



# **M+S Hydraulic Plc**

**2025**

**ANNUAL FINANCIAL REPORT**

# M+S HYDRAULIC PLC

the town of Kazanlak  
123028180



## BALANCE SHEET

in thousand BGN

ASSETS	Note	31.12.2025	31.12.2024
<b>Non-current Assets</b>			
Property, Plant and Equipment	1	73 022	57 196
Intangible Fixed Assets	2	27	99
Investments in subsidiaries and associated companies	3	24 163	24 163
Trade and Other receivables	4	4 219	4 856
Deferred tax liabilities	12	50	75
		<b>101 481</b>	<b>86 389</b>
<b>Current Assets</b>			
Inventories	5	19 638	19 897
Trade and Other Receivables	6	19 082	19 695
Tax Receivables	7	2 980	3 001
Financial assets	8	0	2
Cash and Cash Equivalents	9	1 263	15 936
		<b>42 963</b>	<b>58 531</b>
<b>TOTAL ASSETS</b>		<b>144 444</b>	<b>144 920</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Capital &amp; Reserves</b>			
Share Capital	10	39 433	39 433
Revaluation Reserves	10	10 966	10 970
Other Reserves	10	6 573	6 573
Gained Profit/Loss	10	54 518	53 779
Annual Profit/Loss	10	8 892	10 988
		<b>120 382</b>	<b>121 743</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	11	233	2 376
Other non-current liabilities	12	1 830	1 854
		<b>2 063</b>	<b>4 230</b>
<b>Current liabilities</b>			
Current financial liabilities	13	32	0
Trade and other payables	14	14 472	11 586
Accounts payable to employees	15	7 116	7 053
Tax payables	16	379	308
		<b>21 999</b>	<b>18 947</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>144 444</b>	<b>144 920</b>

Procurator:  
(V. Spasov)

Financial manager:  
(M. Marinov)

# M+S HYDRAULIC PLC

The town of Kazanlak

123028180



## INCOME STATEMENT

in thousand BGN

Articles on the income statement	Note	31.12.2025	31.12.2024
Net sales	18	140 441	132 777
Incomes from gratuitous state funds	18	239	343
Used raw materials and supplies	19	-66 941	-62 734
Cost of hired services	19	-9 970	-10 043
Personnel expenses	19	-44 605	-42 202
Depreciation costs	19	-10 814	-10 703
Other costs	19	-1 089	-1 017
Corrective amounts		-1 135	-148
<b>Operating profit</b>		<b>6 126</b>	<b>6 273</b>
Financial incomes/costs	20	3 358	5 334
<b>Profit (prior to taxation)</b>		<b>9 484</b>	<b>11 607</b>
Expenditures for taxes	21	-592	-619
Expenses for income tax		-592	-619
Alteration at the expense of deferred taxes		0	0
<b><i>PROFIT FOR THE PERIOD</i></b>		<b>8 892</b>	<b>10 988</b>
<b><i>TOTAL COMPREHENSIVE INCOME</i></b>			
Earnings per share		0.23	0.28

**Procurator:**  
**(V. Spasov)**

**Financial manager:**  
**(M. Marinov)**

# M+S HYDRAULIC PLC

the town of Kazanlak  
123028180



## EQUITY CHANGES STATEMENT

in thousand BGN

INDICATORS	Shared Capital	Revaluation Reserve	Other Reserves	Accumulated Profit	Total
<b>Ending Balance on 31.12.2024</b>	<b>39 433</b>	<b>10 970</b>	<b>6 573</b>	<b>64 767</b>	<b>121 743</b>
Written-off revaluation reserve on written-off non-current assets		-4		4	0
Earning appropriation from previous years					
NET profit for the period				8 892	8 892
Dividends and others				-10 253	-10 253
<b>Ending Balance on 31.12.2025</b>	<b>39 433</b>	<b>10 966</b>	<b>6 573</b>	<b>63 410</b>	<b>120 382</b>

**Procurator:**  
(V. Spasov)

**Financial manager:**  
(M. Marinov)

# M+S HYDRAULIC PLC

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123028180



## CASH FLOW STATEMENT

in thousand BGN

INDICATORS	31.12.2025	30.12.2024
<b>Cash flows from Operating Activity</b>		
Proceeds from clients	160 426	153 856
Financing	239	343
Payments to suppliers	-96 384	-88 766
Personnel payments and insurance	-43 522	-41 755
Paid/received interests	10	21
Paid Income taxes	-297	-1 670
<b>Net cash flow from Operating Activity</b>	<b>20 472</b>	<b>22 029</b>
<b>Cash flows from Investment Activity</b>		
Purchase of property, plant, installations, equipment and other long-term assets	(25 972)	(10 641)
Additional financial contributions given to subsidiary companies	391	391
Proceeds from sales of long-term assets	0	0
Operations with financial assets	(2 376)	(5 941)
<b>Net cash, used in Investing Activities</b>	<b>-27 957</b>	<b>-16 191</b>
<b>Cash flows from Financial Activity</b>		
Received and paid loans	-18	-18
Dividends paid	-10 194	-15 727
Other income	3 024	5 497
<b>Net cash used in Financial Activity</b>	<b>-7 188</b>	<b>-10 248</b>
<b>Net increase of cash and cash equivalents</b>	<b>-14 673</b>	<b>-4 410</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15 936</b>	<b>20 346</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1 263</b>	<b>15 936</b>

**Procurator:**  
**(V. Spasov)**

**Financial manager:**  
**(M. Marinov)**



# **M+S Hydraulic Plc**

**2025  
ANNUAL ACTIVITY REPORT**



## Table of Contents

<i>Introduction</i> .....	3
<i>I. Business Overview</i> .....	4
<i>II. Analysis of Key Financial and Non-Financial Performance Indicators</i> .....	17
<i>III. Significant events since the beginning of the year</i> .....	17
<i>IV. Expected Development of the Company</i> .....	18
<i>Individual Net Sales Revenue by Half-Year</i> .....	20
<i>(EUR million) and forecast for the first half of 2026</i> .....	20
<i>V. Research and Development (R&amp;D)</i> .....	21
<i>VI. Company Shares</i> .....	21
<i>VII.Branches. Employees</i> .....	23
<i>IX. Non-Financial Information</i> .....	25
<i>X. Corporate Governance Declaration</i> .....	46
<i>XI. Additional Information under Appendix 2 of Ordinance No. 2 of the Financial Supervision Commission (FSC)</i> .....	56
<i>XII.Information under Appendix 3 of Ordinance No 2 of the FSC</i> .....	60



## Introduction

The Annual Activity Report presents a commentary and analysis of the financial statements and other material information regarding the financial position and the results of operations of M+S Hydraulic Plc during 2025. It contains the information pursuant to Art. 39 of the Accountancy Act and Art. 100n, para. 7 of the Public Offering of Securities Act (POSA), as well as Art. 10 of Ordinance No. 2 of the Financial Supervision Commission and Directive 2014/95/EU.

