



STARA PLANINA HOLD PLC

**CONSOLIDATED
ACTIVITY REPORT**

For 2015

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Introduction

The annual activity report provides commentary and analysis of financial statements and other important information regarding the financial condition and results from the activity of the company. It includes information pursuant to the Accountancy Act and Public Offering of Securities Act as well as pursuant to Ordinance No 2 of the Financial Supervision Commission.

STARA PLANINA HOLD PLC is a public limited company. The company is successor of Central Privatization Fund AD promoted on 27 September 1996. The company has been bearing its present name since 30 April 1999.

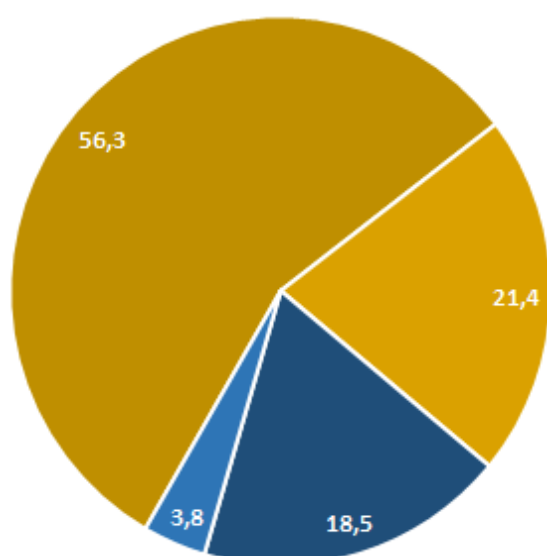
Stara Planina Hold PLC is a parent company. The holding owns shares in industrial enterprises working in various fields of production. It actively participates in the development of the Bulgarian industry by achieving European and world quality level and profitability.

I. Activity overview

Main indicators characterizing activity results

Indicator	(BGN'000s)
Income from main business activity	
Net profit from business activity	
Amount of assets	
Own capital	

	Y2013	Y2014	Y2015
Income from main business activity	178,999	181,504	176,006
Net profit from business activity	6,237	6,837	5,968
Amount of assets	177,676	178,401	181,155
Own capital	74,360	78,624	82,206



Structure of Investment Portfolio

■ Hydraulic Systems	56.3%
■ Accumulators	21.4%
■ Light Industry	18.5%
■ Financial	3.8%

Investment portfolio

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

The company recognizes subsidiary dividends in the profit or loss account of its separate financial statements when entitlement to dividends is established.

Subsidiaries are those enterprises which are controlled by the company. Control over the subsidiaries is expressed by the company's ability 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.

Associates are those enterprises over which the company is capable of exerting significant influence but are not subsidiaries, nor jointly controlled entities. Investments in associates are accounted for at their cost. The company recognizes dividends from associates in the profit or loss account of its separate financial statements when entitlement to dividends is established.

Major investments in the portfolio of Stara Planina Hold on 31.12.2015:

Investments in subsidiaries

Hydraulic Elements and Systems Plc	64.53 %
Elhim Iskra Plc	51.40 %
Fazan Plc	88.07 %
Slavyana Jsc	98.74 %

Investments in associates

M+C Hydraulic Plc	30.91 %
Bulgarian Rose Plc	49.99 %
Boryana Jsc	50.00 %

Investments in other companies

Asset Insurance AD	20.00 %
Leasing Company Jsc	5.00 %

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 accounting policy aimed to further assist investors in making a well-founded investment decision

The related company Slavyana Jsc owns 8.28% of the Hydraulic elements and systems Plc capital and 0.8% of the Elchim-Iskra capital.

Liquidity

Considering the specifics of the activity, the major portion of the cash inflows is generally formed by the received dividends, and the cash outflows are used to payout dividends to the shareholders, purchase shares and cover administrative overheads related to its maintenance.

Considering the specifics of the activity, the major portion of the cash inflows in the parent company only is formed from the received dividends, and the cash outflows are used to payout dividends to the shareholders, purchase shares and cover administrative overheads related to its maintenance.

The major portion of the cash inflows in the group is formed from income from sales of products of the subsidiaries and bank loans.

Cash outflows are predominantly connected with payments to suppliers, purchase of fixed assets, payments to the personnel, payments on loans and dividend payments.

Net Cash Flows (BGN'000s)

From operation activity
From investment activity
From financial activity

Y2013	Y2014	Y2015
22,117	26,829	28,464
-15,304	-9,893	-17,097
-5,665	-5,960	-9,037

Activity results

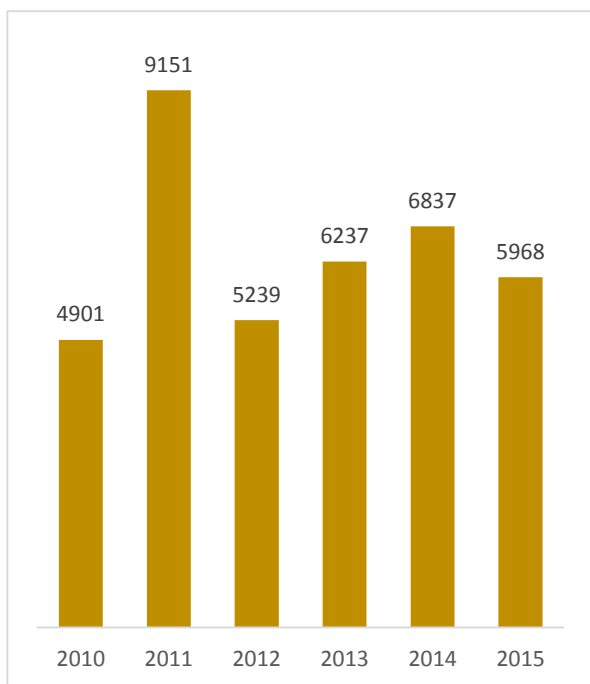
As a holding type company, Stara Planina Hold Plc does not carry out autonomous commercial activity and has only financial income. The consolidated activity results are formed mainly from the results of the entities within the group which participate in the consolidated statement as well as from the income and expenses accrued from the participation of Stara Planina Hold Plc in the equity of the associated companies.

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

INCOME (BGN'000s)

Sales of finished goods
Sales of trading goods and services
Other incomes
Grants
Financial income
Total Income

Y2013	Y2014	Y2015
168,746	171,850	167,491
5,413	5,798	4,898
4,840	3,856	3,826
519	989	638
1,539	1,752	1,894
181,057	184,245	178,747



Consolidated Net Profit

(BGN'000s)

The formed net profit for 2015 amounts to BGN 5,968 thousand, a drop of 12.7%, but comparable with results of previous years.



