



**STARA PLANINA HOLD PLC**

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**PUBLIC NOTIFICATION ON THE  
FINANCIAL STANDING**

**EXPLANATORY NOTES**

**for the first quarter of 2021**

**(on a consolidated basis)**

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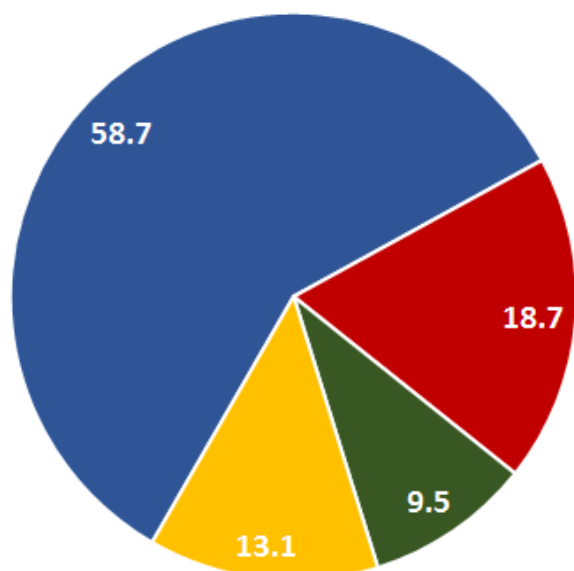
This document contains information on the possibilities for realization of published forecasts as well as forecasts for future periods and also data representing inside information under Art. 7 Regulation (EU) No 596/2014 on market abuse (Market Abuse Regulation). This information could significantly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

Detailed information on the important events that have occurred during the first quarter of 2021 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 regulatory requirements through the information media [EXTRY NEWS](#).

The announced important events that have occurred during the reporting period did not have an impact on the individual financial results of the company.

Our anticipation of the effect of the measures taken by the governments in relation to Covid-19 is set out in a separate section of this notification.



### Investment portfolio structure

■ Hydraulic Systems	58,7 %
■ Traction Batteries & Accumulators	18,7 %
■ Light Industry	9,5 %
■ Finance	13,1 %

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 have independent commercial operations. The company has focused its activities primarily on the management of its [subsidiaries and associates](#).

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 as far as their operations are primarily export-oriented - mainly to the countries of the European Union.

Pursuant to information of the ECB dated 11 March 2021, incoming economic data show a continued weakening of the economy in the first quarter of 2021 caused by the sustainability of the pandemic and the related restrictive measures. Experts expect the ongoing vaccination campaigns together with the gradual easing and removal of restrictive measures, to strengthen the projected stable recovery of economic activity in 2021.

Pursuant to data of the National Statistical Institute, in March 2021 the overall business climate indicator in the country increased by 2.1 percentage points compared to February 2021 as a result of the increased indicator in all monitored sectors - industry, construction, retail trade and services.

At the end of the first quarter of 2021, the Purchasing Managers' Index (PMI) reached extremely high levels, reporting a value of 62.5 for the Eurozone (the highest level ever reached) and globally the value of the indicator is 55 which is the highest level, reported for the last 10 years. According to the [EUROFER's](#) February 2021 forecast, the production of the European machine-building industry is expected to grow by 7 % in 2021 and 4.5 % in 2022.

