

# BULGARSKA ROSA PLC

## ACTIVITY REPORT

2014

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## Introduction

The annual activity report presents comments and analysis of the financial statements and other relevant information concerning the financial condition and results from the activity of the company. It contains information on art. 33, paragraph 1 of the Accountancy Act and art.100n, paragraph 7 of the Law of Public Offering of securities (POSA), as well as art. 32, paragraph 1, 2 and 4 of Ordinance No. 2 of the Financial Supervision Commission.

BULGARSKA ROSA PLC, Karlovo was founded in 1948 on the basis of existing distilleries in the valley of Karlovo for processing of oil-bearing raw materials. In the period 1983-1996, the company “Bulgarska rosa” underwent several transformations. In 1997 the company was privatized and transformed into a public limited company for an indefinite duration and scope of activity: production, purchasing, processing of essential oil and medical raw material, production of natural and synthetic flavorings, perfume and cosmetic products, internal and foreign trade. BULGARSKA ROSA PLC is a public entity with over 1600 shareholders (**stock exchange code: 4BH**). Company’s shares are traded on the Bulgarian Stock Exchange on the Unofficial Market.

On the basis of IAS 28 BULGARSKA ROSA PLC is an associate to the group **STARA PLANINA HOLD PLC**. Stara Planina Hold PLC owns 49,99 % of the shares of Bulgarska rosa Plc. Stara Planina Hold Plc is a holding company with headquarters and registered office in the city of Sofia, 20 Frederick Joliot Curie Str., floor 9, with main activities: acquisition, management, evaluation and sale of shares of Bulgarian and foreign companies, acquisition management and sale of bonds, valuation and sale of patents, transfer of licenses for use patents of companies in which the holding company is involved; financing to companies in which the holding company is involved, and other commercial transactions that are not prohibited by law. The holding owns shares of industrial enterprises in various fields in production. It participates actively in the development of Bulgarian industry by achieving European and world level of quality and profitability.

The share capital is divided into 267549 shares with a par value of one lev per share. Holder of shares is the Central Depository AD, Sofia.

## Shareholding structure

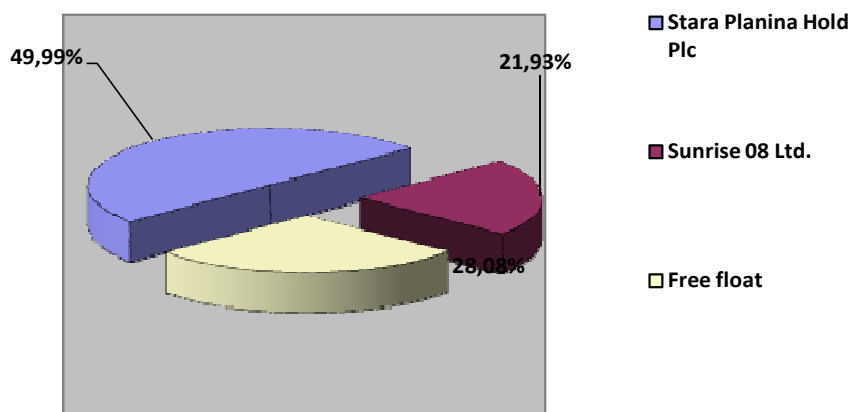


Figure 1

The Company is managed by a Board of Directors composed of: STARA PLANINA HOLD PLC, represented by Spas Borisov Videv, Bic Hold Ltd., represented by Evgeniy Vasilev Uzunov, Rozinvest Ltd., represented by Reni Nikolova Smardjieva – Taneva and Mihail Ivanov Mihaylov.

## I. Activity overview

### 1. Main activity

Bulgarska rosa Plc Karlovo carries out its production activities in the town of Karlovo, but it has also:

- Production plant in Karavelovo village – for seasonal production of natural essential oils
- Production plant in Christo Danovo village – for seasonal production of natural concretes

The company works with its own machineries, vehicles and other equipment. It has production plants for natural products as well as its own testing laboratory.

In 2014 was put into operation a new workshop for cosmetic products which complies with the requirements of ISO 22716: 2007 Good Manufacturing Practices. The workshop was built on an approved project for purchasing of machinery, equipment and software as a result of an approved application of the company under the Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 - 2013, BG161PO003 - 2.1.13 "Technological modernization of small and medium-sized enterprises ". The grant amounts to 306 352.80 BGN or 60% of the total project budget, which is 510588 BGN.

The production of Bulgarska rosa Plc is oriented towards manufacturing of:

- ✚ Natural aromatic products (rose oil, rose concrete, rose absolute, rose water, lavender oil, lavender water, etc.)
- ✚ Cosmetic products
- ✚ Tobacco sauces
- ✚ Perfume compositions and fragrance

Since April 2001 the Company had implemented a system of quality management conforming to international quality standard ISO 9001:2000.

In March 2014 was carried out a recertification audit of the company by SGS Bulgaria Ltd., in accordance with the requirements of ISO 9001: 2008. On 04.04.2014 the company received the certificate, which has a term on 03/04/2017.

A certification audit in accordance with the requirements of ISO 22716: 2007 for Good Manufacturing Practices (GMP) was carried out successfully from 07/04/2014 until 09/04/2014, from SGS Bulgaria Ltd. According to the requirements of the European Regulation on cosmetics is required the manufacturers of cosmetic products to implement this standard. Bulgarska rosa Plc received Certification in accordance with GMP ISO 22716: 2007 on 07/17/2014, with a validity of up to 07.16.2017.

All products of the assortment list of Bulgarska rosa Plc are accompanied by certificates of quality and all necessary documents as required by local and European legislation.

The commercial orientation of Bulgarska rosa Plc is directed both internal and external market. On the internal market basically are traded cosmetic products and tobacco sauces and on the international market - natural aromatic products and cosmetic products. The share of export for the year 2014 was 45,85% and 54,15% domestic market. For the internal market since the beginning of 2014 is in force a new trade policy, which includes distribution in the country of six commercial areas each of which has a certain exclusive distributor. With the implementation of the new trade policy had achieved an increase in sales due to the increased interest of distributors to impose primarily the products of Bulgarska rosa Plc.

Production is exported almost all of Europe, Russia, Asian countries - China Japan, Republic of Korea, Vietnam, Singapore, Bahrain and others; the USA and Canada.

On the internal market in respect of their cosmetic products, Bulgarska Rosa Plc - Karlovo works in conditions of strong competition from a number of companies working in this field. In respect of tobacco sauces - the Company is the only company in the country that offers this type of product.

The company has established lasting relationships with reputable Bulgarian and European suppliers.

## 2. Systemized financial information

Presented below company's financial data are based on its audited financial statements.

