



STARA PLANINA HOLD PLC

ACTIVITY REPORT

For 2021

This document contains information on the possibilities for realization of published forecasts as well as future periods forecasts as well as data representing inside information under Art. 7 Regulation (EU) No 596/2014 on market abuse (Market Abuse Regulation). This information could significantly affect the price of the shares issued by the company.

STARA PLANINA HOLD PLC – 25 years of success!

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Introduction

The annual activity report of Stara Planina Hold Plc presents comments and analysis of the financial statements and other relevant information regarding the financial standing and operational results of the company. The Report contains an objective review which presents truly and fairly the development and operational results of Stara Planina Hold Plc as well as its condition together with a description of the main risks the company faces. It includes the information pursuant to art. 39 of the Accountancy Act, Art. 100n, para. 7 of the Public Offering of Securities Act (POSA) as well as art. 10 of Ordinance № 2 of the Financial Supervision Commission.

STARA PLANINA HOLD PLC is a public company within the meaning of Art. 110 of the Public Offering of Securities Act. The company is the successor of Central Privatization Fund AD, incorporated on 27 September 1996. The holding company has shareholdings in the capital of industrial enterprises operating in various fields of production. It actively participates in the development of the Bulgarian industry by achieving European and world quality level and profitability.

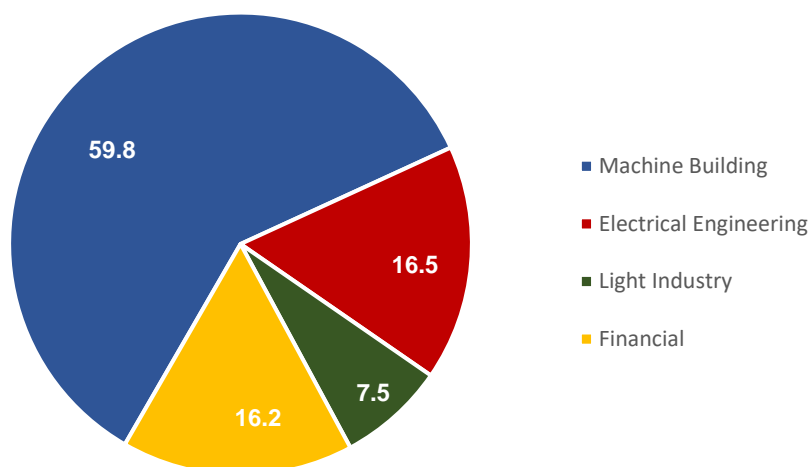
I. Activity overview

1. Indicators characterizing the main activity results

Indicator (BGN'000)	Y2019	Y2020	Y2021
Income from main business activity	7 637	6 432	9 278
Profit from main business activity	6 427	5 075	7 800
Net profit from operations	6 427	5 075	7 800
Net profit per share (BGN)	0.306	0.242	0.371
Total assets	45 226	46 086	49 430
Net assets	39 578	39 569	42 550
Shareholders' capital	20 774	20 774	20 775
Dividend per share (BGN)	0.246	0.249	

Investment portfolio structure

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



2. Investment Portfolio Standing

Major investments in the portfolio of Stara Planina Hold Plc as of 31.12.2021:

Investments in subsidiaries

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

Investments in associates

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

Investments in other companies

Asset Insurance AD	20.00 %
Leasing Company Jsc	5.00 %

3. Operational results

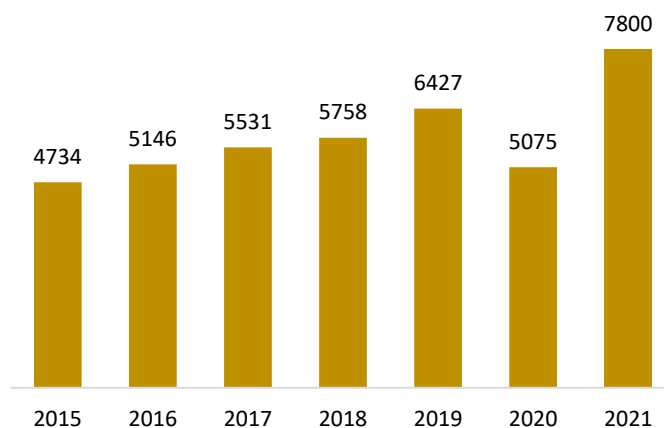
As a holding company, Stara Planina Hold Plc does not perform independent commercial operations. The company has focused its activities primarily on the management of its subsidiaries and associates.

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

INCOME (BGN'000)	Y 2019	Y 2020	Y 2021
Financial Income	7381	5905	8 243
Income from Interests	257	269	281
Income from Dividends	7124	5633	7 708
Other	256	527	1 035
Total Income	7637	6432	9 278

Net unconsolidated profit

(BGN'000)



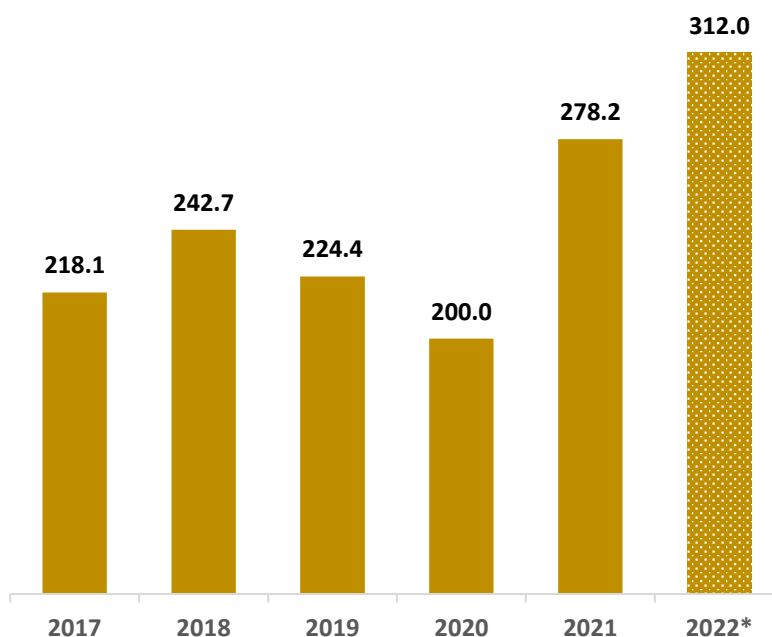
The net profit of Stara Planina Hold AD as of 31.12.2021 reached BGN 7.8 million which is a 53.69 % increase compared to the reported net profit in the amount of BGN 5.1 million for the previous year and an increase by 21.36 % compared to the 2019 net profit.

As of the date of this report the sales of the companies in the Group for the whole of 2021 reached BGN 278.2 million which means that sales revenues as of 31.12.2021 reported almost 40% growth compared to the sales in 2020 and an increase by 24 % compared to reported sales in the pre-crisis year 2019.

Based on the results achieved in the first months of 2022, we expect sales in the first quarter of 2022 to be nearly 7 % higher than the business plan exceeding BGN 84 million. With this result we will report an increase by 32.5 % over the same period of 2021 and an increase by 49 % compared to the first quarter of 2020. We expect revenues for the first half of 2022 to grow by nearly 22 % over the same period of the previous year.

Based on the results achieved in the first months of 2022 and the updated forecast for the first quarter of 2022, we revise the sales forecast for 2022 by 2 % and expect them to reach BGN 312 million.

Annual sales of all companies within the Group (million BGN)



* forecast

4. Risk factors for the activity

The forecast data and indicators provided in this report are stated before reviewing the impact of Covid-19 on our business. A statement on the impact of Covid-19 is made in section IV of the Report.

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

Major risks and uncertainties for Stara Planina Hold Plc are related to the possibility for the actual income from a given investment not to correspond to the expected one which is conditioned by the successful activities of the companies in the Group. In this sense, the main risks for Stara Planina Hold Plc and the companies in the Group for 2021 and in the following financial periods are:

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

The macroeconomic forecasts of the ECB's experts as of December 2021 foresee real GDP growth of 5.1 % in 2021, 4.2 % in 2022, 2.9 % in 2023 and 1.6 % in 2024. Compared to the September forecasts, expectations have been revised downwards for 2022 and upwards for 2023. Real GDP growth (excluding the euro area) is expected to rise to 6.0 % in 2021, then slow to 4.5 % in 2022, to 3.9 % in 2023 and to 3.7 % in 2024. The revision mainly reflects the negative impact of the current supply difficulties on the world imports which are expected to start decreasing as from the second quarter of 2022 and disappear completely by 2023. The future course of the pandemic remains a key risk affecting baseline forecasts for the global economy.

