



**STARA PLANINA HOLD PLC**

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**PUBLIC NOTICE ON THE  
FINANCIAL STANDING**

**EXPLANATORY NOTES**

**for the fourth quarter of 2022**

**(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**

The general meeting of the shareholders of Stara Planina Hold Plc, held on May 23rd, 2022 adopted a resolution for the amount of BGN 6 181 039.84 to be paid in the form of dividend. The dividend payment started on July 15th, 2022.

The amount of this dividend is 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 42.5 million. The initial investment in the holding has a dividend coverage of 24.3 times.

The total amount of accrued dividends for the 2021 financial year and received by Stara Planina Hold Plc from the companies in the Group of Stara Planina Hold Plc is BGN 8 198 thousand.

There are no other significant events occurred since the beginning of the financial year that have affected the results in the financial statements except for the military conflict in Ukraine and the resulting negative effects on the economic activity, trade relations, the price of basic raw materials, including energy carriers and the inflation.

Detailed information about the important events that have occurred since the beginning of the financial year to the end of the reporting six months of 2022 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**

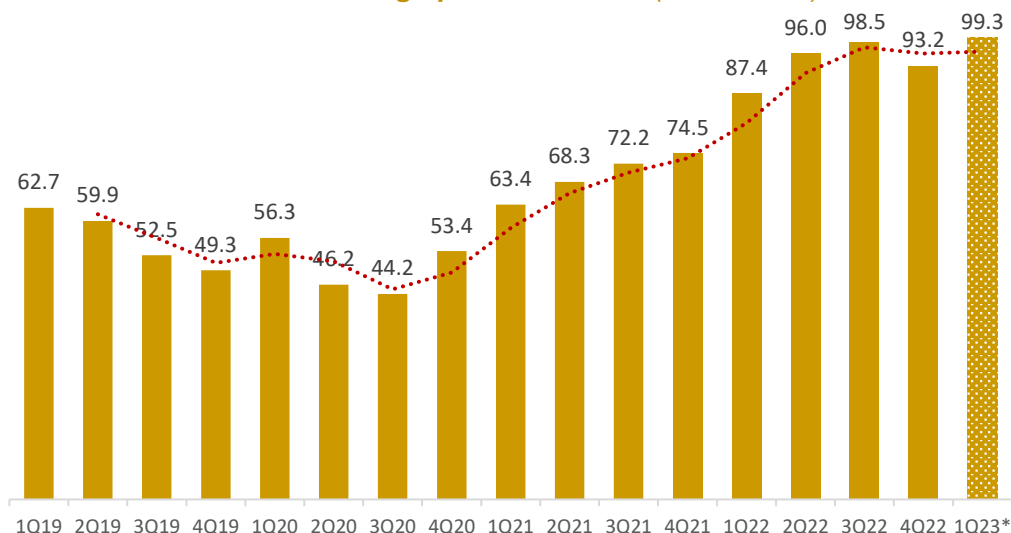
As a holding company Stara Planina Hold Plc does not perform independent commercial operations and the company has focused its activities primarily on the management of the [subsidiaries and associates](#) in the Group. Therefore, a significant effect on the financial standing of Stara Planina Hold Plc 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.

In 2022 the activities of the companies in the Group were determined by new serious challenges caused both by the consequences of the covid-pandemic and the ongoing for more than ten months now military conflict in Ukraine. The increase in the prices of raw materials, fuels and energy carriers in general, the difficult logistics, strong inflationary pressure, as well as the continuous process of imposing mutual sanctions between the USA and the EU, on the one hand, and Russia, on the other, objectively affected the economy not only in Europe, but also on a global scale. On a national level, the industrial activities throughout the year were, and continues being, severely affected by the escalating political instability.

Against this background, for the year 2022, we report stable high results, which at this stage show a continuing trend of increasing sales. Given these results and the expectations of our partners in Europe and the world for the first half of the current year, we confirm our predictions that the growth in consolidated sales revenue will continue in 2023.

The consolidated data show that the sales revenues for 2022 are 34.75 % higher than the 2021 sales and 87.52 % higher than the reported sales for 2020.

