



DEAR SHAREHOLDERS AND INVESTORS,

Stara Planina Hold Plc and the enterprises from our group bid good bye to a tense year whose halves differed in terms of performance. The optimism at the end of the peak 2018 gradually subsided in the wake of the first crisis signals from the industry in the Western Europe which caused pessimism in the business sentiment of our partners. We closed the first half with a slight drop of 2.7% but as early as July we issued a warning of downward revision of our forecast. The expected drop in sales in the second half is in the order of 16% compared to the same period in 2018. In 2019 the annual sales of the enterprises from the group will reach approximately BGN 222 million. This would lead to an 8.6% drop compared to 2018. Considering the expected weak last quarter, we estimate that the 2019 financial performance of the group will see a drop of 19%. This may affect the future income from dividends in the parent company.

At the same time we project the 2019 net profit of Stara Planina Hold Plc to reach BGN 6.4 million which gives us confidence that for a 23rd consecutive year a part of it will be distributed as a dividend to the shareholders of the holding. Depending on the results from the initial months of the next year, in the middle of March Stara Planina Hold Plc will announce its proposal to distribute part of the 2019 profit of the companies as a dividend.

This forecast is based on the results achieved in the current year, the business plans of the enterprises for 2020 and the expectations with respect to our main markets. These results are directly dependent on the processes taking place in the Eurozone which exhibits slow, yet steady decline in the industrial manufacturing confidence. The level of our export is directly dependent on the markets in which the group operates – mainly in the EU.

The EU economy is still exposed to risks of slowing down and the possible escalation of the trade disputes between the USA and its main trade partners followed by a no-deal Brexit would result in an additional worsening of business sentiments and reduced investment growth. This slowdown has been gaining speed in 2019, especially in Germany - the biggest economy in the Eurozone. As a result, we have been seeing a continuing decline – in the automotive industry in particular and overall in manufacturing. The EU registered its lowest annual growth rate since the first half of 2013. The macroeconomic perspective is not expected to improve significantly which reflects the ongoing uncertainty and sluggishness in most of the industrial sectors. On the other hand, the uncertainty related to the growing threat of protectionism and global trade tensions may have an effect on the stability of our business.

The Board of Directors of Stara Planina Hold Plc expects for the drop in the consolidated income from sales to continue also in the first half of 2020 with the projected drop expected to reach over 10% compared to the first half of 2019. At the same time we are optimistic in terms of sales in the second half when we expect a 5.5% year-on-year growth rate. Considering these metrics, in 2020 we expect to see the income from sales in the group reach BGN 215 million. Despite the looming annual 3 percent drop in sales, we expect a bigger dip in the financial performance in the order of 7-8 percent which is due to the outpacing growth of labor costs. Financial performance will be additionally affected by the continuing non-market determination of significant portion of electricity price components.

The history of Stara Planina Hold Plc shows that we have experience in overcoming a crisis and mitigating the resultant risks. Therefore, in 2020 our primary task will again be to retain the major markets and to widen our presence in the new markets. This will require us to offer good prices, high quality, short delivery times and wider product ranges in line with the specific customers' demands.

In 2019 the investments in the entire Stara Planina Hold Plc group reached nearly BGN 18 million. In these conditions, our enterprises plan to increase the level of investments over 4% which should result in the introduction of new products, higher productivity as well as better remuneration for the employed staff. Over 6% of the planned investments are to be made in the area of social benefits.

This year, too, our top priority was to increase labor productivity and retain expert staff. Our enterprises invest ever growing amounts and efforts in upgrading staff qualifications. This year the number of employees decreased by 1%. In 2020 we plan to reduce the number of employees by 4% at a 3.5% increase in the monthly wage.

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

Sofia, December 13, 2019

Stara Planina Hold Plc

Board of Directors