Pursuant to data of the National Statistical Institute, in December 2021 the composite indicator "business climate in industry" in the country decreased by 0.7 percentage points. The assessments of industrial entrepreneurs for the current business situation of enterprises have worsened and their expectations for the next six months are more reserved. At the same time, there is a certain decrease of the production assurance with orders. The uncertain economic environment and labor shortages continue being the main problems for business development in Bulgaria. In the fourth quarter of 2021 the gross domestic product (GDP) of Bulgaria increased by 4.5 % compared to the respective quarter of the previous year and by 1.0 % compared to the third quarter of 2021 according to the seasonally adjusted data.

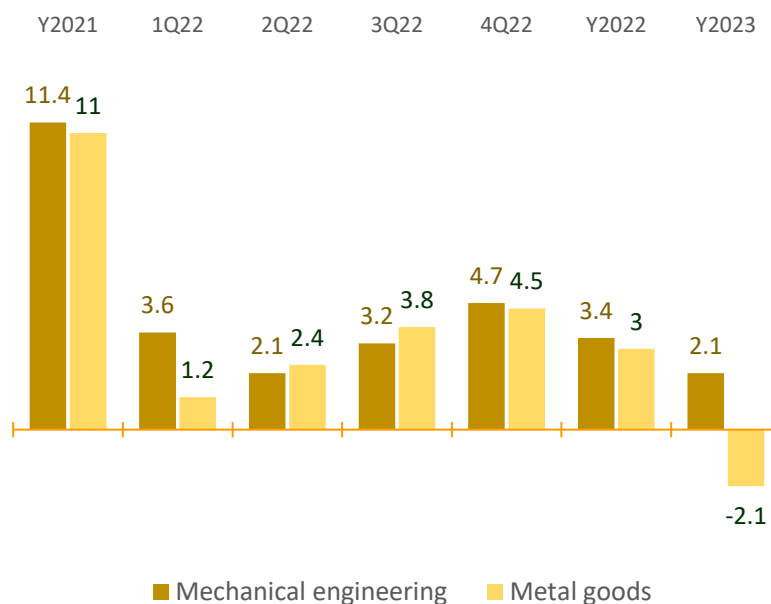
EUROSTAT reported seasonally adjusted GDP growth of 0.3 % in the euro area and 0.4 % in the EU in the fourth quarter of 2021, compared to the previous quarter, according to preliminary data. In the third quarter of 2021, GDP grew by 2.3 % in the euro area and by 2.2 % in the EU. Compared to the same quarter of the previous year, seasonally adjusted GDP grew by 4.6 % in the euro area and by 4.8 % in the EU in the fourth quarter of 2021.

According to EUROSTAT data, in December 2021 seasonally adjusted industrial production increased by 1.2 % in the euro area and by 0.7 % in the EU compared to November 2021, and compared to December 2020 industrial production increased by 1.6 % in the euro area and by 2.5% in the EU. The average annual industrial production for 2021 compared to 2020 increased by 7.8% in euro area and by 8.2 % in the EU.

The ESI economic confidence indicator for the EU decreased further in the euro area in January 2022, falling by 1.1 percentage points to 112.7 per month but overall remains high.

According to **EUROFER** (European Steel Association), despite the ongoing pandemic and disrupted supply chains, the steel sectors saw their third consecutive year-on-year growth (+ 3.2%) in the third quarter of 2021. This trend peaked in the second quarter when they reached the most serious growth rate of + 29.6%. This is due to the recovery of industry but is also the result of a comparison with the record low levels of the second quarter of 2020. EUROFER forecasts that total production of steel sectors will recover in 2021 (+7.6%, revised down from + 8.5% in the previous forecast) and grow more moderately in 2022 (+ 4.0%) and 2023 (+ 2.4%).

Production Growth Forecast (E-28, % change YoY)



According to EUROFER, production in the mechanical engineering sector increased by +10.2 % in the third quarter of 2021. Recovery in orders and output is underway, but remains fragile and exposed to risks. Among those, the general uncertainty of the economic recovery as long as the COVID-19 threat is not over, and the ongoing global supply chain issues which are considerably disrupting industrial activity in the EU as well as in other world economies. After a sharp fall (-11.9%) in 2020 following flat growth in 2019, mechanical engineering output is set to rebound (+11.4%) in 2021 and, at a much more moderate pace in 2022 (+3.4%) and 2023 (+2.1%). Despite the heavy toll of the pandemic, manufacturing has bounced back quickly - albeit at historically low levels of output - due to the relatively strong reliance of the EU mechanical engineering sector on export markets, the investment climate and global trade recovery.

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

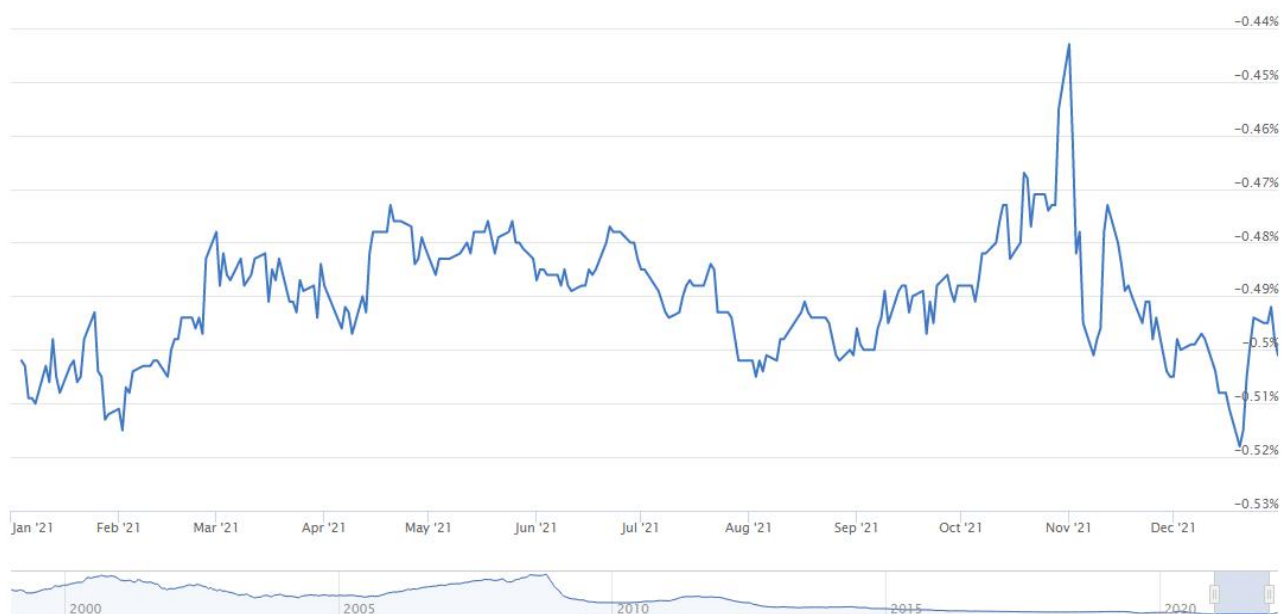
The interest rate risk is related to changes in the levels of the market interest rates, which could lead to an increase in the interest expenses and a corresponding decrease in the financial result of the companies in the Group. In 2021 the BNB's key interest rate was 0% and remained unchanged.

At its monetary policy meeting in December 2021, the Governing Council of the ECB revised its assessment on the state of economy and the measures taken against the pandemic by reaffirming the ECB's key interest rates.

The change in the interest rates also has an effect depending on the share of bank and commercial loans taken. In 2021, Euribor continues maintaining negative positions with the annual trend over the last 4 years being steadily downward. In November 2021 a strong upward trend was reported, followed by a sharp decline in the last month of the year and at the beginning of this year the trend recovered from the beginning of 2021.

12-month EURIBOR

(01.01.2020-31.12.2020)



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

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

The December 2021 ECB staff macroeconomic projections foresee annual inflation at 2.6% in 2021, 3.2% in 2022, 1.8% in 2023 and 1.8% in 2024 - significantly higher than in previous September forecasts. Inflation (excluding energy and food) is expected to average 1.4 % in 2021, 1.9 % in 2022, 1.7 % in 2023 and 1.8 % in 2024 and is also higher than in the September forecasts. The ECB expects energy prices to stabilize in 2022, consumer habits to return to normal and price pressures stemming from global supply difficulties to ease.

