed and implemented in accordance with the requirements of both ISO 14001:2004 and OHSAS 18001:2007 (Occupational Health and Safety Management System) are part of the Integrated Management System which also includes the existing Quality Management System under ISO 9001:2015.

Hydraulic Elements and Systems Plc – Since 2005 the company has been maintaining and developing the implemented management system according to the requirements of the international standard ISO 9001-2008 by TÜV Rheinland in all its activities and units, in order to increase the efficiency and quality of work while ensuring healthy and safe working conditions and environmental protection.

An audit is performed annually /pursuant to order № 254 /16.11.2021/ analyzing the overall activities of HES Plc for the implementation of the Safety measures management system. The main organization and coordination activities related to risk management, achievement of healthy, safe and environmentally friendly working conditions and compliance with the applicable environmental protection standards related to air, water and waste are reviewed and evaluated.

In order to prevent and limit the impact of the activity on the atmospheric air, a solvent management plan has been developed and approved by the Regional Environmental and Water Inspectorates - St. Zagora. The air filters are periodically changed and the technological equipment - checked. An accredited laboratory regularly monitors the metal surfaces coating installation and the installation for deposition of metal coatings - galvanization section. An installation has been built for safe firing and cleaning the painting devices. The paint installation has been replaced with new primer and paint chambers with automated processes with a minimum of human participation.

Water consumption is carried out with a permit - № 31530045 /07.07.2008, amended and extended by a decision № RR - 3988 /13.10.2020 for groundwater abstraction. The company has its own plant for galvanic wastewater treatment, maintained in good technical condition. The company carries out its own monitoring of water purity. Control over the quality of the company's wastewater is periodically performed by an accredited laboratory. The chemical analysis of the controlled parameters is within the permissible norms.

In 2022 outdoor lighting with light sensors was built in the company. The lighting in the common

areas of an administrative building was partially replaced with motion sensors. In the working premises, the lighting has been replaced with energy-saving lighting fixtures. A network was built to supply cleaning machines with borehole water. The motors of some machines have been replaced with inverter motors. A reactive power system has been built.

In 2022, construction of a heating installation with propane-butane gas began, as an alternative option. 4 diesel forklifts have been gradually replaced with LPG forklifts. Natural gas is mainly used for heating purposes. When a certain temperature is reached in the working premises, the heaters are turned off. Adjacent gas panels and temperature sensors have been built in each section. The system is controlled by software and is completely autonomous.

Generated waste is being stored at the place of formation until their transfer to a licensed company holding a document under Art. 35 of the Waste Management Act for subsequent treatment. Periodic inspection of warehouses for storage of hazardous waste is carried out.

Elhim-Iskra Plc - The company has a long-term policy in terms of human health and environmental protection. Activities on preventing air, water and soil pollution are one of the major priorities of the company. The company has introduced an Environmental Management System. The system covers implementation of the activities in a way that guarantees protection of the environment; permanent monitoring, inspection, control and management of the processes and activities affecting the environment; analysis and assessment of the impact of the used raw materials and inputs used on the environment; preventive actions so as to avoid environmental pollution; compliance with all laws and regulations, as well as the internal regulations adopted by the Company, including the internal environmental protection company rules; constant research and implementation of new environmental technologies.

The environmental system of Elhim-Iskra Plc has been developed in accordance with the requirements of the issued Complex Permit, regulating the emission standards and requiring adoption of good environmental management practices and ensuring a systematic and thorough approach to environmental issues.

The company monitors periodically all of the identified aspects of environment: air, water, soil, noise, water use, waste management.

Elhim-Iskra Plc has a Waste Management Company Program approved by the Regional Environmental and Water Inspectorates - Pazardzhik. According to the Waste Management Act, the company, as an entity that places products on the market, after the use of which widespread waste is generated, fulfills its obligations through collective systems, represented by waste recovery organizations.

For all generated industrial and hazardous waste, the company has concluded contracts with companies that have a permit for their utilization or disposal.

During the annual control measurements conducted by accredited laboratories and the company itself, no violations of the emission norms prescribed in the Complex Permit have been found.

In 2022, ten inspections of the company were carried out by the Regional Environmental and Water Inspectorates and the Basin Directorate. No sanctions have been imposed for violating the conditions of the permit or non-compliance with the regulations and no discrepancies have been found in the fulfillment of the conditions. On this basis, the company has paid 30% less water abstraction fee, according to the Law on the Waters.

Bulgarian Rose Plc - The company has adopted a Policy on the reduction of the cost of natural resources related both to reducing environmental pollution and reducing the financial costs of energy consumption.

The company has an approved Waste Management Program. Special sites have been set up for storing household, industrial and hazardous waste which are collected separately and controlled by the Regional Environmental and Water Inspectorate. For the purpose of recycling packaging waste, the company has a contract with ECOBULPACK - a national-level organization for recycling packaging waste.

There is also a permanently operational Industrial and Household Wastewater Treatment Plant.

Waste water is regularly subjected to monitoring of physical and chemical indicators by submitting samples for analyses at a licensed laboratory.

In order to preserve the air pure, the company conducts regular preventive maintenance and technical activities on its steam plants. Gas emissions released during boiler operation are subjected to technical inspections and monitoring.

In order to preserve the purity of the air, the necessary prophylaxis and technical measures of the boilers in the steam power plants of the company are regularly carried out, which are put into operation only during the rese picking campaign. Technical supervision and monitoring of the emissions of gases released during the operation of the boilers is performed.

The company **Ustrem Jsc** is also certified according to the ISO 9001-2008 standard in order to increase the efficiency and quality of work in ensuring healthy and safe working conditions and environmental protection.

Textile industry - The companies follow a policy on environmental issues which is part of the Program for management of the processes and operations in the company aimed at ensuring environmental protection. The companies comply with the requirements of the current legislation governing the acceptable norms and emissions of substances in accordance with the regulation on industrial wastewater discharge. They have their own treatment plants, the use of which is mandatory is mandatory in dyeing operations. All sensitive processes are subject to continuous assessment: materials, inputs, energy, water, emissions, waste and their alternatives which makes it possible to find ways to reduce the impact of these processes on the environment and reduce them to the necessary and required limits.

In 2022, no sanctions have been imposed on any of the companies in the Group for environmental pollution. All industrial enterprises in the Group have waste management programs approved by the Regional Environmental and Water Inspectorates and fulfill the requirements provided in the regulations. The companies have their own policies on the reduction of natural resources costs which costs are related both to the environmental pollution reduction as well as to reduction in the financial costs of energy consumption.

The companies in the Group of Stara Planina Hold Plc conduct a responsible policy on environmental protection and reduction of adverse environmental impact of their operations as part of the development strategy.

Main activities completed in 2022

The companies report on and update their environmental protection programs on an annual basis. The conducted monitoring covers all structural units and processes. The staff training programs include environmental training at different levels - managers and specialists. There are also practical classes on simulations of environmental emergencies, such as prevention of contamination in case of large-scale spillages, etc.

Licensed companies are assigned with measurements of air purity, taking into account the level of concentration of organic carbon in the atmosphere from organized sources (smoke stacks). Accredited laboratories periodically monitor specific processes such as the solvent management system, metal coating installations which falls in the OS consumption category with threshold values above 15 t/y.

Accredited laboratories make analysis of the water sources used thereby controlling the chemical parameters in order to achieve compliance with the acceptable limits.

Special waste is being stored under control until handed over to licensed companies certified under Art. 35 of the Waste Management Act for further treatment. Planned periodic inspections of facilities and warehouses for storage of hazardous chemicals are carried out.

The larger companies have employed an environmental specialist responsible for the control of the activities on the management of waste generated by the companies, compliance with prescriptions and maintenance of relations with the respective state and municipal bodies. The specialist is also responsible for maintaining the internal regulations updated in compliance with the current environmental regulatory framework.

The results from the completed activities in the field of environmental protection have been achieved through the implementation of various projects. Energy efficiency improvement leads to reduction in the use of natural raw materials and reduction of the generated waste, rational redistribution of products, separate collection and disposal of waste.

In order to reduce the consumption of purchased electricity and for the purpose of efficient use of inexhaustible natural resources, in early 2021 a newly built photovoltaic installation with a capacity of 860 kW began operation in M + S Hydraulic Plc. In 2022, the construction of a new "Photovoltaic plant for own needs" with an installed peak power of 1000 kWp began but at the moment it has not yet been put into operation. The total value of the investments for the construction of the photovoltaic systems in 2022 amounts to BGN 967 million and it is expected that after the commissioning of the second system the company will be able to cover up to 25 % of the annual electricity consumption for own needs.

In 2021, as part of the investment program of HES Plc, the construction of the first own photovoltaic system with a capacity of 997 kW was completed, which was put into operation in March 2022. The total amount of the investment is BGN 1071 thousand. Through this system, the consumption of purchased electricity from conventional sources has been reduced. In 2022, 11.14 % of the company's energy needs were met through its own production of energy from renewable natural sources. In 2022, a second 999 kWp photovoltaic system was designed to be built on the roofs of production buildings and on a car park structure. The value of the investment is BGN 1,356 thousand. Until the middle of 2023, as another step of the company's sustainable development strategy, with the aim of increasing the share of clean and renewable energy generated for the company's own needs, and also with the aim of further reducing the dependence on conventional energy carriers, the operation of the second photovoltaic system is expected to begin.

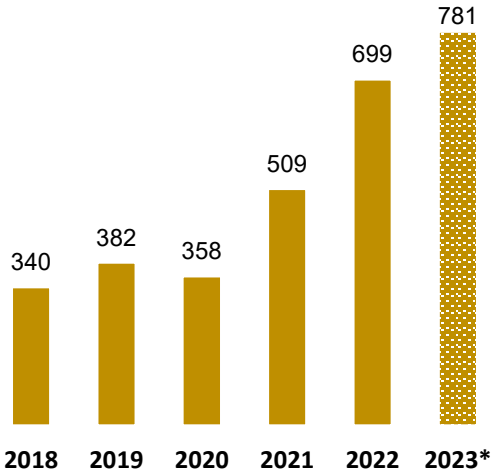
In 2021 Elhim-Iskra AD invested over BGN 680 thousand for the construction of a photovoltaic system with a capacity of 997 kWp that was completed, connected and put into operation and covers 11.2 % of annual electricity consumption for own needs. In 2022, the company made investments in the amount of BGN 2,499 thousand for maintenance and purchase of new assets.

The environmental management system is part of the general management system of each company and for 2022 it functioned integrated with the quality management system and the system for health and safety at work at the level of processes, activities and functions.

A positive result of the implemented environmental policy is ensuring and simultaneously achieving efficient business, effective cost control, energy saving and reduction of harmful emissions.

In accordance with its environmental protection policy, companies make efforts to reduce CO2 emissions by implementing consumption efficiency measures, generating energy by building and commissioning photovoltaic systems to produce energy from renewable sources for own needs.

Environmental protection costs *(BGN'000s)*



** forecast*

In 2022 the costs for the implementation of environmental protection policies increased by 37.1% compared to the previous year. These costs do not include the investments for construction and commissioning of photovoltaic systems in order to increase the share of clean and renewable energy, generated for own needs. We anticipate that in 2023 the costs without the planned investments in this direction will be increased by about 12 % compared to 2022.

Future objectives and upcoming tasks

In the field of environmental protection, the Group of Stara Planina Hold Plc is committed to conduct a policy aimed at effective protection and prevention of pollution; effective and efficient utilization of natural resources, including energy, in order to preserve it. The companies will operate in compliance with the regulatory framework in the осева of environmental protection. They will plan funds for training, awareness and motivation of employees so they can perform their duties in a quality, safe and environmentally friendly manner and in compliance with the adopted policies.

The companies continue the practical steps on the reduction of natural resources costs which costs are related both to the environmental pollution reduction as well as to reduction in the financial costs of energy resources. The investment programs for technological update adopted with the business plans for the companies will introduce new machinery, equipment and technologies that reduce the adverse impact on the environment, including activities on the streamlining of recirculated use of treated water and closed cooling water cycle.

The next step in the implementation of the energy efficiency policy of the companies in the group is the development and implementation of an energy storage system generated from renewable sources, which allows for its intelligent use by connecting the photovoltaic system with storage batteries.

Ecological risks

Climate change related risk

Climate change could adversely affect the activities of the group companies directly and indirectly. Direct risks are associated with natural disasters or permanent changes to the business environment caused by climate change which could lead to endangering the health and lives of people employed in companies and consumers of manufactured products, as well as to the destruction of infrastructure related to their activity. Such an adverse impact from climate change could require additional costs to address the issues, in addition to sustainable investments in energy efficiency.