Indicator (BGN'000s)	2012	2013	2014
receipts from operating activities	7088	7357	7466
expenses for operating activities	6230	6627	6646
profit from operating activities	866	736	952
net operating profit	776	657	824
total assets, including:	6666	7924	8272
- non-current	2262	2641	2426
- current	4404	5282	5643
net assets			
equity capital	267549	267549	267549
number of shares	267549	267549	267549

## 3. Activity results

### 3.1. Revenues

Revenues from sale as of 31.12.2014 were 7466 thousand BGN, including 7265 thousand BGN from the sale of production, 85 thousand BGN for services rendered and 116 thousand BGN other revenues.

Revenues from sales for the same period in 2013 had been 7357 thousand BGN. Revenues from sales of goods had been 7165 thousand BGN. Revenues from sale of goods as of 31.12.2014 are more with 100 thousand BGN for the same period of 2013, total sales revenue for the year 2014 are more than 2013 with 109 thousand BGN.

With the largest share of revenues from sale of products are:

1. Cosmetic products – 3835 thousand BGN or 52,80%.
2. Natural aromatic products - 2328 thousand BGN or 32,04%
3. Tobacco sauces – 1102 thousand BGN or 15,16%.

Below we present comparative information about sales over the last three years:  
Realisation by years of basic industries:

BGN'000

<i>Production</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Cosmetics	3597	3951	3835
NAP	2362	2426	2328
Tobacco sauces	718	788	1102
<b>Total</b>	<b>6782</b>	<b>7165</b>	<b>7265</b>

Realisation disaggregated by year by type of activity:

BGN'000

<i>Index</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Operating income, including	7088	7357	7466
- production	6782	7165	7265
- services	193	107	85
- other	113	85	116

As of 31.12.2014 the company reported net profit of 824 thousand BGN. For the same period of 2013 the company had reported a profit of 657 thousand BGN. The increase is by 25% compared to the previous year.

BGN'000

	<i>2012</i>	<i>2013</i>	<i>2014</i>
Total revenues	7096	7363	7597
Including outside the country	3248	3757	3331
Percentage of sales outside the country	45,77 %	51%	45,85%

### 3.2. Expenditures

Total expenditures in 2014 amounted to 7103 thousand BGN. Operating expenses - for materials, external services, fees and depreciation have the largest share in the expenses.

Allocation of expenditures by economic elements:

BNG'000

<i>Expenditures</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
I. Expenditures by economic elements	6585	7076	7141
1. Expenditures for materials	4527	4959	4688
2. Expenditures for external services	630	616	682
3. Depreciation expenses	157	162	302
4. Expenditures for wages	966	998	1034
5. Expenses on social securities	135	137	146
6. Other expenses	170	204	289

It is essential for the formation costs for materials are the increased prices of some raw materials used, as well as increased costs for transport and delivery of the aforementioned.

Expenditures for materials were 4688 thousand BGN and occupy 65,64% of total expenditures by economic elements.

Expenditures for external services as of 31.12.2014 were 682 thousand BGN and represent 9,55% of total expenditure by economic elements.

Expenditures for wages and social services during the period were 1180 thousand BGN and represent 16,52% of expenditures by economic elements. In 2013 labor costs had

been 1135 thousand BGN – 16.04% of the expenditures by economic elements. Labor costs are higher than 2013 with 45 thousand BGN.

The depreciation expenses were 302 thousand BGN – 4,23% of the expenditures by economic elements. During the same period in 2013 depreciations had been 162 thousand BGN as their ratio had been 2.29%.

Other expenses as of 31.12.2014 were 289 thousand BGN – 4,05% of the expenditures.

#### Receivables from customers and suppliers

Receivables as of 31.12.2014 on advances to suppliers and products sold to customers were 1933 thousand BGN, for the same period of the previous year they had been 1688 thousand BGN. Receivables are more than the previous year with 245 thousand BGN which is due to irregular repayment of the liabilities of customers and suppliers to Bulgarska rosa Plc.

#### Liabilities towards clients and suppliers

##### Long term liabilities:

As of 31.12.2014 the company has no long-term liabilities.

##### Short-term liabilities:

Short-term liabilities of Bulgarska rosa Plc as of 31.12.2014 were 874 thousand BGN, for the same period in 2013 they had been 1361 thousand BGN. Liabilities of the Company during the reporting period are decreased by 487 thousand BGN, due to decrease in liabilities to customers and suppliers.

Assets of the company as of 31.12.2014 amounted 8272 thousand BGN, including capital assets/non-current/ book value 2629 thousand BGN – 31,78% and current assets in the amount of 5643 thousand BGN – 68,22%.

The company's equity by the statement of financial position in 2014 amounted of 7039 thousand BGN, including: main capital /as per company's registration/ - 268 thousand BGN, distributed by the number of 267549 personal voting shares with a nominal value of 1 BGN each, share capital revaluation reserve of assets and liabilities – 139 thousand BGN, general reserves – 707 thousand BGN, other reserves formed from the revaluation of assets as of 31.12.1997 – 3443 thousand BGN and operating profit 824 thousand BGN.

Since 1997 until 2006 including /with the exception of 1998 and 1999/ the company has paid dividends to its shareholders in accordance with decisions taken at general meetings of shareholders. Financial result for each subsequent year, i. e. 2007, 2008, 2009, 2010, 2011, 2012 and 2013 as per a decision of the General Meeting of Shareholders was referred in "Reserves".

### MAIN INDICATORS

1. INDICATORS FOR PROFITABILITY	2012	2013	2014
1.1 PROFITABILITY OF THE SALES REVENUES	0.110	0.089	0.110
1.2 PROFITABILITY OF EQUITY	0.138	0.106	0.117
1.3 PROFITABILITY OF THE ATTRACTED CAPITAL	0.895	0.483	0.943
1.4 CAPITALISATION OF THE ASSETS	0.116	0.083	0.100
2. INDICATORS FOR EFFECTIVENESS			
2.1 COST EFFECTIVENESS	1.139	1.111	1.143
2.2 EFFECTIVENESS OF THE REVENUES	0.878	0.900	0.875
3. INDICATORS FOR LIQUIDITY			
3.1 TOTAL LIQUIDITY	3.21	3.841	6.363
3.2 QUICK LIQUIDITY	1.78	1.857	2.920
3.3 IMMEDIATE LIQUIDITY	1.78	0.526	0.446

3.4 ABSOLUTE LIQUIDITY	0.50	0.526	0.446
<b>4. FINANCIAL INDEPENDENCE</b>			
4.1 SOLVENCY	6.50	4.567	8.054
4.2 INDEBTEDNESS	0.153	0.219	0.124
<b>5. TURNOVER OF INVENTORIES</b>			
5.1 TURNOVER IN DAYS	115.48	141.375	154.056
5.2 NUMBER OF TURNOVERS	3.11	2.546	2.337
5.3 EMPLOYMENT OF INVENTORIES	0.32	0.393	0.428

#### 4. Environmental protection

In 2014, Bulgarska rosa Plc continued its policy on environmental protection.

