

BULGARIAN ROSE PLC - KARLOVO

ACTIVITY REPORT **as of 30.09.2016**

I. Information about important events that occurred during the quarter and their impact on the results of the company.

On 09.02.2016, a contract was signed for grants under the procedure BG16RFOP002 - 2.001 "Improving production capacity in SMEs' of OPIC. The grant is in the amount of 724 644 BGN or 60% of the total project budget, which is 1212740 BGN.

The General Meeting of Shareholders of Bulgarian Rose Plc held on June 17, 2016 took a decision to distribute a sum of 267 549 (two hundred and sixty-seven thousand five hundred and forty nine) BGN for payment of dividends for 2015.

There are no other significant events since the beginning of the financial year that influenced the results in the financial statements.

II. Description of the main risks and uncertainties facing the issuer during the rest part of the financial year.

Risk expresses uncertainty/insecurity/ of an event. "Risk" is associated with the return of capital. The deviations of actual results compared to planned baseline score can be calculated and by them to measure the risk. Risk related with the activity of a particular economic entity is a result of superposition of two separate types of risks: systematic and unsystematic.

Systematic risk

This type of risk includes: political risk, risk of exchange rate change, risk of changes in interest rates, risk of inflation, tax risk, risk of changing the economic environment.

Political risk

This risk is related to the possibility of domestic political turmoil and adverse changes in the economic environment in which business operates. Guarantee for political and economic stability is the introduction of the currency board in Bulgaria.

Foreign exchange risk

This risk is determined by the possibility of early failure of the currency board, which would follow any devaluation of BGN against foreign currencies. According to the current legislation in the country with effect from 01.01.1999 BGN is fixed to the common European currency – Euro at 1.95583 BGN per euro. It follows that the risk of devaluation of BGN against European currency is minimal, but there is a risk of adverse changes in the exchange rate of Euro against other major currencies like U.S. dollar. The activity of Bulgarian Rose Plc is exposed to this type of risk as much of the company's production is exported abroad. The fluctuations in exchange rates are reflected, albeit slightly, as the company carries out the large part of its payments (purchases and sales) BGN or euro.

Interest rate risk

Interest rate risk relates to the possibility that adverse changes in interest rates set by financial institutions in Bulgaria. This risk has little impact on the activities of Bulgarian Rose Plc, as the company has no long-term financial liabilities to financial institutions.

Inflation risk

Inflation may directly affect the real return on a given investment because in high inflation even higher nominal incomes might be with negative returns. The currency board minimizes the risk of higher inflation, which in turn minimizes the impact of this risk to the company activity.

Tax risk

Changes in fiscal policy have impact on the value of assets of the issuer, the amount of financial results and the choice of strategy for development of the company.

Unsystematic risk

Unsystematic risk represents the part of the overall investment risk and can be divided into two groups: industry risk, concerning the uncertainty in development of the industry in general, and the overall business risk arising from the specifics of the particular company.

Industry (sector) risk

Taking into account the scope of activity of Bulgarian Rose Plc, the industry risk on one hand is connected with the development of the cosmetic industry and on the other hand with the presence of raw materials for the production of natural aromatic products. The industry-specific risk for the cosmetic industry arises from the impact of scientific developments in terms of active ingredients that meet the ever increasing demands of consumers; new technologies; management skills; strong competition in domestic and foreign markets.

Business risk

This type of risk is associated with changes in market conditions. It includes: risk of obtaining of revenues; risk of obtaining profit; credit risk; liquidity risk and capital risk.

Risk of obtaining revenues

Given that the major revenue source for Bulgarian Rose Plc Karlovo is production and sale of essential oils and concretes, the main risks factors for the company could be world market prices, internal competition, availability of raw materials and modification of their prices. Availability of raw materials and their prices are directly related to the specific climatic conditions during the campaign.

Risk of obtaining profit

Market risk is manifested in the rapid decline of the sales revenues, compared with the rate of the cost reduction.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other, if they do not comply with its contractual obligation.

The main financial assets of the Company are commercial and credit receivables.

The Company has no significant concentration of credit risk. Its policy is that the deferred payments are only available to customers who have a long history of business relations with the company, and violations of the credit conditions. For the rest of customers sales are made on an advance payment (100% or 50% at placing an order and 50% before shipment).

The risk from not fulfillment of contractual relationships with contractors of the company is monitored, measured and effectively controlled in order to minimize that risk the Company requires collaterals.

Liquidity risk

The cautious management of liquidity risk means keeping up sufficient cash as well as opportunities for flexibility in funding because it has a good credit reputation.

Capital risk

Actions in the management of capital risk are directed towards ensuring sustainable development and stability in operations and sales of the company, to ensure return on equity for shareholders and maintain an optimal capital structure.

The management and control of the risk for the company is carried out periodically by the Board of Directors, through an internal control, analysis and preventive actions.

III. Information for any significant deals between related parties

We are not aware about any major transactions with related and/or stakeholders.

