



STARA PLANINA HOLD PLC

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.

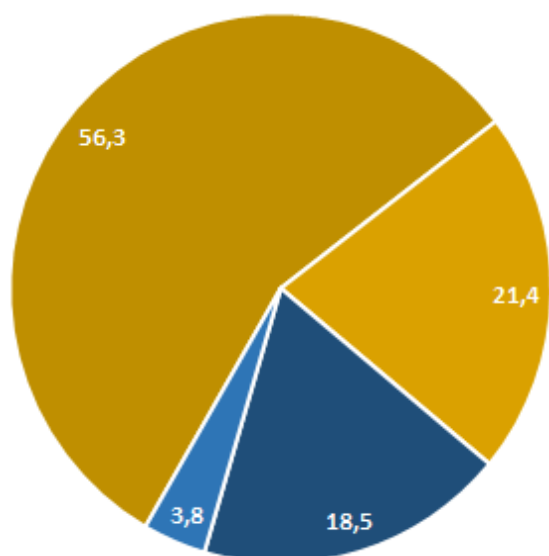
The holding owns shares in industrial enterprises working in various fields of production. It actively participates in the development of the Bulgarian industry by achieving European and world quality level and profitability.

I. Activity overview

1. Main indicators characterizing activity results

Indicator	(BGN'000s)
a) income from main business activity	
b) profit from main business activity	
c) net profit from business activity	
d) net profit per share (BGN)	
e) amount of assets	
f) net assets	
g) shareholders' capital	
h) dividend per share (BGN)	

	Y2013	Y2014	Y2015
a) income from main business activity	3 500	3 488	5 678
b) profit from main business activity	2 883	2 652	4 734
c) net profit from business activity	2 883	2 652	4 734
d) net profit per share (BGN)	0.14	0.13	0.23
e) amount of assets	33 305	35 191	38 199
f) net assets	32 895	34 529	36 949
g) shareholders' capital	20 779	20 779	20 779
h) dividend per share (BGN)	0.0491	0.1014	



Structure of Investment Portfolio

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

2. Condition of investment portfolio

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 %
SPH Trans Ltd	

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 %

3. 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.

It is long-term corporate governance policy of Stara Planina Hold Plc to use the available cash resource to fund projects of its portfolio companies. This produces a positive effect, especially in the current period of tightened financing with banks.

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

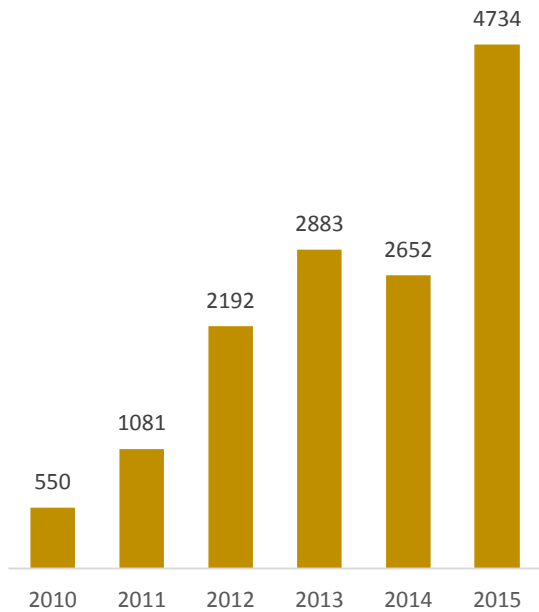
4. Activity results

As a holding type company, Stara Planina Hold Plc does not carry out autonomous trade activity. The company has directed its activity mainly in the management of the subsidiary and associated enterprises. The structure of income within the last three years is summarized in the table below:

INCOME (BGN'000s)

Financial Income
Positive balance from operations with financial assets and instruments
Income from Interests
Income from Dividends
Other
Total Income

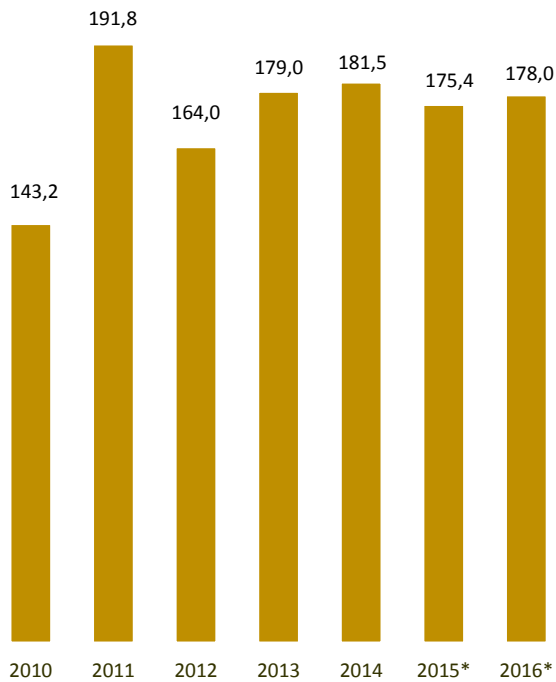
Y2013	Y2014	Y2015
3 500	3 433	5 605
12	16	2
307	251	277
3 181	3 166	5 326
	55	73
3 500	3 488	5 678



Net unconsolidated profit

(BGN'000s)

The formed net profit for 2015 amounts to BGN 4,734 thousand. This is the highest net profit of the holding in the last 10 years.



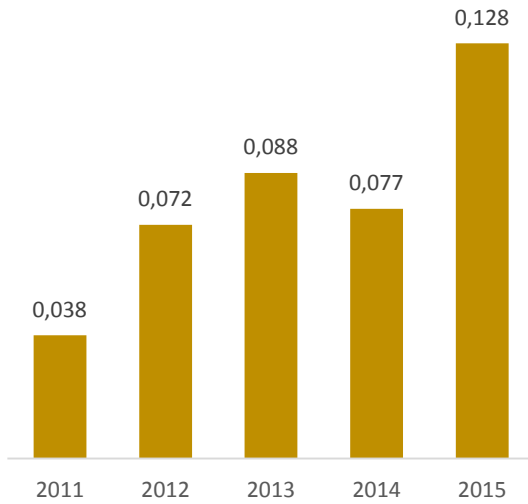
Annual sales of all enterprises of Stara Planina Hold group

(million BGN)

Preliminary data show that as at the preparation date of this report, the annual sales of the enterprises within the group have reached BGN 175.4 million which is a decrease by 3.34% compared to 2014. The forecasts for 2016 suggest sales growth of about 1.5%.