From the beginning of 2021 the companies in the Group of Stara Planina Hold Plc report a significantly higher growth of prices (as opposed to the forecasted and reported inflation) of raw materials and energy, which respectively affects production prices. By the end of 2021, the accumulated growth of raw material prices for the companies in the Group compared to January 2021 in some cases reaches 60-70. The shock increase in the price of electricity for non-household consumers from the middle of the year, the non-market mechanism for its determination, as well as the unpredictability of the expected price growths represent a serious risk not only for the companies in the holding's portfolio but also for the entire Bulgarian economy, including the health and social spheres as well. Initiation and consistent implementation of sustainable policies, ensuring the adequate functioning of the energy sector in the country, in addition to the already taken temporary measures, are essential for both the industry and the social development of our country as a whole.

The systematic currency risk is the probability of a possible change in the currency regime of the country (currency board) which would lead either to the devaluation of the lev or to the appreciation of the lev against foreign currencies. According to the current legislation in the country, the Bulgarian lev is fixed to the common European currency - euro in the ratio EUR 1 = BGN 1.95583 and the risk of depreciation of the lev against the European currency is minimal, but there is a risk

of adverse changes in the euro against other major currencies, such as the US dollar, the Swiss franc, the British pound and others.

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

Changes in the values of currencies have a certain effect and are a risk factor for the activity. Exchange rates affect revenues from sales abroad and the cost of supplies of imported raw materials. The average exchange rate of the euro against the US dollar in 2021 ranged from 1.11 to 1.22. The annual growth of the average monthly US dollar /BGN exchange rate at the end of 2021 is 7.6 % in favor of the lev.

Political risk: As of the date of this Report the National Recovery and Resilience Plan of the Republic of Bulgaria has not been officially approved yet and the respective funds provided to support the recovery of the business have not been received. The accession of our country to the instruments for participation in the European Plan "Next Generation EU" and the Multiannual Financial Framework of the European Union, as well as the timely implementation of adequate measures to support the investment climate in the country continue to pose a risk of unequal Bulgarian business compared to its European competitors and by slowing down the pace of recovery of our country.

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

Influence of the main risks and uncertainties

Indications from our partners that machine-building industry, where the majority of the holding's investments are concentrated, is overcoming the shock of the Covid crisis worldwide are consolidated for another quarter. However, the consequences of the Covid crisis are proving to be only one of the major problems the global economy, and the European economy in particular, is facing. Disturbed supply chains, energy prices and the forced withdrawal of industrial production from Asia to Europe appear to be serious challenges.

Factors expected to affect costs in 2022 are market prices of raw materials and production materials, regional market price of labor and energy prices. The non-market determination of a significant part of the components of the electricity price in Bulgaria, the anti-market behavior of large electricity producers and traders and the unpredictability of the expected increases in energy price levels will pose a serious risk not only to the financial results of the Group but also on the whole Bulgarian economy.

According to information from December 2021, the Governing Council of the ECB assesses the risks to the economic outlook as generally balanced. Economic activity may exceed the ECB's expectations if consumers are more confident and save less than expected. To the contrary, the recent deterioration of the pandemic, including the spread of new modifications, could prove to be a longer-lasting brake on growth. The future trend of energy prices and the way supply difficulties are being overcome pose risks to the recovery and to the inflation forecast. If price pressures are fueled

by larger-than-expected wage increases, or if the economy returns to full capacity more quickly, inflation may be higher.

Economic growth continues to be shaped by the pandemic, with many EU countries under pressure from a combination of increased strain on healthcare systems and staff shortages due to illness, precautionary quarantines or care duties. Logistic and supply bottlenecks, including shortages of semiconductors and some metal commodities, are also set to keep weighing on production, at least throughout the first half of the year. Last but not least, energy prices are now expected to remain elevated for longer than expected in the Autumn Forecast, thereby exerting a more protracted drag on the economy and higher inflationary pressures.

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

Given the escalation of the conflict in Ukraine, as of the date of this notice, we assess the risks associated with securing the supply of materials, as well as the sale of finished products to partners related to the affected region as highly increased. Along with the threat to the European and regional stability, the situation puts an additional risk to the energy supplies and opportunities for sustainable economic growth. We expect inflation in Bulgaria, which accelerated for the 12th consecutive month in February 2022, reaching 10 % compared to 9.1 % in the previous month, to continue growing significantly due to the geopolitical tensions.

II. Analysis of major financial and nonfinancial indicators

1. Non-financial declaration

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

2. Environmental protection

As a holding company with no independent commercial operations, Stara Planina Hold Plc has focused its activities primarily on the management of subsidiaries and associates. The holding company pays special attention to the environmental impact of the production of our companies. They annually report on the assessment of the impact on the environment and the measures taken in this direction.

3. Corporate social responsibility

The companies in the Group have corporate social responsibility policies in place mostly with respect to the relations between the company and its personnel.

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

Stara Planina Hold Plc holds 25% of the capital of Medical Preventive Care Center which is to provide early diagnosis, treatment, rehabilitation and prevention services to the personnel employed in the companies within the Group.

In Stara Planina Hold Plc and the main companies in the Group, incentives and benefits are being provided in addition to the statutory ones.

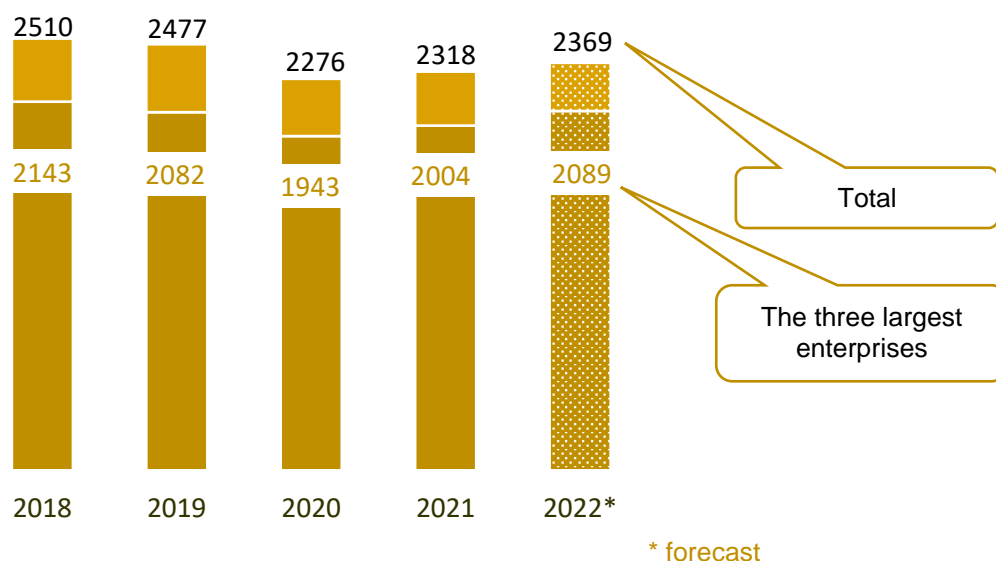
The monthly remuneration system applies elements of bonuses and incentives. Food vouchers are provided.

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.

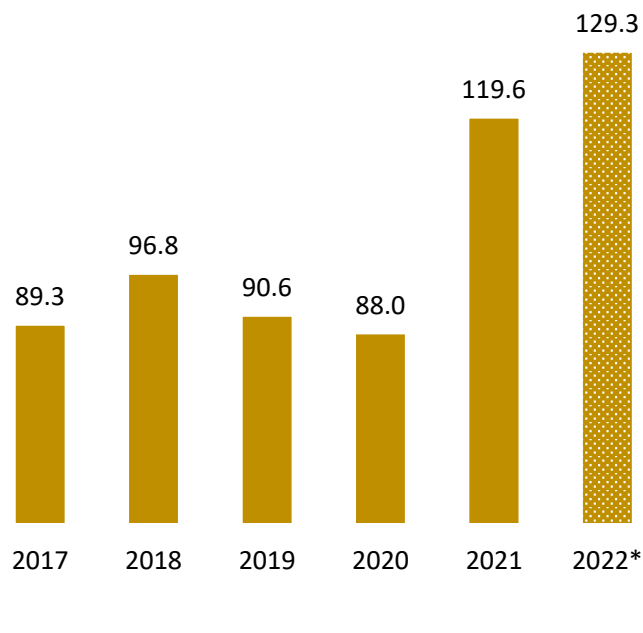
Further improving professional qualification and retraining is a priority of corporate social responsibility.

Number of people employed by all enterprises of the Holding Group



In 2021 the number of employees in the Group of Stara Planina Hold Plc reported a slight increase by 1.8 % as the main reason is related to the impact of the crisis and the restrictive measures aimed at limiting the spread of Covid-19.