The indirect effects of climate change can include sudden changes in the prices of energy carriers and other raw materials which will lead to difficulties in supply and demand or to a change in the standards to which products produced by the companies in the group should meet. Climate change may also lead to a shift in the regulatory framework towards imposing excessive and inadequate requirements on production processes, leading to increased operating costs or loss if companies are unable to meet the new requirements .

At this stage, the impact of climate change on the activities of the group companies is estimated to be weak in the short term, but in the medium and long term it could increase.

Environmental risks arising from the activity

The adoption of an environmental management system ensures a continuous process of minimizing the risk of pollution and other adverse effects on the environment, efficient use of resources and higher efficiency of companies' operations.

Risks that could lead to adverse effects on the environment as a result of the companies' operations are related to water pollution from the wastewater used in the production process in case of an accidental spillage of chemicals or air pollution due to accidental release of harmful emissions.

Such risks are minimal but nevertheless the companies have developed early warning mechanisms and environmental incident response plans. The readiness to react immediately in case of events with potentially adverse effects on the environment is subject to an ongoing monitoring.

Social issues those related to employees

Description of policies and their objectives

Stara Planina Hold AD and the companies in the group apply a corporate policy in the social field. The rules of conduct set out in the Code of Ethics of Stara Planina Hold Plc and the companies in the Group are subject to the following basic principles:

- Competence – using the knowledge and experience that managers and employees have in performing their functions and continuous improvement of their professional skills.
- Confidentiality - protection of the facts and circumstances that have become known to managers and employees during or on the occasion of performance of their duties.
- Honesty - honest and ethical behavior in accordance with generally accepted rules.
- Independence - not allowing a manager or employee to be influenced by related parties with regard to his work.
- Objectivity - true, accurate and impartial collection, analysis and evaluation by the manager and the employee of all facts and circumstances in performance of his duties.

The success of enterprises is based on social responsibility that requires consideration of the impact that the company's activities have on the local community, society, environment and the economy as a whole. This approach contributes to achieving the group's long-term goals and sustainable growth, as well as to establishing transparent and honest relationships with all stakeholders.

Each company identifies the stakeholders in relation to its activities based on their level and sphere of influence as well as their role and effect on the company's sustainable development and those which in turn may have an impact on company's operations including shareholders, stakeholders, customers, suppliers, employees, creditors, public groups, and state and local government bodies, etc.

The companies in the group of Stara Planina Hold Plc have approved human resources management policies, aimed mainly at improving working conditions, raising qualifications, raising incomes, social support while respecting basic human rights and carrying out other activities, that contribute to maintaining the health and working capacity of employees.

The following policies are applied to the persons employed in the companies in the group of Stara Planina Hold Plc:

- The requirements and standards for safe and healthy working conditions have been introduced and applied. All companies in the group undergo a mandatory audit of the provided working conditions in accordance with the requirements of the Bulgarian legislation. Periodically repairs and renovations of the working premises are carried out in order to improve working conditions.
- Periodic risk assessments are carried out to identify remaining risks of accidents or illness in the workplace and to reduce the impact of these risks on employees by taking the necessary measures in a timely manner.
- The companies in the group maintain effective social dialogue with the trade unions, which, along with the existing collective agreements, supports the implementation and improvement of good practices for corporate social responsibility, both for employees and their families.
- All companies adopt and implement annual occupational health and safety programs.
- Free medical examinations and care for all employees of the companies are provided and regularly performed.
- Equal rights and opportunities for work and career development of employees are provided, based solely on the qualification, personal qualities and results achieved in the work process. Direct or indirect discrimination in employment or at work is not allowed.
- The remuneration setting system is based on uniform, objective criteria, and the system for applying bonuses to the payment of employees is based only on the achieved good results at work.
- A policy for providing social allowances to the remuneration of employees has been introduced and is being implemented - food vouchers are provided on a monthly basis; travel expenses for distance from the place of work to the permanent address of the employees are paid; treatment aids are provided, as well as for personal occasions; bonuses are provided for the Easter and Christmas holidays.

- On the territory of all companies in the group are separated rest areas, conditions for sports activities are provided, which are financed by the companies. In some of the companies, sport teams have been formed in various team sports where each employee has the opportunity to join.
- For the employees of the companies in the group, insurances are concluded, such as life insurance, “Accident at work” and “Accident and general illness”.
- A policy for continuous promotion of training and qualification is in place - all of the companies in the group organize and conduct introductory trainings, courses for acquiring professional qualification and /or trainings for raising the qualification.
- For employees willing to increase their education and qualification in a profession in the company’s scope of activity, the larger enterprises in the Group pay 50% of the semester fees for the respective higher education.
- Larger companies work in partnership with vocational secondary technical schools in the respective city, providing conditions for conducting a dual form of education (work-based learning) with students from 11th and 12th grade and provide scholarships for student education from 8th to 10th grade.
- Issues related to quality, environment, health and safety are of primary importance and therefore the major companies maintain and develop integrated management systems in compliance with the requirements of leading international standards for quality management (ISO 9001: 2015), environment ISO 14001: 2004), health and safety (OHSAS 18001: 2007), with the active participation of highly qualified specialists and engineers.

Stara Planina Hold Plc and the companies in the group annually support the development of the local community by financing various sports and social organizations, cultural events, construction of infrastructure facilities in partnership with the relevant municipal authorities and participate in socially significant donations.

Main activities completed in 2022

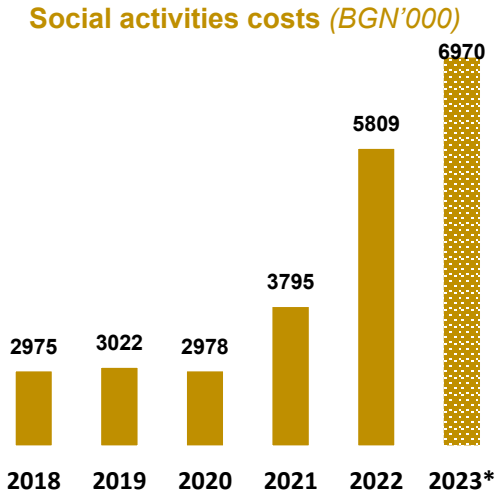
In 2018 Stara Planina Hold Plc contributed 25% of the capital for the incorporation of a Medical Center for Health Prevention which provides early diagnosis, treatment, rehabilitation and prevention services to the employees of the companies in the Group.

The actives during the reporting period are being completed on an annual basis. They include assessment and re-assessment of workplace risk, monitoring staff health, analysis of and recommendations for action and risk-free behavior at the work place in order to prevent risk and reduce morbidity; training and professional qualification as well as incentives and bonuses provided for in the policies.

The machine building companies invest additional funds to provide specialists for the production. For workers and employees wishing to increase their education and qualification in a profession in the field of mechanical engineering, the managements of these companies offer the conclusion of a contract for the improvement of qualification. Scholarships are paid to students and pupils in vocational schools, 50% of the higher education fee is covered for employees in specialized universities, internships and practices are organized on the territory of enterprises.

The companies traditionally support local structures in financing various social, sport and cultural events.

Every year Stara Planina Hold Plc participates in charity events of public importance. Since 2003 the holding has been regularly taking part in all editions of the charity campaign *Bulgarian Christmas* carried out under the auspices of the President of the Republic of Bulgaria. Every year Stara Planina Hold Plc makes a monetary donation for the *Support a Dream* initiative launched by the President of the Republic of Bulgaria aimed at organizing a prom night for disadvantaged young people. Every year Stara Planina Hold Plc participates in the charity campaign *Easter for Everyone* conducted by the Bulgarian Red Cross under the auspices of the Ombudsman of the Republic of Bulgaria. Stara Planina Hold Plc is regularly involved as a major sponsor of the national exhibition *Inventions. Transfer. Innovations.*



** forecast*

In 2022 the total value of expenditures for social activities increased by 53.1% compared to the previous year and an increase compared to the 2021 forecast expectations by 43.47 %. We anticipate that in 2023 the costs for social activities will increase by 20% compared to 2022.

The active implementation of policies related to the sustainable development of the companies leads to creation of a more favorable social environment and a better quality of life for employees, providing the necessary conditions and prerequisites for performance of employees' professional duties, mastering good manufacturing practices, motivation and satisfaction with working and payment conditions.

Future objectives and upcoming tasks

Stara Planina Hold AD and the companies in the group will continue conducting a socially responsible policy to regulate labor and employment issues with a priority attention to its social aspects.

In pursuance of the long-term human resources policies, the companies will continue adhering to the corporate social responsibility and applying their long-established traditions in the social sphere as well as the good practices in order to achieve the social objectives.

Following the approved policy and business programs, a large part of the activities in the social sphere will thus be aimed at retaining highly qualified specialists and qualified workers and thus generally achieving high efficiency at each workplace.

In 2023 we will continue the activities on monitoring the health status of the employees, promoting safe behavior at work; training, qualification upgrade and acquisition of new skills and capacity; improving working conditions and constant monitoring and control on the working environment factors.

Increasing corporate culture aims to create and maintain strong motivation, creative environment within the team, high moral and integrity, and confidence in the future.

Risks with a potential negative effect on employees' development

The management of the companies in the Group of Stara Planina Hold Plc strives to achieve maximum employee satisfaction. Any worsening of the current economic situation in the country and fluctuations in the markets where our business operates would lead to destabilization of the companies and thus to a decrease in the efficiency of the conducted social policy.

We take measures to ensure the health and working capacity of employees, the continuity of our business and activities related to regulatory obligations.

Policies with regard to the products and the counterparties of the companies in the group of Stara Planina Hold Plc

- The companies in the group of Stara Planina Hold Plc consistently apply a policy aimed at increasing the level of quality and ensuring the safety of manufactured products to meet the growing needs of customers. Joint analyzes are regularly carried out between the product planning, design, engineering and quality assurance departments, on the one hand, and the sales and marketing departments, in order to improve product development, functionality and quality.
- The companies in the group of Stara Planina Hold Plc apply quality management systems and carry out their production activities in accordance with the highest standards applicable to the respective production field.
- The companies in the group of Stara Planina Hold Plc apply rules for confidentiality and protection of commercial information and personal data in order to protect customers, business partners and other stakeholders.
- The companies in the group of Stara Planina Hold Plc group provide their partners with correct and timely information on the basic business rules, products, services and technologies and promote loyal business practices in accordance with the adopted rules for ethical business conduct and the current regulations.
- The companies in the group of Stara Planina Hold Plc require their customers to comply with basic internationally recognized anti-corruption standards and those in the field of corporate ethics, environmental protection, human rights protection in order to establish a sustainable partnership.
- The companies in the group of Stara Planina Hold AD operate only with suppliers who fulfill their social responsibilities in the areas: clean supplies, compliance with regulatory requirements and social norms, information security and respect for human rights, labor and safety and health conditions.

Human rights issues

The corporate policy of Stara Planina Hold Plc and the companies in the group is subject to the principle of respect for and observance of human rights, without any differences based on gender, race, nationality, ethnicity, citizenship, origin, religion, beliefs, political affiliation, personal or social status, age, sexual orientation, marital status, property, social or other status.

We support the principles of the UN Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Rights and Rights at Work, the UN Guiding Principles on Business and Human Rights, adopted by the UN Human Rights Council. In June 2011 and we apply them in the established labor relations with our employees.

The group of Stara Planina Hold Plc does not allow discrimination in the workplace, in relations with business contractors - suppliers and customers, as well as in relations with all groups of stakeholders based on discrimination on any grounds.

Issues related to fight with corruption and bribery

The corporate policy of Stara Planina Hold Plc and the companies in the group is based on the principle of compliance with high ethical standards in all aspects and directions of corporate activities and consistent implementation of transparency policy. No forms of corruption, including bribery, are allowed or tolerated.

The management and employees of Stara Planina Hold Plc and the companies in the group consistently apply the rules of conduct set out in the adopted Codes of Ethics and responsible work and business practices in accordance with the adopted rules for ethical business conduct and the current regulations. The standards adopted in the codes of ethics apply equally to all parties the companies have or may have relations with, such as shareholders, potential investors, financial analysts and other stakeholders.

Strict accounting is performed in Stara Planina Hold Plc and the companies in the group, subject to annual internal and external independent audit control. All transactions are evaluated in advance and are subject to approval by the relevant corporate Board.

Stara Planina Hold Plc has adopted a Policy on Transactions with Interested and Related Parties and a Procedure for Avoidance and Disclosure of Conflicts of Interests as well as a Policy on the Information Provision and Disclosure. They are applied in accordance with our business model and in the

interest of the employees' rights and those of all stakeholder groups. All processes and procedures are conducted in a way that excludes all forms of corruption in the companies in the group.