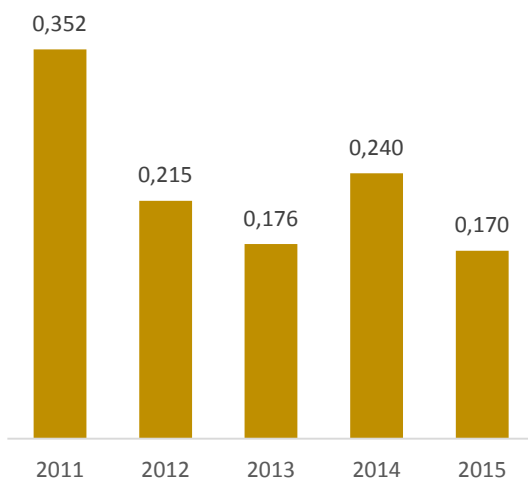
* forecast

Financial Ratios



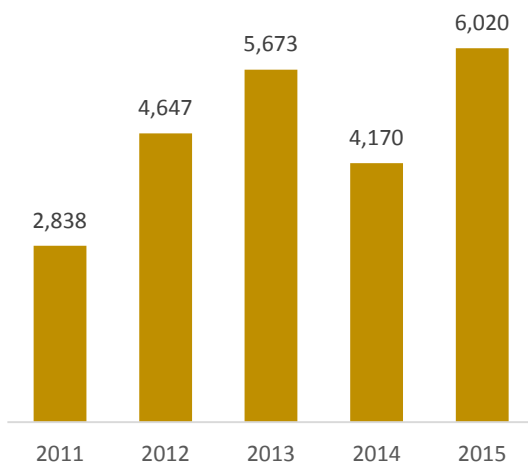
Profitability ratio of the own capital

Diagram data indicate a trend of steady return on equity.



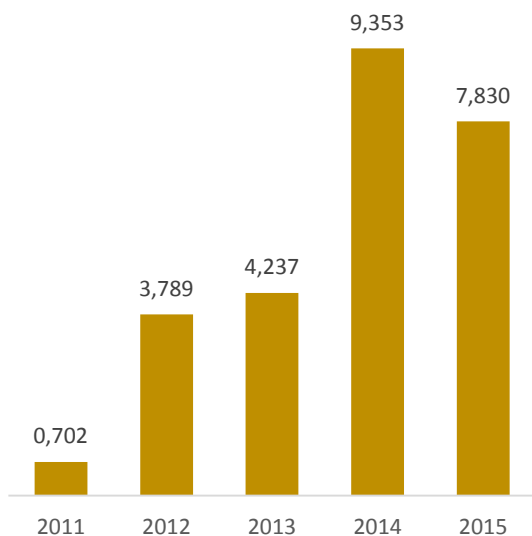
Income efficiency

The diagram shows that over the last years the expenses have accounted for about and under one fifth of the revenue.



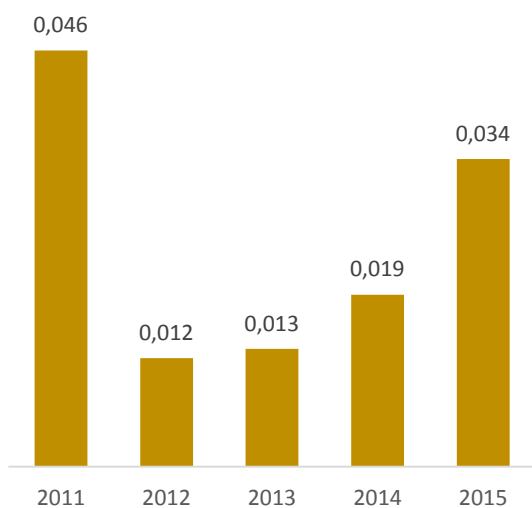
Expenses efficiency

Diagram data show that income from operations cover completely and exceed sever times the expenses of the company which is a pre-requisite for a routine dividend distribution.



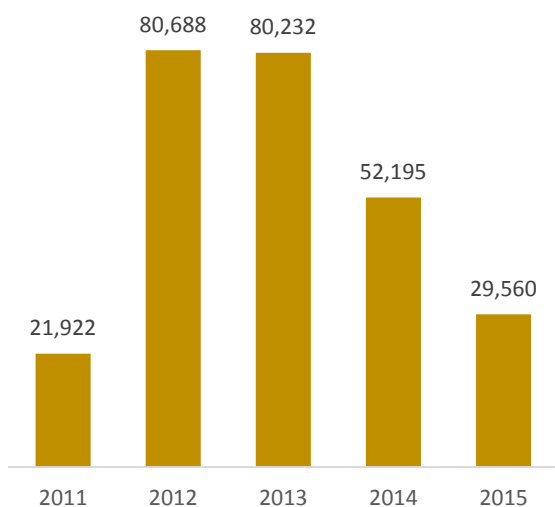
Absolute liquidity

The liquid structure of the current assets and liabilities allows for part of the amounts to be allotted to long-term financing of the companies from Stara Planina Hold Plc.



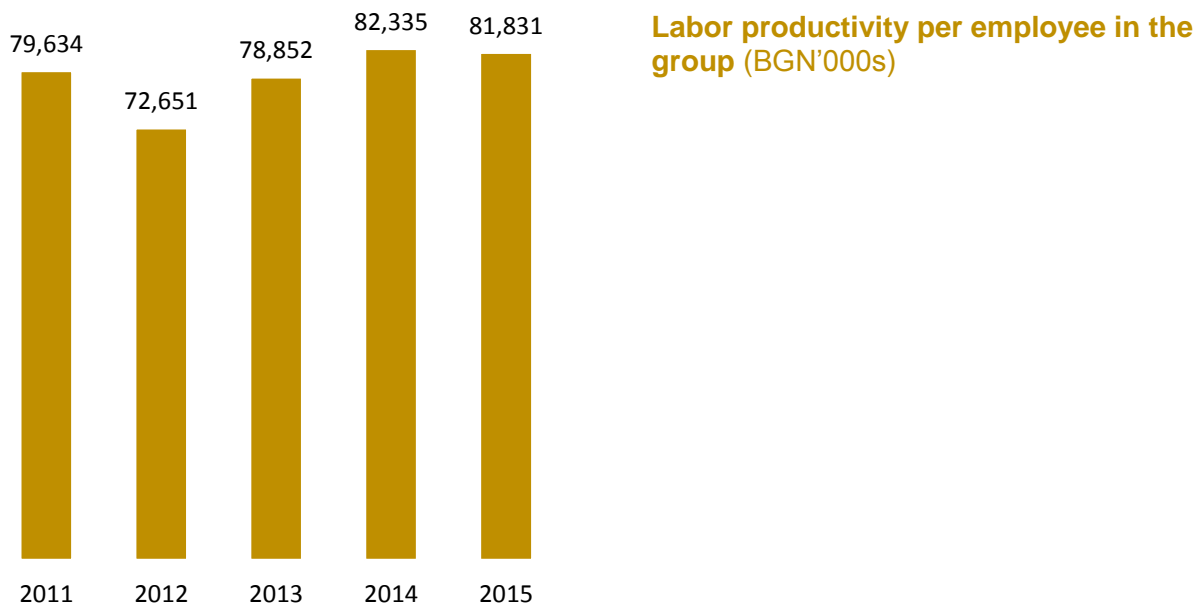
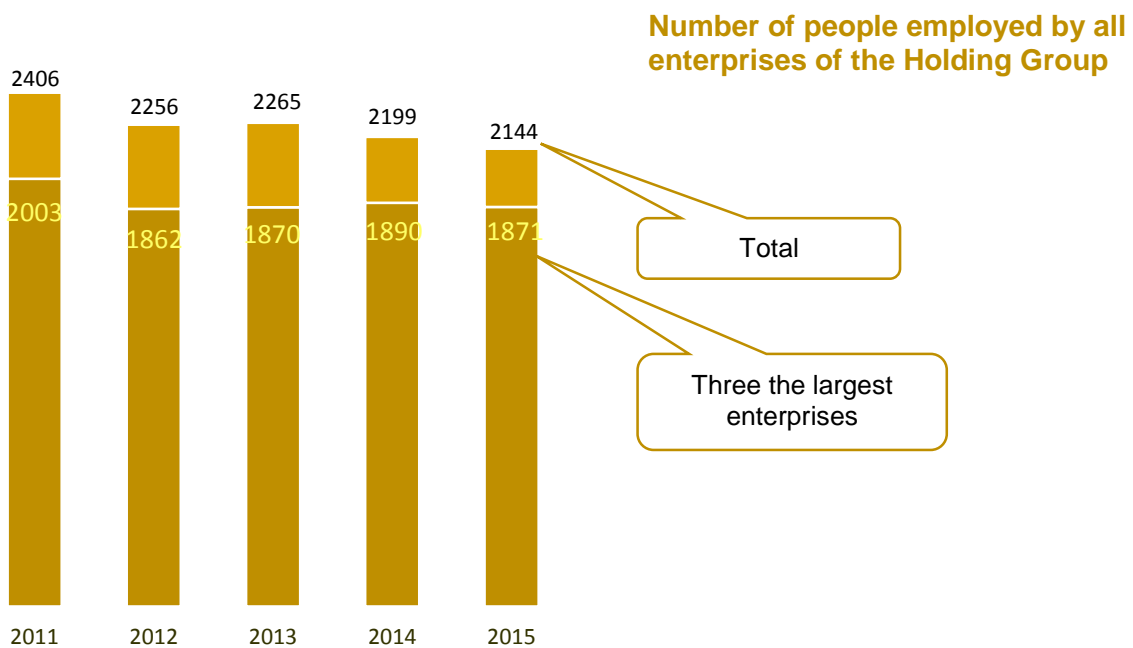
Debt

