



**STARA PLANINA HOLD PLC**

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## **ACTIVITY REPORT**

**For 2017**

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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.

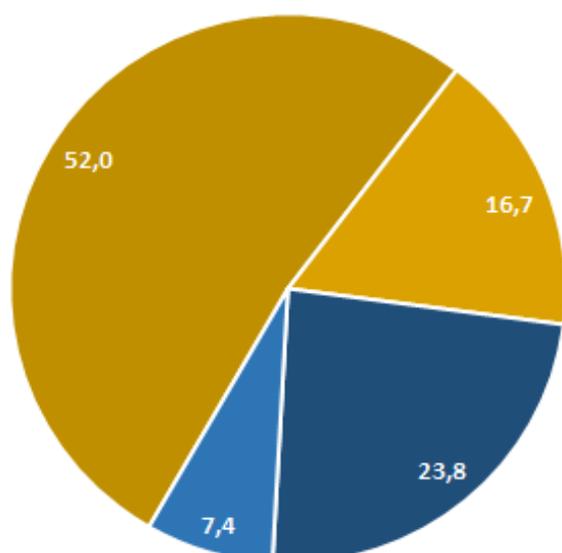
The holding owns shares in industrial enterprises working in various fields of production. It actively participates in the development of the Bulgarian industry by achieving European and world quality level and profitability.

## 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)	

	Y2015	Y2016	Y2017
a) income from main business activity	5 678	6 310	6 567
b) profit from main business activity	4 734	5 146	5 531
c) net profit from business activity	4 734	5 146	5 531
d) net profit per share (BGN)	0,225	0,245	0,263
e) amount of assets	38 199	40 094	41 770
f) net assets	36 949	37 644	38 232
g) shareholders' capital	20 779	20 879	20 879
h) dividend per share (BGN)	0,206	0,218	



### Structure of Investment Portfolio

■ Hydraulic Systems	52.0%
■ Accumulators	16.7%
■ Light Industry	23.8%
■ Financial	7.4%

## 2. Condition of investment portfolio

Major investments in the portfolio of Stara Planina Hold on 31.12.2017:

### *Investments in subsidiaries*

„Hydraulic Elements and Systems Plc	64.53 %
Elhim Iskra Plc	51.40 %
Fazan Jsc	92.65 %
Vinprom Jsc	95.69 %
Slavyana Jsc	98.74 %

### *Investments in associates*

M+C Hydraulic Plc	30.91 %
Bulgarian Rose Plc	49.99 %
Boryana Jsc	50.00 %
Ustrem Ltd	45.00 %

### *Investments in other companies*

Asset Insurance AD	20.00 %
Leasing Company Jsc	5.00 %

### *Important events of the year*

In 2017 we acquired shareholdings in Vinprom Jsc, city of Veliko Tarnovo and Ustrem Ltd, city of Svishtov. Stara Planina Hold Plc intends to invest in the modernization and development of these enterprises.

The shares of Fazan Jsc, city of Ruse were delisted from the stock exchange following a successful bidding.

## 3. Activity results

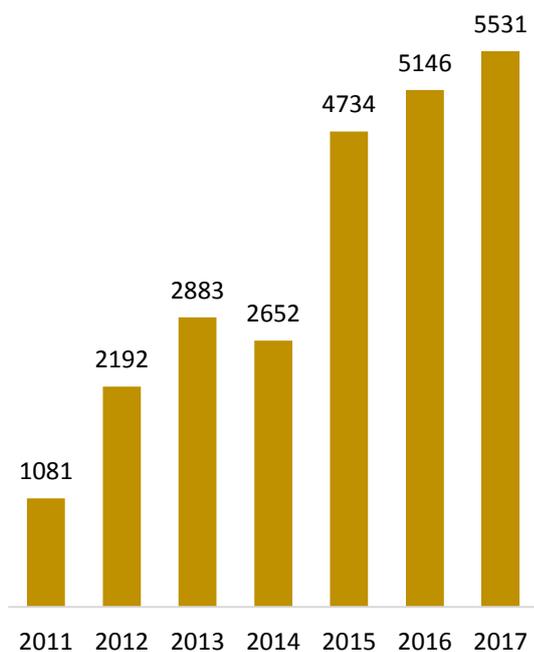
As a holding type company, Stara Planina Hold Plc does not carry out autonomous trade activity. The company has directed its activity mainly in the management of the subsidiary and associated enterprises.

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

Y2015	Y2016	Y2017
5 605	6 232	6 489
2	428	22
277	195	240
5 326	5 609	6 227
73	78	78
5 678	6 310	6 567

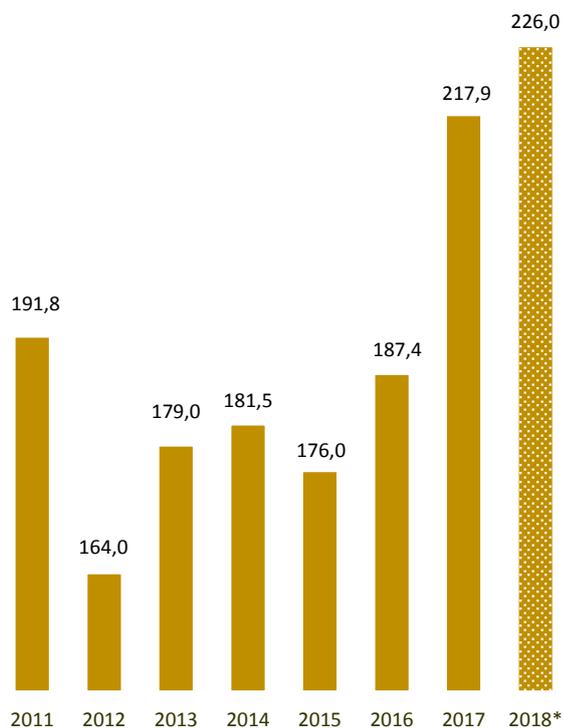


### Net unconsolidated profit

(BGN'000s)

The formed net profit for 2017 amounts to BGN 5,531 thousand at BGN 5,146 thousand in 2016, which represents a growth of 7,5%.