In 2022, no restrictions of the above stated rights were found related to decisions and actions of companies in the Group of Stara Planina Hold Plc.

The companies do not apply a diversity policy with respect to their management bodies in relation to aspects such as age, gender or education and professional experience. The management structure is defined in the Articles of the companies. Election of members of the Board of Directors is a right and prerogative of the shareholders.

Taxonomy Related Disclosures

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (Regulation 2020/852) establishes the criteria determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree of environmental sustainability of a given investment.

The regulation specifies six environmental objectives:

(a) climate change mitigation;
(b) climate change adaptation;
(c) the sustainable use and protection of water and marine resources;
(d) the transition to a circular economy;
(e) pollution prevention and control;
(f) the protection and restoration of biodiversity and ecosystems.

In their environmental programs, the companies in the Group of Stara Planina Hold Plc have set and are steadily striving to achieve the following objectives related to their activities:

- climate change mitigation;
- climate change adaptation;
- the transition to a circular economy;
- pollution prevention and control

Based on the provisions of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, an assessment was made on the economic activities within the companies in the Group of Stara Planina Hold Plc, eligible for the taxonomy and related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Art. 8 of Regulation (EU) 2020/852.

We examined in detail the economic activities of all the companies in the group of Stara Planina Hold Plc - as independent economic activities and as separate activities in the scope of the activities of the companies included in the consolidation in the context of the activities eligible for the taxonomy according to Annex I (climate change mitigation) and Annex II (climate change adaptation) pursuant to Delegated Regulation (EU) 2021/2178 of the Commission of July 6, 2021 and based on the exceptions for the reporting period according to Article 10 of Delegated Regulation (EU) 2021/2178.

The economic activity of Elhim-Iskra Plc according to 3.4. of the Annexes of Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 - Manufacture of batteries and the economic activity of SPH Invest Jsc – according to 7.7. of the Annexes: Acquisition and ownership of buildings are presented as fully taxonomically eligible economic activities. The economic activities of Stara Planina Hold Plc, M+S Hydraulic Plc, HES Plc, Fazan JSC, Boryana JSC and Ustrem JSC generally do not fall within the scope of the activities regulated by Delegated Regulation 2021/2139, respectively - within the scope of the taxonomy with the exception of separate activities that are explicitly indicated in the presented calculations of the share of consolidated turnover, capital expenditure (Capex) and operational expenditure (Opex) for the reporting period 2022, which are related to taxonomically eligible economic activities related to the first two environmental objectives. These separate activities also fall under the description of the activities in the EU Taxonomy and are considered to be supporting activities to the group of Stara Planina Hold Plc which is why the same assessment approach has been applied to them and they are included and disclosed in the presentation of the key indicators.

We considered our activities based on the exceptions for the reporting period pursuant to Art. 10 of Delegated Regulation (EU) 2021/2178, whereas all indicators are presented as ratios related only to

taxonomically eligible activities. In this regard, we draw attention to the fact that, in view of the ongoing review and updating of the understandings of the European Commission regarding the scope of the taxonomy, it is possible that we may subsequently and in our next reports re-evaluate the reporting of the share of consolidated turnover, capital expenditure (Capex) and operating expenses (Opex).

Based on the analysis carried out, we present the share of the consolidated turnover, capital expenditure (Capex) and operational expenditure (Opex) for the reporting period 2022, which are related to taxonomically eligible economic activities related to the first two environmental objectives (mitigation of the change of climate and adaptation to climate change) in accordance with Art. 8 of the Taxonomy Regulation - Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 to create a framework to facilitate sustainable investments and to amend Regulation (EU) 2019/2088, and Art. 10, para. 2 of Art. 8 of the Delegated Regulation (EU) 2021/2139 of June 4, 2021.

KPI related to turnover (turnover KPI)

Indicator	Net consolidated turnover in thousand BGN	The part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-eligible economic activities	Relative share in %	Products or services, including intangibles, associated with Taxonomy-eligible economic activities
Net consolidated turnover in thousand BGN /net sales revenue/	**375 256**	**46 349**	**12.35 %**	4.1 Electricity generation using solar photovoltaic technology; 5.5 Collection and transport of non-hazardous waste in source segregated fractions; 7.7. Acquisition and ownership of buildings; 3.4. Manufacture of batteries.

The turnover-related indicator is calculated as a ratio between the consolidated net sales revenue of Stara planina hold Plc, according to the annual consolidated financial report as of 31.12.2022 and the part of the net turnover of the companies included in the consolidation derived from the taxonomically eligible economic activities, specified in the table.

KPI related to capital expenditure (CapEx) (CapEx KPI)

Indicator	Additions to tangible and intangible assets considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments and excluding fair value changes	The part of the capital expenditure that is any of the following: (a) related to assets or processes that are associated with Taxonomy-eligible economic activities; (b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned under the conditions specified; (c) related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions	Relative share in %	Products or services, including intangibles, associated with Taxonomy-eligible economic activities
Capital expenditure in thousand BGN	**26 022**	**2 269**	**8.72 %**	5.3 construction, extension and operation of waste water collection and treatment; 5.5 Collection and transport of non-hazardous waste in source segregated fractions; 7.2 Renovation of existing buildings; 7.4. Installation,

				maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings); 3.4. Manufacture of batteries; 4.1 Electricity generation using solar photovoltaic technology.

The indicator related to capital expenditure is calculated as a ratio between the sum of capital expenditures of the companies included in the consolidation and the part of these expenditures derived from the taxonomically permissible economic activities indicated in the table.

KPI related to operating expenditure (OpEx) (OpEx KPI)

Indicator	**Direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets**	The part of the operating expenditure that is any of the following: (a) related to assets or processes associated with Taxonomy-eligible economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development; (b) part of the CapEx plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe; (c) related to the purchase of output from Taxonomy-eligible economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures and provided that such measures are implemented and operational within 18 months.	**Relative share in %**	**Products or services, including intangibles, associated with Taxonomy-eligible economic activities**
Operating expenditure in thousand BGN	**29 295**	**18 725**	**63.92 %**	5.5 Collection and transport of non-hazardous waste in source segregated fractions 6.5 Transport by motorbikes, passenger cars and light commercial vehicles; 6.6 Freight transport services by road; 7.2 Renovation of existing buildings; 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

The indicator related to operating expenses is calculated as a ratio between the sum of the operating expenses of the companies included in the consolidation, which are related to research and development activities, building repair measures, short-term leases (rents), maintenance and repairs, as well as all other direct costs related to the current maintenance of the assets of the property, machinery and equipment category, which are necessary to ensure the continuous and efficient operation of these assets and the part of these costs that arises from the taxonomically permissible economic activities indicated in the table .

III. Important developments occurred since the beginning of the year

After the date of the annual accounting closing, the management of Stara Planina Hold Plc is not aware of any important and material events which may influence the investors' interest with the exception of the military conflict in Ukraine, which increases the risks related to securing supplies of materials and sale of finished products to partners related to the affected region.

IV. Expected development of the group

2022 year made the world face new serious challenges caused both by the consequences of the covid-pandemic and the ongoing for more than ten months now military conflict in Ukraine. The increase in the prices of raw materials, fuels and energy carriers in general, the difficult logistics, strong inflationary pressure, as well as the continuous process of imposing mutual sanctions between the USA and the EU, on the one hand, and Russia, on the other, objectively affected the economy not only in Europe, but also on a global scale. On a national level, the industrial activities throughout the year were, and continues being, severely affected by the escalating political instability.

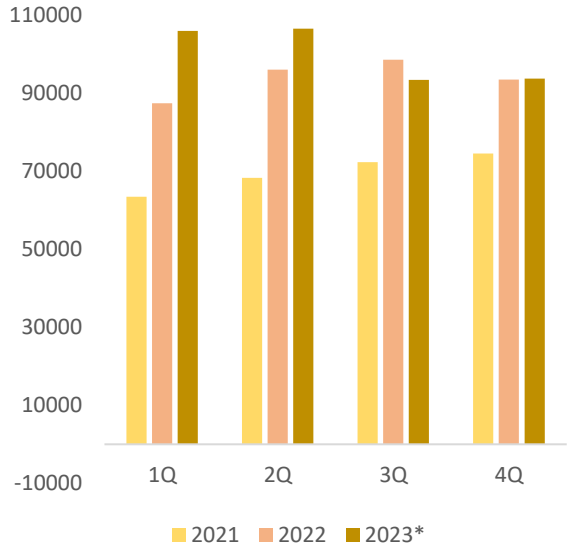
Against this background, the consolidated sales revenues of the Group for the first half of 2022 reached BGN 183.4 million and reported a 39.6 % growth compared to the sales for the same period of 2021 and almost an 80 % increase compared to the sales for the first half of 2020.

In the second half of the year we recorded sales revenues in the amount of BGN 191.86 million thus achieving a 30.81 % growth compared to the second half of the previous year and an increase by 96.65 % compared to the second half of 2020.

The annual sales of the companies in the group reached BGN 375.3 million and thus the sales revenue as of 31.12.2022 reported a growth by 34.81 % compared to the 2021 sales and an increase by 87.60% compared to the reported sales in 2020.

Net sales revenue

(Quarterly, BGN'000s)



** forecast*

Forming the holding's profit is a process that is highly dependent on the mood of our markets. Despite the prices growth of raw materials, fuels and energy carriers in general, the difficult logistics and strong inflationary pressure, the expected 2022 gross profit of the group is in the amount of BGN 51.4 million which is a growth by 55.61 % compared to the reported gross consolidated profit for the previous year and an increase of almost 120 % compared to the gross consolidated profit for 2020.

The level of our export is directly dependent on the markets where the Group operates – mainly in the European Union. Throughout 2022 we managed to retain our main markets and the expectations of our main customers are to increase order levels. We anticipate the growth in consolidated sales revenues to continue in 2023 albeit at considerably slower rates.

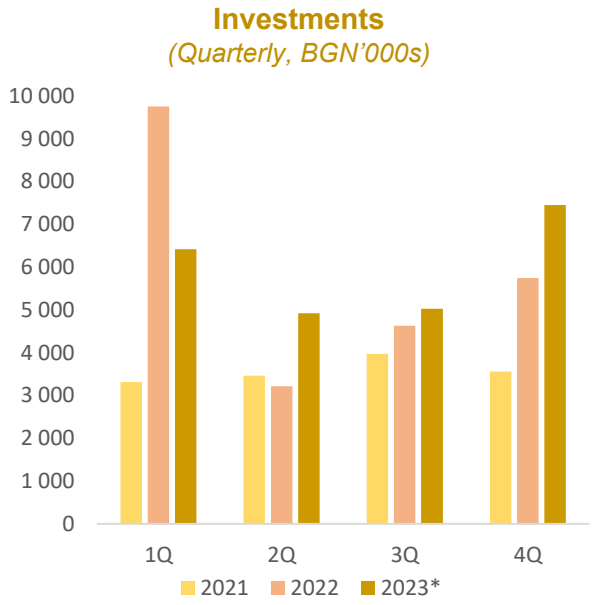
The reported results in the first months of 2023 give us reason to raise our forecast for sales in the first quarter of 2023, expecting them to reach BGN 105.9 million. With this result we will report a growth by over 21 % compared to the same periodof 2022 and an increase by more than 67 % compared to the first quarter of 2021. We expect revenues for the first half of 2023 to achieve growth by more than 15 % compared to the same period of the previous year. Stara Planina Hold Plc expects that the consolidated sales revenue in 2023 will exceed BGN 399 million which means a growth by 6.4 % compared to 2022 and an increase by approximately 43 % compared to 2021.

It is possible that our estimates will not be reached due to the influence of external factors. The EU economy continues being posed at risk and apart from the major shock caused by the restrictive measures against the pandemic, other factors also have a negative impact, such as disturbed supply chains, prices and security of energy resources, disturbance of the trade balance and the impact of the financial and economic restrictions imposed by the EU and the USA in relation to the crisis in Ukraine.

In 2023 again we will be led by the purpose of achieving European and world level of quality, productivity and profitability and thus to retain the major markets and widen our presence in the new markets. Sustainable achievement of good financial results at the expected sales volumes will continue being the main task for increasing the market capitalization of the companies in the group thus ensuring the shareholders' investments and their profitability.

In this context, we will continue being required to offer competitive prices, tailored customer approach, high quality and operational delivery times.

Our companies have planned investments that would result in the launch of new products, higher productivity and better remuneration for employees respectively. Investments in the entire group of Stara Planina Hold Plc in 2022 reached BGN 23.3 million, intended mainly for technological renewal and innovation, infrastructure improvements and green transition, including construction of own photovoltaic systems by several companies.