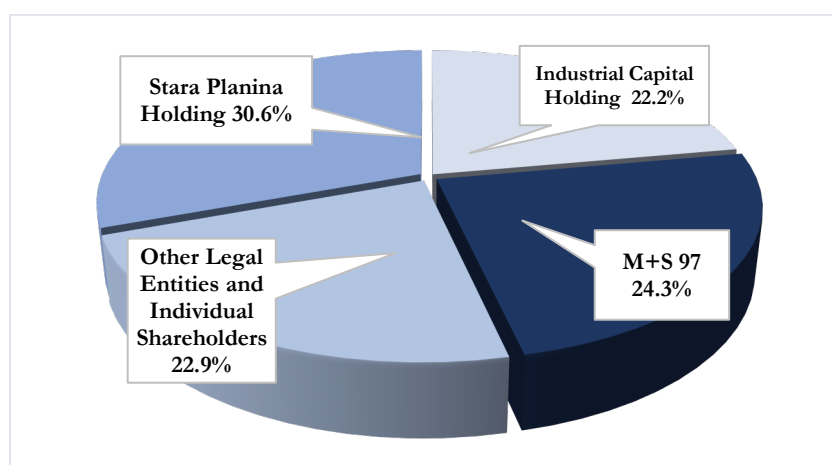
Inside information for M+S Hydraulic Plc under Art. 7 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ, L 173/1 of 12 June 2014) (Regulation (EU) No 596/2014) regarding circumstances that occurred during 2025 has been published on the company's website in the "About Us" section, "Investors" subsection [https://www.ms-hydraulic.com/index.php?option=com\\_content&view=article&id=12&Itemid=251&lang=bg](https://www.ms-hydraulic.com/index.php?option=com_content&view=article&id=12&Itemid=251&lang=bg), as well as in the X3News media through which the company publicly discloses inside information <http://www.x3news.com/?page=Company&BULSTAT=123028180>.

M+S Hydraulic Plc, Kazanlak, is a public joint stock company within the meaning of Art. 110 of the Public Offering of Securities Act (POSA). As of 31.12.2025 the Company's capital amounted to BGN 39 445 200, divided into 39 445 200 ordinary, registered, dematerialized, and freely transferable shares with a nominal value of BGN 1.00 (one Bulgarian Lev) per share. As of 01.01.2026, the Company's capital has been redenominated into Euros pursuant to Article 31 of the Act on the Introduction of the Euro in the Republic of Bulgaria and totals EUR 20 117 052.00, divided into 39 445 200 ordinary, registered, dematerialized, and freely transferable shares with a nominal value per share of EUR 0.51.

As of 31 December 2025, the company's largest shareholders are Stara Planina Hold Plc, Sofia, M+S – 97 AD, Kazanlak, and Industrial Capital Holding Plc, Sofia. No other legal entities or natural persons hold more than 5 % of the company's share capital.

As of 31 December 2025, M+S Hydraulic Plc holds 12 000 own shares, representing 0.03 % of the company's capital.

### Shareholding Structure as of December 31, 2025



In 2025, the Company was managed by a Board of Directors consisting of the following members:

- Dimitar Bogomilov Tanovski;
- Ivan Delchev Delchev;
- Velev Invest Ltd., represented by Vasil Georgiev Velev;



- Mang Ltd., represented by Milko Angelov Angelov.
- Sostra Engineering Ltd., represented by Evgeniy Vasilev Uzunov;
- Stara Planina Hold Plc, represented by Spas Borisov Videv.

The Executive Directors of the Company are Velev Invest Ltd., represented by Vasil Georgiev Velev, and Mang Ltd., represented by Milko Angelov Angelov. The Chairperson of the Board of Directors is Sostra Engineering Ltd., represented by Evgeni Vasilev Uzunov. The Procurator of the Company is Vladimir Valentinov Spasov.

During the 2025 reporting year, no changes were made to the composition of the Board of Directors, the distribution of functions among its members, or the position of the Company's Procurator.

The Audit Committee of M+S Hydraulic Plc consists of Valya Angelova Doneva, Vesela Ivanova Pekova, and Boyko Dimitrov Hadzhiatanasov, elected at the Regular Annual General Meeting of Shareholders held on May 19, 2022, with a five-year mandate.

As of December 31, 2025, the subsidiaries of M+S Hydraulic Plc are:

- LIFAM HIDRAVLIKA DOO, Serbia; Business activity: production, repair, and trade of hydraulic products and systems.
- "M+S HYDRAULIC POWER TRANSMISSION" GMBH, Germany with scope of business: Wholesale of machinery and other business equipment and parts thereof.
- "OLEOTECNO HYDRAULIC COMPONENTS" SRL, Italy with scope of business: Wholesale of machinery and other business equipment and parts thereof.

## *I. Business Overview*

The core business activity of M+S Hydraulic Plc is the production and trade of hydraulic products. The Company is a leading manufacturer of hydraulic orbital motors, steering units, hydraulic brakes, and accessories in Europe and worldwide.

M+S Hydraulic Plc produces a wide range of low-speed, high-torque, hydraulic orbital motors used in agriculture, transport, and mechanical engineering. These products offer displacements from 8 to 800 cm<sup>3</sup>, peak pressures up to 300 bar, and speeds up to 2 440 rpm (revolutions per minute), featuring a vast selection of mounting options, output shaft variants, and various sizes of supply and connection ports.

Furthermore, the Company manufactures a broad range of hydrostatic steering units for low-speed vehicles (up to 60 km/h) with displacements from 40 to 1 000 cm<sup>3</sup> and pressures up to 175 bar. The portfolio includes a rich variety of valves, open and closed-center plungers, with or without steering reaction, load-sensing steering units, torque amplifiers, steering columns, and more.