Debt ratios characterize the financial autonomy of Stara Planina Hold Plc from creditors and its ability to meet its obligations.



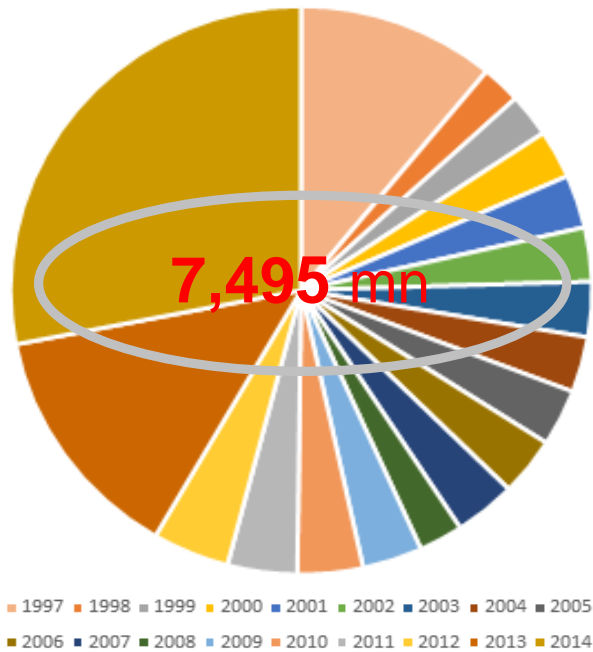
Financial autonomy

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 2014 the number of the employees decreased by 2.5% and labor productivity lowered by 0.6%.

5. Dividend policy



Stara Planina Hold Plc follows a policy of annual dividend distribution. The Board of Directors assumes that at the annual general meeting of the shareholders, the tradition of allocating some of the financial profit for paying out of dividends will be continued.

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

Stara Planina Hold Plc pays out dividends in accordance with the Public Offerings of Securities ACT and other applicable legal regulations – under contract with Central Depository AD and through the branch network of International Asset Bank AD in regional cities.

For the 18 fiscal years since it was established, the group of Stara Planina Hold Plc has distributed dividends in total of BGN 68.542 million.

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.

6. Environmental protection

As a holding type company which does not carry out autonomous trade activity, Stara Planina Hold Plc has directed its activity mainly in the management of the subsidiary and associated enterprises. The holding gives special consideration to the impact on the environment which is exercised by our enterprises. They report on annual basis on the environment impact assessment and the measures which they undertake in this respect.

7. Risk factors for the activity

As of the present moment, the management of Stara Planina Hold Plc is not aware of any specific trends or conditions which may exercise significant influence on the future activity and results of the company. Risks to the company and risk management related solely to the risks relevant to the activities of the subsidiaries of the group.

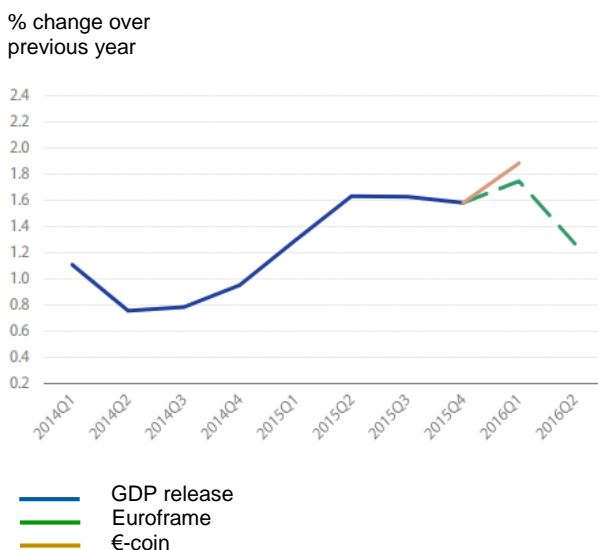
A significant impact on the financial status of Stara Planina Hold Plc results from the direct dependence on the financial results of its subsidiaries and associated companies, the main business of which is export oriented - mainly to EU countries.

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.

