



DEAR SHAREHOLDERS AND INVESTORS,

Stara Planina Hold Plc and the enterprises from our group bid good bye to another successful year. The second year of the third decade of Stara Planina Hold Plc is the most successful in the history of the group - the 2018 annual sales will reach approximately BGN 241 million. This represents almost 11% growth compared to Y2017 sales. At the same time we project Stara Planina Hold's net profit to reach BGN 5800 thousand which assures that for a 22nd 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 2019 and the expectations from the markets where we currently sell.

In 2018 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 2.2% of the Mechanical engineering industry in the Eurozone in 2019, will impact on our customers' economic activity and will have a stabilizing effect on our performance. On the other hand, the uncertainty related to the rising threat of protectionism and trade tensions eventually will hinder global growth and would impact on the stability of our business.

The Board of Directors expects the 2019 consolidated income from sales to peak Y2018 sales. In 2018, we also expect a decline in the financial result of about 1.5%, due to the forecasted growth in labor costs.

Also, in 2019, 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 2018 the investments in the entire Stara Planina Hold group will amount to BGN 20.3 million, 4.9% higher than investments in 2017.

In 2019 we will continue to have an active investment policy and we expect investment growth of 33% reaching BGN 27 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 2.6% and the increase in the labor costs in the enterprises of the group is 15.8%, while labor productivity rose by 9.3%. In 2019 we plan to increase the number of our employees by 0.6% and the labor costs by 5.2%.

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 14, 2018

Stara Planina Hold Plc

Board of Directors