



DEAR SHAREHOLDERS AND INVESTORS,

Stara Planina Hold Plc and the companies in our group are facing the end of a difficult year during which month after month sales and results have been seriously affected by the impact of the global economic crisis. We closed the first half of the year with a significant decline in the net sales revenue by 16.4 % and EBIDTA showed a decrease by 21.1%. The most essential decrease was observed in the second quarter - 22.9 % as only in May the downturn reached 35.8% on an annual basis. The expected sales downturn in the second half of the year is approximately 7.0 % compared to the same period of 2019. In 2020 the annual sales of the companies in the group will reach about BGN 198 million. This would lead to a decrease by 11.8 % compared to 2019.

In the last three months this year for the first time we observed minimal and unstable sales growth compared to the same period of the previous year. The Covid-19 pandemic impact on the global industry is expected to be long-lasting and comprehensive. It is expected that industry in our country will be strongly affected due to the serious decline in orders, difficult supplies of materials and shipping of production. The industrial sectors where our companies operate are highly vulnerable due to the strong economic relations with the European Union economy.

As a result of the vigorous anti-crisis measures taken by the management we envisage that the 2020 financial results of the group will remain close to the 2019 levels emphasizing that a positive element in the financial state of the group is the low external indebtedness.

The 2020 net profit of Stara Planina Hold Plc will exceed BGN 5 million which gives us confidence that for the 24th consecutive year part of the profit will be distributed in the form of dividends to the shareholders of the holding.

This forecast is based on the results achieved in the current year, the business plans of the enterprises for 2021 and the expectations with respect to our main markets. These results are directly dependent on the economic processes taking place in the Eurozone which shows serious decline in the industrial manufacturing confidence. The level of our export is directly dependent on the markets where the group operates – mainly in the European union.

The EU economy is still exposed to risks of slowing down and in addition to the major shock caused by the restrictive measures imposed by the governments against the pandemic, the still uncertain outcome of the trade dispute between the USA and its main trading partners, as well as the forthcoming hard Brexit, will have a negative impact. The macroeconomic perspective is unlikely to improve significantly which reflects the ongoing uncertainty and weakness in most of the industrial sectors. This uncertainty could lead to a growing threat of protectionism and tensions in global trade and this will affect the stability of our business.

The Board of Directors of Stara Planina Hold Plc expects the slow growth in the consolidated sales revenues observed in the last months of 2020 to continue also in 2021 as in the first half of the year we expect that the growth will be 5.4%. At the same time we are more optimistic in terms of sales in the second half when we expect a 8.8 % year-on-year growth rate. Considering these metrics, in 2021 we expect that the sales revenues in the group will reach BGN 211 million. Despite the looming sales growth it is possible for the financial results to decline by 12-14 % which is due to the outpacing growth of labor costs while maintaining the number of employees. We cannot ignore a serious cause of a negative impact of the financial results such as the ongoing non-market determination of a significant part of electricity price components and the anti-market behavior of the large electricity producers and traders.

The history of Stara Planina Hold Plc shows that we have experience in overcoming crises and mitigating the resultant risks. Therefore, in 2021 again our primary task will 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 terms and wider product ranges in line with the specific customers' demands.

In 2020 the investments in the entire group of Stara Planina Hold Plc reached nearly BGN 16 million. Under these conditions our companies plan over 14.7 % growth in investment in 2021 which are to lead to introduction of new products, higher productivity and better remuneration to employees, respectively.

A leading priority for us this year retention of key specialists. Labor productivity this year increased by 1.2 %. In 2021 we expect retention in the number of employees while increasing labor productivity by 2.7 % and the average monthly salaries - by 5.7 %.

Achieving good financial results at the expected sales volume is the main task to ensure a market capitalization growth of the companies in the group thus ensuring the shareholders' investments and their profitability.

Sofia, December 18, 2020

Stara Planina Hold Plc

Board of Directors