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



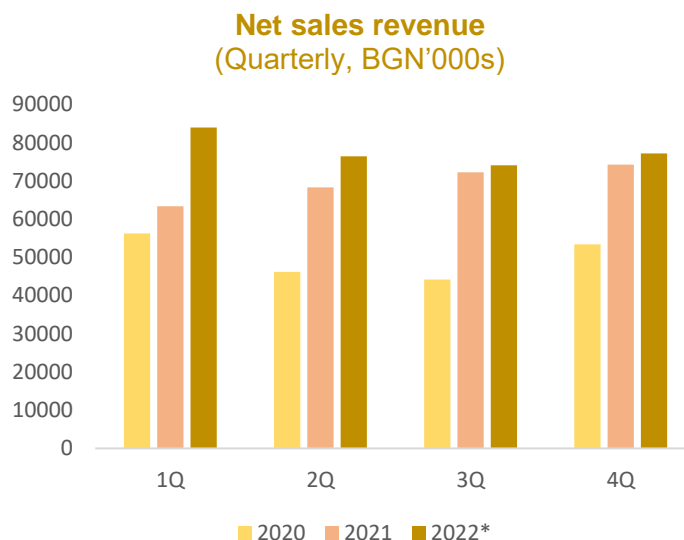
Against the background of the indicated increase in the number of employees in the Group, labor productivity reported an increase by 35.91% compared to the previous 2020.

With the expected growth of sales revenues in 2022 by nearly 12 % we anticipate a minimal increase in the number of employees in 2022 by approximately 2 % with an expected growth of labor productivity of over 8 % and growth of the average salary in the Group companies of Stara Planina Hold Plc by over 10.7 % on an annual basis.

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 with the exception of the military conflict in Ukraine which increases the risks associated with securing supplies of materials as well as the sale of finished products to partners related to the affected region.

IV. Expected development of the company and planned business policy



* forecast

Stara Planina Hold Plc and the companies in our group sent off a dynamic and difficult to predict year during which, despite the effects of the restrictive measures following the Covid-19 pandemic, we managed to achieve high levels of sales and results ahead of the pace of recovery and growth of the European economy.

The consolidated sales revenues of the Group for the first half of 2021 reached BGN 131.7 million and reported a 28.5 % growth compared to the sales for the same period of 2020 and a 7.4% increase compared to the sales for the first half of the pre-crisis 2019. The net consolidated profit of the Group for the first half of 2021 reached BGN 16.6 million thus reporting a growth by over 125 % compared to the previous year and an increase by over 47 % compared to profit of the Group for the first half of 2019.

In the second half of 2021 we reported revenues amounting to BGN 146.49 million which is a 50.1 % growth compared to the second half of the previous year and an increase by 43.9 % compared to the second half of 2019.

The annual sales of the companies in the Group reached BGN 278.2 million which means that the sales revenues as of 31.12.2021 reported almost 40 % growth compared to the sales in 2020 and an increase by 24 % compared to the reported sales in the pre-crisis 2019.

At the same time, the net profit of Stara Planina Hold Plc reached BGN 7 800 thousand which gives us confidence that for another year part of it will be distributed as a dividend to the shareholders of the holding.

Forming the holding's profit is a process that is highly dependent on the mood of our markets. Despite the arrhythmic manifestation of the pandemic impact and the measures taken by the governments and the EC, disrupted supply chains, growth in energy prices and the sharply accelerating inflation, the expected gross profit of the Group for 2021 amounts to BGN 33.0 million which is an increase by 41.41 % compared to the reported gross consolidated profit for the previous year and an increase by almost 68 % compared to the 2019 gross consolidated profit.

The level of our export is directly dependent on the markets where the Group operates – mainly in the European Union. Throughout 2021 we managed to retain our main markets and the expectations of our main customers are to increase order levels. We anticipate the growth in consolidated sales revenues to continue in 2022.

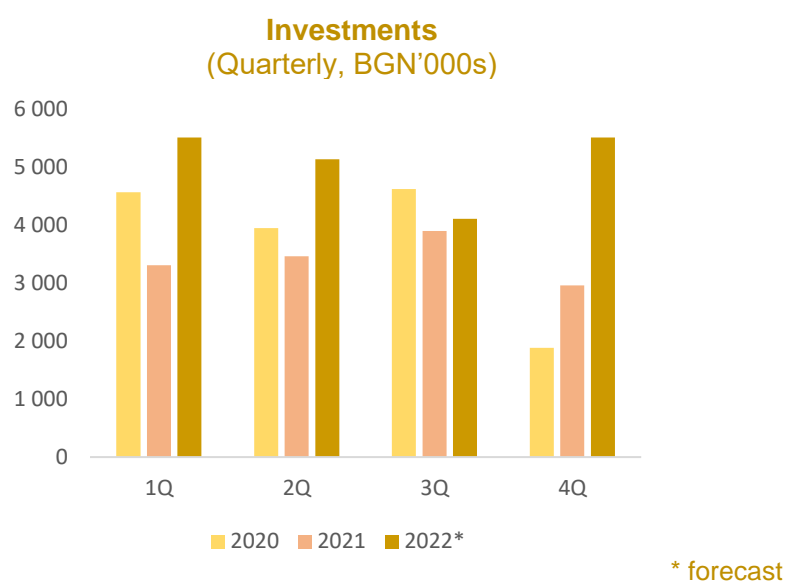
The Board of Directors of Stara Planina Hold Plc maintains the announced forecasts for the beginning of 2022. The growth in consolidated sales revenues is expected to continue in the first half of 2022 and we expect it to reach 22 % compared to the first half of 2021 and for the second quarter to reach 4.0 % on an annual basis. Based on the optimistic results from the first months of the year the Board of Directors of Stara Planina Hold Plc expects consolidated sales revenues in 2022 to exceed BGN 311 million which means an increase by over 11 % compared to 2021 and an increase by almost 55% compared to 2020.

It is possible that our estimates will not be reached due to the influence of external factors. The EU economy continues being posed at risk and apart from the major shock caused by the governments’ restrictive measures against the pandemic, other factors could also have a negative impact, such as disturbed supply chains, prices and security of energy resources, disturbance of the trade balance and the impact of the financial and economic restrictions imposed by the EU and the USA in relation to the crisis in Ukraine. The non-market determination of components of the electricity price for the industry is a very important domestic factor for our business due to the fact that it continuously affects not only our production costs but has also an impact on the energy intensive production processes of our suppliers, e.g. metal castings and blanks.

In 2022 again we will be led by the purpose of achieving European and world level of quality, productivity and profitability and thus to retain the major markets and widen our presence in the new markets. Sustainable achievement of good financial results at the expected sales volumes will continue being the main task for increasing the market capitalization of the companies in the group thus ensuring the shareholders’ investments and their profitability.

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

Our companies have planned investments that would result in the launch of new products, higher productivity and better remuneration for employees respectively. Investments in the entire group of Stara Planina Hold Plc in 2021 reached BGN 13.6 million, intended mainly for technological renewal and innovation, infrastructure improvements and construction of own photovoltaic systems by several companies.



In 2022 we plan to continue our active investment policy expecting investment growth by over 48 %. Investments planned will be mainly focused on improving the product range, introduction of

highly profitable products and productions, innovations for the green and digital transition, increasing labor productivity and increasing remuneration to employees, respectively. Over 11 % of the investments are to be made in the area of social activities.

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

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

Statement on the impact of Covid-19

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

We have undertaken measures that the companies in the group have been implementing sustainably for a second year in order to guarantee the health and working capacity of the employees, continuity of our business and the activities related to the regulatory obligations. For the period after 13.03.2020 until the end of the reporting financial period of 2021 the companies in the group of Stara Planina Hold Plc have continued their activities with variable deviations from the established mode of operation, in compliance with the precautionary measures for limiting the spread of the Covid-19 infection.

According to information from December 2021, the Governing Council of the ECB assesses the risks to the economic outlook as generally balanced. Economic activity may exceed the ECB's expectations if consumers are more confident and save less than expected. To the contrary, the recent deterioration of the pandemic, including the spread of new modifications, could prove to be a longer-lasting brake on growth. The future trend of energy prices and the way supply difficulties are being overcome pose risks to the recovery and to the inflation forecast. If price pressures are fueled by larger-than-expected wage increases, or if the economy returns to full capacity more quickly, inflation may be higher.

The information we receive from our clients and partners in the country and Europe also continues being conditioned by the Covid-19 pandemic and the respective measures taken by the governments in terms of industry. The effect of the restrictive measures taken in relation to Covid-19 will continue affecting economic sentiment and global, regional and local business conditions. Our expectations are that the current wave of Covid-19 in our country, as well as each subsequent one, will have a negative impact on the planned business processes.

