

BULGARSKA ROSA PLC

REPORT

on the Implementation of the Remuneration Policy of the Members of the Board of Directors of Bulgarska rosa Plc (Appendix to the Annual Financial Statements for 2014)

This report has been prepared pursuant to Art. 12 of Ordinance No 48, dated March 20, 2013 of the FSC about requirements to the remuneration ("Ordinance No 48"). The report discloses the way in which the Company implements the Remuneration Policy for the Members of the Board of Directors of BULGARSKA ROSA PLC ("the Company"), adopted by the regular Annual General Meeting of Shareholders which was held on June 6, 2014. The report contains a remuneration policy implementation program for the next financial year and an overview of the way in which remuneration policy has been implemented during the year. It should be kept in mind, the important fact that the remuneration policy has been implemented for the first time.

I. Implementation of the Remuneration Policy during the reporting period

Pursuant to the requirements of Ordinance No 48, the Company shall provide the following information concerning the implementation of the remuneration policy of the Board of Directors in 2014:

1. information on the process of decision-making in determining the remuneration policy, including if applicable, information on the mandate and composition of the remuneration committee, the names of external consultants whose services have been used in determining the remuneration policy:

The Remuneration Policy for the Members of the Board of Directors of BULGARSKA ROSA PLC ("Remuneration Policy") has been developed by the Board of Directors ("the Board") in compliance with the requirements of Ordinance No 48, taking into account the recommendations of the National Corporate Governance Code, and was adopted by the regular Annual General Meeting of Shareholders which was held on June 6, 2014.

In accordance with the Remuneration Policy for the Members of the Board of Directors in the Company has not been established a Remuneration Committee and the observance of the remuneration policy is supervised by the independent members of the Board of Directors. No external consultants have been used in development of the Policy.

2. information on the relative weight of variable and fixed remuneration of the members of management and supervisory bodies:

Members of the Board of Directors are entitled to remuneration, whose type, amount and period for which they are payable shall be determined by the General Meeting of Shareholders and shall be paid upon the terms and conditions of the concluded between the Company and these members management contracts.

The fixed remuneration represents payments, which are not calculated on the basis of assessing past performance and includes remuneration with permanent nature which have been precisely set or can be unambiguously determined and comply with the existing legislation.

The variable remuneration is a part of the total remuneration in the form of profit-sharing bonuses, incentives, bonuses, benefits – related to retirement and other material incentives and financial instruments, which are awarded on the basis of activity performance assessment criteria.

At the regular annual General Meeting of Shareholders held on June 6, 2014 a resolution was adopted according to which each of the Members of the Board of Directors shall be paid a fixed remuneration payable on monthly basis. The Members of the Board of Directors have not received any additional remuneration.

Towards the date of the GMS, the Board members have not received any variable remuneration for their activity in 2014.

3. information on performance criteria, based on which stock options are granted, company's shares or other variable remuneration and an explanation on how the criteria of Art. 14, para. 2 and 3 contribute to the long-term interests of the company:

It has not been granted any stock options, including company's shares, rights to acquire financial instruments or any other variable remuneration.

4. explanation of the methods applied to assess whether the performance criteria have been met:

The remuneration of the Board members has been formed on the basis of the business performance. Performance criteria for achieved results in 2014 on the basis of which might be paid other variable remuneration are as follows:

1. Business performance:

(a) level and dynamics of EBITDA (the company's profit before interest, taxes, impairment and depreciation): 2014 - 1224 thousand BGN, 2013 - 1044 thousand BGN or a growth of 17.2%.

(b) level and dynamics of unfinished production: at the end of 2014 - 357 thousand BGN and at the end of 2013 - 274 thousand BGN. The unfinished production is 4.9% of sales of production, which practically remains unchanged compared to the previous year.

(c) level and dynamics of receivables: at the end of 2014 - 2162 thousand BGN, and at the end of 2013 - 1811 thousand BGN. The receivables are increasing due to irregular repayment of customers and suppliers to BULGARSKA ROSA PLC, which represents 29.7% of sold production.

2. Non-financial indices: as it evidenced by the annual report, based on the report on the implementation of specifically set out initiatives, an assessment of the entire Programme for the implementation of internationally recognized standards of good corporate governance of BULGARSKA ROSA PLC has been done. The activity of the Board of Directors in 2014 has been in accordance with the approved programme. Adopted by the enterprise, standards and management system for quality have been met and implemented.

The results under item 1 are good and in relation to the implementation of non-financial indices under item 2, we propose to the General Meeting of Shareholders to distribute a part of the company's profit for 2014 as an additional remuneration for each member of the Board of Directors in the form of profit-sharing bonuses.

Pursuant to Art. 4 of the Remuneration Policy, the payment of 40% of the variable remuneration as it was defined in the resolution of the General Meeting of Shareholders shall be deferred over a period of 3 years.

