STARA PLANINA HOLD PLC

PUBLIC NOTICE ON THE FINANCIAL STANDING

EXPLANATORY NOTES

for the third quarter of 2024

This document contains information on the possibilities for realization of published forecasts as well as forecasts for future periods and also 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.

I. Information on the important events that have occurred from the beginning of the financial year to the end of the respective quarter, and on their impact on the financial results

The general meeting of the shareholders of Stara Planina Hold Plc, held on June 6th, 2024 adopted a resolution for the amount of BGN 6 544 630.42 to be paid in the form of 2023 dividend under the following parameters:

1.1. gross dividend per share: BGN 0.31579;

1.2. initial date for dividend payment - August 1st, 2023;

1.3. term for dividend payment – 6 months;

1.4. dividend shall be paid under a contract with Central Depository AD and through the branches of International Asset Bank AD.

The amount of this dividend keeps on being the largest in the history of the company. The total amount of the distributed dividends for the shareholders of Stara Planina Hold Plc so far exceeds BGN 55.61 million. The initial investment in the holding has a dividend coverage of 31.8 times.

The total amount of accrued dividends for the 2023 financial year expected, received by Stara Planina Hold Plc c amounts to BGN 7 466 316.

There are no other significant events occurred since the beginning of the financial year that have affected the results in the financial statements apart from the ongoing economic downturn and political instability, the military conflicts in Ukraine and the Middle East and the resulting negative effects on economic activity, trade relations, the price of basic raw materials, including energy and inflation. The escalating political instability in the country, along with the continued decline in the growth rates of the European economy and the intensifying geopolitical uncertainty globally are factors that affect the overall operations of the companies in the group of Stara Planina Hold Plc and their business results.

Detailed information about the important events that have occurred since the beginning of the financial year to the end of the reporting quarter of 2024 for Stara Planina Hold Plc, as well as other information that could be important for investors, is regularly disclosed by the company in accordance with the regulatory requirements through the information media X3 News.

Opinion on the possibilities for achievement of published forecasts. Information about the factors and circumstances that will affect the achievement of the forecast results

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

During the nine months of 2024, the operations of the companies in the Group of Stara Planina Hold Plc continued being conditioned by the influence of a number of negative factors on a national and global scale. The analysis of the most recent statistical data and forecasts of macro analysts testify that the world economy continues to face many problems, having a strong impact on global trade and economic relations as a result of the ongoing military conflicts in Ukraine and the Middle East, as well as the continuous increase in defense spending especially in the European Union. In general, the economic and geopolitical situation globally continues to be characterized by a high degree of uncertainty that creates significant risks to the realization of a sustainable and based on economic logic macroeconomic forecast.

The growth prospects of even the strongest economies from the European Union are not clear enough and the confidence of foreign investors is gradually decreasing. The latest indicators suggest the European economy is losing momentum at a time when higher real incomes were expected to spark an upswing. Expectations for a continued negative development of the economy are also expressed in the manufacturing PMI index, as the data for the month of September 2024 show that for the euro zone it reached a value of 45 points which is the lowest level since the beginning of the year and testifies for another month of contraction of the industrial sector in Europe. The data for Austria and especially for Germany continue to be of great concern, where the PMI values of manufacturers fell to 42.8 points for Austria and 40.6 points for Germany – the lowest values in Europe. The US manufacturing PMI for the month of September 2024 stood at 47.3 points, also down and reporting the lowest value since the middle of the previous year. India's PMI also fell to 56.5, where business confidence fell to its weakest level since April 2023. In China, the manufacturing PMI fell to 49.3, where the decline in new orders accounted for the most -its low level for the last two years.

The state of the German economy, which is the main trading partner of the Stara Planina Hold AD group of companies, continues to be worrying. According to the revised government forecast, announced on 09.10.2024, Germany's gross domestic product is expected to contract by 0.2 percent this year. This means that Europe's largest economy is on course to enter recession and contract for a second year in a row after a reported 0.3 % decline in 2023 and with a current forecast for 2025 growth by 1.1 %. This confirms Germany's position as one of the worst performers in the eurozone, with its huge industrial sector, usually being an important driver of growth, set to continue to be a drag on the European economy as a whole during the year.

The trend of continued decline in industry in Bulgaria is also confirmed by the preliminary seasonally adjusted data of the National Statistical Institute, which indicate that in August 2024 the calendar-adjusted index of industrial production, which measures changes in the output of Bulgarian industrial enterprises and estimates the average change of production between two time periods, reported a decrease by 2.6 % compared to the same month of the previous year, despite a reported increase by 0.8 % compared to the previous month. This is the 20th month of annual decline according to the National Statistical Institute.