This is the highest net profit of the Holding history.



### Annual sales of all enterprises of Stara Planina Hold group

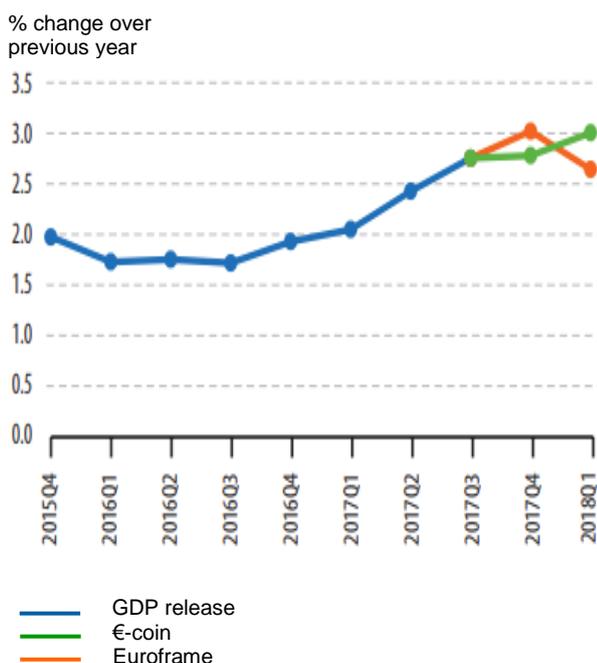
(million BGN)

Preliminary data, at the time of this report, show that the annual sales of the group companies have reached BGN 217.9 million. This marks an increase of 16.1% compared to Y2016 sales. The forecasts for 2018 show an increase in sales of about 3.7%.

\* forecast

#### 4. Risk factors for the activity

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



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 impact of global processes. Europe continues to be a secure and very predictable market for us.

The processes in the European economy and especially in the Eurozone are sluggish yet over the last year industrial manufacturing registered growth.

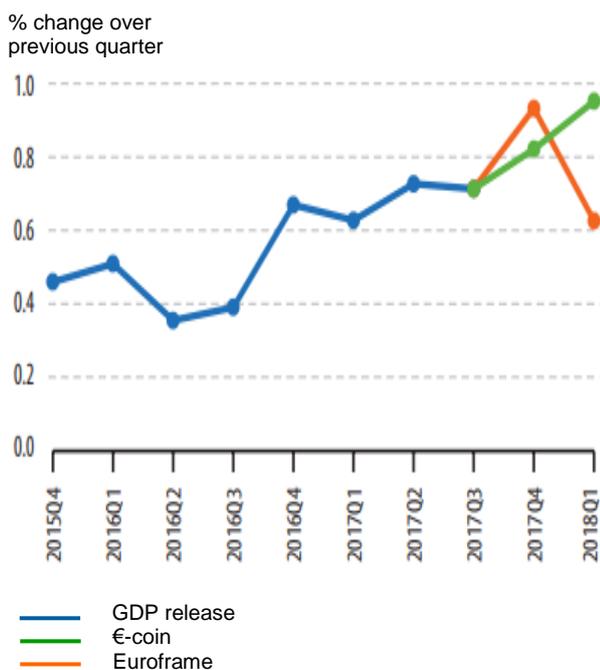
The short-term orders made by our traditional customers from Western Europe have now become an established practice. In that sense, there could be some fluctuations, which might have a positive or negative effect on our results.

**EUROSTAT** reported a 2.3% increase in the Eurozone GDP for 2017 and 2.4% in EU28 compared to 1.8 and 2.0%, respectively, in 2016. The annual growth of the Bulgarian economy is 3.5%.

Despite the slight drop in the rate of 0.8 percentage point month-over-month in the beginning of 2018, the economic sentiment indicator ESI grew annually from 108 to 114 points. The main reason for the overall decrease in confidence is that Eurostat still calculates data from the UK where the monthly drop is 1.6 percentage points and the annual decrease is 27.9%.

In 2017 industrial manufacturing in the Eurozone grew by 3.0% and by 3.3 in EU28, compared to 1.3% and 1.4%, respectively, for 2016.

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



Eurostat also registered the lowest unemployment rate since 2008. In January 2018 the Eurozone unemployment rate was 8.6%, in EU28 it was 7.3%, and in Bulgaria it stood at 5.9%. In January 2017 the Eurozone unemployment rate was 9.6%. The drop in the Eurozone unemployment rate means nearly 1.430 million new jobs.

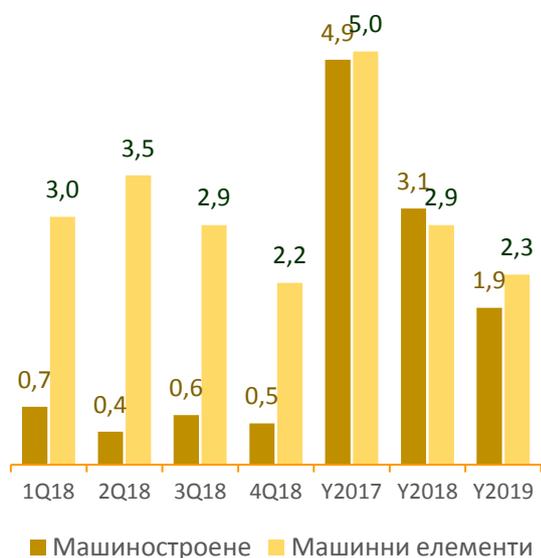
In 2017 the consumption of steel for the production of machine parts in the EU grew by 1.9% compared to 2.5% in 2016. Manufacturing in steel-consuming industries in the EU is expected to grow by 2.2% in 2018 and by 1.8% in 2019. This clearly shows that the growth potential of the European economy in the machine-building sector is not exhausted which is good news in the light of the worrying signals for the consumption in Asia. The anti-dumping process is expected to have a negative impact on the European economy.