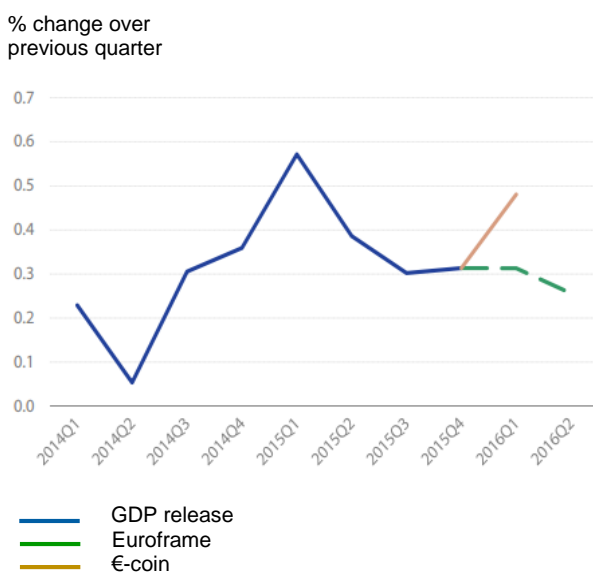
Changes in the currency values also have a certain effect and constitute a risk factor for the business. Exchange rates affect the export sales revenue and the shipping costs for the delivery of raw materials from abroad. In December 2015 the average monthly exchange rate of the Euro to the dollar reached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

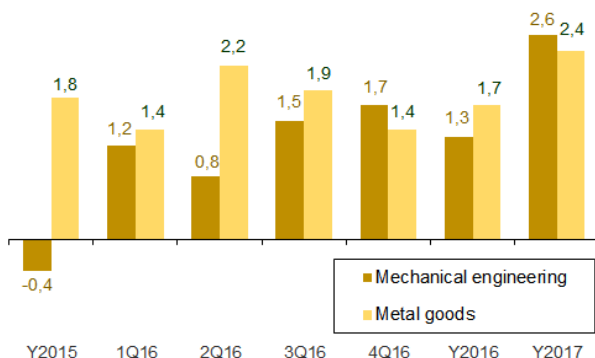
Factors which are expected to have an impact on the costs in 2016 are the market prices of raw materials and production inputs, regional market price of labor force and the prices of energy resources. The non-market determination of a significant portion of the electricity price components in Bulgaria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

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

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



Development of the steel using sectors (E-28, % change YoY)



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.

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.

8. Changes in the company share prices

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**.

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

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.

Since the beginning of 2015 the price per share has been moving within the narrow range of BGN 4.00 to BGN 4.40 until the last ten days of August when the general correction of the stock exchange occurred and moved to a lower tier in the range 3.55 – 3.75. The buoyancy traditionally seen at the end of December restored the price to a level of BGN 4.00 per share.

Share price over Y2015

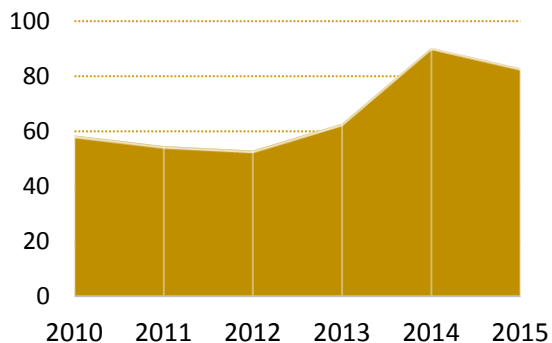


Source: [Infostock.bg](http://infostock.bg)

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.

The market capitalization of Stara Planina Hold AD reached BGN 83 million at the end of the year compared to BGN 90 million the end of 2014. Five of the holding's entities are public companies and their market capitalization is

Market capitalization (million BGN)



II. Important events occurred since the beginning of 2013

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.

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.

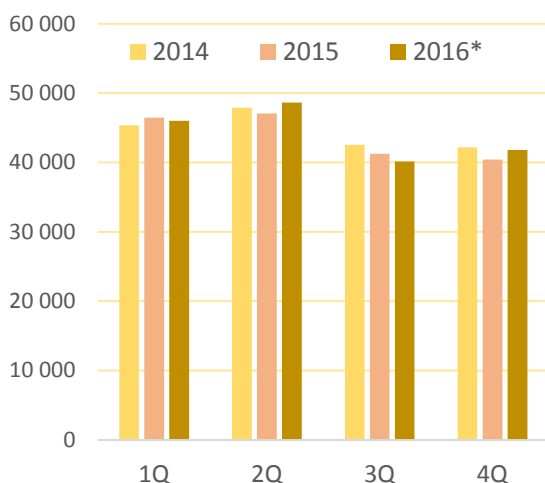
III. Projected development of the company and planned business policy

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 175.4 million. This led to a 1.94% growth above the business plan, yet it is 3.34% 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.

Net sales revenue
(Quarterly, BGN'000s)



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.

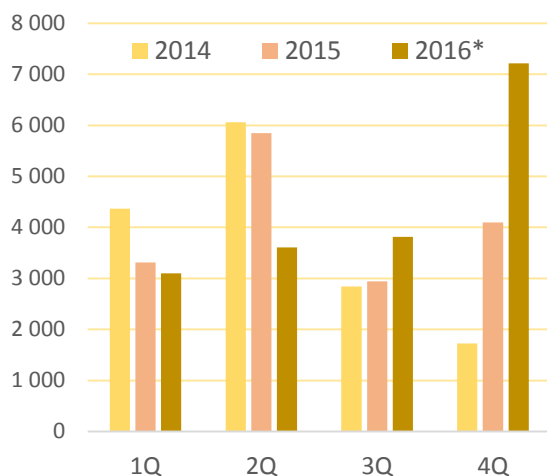
In 2016, too, our priority task is to retain the major markets and to widen our presence in the new markets. This will require us to offer good prices, high quality and short delivery times. We expect the prices of the main raw materials to remain stable, with insignificant downward movement.

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

Investments (Quarterly, BGN'000s)



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.

IV. Research and Development Activity

As a holding type company, Stara Planina Hold Plc does not carry out autonomous trade activity. The holding provides support to the enterprises from the group in the research and development activity since it views this activity as an integral part of the annual business plans of the companies.

V. Information as per the provisions of the Commerce Act

1. Own shares. Buy-back

The General Meeting of Shareholders, held on 15.07.2009, adopted a resolution to buy back shares from the capital of the company and appointed the Board of Directors to define the specific parameters. Board of Directors provided three procedures for redemption during the period October 2008 - March 2009.

As of 31.12.2015, Stara Planina Hold Plc owned 221 265 own shares, constituting 1.05% of capital of the holding. 50 000 shares owns our subsidiary Slavyana Jsc.

Under the Commercial Code provision, on these 271 265 shares shall cease to exercise any rights until their transfer, including the right to vote.

2. Information about the Board of Directors

Stara Planina Hold Plc has one-tier management system. The Board of Directors is the management body of Stara Planina Hold Plc which carries out the planning and coordination of the entire activity of the company as laid down in the scope of its business activity and it also carries out all activities as provided in the law and the Articles of Association related to the organization, management and control. The Board of Directors prepares company activity report on annual basis. The organization of its work as well as its obligations, responsibilities and powers are set out and specified in Rules for the work of the Board of Directors of Stara Planina Hold Plc. The Board of Directors adopts its resolutions on meetings which are held at least every three months in compliance with the statutory requirements regarding the rules for their calling and carrying-out.

The composition of the Board of Directors as elected by the General Meeting guarantees the independence and objectiveness of the judgments and actions of its members with regard to the operation of the company.

