



STARA PLANINA HOLD PLC

DEAR SHAREHOLDERS AND INVESTORS,

Stara Planina Hold Plc and the companies in our group are facing the end of a dynamic and difficult to predict year during which, despite the effects of the restrictive measures following the Covid-19 pandemic, we managed to achieve high levels of sales and results ahead of the pace of recovery and growth of the European economy.

The consolidated sales revenues of the Group for the first half of 2021 reached BGN 131.7 million and reported a 28.5 % growth compared to the sales for the same period of 2020 and a 7.4 % increase compared to the sales for the first half of the pre-crisis 2019. The net consolidated profit of the Group for the first half of 2021 reached BGN 16.6 million thus reporting a growth by over 125 % compared to the previous year and an increase by over 47 % compared to profit of the Group for the first half of 2019. The expected sales growth for the second half of the year is approximately 49.6 % compared to the same period of 2020 and 43.4 % compared to the second half of 2019. On this basis, we anticipate sales in 2021 to reach BGN 277.7 million - over 39 % nominal growth compared to 2020 and almost 24 % increase compared to 2019.

On September 27, 2021 we celebrated 25 years since the incorporation of the holding with a record high market capitalization of BGN 237 million. The market capitalization of the public companies in the Group reached BGN 708 million. Stara Planina Hold Plc is the only public holding company in Bulgaria that has distributed dividends for each year of its existence.

Investments of our companies reached almost BGN 13.6 million, mainly intended for new mainly for technological renewal and innovations, infrastructure improvements and construction of photovoltaic systems by several companies. In 2022 we plan almost 48 % growth of the investments. They will be mainly focused on improving the product range, introduction of highly profitable products and productions, innovations for the green and digital transition, increasing labor productivity and increasing remuneration to employees, respectively.

A leading priority for us for another consecutive year, was to retain key specialists and attract new professionals to the companies. Labor productivity increased by 38.7 % this year, and the average annual growth of labor remunerations reached 32.6 %. In 2022 we expect to increase the number of employees with about 2 % while increasing labor productivity by 8.2 % and the average monthly remuneration by 10.5%.

As a result of consistently applied management policies in our companies, pursuant to the dynamics of financial, economic and business processes at European and national level, we anticipate the 2021 financial results of the group of Stara Planina Hold Plc to exceed significantly the 2020 levels. The 2021 net profit of Stara Planina Hold Plc will exceed BGN 7.8 million which gives us confidence that for the 25th 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 2022 and the expectations with respect to our main markets. These results are directly dependent on the European economy which reported the highest ever GDP growth rate in the second quarter of the year of almost 14 % on annual basis, and in the third quarter regained its pre-pandemic productivity level and moved from recovery to growth. The level of our export is directly dependent on the markets where the main companies in the group operate – mainly in the European union.

During the last three months of this year, we have observed the first signs of a slowdown in growth rates globally. This trend is expected to continue in 2022 with many of our trading partners. The European Commission's forecast as of November 2021 suggests that the EU economy will continue growing, despite strengthening challenges, but growth rates will be driven by the Covid-19 pandemic development, rising inflation driven mainly by growing prices of energy resources, and by the possible enforcement of successive restrictive measures. Over the next year, the risk of a further rise in international commodity prices is growing due to disrupted supply chains.

The forecasts of our partners in the country, Europe and the world remain optimistic, at least until the middle of next year, which gives us confidence to expect good results also for the next financial year. The Board of Directors of Stara Planina Hold Plc expects the growth of the 2021 consolidated sales revenues to continue also in 2022. We are optimistic to expect that in the first half of the year growth will exceed 17 % and in the second half we expect to reach a 4 % year-on-year growth rate. Considering these figures, in 2022 we expect that the sales revenues in the group will reach BGN 307 million. Unfortunately, for a consecutive time we find that the non-market mechanism for setting elements of the price of electricity, the anti-market behavior of large producers and traders of electricity and the unpredictability of expected growths in energy prices will pose a serious risk not only to the financial results of the group but also for the whole Bulgarian economy.

In 2022 again we will be led by the purpose of achieving European and world level of quality, productivity and profitability and thus to retain the major markets and widen our presence in the new markets. Sustainable achievement of good financial results at the expected sales volumes will continue being the main task for increasing the market capitalization of the companies in the group thus ensuring the shareholders' investments and their profitability.

Our success will continue being shared with all those involved in its achievement.

Sofia, December 16, 2021
Stara Planina Hold Plc
Board of Directors