M+S Hydraulic Plc produces static and dynamic hydraulic brakes with hydraulic and manual control, featuring a static torque range from 8 to 200 daNm.

Axial piston motors and pumps are among the latest product groups offered on the market under the M+S HYDRAULIC brand and as of 2025, the Company has also launched the production of radial piston motors.

The Company was the first in Bulgaria to be certified under the ISO 9001 quality system. The high quality of our products, meeting international standards, is officially recognized by the following certifications: ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), and ISO 45001:2018 (Occupational Health and Safety Management System). The Company has also been certified under ISO/IEC 27001 – Information Security Management System.

To ensure flexible and prompt service and to meet customer requirements, M+S Hydraulic Plc has a well-developed distribution network strategically positioned in 45 countries across 6 continents.

In 2025, M+S Hydraulic Plc was recognized by the InvestBulgaria Agency (IBA) as a Class A Investor for the project "Construction of a new plant for the production of hydraulic motors." The investment project is being implemented on a 34,413 sq. m. site, identified as land plot ID 35167.504.7845 according to



the cadastral map (Regulated Plot I 7836, block 30 – industrial zone of the plan of the city of Kazanlak), owned by M+S Hydraulic Plc.

The entire production facility (including warehouses and service areas) is designed as a single, one-story building divided by an expansion joint into two blocks. Employee offices and a staff canteen are located in a separate two-story building. The total Gross Floor Area (GFA) of the buildings in the project is 18,797 sq.m., consisting of:

- Production building with a footprint and GFA of 17,709.00 sq.m.
- Administrative and utility building with a footprint of 344.00 sq.m. and GFA of 716.00 sq.m.
- Security checkpoint with a footprint of 11.00 sq.m.
- Bicycle shed with a footprint of 43.00 sq.m.
- Transformer station with a footprint of 16.00 sq.m.
- Waste storage shed with a footprint of 300.00 sq.m.
- Advertising totem with a footprint of 2.00 sq.m.

During the reporting year the international environment remained highly dynamic and sensitive to geopolitical processes, which continue to impact global industrial sectors and supply chains. Uncertainty arising from ongoing military conflicts in various regions and shifts in the trade policies of leading global economies created premises for fluctuations in market demand. Despite persistent pressure on the industry and moderate demand for hydraulic products in Europe and the USA, a gradual pickup in orders has been observed in recent months, delineating a moderately positive trend. We expect this trend to be maintained throughout 2026. Further influence may be exerted by the process of adopting the Euro in Bulgaria; in the medium term, a stabilizing effect on currency risk and enhanced predictability of foreign trade operations within the European Union are expected. At the same time, the new military conflict in the Middle East between the USA/Israel and Iran, which escalated in late February 2026, presents significant challenges for the European and global economies. The primary adverse effects include a sharp rise in energy commodity prices, alongside disruptions in logistics and supply chains. Crude oil prices (Brent) increased by 10-13% to approximately \$82-\$84 per barrel during the first week of the conflict. Crude oil prices (Brent) experienced a 10-13% increase, reaching approximately \$82-\$84 per barrel during the first week of the conflict, subsequently surpassing the psychological threshold of \$100 per barrel in the second week. Projections indicate that a potential closure of the Strait of Hormuz - a vital transit route for over 1/5 of global oil and liquefied natural gas (LNG) exports - could drive prices above \$130 per barrel.

Europe is particularly vulnerable to natural gas price volatility, which has already seen a substantial increase, while the European manufacturing sector faces renewed hardships, having already borne the burden of higher energy costs compared to producers in the US and China. Transport and freight insurance costs are rising sharply due to heightened regional risks, which could potentially lead to production halts in key sectors resulting from shortages of energy resources and raw materials.

Despite the challenges and uncertainty in 2025, we produced and sold nearly 5 % more output compared to the previous year, 2024.

### Key Performance Indicators

Indicators	2025	2024	2023
	BGN '000	BGN '000	BGN '000
Revenue from core activities - BGN thousand	140 441	132 777	222 628
Operating profit (EBIT) - BGN thousand	6 126	6 273	35 153
Net profit from operations - BGN thousand	8 892	10 988	33 149
Earnings per share (EPS) for the period - BGN	0.23	0.28	0.84
Total assets - BGN thousand	144 444	144 920	157 335
Net assets (Equity) - BGN thousand	120 382	121 743	126 325



## 1. Investment Portfolio Status

The shares and interests of M+S Hydraulic Plc, Kazanlak, in subsidiaries and associated companies for 2023, 2024, and 2025 are as follows:

### SHARES AND INTERESTS

Interests in Subsidiaries	31.12.2025	31.12.2024	31.12.2023
	BGN '000	BGN '000	BGN '000
Lifam Hidravlika DOO – Republic of Serbia	20	20	20
M+S Hydraulic Power Transmission GmbH – Germany	44	44	44
Oleotecno Hydraulic Components SRL – Italy	23 763	23 763	23 763
<b>Total</b>	<b>23 827</b>	<b>23 827</b>	<b>23 827</b>

Interests in Associated Companies	31.12.2025	31.12.2024	31.12.2023
	BGN '000	BGN '000	BGN '000
SPH Trans Ltd.	1	1	1
Progres AD	335	335	335
<b>Total</b>	<b>336</b>	<b>336</b>	<b>336</b>

With reference to the requirements of IFRS 9 Financial Instruments, effective from January 1, 2018, the Company has elected to make an irrevocable choice to present subsequent changes in the fair value of investments in equity instruments within the scope of the standard in "Other Comprehensive Income", as they are not held for trading.

In accordance with the requirements of IFRS 9, a market valuation of these instruments at fair value was performed as of the date of initial application of the standard—January 1, 2018. The differences between the previous carrying amount and the fair value were recognized in the opening balance of the Fair Value Reserve of Investments in Equity Instruments as of the date of initial application (January 1, 2018). The deferred tax effect associated with the change in accounting treatment was also recognized. There is insufficient data to justify a revaluation of these carrying amounts as of December 31, 2025.