Inflation processes are indicative of the business environment. For a second consecutive year the inflation in the Eurozone is positive and in February 2018 it was 1.2% on a 12-month basis. Energy costs account for the largest share in this rate.

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. The exchange rate of the Euro to the US dollar in 2017 remained within a narrow band of around 1.127. However, in February 2018 the average monthly exchange rate of the Euro to the US dollar reached 1.2347 compared to 1.0642 12 months earlier. The lower rate of the US dollar is due to the anti-dumping process and it is not clear where the end of this trend would be.

The change in the interest rates also has an effect depending on the share of bank and commercial loans taken. The global short-term interest rates are still at stable low levels with Euribor continuing in the negative, yet there is a slight but solid increase in the long-term interest rates in EU28 of over 1.8%. Stara Planina Hold Plc uses optimally the available resource in order to reduce the impact of the interest rate levels.

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



Factors which are expected to have an impact on the costs in 2018 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 will continue to have a negative effect on our manufacturing costs.

The optimistic forecasts of [EUROFER](#), published each quarter in 2017 were confirmed but were also increased over the subsequent periods.

Together with the optimistic data from Eurostat mentioned earlier in this report, EUROFER forecasts for 2018 are also firmly expressed in positive numbers. In the beginning of 2017, the European Steel Association issued a 2018 forecast of 2.3% growth in machine building and growth of 1.8% in the production of machinery components. The forecasts in the beginning of this year were increased to 2.9% and 3.1%, respectively.

There are risks associated with the potential changes in the demand for the manufactured products due to changes in price levels, quality, reliability, and the solvency 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 high-quality and promptly delivered goods.

## II. Analysis of major financial and nonfinancial indicators

### 1. Non-financial declaration

As the parent company in a large group, Stara Planina Hold Plc will include a consolidated non-financial declaration in the consolidated activity report.

The group companies have existing corporate social responsibility policies mostly with respect to the relationships between the company and its staff.

## 2. Environmental protection

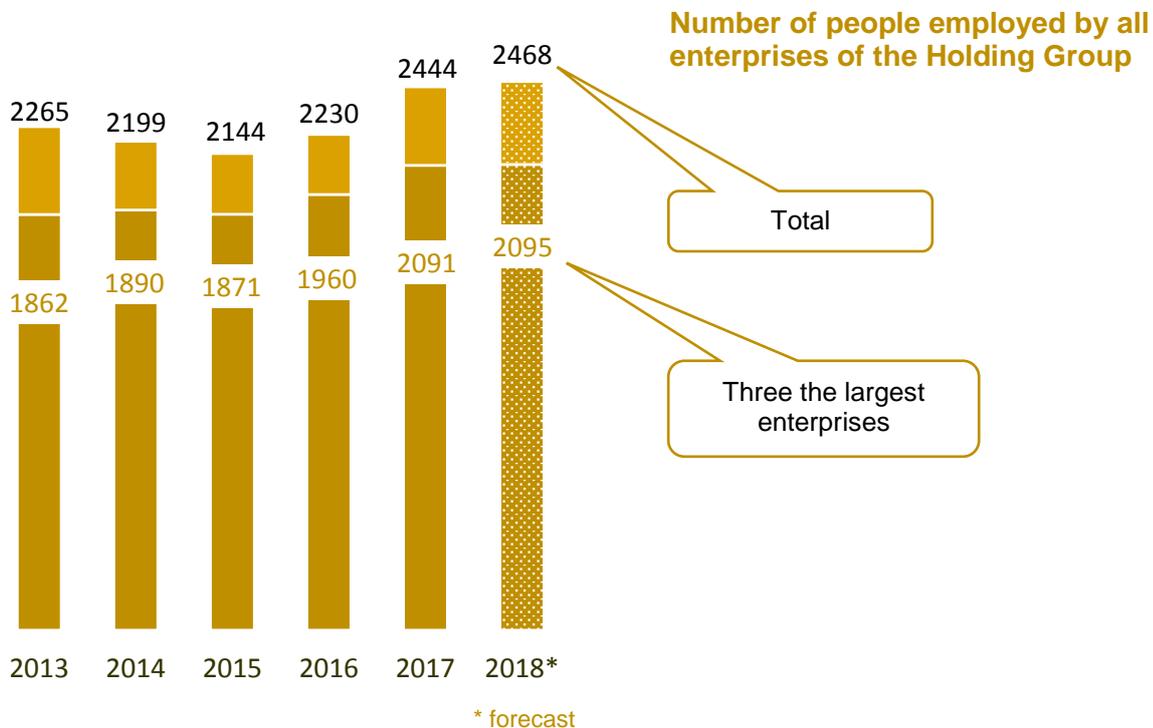
As a holding type company which does not carry out autonomous trade activity, Stara Planina Hold Plc has directed its activity mainly in the management of the subsidiary and associated enterprises. The holding gives special consideration to the impact on the environment which is exercised by our enterprises.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

## 3. Corporate social responsibility

The group companies have a functioning corporate social responsibility strategy mostly focused on the relationship between the company and the staff.

