POLICY ON TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

The Board of Directors of M+S Hydraulic Plc shall review and approve in advance the execution of transactions by the company that may have a significant impact on the enterprise's financial position.

Investment decisions in other companies shall be accompanied by reasoned and motivated opinions and an analysis of the expected effect.

The Board of Directors shall pay special attention to transactions where one or more of its members have a personal interest or involve related parties to them.

PROCEDURE FOR AVOIDANCE AND DISCLOSURE OF CONFLICTS OF INTEREST

A potential conflict of interest shall exist when the company intends to enter into a transaction with a legal entity where a member of the Board of Directors or related (interested) parties have a financial interest or are members of a management or supervisory body of the counterparty.

An interested party shall be any member of the Board of Directors, including persons representing a legal entity; any shareholder who directly and/or indirectly holds at least 25 percent of the votes in the general meeting of the company or controls it, as well as their related parties;

In the case of transactions involving a subsidiary, an interested party shall be any member of the Board of Directors of the subsidiary, including persons representing a legal entity; any shareholder who directly and/or indirectly holds at least 25 percent of the votes in the general meeting of the company, as well as their related parties;

where they:

1. are a party, a representative, or an intermediary to the transaction, or if the transactions or actions are performed in their favor; or
2. directly and/or indirectly hold at least 25 percent of the votes in the general meeting or control a legal entity which is a counterparty, its representative, or an intermediary to the transaction, or in whose favor the transactions or actions are performed;
3. are members of management or control bodies, representatives of legal entities, members of such bodies, or procurators of a legal entity under items 1 and 2.

Members of the Board of Directors must avoid and prevent any actual or potential conflict of interest.

Members of the Board of Directors must immediately disclose conflicts of interest and ensure that shareholders have access to information regarding transactions between the company and members of the Board of Directors or related parties to them.

If a member of the Board of Directors or a person related to them is interested in a matter under consideration, they shall notify the Chairperson of the Board in writing and shall not participate in the respective decision-making process. That member of the Board of Directors shall not attempt to influence the decision regarding such a transaction in any way. The Board of Directors shall reach a decision by establishing specific criteria for the objective fairness of the transaction, the interest of the managers therein, and the potential future benefit for the shareholders, and shall justify the degree of significance of the transaction for the interests and the achievement of the enterprise's objectives. The decision shall specify the

essential terms of the transaction, including the parties, subject matter and value, expected profit, as well as the party in whose favor the transaction is performed.

Members of the Board of Directors who manage and represent the company may not, without being explicitly authorized by the General Meeting of Shareholders, enter into transactions as a result of which the company acquires, transfers, receives, or grants for use or as collateral in any form assets with a total value exceeding 1/3 of the lower value of the assets according to the latest audited or the latest prepared balance sheet of the company, or exceeding 2 percent of the lower value of the assets according to the latest audited or the latest prepared balance sheet of the company when interested parties participate in the transactions.

Members of the Board of Directors who manage and represent the company may not, without being explicitly authorized by the General Meeting of Shareholders, enter into transactions as a result of which obligations arise for the company towards one person or towards related persons with a total value exceeding 1/3 of the lower value of the assets according to the latest audited or the latest prepared balance sheet of the company, and when the obligations arise towards interested parties or in favor of interested parties – exceeding 2 percent of the lower value of the assets according to the latest audited or the latest prepared balance sheet of the company.

Members of the Board of Directors who manage and represent the company may not, without being explicitly authorized by the General Meeting of Shareholders, enter into transactions as a result of which the company's receivables from a single person or from related persons exceed 1/3 of the lower value of the assets according to the latest audited or the latest prepared balance sheet of the company, and when the company's debtors are interested parties – exceeding 1 percent of the lower value of the assets according to the latest audited or the latest prepared balance sheet of the company.

Any transactions of the company involving interested parties, other than those mentioned above, shall be subject to prior approval by the Board of Directors.

Transactions that individually fall below the thresholds specified above, but which in aggregate result in a change in property exceeding these thresholds, shall be considered as a whole if they were performed within a period of three calendar years in favor of a single person or related persons, or if a single person or related persons are a party to the transactions. In such cases, the action or transaction that causes the specified thresholds to be exceeded shall be subject to approval by the General Meeting of Shareholders.