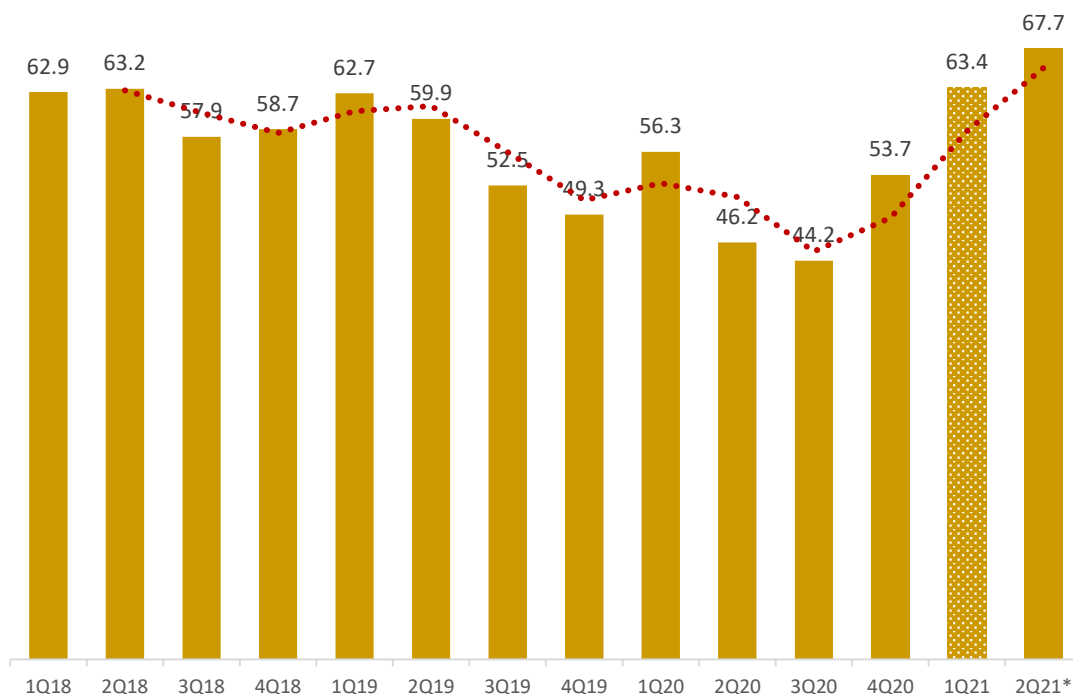
Given the achieved consolidated results for the first quarter of 2021 we confirm our forecasts that the gradual growth in consolidated sales revenues will continue.

Against this background and provided that the business processes in the country are not affected by possible political instability, we expect the negative impact of the crisis in industry as from 2019, negatively affected by the COVID-19 pandemic, to be overcome still in 2021.

### **Consolidated net sales revenues**

The consolidated net sales revenues for the first quarter of 2021 reached BGN 63.4 million which is an increase by 12.7% compared to the consolidated revenues for the same period of 2020 and falls within the expectations set out in the updated business plan from April 2021.

**Consolidated net sales revenues  
by quarters** (BGN million)

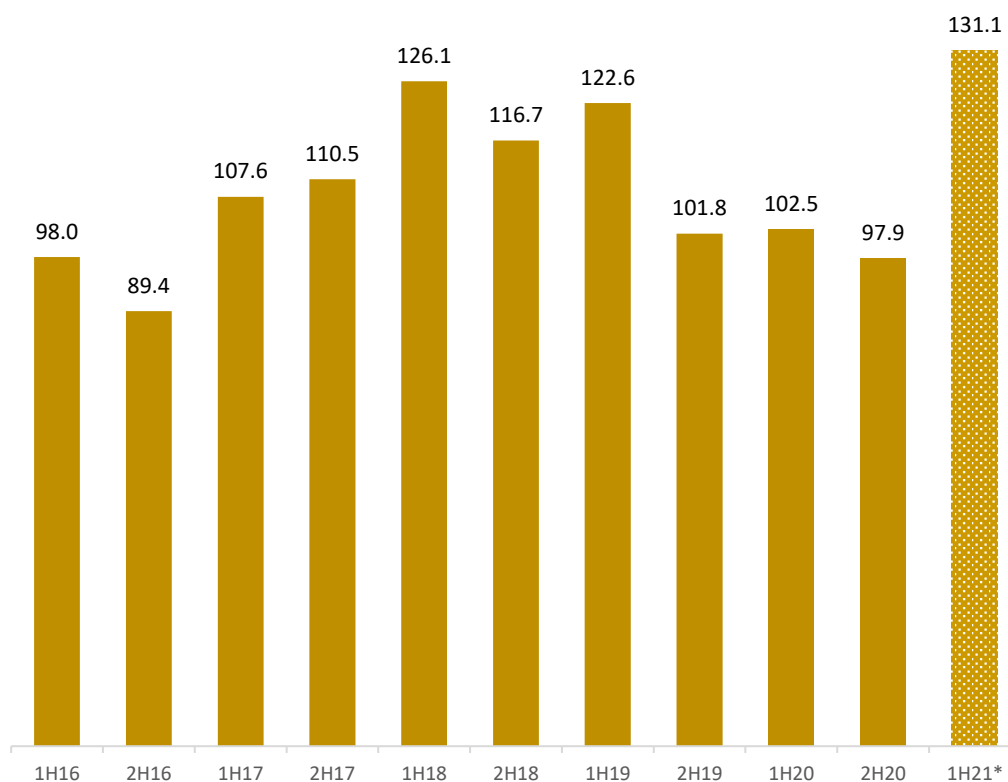


\* expected

We expect the consolidated revenues for the second quarter to reach BGN 67.6 million, which will report an increase of 46.9% compared to the same period last year and an increase of 13% compared to the same period of pre-crisis 2019. 2021 to report an increase of 0.27% compared to the updated business plan in April 2021 and 28.7% compared to the same period of the previous year.