Every year Stara Planina Hold Plc participates in charity events of public importance.

Stara Planina Hold Plc contributed 25% of the capital for the founding of Medical Preventive Care Center which is to provide early diagnosis, treatment, rehabilitation and prevention services to the staff of the group companies.



In Stara Planina Hold Plc and the main companies in the group, some incentives and benefits are being provided on top of the statutory ones.

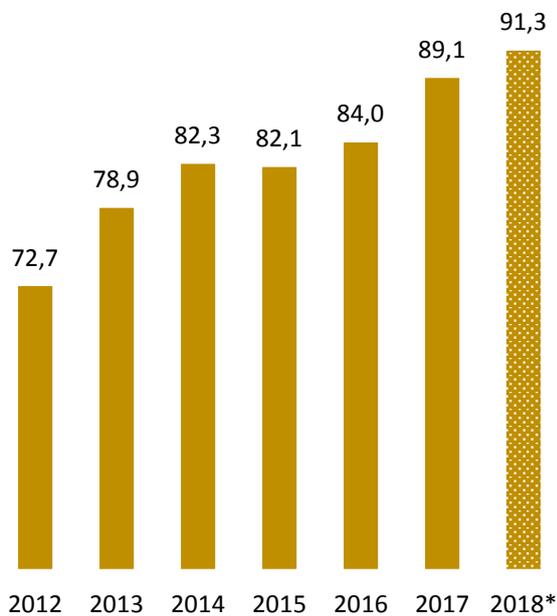
The monthly remuneration system applies elements of bonuses and incentives. Food vouchers are provided.

In addition to the legally required Occupational Injury Insurance, additional Life and Accident and General Illness insurance is also provided.

With regard to healthcare, great attention is paid to preventive medical practices.

Further professional training and qualification is a priority element of the corporate social responsibility.

### Labor productivity per employee in the group (BGN'000s)



\* forecast

One of the visible results of the applied policy is the increased productivity.

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.

In 2017 the number of the employees increased by 9.8% which is due to the new benefits. Labor productivity saw an increase of 6.0%. In 2017 the number of the employees increased by 9.8% which is due to the new benefits. Labor productivity saw an increase of 6.0%.

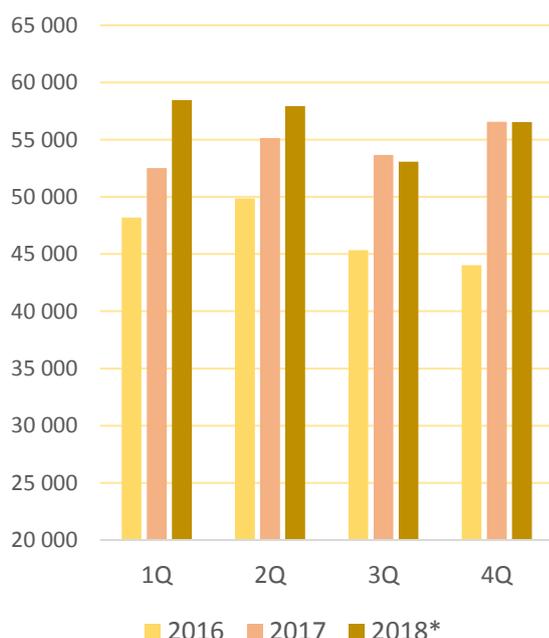
We foresee a 2.4% increase in productivity for 2018.

### III. 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.

#### IV. Projected development of the company and planned business policy

**Net sales revenue**  
(Quarterly, BGN'000s)



Stara Planina Hold Plc and the enterprises from our group bid good bye to another successful year. The first year of the third decade of Stara Planina Hold Plc is the most successful in the history of the group. Preliminary data show that the annual sales of the group enterprises have reached BGN 217.9 million, showing an increase of 16.24% compared to 2016. At the same time the net profit of Stara Planina Plc reached BGN 5,531 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.

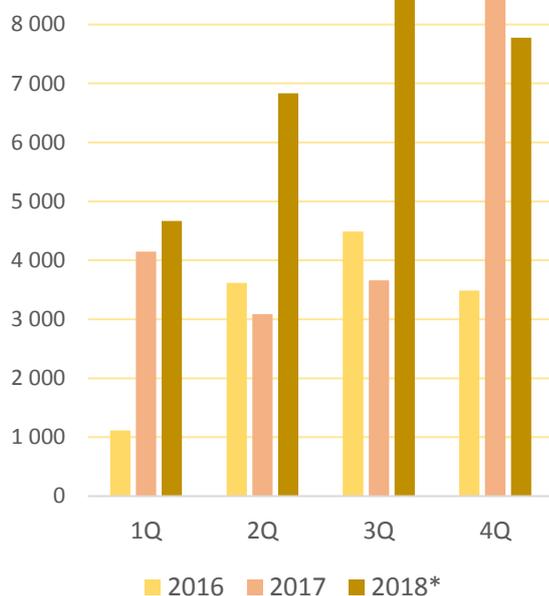
The level of our export is directly dependent on the markets in which the group operates – mainly in the EU. Throughout 2017, we managed to retain our main markets, including the markets in Russia. Regardless of this fact, the mutual sanctions between the EU and Russia continue to hamper our business in many areas.

The Board of Directors of Stara Planina Hold Plc expects the consolidated sales revenue to reach BGN 226.0 million in 2018, which represents an increase of 3.7% compared to the 2017 estimates.

The Board of Directors of Stara Planina Hold Plc maintains the forecasts for the beginning of 2018.