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

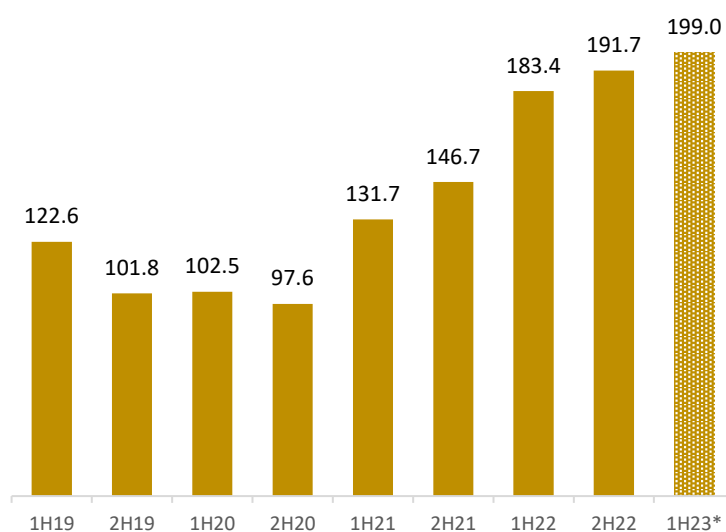


\* Expectations

The consolidated revenues only for the fourth quarter of 2022 reached BGN 93.2 million and thus we report a 25.5 % growth compared to the same period of the previous year and an increase by 74.6% compared to the fourth quarter of 2020. Based on the reported results for the second half of 2022 we reached a growth by 30.67 % compared to the same period of the previous year and an increase by 96.41 % compared to the second half of 2020.

Based on the results achieved in the first months of 2023 we increase our sales forecast for the first quarter of 2023 and expect them to reach BGN 99.3 million. With these results we will report an increase by 13.6 % over the same period of 2022 and a 56.6 % growth compared to the first quarter of 2021. We expect the revenues for the first half of 2023 to grow by 8.5 % compared to the same period of the previous year.

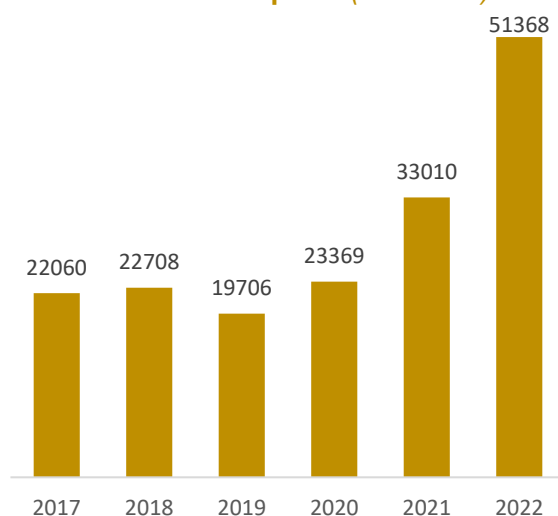
**Consolidated net sales revenues by half year periods  
including updated forecast for 2021 (BGN million)**



\* Expectations

The gross consolidated profit of Stara Planina Hold Plc as of 31.12.2022 reached BGN 51 638 thousand which is a growth by 55.61 % compared to the reported gross consolidated profit for the previous year and an increase by 119.81 % compared to the gross profit for 2020.

### Consolidated profit (BGN '000)

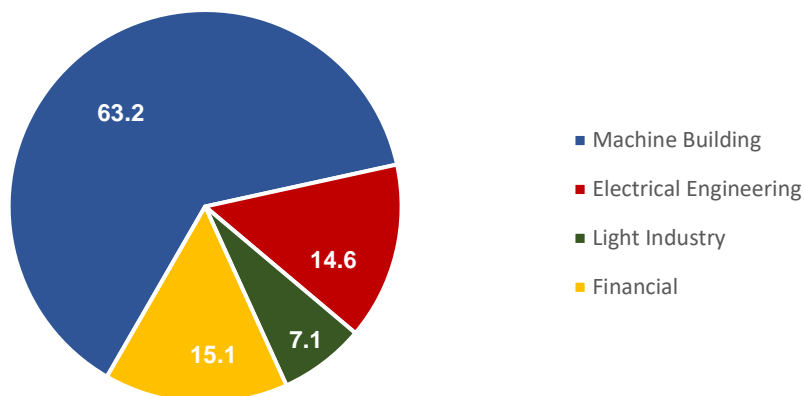


Factors that will continue influencing costs in 2023 as well are the market prices of raw materials for the production, transportation of supplies, regional market price of labor, energy prices and security of their supply.