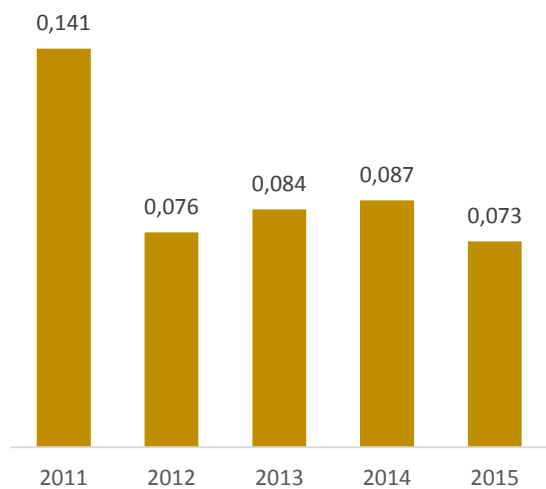
Annual sales of all enterprises of Stara Planina Hold group

(million BGN)

The annual sales of the enterprises within the group reached BGN 176.0 million. This would result in a 3% decrease compared to the 2014 sales. The forecasts for 2016 suggest sales growth of about 1.7%, but still the first quarter showed growth of 2% compared to the same period of 2015 and 4.2% above the business plan. We expect the first half of 2016 to be in peak sales will reach BGN 96.9 million.

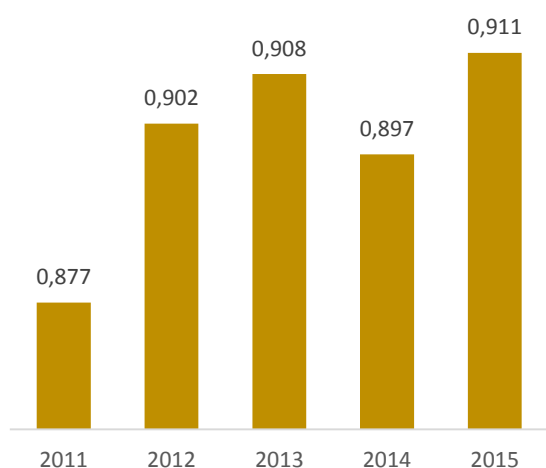
* forecast

Financial Ratios



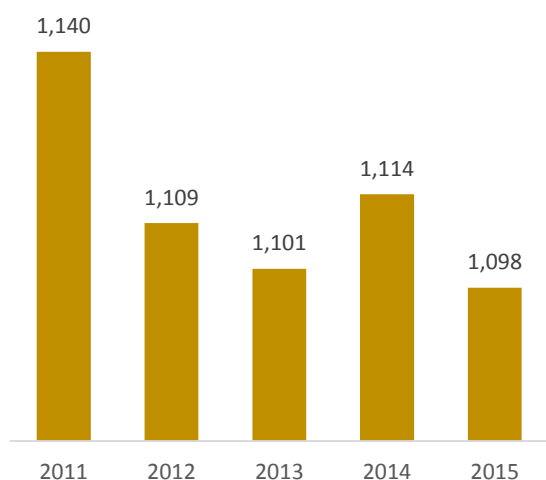
Owner's equity profitability

Diagram data indicates a trend of steady return on equity.



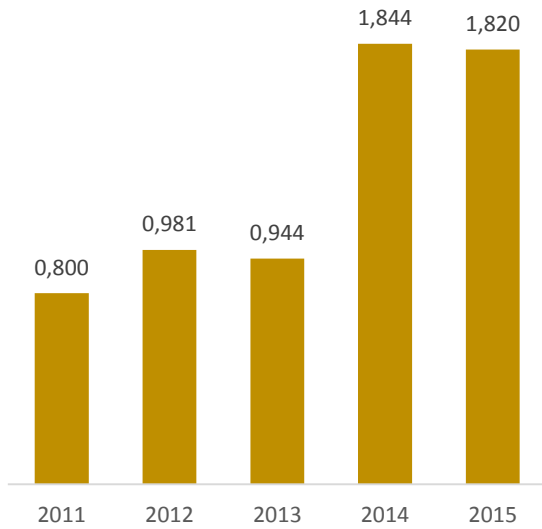
Income efficiency

The diagram shows a steady trend to lower expenses than revenue.



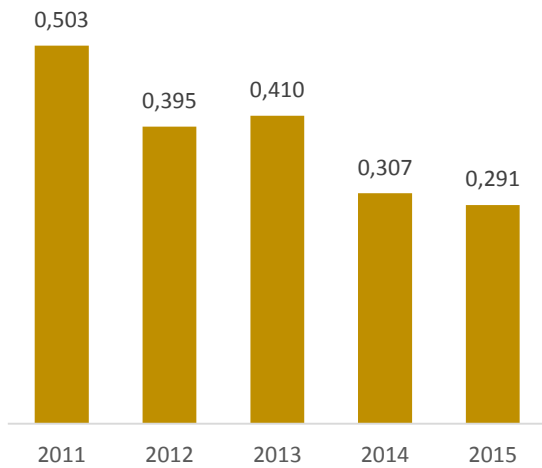
Expenses efficiency

The diagram shows that income from operations covers completely the expenses of the companies, which is a pre-requisite for a routine dividend distribution.



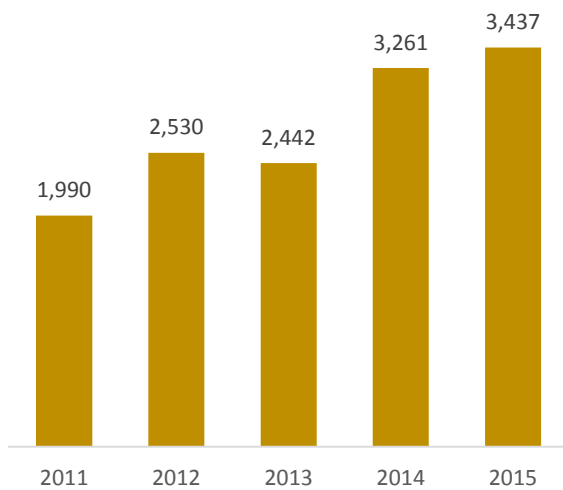
Absolute liquidity

The liquidity structure of current assets and liabilities allows for long-term financing of the companies of Stara Planina Hold group.