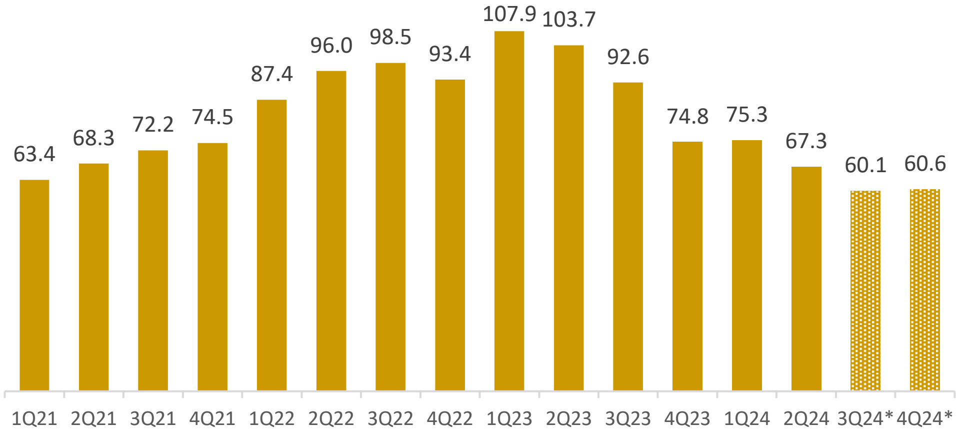
At the same time, according to NSI data as of August, 2024, Bulgaria's trade with its main trading partners from the EU and third countries shrank for another month. A decline was reported both in relation to the export of Bulgarian goods and the import in our country. In the period January - August 2024, goods worth BGN 56 511.2 million were exported from Bulgaria which is 2.8 % less compared to the same period of 2023 and the reported drop in imports for the same period is 0.1 %. The reported drop in Bulgarian exports just for the month of August is 3 % compared to the same month of the previous year. This negative trend in our foreign trade reflects the stagnation of the world's leading economies and indicates problems for the growth of the Bulgarian economy this year and next one.

Under these circumstances, the most recent World Economic Outlook, prepared by the IMF, announced on 22.10.2024, announces expectations that Bulgaria's economy will grow by 2.3 percent this year, which represents a decrease compared to the estimate given in April, when expectations were for Bulgaria's GDP growth by 2.7 % for 2024. For 2025, the IMF already expects growth by 2.5 percent which is also a decrease compared to the forecast of 2.9 percent given in April. At the same time, earlier in October 2024, the international credit rating agency Fitch Ratings announced its expectations for Bulgaria's GDP to grow by 2 percent this year and by 2.5 percent in 2025, noting that low labor productivity and adverse demographics have a dampening effect on potential growth and the stability of public finances in the long term. Fitch Ratings expects GDP growth in 2024 to be supported by robust private consumption and sustained investment activity despite increased political uncertainty and delays in the implementation of the Recovery and Resilience Plan. The expectations of the Bulgarian National Bank in its Macroeconomic forecast from July were for a growth by 2.1 percent this year and 3.2 percent in 2025, and in the 2024 budget, economic growth of 3.2 percent and a GDP of BGN 205 billion were set.

Under these circumstances, in October 2024, the international rating agency Fitch Ratings confirmed the long-term credit rating of our country in foreign and local currency "BBB" with a positive outlook but notes that low labor productivity and unfavorable demographics have a deterrent effect on potential growth and the stability of public finances in the long term. The rating agency expects GDP growth of 2.0 % in 2024, up from 1.8 % in 2023, supported by robust private consumption and sustained investment activity, despite increased political uncertainty and delays in the implementation of the Recovery and Resilience Plan. According to Fitch Ratings, Bulgaria's GDP should grow by up to 2.5% in 2025 and up to 2.7% in 2026.

In this context, the companies in the group of Stara Planina hold Plc report results that confirm our projected expectations for a continuous decline in sales revenues. Against the background of the continued decline in the European economy, decrease in orders from our customers and partners and growing geopolitical uncertainty, we adjust our expectations for the consolidated revenues for the third quarter of 2024 to reach BGN 60.1 million which would mean a decrease by approximately 33 % compared to the same period of the previous year and a decrease by about 28 % compared to the third quarter of 2022.

Consolidated net sales revenues by quarters including updated forecast *(BGN million)*

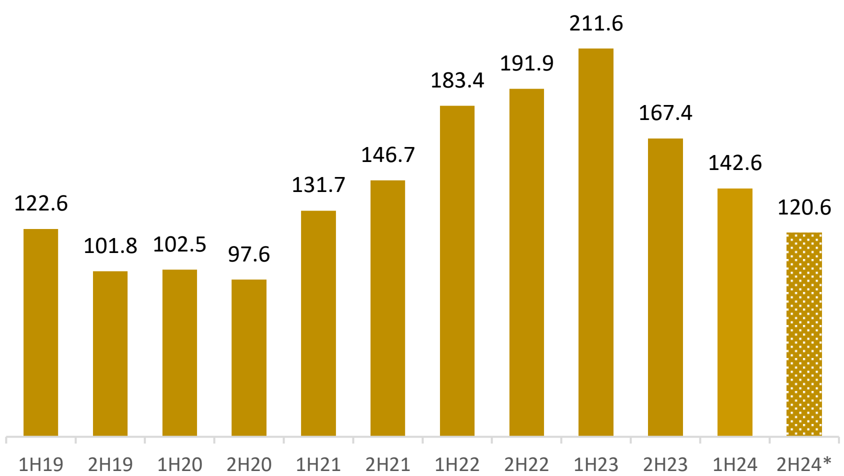


** expectation*

We update our expectations by predicting sales in the last quarter of 2024 to be around BGN 60.6 million. With the estimated revenue for the second half of 2024, we would report a decline by around 28 % compared to the same period of the previous year and by approximately 37 % compared to the second half of 2022. We confirm our forecasts that the decline in consolidated sales revenue compared to the previous two financial years will continue throughout 2024, lowering our forecasts for sales in 2024, expecting them to reach BGN 263.23 million.

