



DEAR SHAREHOLDERS AND INVESTORS,

Stara Planina Hold Plc and the enterprises from our group bid good bye to another successful year. The first year of the third decade of Stara Planina Hold Plc is the most successful in the history of the group- the 2017 annual sales will reach approximately BGN 214 million. This would lead to 14% growth compared to 2016. We expect over 20% increase in the financial result of the business group. At the same time we project Stara Planina Hold's net profit to reach BGN 5500 thousand which assures that for a 21st consecutive year a part of it will be distributed as a dividend to the shareholders of the holding. Traditionally, dividends will also be distributed by the largest enterprises of the group.

This forecast is based on the results achieved in the current year, the business plans of the enterprises for 2018 and the expectations from the markets where we currently sell. These results are in direct correlation with the Eurozone economic processes, which show a noticeable increase in confidence in industrial production.

The level of our export directly depends on the markets in which the group operates – mainly in the EU. The economic recovery of the Eurozone is expected to continue at a good pace. In 2017 we continued to sell in our main markets and we believe Europe will continue to be a secure and predictable market for us. The expected growth of 3.3% of Mechanical engineering industry, in the Eurozone, in 2017, has a beneficial impact on our customers' economic activity and has a positive impact on our performance.

The Board of Directors expects the 2018 consolidated income from sales to exceed the peak sales seen this year and to reach BGN 226.5 million, which means an increase of 5.8% compared to the expectations for 2017. We also expect quicker than originally predicted rise in labor costs, which will lead to a reduced financial result in 2018 of about 8% year-on-year.

Also, in 2018, our priority task is to retain the major markets and to widen our presence on new ones. This will require us to offer good prices, high quality and short delivery times.

Our enterprises plan to considerably increase investments, which should result in the introduction of new products, higher productivity, as well as better remuneration for the employed staff. In 2017 the investments in the entire Stara Planina Hold group will amount to BGN 19.3 million, 52% higher than investments in 2016.

In 2018 we will continue to have an active investment policy and we expect investment growth of 44% reaching BGN 28 million. The major portion of the planned investments will be allocated for upgrade of production facilities, as well as for enhancement of the organizational capacity and human resources of the companies. Over 6% of the planned investments are to be made in the area of social benefits.

Also, this year, our top priority was to increase labor productivity and retain qualified professionals. Companies continue to invest increasing amounts of resources for additionally qualifying its employees. This year the number of employees increased by 9.6% and the increase in the average monthly salary in the enterprises of the group is 15.2%, while labor productivity rose by 4.1%. In 2018 we plan to increase the number of our employees by 1.0% and the labor costs by 5.8%.

Achieving a good financial result at the expected sales volume is a major task in order to ensure stability of the market capitalization of the group's companies with view of guaranteeing shareholders' investments and profitability.

Sofia, December 15, 2017

Stara Planina Hold Plc

Board of Directors