We expect the year-over-year rate of sales within the group to remain the same with the consolidated income from sales for 1Q increased by 11.3% compared to the beginning of 2017. In the 2Q, which is traditionally the strongest one, sales are expected to grow by about 5.0% on an annual basis with the first six months of 2018 performing stronger by 8.1% than the first six months of 2017. We expect for the second half of the year to be comparable with the same period of 2017.

## Investments (Quarterly, BGN'000s)



It is possible that these estimates won't be reached due to the non-market increase in the industrial electricity costs. 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 2018, 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 companies plan investments which would result in the launch of new products, higher productivity and better remuneration for the employed staff, respectively.

In 2017, the investments in the entire Stara Planina Hold Plc group reached BGN 19.3 million - 52% higher than the investments made in 2016.

In 2018 we will continue to have an active investment policy and we expect a new significant investment growth of 45% reaching BGN 28 million.

The companies 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 6% of the investments are to be made in the area of social activities.

This year, too, our top priority was to increase labor productivity and retain highly qualified professionals. The number of employees at the end of 2017 is 9.8% higher compared to the last quarter of 2016. At the same time, while the annual increase in the operating expenses of the group is around 16%, the increase in the wages and social security costs exceeds 24% and labor productivity has been increased by 6.0%.

## V. Research and Development Activity

In 2018 we plan to increase the following:

- Number of employees by 1.0%
- Labor productivity by 2.4%
- Wages by 5.8%.

The achievement of a good financial result at the expected production volume is a major task to accomplish so as to ensure the market capitalization of the companies of the group in view of guaranteeing shareholders' investments and their profitability.

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.

The companies have departments and units developing operations for process improvement, and research and development of new products. In 2017, too, the main objectives of the units carrying out R&D activities were focused on meeting the growing requirements of the customers by developing new types of products.

## VI. Company shares

### 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. The Board of Directors executed three reacquisition procedures during the period October 2009 – March 2015.

On 08.11.2016, Stara Planina Hold Plc sold 100,000 own shares at market value.

As of 31.12.2017, Stara Planina Hold Plc owns 121 265 own shares, constituting 0.58% of the capital of the holding. 50,000 shares are also owned by our subsidiary Slavyana Jsc.

Under the provision of Art. 187a, Para. 3 of the Commerce Act, the exercise of any rights, including the right to vote, on these 171,265 shares shall cease until their transfer.

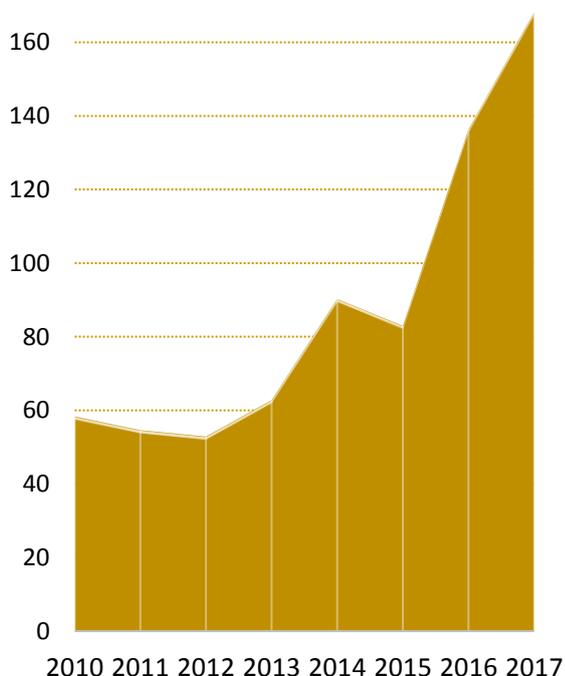
## 2. Changes in the company share prices

The average stock exchange price of one share on the last business day of 2016 was BGN 6.49 and on the last business day of 2017 – BGN 8.01.

The intensified activity of investors on the Bulgarian Stock Exchange resulted in wide discrepancy in relation to the movement of the most representative stock exchange index in Bulgaria SOFIX – in favor of the holding's stock, which reached an annual growth of 23.4% at an index increase of 15.2%.

At the time, the traded stock shares of the group companies of Stara Planina Plc also registered significant growth, in which the discount between the holding and the subsidiaries preserved its levels.

### Market capitalization (million BGN)



The market capitalization of Stara Planina Hold Plc reached BGN 168 million at the end of the year compared to BGN 136 million at the end of 2016. Four 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 shares. Traditionally the price of the holding is lower than the total price of its shares

## Share price over Y2017



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.

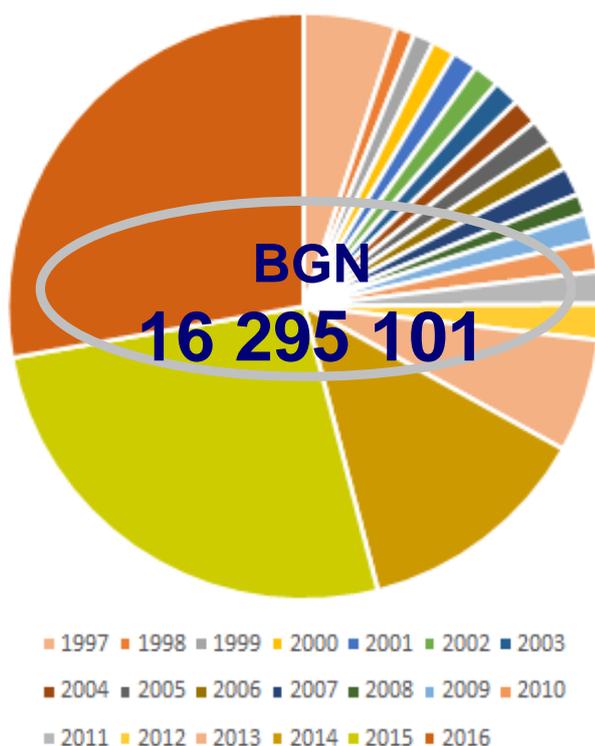
The shares of Stara Planina Hold Plc occupy segment “Standard” of the Bulgarian Stock Exchange. BSE code: **5SR**.