Treatment plant for purification of industrial and municipal wastewater works throughout the year. Treated water is discharged to "Batovo Dere", which flows into the Stryama river sbubasin of Maritza river. Samples from self-monitoring had shown that the treated water were within the standards and did not pollute the water intake. On the sites of the company Karavelovo village and Hristo Danovo village were was found no violations in the indicators of wastewater.

The Company has an approved "Program for Waste Management". There are separate areas for storage of household, industrial and hazardous waste which are collected separately and accounts are kept in the relevant records validated by RIEW – Plovdiv. For the recovery of packaging waste company has a contract with EcoBulpack - National Organization for recovery of packaging waste and a monthly report on the quantities of packaging placed on the market are kept and a monthly remuneration is paid to EcoBulpack.

For maintaining clean air regularly it is carried out prevention and technical activities of the boilers in the company's steam power generation plants, although they are put into operation only during the rose campaign. It is carried out a technical supervision and monitoring of emissions of the gases that are released during operation of the boilers.

To improve fire safety new fire equipment has been bought in accordance with the requirements of Regulation Iz 1971/2009. In 2014 was carried out a mandatory annual inspection of the technical condition of all means of fire extinguishing. New schemes and plans for evacuation were drawn.

#### 5. Corporate Social Responsibility

In Bulgarska rosa Plc acts a strategy for corporate social responsibility regarding the relationship between the company and staff.

In connection with the provision of health and safe working conditions of employees in the company during the year are held periodically:

- Assessment and reassessment of risk jobs, health and safety;
- Medical examinations with analysis and recommendations for the health of staff employed;
- Personal protective equipment and special clothing are provided;
- Renovations and improvement of working environment in order to optimize the microclimate in the premises and adjoining to the company lawns.

During the past year of those working in the company an insurance policy "Occupational Accident" was issued and for the risk categories (drivers, mechanics, etc.) an insurance policy "Life" was issued.

Periodically funds are being allocated for celebration of special occasions and more. Since October 2012 the employees have been provided with food vouchers.

#### 6. Risk factors for the activity

Risk expresses uncertainty/insecurity of an event. The term "risk" is associated with the return of the capital. Deviations of the actual results compared to the planned baseline can be calculated and by them to measure the risk. Risk related with the activities of an



economic entity is the result of superimposition of the two distinct types of risks: systematic and unsystematic.

### 6.1 Systematic risk

This type of risk consists of: political risk; risk of change in the exchange rate; risk of change in interest rates, inflation and tax risk; risk of change in economic environment.

#### *6.1.1 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.

#### *6.1.2 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 Bulgarian lev 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 Bulgarska rosa 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.

#### *6.1.3 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 Bulgarska rosa Plc, as the company has no long-term financial liabilities to financial institutions.

#### *6.1.4 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 the company activity.

#### *6.1.5 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.

### 6.2 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.

#### *6.2.1 Industry (sector) risk*

Taking into account the scope of activity of Bulgarska rosa 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.

#### *6.2.2 Business risk*

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

##### *a) Risk of obtaining of revenues*



Given that that the major revenue source for Bulgarska rosa 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.

*b) Risk of obtaining a profit*

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

*c) 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 no 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.

*d) 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.

*e) 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 action.

### **Expected risks and uncertainties in 2015**

Factors that are expected to affect costs for 2015, given below in order of their relative weight are:

- Market prices of raw materials
- Climatic conditions during campaign 2015
- Prices of energy resources, the expected tendency is of increase. The current share of energy costs in the production price is around 1,41%
- Regional market price of the labor force

### **7. Changes in the price of shares of the company**

Shares of Bulgarska rosa Plc are being traded on Alternative Market of Equities (BaSE) on the Bulgarian Stock Exchange. The company's capital amounts 267 549 BGN.

Price of one share of the company in BGN:

31.12.2010	31.12.2011	31.12.2012	31.12.2013	2014
6,450	7,500	9,520	15,000	24,00

In 2014, the lowest weighted average share price was reached at on 03.02.2014 - 16.00 lev per share, while the highest was reached on 08.12.2014 – 25.00 lev per share. Growth in shares between the lowest and highest value during the year was 56,25%. Average price per share for the accounting year – 23,187 BGN.

### Movement of share price in 2014:



Source: [infostock.bg](http://infostock.bg)

### **II. Important events occurred since the beginning of the year**

After the date of annual closing of accounts the Company's management is not aware of any important and significant events that could affect investors' interest.

### **III. Intended development of the company and scheduled business policy**

The main efforts will be directed towards preserving and developing the market share in key areas of implementation, both in terms of export and the internal market.

Preparation of monthly financial statements for revenues and expenditures of the company carrying out periodic analysis of actual prime cost facilitates accurate service of the short - term liabilities and provide analytical information to achieve set business program goals, namely:

- It is planned a total increase in net revenue from the sale of cosmetics by 4% compared with actual sales of cosmetics in 2013. Compared to projected sales of cosmetics in 2014 it is planned an increase of about 100 thousand BGN in the revenues from the sale of cosmetics in 2015.
- The increased sales of cosmetics are for the account of dynamically growing external market, mainly China; signed a new contract for exclusive rights for Japan; developed a new cosmetic line for the distributor for Spain and others.
- It is expected that the sale of cosmetic products in Russia and Ukraine to decrease, resulting in changes in the Russian legislation, as well as the complicated political situation between two countries.
- On the basis of a decision of the Board of Directors of Bulgarska rosa Plc have been adopted rules whereby since the beginning of 2014 is being implemented the new trade policy of the company, a result of which was achieved an increase in sales of domestic market. Expectations are that and in 2015 to keep this growth in sales of domestic market due to the increased interest of distributors to impose mainly the production of Bulgarska rosa Plc.
- It is planned an increase in revenue from the sale of natural aromatic products. It is expected to be increased the demand for lavender oil due to high demand and a shortage of the same crop 2014, which was determined by poor harvest in France

and the complicated situation in Ukraine, which is one of the largest producers of lavender oil.

- In 2015, Bulgarska rosa Plc plans to participate actively in the internal market for natural aromatic products and purchase them from other suppliers, for which the company has a great potential due to recognized specialists from the company's test laboratory, without which the trade in natural aromatic products with external suppliers is impossible.

#### **IV. Research and Development Activity**

In the company activity on development and adoption of new technologies and products is carried out by R & D Department. In 2014 the objectives of R & D Department were: development of new types of products, optimization of manufacturing processes and quality of manufactured products.