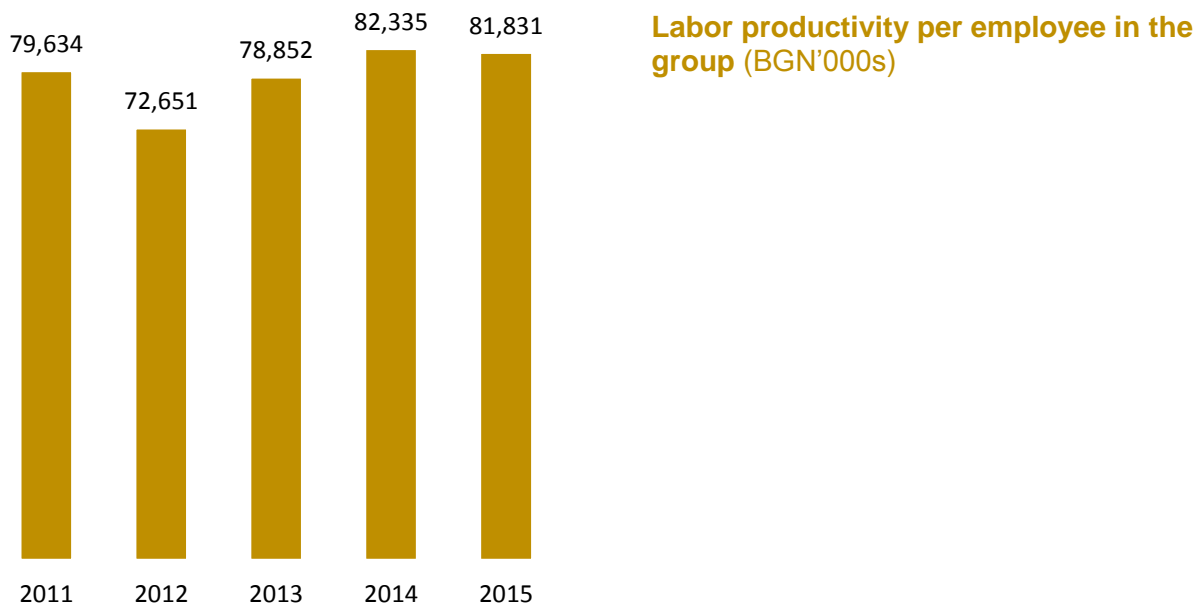
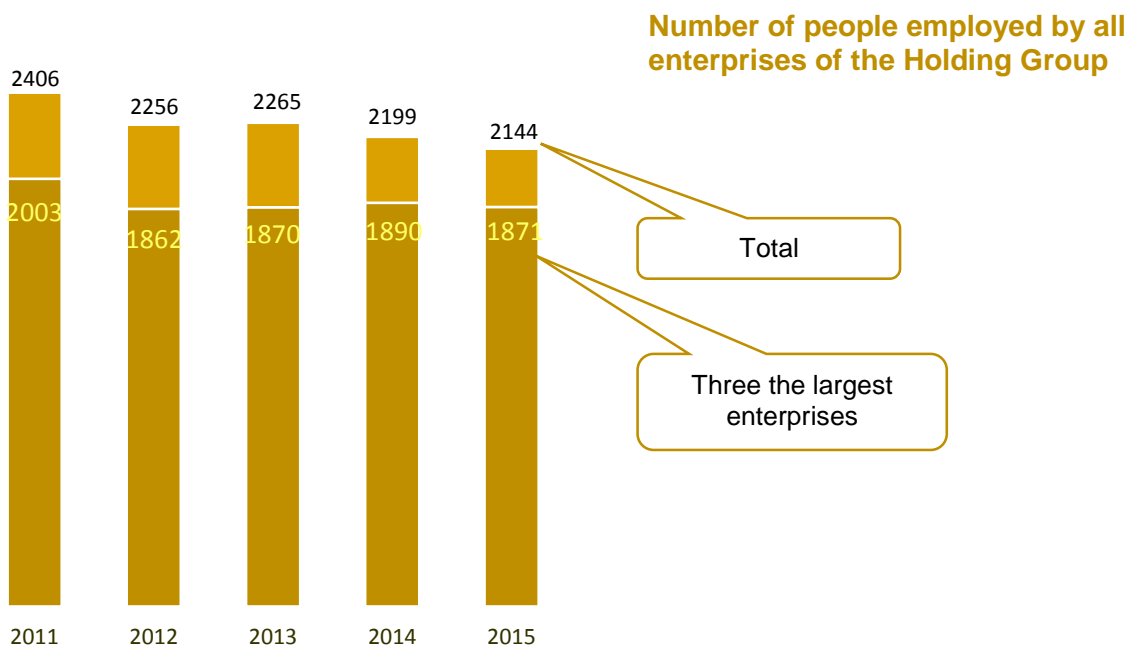
Debt

Debt ratios characterize the financial autonomy of the subsidiaries from creditors and its ability to meet the obligations.



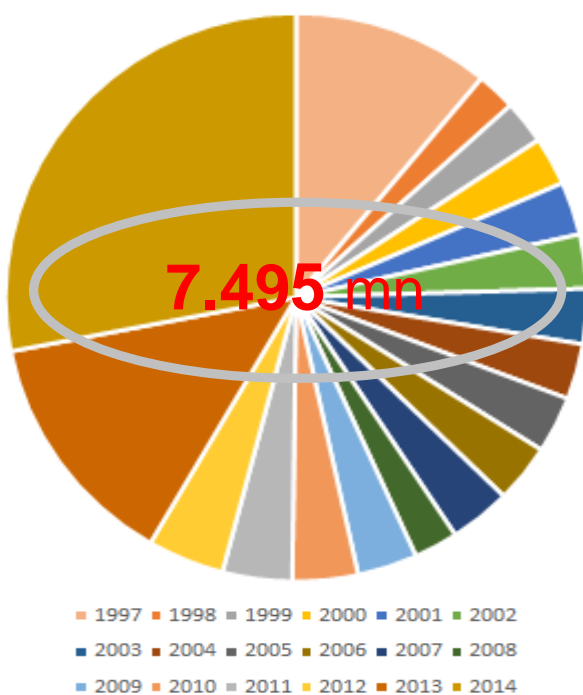
Financial autonomy

Good financial autonomy indicators suggest financial autonomy which guarantees owners' interests.



The above diagrams show the appropriateness of the restructuring measures undertaken in the previous years aimed at overcoming the negative effects of the economic crisis. Most importantly, we managed to retain the highly qualified workforce. In 2015 the number of the employees decreased by 2.5% and labor productivity lowered by 0.6%.