In order to be authorized by the General Meeting of Shareholders to enter into a transaction under Art. 114, para. 1 of the Public Offering of Securities Act (POSA), the Board of Directors shall prepare a motivated report on the expediency and the terms of the transaction. This report shall be part of the materials provided to the shareholders upon convening of the General Meeting.

In cases of acquisition or disposal of fixed assets, the General Meeting shall take a decision by a majority of 3/4 of the represented capital, and in all other cases – by a simple majority. In both cases, interested parties shall not be entitled to exercise their right to vote.

An exception to the adopted procedure shall be allowed for transactions carried out in the course of the company’s ordinary course of business, including conclusion of bank loan agreements and provision of collateral, unless interested parties are involved; when the company provides credit to a subsidiary or when a subsidiary provides deposits to the company under terms no less favorable than the prevailing market conditions in the country; as well as in cases where a joint venture agreement is in place.

In cases where a subsidiary provides a deposit to the company in accordance with the above procedure, the company undertakes to notify the Financial Supervision Commission

thereof as provided by law.

Disposal transactions involving interested parties that exceed the thresholds specified above may only be carried out at market price. In such cases, the valuation shall be performed by the Board of Directors or, in cases specified by law, by independent experts with the necessary qualifications and experience appointed by the Board of Directors.

DISCLOSURES

Members of the Board of Directors of M+S Hydraulic Plc shall be obliged to disclose to the company information regarding legal entities where they directly or indirectly hold at least 25 percent of the votes in the general meeting or where they exercise control; legal entities in whose management or control bodies they participate or for which they act as procurators; as well as any current and future transactions known to them for which they believe they may be identified as interested parties.

The above information shall also be provided to the Financial Supervision Commission and the Bulgarian Stock Exchange. They are obliged to submit or update the declaration within 7 days of the occurrence of the respective circumstances.

The Board of Directors shall monitor the transactions carried out by the company for each of the last three years in favor of a single person or related and interested parties, ensuring that transactions which individually do not exceed the statutory thresholds do not, in aggregate, lead to a change in property exceeding those thresholds.

Upon indications of the occurrence of such circumstances, the Board of Directors shall take action to convene an extraordinary General Meeting of Shareholders in order to obtain prior approval from the General Meeting or take other measures to prevent a potential breach of the statutory thresholds.

TRANSACTIONS WITH SHARES OF THE COMPANY

Members of the Board of Directors and persons closely associated with them shall notify M+S Hydraulic Plc and the Financial Supervision Commission in writing of any transactions conducted on their own account relating to shares issued by M+S Hydraulic Plc or other financial instruments linked to such shares, whenever the total value of these transactions exceeds EUR 5 000 within one calendar year. The notification shall be made within 3 business days of the date of the transaction.

M+S Hydraulic Plc shall make the received notification public within the same period.

Members of the Board of Directors may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the shares of M+S Hydraulic Plc during a closed period of 30 calendar days before the announcement of an interim financial report or the annual management report of the company.

PROSPECTUS

When publishing a prospectus for the offering of securities, the company shall provide information regarding shareholders with significant holdings and data on transactions with related (interested) parties. This information shall also be included in the summary of the prospectus for the public offering of securities.

When publishing a prospectus for the offering of securities, the company shall provide information on whether there is any dilution of the share value, specifically when there is or could be a material difference between the offering price of the securities and the price paid for the issuer's shares over the past 5 years by members of the Board of Directors or persons related to them, or which they have the right to acquire. In such cases, comparative

information shall be provided between the price at which investors will acquire securities in the public offering and the price at which the aforementioned persons have acquired or will acquire securities.

INFORMATION

M+S Hydraulic Plc shall disclose timely and complete information regarding actions taken by members of the Board of Directors for conclusion of transactions and/or disposal of assets with a value exceeding the limits set by law, for which they have been authorized by the General Meeting of Shareholders, as well as the results achieved and other important information that does not constitute inside information, in a dedicated section on the company's website.

In this Policy, the legal definitions provided by the Public Offering of Securities Act, the Act on Measures Against Market Abuse with Financial Instruments, and Regulation (EU) No 596/2014 on market abuse (Market Abuse Regulation) have been applied.

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This Policy was adopted by the Board of Directors on March 16, 2017.