##### **Implementation of production tasks**

- It was put into production a cosmetic series BULGARIAN ROSE SIGNATURE
- Cosmetic series ROSE was enriched with three new products - anti-stretch cream, peeling soap and hand cream 75 ml
- 21 cuts of essential oils from 10ml were launched on the market
- It was developed and put into production a cosmetic series La Botica de los Perfumes for the distributor in Spain
- After an application for extension under the Madrid Agreement, the company managed to get registration of its trademark BULGARIAN ROSE KARLOVO in America, Australia, Japan, Moldova, Vietnam, Russia, Kazakhstan and Ukraine.
- The company took part in several exhibitions: CHINA BEAUTY EXPO (7 – 9 May, 2014); COSME TOKYO (20 – 22 October, 2014); Exhibition of Bulgarian manufacturers "Golden Lion" (22.11 - 06.12.2014), at which Bulgarska rosa Plc was awarded with diploma GOLDEN LION for its latest cosmetic series BULGARIAN ROSE SIGNATURE

#### **V. Information according to the Commerce Act**

##### **1. Own shares**

As of the end of 2014 Bulgarska rosa Plc Karlovo does not possess any own shares, during the year were not made any acquisitions and transfers of own shares.

##### **2. Information about the Board of Directors**

Bulgarska rosa Plc has one tier management system. The Board of Directors is a governing body of Bulgarska rosa Plc, which carries out planning and coordinating the overall activities of the company, as it is outlined in its object, by performing all described in the law and statute actions on organization, management and control. Annually the Board of Directors shall prepare a report on the company's management. The Board of Directors takes its decisions at meetings held at least once every three months, according to statutory requirements on procedures for convening and carrying them out. The Board elects a chief executive who organizes and manages activity of the company. The Executive Director shall report immediately to the Chairman of the Board about the occurred circumstances which are essential for the company.

##### **2.1 Board of Directors**

With a decision of the General Meeting on 2<sup>nd</sup> June, 2004, Bulgarska rosa Plc – Karlovo is managed by a Board of Directors which comprises of four persons:

**STARA PLANINA HOLD PLC**, Sofia, 20 Frederick Joliot Curie str., fl 9, BULSTAT registration: 121227995, with a representative Spas Borisov Videv – Chairman of the Board and CEO; Stara Planina Hold Plc owns 133 773pcs ordinary shares of the company.

**2 Michail Ivanov Michailov**; member of the Board of Directors; owns 8 000pcs ordinary shares of the company.

**BIC HOLD Ltd.**, Sofia, 15-17 Silivria str., BULSTAT registration: 121128837, with a representative Evgenii Vasilev Uzunov, member of the Board of Directors.

**ROZINVEST Ltd.**, Plovdiv, 33 Studenetz str., ent. B, fl. 2, apt. 14, BULSTAT registration: 115791870, with a representative Reni Nikolova Samardhieva - Taneva, member of the Board of Directors; Rozinvest Ltd. owns 2000pcs ordinary shares of the company.

A commercial attorney is Boryana Georgieva Krалеva.

Information on the total remunerations received by the members of the Board of Directors is provided in **Section IX** of this report.

Information on the company's shares acquired, owned and transferred by the members of the Board of Directors throughout the year as well as their rights to acquire shares of the company is provided in **Section IX** of this report.

## **2.2 Information about participation of members of the Board of Directors in other trading companies**

**STARA PLANINA HOLD PLC**, Sofia owns 25 per cent of the votes in General meeting of the following companies:

M+S Hydraulic Plc. - Kazanlak  
Hydraulic elements and systems Plc. - Yambol  
Elhim – Iskra Plc. - Pazardzik  
Bulgarska ros Plc. - Karlovo  
Fazan Plc. - Ruse  
Slavyana Plc. - Slavyanovo  
SPH Trans Ltd. - Sofia  
Forsan Bulgaris Ltd. – Sofia

**STARA PLANINA HOLD Plc**, Sofia is a member of the governing bodies of the following legal entities:

Bulgarska rosa Plc., Karlovo  
Fazan Plc., Ruse  
Slavyana Plc., Slavyanovo  
Forsan Bulgaria Ltd., Sofia

**Rozinvest Ltd.**, does not own more than 25 % of the votes at general meetings of any legal entity.

**BIC HOLD Ltd.**, owns more than 25 % of the votes in the general meetings of Pharmaray Ltd., Sofia and participates in the management of Spartak Plc, Bourgas and Unitraf Plc., Sokolovo.

**Michail Ivanov Michailov** – participates in the management and/or supervisory bodies of the following legal entities:

Sortoizpitrane –Dabene Ltd., village of Dabene, municipality Karlovo, Plovdiv district, company file 2355/00 of Plovdiv District Court, BULSTAT registration 115556915	Manager
Bulgarian Chamber of manufacturers and traders of essential oils, Plovdiv, 32 Bulair str.	Member of the Board and Chairman
Naturela Trade Ltd., Plovdiv, 10 Academic P.Dinekov Str., BULSTAT registration: 160045321	Owner and Manager

Keramika Ltd., Plovdiv, 10 Academic P.Dinekov str., company file 5720/1998 of Plovdiv District Court, BULSTAT registration 115297708	Manager
Sunrise 08 <sup>o</sup> Ltd., town of Saedinie, 2 Christo Makedonski str., EIK: 200414099	Owner and manager
Demetra Agrochimservice Plc, Plovdiv, 176B Brezovsko shoes str., EIK: 115090638	Member of the Board of Directors
Bulgarianorganirose Ltd., Plvdiv, 176B Brezovsko shoes str., BULSTAT registration: 825340278	Owner and manager
Association of Industrial Capital in Bulgaria, Sofia, 20 Frederic Joliot Curie str., floor 8, EIK: 121442528	Member of the Supervisory Board
ZLATNA ROZA, Zlatosel village, Brezovo county, Plovdiv district, EIK: 115829278	Partner
SLAVINNA Ltd., Bratia Daskalov village, 1 Gradinarska str., company file 826/2004 of Sofia District Court, EIK: 115504199	Partner
Maritsa 2000 Ltd., Plovdiv, 1 Avliga str., bl. 30, ap.22, BULSTAT registration: 115506848	Partner

### 2.3 Contracts with members of the Board of Directors

In 2014 members of the Board of Directors and related with them parties have not signed any contracts which go beyond its usual activities or significantly deviate from market conditions.

During the reporting year there are no changes in the membership of the Board of Directors. The requirement of the law at least one third of the Board of Directors to be independent persons has been met. There are no changes in the approved special criteria for selection of the Board of Directors. In its practice, the Board of Directors has not faced with a situation arose a direct or indirect conflict of interest between a member of the governing body or shareholder. There is no established case of direct or indirect conflicts between the interests of the Board of Directors and the company's interest.