Dividend policy

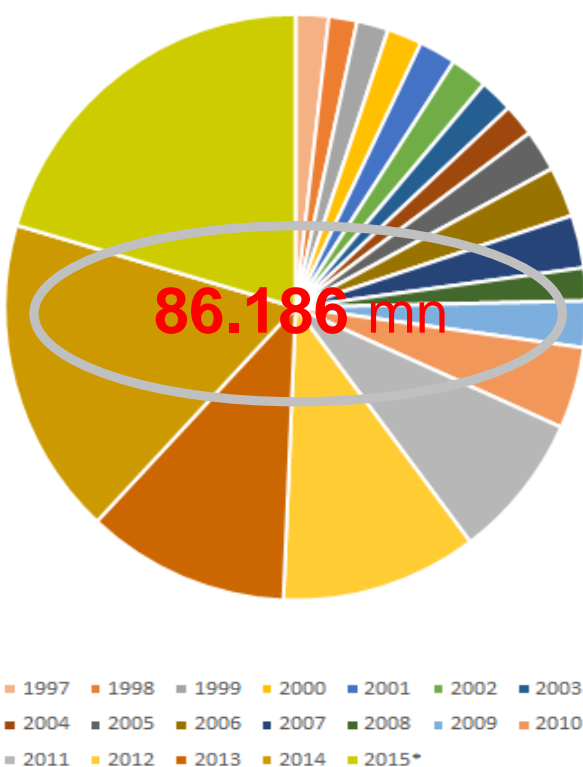


Stara Planina Hold Plc

Every year since its establishment, Stara Planina Hold Plc has paid out dividends. The total amount of the distributed dividend up to and including 2015 is BGN 7.5 million.

The initial investment in the holding company has dividend coverage of 4.28 times.

For the 18 fiscal years since it was established, the group of Stara Planina Hold Plc has distributed dividends in total of BGN 68.5 million.



Total for the Whole Group

Over the last several years the management of Stara Planina Hold Plc has been applying a new element in its comprehensive transparency policy and has been announcing its proposals for dividend from the enterprises from the holding's group as early as March.

If the proposals would be adopted by the shareholders, the total amount of distributed dividend of Stara Planina Hold AD will reach 11.764 million lev and the total dividend for the whole group will surpass BGN 86 million.

*2015 - proposal

Risk factors for the activity

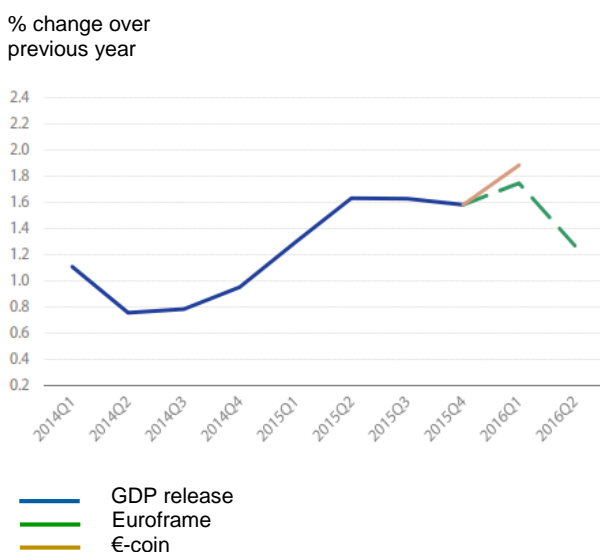
A significant impact on the financial status of Stara Planina Hold Plc results from the direct dependence on the financial results of its subsidiaries and associated companies, the main business of which is export oriented - mainly to EU countries.

Our analysts monitor closely the development of the European economy and the influence the global processes have on it. Europe continues to be a secure and predictable market for us.

The processes in the European economy and especially in the Eurozone are sluggish and the weak growths are not particularly favorable trend despite Eurostat calling them "stable".

The short-term orders by our traditional customers from Western Europe have now become an established practice. In the beginning of 2015 we also registered unforeseen fluctuations in the consumption of machinery building production which ultimately had a positive effect on our results.

Year-over-year GDP growth indicators (Euro Area, q/q-4)



EUROSTAT expects the recovery of the Eurozone economy to continue at a slow rate. The GDP growth in the last quarter of 2015 is 0.3% with earlier forecasts suggesting 0.6% and the annual growth rate is 1.6%. The reason is the slowed growth in the last quarter and especially the 1.0% drop in the Eurozone's industrial manufacturing which has also affected our sales.

Inflation processes are indicative of the business environment. The annual inflation in the Eurozone continues to be negative and in February of 2016 it is -0.2% on a 12-month basis. However, the European Central Bank admits that the inflation level in the Eurozone is likely to remain very low over the next months mainly due to the current low oil price.

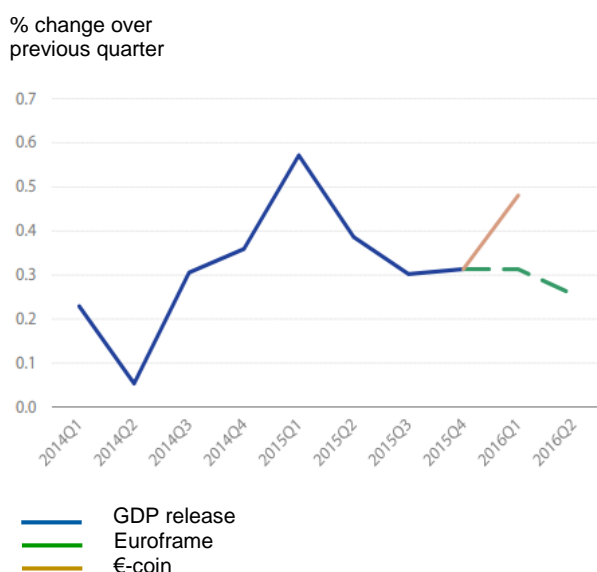
The expectations of moderate GDP growth in the first half of 2016 suggest 0.3% and the forecast for the first quarter has been revised downward by 0.2 points. The growth rate is expected to slow to 1.1% in 2Q 2016. The main factors for the weak momentum are the pessimistic sentiment in the industrial sectors as well as the fact that the positive effect of the cheaper Euro against the dollar is about to wind down.