The expected that revenues for the first half of 2021 will exceed by 7.9% the revenues for the first half of the pre-crisis 2019.

**Consolidated net sales by half year**  
(BGN million)



\* expected

**Consolidated profit**

The gross consolidated profit Stara Planina Hold Plc for the first quarter of 2021 amounts to BGN 8433 thousand and reports an increase by 37.5% compared to the gross profit for the same period of 2020.

**Statement on the influence 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 taken measures that the companies in the group have been implementing sustainably for more than a 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 quarter 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.

The effect of the measures taken in relation to Covid-19 at European and national level continues having a variable impact on the activities of the companies in the group of Stara Planina Hold Plc. The information we receive from our clients and partners in the country and Europe, although significantly more optimistic since the beginning of the year, continues being conditioned by the sporadic and irregular nature of the Covid-19 pandemic and the measures taken in terms of industry which in turn predetermines volatility in market sentiment and inconsistency in reported business results.

Despite our positive expectations for a gradual disappearance of the Covid-19 pandemic, we believe that the related risks arising will have their impact in the whole 2021 as well.

### **Companies in the economic Group of Stara Planina Hold Plc**

The participation of Stara Planina Hold Plc in the subsidiaries and associates is accounted for in compliance with the provisions and requirements of IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures

### **Subsidiaries included in the consolidated financial notice**

Subsidiaries are all enterprises under the control of the Company. The control over the subsidiaries of the Company finds expression in its ability to manage and define the financial and operational policy of the subsidiaries so as to derive benefits as a result of their activities. In the separate financial statements of the

Company, investments in subsidiaries are reported at cost price.

### **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**.

	<p>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.</p>
<p><b>Fazan JSC</b> 5 Treti Mart Blvd., 7000 Rousse UIC 827182916</p>	<p>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.</p>
<p><b>Vinprom JSC</b> Industrialna zona Dulga Luka, 5000 Veliko Tarnovo UIC104055430</p>	<p>Scope of business: purchase of fruit for industrial processing; production of vinegar and other products of the wine industry. Registered capital: 35 000 shares with nominal value of BGN 2.00. Stara Planina Hold Plc holds 33 492 shares, representing 95,69 % of the votes in the General meeting.</p>
<p><b>SPH Invest JSC</b> Town of Slavyanovo, Pleven district. UIC 114034106</p>	<p>Non-operating enterprise. Registered capital: 459 222 shares with nominal value of BGN 1.00. Stara Planina Hold Plc holds 453 440 shares, representing 98.74 % of the votes in the General meeting.</p>
<p><b>DIONISIY JSC</b> Town of Nikopol, Pleven District UIC 114075291</p>	<p>Non-operating enterprise. Registered capital: 28 739 shares with nominal value of BGN 3.00. Stara Planina Hold Plc holds 19 827 shares, representing 68.99 % of the votes in the General meeting.</p>
<p>Associates included in the consolidated financial notice</p>	<p>Associates are those enterprises over which the Company has the ability to exercise significant influence but are neither subsidiaries nor jointly controlled companies. Investments in associates are reported under the cost price method. The Company reports dividends from an associate in profit or loss in its separate financial statements when its right to receive the dividend is recognized.</p>
<p><b>M+S Hydraulic Plc</b></p>	<p>Public company, BSE Code: <b>MSH</b>.</p>

68 Kozlodui Str., 6100 Kazanlak  
UIC: 123028180

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 and 90 % of M + S Hydraulic Power Transmission GMBH, Kaiserslautern, Germany, which trades in hydraulic products.