V. Research and Development Activity

As a holding company, Stara Planina Hold Plc does not perform independent commercial operations. The holding company provides support to the enterprises in 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 2021 as well, 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 16.05.2019, adopted a resolution to buy back up to 3 % of the total number of shares issued by the company for a period not longer than 5 years and appointed the Board of Directors to define the specific parameters.

During 2021 Stara Planina Hold Plc has not acquired its own shares. During the reporting year the company has sold 928 own shares with a nominal value of BGN 1.00, representing 0.004% of the capital at a price of BGN 11.60.

As of 31.12.2021 Stara Planina Hold Plc owns 225 337 own shares, representing 1.07 % of the capital of the holding company. 50 000 shares are also hold by the subsidiary company SPH Invest Jsc.

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

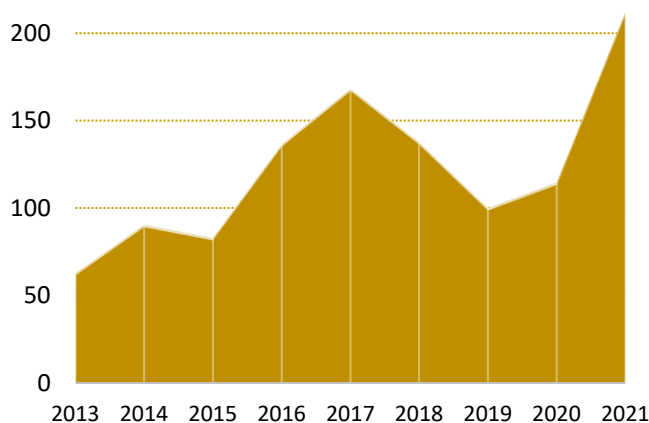
2. Changes in the company share prices

The main index of the Bulgarian Stock Exchange (BSE) SOFIX ended 2021 on the second place in terms of growth in the region of Central and Eastern Europe and for one year grew by 42.04 % to 635.68 points at the last session in December 2021.

At the same time the average stock exchange price per share of STARA PLANINA HOLD Plc on the last business day of 2020 was BGN 5.45 and on the last business day of 2021 was BGN 10.10 which is 82.31 % growth in the share price.

At the end of 2021 the market capitalization of Stara Planina Hold Plc reached BGN 212.1 million compared to BGN 114.45 million by the end of 2020.

Market capitalization (BGN million)



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

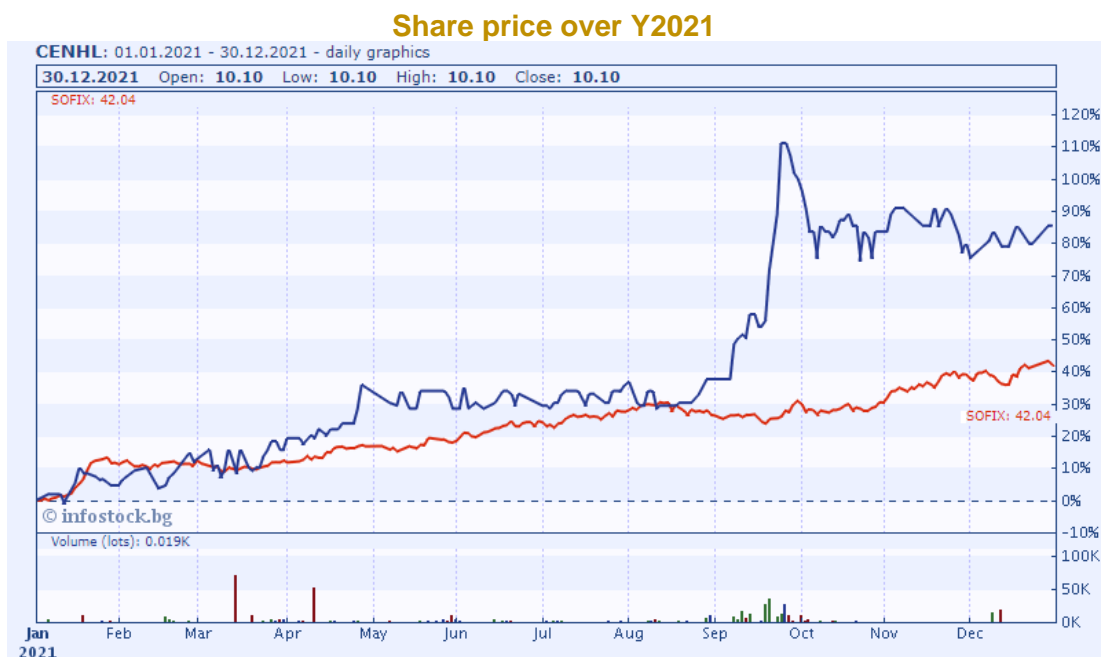
Closing price per share (in BGN) at year-end

2015	2016	2017	2018	2019	2020	2021
3.95	6.49	8.01	6.55	4.76	5.45	10.10

Stara Planina Hold Plc has traditionally been part of the portfolios of local institutional investors which support the share price of Bulgarian companies.

The shares of Stara Planina Hold Plc are traded on the main market, “Standard” segment of the Bulgarian Stock Exchange. BSE code: SPH.

Stara Planina Hold Plc has a free float of 67.04% and its shares are among the most actively traded on the BSE-Sofia where liquidity continues being a major issue.

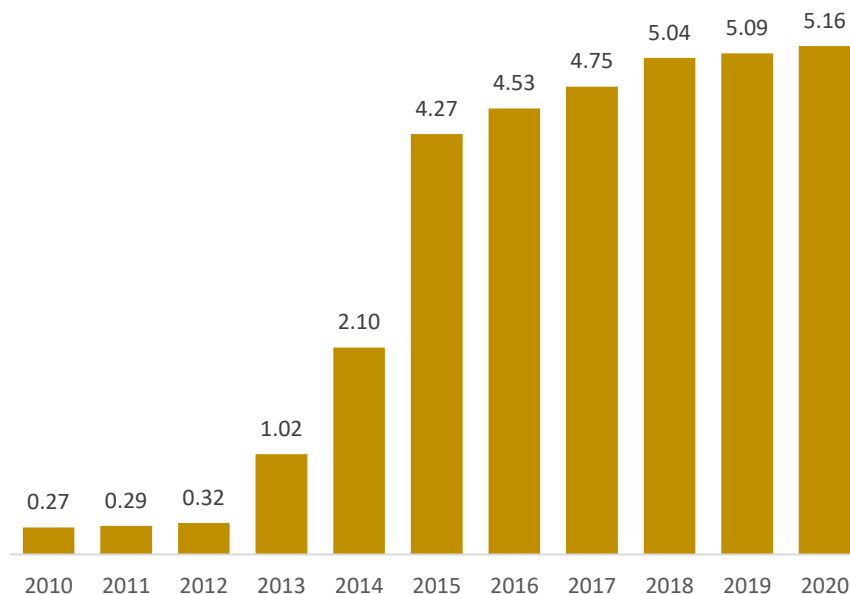


Source: [Infostock.bg](http://infostock.bg)

3. Dividend policy

Distributed dividends

(BGN million)



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 distributing part of the financial profit for paying out dividends will be continued.

Every year since its incorporation Stara Planina Hold Plc has paid out dividends. The total amount of the distributed dividends up to and including 2020 is BGN 36.341 million. The initial investment in the holding company has a dividend coverage of 17.8 times.

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

VII. Branches. Employees

Stara Planina hold Plc does not have any registered branches in the country and abroad.

As of 31.12.2021 Stara Planina Hold Plc has a total of 7 employees under employment contracts. The company has outsourced the legal services of a law firm. All company employees possess university degrees and adequate qualifications for the positions occupied. During the last calendar, year the company has not employed any temporary employees.

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

VIII. Financial instruments used by the company

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 the European Union. The company continues applying the same accounting policy as for the preparation of the 2020 annual financial statements.

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

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

Major business operations of the company are sale, purchase and management of shareholdings in companies. Main part of the 2021 revenues is formed by dividend revenues.

This current income is mainly used for financing the companies in the holding's portfolio, meeting the commitments under the adopted dividend policy, as well as for administrative needs.

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

2. Major indicators for financial and accounting analysis

Profitability Indicator

	31.12.2018 г.	31.12.2019 г.	31.12.2020 г.	31.12.2021 г.
K1	0.149	0.162	0.128	0.183
K2	0.133	0.142	0.110	0.158

K1 Profitability of Shareholders' equity ratio = Net profit / Shareholders' equity

K2 Asset capitalization ratio = Net profit / Total assets

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

Efficiency Indicator

	31.12.2018 г.	31.12.2019 г.	31.12.2020 г.	31.12.2021 г.
K3	6.263	6.312	4.740	6.277
K4	0.160	0.158	0.211	0.159

K3 Expenses efficiency ratio = Total income / Total expenses

K4 Income efficiency ratio = Total expenses / Total income

The analysis of the efficiency of revenues and expenses for 2021 shows that BGN 6.277 revenues were received per BGN 1.00 of the expenses. Revenues fully cover the expenses of the company which is a pre-condition for a positive cash flow from operational activity, meeting the undertaken dividend commitments as well as for partial financing of the companies in the portfolio of the Holding.