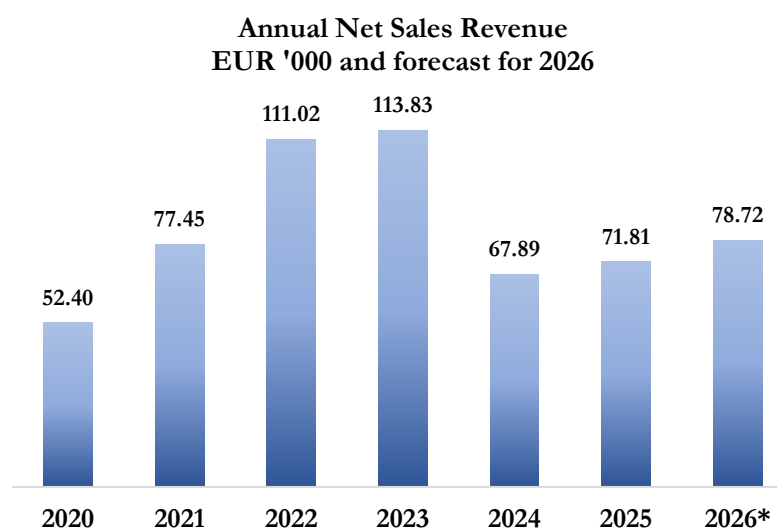
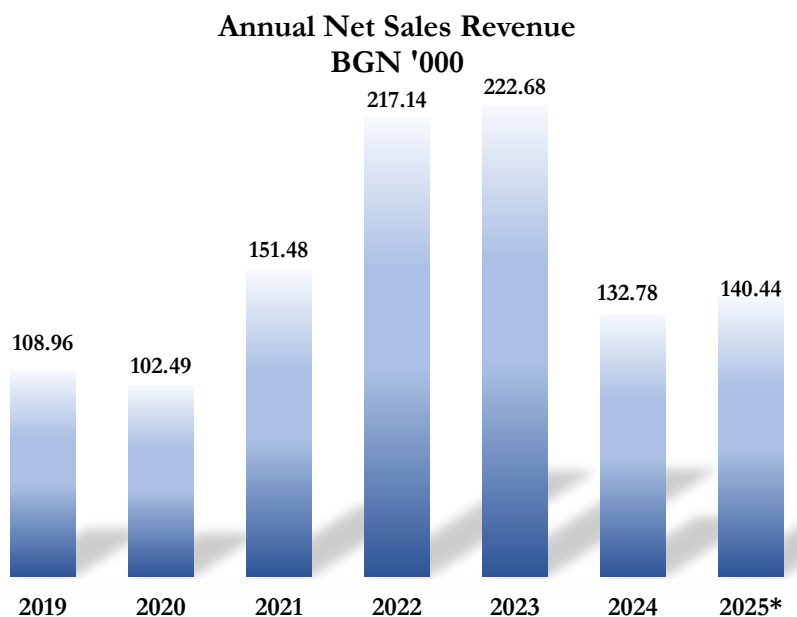
## 2. Operating Results

Key data regarding sales revenue, expenses, and results of operations are presented in the following tables:

### NET SALES REVENUE

	2025	2024	2023
	BGN '000	BGN '000	BGN '000
Operating Revenue			
Revenue from sale of products	138 608	130 986	219 651
Revenue from services provided	990	850	1516
Revenue from other sales	843	941	1461
<b>TOTAL REVENUE</b>	<b>140 441</b>	<b>132 777</b>	<b>222 628</b>

In 2025, 13.46 % of the total turnover consisted of product sales to M+S Hydraulic Power Transmission GmbH (Germany), while 16.83 % resulted from product sales to Oleotecno Hydraulic Components Srl (Italy).



\*forecast

The business operations of M+S Hydraulic Plc remain export-oriented, consistent with previous years, with approximately 94 % of sales generated directly from international customers. The remaining 6 % of sales were made to domestic clients and some of them also export their own products. For the full year 2025, the Company achieved sales totaling BGN 140 441 thousand (EUR 71 806 thousand).

#### Geographical Breakdown of Revenue from Sales of Finished Goods and Services:

	31.12.2025	31.12.2024	31.12.2023
Revenue by Markets	BGN '000	BGN '000	BGN '000
Export	131 069	124 375	199 660
Internal market	8 529	7 461	21 507
<b>TOTAL</b>	<b>139 598</b>	<b>131 836</b>	<b>221 167</b>

The value of other revenue includes:



	<b>31.12.2025</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
<b>Other Revenue</b>			
Sale of materials	94	91	175
Rents	28	28	46
Sale of fixed assets	0	0	18
Other	721	822	1 222
<b>TOTAL</b>	<b>94</b>	<b>1 284</b>	<b>1 669</b>
<b>Financing</b>	<b>31.12.2025</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
	<b>239</b>	<b>343</b>	<b>208</b>

In connection with the implementation of the Program for Compensation of Costs for Non-Household End Customers for Electricity for the period from January 1, 2025, to March 31, 2025, approved by Council of Ministers Decision No. 546 of July 31, 2024, we received compensations amounting to BGN 239 thousand for 2025.

The cost of sales and administrative expenses (operating expenses) are reported by nature (economic element), as follows:

#### EXPENSES

	<b>31.12.2025</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
Expenses for materials	66 941	62 734	101 033
Expenses for external services	9 970	10 043	13 958
Depreciation and amortization expenses	10 814	10 703	10 460
Remuneration expenses	36 132	34 359	48 881
Social security expenses	8 473	7 843	10 261
Other expenses	1 131	1 017	1 697
Carrying amount of assets sold	99	73	152
	1 036		
Change in inventories of finished goods and work in progress		79	1 244
Expenses for acquisition of fixed assets	-42	-4	-3
<b>Total operating expenses</b>	<b>134 554</b>	<b>126 847</b>	<b>187 683</b>

As of December 31, 2025, expenses for materials hold the largest relative share of the company's total operating expenses at 47.66 %, followed by personnel costs at 31.76 % and expenses for hired services.

In 2025, the company invested BGN 28 million of its own resources in tangible and intangible assets. Total investments for modernization of the machinery and facilities in 2026 are expected to amount to approximately BGN 8 million.