Board of Directors

- Evgeniy Vasilev Uzunov – Chairman of the Board of Directors
- Vasil Georgiev Velev – member of the Board of Directors and Executive Director
- Finance Invest LTD, town of Plovdiv, resented in the Board of Directors by Spas Borisov Videv
- Stefan Atanasov Nikolov – member of the Board

All members of the Board are independent directors.

For the reporting year, the members of the Board of Directors or persons connected with them have not concluded contracts with the company which are outside its usual business activity or significantly deviate from the market conditions.

In the reporting year there are no changes in the composition of the Board of Directors. The statutory requirement which provides that at least one third of the members of the Board of Directors shall be independent persons is met. Also there are no changes in the adopted criteria for the election of member of the Board of Directors. In our practice so far the Board of Directors has not faced a situation which represents emergence of direct or indirect conflict of interests between member of the management body and shareholder. There has not been established any instance of direct or indirect conflicts between the interest of a member of the Board of Directors and company's interest.

Section IX of the report contains additional data.

Participation of the members of the Board of Directors

<i>Member of the Board of Directors</i>	<i>Commercial companies, in which the member owns more than 25 percent of the capital</i>	<i>Participation in the management of other companies or co-operations as procurators, managers or board members</i>
Evgeniy Vasilev Uzunov	None	Elhim-Iskra Plc. – Pazardzhik, representative of Garant-5 Ltd.; Hydraulic elements and systems Plc. - Yambol, representative of Loma Ltd.; M+S Hydraulic Plc. – Kazanlak, representative of Loma Ltd.; Bulgarska Roza Plc. – Karlovo, representative of Bic Hold Ltd.; M+S–97 Jsc. – Kazanlak
Vasil Georgiev Velev	Velev Invest Ltd.	Elhim-Iskra Plc. – Pazardzhik; Hydraulic elements and systems Plc. - Yambol, representative of Velev Invest Ltd.; M+S Hydraulic Plc. – Kazanlak, representative of Velev Invest Ltd.; M+S–97 Jsc. – Kazanlak; Bulgarian Rose Plc. – Karlovo, representative of „Leasing Company” Jsc; Fazan Plc. – Ruse, representative of Stara Planina Hold Plc.; Forsan Bulgaria Ltd. – Sofia, representative of Stara Planina hold Plc.;

		Bic Hold Ltd. – Sofia; Garant-5 Ltd. – Plovdiv; Velev Invest Ltd.; Interfininvest Jsc. – Etropole; Unitraf Jsc. – Sokolovo
Finance Invest Ltd	None	None
Spas Borisov Videv	BMP Ltd.	Hydraulic elements and systems Plc. - Yambol, representative of Maya-PL Ltd.; Bulgarska roza Plc. – Karlovo, representative of Stara Planina Hold Plc.; Elhim-Iskra Plc. – Pazardzhik; Garant 5 Ltd. – Plovdiv; Finans Invest Ltd. – Plovdiv; BMP Ltd. - Plovdiv
Stefan Atanasov Nikolov	B & V Coffee Ltd. Radix Bulgaria Ltd. Agora-22 Ltd	Prisma-Lux Ltd., B&V Coffee Ltd., Radix Bulgaria Ltd., Agora-22 Ltd, ALPA-2000 Ltd., Herbstmond Bulgaria Ltd, Boryana Ltd.

VI. Branches, Employees

Stara Planina hold Plc does not have any branches.

At the end of 2015, Stara Planina Hold Plc has a total of 5 employees under employment contracts. The company has been employing a law firm on a retainer. All company employees possess university degrees and adequate qualifications for their positions. During the last calendar year, the company has not hired any temporary employees.

Position:

- Investor Relations Director
- Chief Accountant
- Financial Analyses and Programs Director
- Director of Development
- Office Manager

No arrangements for the participation of the employees in the capital of the issuer, including through issuance of shares, options or other securities of the issuer.

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. 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.

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

2. Major indicators for financial and accounting analysis

Profitability (yield) is the ability of the company 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 main activity of the company is the sale-purchase and management of shares. The main portion of the income for 2015 is formed from dividends which represents current income from the made investments. This current income is used by Stara Planina Hold Plc mainly for the fulfillment of the undertaken obligations under the adopted dividend policy as well as for administrative needs.

Profitability Indicator

	31.12.2014	31.12.2015
K1	0.077	0.128
K2	0.075	0.124

K1 Profitability ration of the own capital = Financial result/Own capital

K2 Assets capitalization ratio = Financial result/Amount of real assets

In accordance with the accounting policy the investments in the subsidiaries are entered as per the historical cost method and the growth of the capital of these companies and they are not reflected in terms of current cost in the individual report of Stara Planina Hold Plc. In order to assess the profitability of the company, it is necessary to consider also the consolidated reports of the economic group as a whole.

Efficiency Indicator

	31.12.2014	31.12.2015
K3	4.17	6.02
K4	0.24	0.17

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

The analysis of the profit and expenditure efficiency for 2015 shows that per BGN 1 of expenses there were received BGN 6.02 of income. The income fully cover the expense of the company which is a provides for positive cash flow from operation activity and meeting of the undertaken dividend obligations as well as for partial financing of the companies from the portfolio of the Holding.

Liquidity Indicator

	31.12.2014	31.12.2015
K5	13.956	9.798
K6	13.956	9.798
K7	10.116	7.830
K8	9.353	7.830

- K5** Total liquidity ratio = Current assets/short term liabilities
- K6** Quick liquidity ratio = (Short term receivables + Short investments + Monetary amounts)/short term liabilities
- K7** Immediate liquidity ratio = Financial means /Current liabilities
- K9** Absolute liquidity ratio = Monetary amounts/Current liabilities

As in previous periods, in 2015 Stara Planina Hold Plc promptly discharges 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 autonomy Indicators

	31.12.2014	31.12.2015
K10	52.159	29.560
K11	0.019	0.034

- K10** Financial autonomy ratio = Own capital/Borrowed amounts
- K11** Debt ratio = Borrowed capital/Own capital

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

3. 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.

4. 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. All of them are with fixed annual interest rate of 4 – 6%. Stara Planina Hold has and other interest-bearing financial instruments - shares of low-risk mutual fund Raiffeisen Asset Management Liquidity Fund. They were classified as assets held for trading. Sold at the end of the year.

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.

VIII. Information on the execution of the Program for the implementation of internationally recognized standards for good corporate governance

1. National Code of corporate governance

Stara Planina Hold Plc implements a long-term Good Corporate Governance Program. It provides for the realization of a number of initiatives in several major directions, whose implementation is in the context of the priority goals set in the program, namely: protection of shareholders' rights; ensuring equal attitude towards each shareholder (including minority and foreign shareholders); ensuring the recognition of the rights of the parties interested in the management and the sustainable development of the company and to encourage the collaboration with them; ensuring prompt and accurate disclosure of the statutory required information related to Stara Planina Hold Plc regarding important issues of the financial condition, results from activity, ownership and management of the company; support of the strategic management of Stara Planina Hold Plc, the efficient control over the activity of the Board of Directors and its reporting before all interested parties.