** forecast*

In 2023 we plan to continue our investment policy expecting investment to show even a weak growth by 2 % compared to the investments for 2022. The main part of the planned investments is intended for new technological equipment and reconstruction, new technologies for digitalization of processes, green transition and expansion of production possibilities with a view to increase the productivity and quality of the manufactured products and reduce the cost price, optimization of the production process and stimulating employees.

The companies plan to participate in procedures under existing and new European operational programs aimed at developing human resources and increasing competitiveness.

Achieving good financial results at the expected sales volumes is a major task to achieve so as to ensure stability in the market capitalization of the companies in the group, in order to guarantee shareholders' investments and their profitability.

V. Research and Development Activity

Stara Planina Hold Plc does not perform independent research and development activity. The holding company provides support to the companies in the Group in their research and development activities since it views these activities as an integral part of the annual business plans of the companies.

The main enterprises in the group have separate divisions, directorates, departments and laboratories which consistently develop activities to improve production, develop and introduce new products in mass production, as well as new production methods and technologies.

In 2022 again the main objectives of the units engaged in development activities in the companies of the group were aimed at meeting the increased requirements and growing expectations of customers in terms of quality, price and variety of products offered.

Main achievements of companies from the group of Stara Planina Hold Plc in 2021 in the research and development field

M+S Hydraulic Plc

With the purpose of optimization of production processes - reduction of production time and increase of quality were

- introduced into production high-performance machines - CNC controlled lathes and centers allowing introduction in the production of high-performance tools with increased cutting modes thus significantly reducing production time;
- introduced robotization of the turning process of the workpiece Support plate and Distribution plate and delivered a manipulator for the "old paint shop";
- introduced new precision control devices, couple torque control unit and labeling machine according to documentation and partly customer requirements;
- introduced new washing machines, as well as an installation for brushing shafts;
- introduced into operation a device for checking the cleanliness of the details after washing;
- introduced modern screwdriving devices that guarantee high-quality screwdriving of hydraulic products;
- introduced a semi-automated line for assembly and packaging of MP/MR mass motors.

A study has begun for the implementation and realization of a technological process for carbonitriding of hydromotor details.

New washing substances and new coolants have been tested and implemented in production. High-quality worm cutters - class AA-DIN 3968 were provided for milling the splines of output shafts SH, MS, MT, MV and for milling the external profile of the "Rotor" part.

Hydraulic Elements and Systems Plc

The company has respective departments and units that develop activities to improve production, develop and adopt new products.

In 2022 again, the main goals of the units carrying out development activities were aimed at satisfying the increased demands of customers with the development of new types of products; improvement of the production technology in order to increase the quality of the range produced so far; optimization of the technological and production process with the purpose of reducing the cost of products and competitive price presence on the market.

All directions of scientific research activities carried out by the company are in accordance with the strategy for sustainable development of the company.

- In 2022, more than 40 new models of hydraulic cylinders and even more modifications of existing ones were developed and produced by the company and the majority of them are expected to enter regular production in 2023.
- Regarding the development activity from a technological point of view, in 2022, HES Plc introduced a high-tech process for super-finish processing of spherical surfaces, which is borrowed from the production of artificial joints for medicine.

Elhim-Iskra Plc

In 2022, the activities of the development team were aimed at:

- Development of new technologies and related implementation of new production capacities with the main purpose of increasing productivity and optimization at each stage of the technological process.
- A new range of ELT series semi-traction batteries with armored plates used for autonomous vehicle propulsion were put into production.
- New types of OPzS monobloc stationary batteries for small, medium and large capacities, used in providing emergency power supply in Bulgaria and Europe, were developed and put into production.
- New types of solar batteries of the ES OPzS type were developed and put into production, for small, medium and large capacities, which are used in the construction of photovoltaic parks for the production of electricity in Bulgaria and Europe and the Middle East.

The elements in the modular solutions of Elhim-Iskra Plc type ES OPzS will be manufactured in the company's production facilities, certified according to ISO 9001; compliant with the requirements of IEC 61427 for photovoltaic energy systems; "Long Life" according to the Eurobat classification; fully compliant with the requirements of IEC 60896-11 for ventilated lead-acid batteries and with the safety requirements of EN 50272-2 for stationary batteries. The company's infrastructure and test base allow full testing of solutions, resulting in quick and efficient installation and launch.

Bulgarian Rose Plc

In 2022, the objectives of the development unit were aimed at renewing formulations and bringing them into line, according to the new regulatory requirements regarding prohibited substances in cosmetic products, optimization of production technology and quality of manufactured products, compliance with the needs and requirements of distributors in the country and abroad.

In 2022, the Company took part in the national stand organized by IANSMP, within the framework of the Beauty Eurasia 2022 International Exhibition of Perfumery and Cosmetics, which was held in Istanbul in June.

The team of specialists in the "Innovations" department will also face new challenges in 2023. The tasks set in the company's business program envisage development of a new cosmetic series in a low-price range; expansion of the existing cosmetic series with new products conditioned by the needs and demands of our customers; development of products under own brand according to a specific assignment of a client.

Statement on the impact of Covid-19

This statement is set out under the recommendation of ESMA, dated March 11th, 2020 addressed to the financial market participants in relation to the influence of Covid-19.

Stara Planina Hold Plc and the companies in the Group have undertaken measures that have been implemented sustainably for a third year in order to guarantee the health and working capacity of the employees, continuity of our business and the activities related to the regulatory obligations. For the period after 13.03.2020 until the end of the reporting financial period of 2022 the companies in the group of Stara Planina Hold Plc have continued their activities with variable deviations from the established mode of operation, in compliance with the precautionary measures for limiting the spread of the Covid-19 infection.

The effect of the restrictive measures taken in relation to Covid-19 did not have a material impact on the results in 2022 and has a diminishing significance, especially given the reopening of the Chinese economy after the country ended its strict restrictions against the spread of Covid- 19.

A potential renewal of pandemic restrictions and a possible shutdown of the economy, both in the country and in separate countries in Europe and the world, would represent a serious obstacle to global growth.

VI. Company shares

1. Own shares. Buy-back

The General Meeting of Shareholders of Stara Planina Hold Plc, held on 16.05.2019, adopted a resolution to buy back up to 3 % of the total number of shares issued by the company for a period not longer than 5 years and appointed the Board of Directors to define the specific parameters.

During 2022 Stara Planina Hold Plc has not acquired or sold its own shares.

As of 31.12.2022 Stara Planina Hold Plc owns 225 337 own shares, representing 1.07 % of the capital of the holding company. 50 000 shares are also hold by the subsidiary company SPH Invest Jsc.

Pursuant to the provision of Art. 187a, Para. 3 of the Commercial Act, the exercise of any rights, including the right to vote, on these 275 337 shares shall cease until their transfer.

In 2022 no joint stock company in the Group has acquired or transferred own shares.

2. Changes in the share price of the companies

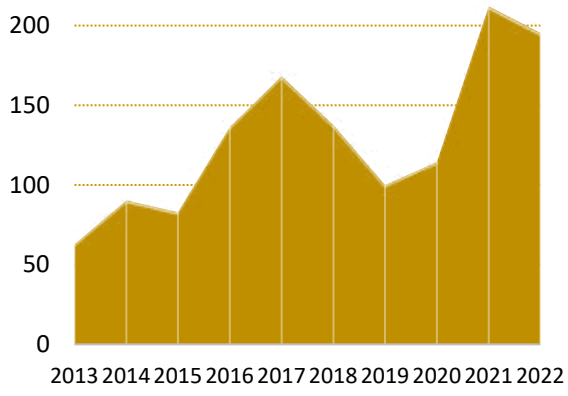
The shares of Stara Planina Hold AD are traded on BSE Main Market, Standard segment on the Bulgarian Stock Exchange AD. Exchange code: SPH.

In 2022, the movement of the share price was variable between BGN 8.00 and BGN 10.50. At the beginning of 2022, the share was worth BGN 10.10, reaching its highest level of BGN 10.50 on June 3rd and the lowest value of BGN 8.00 - on October 6th to close at BGN 9.30 at the end of the period.

The average stock price of one share of STARA PLANINA HOLD Plc for the last business day of 2021 is BGN 10.10 and for the last business day of 2022 it is BGN 9.30 which represents a decrease in the share price by 7.92 %.

At the end of 2022 the market capitalization of Stara Planina Hold Plc was BGN 195.3 million compared to BGN 212.1million by the end of 2021.

Stara Planina Hold Plc
Market capitalization *(BGN million)*

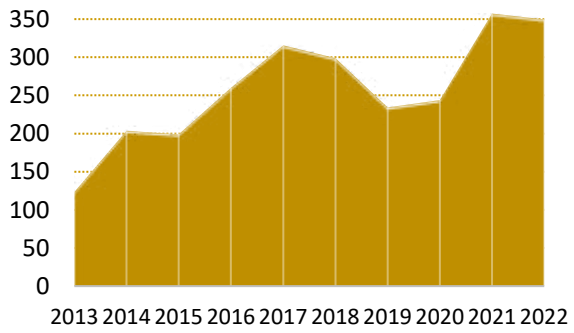


Price (at closing) **per one share of the company at the end of the year**

2016	2017	2018	2019	2020	2021	2022
6.49	8.01	6.55	4.76	5.45	10.10	9.30

Four of the companies in the investment portfolio of the holding company are public companies and their market capitalization is being set by the stock exchange. This allows for the ratio between the market capitalization of the holding company and the market capitalization of its holdings to be calculated. Traditionally the price of the holding is lower than the total price of its holdings.

Market capitalization *(BGN million)*

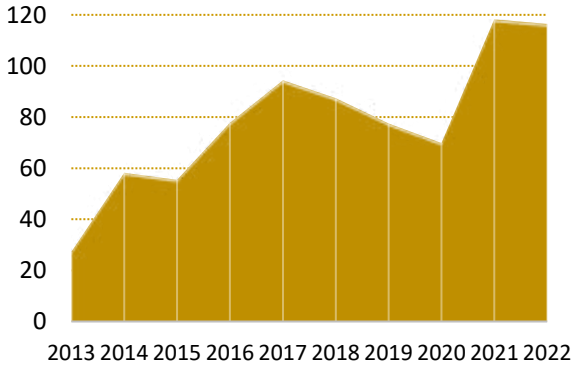


M+S Hydraulic Plc

Price (at closing) per one share of the company at the end of the year

2016	2017	2018	2019	2020	2021	2022
6.65	8.08	7.65	6.00	6.25	9.15	8.95

Market capitalization *(BGN million)*

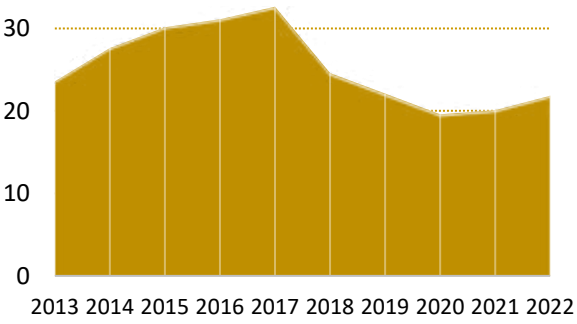


Hydraulic Elements and Systems Plc

Price (at closing) per one share of the company at the end of the year

2016	2017	2018	2019	2020	2021	2022
4.27	5.19	4.80	4.26	3.84	6.50	6.40

Market capitalization *(BGN million)*

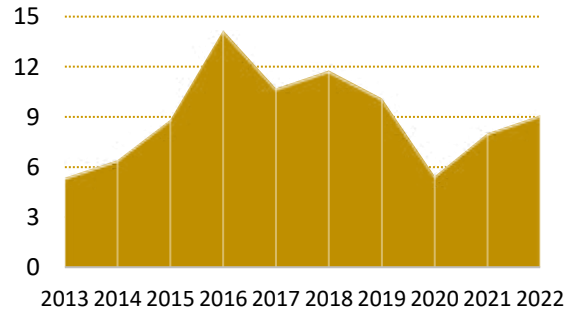


Elhim Iskra Plc

Price (at closing) per one share of the company at the end of the year

2016	2017	2018	2019	2020	2021	2022
1.24	1.30	0.98	0.88	0.78	0.80	0.87

Market capitalization *(BGN million)*



Bulgarian Rose Plc

Price (at closing) per one share of the company at the end of the year

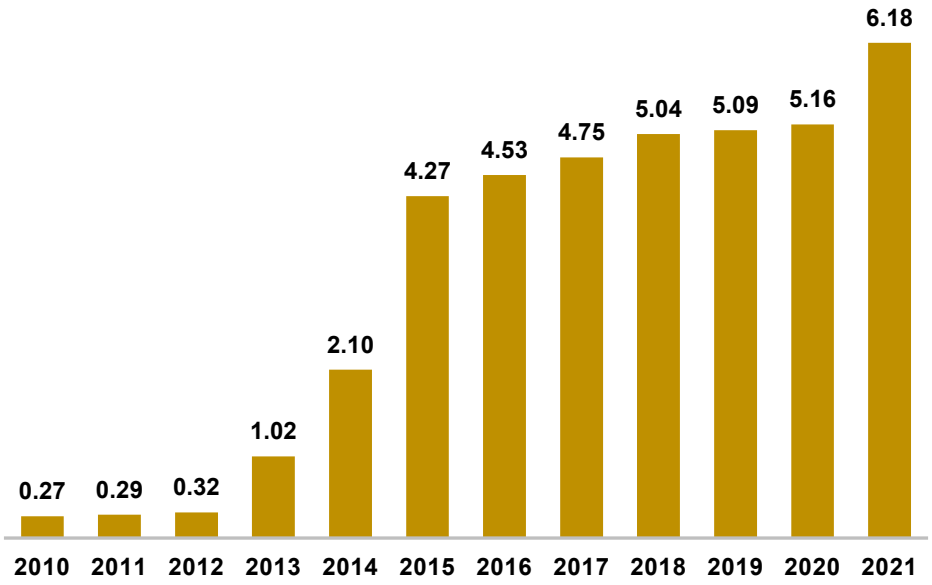
2016	2017	2018	2019	2020	2021	2022
2.65	2.00	2.20	1.89	1.02	1.50	1.70

3. Dividend policy

Stara Planina Hold Plc applies a policy of annual dividend distribution. The Board of Directors assumes that at the regular annual general meeting the shareholders will continue the tradition of distributing part of the financial profit for dividend.