### 3. Payment of dividends

During the last five financial years, the company has not paid dividends.

## VI. Branches. Employees

Bulgarska rosa Plc does not have any branches.

The average number of employed personnel for the past three years is as follows:

Categories	2012	2013	2014
1. Managerial professionals	11	11	11
2. Specialists	9	12	14
3. Support personnel	9	9	9
4. Workers	42	55	60
5. Non industrial personnel	29	16	13
<b>Total personnel:</b>	<b>100</b>	<b>103</b>	<b>107</b>

There are no agreements for participation of employees in the issuer's capital, including by issuing shares, options and other securities of the issuer.

## VII. Financial instruments used by the enterprise

### 1. Accounting policy

According to the current accounting legislation in Bulgaria since the beginning of 2003 Bulgarska rosa Plc applies International Financial Reporting Standards. The annual statement for 2014 is prepared in accordance with International Financial Reporting Standard issued or edited by the International Accounting Standard Committee (IASC) and by the International Accounting Standards Board (IASB). The company continues the same accounting policy as well as in preparing the annual financial statements for the previous financial year.

When organizing the accounting for the business transactions, the company has complied with the fundamental principles laid down by the Accountancy Act and the requirements of the International Accounting Standards in individual chart of accounts and the individual entity's accounting policy. For organizing the accounting records there has been made an individual chart of accounts. The final closure of accounts is made only at the end of the financial year, coinciding with the calendar according to the requirements of Chapter V – Financial Statements of the Accountancy Act. The annual financial statements are drawn up after preparing the annual tax declaration and assessment of taxes due for the period. After that the final result of the company has been defined.

The accounting is carried out by using specialized accounting software.

## 2. Financial instruments

The company uses mostly working capital, internal sources of liquidity. Exclusively during campaigns /rose and lavender/ have been attracted additional funds in the form of short-term loans from STARA PLANINA HOLD PLC – 2007 – 1 000 thousand BGN, 2008 – 1 150 thousand BGN, 2009 – 1 200 thousand BGN, 2011 – 1 000 thousand BGN, 2012 – 700 thousand BGN, 2013 – 1000 thousand BGN, 2014 – 1 000 thousand BGN.

Cash resources in BGN have been valued at their nominal value. Transactions in foreign currencies are recorded in BGN and foreign currency in their initial accounting entry as to the amount in the foreign currency is applied the exchange rate on transaction date. Cash in foreign currency are revalued in accordance with the adopted accounting policy, monthly at the exchange rate of BNB. Cash in foreign currency for current consumption are valued at the exchange rate on the day of transaction. Exchange rate differences arising in the repayment of sums are recorded as financial expense or income in the period incurred.

## 3. Liquidity

The basic mass of cash in the Company is generated from operating activities, as the exclusive share have revenues from sales of production – natural products and cosmetics. For 2014 cash receipts from operating activities were 7446 thousand BGN.

Indicators of liquidity are calculated as the ratio of short-term receivables commodity and material valuables cash to the current liabilities and characterize the ability of the entity to pay its current obligations with assets available.

INDICATORS OF LIQUIDITY	2012	2013	2014
3.1 TOTAL LIQUIDITY	3.21	3.841	6.393
3.2 FAST LIQUIDITY	1.78	1.857	2.920
3.3 INSTANT LIQUIDITY	1.78	0.526	0.446
3.4 ABSOLUTE LIQUIDITY	0.50	0.526	0.446

## 4. Exposition of the enterprise in terms of market, credit and liquidity risk and cash flow risk

The market risk is of three kinds:

Currency risk – the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.



Price risk – this is the risk that the value of a financial instrument will fluctuate because of changes in market prices.

As of 31.12.2014 the interest bearing financial instruments of Bulgarska rosa Plc were only deposits in BGN and EURO.

Credit risk – the company has received a loan from Stara Planina Hold Plc in the amount of 1000 thousand BGN at guaranteed interest rate of 7% as of 31.12.2014 the loan is fully repaid.

Deferred payments from customers: Risk exists in providing customers with production deferred payment to 90 days. On other hand the company also gets such preferential terms from its suppliers.

Due to the nature of financial instruments used by Bulgarska rosa Plc, liquidity risk and interest rate cash flow have been minimized.

The management keeps cash in BGN and currency in a sufficient amount to meet its obligations.

## **VIII. Information on execution of the Program for implementation of internationally recognized standards for good corporate governance**

### **1. Content and objectives of the program**

The program of Bulgarska rosa Plc Karlovo for implementing internationally recognized standards of good corporate governance for 2014 has been prepared on the basis of the evaluation of the tasks and the results of their implementation in accordance existing legislation requirements of corporate relations and the principles of good corporate governance. In the program was laid down the implementation of a number of specific initiatives in several key areas, implementation of which was subject to the priority tasks of Bulgarska rosa Plc, included in the program, namely: protection of shareholders' rights; ensuring equal treatment of all shareholders (including minority and foreign shareholders); ensuring the recognition of the rights of individuals interested in the management and sustainable development of the company; providing timely and accurate disclosure of information required by law related to the Company on important issues of the financial position, performance, ownership and management of the company; control over the Board of Directors and its reporting to all stakeholders.

During the year, through its regular meetings, the Board of Directors helped to ensure efficient management of resources of the Company.

### **2. Implementation of the program**

Main direction in the implementation of the Program of Bulgarska rosa Plc was bringing all the internal acts of the company and its entire activity in accordance with the amendments to the current regulations. All financial statements are prepared under the International Accounting Standards, and the annual audit is done by an independent auditor to ensure the impartial and objective assessment of how they are prepared and presented these reports. The reports are accompanied by detailed activity reports.

Increasing the confidence of shareholders, investors and those interested in management and operations of the company was one of the main applications of the corporate program. During 2014 continued the confirmation and application of different methods of disclosure of the current information about financial and economic situation of the company and major events as well as their promotion.

To increase the level of awareness and interest of shareholders and encourage activity and participation in the management of Bulgarska rosa Plc in 2014 continued to maintain a special section of the company website <http://www.bulgarianrose.bg/>, which reflects current information about the Company and important corporate events. Continuing the practice of sending timely responses of the letters and inquiries from shareholders, including those received by e-mail and to store them in a register duly maintained by the Director of Investor Relations.

On the website are published details of the company as well as those of the Director of Investor Relations by which shareholders and stakeholders are encouraged to seek the necessary information. The information on which shareholders are entitled is presented and

when it is necessary is explained personally by the Director of Investor Relations. At the general meeting shareholders are entitled to ask questions and to receive specific and comprehensive response from members of the management body and the Director of Investor Relations.