On 30.10.2007 the Board of Directors of Stara Planina Hold Plc considering the important role of the modern corporate governance for the support of sustainable development of the national economy of the Republic of Bulgaria and lead by its determination to continue the implementation of internationally recognized standard for good corporate management and as issuer, registered at the Bulgarian Stock Exchange - Sofia, Official market, segment A, resolved that the holding shall carry out its activity in compliance with the principles and provisions of [the National Code For Corporate Governance](#). In compliance with a decision of 12.02.2010, the Financial Supervision Commission approves the National Corporate Governance Code to conform to internationally recognized standards for good corporate governance.

2. Application of the National Code for Corporate Governance

The management of Stara Planina Hold Plc applies the National Code based on the "comply or explain" principle. The application of this principle is based on EU Commission Recommendation on the quality of corporate governance reporting.

The major direction when executing the Program of Stara Planina Hold Plc was to bring all internal acts of the company and its activity as a whole in line with the continually changing legislation in force. Stara Planina Hold Plc participates in the discussion of draft amendments and supplements or new acts in the field of the 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 discussion and adoption of amendments to the National Code, effective February 2012, and the respective changes in the scorecard, effective February 2013.

All financial reports of the company are being prepared in compliance with the IAS, and the annual audit is carried out by an independent auditor in order to ensure unbiased and objective assessment of the manner in which these reports have been prepared and presented. The financial reports are accompanied by detailed activity reports.

The Board of Directors manages the company independently and responsibly in compliance with the established vision, objectives, strategies of the company and shareholders' interests. It establishes and supervises the strategic guidelines for the development of the company. The Board of Directors has established a policy in the field of risk and controls the development and functioning of an internal control and risk management system. The Board of Directors ensures the compliance with the legal, regulatory and contractual obligations of the company; it provides guidelines, approves and supervises the implementation of the company's business plan, transactions of material nature as well as activities provided for in the internal regulatory documents. Company's financial and

information system has been devised and is currently functioning.

The Board of Directors has adopted Policy of the company with regard to the disclosure of information and the investor relations. Following its policy for greater transparency in the relations with the shareholders, investors and the general public, Stara Planina Hold Plc has announced the media through which it disclosed the regulated information: the X3 News platform operated by Financial Market Service Ltd owned by the Bulgarian Stock Exchange – Sofia and the Information System Platform of the internet media Infostock.BG.

The members of the Board of Directors are led in their actions by the generally accepted principles of correctness and management and professional competency based on the adopted Code of Ethical Conduct. The Board of Directors reports its activity to the General Meeting of Shareholders. The General Meeting of Shareholders elects and discharges the members of Board of Directors in compliance with the law and the Articles of Associations of the company while adhering to the principles of continuity and stability in the operation of the management body. The election of the Board of Directors is carried out through a transparent procedure which ensures timely and sufficient information about the personal and professional qualities of the candidates. The contracts for the conferral of management comply with the legal requirements, the statutes and the standards of good professional and managerial practice by setting the competencies, rights and obligations of the members of the Board of Directors, criteria for the amount of their remuneration, their obligations for loyalty to the company and reasons for their discharge.

The number of the members of the Board of Directors is set in the Articles of Association of the company. The composition of the Board is structured in a way which ensures the professionalism, independence and impartiality of its resolutions related to the management of the company. The Board of Directors has allocated the tasks and obligations among its members. The independent directors control the executive management. The members of the Board of Directors possess adequate knowledge and experience and, following their

election, the new members are made familiar with the major legal and financial matters pertaining to the business of the company. Increasing the competency and upgrading the qualifications of the members of the Board of Directors is an ongoing practice. The succession of the mandates ensures effective operation of the company and compliance with the legal requirements.

The members of the Board of Directors are provided with the necessary time to fulfill their tasks and obligations. The Rules of Procedure of the Board of Directors set the maximum number of companies outside the portfolio of Stara Planina Hold Plc in which its members may hold management positions. The amount and structure of the remuneration of the members of the Board of Directors are approved by the General Meeting of Shareholders. They take into consideration the obligations and contribution of each member, the possibility to select and retain qualified and loyal members, the necessity for concurrence of the members' interests with the long-term interest of the company. The remuneration of the independent members of the Board of Directors is invariable. According to a decision of the shareholders remuneration contains a variable part. Information about the remuneration is disclosed annually in the activity report.

The General Meetings of Shareholders adopted a Remuneration Policy. This policy establishes the principles and rules for determining and paying remunerations of the members of the Board of Directors in the course of performance of their professional duties and aims to support the long-term business goals of the company and to encourage behavior which facilitates the creation of value for the shareholders while ensuring competitive level of remuneration sufficient to attract and retain directors possessing qualities required for the successful management and development of the company. Information on the remunerations of the members of the Board of Directions is disclosed in a special annual report which is a separate document to the Annual Financial Statement of the company. The Remuneration Policy and the annual report are published on the company's website.

The Board of Directors of Stara Planina Hold Plc has adopted procedures for the avoidance and disclosure of conflicts of interests. They oblige the members to avoid and not to permit actual or potential conflict of interests and, when necessary, to immediately disclose conflict of interests and to provide the shareholders with access to the information about transactions between them and the company or parties related to it. Furthermore, each conflict of interests in the company should be disclosed to the Board of Directors.

Considering the specifics of the company, the Board of Directors has determined the necessity to establish an Audit Committee. Also, after the amendments to the legal framework, the Audit Committee was elected by the General Meeting of Shareholders which determined its composition and mandate. In 2014 the General Meeting of Shareholders renewed the composition of the Audit Committee and appointed it for a new five-year term. The Audit Committee adopted its working rules and activity schedule. Its activity aims to increase the efficiency of the financial reporting processes, the systems for internal control and risk management. In line with the adopted rotation principles, in 2014 the Audit Committee and the Board of Directors proposed to the shareholders that a new auditor was elected. The company developed an internal control system which ensures effective functioning of the accounting system and the disclosure of information in order to identify risks associated with the operation of the company and to support their effective management.

The corporate management of Stara Planina Hold Plc guarantees the equal treatment of all shareholders, including minority shareholders and foreign shareholders and the protection of their rights. All shareholders are entitled to participate in the General Meeting of Shareholders and to express their opinion. They may vote at the General Meeting of the company by authorizing proxies as well. There have also been adopted Rules for Organization and Carrying-Out of Regular and Special General Meetings of Shareholders which guarantee equal treatment of all shareholders and the right of each shareholder to state his/her opinion on the items on the agenda of the meeting. The procedure and order for the carrying-out of the General Meeting of Shareholders do not encumber the voting and

do not make it more expensive. These procedures encourage the participation of shareholders in the General Meeting but do not provide option for remote attendance through technical means as this would make the carrying-out of the meeting more costly. Rules for voting by proxy have been adopted. All members of the corporate management attend the general meetings of the shareholders. It assists the shareholders, appointed by the court, with the inclusion of additional items on the agenda of the General Meeting and guarantees the right of the shareholders to be informed about the adopted resolutions. The texts of the written materials on the agenda of the general meeting are specific and clear and do not mislead the shareholders. All proposals on major corporate events are presented as separate items on the agenda, including the proposal for the distribution of profit.