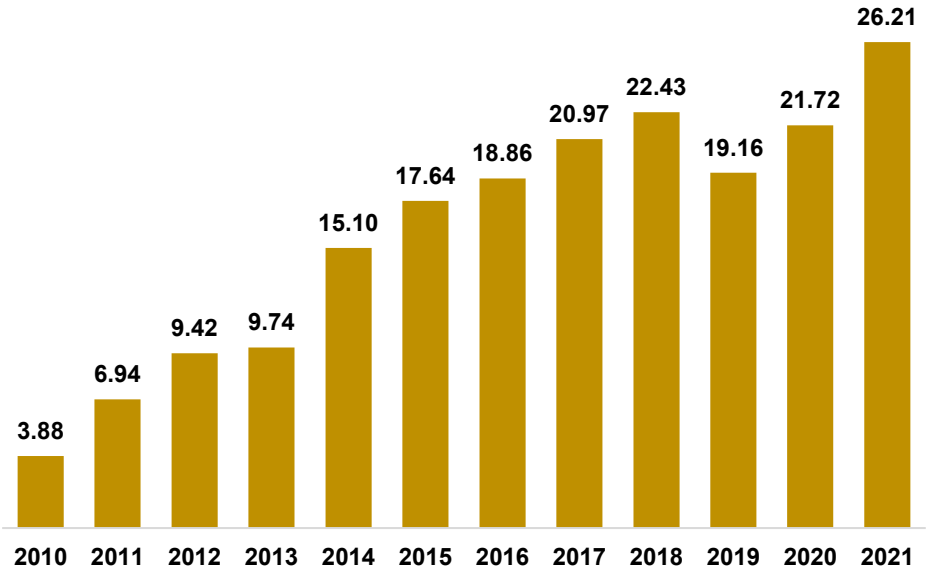
For each year of its existence Stara Planina Hold Plc has paid a dividend. The total amount of the distributed dividend until the financial year 2021 incl. is BGN 42.522 million. The initial investment in the holding has a dividend coverage of 24.3 times.

Distributed dividends from Stara Planina Hold Plc *(BGN million)*



For the completed financial years of their existence the companies in the group of Stara Planina Hold Plc have distributed dividends totaling BGN 215.56 million.

Distributed dividends Total for the Whole Group *(BGN million)*



4. Branches. Employees

Stara Planina hold Plc and the companies in the group do not have any registerred branches in the country and abroad.

Information on the employees is presented in Section II of this report - Non-financial declaration.

VII. Financial instruments used by the enterprise

1. Accounting policy

In compliance with the accounting legislation in force in Bulgaria, since the beginning of 2003 Stara Planina Hold Plc has been applying the International Financial Reporting Standards.

The Consolidated Financial Statements of Stara Planina Hold Plc as of 31.12.2022 have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union.

The whole accounting policy of the Company is described in the Explanatory Notes presented together with the Annual Consolidated Financial Statements as of 31.12.2022.

Investments in subsidiaries and associates are reported and presented under the acquisition cost method in the separate statements of Stara Planina Hold Plc.

Major business operations of the company are sale, purchase and management of shareholdings in companies. Main part of the 2022 revenues is formed by dividend revenues. These current incomes are mainly used for financing the companies in the holding's portfolio, meeting the commitments under the adopted dividend policy, as well as for administrative needs.

In the reporting year, the accounting policy of the company has not been changed compared to the previous reporting period. No errors have been found for both the current and previous reporting periods. Therefore, there are no adjustments due to errors.

2. Financial instruments

The most essential part of the financial instruments used by the company is taken by the holdings of Stara Planina Hold Plc in the subsidiaries and associates.

Financial instruments of the company are detailed in the Explanatory Notes presented together with the Annual Consolidated Financial Statements as of 31.12.2022.

Typical for the investments of Stara Planina Hold Plc (BSE code SPH) in subsidiaries and associates is that four of them are public companies with their shared being admitted to trading on the Bulgarian Stock Exchange: M+S Hydraulic Plc (MSH), Hydraulic Elements and Systems Plc (HES), Elhim Iskra Plc (ELHM) and Bulgarian Rose Plc (ROZA).

Next, in terms of significance, come the loans granted to the companies in the portfolio of Stara Planina Hold Plc. They are filed as per their nominal value as of the date of occurrence. At the end of the reporting period there is no data on the existence of circumstances for impairment of receivables on them and such has not been made.

The Financial Resources Management Policy of Stara Planina Hold Plc is focused mainly on the management of the companies in the portfolio. The free cash amounts are directed towards financing the companies.

3. Liquidity

Given the specifics of the activity, the major part of the incoming cash flows is generally formed by dividends received and the outgoing cash flows are used for payment of dividends to the shareholders and for covering administrative expenses related to its maintenance.

It is a long-term corporate governance policy of Stara Planina Hold Plc to use the available cash resource to fund projects of its portfolio companies.

The company has not undertaken any obligations to incur capital expenses at the end of the reporting period.

4. Exposure of the enterprise to price, credit, liquidity and cash flow risk

The management monitors the overall risk and provides ways to minimize potential adverse effects on the financial indicators of the company.

The nature of the financial instruments used by the company indicates that the market risk does not have a significant effect on the financial results.

The risk of changes in the market price of equity instruments arises from equity securities classified as reported at fair value through other comprehensive income (FVOCI) held for long-term investment.

Stara Planina Hold Plc has granted loans to companies included in its portfolio which have a long-term unblemished credit reputation which minimizes the credit risk.

Due to the nature of the financial instruments used by Stara Planina Hold Plc, the liquidity risk, the interest rate risk and the cash flow risk are also minimal.

Detailed information on the risk factors to which Stara Planina Hold Plc and the companies in the group are exposed is presented under Section I, item 4 of this Report.

VIII. Corporate Governance Declaration

1. National Corporate Governance Code

Stara Planina Hold Plc implements a long-term Good Corporate Governance Program. The Program provides for the completion of a number of initiatives in several main areas, the implementation of which is subordinated to its priority objectives:

- responsibility and independence of the corporate Board,
- shareholders' rights protection;
- ensuring equal treatment of each shareholder (including minority and foreign shareholders);
- ensuring recognition of the rights of the parties interested in the management and sustainable development of the company and promoting the co-operation with them;
- ensuring prompt and accurate disclosure of the statutory required information related to Stara Planina Hold Plc regarding important issues of the financial standing, activity results, ownership and management of the company;
- supporting the strategic management of Stara Planina Hold Plc, the efficient control over the activity of the Board of Directors and its accountability to all stakeholders.

The public companies in the group have also developed and implement their own long-term corporate governance programs and the activity of the non-public companies is in compliance with the main priorities and guidelines of the corporate program of Stara Planina Hold Plc.

On 30.10.2007 the Board of Directors of Stara Planina Hold Plc, considering the important role of modern corporate governance to support sustainable development of the national economy of the Republic of Bulgaria, and lead by its willingness to continue implementing the internationally recognized good corporate governance standard, resolved that the holding company will carry out its activity in compliance with the principles and provisions of the National Corporate Governance Code (CGCode_July2021_BG.pdf (nkku.bg). The public companies in the group have also joined the Code.

2. Implementation of the National Corporate Governance Code

The management of Stara Planina Hold Plc and the management bodies of the public companies in the group apply the National Code based on the “comply or explain” principle. The application of this principle is based on the Recommendation of the EU Commission on the quality of reporting in corporate governance.

The main direction when executing the commitments of the code was to bring the internal acts of the company and its overall activity in accordance with the changing legal regulations. All of the internal regulations listed below may be found in the Corporate Governance section on the company website.

Stara Planina Hold Plc participates in discussions of draft amendments and supplements or projects for new acts in the field of public offering of securities presented by the competent authorities.

As a member of the National Corporate Governance Committee, Stara Planina Hold Plc participates through its representative in the process of discussion and adoption of amendments to the National Code, effective as of July 1, 2021.

Chapter One. Corporate Boards

The Board of Directors of Stara Planina Holc Plc and the Boards of the companies in the group direct and control the company in a responsible and independent manner according to the vision, objectives and strategies of the company and in the best interest of all shareholders. It monitors the results of the company's performance and initiates changes in the management of its operations, when necessary. The Board of Directors treats all shareholders equally, acts in their best interest and in a diligent manner. The members of the Board of Directors are guided in their activities by the generally accepted principles of integrity and managerial and professional competence. The company has adopted and adheres to a Code of Ethics.

The Board of Directors promotes the implementation and monitors the observance of the adopted principles for sustainable development by the companies in the group; provides and controls the establishment and proper functioning of a risk management system; ensures and controls the integrated functioning of the accounting and financial reporting systems; gives guidelines, approves and controls the business plans implementation of the companies in the Group, the material transactions as well as other activities, required by the company's Rules of Procedure.

The Board of Directors reports on its activities to the General Meeting of Shareholders. In case of proposals for election of new members of the Board of Directors, the principles of compliance of the competence of the nominees with the nature of the company’s activities are observed. The contracts for assignment of the management, concluded with the members of the Board of Directors, define their responsibilities and tasks, the criteria for the amount of their remuneration, their obligations for loyalty to the company and the grounds for dismissal.

The number of Board members of Stara Planina Hold Plc and those of the Board of the companies in the group is defined by the company’s Articles of Association. The composition of the Boards is structured in a way that guarantees the professionalism, impartiality and independence of its decisions related to the management of the company. The Boards of Directors have allocated the tasks and responsibilities between their members. The independent directors control the executive management and participate effectively in the company's performance in accordance with the shareholders’ interests and rights. The Chairman of the Board of Directors is an independent director. The members of the Board of Directors have appropriate knowledge and experience and after their election the new members are acquainted with the main legal and financial issues related to the company's performance. Enhancing the competence and qualification of the Board members is a constant practice and their training is encouraged. The succession of mandates ensures efficient operation of the company and compliance with the legal requirements.

The members of the Board of Directors have sufficient time to perform their tasks and duties. The Rules of Procedure of the Board of Directors define the maximum number of companies outside the portfolio of Stara Planina Hold Plc where Board members may hold management positions, as well as the number of consecutive mandates of the independent members. Such a practice has been adopted and applied by the public companies in the group.

The amount and the structure of the remuneration to the members of the Board of Directors are defined by the General Meeting of the Shareholders. They take into account the responsibilities and contribution of each member, the possibility of selection and retention of qualified and loyal members, the need to align the interests of members with the long-term interests of the company. The remuneration of the independent members of the Board of Directors is permanent (fixed). Pursuant to a decision of the Shareholders, it may also have a variable part.

The regular annual general meetings of the shareholders of the holding and the public companies of the group, held in 2021, adopted new Remuneration Policies for the members of the Board of Directors, in line with the amendments to the regulations and aimed at contributing to the long-term business goals and promoting behavior that supports value creation for the shareholders, while providing a competitive

remuneration sufficient to attract and retain directors with the qualities necessary for the successful management and development of the company.