The convocation of the Annual General Meeting of Shareholders shall be in accordance with the established rules for giving publicity of the invitation, the agenda and concrete proposals for solutions. All written materials on items of the agenda are available to shareholders at certain items of the registered office of the company. All shareholders are entitled to become acquainted with the Statute of the company, and materials for items of the agenda of the General meeting. The timely preparation of materials for items of the agenda at the general meeting of shareholders and their public disclosure within the statutory time limits and in accordance with the law is an established practice of the company. All shareholders are entitled to participate at general meeting of shareholders, to vote on all items of the agenda, including the remuneration of members of the governing body and their exemption of liability. All shareholders have equal right to participate in the distribution of the profit as dividend.

The company has adopted rules for voting at a general meeting of shareholders by proxy. On the website it is published a model of power of attorney for participation in the general meeting of shareholders: <http://www.bulgarianrose.bg/>

All financial statements for the reporting fiscal year, annual reports for previous years, the Program for the implementation of internationally recognized standards for good corporate governance are available to shareholders of Bulgarska rosa Plc, including at the above mentioned website.

Bulgarska rosa Plc participates in various forms of mutual cooperation with government institutions and nongovernmental organizations concerned with corporate governance in the country.

Through the reporting year, once again we took into account the benefits of cooperation and membership in the Association of Industrial Capital in Bulgaria.

The Director of Investor Relations is a member of the Association of Directors of Investor Relations in Bulgaria. During the year, she participated in collaborative meetings and seminars with the Association of Industrial Capital in Bulgaria, the Financial Supervision Commission, Bulgarian Stock Exchange and other at the problems of regulatory requirements and their practical application in the field of corporate governance.

The control concerning the disclosure of information from Bulgarska rosa Plc is multidirectional. From one hand, such control is exercised by FSC. No violations of the provisions and terms of disclosure up to now. From another hand it is accepted practice for publishing the financial statements on the website of the company – just after sending to the regulatory authorities and the public, which enables control by shareholders, investors and all interested persons. Another form of control concerning the process of disclosure of information is carried out by members of the Board of Directors against the Director of Investor Relations.

Timely reports and current information are submitted to the FSC and the public. Regularly are led records: for information requests from shareholders, for Materials for the General meeting, for the minutes of the Board of Directors and submitted reports and current information.

To provide reaching of the information disclosed to the widest possible range of people both in a way that do not discriminate them Bulgarska rosa Plc has signed a contract for information services with Internet media Infostock.BG.

### **3. Assessment of the program**

Based on the report on the implementation of the specific outlined events the entire Program for implementation of internationally recognized standards for good corporate governance of Bulgarska rosa Plc has been assessed and its effectiveness find expression in several guidelines:

The internal acts of the company are adjusted in accordance with the current regulations of the corporate relations in the country.

A functioning system to cross-disclosure of information about the current financial and economic situation of the company and on its overall activity is established, which is an

objective prerequisite for increasing the level of the erudition and the interest of shareholders and greater confidence on their part in the management of the company.

A practice for timely reporting of the regulatory changes in the internal acts of the company is established.

Monitoring of the tendencies in legal framework and practice in corporate governance is a necessity, which results from the numerous legal requirements and obligations relating to public companies.

The Board of Directors of Bulgarska rosa Plc adopted a draft for Policy on remuneration, which will be submitted for approval by the shareholders. This policy sets out the principles and rules for determining and paying the salaries of members of the Board of Directors in carrying out their duties and responsibilities and is intended to support long-term business objectives and encourage behavior that supports the creation of value for shareholders and while providing competitive remuneration sufficient to attract and retain directors with skills necessary for successful management and development of the company.

The annual report of the company, including an evaluation of the implementation of the program during 2014 will be put at the disposal to shareholders of the registered office and the website of the company.

The Board of Directors every year, if it is necessary, re assesses the program and proposals for its revision in order to improve implementation of standards for good corporate governance in the company. Updated program is implemented as an integral part of this report. And in 2015 the management of Bulgarska rosa Plc will strive to apply the principles of good corporate governance by providing timely and accurate disclosure on all matters relating to the ownership, operation and management of the undertaking, rights, obligations and financial condition, public disclosure that might have a significant impact on the issue price of the securities of Bulgarska rosa Plc.

## **IX. Additional information on Appendix 10 of Ordinance No 2 of the FSC**

### ***1. Information given in value and quantity of the main categories of goods, products and/or services provided, with regard to their share in revenue from sales of the issuer as a whole and changes during the current financial year.***

With the largest share of revenues from sales of products are:

1. Cosmetic products 3835 thousand BGN or 52,80%, including creams for face and hands, conditioners, cleansing milks, shower gels, lotions, natural glycerin soaps, air fresheners, different types of oils for aromatherapy and many others.
2. Natural aromatic products – 2328 thousand BGN or 32,04%, including rose oil, rose concrete, rose water, rose absolute, lavender oil, etc.
3. Tobacco sauces for the tobacco industry – 1102 thousand BGN or 15,16%.

### ***2. Info concerning revenues, distributed by different categories of activities, internal and external markets as well as information about supplying materials needed to produce goods or provide services to reflect the degree of dependency in terms of each individual seller or buyer/user as if the share of some of them exceed 10 per cent of revenue or expenses from sales, provide information about each person for his/her share in the sales or purchases and his/her relationship with the issuer.***

Information about revenues and their distribution in different categories of activities, domestic and foreign markets, as well as information on the sources of materials necessary for production of goods or provision of services is given in Section I of this report.

Total sales revenues are 7466 thousand BGN, and revenues from sales of products are 7265 thousand BGN, 85 thousand BGN are from services and other sale/sales of materials and fixed assets, re-invoicing of water and electricity, rentals, etc. – 116 thousand BGN. From the net revenues from sales of production are 3331 thousand BGN intra - Community supplies and exports and 3934 thousand BGN domestic market, which represents 97,31% of total sales.

The Company has no customers who have share in the sales exceeding 10%.

The company is supplied with materials for its production by suppliers, mainly from the country from which there is no significant dependence.

**3. Information on concluded big transactions and those essential for activity of the issuer.**

In 2014 there are no concluded big transactions which are essential for the company.

**4. Information on the transactions between the issuer and connected parties during the reporting period, offers for entering into such transactions that are outside the ordinary business or substantially deviate from market conditions in which the issuer or its subsidiary is a party with indication of the value of transactions, the relationship and any information necessary for assess the impact on the financial position of the issuer.**

In 2014 Bulgarska rosa Plc – Karlovo has not entered into transactions with connected parties which are outside the ordinary business of the company and with substantial deviation from market condition.

**5. Information on events and indicators of unusual for the issuer nature, having substantial influence on its operations, and realized by its revenues and expenses; assessment of their impact on the results during the current year.**

In 2014 there were not any unusual events for the company nature which significantly affect the activity for realized revenues.