IV. Information pursuant to Annex № 9 of Ordinance № 2 of the FSC

1.1. Change of the persons exercising control over the company

No change

1.6. Opening of bankruptcy proceedings against the company or its subsidiary and all substantial stages associated with the proceedings

None

1.7. Conclusion or execution of significant transactions

None

1.8. Decision for conclusion, termination and canceling a contract for a joint venture

None

1.10. Change of the auditors of the company and reasons for the change

No change

1.30. Initiation or termination of legal or arbitration proceedings related to liabilities or receivables of the Company or its subsidiary with the value of the claim at least 10 percent of the company's equity

None

1.31. Purchase, sale or an established pledge of shares in commercial companies by the issuer or its subsidiary

None

1.34. Any other circumstances which the company considers that could be of importance to investors in deciding whether to acquire, sell or continue to own publicly offered securities

Listed in Section V, item d) of the interim report

V. Additional information

a) Information regarding changes in accounting policy during the reporting period, the reasons for them and how they affect the financial results and equity of the issuer

Bulgarian Rose Plc applies International Financial Reporting Standards. Quarterly financial statements are prepared in accordance with International Financial Reporting Standards issued or revised by the International Accounting Standards Committee (IASC), and by the International Accounting Standards Board (IASB).

The company has not changed the accounting policy during the reporting period.

The interim financial report has not been certified by a registered auditor. More information about the entity's accounting policy is contained in the Explanatory Notes on the quarterly financial statement.

b) Information about changes in the group of undertakings within the meaning of the Accounting Act of issuer if it participates in such a group

The company is not a part of an economic group.

c) Information on results of organizational changes within the issuer, such as conversion, sale of companies from the group, in-kind contributions from companies, rental property, long-term investments, withdrawal of business

During the reporting quarter any organizational changes have not been performed within the issuer.

d) An opinion of the Board of Directors regarding possibilities for realization of published forecasts for the results of the current financial year, taking into account the results of the first six months as well as information on the factors and circumstances which will affect the achievement of the forecast result at least for the next quarter

In its activities for the third quarter of 2016 Bulgarian Rose Plc reports the following results comparable to the same period in 2015:

	3rd quarter 2016	3rd quarter 2015
	thousand BGN	thousand BGN
Revenues	5506	4318
Expenditures	4930	3876
Accounting profit/loss	576	442
Net profit/loss	576	442

Revenues from sales as of 30.09.2017 were 5225 thousand BGN, including 2863 thousand BGN from export of products – 54,79% of the total revenues. For the same period of 2015 revenues of sales of production had been 3150 thousand BGN, including 1487 thousand BGN from export – 35,08% of the total revenues. The planned net profit since early ear to 30.09.2016 was 447 thousand BGN. The implementation is due to greater realization of the produced output.

Bulgarian Rose Plc announces revenues from sales for the month of September 2016 in the amount of 599 thousand BGN and cumulatively since the beginning of the year 5447 thousand BGN.

Bulgarian Rose Plc announces provisional profit (before taxes) for the month of September 2016 in the amount of 58 thousand BGN and cumulatively since the beginning of the year in the amount of 576 thousand BGN.

Bulgarian Rose Plc announces projected sales for the month of October 2016 in the amount of 348 thousand BGN and cumulatively since the beginning of the year in the amount of 5795 thousand BGN.

The forecasts of the management team of Bulgarian Rose Plc for the fourth quarter of 2016 are for keeping the trend of growth in revenues from sales from the previous quarters.

e) Data of persons who own directly or indirectly at least 5% of the votes in the general meeting of shareholders at the end of the first half, and changes to votes held by persons since the beginning of the current financial year and to the end of the reporting period.

Data of shareholders legal entities owning more than 5% of equity

SHAREHOLDER	Number of shares		% of votes
	30.06.2016	30.09.2016	
STARA PLANINA HOLD PLC	2 675 460	2 675 460	49,99%
GARANT – 5 Ltd.	1 762 625	1 762 625	32,94%

There are no physical persons possessing more than 5% of equity.

f) Data of shares owned by members of the Board of Directors at the end of the reporting quarter, and changes since the end of the preceding quarter

SHAREHOLDER	Number of shares		% of votes
	30.06.2016	30.09.2016	
STARA PLANINA HOLD PLC	2 675 460	2 675 460	49,99%
LEASING COMPANY AD	40 000	40 000	0,75%

The rest members of the Board of Directors do not possess shares.

g) Information about pending legal, administrative or arbitration proceedings relating to liabilities or receivables amounting to at least 10% of the equity of the issuer; if the total amount of liabilities or receivables amounting to at least 10% of the equity of the issuer in all proceedings exceed 10% by its equity, information shall be provided for each procedure separately

Bulgarian Rose Plc has no pending legal, administrative or arbitration proceedings as well as decisions or claims for suspension or declaring liquidation.

h) Information for granted by the issuer or its subsidiary loans, providing of guarantees or commitments to a single person or its subsidiary, including related parties specifying the character of the relationship between the issuer and the person, the amount of unpaid principal, interest rate, final payment period, size of commitment, time and conditions.

Bulgarian Rose Plc has no loans granted, providing of guarantees or commitments.

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This report has been prepared in accordance with Art. 100n, para. 4, item 2 by the POSA.

Executive Director: Spas Videv