The Remuneration Policies define the principles for setting the amount and the structure of the remuneration and specifies the particular additional incentives which are based on clear criteria and indicators related to the results of the company and the economic group. Information on the remunerations of the members of the Board of Directions of the holding company and those of the public companies in the group is disclosed in an annual report which is a separate document to the Annual Financial Statements of the company. Shareholders and stakeholders have easy access to the adopted policies for defining the remuneration of the board members and the reports on their implementation which are published on the company's website. The companies in the group have adopted general rules for the members of the board of directors where the functions and obligations of the board, the procedure for election and dismissal of members are defined.

The Board of Directors of Stara Planina Hold Plc and the Boards of the public companies in the group have adopted procedures to avoid and disclose conflicts of interest. They impose obligations for the members to avoid and not to admit actual or potential conflicts of interest and, if necessary, to immediately disclose conflicts of interest and provide shareholders with access to information on transactions between them and the company or any related party. On the other hand, each conflict of interests in the company should be disclosed to the Board of Directors. Stara Planina Hold Plc and the public companies in the group do not and will not allow transactions between the company and members of the Board of Directors and any related parties thereto. The rules of Stara Planina Hold Plc on the avoidance and disclosure of conflicts of interest are also applied by the non-public companies in the group.

Chapter Two. Audit and Internal Control

In accordance with the requirements of the current legislation and based on the criteria defined thereof Stara Planina Holc Plc and the public companies in the group have established and operating audit committees with members that meets the legal requirements and specific needs of the company.

The audit committee supervises the internal audit activities and monitors the overall relations with the external auditor, including the nature of non-audit services provided by the latter. Its activities are aimed at increasing the efficiency of the financial reporting processes, the internal control and risk management systems.

The Audit Committee prepares a written recommendation, based on which the corporate board of the respective public company proposes to the General Meeting the election of an independent auditor to verify and certify the annual financial statements. In the proposals for election of an external auditor, the rotation principle is applied in accordance with the requirements of the relevant regulation.

The Audit Committee operates in accordance with its own rules of procedure and work schedule. It supervises the internal audit activities and monitors the overall relationship with the external auditor, including the nature of non-audit services provided by the company's auditor.

Chapter Three. Shareholders' Rights Protection

The corporate Boards of Stara Planina Hold Plc and the public companies in the group ensure the equal treatment of all shareholders, including minority and foreign shareholders and is responsible for the protection of their rights. They facilitate the exercising of these rights within the limits permitted by the applicable legislation and in accordance with the company's internal rules. The corporate Boards have provided information to all shareholders about their rights, the financial results of the company and corporate events through the information disclosure system and the company's website.

All shareholders of the holding company and the public companies in the group have access to information about the rules under which General meetings are convened and held, including voting procedures. The companies provide sufficient and timely information on the date and venue of the General meeting, as well as detailed information on the issues to be discussed and decided on at the meeting. The corporate Boards ensure the right of all shareholders to express their opinion, as well as to ask questions at the general meeting.

The invitations for the general meetings of shareholders of Stara Planina Hold Plc and the public companies in the group include the information required under the Commercial Act and the Public

Offering of Securities Act, as well as additional information on exercising the right to vote and the possibility to add new items to the agenda under Art. 223a of the Commercial Act.

The invitations and the materials for the general meetings of the shareholders of Stara Planina Hold Plc and the public companies in the group are announced through the X3 News media to the public, the Financial Supervision Commission and the regulated securities market. Pursuant to the legal requirements the companies announce a notice for holding a general meeting of the shareholders and for dividend payment, upon a decision adopted by the GMS, also through the corporate actions announcement system of the Central Depository. After presenting the invitation and the materials for the general meeting of shareholders, they are available on the websites of the companies. The texts of the written materials related to the agenda of the General Meeting are particular and clear and do not mislead shareholders. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, including the profit distribution proposal.

Shareholders with voting rights have the opportunity to exercise their voting rights at the General Meeting of the company in person or through representatives/proxies. As part of the materials for the General Meeting of Shareholders, the Board of Directors presents a sample power of attorney and Proxy Voting Rules.

Rules for Organization and Holding Regular and Extraordinary Sessions of the General Meetings of Shareholders of the holding company and the public companies in the group have been adopter in order to guarantee equal treatment of all shareholders and the right of each shareholder to express opinion on the items in the agenda of the meeting. The rules and procedures for holding a general meeting of shareholders do not complicate or increase the cost of voting unnecessarily. These procedures encourage the participation of shareholders in the general meeting but do not provide the possibility of remote attendance by technical means, insofar as this would make holding of the meeting more expensive. Proxy Voting Rules have been adopted. Following the adopted amendments to the Articles of Association of the company in 2021, the right to vote at the General Meeting of Shareholders may be exercised by correspondence based on a decision of the Board of Directors. All members of the corporate Boards attend the general meetings of the shareholders. When necessary, they assist shareholders with the inclusion of additional items in the agenda of the General Meeting and guarantee the right of the shareholders to be informed on the adopted resolutions.

The Rules for Organizing and Holding General Meetings provide a mechanism for assisting the shareholders who have exercised the right to include additional items and propose resolutions on issues already included in the agenda of the meeting. The resolutions of the General Meeting are published on the company’s website for a period of 10 years. The companies have not issued shares of a different class. The companies do not have shareholders with control rights.

Increasing the trust of shareholders, investors and stakeholders has been one of the major commitments of the corporate Board. In this regard, the company is continually strengthening its position of a stable institution. In 2022, we continued endorsing and applying various ways to disclose current information on the financial and economic standing of the company and important corporate events as well as their promotion.

Chapter Four. Disclosure of Financial and Non-financial Information

Stara Planina Hold Plc and the public companies in the group have approved policies and information disclosure systems in accordance with legal requirements. They guarantee equal access to information to all addressees (shareholders, stakeholders, investment community) and do not allow inside information abuse. The information disclosure systems provide complete, timely, accurate and understandable information that allows for objective and informed decisions and assessments. The holding and the public companies in the group have internal rules for preparation of annual and interim reports and information disclosure procedures. The holding annually publishes a non-financial statement on a consolidated basis where detailed information on the activities and initiatives of all companies in the holding's portfolio in the field of non-financial reporting is provided.

Stara Planina Hold Plc and the public companies in the group maintain their own websites providing information about the company, the management bodies, shareholder structure and the companies in the portfolio. The corporate governance section on the website of the holding company

includes internal regulatory documents, information on the shareholders' rights and their participation in the general meeting, financial statements for the last 10 years, information for dividend payments as well as personal data protection information.

Special sections include materials on forthcoming general meetings of the shareholders, information on the resolutions adopted at the general meetings. Data on the initiatives of the companies, auditors and media publishing news about the holding company and the public companies in the group are publicly available.

The news section on the holding's website is particularly rich, providing information on the company's periodical publications, upcoming events, as well as any important information related to the holding's activities. The Q&A system for shareholders, stakeholders via electronic means proves its effectiveness. A procedure for receiving dividends from shareholders for previous years has been developed. The practice of sending timely answers to letters and inquiries of shareholders on the part of the holding company and public companies in the group, including those received by e-mail and their storage in a register duly kept by the Investor Relations Director, continues. A practice has been introduced by the holding company, regardless of the nature of the question asked, that the answers include a detailed explanation of the shareholders' rights.

The procedure for shares inheritance is described in detail. Each shareholder who addresses the holding on a different occasion is being provided with comprehensive information about his rights and receives information on various issues regarding the business activities and the current standing of the company, including the historical prices of the shares of Stara Planina Hold Plc on the stock exchange.

Stara Planina Hold Plc and the public companies in the group use the X3 News media that provides equal and timely access to the relevant information to all users.

Chapter Five. Stakeholders. Sustainable Development

The corporate governance of Stara Planina Hold Plc and the companies in the group ensure effective interaction with the stakeholders, identified by the respective company as such. The stakeholders' policy complies with the legal requirements in accordance with the principles of transparency, accountability and business ethics. Policies have been developed taking into account the stakeholders' interests that guarantee the balance between the development of the companies and the environment where they operate. Effective relations are maintained with the stakeholders. The companies periodically inform shareholders, stakeholders and the investment community about various important issues.

The shares of Stara Planina Hold Plc and the public companies in the group are not admitted to trading in a different jurisdiction.

Stara Planina Hold Plc and the companies in the group take active part in various forms of joint collaboration with state institutions and non-government organizations engaged with corporate governance in the country. Throughout the reporting year we, once again, recognize the benefit from our co-operation and membership in the Bulgarian Industrial Capital Association. The Investor Relations Directors of the holding and the public subsidiaries are members of the Association of Bulgarian Investor Relations Directors. The holding has nominated a representative to the National Corporate Governance Commission.

The control related to the information disclosure process on the part of Stara Planina Hold Plc and the public companies in the group is multidirectional. No violations of the provisions and deadlines for disclosure have been found so far. The financial reports are published on the websites immediately after they are presented to the regulating authority and the public which provides a possibility for control by the shareholders, investors and all stakeholders. Another form of control in terms of the information disclosure process is exercised by the members of the Board of Directors over the Investor Relations Directors.

The overall policy of the Board of Directors of Stara Planina Hold Plc regarding the management of the companies in the economic group is in accordance with the principles of socially justified and environmentally friendly economic development. The corporate Boards of the companies in the group annually develop and approve business plans of the enterprises which envisage the specific actions and policies regarding the sustainable development of each company. In their investment programs, projects

aimed at the environmentally friendly development of the respective company are set and implemented annually, as well as social projects aimed mainly at employees.

3. Assessment of the Implementation of the Code

Applying the National Corporate Governance Code by Stara Planina Hold Plc and the public companies in the group is a process to continue throughout the current year as well.

The review of the Code in relation to the implementation of the underlying “comply or explain” principle leads to the conclusion that Stara Planina Hold Plc and the public companies in the group comply with the Code as a whole.

Implementation of the recommendations in the Code is responsibility of the corporate Boards. In this sense, applying particular texts of the Code does not depend on the corporate Board, insofar as the appointment of members of the Board of Directors is a right and prerogative of the shareholders.

In conclusion we can summarize that the activities of the corporate Board of Stara Planina Hold Plc and the public companies in the group throughout 2022 have been in accordance with the National Corporate Governance Code, and the activities of the non-public companies in the group are in accordance with the main priorities and guidelines of the corporate program of Stara Planina Hold Plc.

4. Description of the Internal Control and Risk Management Systems

The internal control and risk management systems of the holding company and the companies in the group ensure effective reporting and information disclosure, identification of the risks accompanying the activity of the company and their effective management. Their purpose is to ensure compliance between legal and regulatory requirements and the proper functioning of internal processes. These systems are established in accordance with the specifics of the company - its activities, financial characteristics, industry, needs and resources.

The Board of Directors has the primary responsibility for the internal control and risk management systems. The Board performs both a management and guidance function as well as ongoing monitoring, assessing whether the systems are suitable for the company in a changed environment, whether they operate as well as expected and whether they are being adapted periodically to the changed conditions.

The management’s responsibility includes implementing an internal control system to prevent, detect and correct errors and misstatements resulting from the actions of the accounting system. In this regard, the management observes the following basic principles in its activity:

- adherence to a specific management and accounting policy, disclosed in the financial statements;
- performance of all operations in accordance with the laws and statutory regulations;
- recording all events and transactions in a timely manner, with the exact amount in the relevant accounts and for the relevant reporting period, so as to allow the financial statements to be prepared in accordance with the specified accounting framework;
- observing the principle of prudence in valuation of assets, liabilities, income and expenses; detection and termination of fraud and errors;
- completeness and correctness of the accounting information;
- preparation of reliable financial information; adherence to international financial reporting standards and compliance with the going concern principle.

The respective company's Board of Directors is responsible for the risk management which includes identifying, assessing and controlling potential events or situations that may adversely affect the achievement of the organization's objectives, and is designed to give reasonable assurance that the company's business objectives will be achieved.

The corporate Boards of the holding company and the companies in the group prepare annual activity reports as well as financial statements for every financial year that give an accurate and honest estimate of the financial standing of the company at the end of the year, its operational financial results, and the cash flows in compliance with the applicable accounting framework. In order to ensure an independent and objective assessment of the financial statements the annual audit of the holding company and the companies in the group is performed by an independent statutory auditor. All financial statements are prepared in accordance with the International Accounting Standards. The current financial and accounting activities of the companies is subject to periodic control and analysis by the management

body. There is an established practice for periodic discussion at meetings of the Board of Directors of the current financial results of the company's activities, including the implementation of the investment program.