Increasing the trust of shareholders, investors and parties interested in the management and operation of the company has been one of the major commitments of the corporate management. In this regard, the company is continually strengthening its position of a stable entity. Also in 2015 we continued to endorse and apply various means to disclose current information about the financial and economic position of the company and important corporate events as well as their popularization.

Stara Planina Hold Plc has approved policy and system for the disclosure of information in compliance with the legal requirements. It ensures equality of the addressees of information (shareholders, interested parties, investment community) and prevents abuse of internal information. The information disclosure system ensures provision of comprehensive, prompt, correct and clear information which allows for objective and informed decisions and assessments. Internal rules for the preparation of the annual and interim financial statements and internal procedure for information disclosure work in the holding.

The company maintains its own internet page which contains information about the company, the management bodies, shareholder structure and the companies in the portfolio of Stara Planina Hold Plc. The section concerning corporate governance contains the internal regulatory documents, information about the

shareholders' rights and their participation in the general meeting, financial statements for the last 8 years, information about dividend payments as well as about personal data protection. A special section contains materials on the forthcoming general meetings of shareholders, information about the resolutions adopted at the general meetings for the last 8 years. General access is available to the initiatives of the company, to the auditors and the media which publish news about the company. The News section is particularly comprehensive and provides information about the periodic publications of the company, the forthcoming events as well as any other information connected with the operation of the holding. The system for questions from shareholders, interested parties and receipt of replies via electronic means proved its efficiency. A procedure has been provided for receiving dividends from previous years by the shareholders. We continue the practice of sending prompt replies to letters and inquiries from shareholders, including to those received via email and their storage in a register dully kept by the Investor Relations Director. A practice has been established where, irrespective of the nature of the request, the reply should contains detailed explanation of the rights of the holding's shareholders. The procedure for inheritance of shares is described in detail. Any shareholder who approaches the holding, irrespective of the request, is provided with comprehensive information about his/her rights and receives information on various issues with regard to the business and the current position of the company, including the historical prices of the shares of Stara Planina Hold Plc on the stock exchange.

The corporative management of Stara Planina Hold Plc ensures effective interaction with the interested parties which the company has identified as such. The policy with regard to the interested parties takes into account the legal requirements in compliance with the principles of transparency, accountancy and business ethics and policy has been developed which takes accounts of the interests of the interested parties which provide for their attraction and ensure balance between the development of the company and the environment in which it operates. The company maintains effective relations with the interested parties. The

company periodically informs the shareholders, interested parties and the investment community about various important issues.

Stara Planina Hold Plc actively participates in various forms of joint collaboration with state institutions and non-governmental organizations working in the field of corporate governance in the country. In the reporting year we once again recognize the value of our collaboration with and membership in Bulgarian Industrial Capital Association. We took part in seminars organized by the Bulgarian Industrial Capital Association together with the Financial Supervision Commission and the Bulgarian Stock Exchange and in other events which clarify the practical aspects of the normative requirements in the field of corporate governance. The Investor Relations Director and the directors of the public companies are members of the Association of Bulgarian Investor Relations Directors. The holding has sent out its representative to the National Commission on Corporate Management.

The control related to the process of disclosure of information by Stara Planina Hold Plc is multidirectional. On the one hand, such control is being exercised by the Financial Supervision Commission. As of the present moment, there have been found no infringements of the regulations and terms for disclosure. On the other hand, we have adopted the practice to publish the financial reports on the electronic site of the holding – immediately after sending them to the regulatory body and their publicizing which makes it possible for shareholders, investors and all interested parties to exercise control. Other form of control related to the process of disclosure of information is being exercised by the members of the Board of Directors with regard to the Investor Relations Director.

The Evaluation card developed by the National Corporate Governance Commission is an integral part of this report as it provides a realistic estimate of the level of adherence to the National Code by Stara Planina Hold Plc.

In conclusion we can summarize that the activity of the Board of Directors of Stara Planina Hold Plc in 2015 complied with the program, the National Code for Corporate Governance and the international standards.

IX. 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.

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.

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 are no events and indicators of unusual nature which have exercised significant impact on the activity of the issuer.

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.

Information on the share participation of Stara Planina Hold Plc is provided in this report - Section I, item 2 *Condition of the 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.

As of 31.12.2015 Stara Planina Hold has no obligations on loans.

Loan contracts concluded by the subsidiary enterprises:

Fazan Plc. Contract dated 01.10.2013 with Stara Planina Hold Plc – parent company amounting to BGN 760,000 with maturity till 01.10.2016 at annual interest of 4.5%.

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.

As of 31.12.2015 Stara Planina Hold Plc has granted the following loans for the purpose of financing the activity of the companies from its portfolio:

Contract dated 01.10.2012 with Fazan Plc, subsidiary company of Stara Planina Hold Plc, amounting to BGN 760,000 with maturity till 01.10.2016 at 4.5% annual interest.

Contract dated 28.04.2015 with Bulgarian Rose Plc, associated company of Stara Planina Hold amounting to BGN 1,100,000. Maturity up to one year at 6% annual interest. Paid completely as at the end of the reporting period.

Contract dated 04.03.2008 with Fazan-I Ltd, amounting to BGN 180,000 with maturity till 04.03.2016 at 4.5% annual interest.

Contract dated 09.11.2009 with Fazan-I Ltd, amounting to BGN 195,000 with maturity till 09.11.2016 at 4.5% annual interest.

Contract dated 01.10.2013 with Leasing Company Jsc, a company with minority interest in the portfolio of Stara Planina Hold Plc, amounting to BGN 1,100,000 with maturity till 01.10.2016 at 4% annual interest.

Contract dated 28.04.2015 with Leasing Company Jsc, a company with minority interest in the portfolio of Stara Planina Hold Plc, amounting to BGN 1,000,000 with one-year maturity at 4% annual interest. Paid completely as at the end of the reporting period.

Loan contracts concluded by subsidiary enterprises:

HES Plc. Contract dated 22.11.2007 for loan granted by Leasing Company Jsc amounting to

BGN 1,000,000 with maturity till 22.02.2016 at simple annual interest of 4%.

Elhim Iskra Plc. Contract dated 10.12.2010 for loan granted by Leasing Company Jsc amounting to BGN 1,000,000 with maturity till 10.12.2016 at simple annual interest of 4%.

Contract dated 03.09.2012 for loan granted by ELBAT Jsc amounting to BGN 1,500,000 with maturity till 03.09.2016 at simple annual interest of 4.2%.

Slavyana Jsc. Contract dated 05.10.2015 for loan granted by Garamt-5 Ltd amounting to BGN 2,650,000 with maturity till 05.10.2020 at simple annual interest of 4.5%.