The net profit of Stara Planina Hold Plc as of 30.09.2024 reached BGN 6 927 thousand which represents a decrease by 28.18 % compared to the reported net profit of BGN 9 654 thousand for the same period of the previous year and by 17.62 % compared to the profit for the nine months of 2022.

Consolidated net sales revenues by half year periods including updated forecast for 2024 *(BGN million)*



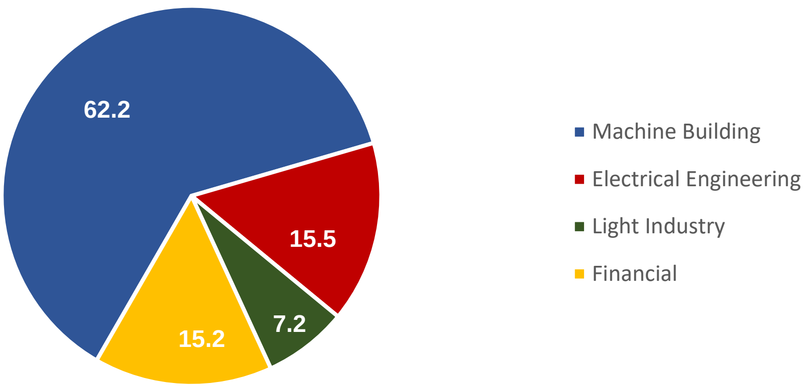
** expectation*

Factors that will continue influencing the activities in 2024 are the market prices of raw materials and materials for production, the transport of supplies, the regional market price of labor, the prices of energy resources and the security of their supplies. Given the ongoing military conflicts in Ukraine and the Middle East and potential new obstruction of the transport route through the Red Sea, as of the date of this report, we assess the risks associated with securing the supply of materials, as well as the sale of finished products to partners related to the affected regions as highly elevated.

The macroeconomic development of the country, the unstable political situation, financial policy, as well as geopolitical factors appear to be the most worrisome circumstances that will have an impact on business. Along with the threat to European and regional stability, the geopolitical situation puts at additional risk the supply of energy resources and the possibilities for sustainable growth of the economy. The effect of the measures taken at the European and national level, as well as the countermeasures imposed accordingly, will have an impact on the activities of the enterprises of the group and may lead to an adjustment of the expected business results.

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 Stara Planina Hold Plc is distributed mainly in the following industries:



Major companies in the economic Group of Stara Planina Hold Plc

M+S Hydraulic Plc
68 Kozlodui Str., 6100 Kazanlak
UIC: 123028180

Public company, BSE Code: **MSH**.
Scope of business: production, repair and trade of hydraulic products and systems.
Registered capital: 39 445 200 shares with nominal value of BGN 1.00.
Stara Planina Hold Plc holds 12 073 050 shares, representing 30.61 % of the votes in the General meeting.
M+S Hydraulic Plc holds 100 % of the capital of a limited liability subsidiary company Lifam Hidravlika in the town of Stara Pazova, Republic of Serbia, which manufactures and trades in hydraulic products, 90 % of the capital of M + S Hydraulic Power Transmission GMBH, Germany, that trades in hydraulic products and 90.00% of

the capital of "OLEOTECNO HYDRAULIC COMPONENTS" SRL, Italy, specialized in wholesale trade in other industrial machinery and equipment and parts thereof.

Hydraulic Elements and Systems Plc
1 Pirin Str., 8600 Yambol
UIC: 838168266

Public company, BSE Code: **HES**.
Scope of business: production of hydraulic cylinders, marketing, sales, research, development, production, engineering and foreign trade operations, general mechanical engineering.
Registered capital: 18 193 752 shares with nominal value of BGN 1.00.
Stara Planina Hold Plc holds 11 740 584 shares, representing 64,53 % of the votes in the General meeting. The subsidiary company SPH Invest JSC holds 8.28 % of the capital of HES Plc.

Elhim Iskra Plc
9 Iskra Str., 4400 Pazardzhik
UIC: 112013939

Public company, BSE Code: **ELHM**.
Scope of business: production of starter batteries, traction batteries, spare parts and trade.
Registered capital: 25 108 410 shares with nominal value of BGN 1.00.
Stara Planina Hold Plc holds 12 905 790, representing 51.40 % of the votes in the General meeting.