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. The development of the military conflict in Ukraine and the effect of the measures taken at European and national level will affect the activities of the companies in the group and may lead to adjustments 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

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 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.

### Subsidiaries included in the consolidated financial notice

#### 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.

#### 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.

#### SPH Invest JSC

Town of Slavyanovo, Pleven district.  
UIC 114034106

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.

### **Dionisiy JSC**

Town of Nikopol, Pleven District  
UIC 114075291

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.

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

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.

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

### **Bulgarian Rose PLC**

Industrialna zona, 4300 Karlovo  
UIC:11509344

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 1 040 570 shares, representing 45.00 % 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 which depends on 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 the last quarter of 2022 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 enterprises.

Macroeconomic indicators such as inflation, instability of financial markets and the slowdown of economy, as well as the energy crisis, as a result of the global economic and political consequences of Covid-19 and the military actions in Ukraine, continue having a significant impact on business processes and prospects for economic development in global aspect.

The macroeconomic forecasts of the ECB staff as of December 2022 foresee global real GDP growth (excluding the euro area) to slow to 2.6% in 2023 – below the long-term average – before recovering gradually to 3.1% and 3.3 % in 2024 and 2025 respectively. This outlook is weaker than the one outlined in the September 2022 forecast. The outlook for world trade and external demand for euro area goods also decreased from the one in the September 2022 forecast.

At the same time, the European Commission's Winter Economic Forecast raises growth prospects and slightly lowers inflation forecasts. Growth for 2022, according to the data from the January forecast, is estimated at 3.5 % in both the EU and the euro area. GDP is projected to grow by 0.8 % in 2023 and 1.6 % in 2024 (0.9 % and 1.5 % in the euro area), with Bulgaria expected to grow by 1.2 % in 2023 and 2.5 % in 2024. Expected headline inflation to fall from 9.2 % in 2022 to 6.4 % in 2023 and 2.8 % in 2024 in the EU. In the euro area, it is expected to slow from 8.4 % in 2022 to 5.6% in 2023 and to 2.5 % in 2024.

The January forecast of the European Commission foresees the growth of the gross domestic product (GDP) of Bulgaria for the past year 2022 to reach 3.9 percent, compared to the forecast for an increase of 3.1 percent given in November. For 2023, the European Commission expects Bulgaria's economy to increase its volume by 1.4 percent compared to the previous growth forecast of 1.1 percent, and in 2024 by 2.5 percent compared to the previous expectation of an increase of 2.4 percent.

Pursuant to data of the National Statistical Institute, in December 2022 the composite indicator "business climate in industry" in Bulgaria increases by 2.5 percentage points as a result of the more positive industrial entrepreneurs' expectations about the business situation of the enterprises over the

next 6 months. According to them, in the last month there is a certain increase of the production assurance with orders but that is not accompanied by increased expectations about the production activity over the next three months. The uncertain economic environment and labor shortages continue being the main problems for business development in Bulgaria.

**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

On 15 December 2022, the Governing Council of the ECB adopted a new decision to increase the three key ECB interest rates by 50 basis points announcing that they will continue rising significantly at a steady pace to reach levels that are sufficiently restrictive, to ensure a timely return of inflation to the medium-term target of 2%.

As a result of the previous decisions to increase the three main interest rates of the ECB from July and September, on 30.09.2022 the BNB announced for the first time since 2016 a main interest rate higher than zero and effective from 01.10.2022 the main interest rate in Bulgaria rises to 0.49 percent. For November, the main interest rate announced by the BNB is 0.59 % and for December 2022 – 1.30%.

**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 2022 ECB staff macroeconomic forecasts for inflation have been revised up significantly and forecast inflation to reach on the average 8.4 % in 2022 before slowing to 6.3 % in 2023, and during the year it is expected to noticeably decrease. Inflation is then projected to average 3.4 % in 2024 and 2.3 % in 2025. Inflation, excluding energy and food, is projected to average 3.9 % in 2022 and rise to 4.2 % in 2023, then drop to 2.8 % in 2024 and to 2.4 % in 2025.

