



# STARA PLANINA HOLD PLC

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DEAR SHAREHOLDERS AND INVESTORS,

The passing 2022 year made our country, Europe and the world face new serious challenges caused both by the consequences of the covid-pandemic and the ongoing for more than ten months now military conflict in Ukraine. The increase in the prices of raw materials, fuels and energy carriers in general, the difficult logistics, strong inflationary pressure, as well as the continuous process of imposing mutual sanctions between the USA and the EU, on the one hand, and Russia, on the other, objectively affected the economy not only in Europe, but also on a global scale. On a national level, the industrial activities throughout the year were, and continues being, severely affected by the escalating political instability, resulting in the adoption and implementation of sporadic and inconsistent policies, without a strategic vision for the national economy.

Against this background, the Group of Stara Planina Hold Plc achieved record high levels of sales and results ahead of the pace of recovery and growth of the European economy for another year.

The consolidated sales revenues of the Group for the first half of 2022 reached BGN 183.4 million and reported a 39.6 % growth compared to the sales for the same period of 2021 and almost an 80 % increase compared to the sales for the first half of 2020. The total consolidated profit of the Group after tax for the first half of 2022 reached BGN 22.8 million thus reporting a growth by 37.6 % compared to the consolidated profit of the Group after tax in the amount of BGN 16.6 million for the same period of the previous year and an increase by 209.9 % compared to profit for the first half of 2020. The expected sales growth for the second half of the year is approximately 30 % compared to the same period of 2021 and over 95 % higher compared to the second half of 2020. On this basis, we anticipate sales in 2022 to exceed BGN 373 million - over 34 % nominal growth compared to 2021 and over 86 % increase compared to 2020.

Investments of our companies reached almost BGN 23.3 million, 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. In 2023, regardless of the great uncertainty on national and global level, we plan a 2 % investments growth up to BGN 23.8 million, again to be aimed at modernization and sustainable technological renewal, green and digital transition, increasing labor productivity and correspondingly increasing the remuneration of employees.

A leading priority for us for another consecutive year was to retain key specialists and attract new professionals to the companies. Productivity increased by 26.8 % this year and the average annual growth of labor remunerations reached 14 %. In 2023 we foresee a minimal increase in the number of employees by approximately 0.5 % with an expected growth in labor productivity by 4 % approximately and increase in the average monthly salary by 10.2%.

On November 10<sup>th</sup> 2022 the procurator of M+S Hydraulic Plc - a leading enterprise in the Group of the Stara Planina Hold Plc was awarded the highest distinction in the 15th anniversary edition of the only competition of its kind in Bulgaria for top managerial achievements "Manager of the Year" which is another acknowledgment for the effectiveness of the best corporate governance and social standards applied in our Group.

In the beginning of December, the market capitalization of the public companies in the group is BGN 680 million. And in 2023, Stara Planina Hold Plc continues being the only public holding company in Bulgaria that has distributed dividends for every year of its existence.

As a result of consistently applied management policies in our companies, pursuant to the financial, economic and business processes at European and national level, we anticipate the 2022

financial results of the group of Stara Planina Hold Plc to exceed the 2021 levels. The 2022 net profit of Stara Planina Hold Plc will exceed BGN 8 million which gives us confidence that for the 26th 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 2022, the business plans of the enterprises for the year 2023 and the expectations for our main markets. It is directly dependent on the European economic prospects that continue being accompanied by great uncertainty. The European Commission's forecast as of November 2022 indicates that economic activity in Europe will be weak with GDP growth expected to reach 0.3 % in 2023 overall, both in the European Union and the eurozone. By 2024, economic growth is projected to gradually speed up, reaching an average of 1.6 % in the European Union and 1.5 % in the eurozone. Forecast expectations for Bulgaria are that export growth will slow down in line with reduced external demand until the end of 2023 and then recover in 2024. Increased absorption of EU funds is expected to support aggregate investments and with the gradual inflation downturn, GDP growth is expected to accelerate from 1.1 % in 2023 to 2.4 % in 2024.

Under these conditions the Board of Directors of Stara Planina Hold Plc expects that in 2023 we will report growth in consolidated sales revenue. We expect that in 2023 the sales revenues from sales in the group will exceed BGN 385 million, thus achieving approximately 4 % growth on annual basis. Factors that will continue influencing the operations of companies in the coming year are the market prices of raw materials and materials for production, the transport of supplies and production, the regional market price of labor, the prices of energy resources and the security of their supplies, as well as potential new shocks in the markets, as a result of geopolitical tensions. The development of the military conflict in Ukraine, the effect of the measures taken at the European and national level, as well as the countermeasures imposed accordingly, will also continue having an impact on the activities of the companies in the Group and may lead to adjustments of the expected business results.

In 2023 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 with the expected sales volumes will continue being the main task for ensuring the shareholders' investments and their profitability.

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

Sofia, December 16, 2022  
Stara Planina Hold Plc  
Board of Directors