Bulgarian Rose PLC
Industrialna zona, 4300 Karlovo
UIC:115009344

Public company, BSE Code: **ROZA.**
Scope of business: production, purchasing, processing of essential oil and pharmaceutical raw materials, production of natural and synthetic aromatic products, perfumery and cosmetics and medicinal products, domestic and foreign trade.
Registered capital: 5 350 980 shares with nominal value of BGN 1.00.
Stara Planina Hold Plc holds 2 675 460 shares, representing 49.99 % of the votes in the General meeting.

Boriana JSC
1, Struga Str., 5980 Cherven Briag
UIC 114006352

Scope of business: production and trade of fashion and luxury knitwear.
Registered capital: 214736 shares with nominal value of BGN 2.00.
Stara Planina Hold Plc holds 107 368 shares, representing 50.00 % of the votes in the General meeting.

Fazan JSC
5 Treti Mart Blvd., 7000 Rousse
UIC 827182916

Scope of business: production and trade in the country and abroad of socks and other knitted products.

Registered capital: 1 234 692 shares with nominal value of BGN 1.00.
Stara Planina Hold Plc holds 1 143 919 shares, representing 92.65 % of the votes in the General meeting.

Asset Insurance JSC
81-83, T. Alexandrov Blvd.
UIC 203066057

Scope of business: General insurance. Registered capital: BGN 10 500 000 divided into 105 000 shares with nominal value of BGN 100. Stara Planina Hold Plc holds 21 000 shares, representing 20.00% of the votes in the General Assembly. The subsidiary company HES Plc also holds 20.00 % of the capital of Asset Insurance JSC.

On 24.09.2024 in the Commercial Register was filed the deletion through liquidation of the company "Dionysii" JSC with UIC 114075291.

II. Description of major risks and uncertainties confronting the issuer during the rest of the financial year

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 2024 and in the more distant future 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 companies.

According to information from the ECB's September 2024 Economic Bulletin, the economy grew by 0.2 % in the second quarter after a 0.3 % growth in the first quarter, which was weaker than expected in the June 2024 macroeconomic forecasts. Growth was driven mainly by net exports and from the expenditure of the "public administration" sector. Private domestic demand weakened as household consumption fell and companies cut business investment. The latest ECB data suggests that growth will continue in the short term but at a slower pace than expected in the June 2024 macroeconomic forecasts. Recent data on business investment also point to a slowdown in growth momentum. Productivity is expected to pick up over the forecast period as some cyclical factors fade. Overall, average annual real GDP growth is projected to be 0.8 % in 2024 and to reach 1.3 % in 2025 and 1.5 % in 2026. Compared to the ECB staff macroeconomic forecasts of June 2024, the outlook for GDP growth has been revised slightly downward for each year of the forecast period.

According to the most recent seasonally adjusted Eurostat data, in August 2024 the volume of industrial production increased by 0.1 % in the euro area and by 0.2 % in the EU compared to August 2023. On a monthly basis (compared to July 2024), industrial production increased by 1.8 % in the euro area and by 1.3% in the EU, while in July 2024 industrial production fell by 0.5% in the euro area and by 0.3 % in the EU. In August 2024, the largest annual decline in industrial production was reported in Luxembourg (-9.2 %), Croatia (-4.6 %) and Denmark (-4.5 %).

According to the most recent World Economic Outlook of October 2024, the IMF believes that the outlook for the global economy remains largely unchanged, betting on an increase by 3.2 % in 2024 and 2025. The organization defines this growth as "modest" but "unexpectedly resilient". Since July, when the IMF published its previous forecast, the outlook for the US has improved, while those for major European countries, which were already performing poorly, have further worsened. GDP of the euro area is expected to grow by just 1.2 % in 2024 and by 1.3% next year, and the US economy - by 2.5 % and 1.9 %, respectively. All of these findings lead to the need to change the policy in three directions, according to the IMF's analysts. First, on the monetary policy front, central banks in advanced economies have begun to cut interest rates which will support activity at a time when labor markets are showing signs of cooling. The second emphasis is on the finances of governments. After years of loose fiscal policy, the IMF is appealing for a debt stabilization and restoration of fiscal buffers. The third and most difficult shift is to reforms that stimulate growth and productivity.

Pursuant to data of the National Statistical Institute in September 2024 the composite indicator 'business climate in industry' fell by 5.2 points (from 23.5% to 18.3%) which is due to the reserved assessments and expectations of industrial entrepreneurs about the business condition of enterprises. Current production activity is estimated to be reduced and forecasts for activity over the next three months are deteriorating. The most serious difficulties for the activity in the sector remain the uncertain economic environment and the labor shortage, indicated by 51.2 and 30.4% of the enterprises, respectively.

At the same time, according to preliminary seasonally adjusted data of the NSI, in August 2024 the Industrial Production Index increased by 0.8 % compared to July 2024 but reported a decrease by 2.6 % compared to the same month of the previous year, however, this decrease is comparable from a lower base, as in August 2023 was also reported a decrease by 9.6 % compared to August 2022. On an annual basis, a decrease in industrial production, calculated from the calendar-adjusted data, was recorded in the production and distribution of electricity and heat energy and gas - by 10.0%, and in the processing industry - by 1.7 % and growth in the mining industry - by 15.3 %.