Stara Planina Hold Plc has a free float of 58.6% 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.

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

2012	2013	2014	2015	2016	2017
2.52	2.99	4.30	3.95	6.49	8.01

## 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 2017 is BGN 16.295 million. The initial investment in the holding company has dividend coverage of 9.3 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.

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.

## VII. Branches, Employees

Stara Planina hold Plc does not have any branches.

At the end of 2017, Stara Planina Hold Plc has a total of 4 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
- 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.

## VIII. 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. These annual financial statements are prepared in compliance with the International Financial Reporting Standards adopted by EU. The company continues to apply the same accounting policy as for the preparation of the 2016 annual financial statements.

The accounting policy of the Company is described in the Explanatory Notes submitted with the Annual Financial Statements.

In accordance with the accounting policy, the investments in the subsidiaries are reported under the historical cost method and the growth of the capital of these companies and it is not reflected in terms of current cost in the individual statements of Stara Planina Hold Plc.

The primary business operations of the company are sale, purchase and management of shares. The main portion of the 2017 revenue is formed by dividend revenues. This current revenue is used by Stara Planina Hold Plc mainly to finance the holding companies, fulfillment of the undertaken obligations under the adopted dividend policy as well as for administrative needs.

Throughout the reporting year, the accounting policy of the company has not changed from the previous reporting periods. No errors were found, both in the current and the prior reporting periods. Therefore, there are no adjustments due to errors or adjustments resulting from change in accounting policy, and no adjustments in approximate accounting estimates.

## 2. Major indicators for financial and accounting analysis

### Profitability Indicator

	31.12.2016	31.12.2017
K1	0,137	0,145
K2	0,128	0,132

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

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

### Efficiency Indicator

	31.12.2016	31.12.2017
K3	5,421	6,339
K4	0,184	0,158

**K3** Expenses efficiency ratio = Total income/Total expenses

**K4** Income efficiency ratio = Total expenses/ Total income

### Liquidity Indicator

	31.12.2016	31.12.2017
K5	5,828	3,499
K6	3,747	0,300

**K5** Total liquidity ratio = Current assets/short term liabilities

**K6** Quick liquidity ratio = (Short term receivables + Short investments + Monetary amounts)/short term liabilities

### Financial autonomy Indicators

	31.12.2016	31.12.2017
K7	15,365	10,806
K8	0,065	0,093

**K7** Financial autonomy ratio = Own capital/Borrowed amounts

**K8** Debt ratio = Borrowed capital/Own capital

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 analysis of the profit and expenditure efficiency for 2017 shows that per BGN 1 of expenses there were received BGN 5.42 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.

As in previous periods, in 2017 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.

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 4 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) and Bulgarian Rose Plc (stock exchange code 4BH).

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 31.12.2017 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. 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.

### 5. Exposition of the enterprise with regard to the 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 31.12.2017 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 3 – 4.5%.

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. Declaration of corporate management

### 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](#).

### 2. Implementation of the Code

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.

All internal regulations listed below may be found in the [Corporate Governance](#) section on the company website.

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 April 2016.

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 shall direct and control the company in a responsible and independent manner according to the vision, goals and strategies of the company and in the best interest of all shareholders. It shall monitor the performance of the company and initiate changes in the management of its operations, when necessary. The Board of Directors shall treat all shareholders equally; act in their best interest and in a diligent manner. The members of the Board of Directors shall base their actions on common principles of integrity and managerial and professional competence. The Board adopts and adheres to an Ethics Code.

The Board of Directors must provide and control the establishment and proper functioning of a corporate risk management system; establish and control the integrated functioning of the company financial and accounting systems; guide, approve and control the implementation of the company's business plan; material transactions; and all other operations and actions required by the company's Rules of Procedure. The Board of Directors reports its activity to the General Meeting of Shareholders. Upon proposing new members of the Board of Directors, the

principles of compliance of the candidates' competencies with the nature of the company's activities must be followed. The responsibilities, tasks, duty of care and duty of loyalty of Board members to the company as well as the criteria and level of remuneration and the conditions for removal from the Board should be stipulated by contract.

The number of members and the structure of the Board of Directors are determined by the Articles of Association. 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 basic function of independent directors is to oversee and control the functions carried out by executive management and to contribute effectively to the company's performance in the best interest of all shareholders and in respect of their rights. The Chairman of the Board of Directors should be an independent director. The members of the Board of Directors shall have the knowledge and experience required for the position they take; after their election the new members of the Board of Directors have to be familiarized with the basic legal and financial issues related to the company's activities and performance. Increasing the competency and upgrading the qualifications of the members of the Board of Directors is an ongoing practice and their training is encouraged.

The succession of the mandates ensures effective operation of the company and compliance with legal requirements.

The members of the Board of Directors have sufficient time to carry out their tasks and duties. The company's Rules of Procedure limit the number of management positions the members of the Board are allowed to hold in companies, outside the portfolio of Stara Planina Hold Plc as well as the number of consecutive mandates of the independent members. The size and the structure of the remuneration of the members of the Board of Directors are defined by the General Meeting of the Shareholders. They shall take the following into account: the responsibilities and contribution of each member, the availability and ability to select and retain qualified and

loyal members, the need to have the interests of the members of the Board of Directors aligned with the long-term interests of the company. The remuneration of the independent members of the Board of Directors is invariable. In compliance with a decision of the Shareholders, it also has a variable part.