### 3. Risk Factors and Uncertainties

Risk represents the uncertainty of a given event. Deviations of actual results compared to planned and baseline figures can be calculated and used as a measure of risk. The risk associated with the operations of an economic entity is the result of the overlay of two distinct types of risk. The first is systematic risk, which is related to the risk generated by the economy as a whole due to fluctuations in key macroeconomic indicators, while the second type — unsystematic risk — is related to the specific nature of the company's activities.

Systematic risk includes political risk; currency exchange rate risk; interest rate risk; inflation risk; tax risk; and risk of changes in the economic environment.

Unsystematic risk is related to the risks arising from the specific character of the company's business and the particular industry environment to which the issuer belongs. It includes sector (industry) risk and company-specific risk.

**Overall Macroeconomic Risk:** Macroeconomic conditions and trends in market development and the macro-environment in which companies operate constitute a systematic risk that cannot be managed or controlled by the company's corporate management yet exerts a significant impact on the business operations and financial results of the enterprises.

As of the end of 2025, global economy is in a state of moderate but unstable growth, characterized by a high degree of uncertainty and structural changes in global economic and trade relations. International financial institutions – the IMF, the World Bank, the OECD, and the UN – confirm that the world economy is entering a new stage where growth remains limited, and geopolitical and fiscal risks continue to exert a significant impact on the business climate and international markets.

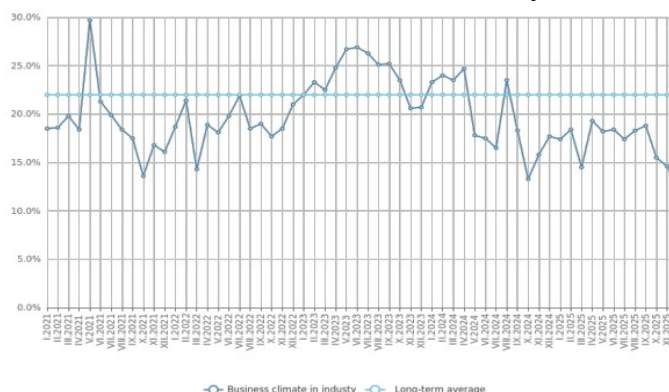
According to the ECB Economic Bulletin from December 2025, experts now expect average annual real GDP growth in the Eurozone to be 1.4% in 2025, 1.2% in 2026, 1.4% in 2027, and 1.4% in 2028. Compared to the September 2025 projections, GDP growth has been revised upwards for the entire forecast horizon, reflecting better-than-expected data, reduced trade policy uncertainty, stronger external demand, and lower energy commodity prices. Domestic demand is expected to remain the main driver of growth in the Eurozone, stimulated by rising real wages and employment, amid stable labor markets with record-low unemployment rates. The additional government spending on infrastructure and defense announced in 2025, specifically in Germany, along with more favorable financing conditions due to the reduction of key interest rates since June 2024, are also expected to support the domestic economy. Regarding the external environment, although competitiveness challenges persist, including those of a structural nature, exports are expected to accelerate in 2026.

The ECB Governing Council emphasizes the need for urgent measures to strengthen the Eurozone and its economy within the current geopolitical context. It supports the European Commission's call for governments to prioritize sustainable public finances, strategic investments, and growth-enhancing structural reforms. It is of crucial importance to leverage the full potential of the Single Market.

According to National Statistical Institute (NSI) data, in December 2025, the total business climate indicator decreased by 3.1 points compared to the previous month (from 16.1% to 13.0%), with a decline registered across all observed sectors – industry, construction, retail trade, and services. The composite indicator 'business climate in industry' fell by 2.1 points (from 14.6% to 12.5%) as a result of the unfavorable assessments and expectations of industrial entrepreneurs regarding the business condition of their enterprises. Production activity is assessed as diminished, while activity expectations for the next three months are more favorable. The uncertain economic environment, labor shortages, and insufficient demand from abroad and domestically continue to be the main obstacles to business development.



### Business Climate in Industry



Source: NSI

In its latest World Economic Outlook update from January 2026, the IMF forecasts global economic growth to remain resilient at 3.3% in 2026 and 3.2% in 2027. For the past year, 2025, global growth is expected to have reached 2.9%, while growth in the Eurozone is estimated at 0.9%. The IMF notes that the United States and China are the primary contributors to the upward revision of the 2026 estimate, while warning that an escalation of the tariff war and new geopolitical shocks could rapidly deteriorate the outlook and unsettle financial markets. Regarding the United States, the IMF has raised its forecast by 0.3 percentage points, projecting growth of 2.4% in 2026 and a slowdown to 2.0% in 2027. For the Eurozone, which Bulgaria joined on January 1st, the outlook remains more moderate due to unresolved structural issues, weak domestic demand, and ongoing pressure from higher energy prices following the Russian invasion of Ukraine. The IMF projects a growth rate of 1.7% for the current year (an increase of 0.1 percentage points compared to October) and 1.3% for 2027 (unchanged from the October forecasts). As for the Eurozone's largest economy, the IMF expects the German economy to grow by 1.0% in 2026 and 1.5% in 2027. Among the forecasts for other major economies, the IMF expects China's growth to reach 4.5% in 2026 - lower than the 5.0% expected in 2025, but 0.3 percentage points higher than the October estimates. The IMF emphasizes that the outlook remains tilted to the downside. A continuing trade war could increase uncertainty and weigh on economic activity. Furthermore, an escalation of geopolitical tensions could disrupt supply chains and lead to higher volatility in financial markets. At the same time, larger budget deficits and high levels of public debt could put upward pressure on interest rates. Policies to promote stability and sustainably improve medium-term growth prospects require a strong emphasis on rebuilding fiscal buffers, maintaining price and financial stability, reducing uncertainty, and implementing structural reforms without further delay, the IMF highlights.