According to data from the NSI, in August 2024 the Total Producer Price Index in Industry, that measures the average change in the prices of industrial products produced and sold by Bulgarian enterprises, recorded an increase by 1.5 % compared to the same month of 2023. A price increase was registered in the mining industry - by 9.1 %, and in the production and distribution of electricity and heat and gas - by 7.7 %. A decrease was recorded in the processing industry - by 0.7 %.

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.

At its meeting on September 12, 2024, the Governing Council of the ECB decided to reduce the interest rate on the deposit facility by 25 basis points to 3.50 %. This is the interest rate by which the monetary policy rate is set. In addition, as previously announced on March 13, 2024 following the review of the operational framework, the spread between the main refinancing rate and the deposit facility rate was set at 15 basis points. As a result, the interest rate on the main refinancing operations and the interest rate on the marginal credit facility were reduced to 3.65 % and 3.90 %, respectively. At its meeting on October 17, 2024, the Governing Council of the ECB expectedly lowered the interest rates for the third time this year. The deposit rate was cut by another 0.25 percentage points to 3.25 per cent, the main refinancing rate shrank to 3.40 per cent and the marginal lending facility rate fell to 3.65 per cent.

According to BNB data, the main interest rate for the nine months of 2024 is with small deviations within the limits of 3.79 percentage points as of 01.01.2024 to 3.63 percentage points as of 01.09.2024.

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.

According to information from the September 2024 Economic Bulletin, the ECB forecasts headline inflation to rise somewhat in the last quarter of the year and then continue to decline towards the target level until the end of 2025. The expected increase in the short term is mainly a result of energy prices in base effects. In the medium term, according to the ECB, energy inflation should settle at low positive levels given market expectations for energy raw materials and wholesale prices and planned fiscal measures related to climate change. Inflation excluding energy and food components is expected to remain above the level of headline inflation throughout most of the forecast period, but the process of disinflation is expected to continue. Inflation in services has remained persistently high in recent months. Overall, according to the September 2024 ECB staff macroeconomic forecasts, average annual headline inflation is expected to decline from 5.4 % in 2023 to 2.5 % in 2024, 2.2 % in 2025 and 1.9 % in 2026. The forecast for headline inflation remains unchanged from the June 2024 macroeconomic projections.

According to the most recent Eurostat data from 17.10.2024, calculated against the Harmonized Index of Consumer Prices (HICP), the inflation rate in the European Union fell in September to 2.1 percent on an annual basis compared to 2.4 percent reported for August. For the same period in the Eurozone, annual inflation slowed to 1.7 percent compared to 2.2 percent in the previous month of August.

According to data from the NSI, in September 2024 the monthly inflation measured by the HIPC was -1.1 % and the annual inflation rate in September 2024 compared to September 2023 was 1.5 %. The inflation rate since the beginning of the year (September 2024 compared to December 2023) was 0.8%, and the annual average inflation rate for the period October 2023 - September 2024 compared to the period October 2022 - September 2023 was 3.4%.

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

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

The political risk is the probability of occurrence of serious domestic political upheavals that will lead to a negative change in the government's economic program and its priorities for economic development, as a result of which the environment where companies operate will change in a negative direction, and investors will suffer losses. The degree of political risk is determined by the probability of changes in an unfavorable direction of the government's long-term economic policy, which may have a negative impact on investment decisions.

The ongoing fourth year and again escalating political instability in the country due to successive failed attempts to reach a nationally responsible consensus to form a stable government and the forthcoming new early elections continue to be a major factor negatively affecting not only the economy, but also all social systems in Bulgaria. Due to the lack of real reforms, our country's governance over the past year has further worsened the business environment and as a result we continue to report record low investment as part of the expenditure on fixed assets as a share of GDP, decline in industry, collapse of exports, loss of jobs. Under these conditions, the convergent reports of the European Commission and the European Central Bank from June 2024 indicate that Bulgaria still does not meet the price stability criterion. At the same time, the growth rate of budget expenditures significantly outpaces that of revenues, which could lead to non-compliance by our country also with the budget deficit criterion. In September 2024, the Ministry of Finance reported a sharp jump in the budget deficit to BGN 2.8 billion or 1.4 % of the estimated GDP. A month before the deficit was BGN 1.67 billion. The reason for the jump in the deficit is the anticipatory increase in expenses - mainly social (pensions, benefits and compensations), as well as personnel expenses after the salary increase in a number of budget organizations, the Ministry of Finance indicates. Forecasts point to a new deficit of BGN 11.9 billion for 2025, which, added to the planned deficit for 2024 of BGN 6.2 billion, forms a potential budget deficit of BGN 18.1 billion for the next year, approaching 9 % of GDP. This forecast is extremely alarming and outlines a risk of an unsustainable fiscal spiral, threatening the country's macroeconomic stability and medium- and long-term economic growth, moving it away from the three strategic memberships - European Union, Schengen and OECD - that Bulgaria must achieve in order to be on par with other countries in the community.