Liquidity Indicator

	31.12.2018 г.	31.12.2019 г.	31.12.2020 г.	31.12.2021 г.
K5	3,012	0,986	0,831	1.617
K6	0,501	0,583	0,528	1.304

K5 Total liquidity ratio = Current assets / Current liabilities

K6 Absolute liquidity ratio = Cash / Current liabilities

In 2021 again Stara Planina Hold Plc has been covering its current liabilities on time with the available current assets. The liquid structure of current assets and liabilities allows part of the funds to be directed to long-term financing of the companies under control.

Financial autonomy Indicators

	31.12.2018 г.	31.12.2019 г.	31.12.2020 г.	31.12.2021 г.
K7	8,274	7,007	6,072	6.185
K8	0,121	0,143	0,165	0.162

K7 Financial Autonomy ratio = Shareholders' equity / Borrowed capital

K8 Debt ratio = Borrowed capital / Shareholders' equity

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

3. Financial instruments

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

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

Typical for the investments of Stara Planina Hold Plc (BSE code [SPH](#)) in subsidiaries and associates is that four of them are public companies with their shares being admitted to trading on

the Bulgarian Stock Exchange: M+S Hydraulic Plc [MSH](#), Hydraulic Elements and Systems Plc [HES](#), Elhim Iskra Plc [ELHM](#) and Bulgarian Rose Plc [ROZA](#).

Next, in terms of significance, come the loans granted to the companies in the portfolio of Stara Planina Hold Plc. They are filed as per their nominal value as of the date of occurrence. In accordance with the IFRS 9, loans are classified as financial instruments reported at amortized value. At the end of the reporting period, the management of the company has made a valuation of the expected credit losses under these receivables and has found that no impairment must be carried out and therefore no such impairment has been performed.

Their distribution as of 31.12.2021 is detailed in Section IX of the Report.

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

4. Liquidity

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

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

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

5. Risk Exposition of the Company

Market risk comprises three types of risk:

Currency risk – the risk that the value of a financial instrument will fluctuate due to changes 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 – the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices.

As of 31.12.2021 Stara Planina Hold Plc does not have any financial instruments in foreign currency. Interest bearing financial instruments of Stara Planina Hold Plc are primarily the granted loans. All of them are with fixed annual interest rate of 2.5 – 3.5%.

Investments in subsidiary and associated enterprises are reported and presented as per the acquisition price method. The nature of the financial instruments used by the company indicates that market risk does not have a significant effect on the financial results.

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

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

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

IX. Corporate Governance Declaration

1. National Corporate Governance Code

Stara Planina Hold Plc implements its own long-term Good Corporate Governance Program. The Program provides for the implementation of a number of initiatives in several main areas, the implementation of which is subordinated to its priority objectives: responsibility and independence of the corporate Board, shareholders' rights protection; ensuring equal treatment of each shareholder (including minority and foreign shareholders); ensuring recognition of the rights of the parties interested in the management and sustainable development of the company and promoting the co-operation with them; ensuring prompt and accurate disclosure of the statutory required information related to Stara Planina Hold Plc regarding important issues of the financial standing, activity results, ownership and management of the company; supporting the strategic management of Stara Planina Hold Plc, the efficient control over the activity of the Board of Directors and its accountability to all stakeholders.

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

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 the Recommendation of the EU Commission on the quality of reporting in corporate governance.

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

Stara Planina Hold Plc participates in discussions of draft amendments and supplements or projects for new acts in the field of public offering of securities presented by the competent authorities. As a member of the [National Corporate Governance Committee](#), Stara Planina Hold Plc participates through its representative in the process of discussion and adoption of amendments to the National Code, effective as of July 1, 2021.

Chapter One

Corporate Boards

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

The Board of Directors promotes the implementation and monitors the observance of the adopted principles for sustainable development by the companies in the group; provides and controls the establishment and proper functioning of a risk management system; ensures and controls the integrated functioning of the accounting and financial reporting systems; gives guidelines, approves

and controls the business plans implementation of the companies in the Group, the material transactions as well as other activities, required by the company's Rules of Procedure.

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

The number of members of the Board of Directors is defined by the company's Articles of Association. The composition of the Board is structured in a way that guarantees the professionalism, impartiality and independence of its decisions related to the management of the company. The Board of Directors has allocated the tasks and responsibilities between its members. The company has adopted general rules for the members of the board of directors where the functions and obligations of the board, the procedure for election and dismissal of members are defined. The election of board members takes place through a transparent procedure that provides timely and sufficient information on the personal and professional qualities of the nominees.

The independent directors control the executive management and participate effectively in the company's performance in accordance with the shareholders' interests and rights. The Chairman of the Board of Directors is an independent director. The members of the Board of Directors have appropriate knowledge and experience and after their election the new members are acquainted with the main legal and financial issues related to the company's performance. Enhancing the competence and qualification of the Board members is a constant practice and their training is encouraged. The succession of mandates ensures efficient operation of the company and compliance with the legal requirements.

The members of the Board of Directors have sufficient time to perform their tasks and duties. The Rules of Procedure of the Board of Directors define the maximum number of companies outside the portfolio of Stara Planina Hold Plc where Board members may hold management positions, as well as the number of consecutive mandates of the independent members.

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

The General Meeting of Shareholders held on 20 May, 2020 adopted a new Remuneration Policy for the members of the Board of Directors which is consistent with the amendments to the regulation and aims to support the long-term business objectives of the company and promote behavior that supports the value creation for shareholders, while providing competitive remuneration sufficient to attract and retain directors with qualities necessary for the successful management and development of the company.

The Remuneration Policy defines the principles for setting the amount and the structure of the remuneration and specifies the particular additional incentives which are based on clear criteria and indicators related to the results of the company and the economic group. Information on the remunerations of the members of the Board of Directions is disclosed in an annual report which is a separate document to the Annual Financial Statements of the company. Shareholders and stakeholders have easy access to the adopted policy for defining the remuneration of the board members and the report on its implementation which are published on the company's website.

The Board of Directors of Stara Planina Hold Plc has adopted procedures to avoid and disclose conflicts of interest. They impose obligations for the members to avoid and not to admit actual or potential conflicts of interest and, if necessary, to immediately disclose conflicts of interest and

provide shareholders with access to information on transactions between them and the company or any related party. On the other hand, each conflict of interests in the company should be disclosed to the Board of Directors.

Stara Planina Hold Plc does not and will not allow transactions between the company and members of the Board of Directors and any related parties.

Chapter Two

Audit And Internal Control

In accordance with the requirements of the current legislation and based on the criteria defined thereof Stara Planina Hold Plc has established an operating audit committee with members that meets the legal requirements and specific needs of the company. The audit committee supervises the internal audit activities and monitors the overall relations with the external auditor, including the nature of non-audit services provided by the latter. Its activities are aimed at increasing the efficiency of the financial reporting processes, the internal control and risk management systems.

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

The Board of Directors, with the assistance of the Audit Committee, ensures compliance with the applicable legislation in terms of the independent financial audit. The company has developed an internal control system that ensures the effective functioning of the reporting and disclosure systems in order to identify the risks associated with the company's activities and support their effective management.

Chapter Three

Shareholders' Rights Protection

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

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

The invitation for the general meeting of shareholders contains the information required under the Commercial Act and the Public Offering of Securities Act, as well as additional information on exercising the right to vote and the possibility to add new items to the agenda under Art. 223a of the Commercial Act.

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

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

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

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

Increasing the trust of shareholders, investors and stakeholders has been one of the major commitments of the corporate Board. In this regard, the company is continually strengthening its position of a stable institution. In 2021, we continued endorsing and applying various ways to disclose current information on the financial and economic standing of the company and important corporate events as well as their promotion.

Chapter Four

Disclosure of Financial and Non-financial Information

Stara Planina Hold Plc has approved a policy and an information disclosure system in accordance with legal requirements. It guarantees equal access to information to all addressees (shareholders, stakeholders, investment community) and prevents inside information abuse. The holding has internal rules for preparation of the annual and interim reports and rules for financial and non-financial information disclosure. The company annually discloses a non-financial statement on a consolidated basis where detailed information on the activities and initiatives of all companies in the holding's portfolio in the field of non-financial reporting is provided.