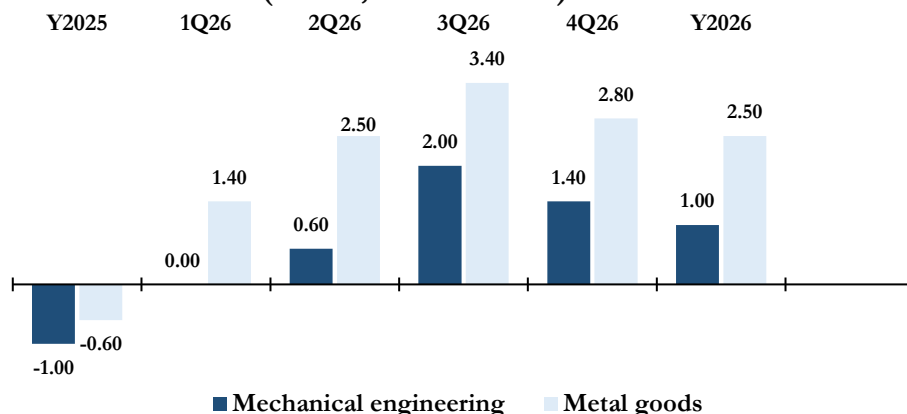
According to data from EUROFER (the European Steel Association), although the EU's mechanical engineering industry demonstrated resilience throughout 2023 and 2024, sector growth remains exposed to persistent downside risks. These include the prolonged impact of the war in Ukraine, escalating global geopolitical tensions, and the ongoing deterioration of the industrial outlook observed to date. Despite these challenges, mechanical engineering output recorded a growth of +1.6% in 2023, followed by a pronounced contraction of -5.2% in 2024. EUROFER anticipates another recession in 2025, albeit a more moderate one (-1%, revised upward from -1.7%), with a modest recovery projected only in 2026 (+1%, revised from +1.4%).

According to the EUROFER Economic and Steel Market Outlook – Q4 2025 (*noting that data was published prior to the escalation of the military conflict between the US/Israel and Iran*), EU industrial production exhibited signs of weakness throughout 2024 and into the latest monthly data for 2025. This trend persisted across most individual European economies nearly until the end of 2025. The latest available monthly figures indicate that industrial production in Spain and France has returned to pre-pandemic levels, whereas Germany and Italy have yet to reach this benchmark. Industrial output is expected to remain impacted by a combination of factors, including uncertainty arising from escalating trade tensions related to US tariff policy, ongoing conflicts and geopolitical risks, inflation, interest rates, and energy prices, which remain



volatile. Following a further decline in 2024 (-2.2%), EUROFER projects near-flat growth for 2025 (+0.3%, revised upward from +0.1%), before achieving modest growth in 2026 (+1.4%).

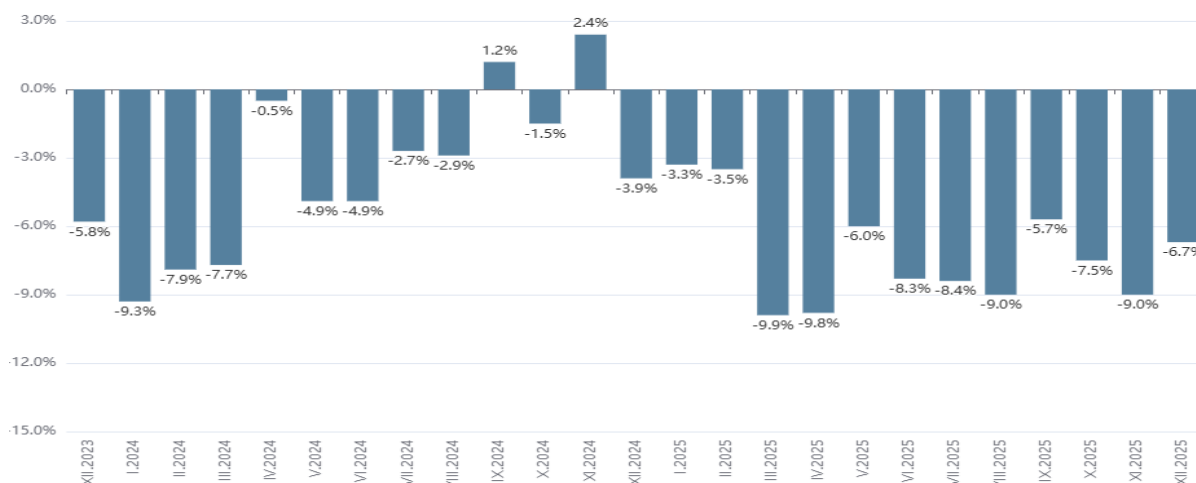
**EUROFER Forecast for the Mechanical Engineering and Mechanical Components Sectors (EU-28, Year-on-Year)**



In the beginning of 2026, the manufacturing sector in Europe shows signs of recovery, but growth is too fragile due to structural economic and geopolitical difficulties on the one hand, and due to intense competition, high energy regulatory costs, and heavy global pressure on the other. Overall, the main risks remain the dependence on energy imports, as high energy prices increase production costs and inflation, especially in industry. The new military conflict in the Middle East intensifies concerns regarding the accessibility and pricing of energy commodities and other material resources. Potential logistics and supply chain disruptions, alongside rising transportation and freight costs, are expected to have a direct impact on production costs (cost of sales). Consequently, these factors pose a significant risk to the competitiveness of the Bulgarian industry and may lead to a potential loss of market share. The US - China trade relations, and especially the customs tariffs on Chinese goods in the US, intensify the Chinese supply in Europe, which in turn reduces the competitiveness of European manufacturers.

Against this backdrop in Bulgaria, according to National Statistical Institute (NSI) data, the industrial production index in November 2025 decreased by 1.7% compared to the previous month, while a decline of 9.3% was recorded compared to November 2024. On an annual basis, a drop in industrial production was reported in the electricity, gas, steam and air conditioning supply – by 43.7%, and in the manufacturing industry – by 4.7%, while an increase was registered in the mining and quarrying industry – by 12.5%.

**Change in the Industrial Production Index compared to the same month of the previous year (calendar adjusted)**



Source: NSI



**Interest rate risk** is associated with changes in market interest rate levels, which could lead to an increase in interest expenses and a corresponding decrease in the financial result of the group companies.

At its monetary policy meetings on September 11, 2025, and October 30, 2025, the Governing Council decided to keep the three key ECB interest rates unchanged, as inflation remains close to the 2% medium-term target and its assessment of the inflation outlook remains broadly unchanged. The Council noted that the outlook remains uncertain, particularly due to ongoing global trade disputes and geopolitical tensions.