5. Information Art. 10 of Directive 2004/25/EC

The companies in the group do not have significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholding) within the meaning of Art. 85 of Directive 2001/34/EC.

There are no holders of securities with special control rights.

There are no restrictions on the voting right.

The rules that regulate the appointment and replacement of members of the Board of Directors and the introduction of amendments to the memorandum of association are specified in the published Articles of Association of the company and are not regulated by the corporate Board. According to the Articles of Association of Stara Planina Hold Plc and the companies in the group, only the General Meeting of Shareholders has the right to elect and dismiss members of the Board of Directors of the company and decisions are taken by a majority of 2/3 of the shares represented. Only the General Meeting of Shareholders has the right to make amendments and supplements to the Articles of Association of the company. Decisions are taken by a majority of 2/3 of the shares represented.

Resolutions for buy-back procedures or issuance of shares are to be adopted by the shareholders in accordance with the legislation in force.

The powers of the Board of Directors are regulated in detail in the Articles of Association of the companies in the group. The Board of Directors of the public company, without being expressly authorized to do so by the General Meeting, may not carry out transactions specified under Art. 114 of the Public Offering of Securities Act. Transactions of the public companies with the participation of interested parties, other than those mentioned above, are subject to prior approval by the Board of Directors.

The Articles of Association of Stara Planina Hold Plc also provide for the powers of the Board of Directors to increase the capital of the company by issuing shares.

6. Diversity policy

The management structure of Stara Planina Hold Plc is defined in the company's Articles of Association. The Board of Directors consists of three individuals and one legal entity, which has respectively appointed a physical person as its representative. The members of the Board of Directors have the education, qualification, knowledge and professional experience necessary for the responsible and competent performance of their functions and responsibilities. The company does not apply a diversity policy regarding the management body in relation to aspects such as age and gender.

The election of the members of the board of directors is the right and prerogative of the shareholders in accordance with the requirements of the law and the Articles of Association.

7. Information on the Board of Directors

Stara Planina Hold Plc has a one-tier management system. The Board of Directors is the managing body, responsible for the planning and coordination of the company’s overall performance, as laid down in the scope of its business activity, by means of undertaking all actions for organization, management and control, provided by law and the Articles of Association. The organization of work, as well as all duties, responsibilities and competences are regulated and specified by the Rules of Regulation of the of the Board of Directors of Stara Planina Hold Plc. The Board of Directors takes its decisions at meetings, held at least once every three months, in accordance with the statutory requirements of the terma and procedures for their convocation and holding.

As of 31.12.2022 the Board of Directors of Stara Planina Hold Plc includes the following members:

Evgeniy Vasilev Uzunov – Chairman of the Board of Directors

Vasil Georgiev Velev – Member of the Board of Directors and Executive Director

Finance Invest LTD, Plovdiv, UIC 115016144; represented in the Board of Directors by Spas Borisov Videv

Stefan Atanasov Nikolov – Member of the Board of Directors

During the reporting year no changes in the members of the Board of Directors have been made.

The composition of the Board of Directors elected by the General Meeting guarantees the independence and objectiveness of the assessments and actions of its members in terms of the company's operation.

During the reporting year, members of the Board of Directors or parties related to them have not entered into transactions with the company which are beyond its usual business activity or significantly deviate from the market conditions.

The statutory requirement for at least one third of the members of the Board of Directors to be independent persons is observed. There are no changes in the special criteria for election of Board members. In its practice so far, the Board of Directors has not encountered a situation of direct or indirect conflict of interest between a member of the management body and a shareholder. There has not been found any instance of direct or indirect conflicts between the interest of a Board member and the company's interest.

Information about the companies in which the members of the Board of Directors own more than 25% of the capital and about their participation as procurators, managers or board members in other companies or cooperatives is presented in the annual individual activity report as of 31.12.2022 (https ://www.sphold.com/FILES/FO/8945006HQ7VN30FUR531-20221231-EN-SEP.xhtml).

IX. Additional information on Appendix 2 of Ordinance No 2 of the 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 sales revenues of the issuer as a whole and the changes that occurred during the reporting fiscal year

As a holding company, Stara Planina Hold Plc does not perform independent commercial operations and has only financial income.

2. Information about the revenues 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 revenues 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

As a holding company, Stara Planina Hold Plc does not perform independent commercial operations and has only financial income.The revenues of the companies in the group are formed mainly from sales of production as follows:

M+S hydraulic Plc – orbital and hydraulic motors, hydrostatic servo controls and accessories for them axial-piston motors and pumps;

HES Plc – piston, plunger, telescopic and rail hydraulic cylinders, hydraulic pumps, precision rotary parts, axial-piston motors and pumps;

Elhim Iskra Plc – starter accumulators, traction, semi-traction and stationary batteries and elements therefor;

Bulgarian Rose Plc – natural aromatic products, sauces and compositions, perfumery cosmetics, essences and aromas for the food industry;

Boryana Jsc – fashion ladies' and man's knitwear;

Fazan Jsc – socks and socks items;

Ustrem Jsc – spare parts for grain combines, agricultural machinery and non-standard equipment.

3. Information on concluded material transactions

In 2022, no transactions of significant importance for the activities of Stara Planina Hold Plc were concluded, with the exception of lending to companies in the Group. Information regarding loans granted to subsidiaries and associated enterprises is presented under item 9 of this section of the report.

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 issuer 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

Transactions concluded between Stara Planina Hold Plc and related parties during the reporting period are only the loans granted to subsidiaries and associates, specified under item 9 of this section of the Report.

There are no transactions beyond the scope of issuer's usual business activity or transactions which significantly deviate from the market conditions.

5. Information on events and indicators of unusual nature for the issuer which have significant influence on its activity, the realized incomes and accrued expenses; assessment of their impact on the results throughout the current year

As a holding company Stara Planina Hold Plc does not perform independent commercial operations and the company has focused its activities primarily on the management of the subsidiaries and associates in the Group. Therefore, a significant effect on the financial standing of Stara Planina Hold Plc has the direct dependence on the financial standing of the subsidiaries and associates whose operations are primarily export-oriented - mainly to the countries of the European Union.

In 2022 the activities of the companies in the Group were determined by new serious challenges caused both by the consequences of the covid-pandemic and the ongoing for more than ten months now military conflict in Ukraine. The increase in the prices of raw materials, fuels and energy carriers in general, the difficult logistics, strong inflationary pressure, as well as the continuous process of imposing mutual sanctions between the USA and the EU, on the one hand, and Russia, on the other, objectively affected the economy not only in Europe, but also on a global scale. On a national level, the industrial activities throughout the year were, and continues being, severely affected by the escalating political instability.

There are no events and indicators of an unusual nature that had a significant impact on the issuer's activity.

A statement on the influence of Covid-19 is given in a separate section of this Report.

6. Information on off-balance kept 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 issuer's financial status

There are no such transactions.

7. Information about holdings of the issuer, 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

The investments of Stara Planina Hold Plc are in securities and shareholdings in Bulgarian companies and were made with own funds.The company does not have any real estate property. Information on the shareholdings of Stara Planina Hold Plc is provided under Section I of this Report - Investment Portfolio.

8. Information about the concluded by the issuer, by its subsidiary, 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

This information is presented in the Annual activity report to the 2022 Separate Annual Financial Statements (https://www.sphold.com/FILES/FO/8945006HQ7VN30FUR531-20221231-EN-SEP.xhtml).

9. Information on the loans granted by the issuer or its subsidiaries, provision of guarantees or assuming of liabilities in total to one person or its subsidiary, including to related parties, indicating the name or title and UIC of the person, the nature of relationship between the issuer or their subsidiaries and the borrower, the amount of outstanding principal, interest rate, date of conclusion of the contract, repayment period, amount of commitment, specific conditions other than those specified in this provision, and the purpose for which they were granted, in case they are concluded as targets

This information is presented in the Annual activity report to the 2022 Separate Annual Financial Statements (https://www.sphold.com/FILES/FO/8945006HQ7VN30FUR531-20221231-EN-SEP.xhtml).

10. Information on the use of the funds from a new issue of securities during the reporting period

During the reporting period has not been issued a new issue of securities.

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

Stara Planina Hold Plc publishes monthly forecasts for the sales of the companies in the Group, the gross profit and accordingly reports the real results compared to the forecasts. Forecasts are being updated on a quarterly basis based on the reported results. The achieved financial results in the financial statements for the financial year do not differ from the published forecast results.

The public companies in the group of Stara Planina Hold Plc also publish monthly forecasts for their sales and gross profit and accordingly report the real results compared to the forecasts made. The achieved financial results reflected in the financial statements for 2022 do not differ from the published forecast results.

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their elimination

The policy of Stara Planina Hold is focused mainly on the management of the companies in its portfolio. Free funds are used for financing the companies. Indicative of this policy are the loans granted to companies from the holding's portfolio. The loans are specified under item 9 of this section of the Report. An expression of this policy is also the deferre dividend payment to Stara Planina Hold Plc in its capacity of a majority or major shareholder on the part of the respective companies.

Stara Planina Hold Plc services all of its liabilities in a timely manner hence there are no possible threats necessitating measures for their elimination.

13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity

The activity of Stara Planina Hold is focused mainly on the management of its current investments. There are no close plans for new investments to be made by the company. The holding gives priority to the development of the companies in the portfolio.

Information on the planned investments of the companies in the group for 2023 is presented under section IV Planned development of the group of this Report.

The management of Stara Planina Hold Plc finds the possibilities for realization of these investment intentions as realistic.

14. Information on changes in the major principles for management of the issuer and its economic group occurred during the reporting period

Stara Planina Hold manages its investments by setting high but achievable goals in the terms of quality, output and profitability. Particular attention is being paid to the aspect of environmental protection, human resources development and corporate and social responsibility. During the reporting period there are no changes in the basic principles of management of Stara Planina Hold Plc and the companies of the economic group.

15. Information on the main characteristics of the internal control and risk management system applied by issuer in the process of preparation of the financial statements

In order to ensure an independent and objective assessment of the financial statements the annual audit of the holding is performed by an independent statutory auditor. All financial statements are prepared in accordance with the International Accounting Standards. The current financial and accounting activity of the company is subject to periodic control and analysis on the part of the management body. The holding has an established practice to periodically discuss the current financial results of the companies included in its strategic investment portfolio in order to ensure implementation of their business programs and accurate analysis of the opportunities for future investment projects.

Detailed information on the internal control and risk management systems is presented under Section VIII, item 4 of this Report.

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

Stara Planina Hold Plc has a one-tier management system. The Board of Directors includes 4 persons. During the reporting financial year were not made changes in the members of the Board of Directors and the representation of the holding company.

Detailed information on the Board of Directors is specified under Section VIII, item 6 of the Report.

17. Information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the 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 issuer 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

This information is presented in the Annual activity report to the 2021 Separate Annual Financial Statements https://www.sphold.com/FILES/FO/8945006HQ7VN30FUR531-20221231-EN-SEP.xhtml).

18. Information on the arrangements known to the company (including also after the closure of the fiscal year), as a result of which in future periods may occur changes in the relative portion of shares or debentures owned by shareholders or debenture holders

The company is not aware of such arrangements.

19. Information on pending court, administrative or arbitrary proceedings related to obligations or receivables of the issuer amounting to at least 10 percent of its own capital

Stara Planina Hold Plc is not involved in any pending court, administrative or arbitrary proceedings as well as in any judgments or requests for dissolution or declaration of liquidation.

20. Information on the Investor Relations Director, including telephone and mailing address

Investor Relations Director is Sofia Kirilova Argirova-Atanasova, tel. 02/9634161, 0879899469, address for correspondence: 20, Frederic Joliot Curie Str. 9th floor, 1113 Sofia, Bulgaria, investor@sphold.com.

Other information at the discretion of the company

The company considers that there is no other information that has not been publicly disclosed by the company and which would be important for shareholders and investors in making an informed investment decision.

Media

Stara Planina Hold Plc discloses statutory information to the public through information media X3 News.

The inside information for Stara Planina Hold Plc under Art. 7 of Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 concerning the circumstances occurred in 2022 is published on the company's website in the News section - https://www.sphold.com/novini, as well as in the X3News media - http://www.x3news.com/?page=Company&target=InsiderInformation&BULSTAT=121227995&MESSAGE_TYPE=2 through which the company publicly discloses inside information.