The General Meetings of Shareholders adopted a Remuneration Policy for the members of the Board of Directors, which 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. The Remuneration Policy determines the specific additional incentives associated with certain performance and economic group indicators under clear criteria. Information on the remunerations of the members of the Board of Directors is disclosed in a special annual report which is a separate document to the Annual Financial Statements of the company. The policy defines the principles of forming the amount and the structure of the remuneration. The company has accepted general rules for the members of the Board of Directors, in which the functions and responsibilities of the Board as well as the appointment and release of members are stipulated.

The Board of Directors of Stara Planina Hold Plc has accepted procedures to avoid and disclose conflicts of interest. They oblige the members to avoid any actual or potential conflict of interest, while if necessary, they shall immediately disclose conflicts of interest and provide the shareholders access to information regarding transactions concluded between them, the company or any related party. On the other hand, every conflict of interest in the company shall be disclosed to the Board of Directors. Stara Planina Hold Plc does not and shall not allow transactions between the company and members of the Board of Directors and any related party.

With regards to the specifics of the company, the Board of Directors has determined the need to create an Audit Committee. The Audit

Committee operates under its own set of operating rules and schedule of activities. The audit committee supervises the internal audit process and monitors the overall relations with the external auditor, including the nature of non-audit services, provided by the latter. Its activities were focused on the increase of the effectiveness of financial reporting processes, the systems for internal control and risk management.

The Audit Committee shall, in accordance with the established professional standards and requirements, present in writing at the General Meeting of Shareholders a motivated proposal for the selection of external auditor.

The company has developed an internal control system which should also ensure the effective operation of the reporting systems and reveal information with regard to any material risks the company might face and their effective management.

The corporate management of Stara Planina Hold ensures the equal treatment of all shareholders, including minority and foreign shareholders and is responsible for the protection of their rights. It facilitates the exercising of these rights within the limits permitted by applicable law and in accordance with the internal rules of the company.

All shareholders have access to information regarding their rights.

All shareholders have access to information about the rules under which General meetings shall be convened and held, including voting procedures. The company shall provide sufficient and timely information concerning the date and venue of the General meeting, as well as detailed information on the issues to be discussed and decided on at the meeting. During the General Meeting of Shareholders, corporate management shall ensure that each shareholder has the right to express their opinion and ask questions during the General Meeting.

Shareholders have the right to vote at the General Meeting of the company themselves or through authorized representatives. Rules for Organization and Carrying-Out of Regular and Special General Meetings of Shareholders

have also been adopted guaranteeing the 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 rules 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 an 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 in the agenda, including the proposal for the distribution of profit. The rules for organizing and holding General Meetings ensure a mechanism for cooperation with shareholders who have made use of their right to add further items and to propose resolutions on issues already included in the agenda. The decisions of the General Meeting are published on the company's website for a period of 10 years. The company has not emitted shares of a different class. The company has no shareholders with control rights.

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. In 2017, too, 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 an established policy and system for disclosure of information in accordance with legal requirements. It guarantees equal access to information to all

stakeholders (shareholders, interested parties, investment community) and prevents abuse of insider information. The system for disclosure of information ensures full, timely, accurate and understandable information, which allows for objective and informed decisions and assessments. The holding has internal rules for the preparation of the annual and interim reports and rules for disclosure of information.

The company maintains its own website 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 10 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. Public access is provided to data on 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 contain 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. During this year the company, once more, uses two media that provide equal and timely access to the relevant information to the users: Infostock.BG and X3 News.

The corporate management of Stara Planina Hold Plc ensures the effective interaction with the stakeholders, identified by the company as such. The policy regarding stakeholders complies with the legal requirements and is in accordance with the principles of transparency, accountability and business ethics. A policy has been adopted that takes into account the interests of stakeholders and guarantees the balance between company development and the environment, in which it operates. Effective relations are maintained with the stakeholders. The company periodically informs shareholders, stakeholders and the investment community about various important issues. The internal rules were supplemented by commitments regarding the provision of comprehensive information and the interaction of the company with its shareholders, who are institutional investors, as well as with the Bulgarian Stock Exchange – Sofia Plc, which is a regulated market of financial instruments and with the investment firms on this market. The company's shares are not tradable under another jurisdiction.

Stara Planina Hold Plc participates actively in various forms of joint collaboration with state institutions and non-government organizations that are concerned with corporate management within the country. Throughout the reporting year we, once again, recognize the benefit of our collaboration and membership in the Bulgarian Industrial Capital Association. The Directors of Investor relations of the holding and the public subsidiaries are members of the Association of Bulgarian Investor Relations Directors. The holding has appointed its representative in the National Corporate Governance Committee.

The control related to the disclosure of information by Stara Planina Hold Plc is multidirectional. To date, there have been no violations of the rules and the deadlines for disclosure. The financial reports are published on the website of the holding immediately after they are sent to the regulating authority and to the public, which allows an opportunity for

control by the shareholders, investors and all stakeholders. Another form of control over the process of disclosure of information is exercised by the members of the Board of Directors over the Director of Investor Relations.

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

### **3. Assessment of the implementation of the code**

With the changes to the National Corporate Governance Code in April 2016 and the changes in legislation from mid-2017, the implementation of the code is a process, which will continue throughout the current year.

In order to bring the activities to compliance with the National Corporate Governance Code, in February 2017, the internal rules and policies of the company were updated. New rules on the activities of the Audit Committee were adopted, which will be proposed for approval at the General Meeting of Shareholders.

The review of the code in regards to implementation of the underlying principle of “adhere or explain” leads to the conclusion that the company, as a whole, complies with the Code.