According to the 36th edition of the World Competitiveness Ranking for 2024 of the Institute for Management Development - Switzerland (IMD), published on June 18, in 2024 Bulgaria occupies 58th place from a total of 67 countries. The country shows a lack of progress since 2021, declining 10 positions from 2020 and 20 positions from 2009. Political instability remains a major concern, with the country ranking 66th under this indicator. Legislation in the field of competition and public procurement also needs improvement, and according to these criteria, Bulgaria is in 64th and 63rd place, respectively. As the main challenges for improving Bulgaria's competitiveness in 2024, the Center for the Study of Democracy outlines the continued political instability, the weak rule of law and endemic corruption, the delayed entry into the Eurozone and the risk of losing funds from the EU, the deteriorating business climate.

In addition, based on information from the Institute for Market Economy, according to the latest study by the Canadian institute Fraser, Bulgaria is in 52nd place in the world in terms of economic freedom for 2024. For another year, our country received the lowest result in terms of the legal system and supremacy of law, and in this category, we lag behind all other EU member states from Central and Eastern Europe. According to the report "Economic Freedom in Bulgaria: Overview and Recommendations for Growth" by the Institute for Market Economy, economic freedom requires a clear commitment to maintaining macroeconomic stability and a good business environment, which includes limiting macroeconomic imbalances, withdrawal of the state from certain spheres and policies in support of competitiveness. It is of key importance to conduct a reasonable budget policy, to comply with fiscal rules, as well as to maintain low direct taxes. Effective anti-corruption policy and constant efforts to protect independence and highlight undue influence in the judiciary remain a focus.

At the same time, the global supervisory authority Financial Action Task Force (FATF) left Bulgaria in the so-called "grey" list of jurisdictions placed under increased monitoring of the anti-money laundering framework. The FATF report entitled "Jurisdictions under increased surveillance", published on 25.10.2024 states that Bulgaria has taken steps to improve its anti-money laundering and anti-terrorist financing measures, but further steps are being taken recommendations that Bulgaria remove "the remaining technical gaps in compliance with the legislation and ensure that the information about the actual owners stored in the registers is accurate and up-to-date". In addition, our country must improve investigation procedures and "prosecution of various types of money laundering, including corruption at the highest levels of power and organized crime." In the published convergent report, the ECB pays special attention to Bulgaria's entry into the list, encouraging our country to "accelerate its efforts to implement the elements of the action plan", indicating that Bulgaria's participation in this list could become in an informal obstacle to the admission of our country into the Eurozone, even after fulfilling the formal criteria. And historical data shows that the shortest period for a country to manage to get out of the "gray" list is 2 and a half years.

An unsatisfactory level of the rule of law in our country is also found in the annual report of the European Commission on the rule of law in the EU, presented on 24.07.2024, where it is noted that in Bulgaria, along with Croatia and Poland, trust in the judiciary system is below 30 percent. The report states that no progress has been made in the expectation of improving investigations and reaching final verdicts in high-level corruption cases, as well as regarding the integrity requirements of senior executive functions with the introduction of clear rules and penalties.

Political volatility in recent years is also at the root of the slowdown in private sector investment, while at the same time delaying the practical implementation of the structural measures needed to accelerate the absorption of funds from the Recovery and Resilience Plan. The second payment of BGN 1.2 billion under the Plan, which should be released after the completion of a list of necessary reforms at the national level, has been delayed for a second year. At the same time, according to information from the Ministry of Finance regarding a meeting of the Minister of Finance with the European Commissioner for the Economy, Bulgaria can no longer postpone making a political decision on the amendments to the Recovery and Resilience Plan. The Ministry of Finance warned that a situation may arise in which Bulgaria not only does not receive a second payment, but even returns money from the already received first tranche.

All these findings are a consequence of the political situation in Bulgaria and testify for a sustainable lack of principled, adequate and continuous policies and regulatory environment, which along with the numerous bureaucratic obstacles for businesses and citizens, as well as delayed and relatively insufficient direct support for investments lead to an outflow of capitals from the country and are major obstacles to attracting new ones in the medium and longer term. In addition, the lack of consistency in the government policies applied also lead to financial instability, which increases the risk of a sudden change in the tax legislation applicable to the company's activities, which will lead to unforeseen, significant costs and, accordingly, adversely affected the financial result.

Internationally, the political risks for Bulgaria stem from the failure to achieve sustainable results in connection with our country's commitments to implement serious structural reforms in accordance with EU policies. Along with the ongoing negative consequences of the military conflict in Ukraine, the escalation of the military conflict in the Middle East appears to be an additional serious risk for our country and the world, given the inevitable negative economic and financial impact it is expected to have, both in line with the prices of oil, its availability and the resulting effects, as well as in terms of intensifying the pressure of refugee waves from the countries of this region.

Last but not least, the continuing deterioration of the business environment in the European Union, dictated by high energy price levels, over-regulation, which significantly increases the administrative burden for businesses and the lack of qualified labor resources, continues to demotivate entrepreneurial activity and lead to an outflow of capital from Europe, lowering competitiveness and hindering economic growth. Over the past five years, the European economy has lost 5 percentage points of its global share, with the EU's share of the global economy falling from 21 % to 16 %.