Changes in the currency values also have a certain effect and constitute a risk factor for the business. Exchange rates affect the export sales revenue and the shipping costs for the delivery of raw materials from abroad. In December 2015 the average monthly exchange rate of the Euro to the dollar reached 1.0877 but in February 2016 it was 1.1093.

The change in the interest rates also has an effect depending on the share of bank and commercial loans taken. Global short-term interest rates remain very low. Despite the efforts of the European Central Bank to keep the interest rate on the main refinancing operations at 0.05% and the asset purchase program, Euribor fell to -0.18% in February 2016. Stara Planina Hold Plc uses optimally the available resource in order to reduce the impact of the interest rate levels.

Factors which are expected to have an impact on the costs in 2016 are the market prices of raw materials and production inputs, regional market price of labor force and the prices of energy resources. The non-market determination of a significant portion of the electricity price components in Bulgaria may have a negative effect on our manufacturing costs.

Quarter-over-quarter GDP growth indicators (Euro Area, q/q-1)

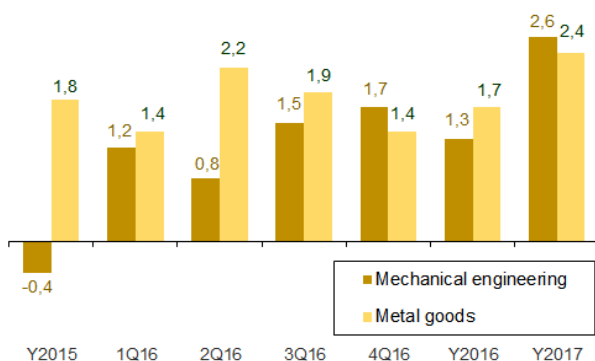


The optimistic forecasts of [EUROFER](#), published each quarter in 2015 have also been subjected to a series of adjustments over the subsequent periods. Initially, the European Steel Association issued a 2016 forecast of 3.2% growth in machine building and 2.8% growth in the production of machinery components. In October of the last year these forecasts were revised downward to 2.2% and 2.0%, respectively, and in January 2016 the forecast for growth in manufacturing by the end of the year saw a reduction to 1.3% for machine building and 1.7% for machine components.

The escalation of the mutual sanctions between the EU and Russia poses a major risk for our business. Our entities have already factored in the negative impact of the EU - Russia relations and our trade relations are now more predictable.

Development of the steel using sectors

(E-28, % change YoY)



Changes in the company share prices

There are risks associated with the potential changes in the demand for the manufactured products also due to changes in the price levels, quality, reliability and the paying capacity of consumers, the technologies used and the organization of the manufacturing process.

The main task faced by the management of the companies from Stara Planina Hold Plc group is to improve cost-effectiveness, retain the existing and attract new clients with quality and promptly delivered goods.

The average stock exchange price of one share on the last business day of 2014 was BGN 4.30 and on the last business day of 2015 – BGN 3.95. The annual drop in the share price is comparable with the general pessimism at the Bulgarian Stock Exchange. While the holding's share dropped by 8%, the drop in the comparable SOFIX index is 11.89%.

The shares of Stara Planina Hold Plc occupy segment “Standard” of the Bulgarian Stock Exchange. BSE code: **5SR**.

Stara Planina Hold Plc has a free float of 64.4% and its shares are among the most actively traded on the BSE-Sofia where the liquidity continues to pose a major concern. Holding's shares are a part of the SOFIX blue chip index. Stara Planina Hold Plc is also included in the BGTR30, BGBX40 and CGIX stock exchange indices. The CGIX index includes the issuances of shares of seven companies with the best corporate governance on the Bulgarian Stock Exchange.

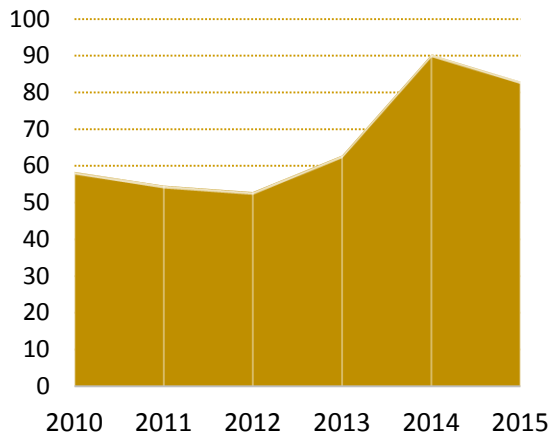
The stock is also a part of a number of [STOXX® indices](#), including: STOXX All Europe Total Market, STOXX Balkan TMI, STOXX Balkan TMI ex Greece & Turkey, STOXX Bulgaria Total Market, STOXX Eastern Europe TMI, STOXX Eastern Europe TMI Small, STOXX EU Enlarged TMI, STOXX Global Total Market. Stara Planina Hold has traditionally been part of the portfolios of local institutional investors, which support the share price.

Closing price per share (in BGN) at year-end

2010	2011	2012	2013	2014	2015
2,78	2,60	2,52	2,99	4,30	3,95

Market capitalization

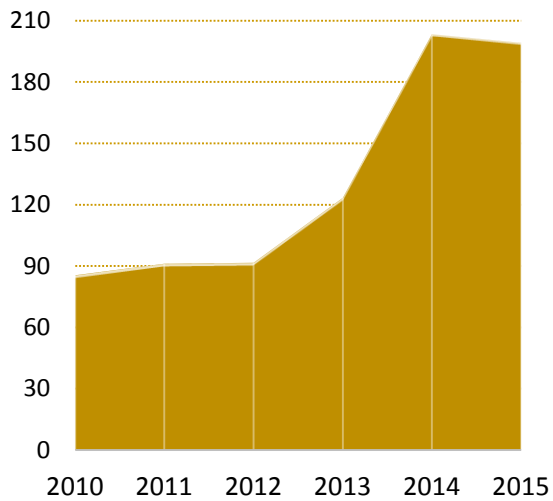
(million BGN)



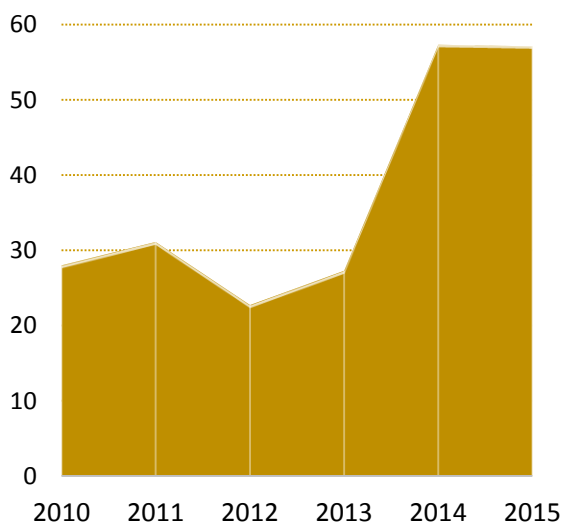
Stara Planina Hold AD

Five of the holding's entities are public companies and their market capitalization is determined by the stock exchange. This allows for calculating the ratio between the market capitalization of the holding and the market capitalization of its interests.