The company maintains its own website providing information about the company, the management bodies, shareholder structure and the companies in the portfolio of Stara Planina Hold Plc. The corporate governance section includes internal regulatory documents, information on the shareholders' rights and their participation in the general meeting, financial statements for the last 10 years, information for dividend payments as well as personal data protection information. A special section includes materials on forthcoming general meetings of the shareholders, information on the resolutions adopted at the general meetings. Data on the company's initiatives, auditors and media publishing news about the holding company is publicly available. The Q&A system for shareholders, stakeholders via electronic means proves 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 by e-mail and their storage in a register duly kept by the Investor Relations Director. A practice has been introduced for the answers to any questions, regardless of their nature, to include a detailed explanation of the shareholders' rights. The procedure for shares inheritance is described in detail.

Each shareholder who addresses the holding on a different occasion is being provided with comprehensive information about his rights and receives information on various issues regarding the business activities and the current standing of the company, including the historical prices of the shares of Stara Planina Hold Plc on the stock exchange. The company uses the X3 News media which provides equal and timely access to the relevant information to all users.

The information disclosure system ensures full, timely, accurate and understandable information which provides a possibility for objective and informed decisions and assessments.

Chapter Five

Stakeholders. Sustainable Development

The corporate governance of Stara Planina Hold Plc ensures effective interaction with the stakeholders, identified by the company as such. The stakeholders' policy complies with the legal requirements in accordance with the principles of transparency, accountability and business ethics. A policy has been developed that takes into account the stakeholders' interests that ensures their attraction and guarantees the balance between the development of the company and the environment where 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 - institutional investors, as well as with the Bulgarian Stock Exchange – Sofia Plc, which is a regulated market of financial instruments and with the investment intermediaries on this market. The company's shares are not admitted to trading in a different jurisdiction.

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

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

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

3. Assessment of the Implementation of the Code

Applying the National Corporate Governance Code is a process to continue throughout the current year as well.

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

Implementation of the recommendations in the Code is responsibility of the corporate Board. In this sense, applying particular texts of the Code does not depend on the corporate Board, insofar

as the appointment of members of the Board of Directors is a right and prerogative of the shareholders.

In conclusion, we can summarize that the activities of the Board of Directors of Stara Planina Hold Plc throughout 2021 complied with the National Corporate Governance Code.

4. Description of the Internal Control and Risk Management System

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

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

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

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

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

The management of the holding prepares an annual activity report as well as a financial statement for every financial year which gives an accurate and honest estimate of the financial standing of the company at the end of the year, operational financial results, and the cash flows in compliance with the applicable accounting framework. In order to ensure an independent and objective assessment of the financial statements the annual audit of the holding is performed by an independent statutory auditor. All financial statements are prepared in accordance with the International Accounting Standards. The current financial and accounting activity of the company is subject to periodic control and analysis by the management body. There is an established practice for periodic discussion at meetings of the Board of Directors of the current financial results of the company's activities, including the implementation of the investment program.

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

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

There are no holders of securities with special control rights.

There are no restrictions on the voting right.

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

Only the General Meeting of Shareholders has the right to make amendments and supplements to the Articles of Association of the company. Decisions are taken by a majority of 2/3 of the shares represented.

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

The powers of the Board of Directors are regulated in detail under Art. 43, para. 2 of the Articles of Association of the company. The Board of Directors, without being expressly authorized to do so by the General Meeting, may not carry out transactions specified under Art. 114 of the Public Offering of Securities Act.

Transactions of the company with the participation of interested parties, other than those mentioned above, are subject to prior approval by the Board of Directors.

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

6. Diversity policy

The Company does not apply a diversity policy in relation to aspects such as age, gender or education and professional experience. The management structure is defined in the company's Articles of Association. The Board of Directors consists of three physical persons and one legal entity, which has respectively appointed a physical person as its representative. Appointment of members of the Board of Directors is a right and prerogative of the shareholders.

7. Information about the members of the Board of Directors

Stara Planina Hold Plc has a one-tier management system. The Board of Directors is the managing body of Stara Planina Hold Plc, responsible for the planning and coordination of the company's overall performance, as laid down in the scope of its business activity, by means of undertaking all actions for organization, management and control, provided by law and the Articles of Association.

As of 31.12.2021 the Board of Directors of Stara Planina Hold Plc includes the following members:

- Evgeniy Vasilev Uzunov – Chairman of the Board of Directors
- Vasil Georgiev VeleV – Member of the Board of Directors and Executive Director
- Finance Invest LTD, Plovdiv, UIC 115016144; represented in the Board of Directors by Spas Borisov Videv
- Stefan Atanasov Nikolov – Member of the Board of Directors

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

The organization of work, as well as all duties, responsibilities and competences are regulated and specified by the Rules of Regulation of the of the Board of Directors of Stara Planina Hold Plc. The Board of Directors takes its decisions at meetings, held at least once every three months, in accordance with the statutory requirements of the terma and procedures for their convocation and holding.

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

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

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

The next sections of the report contain additional data.

Participation of the members of the Board of Directors

Member of the Board of Directors	Commercial companies, in which the member owns more than 25 percent of the capital	Participation in the management of other companies or co-operations as procurators, managers or board members
Evgeniy Vasilev Uzunov	Sostra Engineering Ltd.	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 Sostra Engineering Ltd.; Bulgarian Rose Plc. – Karlovo, representative of Bic Hold Ltd.; Fazan Jsc. – Ruse, representative of Stara Planina Hold Plc.; M+S–97 Jsc. – Kazanlak; Ustrem Jsc. – Svishtov.
Vasil Georgiev Velev	Velev Invest Ltd.	Hydraulic elements and systems Plc. - Yambol, representative of Velev Invest Ltd.; M+S Hydraulic Plc. – Kazanlak, representative of Velev Invest Ltd.; Bulgarian Rose Plc. – Karlovo, representative of „Leasing Company” Jsc; Fazan Jsc. – Ruse, representative of Bic Hold Ltd.; M+S–97 Jsc. – Kazanlak, representative of Bic Hold Ltd.; Elhim-Iskra Plc. – Pazardzhik; Bic Hold Ltd. – Sofia; Garant-5 Ltd. – Plovdiv;

		Velev Invest Ltd. – Sofia; Interfininvest Jsc. – Etropole.
Finance Invest Ltd	None	None
Spas Borisov Videv	BMP Ltd. Finance Invest Ltd.	Hydraulic elements and systems Plc. - Yambol, representative of Maya-PL Ltd.; Bulgarian Rose Plc. – Karlovo, representative of Stara Planina Hold Plc.; M+S Hydraulic Plc. – Kazanlak, representative of Stara Planina Hold Plc.; Boryana Jsc, Cherven Bryag – representative of SPH Invest Jsc Elhim-Iskra Plc. – Pazardzhik; Garant 5 Ltd. – Plovdiv; Finans Invest Ltd. – Plovdiv; BMP Ltd. – Plovdiv; Fazan Jsc. – Ruse; Ustrem Jsc. – Svishtov
Stefan Atanasov Nikolov	B&V Coffee Ltd. Radix Bulgaria Ltd. Ves Trade Ltd. Herbstmond Bulgaria Ltd	Fazan Jsc. – Ruse, representative of Garant 5 Ltd. – Executive Director; Prisma-Lux Ltd., B&V Coffee Ltd., Radix Bulgaria Ltd., ALPA-2000 Ltd., Herbstmond Bulgaria Ltd, Boryana Ltd.;

None of the members of the Board of Directors participates in companies as an unlimited liability partner.

X. Additional information under Appendix 2 of Ordinance No 2 of the FSC

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the sales revenues of the issuer as a whole and the changes that occurred during the reporting fiscal year

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

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the company

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

3. Information on concluded material transactions

On November 17, 2021 Stara Planina Hold Plc sold its shareholding of 33 492 shares, each with a nominal value of BGN 2.00, representing 95.69 % of the capital of Vinprom JSC, UIC: 104055430, Veliko Tarnovo, at the price of BGN 2 250 000. The shareholding in Vinprom JSC was acquired by Stara Planina Hold Plc in April 2017 at the price of BGN 1 953 595 and for the period until the sale the holding has received income from its investment in the amount of BGN 1 004 760.

In 2021 no other transactions of significant importance for the activity of Stara Planina Hold Plc have been concluded.

4. Information about the transactions concluded between the company and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial status

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

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

5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation and the revenues realized thereof and expenses made; assessment of their influence over the results during the current year

There are no events and indicators of an unusual nature that had a significant impact on the issuer's activity, except for the impact of the Covid-19 pandemic and the effect of the restrictive measures.