Vasil Georgiev Velev

Digitally signed by Vasil Georgiev Velev
Date: 2023.04.26 12:40:25 +03'00'

Executive Director: Vasil Velev

DECLARATION
under Art. 100n, para. 4, item 4 of the POSA

The undersigned Vasil Georgiev Velev - Executive Director of Stara Planina Hold Plc certify that:

a) the annual consolidated financial statements of Stara Planina Hold Plc as of 31.12.2022, prepared in accordance with the applicable accounting standards, accurately and fairly reflect the information on assets and liabilities, financial standing and profit or loss of the issuer and the companies included in the consolidation as a whole;

(b) the annual consolidated activity report provides a reliable overview of the development and results of the activities and condition of the companies included in the consolidation as a whole, together with a description of the main risks and uncertainties they face.

Declarer: Vasil Georgiev Velev

Digitally signed by Vasil Georgiev Velev
Date: 2023.04.26 12:39:57 +03'00'

Vasil Velev

DECLARATION
under Art. 100n, para. 4, item 4 of the POSA

The undersigned Kremena Gancheva Dulgerova - Chief Accountant of Stara Planina Hold Plc certify that:

a) the annual consolidated financial statements of Stara Planina Hold Plc as of 31.12.2022, prepared in accordance with the applicable accounting standards, accurately and fairly reflect the information on assets and liabilities, financial standing and profit or loss of the issuer and the companies included in the consolidation as a whole;

b) the annual consolidated activity report provides a reliable overview of the development and results of the activities and condition of the companies included in the consolidation as a whole, together with a description of the main risks and uncertainties they face.

Declarer: Kremena Gancheva Dulgerova

Digitally signed by Kremena Gancheva Dulgerova
Date: 2023.04.26 12:35:34 +03'00'

Kremena Dulgerova

Attn.
The shareholders
of STARA PLANINA HOLD PLC

INDEPENDENT AUDITOR REPORT

REPORT ON THE CONSOLIDATED AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Stara Planina Hold PLC (the Company), including the statement of financial position as of 31.12.2022 and the profit and loss, and other comprehensive income statements, the statements on changes in equity and the cash flows statements for the year then ended and the explanatory notes to the financial statements including summary of the significant accounting policies.

In our opinion, the enclosed consolidated financial statements present fairly, in all material aspects, the financial position of the Company as of 31.12.2022 and its financial results from business operations and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU).

Basis for the opinion

We conducted our audit in accordance with the International Audit Standards (IAS). Our responsibilities under these standards are further described in the section of our report "Responsibilities of the auditor for the audit of the financial statements". We are independent from the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethic Standards for Accountants Council (the Code of IESAC), together with the ethical requirements of the Independent Financial Audit Act (IFAA), applicable to our audit of the financial statements in Bulgaria, while we have also fulfilled our other ethical responsibilities in accordance with the IFAA and the Code of IESAC. We consider that the audit evidence we obtained as sufficient and appropriate to provide a basis for our opinion.

Key audit issues

The key audit issues are those which as per our professional judgment were of the greatest significance in the audit of the financial statements for the current period. These issues are reviewed as part of our audit of the financial statements as a whole and the formation of our opinion thereof, as we do not provide a separate opinion on these issues. Key issues are indicated in the "Responsibilities of the auditor for the audit of the financial statements" section of this report.

Other information different from the financial statements and the auditor report thereon

The management is responsible for this other information. The other information includes an activity report (incl.) and a corporate governance declaration and a Report on the implementation of the Remuneration Policy, prepared by the management in accordance with Chapter seven of the Accountancy Act but does not include the financial statements and our auditor report thereon which we received prior to the date of our auditor report.

Our opinion on the financial statements does not include the other information and we do not express any conclusion of certainty related thereto, unless explicitly specified in our report and to the extent stated.

With regard to our audit of the financial statements, our responsibility is to read this other information and thus to consider whether this other information is materially inconsistent with the financial statements or

with our knowledge, gained during the audit, or otherwise it seems to contain substantially incorrect reporting. If based on the work we have performed, we conclude that there is materially incorrect reporting in this other information, we are required to report on this fact.

We have nothing to report with this regard.

Responsibility of the management and the persons engaged with general management in terms of the consolidated financial statements

The management is responsible for the preparation and the fair presentation of these financial statements in accordance with the IFRS applicable in the EU and for such an internal control system as the management has considered being necessary to ensure the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, the management is responsible for the assessment of the group ability to continue operating as a going concern, disclosing, when applicable, any issues related to the going concern assumption and using the accounting basis on the grounds of the going concern assumption unless the management intends to liquidate the Company or to cease its operations, or if the management does not actually have any alternative but to do so.

The persons engaged with general management are responsible for supervising the financial reporting processes of the Companies in the Group.

The management is responsible for the fact that the electronic format of the separate financial statements of the Company for the year ending on December 31, 2022, comprised in the attached electronic file „8945006HQ7VN30FUR531-20221231-EN-CON.zip“ has been prepared in all material aspects in accordance with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council ("EEEF Regulation").

Responsibilities of the auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor report that includes our audit opinion. Reasonable assurance is a high level of assurance but it does not guarantee that an audit conducted in accordance with the IAS will always reveal materially incorrect reporting whenever such reporting exists. Incorrect reporting may occur as a result of fraud or error and are considered to be material if it could reasonably be expected that they, individually or in the aggregate, could influence the economic decisions of users based on these financial statements.

As part of the audit in accordance with the IAS, we apply professional judgment and maintain professional skepticism during the entire audit. We also:

- identify and assess risks from material misstatements in the consolidated financial statements, whether due to fraud or error, develop and implement audit procedures in response to these risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk for a given significant misstatement, resulting from fraud, not to be revealed is higher than the risk of material misstatements resulting from error due to the fact that fraud may involve secret collusions, falsification, deliberate omissions, statements intended to mislead the auditor as well as disregard or circumvention of the internal control.

- obtain understanding of the internal control related to the audit in order to develop audit procedures that are appropriate under the particular circumstances but not for the purpose of expressing an opinion on the effectiveness internal control of the Companies in the Group.

- evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management.

- reach a conclusion on the appropriateness of the accounting basis, used by the management, based on the going concern assumption, and, based on the audit evidence obtained as to whether there is a material uncertainty related to events or conditions that might provoke significant doubts on the Companies in the Group ability to continue functioning as a going concern. If we reach the conclusion that there is a significant uncertainty, we are required to draw attention in our audit report to the disclosures related to this uncertainty in the financial statements or in the event that these disclosures are inadequate to modify our opinion. Our conclusions are based on audit evidence obtained before the date of our auditor report. Future events or conditions may, however, cause the Company to suspend its operations as a going concern.

- evaluate the overall performance, structure and contents of the financial statements, including the disclosures and whether the financial statements present material transactions and events in a manner that achieves fair presentation.

REPORT RELATED TO OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional issues subject to reporting pursuant to the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting under the International Audit Standards described above under the section "Information other than the financial statements and the auditor report thereon" in terms of the activity report and the corporate governance declaration, we have also implemented procedures, added to those required under the International Audit Standards as per the Guidelines of the professional organization for all Certified Public Accountants and Registered Auditors in Bulgaria – Institute of Certified Public Accountants (ICPA), issued on 29.11.2016 (approved by its Managing Board on 29.11.2016). These procedures concern verifications on the availability as well as verifications on the form and contents of such other information with the objective to assist us in forming our opinion on whether the other information includes disclosures and reports provided for under Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100n, para. 10 of the Public Offering of Securities Act in relation to Art. 100n, para. 8, item. 3 and 4 of the Public Offering of Securities Act) as well as art. 100n, para 13 in relation to Art.116c, para.1 of the Public Offering of Securities Act, applicable in Bulgaria.

Opinion with regard to Art. 37, Para. 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the activity report for the financial year for which the financial statements are prepared is consistent with the financial statements.

b) The activity report is prepared in accordance with the requirements of Chapter seven of the Accountancy Act and Art. 100n, Para. 7 of the Public Offering of Securities Act.

c) The corporate governance declaration for the financial year for which the financial statements are prepared presents the information as required by Chapter seven of the Accountancy Act and Art. 100n, Para. 8 of the Public Offering of Securities Act.

d) The non-financial declaration for the financial year for which the consolidated financial statements have been prepared is presented and prepared in accordance with the requirements of Chapter seven of the Accountancy Act.

Opinion with regard to Art. 100n, Para. 10 and in relation to Art. 100n, Para 8, Items 3 and 4 of the Public Offering of Securities Act

Based on the audit procedures performed and the acquired knowledge and understanding of the company's activities and the environment it operates in, our opinion is that the description of the main

characteristics of the internal control and risk management systems of the company in relation to the financial reporting process, which is part of the activity report (as part of the contents of the corporate governance declaration) and the 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, does not contain materially incorrect reporting.

Additional reporting on the financial statements audit in connection with Art. 100n, Para. 4, Item 3 of the Public Offering of Securities Act

Statement with regard to Art. 100n, Para. 4, Item 3, letter "b" of the Public Offering of Securities Act

Information on related parties' transactions is disclosed under Enclosure to the financial statements. Based on the audit procedures that we conducted in terms of the related parties' transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information has become known to us, based on which to conclude that the related parties' transactions are not disclosed in the accompanying financial statements for the year ended on 31.12.2022 in all material aspects, in accordance with IAS 24 "Related Party Disclosures". The results from our audit procedures on related parties' transactions have been reviewed in the context of forming our opinion on the financial statements as a whole, but not to express a separate opinion on related parties' transactions.

Statement with regard to Art. 100n, Para. 4, Item 3, letter "c" of the Public Offering of Securities Act

Our responsibilities for the audit of the consolidated financial statements as a whole, described in the section of our report "Responsibilities of the auditor for the audit of the consolited financial statements" include an assessment on whether the financial statements present material transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed on essential transactions underlying the financial statements for the year ended on 31.12.2022, no facts, circumstances or other information has become known to us, based on which to conclude that there are cases of materially incorrect reporting and disclosure in accordance with the requirements of IFRS adopted by the European Union. The results from our audit procedures on the material to the financial statements transactions and events of the Company are reviewed by us in the context of forming our opinion on the financial statements as a whole, but not to express a separate opinion on these material transactions.

Statement with regard to Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council ("EEEF Regulation")

In addition to our responsibilities and our reporting under IAS, described above in the section "Responsibilities of the auditor for the audit of the financial statements", we have followed the procedures in accordance with the "Guidelines on the expression of the Audit Opinion with regard to the implementation of the Single European Electronic Format (EEEF) for the financial statements of companies whose securities are admitted to trading on a regulated market in the European Union (EU)" of the professional organization of registered auditors in Bulgaria, the Institute of the Certified Public Accountants (ICPA)". These procedures concern verification of the format and whether the readable part of this electronic format corresponds to the audited separate financial statements and expressing an opinion regarding the compliance of the electronic format of the separate financial statements of Stara Planina Hold Plc for the year ended on 31 December 2022 attached in the electronic file „8945006HQ7VN30FUR531-20221231-EN-CON.zip" with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council by means of regulatory technical standards to define the uniform electronic format for reporting ("EEEF Regulation"). Based on these requirements, the electronic format of the separate financial statements included in the annual separate report on the activities under Art. 100n, para. 4 of the Public Offering of Securities Act must be provided in XHTML format.

Based on the performed procedures, our opinion is that the electronic format of the individual financial statements of Stara Planina Hold AD for the year ending December 31, 2022, contained in the attached electronic file „8945006HQ7VN30FUR531-20221231-EN-CON.zip“, has been prepared in all material aspects in accordance with the requirements of the EEEF Regulation.

Reporting under Art. 10 of Regulation (EC) No 537/2014 in relation to the requirements of Art. 59 of the Independent Financial Audit Act

Pursuant to the requirements of the Independent Financial Audit Act in relation to Art. 10 of Regulation (EC) No 537/2014, we further report the following information.

- Katya Zlatareva as a key auditor was appointed as a statutory auditor of the consolidated financial statement for the year ended on 31.12.2022 of Stara Planina Hold Plc ("the Company") at the General Meeting of Shareholders held on 23.05.2022 for a period of one year.

- The audit of the consolidated financial statements for the year ended on 31.12.2022 of the Company represents a second full continuous commitment to a statutory audit of this enterprise, performed by us.

- We confirm that our audit opinion is consistent with the additional report provided to the Audit Committee of the Company in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.

- We confirm that we have not provided the banned services except for the audit as specified under Art. 64 of the Independent Financial Audit Act.

- We confirm that we have preserved our independence in relation to the Company when conducting the audit.

Responsible auditor: KATYA RAYKOVA ZLATAREVA Digitally signed by KATYA RAYKOVA ZLATAREVA Date: 2023.04.27 11:26:30 +03'00'

/Katya Zlatareva, registered auditor, diploma No. 0610/

Sofia, 52, Simeon Radev Str.
Date: 27.04.2023