Pursuant to data of the National Statistical Institute, in December 2022, the monthly inflation rate in Bulgaria was 0.9 % compared to the previous month, and the annual inflation rate in December 2022 compared to December 2021 was 16.9 % and reported lower levels for the third consecutive month compared to the peak value of September 2022. The annual average inflation rate for the period January - December 2022 compared to the period January - December 2021 was 15.3%.

**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.

**Political risk:** The ongoing political instability in the country for more than three years is assessed as one of the main factors negatively affecting economic activity and the business environment in the country, which is a serious obstacle to attracting new investments and retaining foreign investments in the country in the medium and longer term. This instability may not only hinder the reform program and Bulgaria's ability to fully invest the EU funds, but also delay the country's accession to the Eurozone and significantly weaken the growth potential of the Bulgarian economy.



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**

According to the ECB, the euro area economy is likely to contract in the fourth quarter of 2022 and in the first quarter of 2023 due to the energy crisis, high uncertainty, weakening economic activity and tighter financing conditions. Under the conditions of slowing pace of the world economy, the risks for growth are mainly for its decrease, especially in the short term. The military conflict in Ukraine continues posing a material adverse risk to the economy. Energy and food costs could also remain persistently higher than expected. There could be a further slowdown in growth in the euro area if the global economy weakens more sharply than expected.

Risks to the inflation forecast are mostly on the upside. In the short term, existing supply chain pressures may lead to larger than expected increases in energy and food retail prices. In the medium term, risks stem mostly from domestic factors, such as a sustained rise in inflation expectations above the ECB's 2 % target or higher than expected wage increases. In the short term, the risk of energy supply disruptions remains high.

According to the European Commission's Winter Economic Forecast, the increase in investment from EU funds, especially under the Recovery and Resilience Plan, is expected to support aggregate investment in Bulgaria in both 2023 and 2024. The Commission emphasizes that potential delays in the implementation of the NPVU represent a negative risk for the growth of investments in our country.

Under these conditions, the companies in the Group of the Stara Planina Hold Plc make serious efforts to guarantee their security with orders also for 2023, as well as to maintain and even increase their market positions. The companies continue their investment policies aimed at technological renewal, digitization of processes and expansion of production capabilities with a view to increasing productivity and quality of the manufactured products in parallel with their policies on optimizing the production process and stimulating the persons employed in the Group.

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.

### **III. 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 impact of Covid-19.

We have taken measures that the companies in the group have been implementing sustainably for a third 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 2022 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 measures undertaken by governments in relation to Covid-19 will continue having an impact, though of diminishing importance, on the economic sentiment and global, regional and local business conditions.

The effect of the measures taken in relation to Covid-19 did not have a significant impact on the results during 2022.

#### IV. 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.

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

Loan agreement dated 23.06.2022 with Hydraulic Elements and Systems Plc, with UIC: 838168266 - borrower with which Stara Planina Hold Plc - 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 3 000 000 (three million) for a period until 31.03.2023 at an annual interest on the principal amount of the used loan in the amount of 2.125% starting from 23.06.2022; unpaid principal as of 31.12.2022 in the amount of BGN 3 million.

Cash loan for financing the purchase of machines dated 01.07.2022 granting "Boryana" AD the amount of BGN 483 thousand with a repayment term until 01.03.2027 at 2.5 % annual interest. Balance at the end of the reporting period BGN 206 thousand.

Loan agreement dated 15.11.2022 with Elhim-Iskra Plc, with UIC: 112013939 - borrower with which Stara Planina Hold Plc - parent company credits its subsidiary Elhim-Iskra 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 1 200 000 (one million and two hundred thousand) for a period of five years at an annual interest on the principal amount of the used loan in the amount of 2.5 % starting from 15.11.2022; unpaid principal as of 31.12.2022 in the amount of BGN 1.2 million.

#### VI. 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 V 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	None.

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](#).

This document was prepared in accordance with Art. 100o, para. 4, item. 2 of the Law on Public Offering of Securities.

Executive Director: Vasil Velev