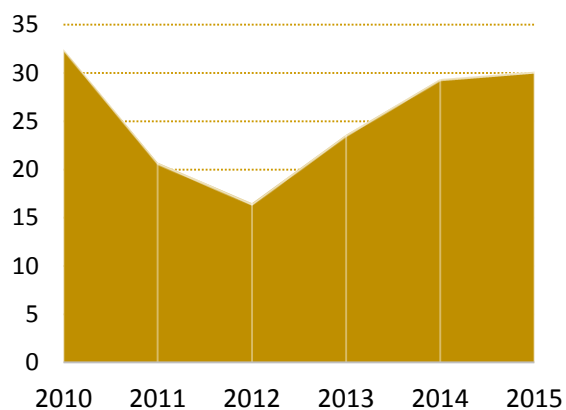
Traditionally, the price of the holding is lower than the price of its shares.



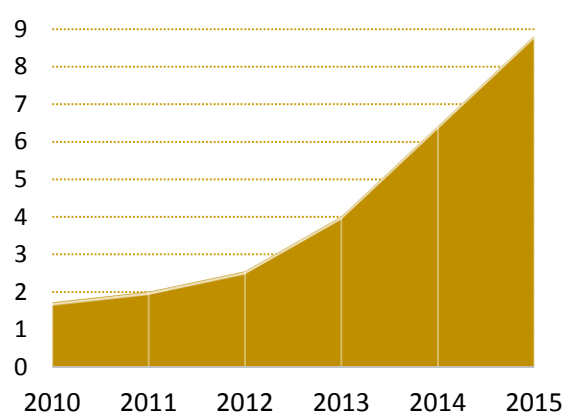
M+C Hydraulic Plc



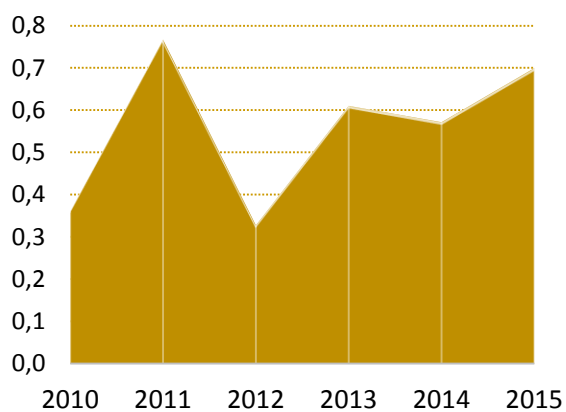
Hydraulic Elements and Systems Plc



Elhim Iskra Plc



Bulgarian Rose Plc



Fazan Plc

II. Important events 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.

III. Projected development of the company and planned business policy

Stara Planina Hold Plc and the enterprises from our group bid good bye to a tough, yet relatively successful year. Preliminary data show that the annual sales of the group enterprises have reached BGN 176 million. This led to a 1.95% growth above the business plan, yet it is 3% lower compared to 2014. At the same time the net profit of Stara Planina Plc reached BGN 4,734 thousand which will give us assurance that a part of it will be distributed as a dividend to the holding's shareholders for another consecutive year. Traditionally, dividends will also be distributed by the largest enterprises of the group.

Group's results are directly dependent on the processes taking place in the Eurozone economy which exhibits decreased confidence in the industrial manufacturing against the background of an increasing global insecurity and cautious investors.

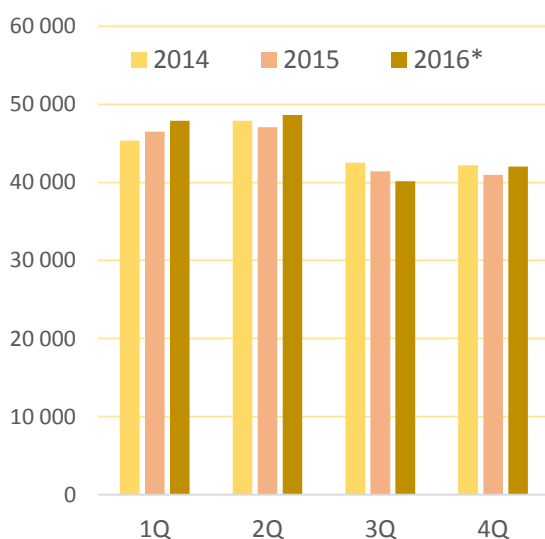
The level of our export is directly dependent on the markets in which the group operates – mainly in the EU. Throughout 2015 we managed to retain our main markets except the exacerbated negative effect of the sanctions against Russia.

The Board of Directors of Stara Planina Hold Plc expects the 2016 consolidated income from sales of production to reach BGN 178 million which means an increase of 1.5 %compared to the expectations for 2015.

The Board of Directors of Stara Planina Hold Plc maintains the forecasts for the beginning of 2016. We expect a reduction in the drop rate on an annual basis with a consolidated income from sales for 1Q down by about 1.0% compared to the sales in the beginning of 2015. In the 2Q, which is traditionally the strongest one, sales are expected to grow by about 3% on an annual basis with the first six months of 2016 performing stronger by 1.2% than the first six months of 2015.

It is possible that these estimates won't be reached due to the non-market increase in the electricity price for the industry. We cannot turn a blind eye on this rather worrying fact as this is affecting not only our manufacturing costs but has also an impact on the energy intensive production processes of our suppliers, e.g. metal castings and blanks.

Net sales revenue
(Quarterly, BGN'000s)



In 2016, too, our priority task is to retain the major markets and to widen our presence in the new markets. This will require us to offer good prices, high quality and short delivery times. We expect the prices of the main raw materials to remain stable, with insignificant downward movement.

Our enterprises plan investments which to result in the introduction of new products, higher productivity and better remuneration for the employed staff, respectively. In 2015 the investments in the entire Stara Planina Hold Plc group reached BGN 16.2 million and were made up exclusively of own funds which represents growth of 35% compared to the business plan.