**6. Information on transactions off-balance sheet – nature and business purpose, indicating the financial impact of the transactions on the activity if the risk and benefits of these transactions are substantial for the issuer and the disclosure of this information is essential for assessing the financial position of the issuer.**

The company has not carried out transactions which are off balance sheet.

**7. Information on share participations of the issuer, on its main investments in the country and abroad (in securities, financial instruments, intangible assets and real property) as well as investments in share securities outside its business group and sources/means of financing.**

Bulgarska rosa Plc – Karlovo does not have (directly or indirectly) a substantial long-term participation in other companies.

**8. Information on contracts concluded by the issuer, its subsidiary or parent company in their capacity as borrowers, loan contracts specifying the conditions thereof, including the deadlines for payment and information on provided guarantees and commitments.**

In 2014, a transaction with related parties was concluded and Bulgarska rosa Plc had received a short one-year loan from Stara Planina Hold Plc in the amount of 1000 thousand BGN, with annual interest 7%. As of 31.12.2014 there is now remainder of a debt. Stara Planina Hold Plc is a member of the Board of Directors of Bulgarska rosa Plc Karlovo and owns 49,99% of the company's capital.

**9. Information on contracts concluded by the issuer, its subsidiary or parent company in their capacity of lenders, loan contracts, including the provision of warranties of any kind, including related parties, indicating the specific conditions on them, including the final payment deadline, and the purpose for which they were paid.**

Bulgarska rosa Plc Karlovo has not granted any loans.

**10. Information on use of funds acquired by the issuance of new securities during the reporting period.**

The company has not issued a new emission of securities.

**11. Analysis of the relationship between the financial results reflected in the financial statements for the financial year and the previously published forecasted results.**

The company has not disclosed the forecasted results for the current 2014.

**12. Analysis and assessment of the policy concerning the management of financial resources, including the ability to service its obligations, possible threats and measures that the issuer has taken or will take with view of their elimination**

Almost throughout the whole reporting period, Bulgarska rosa Plc – Karlovo uses its own funds. Only during the rose and lavender campaigns the company turns to use of a short-term bank transfer or other type of loan. So far the company has no outstanding obligations to suppliers of raw materials as well as to lenders.

**13. Assessment of possibilities for realization of investment objectives, indicating the amount of available funds and possible changes in the financing structure of this activity.**

For investment activities in 2014 were paid 204 thousand BGN own funds for machinery, equipment and software programs. Were completed started in 2012 activities under project BG161PO003 - 2.1.13 "Technological modernization in small and medium-sized enterprises" - Priority Axis 2: "Increasing efficiency of enterprises and promoting supportive business environment", area of intervention 2.1: "Improving technology and management in enterprises" operation 2.1.1 "Technological innovation in enterprises" at the total amount of 510588 BGN. During the year was received the final funding of 285 714 BGN.

Investment activities of Bulgarska rosa Plc in 2015 will be directed towards the implementation of the adopted investment program for 2015, which is an integral part of the company's business - program for 2015. Possibilities for realization are in direct connection with the necessary funding and effective implementation of investment activities.

**14. Information regarding changes that occurred in the reporting period in the basic principles of management of the issuer and its economic group.**

During the reporting period Bulgarska rosa Plc – Karlovo has no changes into its accounting policy and has not been carried out any organizational changes, such as conversion, sale of company – in kind contributions from company, long-term investments and cessation.

**15. Information about the main characteristics applied by the issuer in the process of preparing financial statements, internal control system and risk management.**

In order to provide independent and objective assessment of the financial statements, the annual audit of Bulgarska rosa Plc is done by an independent auditor. All financial statements are prepared in accordance with international accounting standards. The current financial and accounting activity of the company is a subject to a periodic review and analysis by the Governing body. There is an established practice for periodic discussion at meeting of the Board of Directors the current financial performance of the company, including the implementation of the investment program. During the process of preparation of financial statements for the year 2014 internal control is expressed in inventory of estimates, materials in warehouses, unfinished production, which is held once a year towards December 31, 2014, with the resulting accounting adjustments according quantified inventories.



**16. Information on changes in the management and supervisory bodies during the reporting financial year.**

Bulgarska rosa Plc has a one tier management structure. The Board of Directors consists of 4 persons.

Data about the Board of Directors are referred to in Section V, item 2 of the report.

**17. Information on the amount of remuneration premiums and/or benefits of each member of management and control bodies during the reporting year paid by the issuer, regardless of whether they have been included in the costs of the issuer or arising from the distribution of the profit including:**

- a) received amounts and non-monetary remunerations;
- b) contingent or deferred fees incurred during the year, even if the fee is due at a later time;
- c) an amount payable by the issuer or its subsidiaries for payment of pensions, retirement benefits or other similar benefits.

This information is contained in a separate report on the implementation of The remuneration policy of the Board of Directors.

**18. For the public companies – information on owned by the members of the management and governing bodies, procurators and executive officers shares of the issuer, including the shares owned by each of them separately as a percentage of the each class of shares as well as the options on issuer’s securities granted by that issuer – type and amount of securities on which the options have been institute, price for the use of these options, if any, and duration of the options.**

	Number of shares	% of shareholding
STARA PLANINA HOLD PLC	133773	49,99 %
Rozinvest Ltd.	2000	0,75%
Michail Ivanov Michailov	8000	2,99 %

The other members of the Board of Directors have no shares of the company.

There are no special rights or restrictions for members of the governing body to acquire share of the company.

**19. Information regarding company’s arrangements (including the end of the financial year), resulting in a future period may cause changes in the relative shares or bonds from current shareholders or bondholders.**

By the time when the report has been prepared there were not known any agreements, as a result of which occur any changes in the owned relative proportion of shares by current shareholders.

**20. Information on pending court, administrative or arbitration proceedings relating to liabilities or receivables of the issuer of at least 10% of its equity; if the total amount of debts or obligations of the issuer in all proceedings exceed 10% of its own equity shall be presented separately for each production.**

As of 31.12.2014, Bulgarska rosa Plc – Karlovo does not have any pending court, administrative or arbitration proceedings relating to liabilities or claims amounting at least 10% of the company’s equity and total liabilities or claims of all initiated proceedings do not exceed 10% of the company’s equity.



**21. Information on the Investor Relations Director, including telephone and mailing address.**

At the company was appointed a Director of Investor Relations with the name, telephone number and mailing address as follows:

Panka Ivanova Shalamanova, phone number: +359 335 95328, cell phone: +359893376379, mailing address: 1 Industrial zone, 4300 Karlovo, Bulgaria.