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.

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 statements.

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. 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. The Board of Directors includes 4 persons. Data on the Board of Directors are specified in Section V of the report.

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, includes:*
a) *received amounts and non-monetary remunerations;*
b) *provisional or rescheduled remunerations occurred throughout the year even if the remuneration is payable at a later stage;*
c) *amounts payable by the issuer or its subsidiary companies for pensions, indemnifications or other similar compensations.*

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.*

As of 31.12.2015 the Board members hold shares of Stara Planina Hold AD as follows:
Evgeniy Vasilev Uzuov, 193534, 0.92%
Vasiv Georgiev Veleov, 375100, 1.79%
Finance Invest LTD, 219408, 1.04%
Stefan Atanasov Nikolov, 7000, 0.03%
TOTAL 795042, 3.79%.

No change in the ownership of shares by the members of the Board compared to the end of 2014. The issuer has not provided options on securities to the members of the Board.

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. +3592-963-41-61, cell phone: +359-888-804-844, mailing address: 20, Frederic Joliot Curie Str. 9th floor, 1113 Sofia, Bulgaria.

X. Analysis and explanation on the information as per Appendix 11 of Ordinance No 2 of the FSC

1. *Structure of the company's capital, including securities which have not been admitted for trade on a regulated market in the Republic of Bulgaria or other Member State, with specification of the various classes of shares, rights and obligations related to each of the classes of shares and the portion of the common capital which comprises each of the classes.*

The capital stock of the company amounts to BGN 21 000 000, fully registered and paid up, allotted in 21,000,000 common, dematerialized, registered and non-preferred shares with voting right and with par value of BGN 1 each.

On 15.06.2007 the General Meeting of Shareholders resolved to increase the capital of Stara Planina Hold Plc with company's own means – at the expense of accumulated reserves and undistributed profit from previous years, from BGN 1,750,000 to BGN 21,000,000

through the issuance of 19,250,000 common, dematerialized, registered shares with voting right. Each shareholder acquired part of the new shares pro rata to that shareholder's participation in the capital prior to the increase, i.e. for 1 of their shares the shareholders received 11 new shares.

There are no shares of Stara Planina Hold Plc which have not been admitted for trade on a regulated market in the Republic of Bulgaria or other Member State.

According to data received by Central Depository, as of 31 December 2015, Stara Planina Hold Plc has 22,693 shareholders natural persons own 39.35% of shares and 80 legal entities own 60.65% of shares.

2. *Restrictions on the transfer of securities in terms of restrictions on the ownership of securities or requirement for obtainment of approval by the company or other shareholder.*

There no restriction on the transfer of the securities of Stara Planina Hold Plc.

3. *Information on the direct or indirect ownership of 5 percent or more of the voting rights in the general meeting of the company, including data about the shareholders, the amount of the participation and the manner of ownership of the shares.*

Shareholders with more than 5% stake to 31.12.2015:

Potbul Invest Foundation, 4655400, 22.17%
Garant-5 Ltd, 2595972, 12.36%
ZUPF Allianz Bulgaria AD, 1444174, 6.88%

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

There aren't any shareholders with special control rights.

5. *The system for control when exercising voting right in the cases where employees of the company are also its shareholders and where the control is being exercised directly by them.*

There is no system for control when exercising voting right.

6. *Restrictions on the voting rights such as restrictions on the voting rights of the shareholders with specific percentage or number of votes, deadline for exercising voting*

right or system where, through collaboration of the company, financial rights related to the shares are separated from the ownership of the shares.

There aren't any restrictions on the voting rights, including on the voting rights of the shareholders with specific percentage or number of votes, deadline for exercising voting right or system where, through collaboration of the company, financial rights related to the shares are separated from the ownership of the shares.

7. Arrangement among the shareholders which may be known to the company and may lead to restrictions on the transfer of shares or voting right.

The company is not aware of any arrangements among the shareholders which may lead to restrictions on the transfer of shares or voting right.

8. The provisions governing the appointment and discharge of members of the management bodies of the company and the ones governing the adoption of amendments and supplements to the Articles of Association.

Only the General Meeting of Shareholders is entitled to appoint and discharge members of the management bodies of the company. Resolutions shall be adopted with a majority of 2/3 presented shares.

Only the General Meeting of Shareholders is entitled to adopt amendments or supplements to the Articles of Association. Resolutions shall be adopted with a majority of 2/3 presented shares.

9. The powers of the management bodies of the company, including the right to adopt resolutions on the issuance and buy-back of company shares.

The Board of Directors of Stara Planina Hold Plc has the following competencies:

- to perform the planning and coordination of the overall business of the company, as outlined in its scope of business activity under the present Articles, by carrying out all actions on organization, management and control of the separate units and the personnel, as provided by these Articles, which are not

expressly reserved for consideration by the General Meeting;

- to elect a Chairperson and a Deputy Chairperson among its members;

- to approve the organizational and management structure and the other internal rules of the company;

- to adopt its own rules of procedure;

- to determine the staff, the organizational structure of the company, the duties and obligations of the separate units and the relations between them;

- to establish the rules for appointment and release of the personnel, the form of the courses of employment and the amount of the remunerations;

- to ensure the necessary equipment and financial means for implementation of the job of the separate company units;

- to adopt resolutions on the forming of cash funds and the procedures for their accumulation;

- to adopt resolutions on acquisition and alienation of real properties and real rights; use of investment credits; provision of guarantees and securities; acquisition and granting of licenses, signing of contracts for loans to and deposits from subsidiary companies, establishment of mortgage and pledge of the company's fixed assets;

- to approve and submit to the General Meeting for the purpose of approval the annual financial statement, the report on company activity and a proposal for distribution of the profit;

- to cooperate with the Investor Relations Director and to supervise the fulfillment of his duties;

- to discuss and resolve on all issues, except those falling within the competence of the General meeting.

The Articles authorize the Board of Directors to increase the holding's capital to BGN 110,000,000 (one hundred and ten million) by issuing new stock over a period of five years from entering this provision of the Articles in the Companies Register – 20.06.2014.

The Board of Directors, unless expressly authorized for this by the General Meeting, may not execute the business transactions specified in Art. 114 of POSA.

Transactions of the company involving interested parties, other than the abovementioned, shall be subject to preliminary approval by the Board of Directors.

The procedures for the specified transactions is subject to the relevant provisions of POSA.

10. Significant contracts of the company which result in action, are changed or terminated due to change in the control of the company upon carrying out of mandatory commercial offering and their consequences, except in the cases

where the disclosure of such information may cause serious harm to the company; an exemption from the abovementioned sentence shall not be made in the cases where the company is obliged to disclose this information pursuant to the Law.

No such contracts.

11. Agreements between the company and its management bodies or employees for the payment of compensation upon leaving or discharge without legal grounds or severance pay where the termination of employment is on the grounds related to the commercial offering.

No such agreements.

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The activity report was adopted at meeting of the Board of Directors of
Stara Planina Hold Plc on 21.03.2016.