### **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.

### **Ustrem JSC**

78, Patriarch Evtimiy Str., 5252 Svishtov  
UIC: 206417771

Scope of business: production of spare parts for combine harvesters, agricultural machines and non-standard equipment. Registered capital: 13 602 stakes with nominal value of BGN 1.00. Stara Planina Hold Plc holds 6 121 shares, representing 64,53 % of the votes in the General meeting.

### **Applicable accounting policy**

Taking into consideration the influence of the holding on the decision-making in relation to the associates' activities and the necessity of more comprehensive and accurate information for shareholders, investors and all stakeholders, since the beginning of 2011 Stara Planina Hold Plc has applied accounting policies to further facilitate investors in making informed investment decisions. Audit verification of the financial notice has not been made.



## 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.

The overall macroeconomic risk posed by the global wave of Covid-19 contagion in 2020 and 2021, as well as the measures taken by the EU and the governments to deal with the crisis affect the business operations of the Group.

According to data of the ECB as of March 11, 2021, the global GDP growth (excluding the euro area) is expected to be 6.5% in 2021, then slowing to 3.9% in 2022 and to 3.7% in 2023. This trend is in line with the estimate of a 2.4% decrease in global GDP in 2020. The trade agreement between the European Union and the United Kingdom and the stronger-than-expected recovery in developed economies explain the revised upward external demand in the euro area. It is expected to increase by 8.3% in 2021 and by 4.4% and 3.2% respectively in 2022 and 2023, which means an upward revision by 1.7 percentage points for 2021 and by 0.3 percentage points for 2022.

According to the baseline scenario of the macroeconomic forecasts for the euro area, the ECB experts expect real annual GDP growth by 4.0 % in 2021, 4.1 % in 2022 and 2.1 % in 2023, with the outlook for the economic activity as a whole remaining unchanged compared to the December 2020 forecasts.

Pursuant to data of the National Statistical Institute, in March 2021 the composite indicator "business climate in industry" increased by 1.2 percentage points which is due to the more favorable assessments and expectations of industrial entrepreneurs for the business condition of the enterprises.

The baseline scenario of the ECB experts' macroeconomic forecasts for the euro area from March 2021 envisages annual inflation of 1.5% in 2021, 1.2% in 2022 and 1.4% in 2023. Compared to the December 2020 macroeconomic forecasts, the inflation forecast has been revised upwards for 2021 and 2022 mainly due to temporary factors and higher inflation in energy prices but remains unchanged for 2023.

The overall market risk caused by fluctuations in the general market conditions and the ability of the companies' value in the issuer's portfolio to vary in case of changes in the state of the economy. It articulates the market uncertainty as a whole and the unequal sensitivity of the companies' value to market changes.

Specific risk related to the particular features in the activity of the separate companies within the Group of Stara Planina Hold Plc. The investment

portfolio of the holding is characterized by relatively good diversification which helps to significantly reduce the specific risk.

### Impact of the main risks and uncertainties

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

No significant sales of assets are planned in the near future.

Four of the companies in the investment portfolio of Stara Planina Hold Plc (BSE code [SPH](#)) are public companies which is a precondition for limiting liquidity risk. These are: M+S Hydraulic Plc [MSH](#), Hydraulic Elements and Systems Plc [HES](#), Elhim Iskra Plc [ELHM](#) and Bulgarian Rose Plc [ROZA](#).

Additional information on the risks faced by the public companies in the portfolio of Stara Planina Hold Plc are available in their own publications pursuant to the regulatory requirements:

M+S Hydraulic Plc, Kazanlak: [link](#)

Hydraulic Elements and Systems Plc, Yambol [link](#)

Elhim Iskra Plc, Pazardzhik: [link](#)

Bulgarian Rose Plc, Karlovo: [link](#)

### 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.

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

Annex dated 21.01.2021 under a loan agreement dated 01.10.2013 with Leasing Company AD in the amount of BGN 400 thousand with a maturity date 01.10.2021 at 2.5% annual interest.

### V. Information under Annex № 9 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	None.
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	None.
Other circumstances that the company considers to be possibly relevant to investors in deciding to acquire, sell or continue holding publicly traded securities	The information is provided under Section I of this document.
Media	Stara Planina Hold Plc discloses regulated information to the public through the information media <a href="#">Extri News</a> .
This document was prepared in accordance with Art. 100o <sup>1</sup> , para. 1 of the Law on Public Offering of Securities.	Executive Director: Vasil Velev