Following the ECB Governing Council meeting in October 2025, market interest rates rose. Bank lending rates for firms have remained generally stable since the summer, after falling in response to the Council's key rate cuts during the previous year. In October, they stood at 3.5%, unchanged from September. Bank lending to firms grew by 2.9% year-on-year in October, also unchanged from September. Mortgage lending strengthened, growing by 2.8% following 2.6% in September.

At its meeting on December 18, 2025, the Governing Council again decided to leave the three key ECB interest rates unchanged. The interest rates on the deposit facility, the main refinancing operations, and the marginal lending facility remain at 2.00%, 2.15%, and 2.40%, respectively.

According to Bulgarian National Bank (BNB) data, the base interest rate recorded a consistent and gradual decrease within the range of 2.95 percentage points as of 01.01.2025 to 1.81 percentage points as of 01.12.2025.

**Inflation risk** is associated with the probability of a significant increase in the purchase prices of goods and services, leading to reduced income, contraction in consumer demand, and restricted economic growth in the country. Inflation can directly affect the real return on an investment because, under high inflation, even high nominal incomes can result in a negative real return.

In 2025, inflationary pressure gradually eases but remains above the target levels of central banks. Average inflation in OECD countries is expected to be around 4.2 %, with significant regional variations remaining. The World Trade Organization reports a moderate recovery in international trade in goods, forecasting growth of about 2.4% for 2025, with emerging markets in Asia and Africa being the main drivers, while transatlantic flows between Europe and North America remain unstable.

According to the ECB macroeconomic projections of December 2025, annual inflation in the Eurozone, measured by the Harmonized Index of Consumer Prices (HICP), has fluctuated within a narrow range since the spring of 2025 and remained at 2.1 % in November. Energy prices were 0.5 % lower compared to November 2025, following a more significant decline recorded in October. According to ECB staff, most indicators of long-term inflation expectations remain at around 2%, supporting the stabilization of inflation around the target level set by the Governing Council. Inflation is projected to slow from 2.1 % in 2025 to 1.9 % in 2026, and further to 1.8 % in 2027, before rising to the Governing Council's medium-term target of 2 % in 2028. The expected decline in headline inflation in early 2026 reflects downward base effects related to energy prices, while inflation for non-energy components is expected to continue slowing throughout 2026. The contribution of energy inflation to headline inflation is expected to remain low until the end of 2027, before increasing significantly in 2028 as a result of the anticipated introduction of the EU Emissions Trading System 2 (ETS2), which is expected to accelerate headline inflation by 0.2 percentage points. HICP inflation excluding energy is projected to slow from 2.5 % in 2025 to 2.2 % in 2026 and to 2.0 % in both 2027 and 2028.

According to the European Commission's Autumn 2025 Economic Forecast, inflation in the Eurozone is expected to continue decreasing to 2.1% in 2025 and to remain around 2% throughout the forecast period. Inflation in the EU is expected to stay slightly higher, falling to 2.2% in 2027. The inflation forecast for Bulgaria is 3.5 % for 2025, 2.9 % for 2026, and 3.7 % for 2027, respectively.

According to the IMF World Economic Outlook update from January 2026, global inflation is projected to decelerate from an estimated 4.1% in 2025 to 3.8% in 2026 and further to 3.4% in 2027. In the Eurozone, headline inflation is expected to stabilize around 2%, with core inflation projected to converge to this target level by 2027. These inflation forecasts remain broadly unchanged compared to the October



projections and suggest that inflation will return to target more gradually in the United States than in other major economies.

According to Eurostat data, annual inflation in the European Union slowed to 2.3 % in December 2025, down from 2.4% in November. In the Eurozone, annual inflation in December stood at 1.9 %, following 2.1 % in November. According to preliminary data, Eurostat had initially estimated December's inflation at 2 %. In Bulgaria, based on the Harmonized Index of Consumer Prices (HICP), the annual inflation rate slowed to 3.5 % in December compared to 3.7 % in November, a level that ranks the country sixth in the EU.

According to National Statistical Institute (NSI) data, monthly inflation in December 2025, measured by the Consumer Price Index (CPI), was 0.1%, while annual inflation for December 2025 compared to December 2024 was 5.0%. The average annual inflation for the period January 2025 – December 2025, compared to the period January 2024 – December 2024, was 4.6%. In December 2025, monthly inflation in Bulgaria measured by the HICP was 0.1%, and annual inflation for December 2025 compared to December 2024 was 3.5%. The average annual inflation measured by the HICP for the period January 2025 – December 2025, compared to the period January 2024 – December 2024, was 3.5%.

In connection with the conflict in the Middle East and its duration, it is possible that global inflation may rise to levels that currently cannot be predicted.

**Currency risk** is the probability of a possible change in the country's currency regime (currency board), which would lead either to a devaluation of the lev or an appreciation of the lev against foreign currencies. According to the current legislation in the country, the exchange rate of the Bulgarian lev is fixed at a ratio of EUR 1 = BGN 1.95583.

On 8 July 2025, Bulgaria received the final necessary approval for its accession to the Eurozone from 1 January 2026. Following the European Parliament's vote in favor of our country's transition to the Eurozone, the Economic and Financial Affairs Council (ECOFIN) adopted three legal acts finalizing the approval process: regarding the adoption of the euro by Bulgaria from 1 January 2026 pursuant to Article 140(2) of the TFEU; regarding the introduction of the euro in Bulgaria pursuant to Council Regulation (EC) No 974/98; and regarding the exchange rate of 1 euro = 1.95583 BGN for Bulgaria pursuant to Council Regulation (EC) No 2866/98. This successfully concluded the approval process for our membership application, and our country officially joined the Eurozone from 1 January 2026.

Currency conversion is carried out at the fixed rate of 1 euro = 1.95583 BGN; therefore, there is no risk of devaluation of the lev against the European currency. However, there is a risk of unfavorable changes in the euro's exchange rate against other major currencies, such as the US dollar, Swiss franc, British pound, etc.

According to an analysis by the Fiscal Council regarding the introduction of the single currency in Bulgaria, as of the date of this notification, available facts and indicators confirm that the transition to the euro from January 1, 2026, is proceeding smoothly and in an organized manner, with a high degree of institutional readiness and effective process management. The exchange of banknotes and coins is progressing according to plan, and as of January 30, 2026, approximately 75 % of the leva in circulation have been withdrawn.