5. clarification on the relationship between pay and performance:

Set by the General Meeting of Shareholders fixed part of the remuneration for each member of the Board of Directors is bound by the net sales revenues and the profit of BULGARSKA ROSA PLC.

6. fixed payments and justification of the annual bonus payment scheme and/or any other additional non-monetary compensations:

On regular Annual General Meeting of Shareholders which was held on June 6, 2014 had been adopted a decision each member of the Board of Directors to be paid a fixed remuneration, payout monthly. Members of the Board of Directors have not received any additional remuneration.

The Company does not apply bonus payment scheme and/or other additional non-monetary compensations.

7. description of the main characteristics of the supplementary voluntary pension insurance and information on paid and/or contributions payable by the company in favor of the Director for the financial year, if applicable:

It has not been provided any additional retirement provision for the Members of the Board of Directors except additional obligatory pension insurance for persons born after 1960.

8. information for periods of deferment of payment of variable remuneration:

Payment of 40% of defined in the decision of the General Meeting of Shareholders variable remuneration shall be deferred over a period of three years the payment of the deferred portion of the variable remuneration shall be proportional to the period of deferral.

9. information for the policy for severance payment upon termination of contracts:

Upon termination of the contract with an Executive Member of the Board of Directors due to expiration and non-renewal of the mandate, for which she/he has been elected, the Company does not owe compensation.

Upon early termination of the management contract with a member of the Board of Directors, respectively Executive Director, the total amount of compensation payable in connection with the early termination, as well as payments related to the period of notice or provided for in clause prohibiting the performance of competitive activity, shall be determined in the amount of the fixed remuneration paid to the person in the last 24 months.

Compensations of the said type are not due if the contract is terminated due to unsatisfactory results and/or culpable behavior of a member of the Board of Directors, respectively the Executive Director.

10. information for the period in which shares cannot be transferred and stock options cannot be exercised at variable remuneration based on shares:

Not provided remuneration comprising shares, including company shares and rights to acquire financial instruments.

11. information on policy to retain a number of shares until the end of the mandate of the members of the management and supervisory bodies after the period under item 10:

The Company does not have such policy.

12. information on the contracts of the members of the managing and supervisory bodies, including the term of each individual contract, the notice period for termination and details relating to compensations and/or other payments due in the event of early termination:

The contract with each member of the Board of Directors has been concluded by the end of the term for which she/he was elected by the General Meeting of Shareholders. Upon early termination of the contract, the same is entitled to compensation in the amount of her/his quarterly gross remuneration. Compensation is not due if the exemption is due to unsatisfactory results or culpable behavior of the member of the Board of Directors.

Relations between BULGARSKA ROSA PLC and executive directors shall be governed by a contract with the management, which shall be concluded under the Commerce Act.

No other compensation or other due payments have been provided in the event of early termination.

13. full amount of remunerations and other material incentives for the members of the managing and supervisory bodies for the respective financial year:

The full amount of the remunerations of the members of the Board of Directors for the financial 2014 stands at a total 185 325 BGN, distributed as follows:

Spas Borisov Videv – 75 826 BGN

Mihail Ivanov Mihaylov – 75 826 BGN

Evgeniy Vasilev Uzunov – 15 306 BGN

ROZINVEST Ltd. - 18 367 BGN

14. information on the remuneration of each individual who had been a member of a managing or supervisory body of a public company for a certain period in the respective financial year:

Not applicable for the reporting financial year.

15. information in respect of shares and/or stock options and/or other incentive schemes based on shares:

Remuneration policy for the member of the Board of Directors adopted by the General Meeting of Shareholders provides an option to pay variable remunerations in the form of shares, stock options, rights to acquire shares or other financial instruments. No such options have been provided so far.

II. Remuneration Policy Implementation Program for the next financial year

In the Remuneration Policy for the members of the Board of Directors which was adopted at the regular annual General Meeting of Shareholders held on June 6, 2014 the main principles of Ordinance No. 48 of the FSC had been observed.

The Remuneration Policy aims to support long-term business goals of the company and to encourage behavior which supports the creation of value for shareholders, while ensuring competitive remuneration sufficient to attract and retain directors with skills necessary for successful management and development of the company.

This policy has been developed for implementation for a long period of time, unless the shareholders of BULGARSKA ROSA PLC request its update and amendment. Amendments to the approved by the General Meeting of Shareholders Policy shall be adopted in accordance with its drafting and approval.

The Board of Directors considers that those principles laid down in the remuneration policy currently are effective with a view to the financial results achieved during the reporting period. Their implementation and in the future is a priority for the Board of Directors of BULGARSKA ROSA PLC.

The Board of Directors shall be responsible for the timely disclosure of the approved by the General Meeting of the shareholders Remuneration Policy and the subsequent amendments thereto.

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This report was approved at a meeting of the Board of Directors held on March 24, 2015.