The implementation of the recommendations in the Code is the responsibility of corporate management. In this sense, the application of specific texts of the Code does not depend on corporate management, insofar as the appointment of members of the Board of Directors is a right and prerogative of the Shareholders.

In conclusion, we can summarize that the activities of the Board of Directors of Stara Planina Hold Plc throughout 2017 complied with the National Corporate Governance Code.

### **4. Internal control and risk management system**

The management of the holding prepares an annual operations report, as well as a financial statement for every financial year, which gives an accurate and honest estimate of the financial status of the company at the end of the year, operational financial results, and the cash flows in compliance with the applicable accounting framework. The management’s responsibility includes the implementation of internal control system aimed at the prevention, detection and rectification of errors and false statements, resulting from application of the accounting system. In this regard, the management observes the following principles in its activities:

- Adherence to a specific management and accounting policy, disclosed in the financial statements;
- Performance of all operations in accordance with the laws and statutory regulations;
- Coverage of all events and operations in a timely manner, with the accurate sums in the appropriate accounts and for the respective reporting period, so as to permit the preparation of the financial statements in accordance with the specifically set accounting framework;
- Compliance with the principle of prudence in the validation of assets, liabilities, revenue and costs; detection and termination of fraud and errors;
- Completeness and correctness of the accounting information;
- Preparation of reliable financial information; adherence to international financial reporting standards and compliance with the going concern principle.

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

The company has no significant direct or indirect shareholding participation (including indirect shareholding participation via pyramid structures and cross-shareholding) within the meaning of Art. 85 of Directive 2001/34/EC. There are no holders of securities with special control rights. There are no restrictions on voting rights. The rules that regulate the appointment and replacement of members of the Board of Directors and the introduction of amendments to the Memorandum are specified in the published Articles of Association of the company and are not regulated by the corporate management. Shareholders can make the decision for buy-back or issuance of shares in accordance with law. The Articles of

## **7. Information about the Board of Directors**

### **Board of Directors**

- Evgeniy Vasilev Uzunov – Chairman of the Board of Directors
- Vasil Georgiev VeleV – member of the Board of Directors and Executive Director

Association have also provided authority to the Board of Directors to issue shares.

## **6. Equal opportunities policy**

The company does not apply an equal opportunities policy with regard to the management body in aspects such as age, gender or education and professional experience.

The management structure is defined in the Articles of Association. The Board of Directors consists of three natural persons and one legal entity, which has in turn appointed a natural person as its representative. The appointment of members of the Board of Directors is a right and prerogative of the shareholders.

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.

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

- Finance Invest LTD, town of Plovdiv, resented in the Board of Directors by Spas Borisov Videv
- Stefan Atanasov Nikolov – member of the Board

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.

The next sections of the report contain 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.; Bic Hold Ltd. – Sofia; Garant-5 Ltd. – Plovdiv; Velev Invest Ltd.; Interfininvest Jsc. – Etropole
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. Ves Trade Ltd.	Prisma-Lux Ltd., B&V Coffee Ltd., Radix Bulgaria Ltd., Agora-22 Ltd, ALPA-2000 Ltd., Herbstmond Bulgaria Ltd, Boryana Ltd.

## **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 2017 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 31.12.2017 Stara Planina Hold has no obligations on loans.

As of 31.12.2017 the subsidiaries have no obligations on loans.

*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.*

Contract dated 04.03.2008 with Socks BG Ltd, amounting to BGN 180,000 with maturity till 04.03.2018 at 4.5% annual interest.

Contract dated 09.11.2009 with Socks BG Ltd, amounting to BGN 195,000 with maturity till 09.11.2018 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 01.10.2018 at 3% 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 6,500,000 with one-year maturity at 3% annual interest.

Contract dated 16.05.2016 with Boryana Jsc, associated company of Stara Planina Hold amounting to BGN 500,000 with maturity till 16.05.2018 at 4.5% annual interest. Balance at end of the period BGN 470,000.

Additional cash contribution, according to Art. 134 of the Commercial Act, amounting to BGN 200,000 in the capital of Ustrem Ltd, associated company of Stara Planina Hold Plc.

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 22.02.2019 at simple annual interest of 3% and quarterly interest payments.

Contract dated 03.09.2012 for loan granted by ELBAT Jsc amounting to BGN 1,500,000 with maturity till 30.12.2018 at simple annual interest of 3.2%.

Slavyana Jsc. Contract dated 05.10.2016 for loan granted by Garamt-5 Ltd amounting to BGN 1,610,000 with maturity till 05.10.2020 at simple annual interest of 3.5%.

*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 IX 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 31.12.2017 the Board members hold shares of Stara Planina Hold AD as follows:  
Evgeniy Vasilev Uzunov, 195414, 0.93%  
Change to 31.12.2016 – 193534, 0.92%  
Vasil Georgiev VeleV, 375100, 1.79%  
Finance Invest LTD, 219408, 1.04%  
Stefan Atanasov Nikolov, 7000, 0.03%  
TOTAL 796922, 3.79%.

There are no other changes in the ownership of shares by the members of the Board compared to the end of 2016. 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. 9<sup>th</sup> 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 2017, Stara

Planina Hold Plc has 22,406 shareholders natural persons own 38.5% of shares and 70 legal entities own 61.5% 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 31.12.2017:

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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## **Media**

Stara Planina Hold Plc discloses statutory information to the public through information agencies or media of its choosing. You can find a list of these here: [Link](#)

Vasil Velev –Executive Director

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This document contains information regarding the published estimates feasibility, future period forecasts, as well as data, which constitutes proprietary information pursuant to Art. 7 Regulation (EU) No 596/2015 on market abuse. This information could have significant impact on the price of shares issued by the company.