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

6. Information about off-balance kept transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer's financial status

There are no such transactions.

7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing

Investments of Stara Planina Hold Plc are in securities and shareholdings in Bulgarian companies. Information on the shareholdings of Stara Planina Hold Plc is provided under Section I of this Report - Investment Portfolio Standing.

8. Information about the concluded by the issuer, by its subsidiary, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities

As of 31.12.2021 Stara Planina Hold Plc has no obligations under loan agreements.

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

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

Loan agreements concluded by the subsidiaries:

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

Fazan Jsc.: Loan agreement dated 09.01.2020 with Stara Planina Hold Plc granting the amount of BGN 550 000 with maturity until 08.01.2024 at 2.5% annual interest rate.

Loan agreement dated 14.12.2020 with Alpa 2000 Ltd. granting the amount of BGN 84 000 with maturity until 14.01.2022 at of 3.6 % annual interest rate.

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

Loan agreement dated 25.04.2019 granting Fazan Jsc, UIC:827182916 – subsidiary company, the amount of BGN 407 000 with maturity until 25.12.2023, last Annex as of 21.12.2021, at 2.5 % annual interest rate, unpaid principal as of 31.12.2021 in the amount of BGN 407 thousand.

Loan agreement dated 09.01.2020 granting Fazan Jsc, UIC:827182916 – subsidiary company, the amount of BGN 550 thousand with maturity until 08.01.2024, last Annex as of 07.01.2022, at 2.5% annual interest rate, unpaid principal as of 31.12.2021 in the amount of BGN 550 thousand.

Loan agreement dated 16.05.2016 granting Boryana Jsc, UIC: 114006352 – associated company, the amount of BGN 500 000 with maturity until 16.05.2022, last Annex as of 17.05.2021, at 3% annual interest, unpaid principal as of 31.12.2021 in the amount of BGN 470 thousand.

Loan agreement dated 22.01.2021 granting Boryana Jsc, UIC: 114006352 – associated company, the amount of BGN 200 thousand with maturity until 31.12.2021, last Annex as of 28.10.2021, at 3% annual interest, unpaid principal as of 31.12.2021 in the amount of BGN 50 thousand.

Loan agreement dated 18.05.2018 granting Ustrem Ltd., UIC:206417771 – associated company, the amount of BGN 100 thousand with maturity until 18.05.2022, last Annex as of 18.05.2021, at 3 % annual interest, unpaid principal as of 31.12.2021 in the amount of BGN BGN 83 thousand.

Loan agreement dated 29.01.2020 granting Ustrem Ltd., UIC:206417771 – associated company, the amount of BGN 75 thousand with maturity until 29.07.2022, last Annex as of 29.07.2021, at 3 % annual interest, unpaid principal as of 31.12.2021 in the amount of BGN BGN 75 thousand.

Loan agreement dated 29.03.2021 granting Ustrem Ltd., UIC:206417771 – associated company, the amount of BGN 200 thousand with maturity until 25.03.2023, at 2,5 % annual interest, unpaid principal as of 31.12.2021 in the amount of BGN BGN 200 thousand.

Loan agreement dated 01.10.2013 granting Leasing Company Jsc, UIC: 121126583 - a company with a minority stake in the portfolio of Stara Planina Hold Plc, the amount of BGN 3400 thousand with maturity until 01.10.2023, last Annex as of 01.10.2021, at 2.5 % annual interest, unpaid principal as of 31.12.2021 in the amount of BGN BGN 3 400 thousand.

Loan agreement dated 28.04.2015 granting Leasing Company Jsc, UIC: 121126583 - a company with a minority stake in the portfolio of Stara Planina Hold Plc, the amount of BGN 6500 thousand with maturity until 28.04.2023, last Annex as of 28.04.2021, at 2.5 % annual interest, unpaid principal as of 31.12.2021 in the amount of BGN BGN 5 000 thousand.

Loan agreement dated 01.10.2021 granting Vinprom Jsc, UIC: 104055430 – a subsidiary company until 17.11.2021, the amount of BGN 180 thousand with maturity until 30.10.2022, at 2,5 % annual interest, unpaid principal as of 31.12.2021 in the amount of BGN 140 000 thousand, purpose of granting: to finance the purchase of tanks for the activity of Vinprom JSC.

Loan agreements concluded by the subsidiaries:

Elhim-Iskra Plc. Loan agreement dated 04.10.2021 granted to ELBAT Jsc, Dolna Banya, UIC: 175407160 in the amount of BGN 1 000 000 with maturity until 31.12.2023 at 1.3 % annual interest, unpaid principal as of 31.12.2021 in the amount of BGN 1 000 000. The relations between the company and the borrower are commercial.

Dionisiy Jsc. Loan agreement dated 30.04.2019 with Vinprom Jsc., UIC: 104055430, in the amount of BGN 35 thousand with maturity until 30.04.2021 at 3.0 % annual interest, unpaid principal

as of 31.12.2021 in the amount of BGN 28 thousand, purpose of granting: financing the production operations.

10. Information on the use of the funds from a new issue of securities carried out during the reported period

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

11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results

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

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

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

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

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

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

14. Information about occurred during the reporting period changes in the basic management principles of the issuer and its group of enterprises within the meaning of the Accountancy Act

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

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

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

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

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

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

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

17. Information on the shares of the issuer held by the members of the management and control bodies and the procurators, including the shares held by each of them separately and as a percentage of the shares of each class, as well as options provided by the issuer on its securities - type and amount of the securities on which the options are based, exercise price of the options, purchase price, if any, and the term of the options

Member of the Board of Directors	Number of shares as of 31.12.2021	% of the capital	Number of shares as of 31.12.2020	% of the capital
Evgeniy Vasilev Uzunov	225996	1.08	223396	1.06
Vasil Georgiev Velev	420000	2.00	420000	2.00
Finance Invest Ltd	219408	1.04	219408	1.04
Stefan Atanasov Nikolov	7000	0.03	7000	0.03

The issuer has not provided options on securities to the members of the Board of Directors.

There are no special rights or restrictions for the members of the management body to acquire shares of the company. They may freely acquire shares from the capital of the company on a regulated securities market in compliance with the applicable provisions of the Bulgarian legislation and the European regulation.

18. Information on the arrangements known to the company (including also after the closure of the fiscal year), as a result of which in future periods may occur changes in the relative portion of shares or debentures owned by shareholders or debenture holders – no such arrangements are known

The company is not aware of such arrangements.

19. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at amount at least 10 percent of its equity

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

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

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

XI. Information under Appendix 3 of Ordinance No 2 of the FSC

1. Information on the securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another Member State

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

As of 31.12.2021 the registered capital of the company amounts to BGN 21000000, fully registered and paid. The capital is distributed in 21000000 registered, dematerialized, ordinary (non-preferred), freely transferable shares with a nominal value of BGN 1.00, with the right to one vote at the General meeting of the shareholders, the right to dividend and liquidation share. All shares are of one class.

Pursuant to data received by Central Depository AD, as of 31 December 2021, Stara Planina Hold Plc has 59 shareholders - legal entities, holding 61.63 % of the capital and 21942 shareholders - physical persons holding 38.37 % of shares.

2. Information on the direct and indirect holding of 5 or more percent of the voting rights in the company's general meeting, including data about the shareholders, the amount of their holding and the manner in which the shares are owned

Shareholders holding more than 5 % of the voting rights as of 31.12.2021:

Potbul Invest Foundation - 4655400 shares, representing 22.17 % of the capital;

Garant-5 Ltd - 2595972 shares, representing 12.36 % of the capital;

ZUPF Allianz Bulgaria AD - 1376254 shares, representing 6.55 % of the capital.

3. Information about the shareholders with special control rights and description of these rights

There are no shareholders with special control rights.

4. Agreements among the shareholders, which are known to the company and which may result in limitations over the transfer of shares or the voting right

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

5. Significant contracts of the company that give rise to action, are amended or terminated due to a change in the control of the company upon implementation of obligatory tender offer and the consequences thereof, except for the cases where disclosure of this information may cause serious damages to the company; the exception under the previous sentence shall not apply in the cases when the company is obliged to disclose the information by virtue of the law

There are such contracts.

Other information at the discretion of the company

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

Media

Stara Planina Hold Plc discloses statutory information to the public through information media [X3 News](#).

The inside information for Stara Planina Hold Plc under Art. 7 of Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 concerning the circumstances occurred in 2021 is published on the company's website in the **News** section - <https://www.sphold.com/novini>, as well as in the X3News media - http://www.x3news.com/?page=Company&target=InsiderInformation&BULSTAT=121227995&MESSAGE_TYPE=2 through which the company publicly discloses inside information.

Vasil Velev, Executive Director