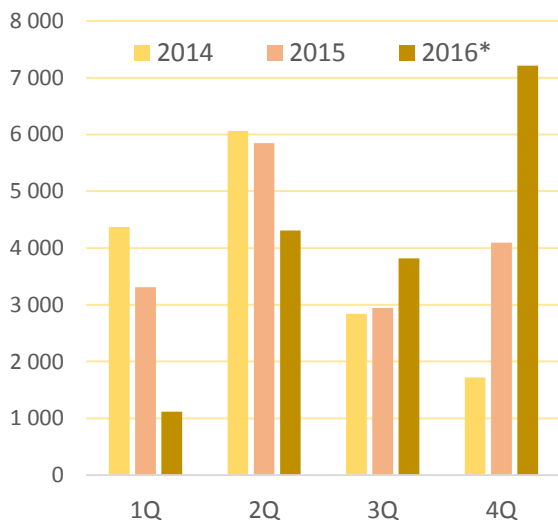
In 2016 we will continue to have an active investment policy and we expect investment growth of 9.5% reaching BGN 17.8 million.

The enterprises are preparing to participate in the procedures under the European operational programs Human Resources Development and Competitiveness. The major portion of the planned investments will be allocated for the upgrade of production facilities as well as for the enhancement of the organizational capacity and human resources of the companies. Over 8% of the investments are to be made in the area of social benefits.

This year, too, our top priority was to increase labor productivity and retain highly qualified professionals. The number of employees at the end of 2015 is 2.5% smaller compared to the last quarter of 2014. At the same time, while the annual increase in the operating expenses of the group is around 0.4%, in 2015 the salaries in the group enterprises saw a 3.2% increase. In 2016 we plan to increase the number of employees by 1.5% and increase salaries expenses by 2.8%.

In the given conditions, the achievement of a good financial result at the expected production volume is a major task to accomplish so as to overcome the negative business trends in order to avoid underlying reasons for decrease in the market capitalization of the enterprises of the group with view of guaranteeing shareholders' investments and their profitability.

Investments
(Quarterly, BGN'000s)



IV. Financial instruments used by the enterprise

Accounting policy

The accounting policy of the Company is described in the Explanatory Notes presented to the Annual Financial Statements.

Major indicators for financial and accounting analysis

The ratios of the financial autonomy characterize the financial independence of Stara Planina Hold Plc from creditors and the ability to meet its obligations. We achieve good financial autonomy which guarantees the interests of the owners.

Grounds for the conclusions stated above are included in the indicators provided in Section I of the Report.

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. This annual financial report is prepared in compliance with the International Financial Reporting Standards approved by EU. The company continues to apply the same accounting policy as used for the preparation of the annual financial report for 2014.

Profitability (yield) is the ability of group companies to provide economic profit to its owners through the skillful management of the assets, of the own and borrowed capital and of the other liabilities. It is the main indicator for the efficiency of the activity carried out by us. The profitability coefficients of a consolidated basis are significantly lower than the previous two years, due to the direct impact on the global economic crisis.

The major portion of the income for 2015 was formed from manufacturing of products. The analysis of the income and expenditure efficiency for 2015 shows that for each BGN 1 of expenses there has been received BGN 1.098 of income on consolidated basis. The incomes cover completely the expenses of the companies, which is a precondition for a positive cash flow from operating activity and allows for the satisfaction of the undertaken obligations.

As in previous periods, in 2015 Stara Planina Hold Plc and the related companies promptly discharge its current debts with the available current assets. The liquid structure of the current assets and liabilities allows for part of the amounts to be allotted for long-term financing of the controlled companies.

Financial instruments

The biggest item in the financial instruments used by the enterprise are the participations of Stara Planina Hold Plc in the subsidiary and associated enterprise.

Financial instruments of the Company are detailed in the Explanatory Notes presented to the Annual Financial Statements.

Typical of the investments of Stara Planina Hold Plc (stock exchange code 5SR) in subsidiaries and associates is that 5 of them are public companies whose stock have been admitted for trade on the Bulgarian Stock Exchange: Hydraulic elements and systems Plc (stock exchange code 4HE), M+C Hydraulic Plc (stock exchange code 5MH), Elhim Iskra Plc (stock exchange code 52E), Fazan Plc (stock exchange code 4F5) and Bulgarska Roza Plc (stock exchange code 4BH).

The stocks of Stara Planina Hold Plc are included in the stock exchange indices SOFIX, BGTR30, BGBX40 and CGIX. The latest SGIX index includes share issues for seven companies, listed on the Bulgarian Stock Exchange, which have the best corporate management. The stocks of Stara Planina Hold Plc are included in the 8 of на [STOXX®](#) indices.

Next, in terms of significance, come the long and short term loans granted to the companies from the portfolio of Stara Planina Hold Plc. They are entered as per their nominal value of occurrence. As of the end of the reporting period, there are no data for the presence of circumstances for impairment of receivables and such has not been carried out. The distribution as 31.12.2015 is specified in Section IX of the report.

The policy of Stara Planina Hold Plc with regard to the management of the financial resources is directed mainly at the management of the enterprises from the portfolio. The free cash amounts are directed at the financing of the companies.

Exposition of the enterprise with regard to the market, credit and liquidity risk and cash flow risk

The market risk consists of three types of risk:

Currency risk – the risk that the value of a financial instrument will fluctuate due to the change in the currency exchange rates

Interest risk – the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates

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

As of 31.12.2015 Stara Planina Hold Plc does not have any financial instruments in foreign currency, interest bearing financial instruments of Stara Planina Hold Plc are only from the granted loans.

Investments in subsidiary and associated enterprises are reported and presented as per the acquisition cost method. The nature of the financial instruments used by the enterprise shows that the market risk does not exercise huge influence on the financial results.

Credit risk – Stara Planina Hold Plc has granted loans to enterprises from its portfolio which have longstanding and untarnished credit reputation which minimizes credit risk.

Due to the nature of the financial instruments used by Stara Planina Hold Plc, the liquidity risk and the interest risk of the cash flow are also kept at a minimum.

Additional information

on Appendix 10 of Ordinance No 2 of the FSC

1. Information provided in terms value and quantity, on the major categories of goods, services and/or provided services and specifying their share in the sales income of the issuer as a whole and the changes occurred during the reporting fiscal year.

As a holding type company, Stara Planina Hold Plc does not carry out autonomous commercial activity and has only financial income. The incomes on consolidated basis are formed mainly from the income from sales of products of the subsidiary companies.