**X. Analysis and explanation on the information as per Appendix 11 of Ordinance No. 2 of the FSC**

**1. Structure of the company's capital, including securities which have not been admitted for trade on a regulated market in the Republic of Bulgaria or another Member State, with specification of the various classes of shares and the portion of the common capital which comprises each of the classes.**

The capital of the company is 267 549 BGN, fully registered and paid up, divided into 267 549 ordinary, registered, dematerialized and non-preferred shares freely transferable with voting right and a value of 1 (one) BGN each, with the right of one vote at the GMS, a right of dividend and liquidation share. All shares are of one class.

Bulgarska rosa Plc has no shares, which are not admitted to trade on a regulated market in the Republic of Bulgaria or another Member State.

According to data obtained from the Central Depository, as of 31 December, 2014 Bulgarska rosa Plc has 1 632 shareholders. 1 615 individuals have 50578 shares (18,90%) and 17 legal entities have 216 971 shares (81,90%). The entire capital of the company is privately owned.

**2. Restrictions on the transfer of securities in terms of restrictions on the ownership of securities or requirement for obtainment of approval by the company or other shareholder**

There are no restrictions on the transfer of the securities of Bulgarska rosa Plc.

**3. Information on the direct or indirect ownership of 5 per cent or more of the voting rights in the general meeting of the company, including data about the shareholders, the amount of participation and the manner of ownership of the shares.**

Data on persons possessing directly or indirectly at least 5% of voting rights in the general meeting of shareholders at the end of 2013 and changes into votes held by persons of a previous period:

There are no shareholders, individuals holding more than 5% of the shares entitled aloud.

Shareholders – legal entities:

Shareholders – legal entities	Shares as of 31.12.2013		Shares as of 31.12.2014	
Stara Planina Hold Plc	133773	49,99%	133773	49,99%
Sunrise 08 Ltd.	59685	22,31%	58685	21,93%

Free float: 28,07%.

**4. Details of shareholders with special control rights and a description of those rights.**

There are no shareholders with special control rights and there are no restrictions on the voting rights of shareholders.

**5. Control system when exercising voting right in the cases where employees of the company are also its shareholders and when the control is being exercised directly by them.**

The company's employees who are also its shareholders may exercise their voting right without being controlled in any way.

***6. Restrictions on the voting rights of the shareholders with specific percentage or number of votes, deadline for exercising voting right or system where, through collaboration of the company's financial rights attached to shares are separated from the possession of shares.***

There are no restrictions on the rights aloud, including restrictions on the rights of shareholders aloud by a certain percentage or number of votes, deadlines for exercising rights aloud or system in which cooperation of the company financial rights attached to shares are separated from ownership of shares.

***7. Agreements between shareholders which are known to the company and which may lead to restrictions on transfer of shares or voting right.***

As of the moment the report has been created there were not known any agreements between shareholders which may lead to restrictions on transfer of shares or voting right.

***8. Provisions on appointment and dismissal of members of governing bodies of the company and concerning the carrying on of the amendments to the Statutes.***

According to the Statute of the Company the Board of Directors may be reelected without restriction. A member of the Board of Directors may be a capable physical person who meets requirements of the Commercial Law. A member of the Board of Directors may be a legal entity which presents its agents to perform its duties.

There is no provision in the Statute of the Company or in the rules of the procedure of the governing body which would lead to delay, change or prevention of change of the persons who exercise control on the issuer in the event of merger, acquisition or restructure affecting the issuer.

Amendments and supplements to the Statute of the Company are approved by the General Meeting of shareholders.

The Statute of the Company was adopted by the Constituent Meeting held on 27 September 1996 and it was amended and supplemented in accordance with the regulations of the General Meeting of shareholders on 11 August 1997, 4 May 1999, 17 April 2000, 25 April 2001, 21 December 2001, 25 April 2003, 17 July 2008, 10 June 2009 and 6 June 2014.

***9. Power of the governing bodies of the company, including a right to take decisions for issuing and buy-back of company's shares***

The Board of Directors of Bulgarska rosa Plc has the following competencies:

Art. 43/1/ The Board of Directors manage the company collectively.

/2/ The Board of Directors has the following competencies:

1. to carry out planning and coordination of the overall activities of the Company as outlined in its Statute on this subject by carrying out all its activities in the organization, management and control of the individual units and personnel that are not expressly reserved for decision by the General Meeting of shareholders;

2. to elect from among its members a chairman and deputy chairman;

3. to adopt organizational – management structure and other internal regulations of the Company;

4. shall lay down rules for its work;

5. to determine establishment, the organizational structure of the company and the functions and tasks of the separate units and relations between them;

6. to determine the procedure for appointment and dismissal of personnel, job descriptions and amount of the remuneration;

7. to create the necessary material and financial conditions for the implementation of the tasks of the separate units of the company;

8. to take decisions for the formation of the monetary funds and the procedure for their rising;
9. to take a decision for acquisition and expropriation of property and property rights, use of the investment loans, giving guarantees and assumption of a warranty, acquisition and licensing, contracting loans of the subsidiaries, creation of a mortgage and pledge of fixed assets of the Company;
10. to adopt and propose to the General meeting of shareholders for approval the annual financial statement, report of the company and a proposal for distribution of profits;
11. to discuss and decide all questions except those which are within the competence of the General meeting;
12. to cooperate with the Investor Relations Director and to supervise fulfillment of his/her duties;
13. to approve the Rules of the Investor Relations Director;
14. to approve the annual program of implementation of internationally recognized standards for good corporate governance.

The Statute of Bulgarska rosa Plc authorizes the Board of Directors to increase the share capital of the Company amounting to 50,000,000 (fifty million) BGN by issuing new shares for five years from the registration of this provision of the Statute in the Trade Register - 16.06.2014.

The Board of Directors unless expressly authorized to do so by the General Meeting cannot carry out the transactions specified in Art. 114 of the POSA.

Transactions of the company with the participation of stakeholders outside the above - mentioned, are subject to prior approval by the Board of Directors.

The regime of those transactions is subject to the relevant provisions of POSA.

***10. Significant contracts of the company, which shall take effect, are amended or terminated due to a change in the control of the company in implementation of mandatory auction offer and the consequences thereof, except when disclosure of that information might cause serious damage to the company; the exception under previous sentence shall not apply when the company is obliged to disclose information by law.***

The company has no contracts, which shall take effect, are amended or terminated due to a change in the control of the company.

***11. Agreements between the company and its governing bodies or employees for payment of compensation when leaving or dismissal without legal justification or upon termination of employment relationships for reasons related to an auction offer.***

There is no agreement between the company and its governing bodies or employees for payment of compensation when leaving or dismissal without legal justification or upon termination of employment relationships for reasons relating to a tender offer.

□□□□□□

The activity report was adopted at a meeting of the Board of Directors of Bulgarska rosa Plc on 24.03.2015.