The trend of losing economic positions and prospects for the European economy, deepening in recent decades, is also found in the report "The Future of European Competitiveness", prepared at the request of the European Commission by the former President of the European Central Bank Mario Draghi and presented on 17.09.2024 before the European Parliament. The Report states that compared to its main competitors, the USA and China, Europe is losing in all main directions – in the growth of labor productivity, the implementation of innovations, the digital economy, demography. The report highlights the need for a new industrial policy for Europe that combines massive investments in strategic areas of technological breakthrough, a pragmatic and flexible trade policy, a foreign economic policy to guarantee a supply chain of raw materials and materials. Among the key priorities is finding a balance between Europe's ambitious climate goals (very strong compared to the US and China's commitments) and competitiveness. Overcoming the multi-faceted challenges will require a comprehensive reform of EU management - speeding up strategic decision-making, mobilizing funding by increasing the EU's "own resources", beyond the contribution of member states, a profound change in the management of EU budget expenditures - by creating a pillar "Competitiveness", joint financing of projects of common interest and for strategic purposes, action plans in each leading direction, "self-restraint" and simplification of EU rules and regulations, which are assessed as a serious obstacle for business and especially for small and medium enterprises.

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.

Impact of the main risks and uncertainties

According to the ECB's September 2024 Economic Bulletin, the Governing Council assesses that the risks to economic growth are tilted to the downside. Reduced demand for eurozone exports due to a weaker global economy or increased trade tensions between major economies, would dampen growth in the eurozone. The main sources of geopolitical risk are the military conflicts in Ukraine and the Middle East. As a result, businesses and households may lose confidence in the future and global trade may be disrupted. Growth could also be weaker if the lagged effects of monetary policy tightening turn out to be stronger than expected. It is possible for inflation to reach higher than expected rates if wages or earnings increase more than expected.

Upside risks to inflation also stem from heightened geopolitical tensions, which could push up energy prices and transport costs in the short term and cause disruptions in global trade. In addition, adverse weather conditions and the deepening crisis related to climate change are likely to lead to higher-than-expected increases in food prices.

Under these conditions, the ECB considers that fiscal and structural policies should be aimed at a more productive and competitive economy, which will help to increase potential growth and reduce price pressures in the medium term. Mario Draghi's report on the future of European competitiveness and Enrico Letta's report on strengthening the single market highlight the urgent need for reform and contain concrete proposals for its implementation. Full, transparent and immediate implementation of the revised EU economic governance framework will help governments to sustainably reduce budget deficits and debt ratios. They must take decisive measures in this direction in their medium-term plans for fiscal and structural policies.

On a national level, an urgent revision of our country's budget priorities and the introduction of strict measures for fiscal consolidation are imperative in order to prevent a potential financial and economic crisis with severe consequences for business and society. Of particular concern is the fact that the large, disproportionate increases in the cost of public sector remuneration and social and health insurance payments, including pensions, which many times exceed inflation rates, are taking place in a context of relatively moderate inflation, but with a continued decline in industrial production and with a deepening crisis in the real sector in the EU and Bulgaria.

Against this background, the results of an up-to-date survey by the Bulgarian Chamber of Mechanical Engineering show that this branch has seen serious declines in turnover over the last year. According to information from the industry chamber, more than 60% of the companies report a decrease in turnover in 2023, with some of the declines being 30-40% or more, and the unfavorable trend will continue in 2024.

These data on a continuing serious decline in production are very disturbing for the prospects for economic growth in Bulgaria, since mechanical engineering is a major branch of our country's industry and in recent years the volume of mechanical engineering production formed over 10% of the gross domestic product. Among the main problems facing the industry, which are common not only to mechanical engineering, but also to the industry as a whole, are high energy prices, which necessitates a change in the country's long-term energy policy. Regardless of the compensations for businesses, Bulgaria continues to have some of the highest electricity prices in Europe. Disrupted supply chains caused by the complicated international situation, as well as the stagnation of the economies of a number of countries, also create a problem. The most serious problem and a major risk, with a growing negative impact, both for the machine-building industry and for any other business in Bulgaria, remains the lack of personnel and the training of personnel - there is a lack of specialists with high and medium qualifications, as well as personnel with low qualifications. Only in the last 4-5 years, the graduates of vocational schools have decreased by 1/3 and the total number of secondary education graduates has decreased by 20% for the same period. Along with the negative demographic trend in the country, the lack of a state policy to ease labor immigration and a business-aligned methodology for personnel planning and training, the shortage of human resources continues being a key problem for the business and part of the reasons for the withdrawal of international companies from our country. At the same time, the implementation of an inadequate income policy, by increasing the minimum wage absolutely disproportionate to the growth of productivity and even inflation, deepens this problem by further worsening the business environment and leads to an equalization that demotivates workers and employees.