2. Information related to the income as per the separate categories, activities, domestic and foreign markets as well as information about the sources for material supply necessary for the production of goods of provision of services with the degree of dependence with regard to each separate seller or purchaser/consumer and, in case the relative share of any of these exceeds 10 percent of the expenses or sales income, there shall be provided separate information for each party, for its share in the sales or purchases and its relations with the issuer.

As a holding type company, Stara Planina Hold Plc does not carry out autonomous commercial activity and has only financial income. The incomes from the subsidiaries are formed mainly from sales of production as follows:

M+S hydraulic Plc – hydraulic motors, steering units, valves, brakes and accessories..

HES Plc – hydraulic cylinders, hydraulic pumps, precision rotational elements.

Elhim Iskra Plc – car batteries, batteries and battery elements.

Bulgarska Rosa Plc – natural flavorings, tobacco sauces and cosmetics.

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

Fazan Plc – socks and socks items.

3. Information on concluded big transactions and transactions of material significance for the activity of the issuer.

In 2015 there were no large-scale transactions of material significance for the activity of Stara Planina Hold Plc.

4. Information on the transactions concluded between the issuer and connected parties during the reporting period, offers for conclusion of such transactions as well as transactions which are outside the scope of its usual business activity or significantly deviate from the market conditions in which the issuer or its subsidiary is a party, with specific amount of these transactions, the nature of the connection and any information necessary to assess the impact on the financial standing of the issuer.

Transactions concluded between Stara Planina Hold Plc and connected parties during the reporting period are only the loans granted to subsidiary and associated enterprises. These are specified in item 9 of this section of the report.

There are no transactions which are outside 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.

There were no events and indicators of unusual nature which to exercise significant impact on the activity of the issuing body and the companies from the group.

6. Information on transactions off the balance sheet – nature and business purpose, specification of the financial impact of the transactions on the activity if the risk and benefit which these transaction entail are significant for the issuer and if the disclosure of this information is important for the assessment of the financial standing of the issuer.

No such transactions.

7. Information on share participations of the issuer, on its main investments in the country and abroad (in securities, financial instruments, intangible assets and real property) as well as investments in share securities outside its

business group and sources/means of financing.

Investments of Stara Planina Hold Plc are in securities and share participations in Bulgarian enterprises. The company does not have any real property. As far as such exist, investments of the companies from the group in securities are in minority packages.

Information on the share participation of Stara Planina Hold Plc is provided in this report - Section I, item *Investment portfolio*.

8. Information on the loan contracts concluded by the issuer, by its subsidiary or parent company in their capacity of borrowers with specification of the contractual terms and conditions, including the deadlines for repayment as well as information for provided securities and undertaken obligations.

This information is provided in the annual activity report Section IX.

9. Information on the loan contracts concluded by the issuer, by its subsidiary or parent company in their capacity of lenders, including to connected parties with indication of the of their specific contractual terms, including the deadlines for repayment and the purpose for which these have been granted.

This information is provided in the annual activity report Section IX.

10. Information on the utilization of the means gained from the issuance of new securities during the reporting period.

During the reporting period there is no new issuance of securities.

General meeting of shareholders of increased the capital.

The capital of the Bulgarian Rose AD was increased with own funds 20 times - from BGN 267,549 to BGN 5,350,980.

11. Analysis of the ratio between the achieved financial results, registered in the financial statement for the fiscal year, and earlier published prognoses for these results

The achieved financial results registered in the financial statement for the fiscal year do not differ significantly from the projected results published in the interim financial statement.

12. Analysis and assessment of the policy on the management of the financial resources with specification of the capacities for servicing of obligations, possible threats and measures which the issuer has taken or shall take with view of their elimination.

The policy of Stara Planina Hold Plc is directed mainly at the management of the enterprises from the portfolio. This is indicated by the loans granted to the enterprises from the portfolio of the holding under conditions which are more favorable than the ones offered on the country's market. The loans are specified in item 9 of this section of the report. A manifestation of this policy is also the installment payment on the part of the enterprises for the dividends payable to Stara Planina Hold Plc.

Stara Planina Hold Plc services all of its obligations in a timely manner hence there is no possible threats which necessitate measures for their elimination.

13. Assessment of the capacities for realization of investment intentions with specification of the amount of available means and indication of possible changes in the financing structure of this activity.

The activity of Stara Planina Hold is directed mainly at the management of the existing investments. There are no immediate plans for new investments in the company. The holding has as priority the development of the enterprises from its portfolio.

14. Information on changes in the major principles for management of the issuer and its business 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. Greater consideration is being given to the aspect of environmental protection, human resources development and corporate and social responsibility. During the reporting period there are no changes in the major principles for management of Stara Planina Hold Plc and its business group.

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

In order to ensure unbiased and objective assessment of the financial statements, the annual audit of Stara Planina Hold Plc is performed by an independent Chartered Accountant. All financial statements are being prepared in accordance with the International Accounting Standards. The current financial and reporting activity of the company is subjected to periodic control and analysis by the management body. Considering the specifics of the company, the Board of Directors has determined the necessity to establish an Audit Committee. In the holding there is a well established practice of periodic discussion of current financial results from the activity of the companies included in its strategic investment portfolio with view of ensuring the implementation of their business programs and precise analysis of the capacities for realization of future investment projects.

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

Stara Planina Hold Plc has one-tier management structure. Data on the Board of Directors are specified in the annual activity report Section V.

17. Information on the amounts of remunerations, premiums and/or benefits of each of the members of the management and control bodies during the reporting year paid by the issuer, regardless whether these have been included in the expenses of the issuer or arise from the distribution of the profit.

The remuneration of the members of the Board of Directors is disclosed in the special annual report, which is a separate document to the Annual Financial Statements.

18. For the public companies - information on owned by the members of the management

and control bodies, procurators and the executive officers shares of the issuer, including the shares owned by each of them separately and as a percentage of the each class of shares as well as the options on issuer's securities granted by that issuer – type and amount of securities on which the options have been institute, price for the use of these options, if any, and duration of the options.

This information is provided in the annual activity report, section IX.

19. 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 – no such arrangements are known.

20. 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.

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

Investor Relations Director: Nikolai Petrov Mitankin, tel. +35929634161, cell phone: +359-888804844, mailing address: 20, Frederic Joliot Curie Str. 9th floor, 1113 Sofia, Bulgaria.

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The activity report was adopted at meeting of the Board of Directors of Stara Planina Hold Plc on 27.04.2016.