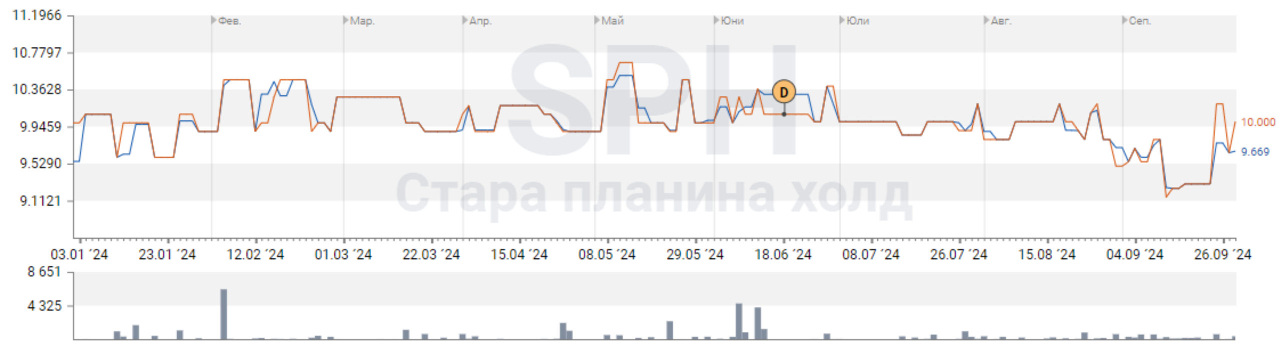
An additional serious factor that will continue having a negative impact on the competitiveness of the Bulgarian business compared to that of other European countries is the decision to partially accept Bulgaria and Romania in the Schengen area. The abolition of air and sea border controls between Bulgaria and the remaining Schengen countries from the end of March 2024 will not lead to the opportunity to use the economic benefits from the abolition of land borders, through which the main volume of goods passes - about 97% of the parcels as the total effect from Bulgaria's full accession to Schengen could reach BGN 1.3 billion per year, according to information from the Minister of Economy and Industry, Petko Nikolov.

The responsible and consistent implementation of reasonable state policies aimed at reforms for quality education and health care, adequately functioning pension and insurance and judicial systems, for the transparent channeling of funds from European funds and programs in projects with long-term potential for developing the economy are essential for the fulfillment of our country's priority goals for full Schengen membership, for joining the Eurozone and the OECD.

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.

No asset sales are anticipated in the near future.

Share price



------- closing price *Source: BSE-Sofia AD*

------ weighted-average price

The graph shows the price movement of the shares of Stara Planina Hold Plc on the Bulgarian Stock Exchange for the period 01.01.2024 – 30.09.2024.

- Start price: BGN 9.9872 (01.01.2024)
- Last price: BGN 10.00 (30.09.2024)
- Max price: BGN 10.666 (14.05.2024)
- Min price: BGN 9.15 (12.09.2024)
- Value change: BGN +0.0128
- Percentage change: + 0.1282 %.

The market capitalization of the holding as of 30.09.2024 is BGN 210 million.

III. Information on transactions with related parties and/or stakeholders

There are no transactions between related and/or interested parties concluded during the reporting period of the current financial year, which have significantly affected the financial condition or the results of the company's activity in this period except for the announced under Section IV of this announcement.

IV. Information on newly-arising significant receivables and/or liabilities for the respective reporting period

In the reporting third quarter of 2024 was concluded a loan agreement dated 01.07.2024 with Hydraulic Elements and Systems Plc, with UIC: 838168266 - borrower and which Stara Planina Hold Plc - parent company whereby the parent company credits its subsidiary HES Plc under the terms of Art. 114, para. 10, item 3 of the Public Offering of Securities Act by providing a cash loan in the amount of BGN 3 300 000 (three million and three hundred) for a period of one year starting from 01.07.2024 at an annual interest on the principal amount of the used loan in the amount of 4.0 %.

V. Information under Annex № 4 of Ordinance № 2 of the FSC

Change in the persons exercising control over the company	None.
Initiation of insolvency procedure for the company or its subsidiary and all material stages related to the proceedings	None.
Concluding or executing significant transactions	Information is provided under Section IV of this document.
Decision to conclude, cancel and terminate a joint venture agreement	None.
Change of the company's auditors and reasons for the change	None.
Initiation or termination of a court or arbitration case relating to liabilities or receivables of the company or its subsidiary with a claim value of at least 10 percent of the company's equity	None.
Purchase, sale or established pledge of shares in commercial companies by the issuer or its subsidiary	Information is provided under Section I of this document.
Other circumstances that the company considers to be possibly relevant to investors in deciding to acquire, sell or continue holding publicly traded securities	Information is provided under Section I of this document.

Media

Stara Planina Hold Plc discloses regulated information to the public through the information media Extri 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 during the nine-month period of 2024 is published on the company's website in the News section - https://www.sphold.com/en/news, 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.

This document was prepared in accordance with Art. 100o¹, para. 1 of the Law on Public Offering of Securities.

Digitally signed by Vasil Georgiev Velev
Date: 2024.10.30 10:00:39 +02'00'

Executive Director: Vasil Velev