Given the export orientation of the company, changes in currency values have a certain effect and are a risk factor for their operations. Exchange rates influence revenues from foreign sales and costs for raw material imports; the main part of sales and imports are agreed upon in euros, which significantly reduces the impact of this risk on operations.

**Political risk** is the probability of serious domestic political upheavals that could lead to a negative change in the government's economic program and its priorities for economic development, resulting in a deterioration of the environment in which companies operate and potential losses for investors. The degree of political risk is determined by the likelihood of unfavorable changes in the long-term economic policy pursued by the government, which could have a negative impact on investment decisions.



As of the date of this report, the political instability in the country over the past four years has not been overcome; on the contrary, it appears to be further deepening following the Government's resignation on December 11, 2025, and the upcoming new snap elections. This instability continues to be assessed as a primary factor negatively impacting not only economic activity but also all social systems in Bulgaria. The lack of substantive reforms has further deteriorated the business environment, and as a result, we continue to observe a deepening decline in industry, a slump in exports, and job losses.

The country concluded 2025 without an adopted 2026 Budget or a public finance framework for the 2026-2029 period, characterized by higher-than-projected GDP but coupled with high inflation, weak revenues, inflated current expenditures, and unfulfilled investments. According to a summary of the analysis on the 2025 Budget execution published by the Fiscal Council of Bulgaria on February 13, 2026, this is viewed as a signal of lacking discipline, with the Council urging for serious reforms rather than 'innovations' that merely postpone problems. The Council states that the 2025 Budget projections were unrealistic and overly optimistic, while 'fiscal tricks' - such as 100 % dividends from state-owned enterprises, advance taxes from banks, and the capitalization of the Bulgarian Development Bank in lieu of budget expenditures - circumvent rules and create long-term issues. Furthermore, the Council points out that current expenditures (specifically wages) undermine sustainability; they argue that given the healthy growth, the deficit should have been capped at 0.8 % of GDP. The Fiscal Council once again appeals for structural reforms, including the limitation of current spending and administrative reform, to manage pressures from defense, pensions, healthcare, and demographics, adding that failure to do so risks higher taxes or increased debt.

According to the state budget for 2026 and the medium-term budgetary framework initially presented by the Ministry of Finance, public debt was projected to reach EUR 37.6 billion (31.3 % of GDP) in 2026, EUR 43.5 billion (34.2 % of GDP) in 2027, and EUR 49.0 billion (36.6 % of GDP) in 2028. For 2026, new borrowings of BGN 20.5 billion (approximately EUR 10.5 billion) were planned, which would triple the interest expenses for debt servicing. The draft budget proposed a two-fold increase in the dividend tax and a 2-percentage-point hike in social security contributions for the 'Pensions' fund (resulting in a more than 10 % increase in pension contribution costs). As a result, BGN 1.4 billion would be extracted annually from those employed in the real sector starting as early as 2026, with this amount growing progressively to finance inefficient spending in the public sector, including new double-digit wage increases in the 'Security and Defense' and 'Higher Education' sectors. Leading economists and the business community expressed firm disagreement with this fiscal policy and concern that it deepens the risk of an unsustainable fiscal spiral, threatening macroeconomic stability and the country's medium- and long-term economic growth. The Governor of the BNB, Dimitar Radev, also expressed concern that the 2026 budget faces serious difficulties, highlighting that debt accumulation should be offset by investments and economic growth, and wage increases should be matched by reforms. He noted that in systems where personnel costs account for 70-80 %, or even over 90 % of total expenditures, efficiency cannot be achieved.

Furthermore, according to data published on February 10, 2026, in the 2025 Corruption Perceptions Index (CPI) by the international organization Transparency International, Bulgaria recorded its worst performance since 2012. Ranking 84th out of 182 countries with a score of just 40 out of 100 points, Bulgaria stands as the worst-performing EU member state alongside Hungary. According to the Transparency International report, Bulgaria's score has deteriorated by five points over the last two years alone. The lack of progress on key reforms, unfulfilled international recommendations, and the ineffective enforcement of anti-corruption legislation place the country in an unfavorable position both within the EU and in its accession process to the Organization for Economic Co-operation and Development (OECD).

According to the "Economic Freedom of the World 2025" report by the Canadian Fraser Institute, Bulgaria ranks 56th in economic freedom globally among 165 countries, dropping 4 positions compared to the previous year's ranking. For another consecutive year, Bulgaria receives its lowest score regarding the legal system and property rights; in this category, which measures the rule of law, judicial independence, the work of law enforcement agencies, and the protection of property rights, our country lags behind all other EU member states. According to the report, Bulgaria also sees a decline in the size of government category,



which includes indicators such as the share of redistribution through the budget, transfers and subsidies, the size of state assets, and taxes. Bulgaria receives a maximum score only for its flat tax. The two categories where Bulgaria receives its highest scores in the index are sound money and freedom to trade internationally, which are predetermined by the currency board and Bulgaria's EU membership, respectively. Meanwhile, in the remaining categories concerning current policies and the implementation of reforms, the scores remain low and freedom remains restricted.

At the same time, according to information from the website of the global supervisory body, the Financial Action Task Force (FATF), as of the end of 2025, Bulgaria remains on the “grey list” for money laundering and continues to be subject to increased monitoring. In June 2025, Croatia, Mali, and Tanzania were removed from the FATF “grey list”, leaving Bulgaria as the only European country on it, alongside nations such as Burkina Faso, Cameroon, the Democratic Republic of the Congo, Haiti, Kenya, Nepal, etc.

An unsatisfactory level of the rule of law in our country was also noted in the European Commission's annual Rule of Law Report, presented on 8 July 2025. The European Commission reported that Bulgaria has made 'limited progress' in fulfilling its commitments. The Commission expressed serious concern regarding the state of the rule of law in Bulgaria in 2025, reminding that reforms have stalled since 2023, which calls into question the sustainability of key changes in the judicial system and the fight against corruption. One of the most serious problems outlined in the report is the exceptionally low level of trust in the judiciary among both citizens and businesses. According to the Commission's data, only 27 % of citizens and companies rate the independence of the courts as 'good,' which is a slight increase compared to 2024 but represents a significant decline compared to 2021, when 32 % of citizens and 43 % of companies held such an opinion.

The severely compromised principle of the rule of law and the failure to meet reform commitments in this area led to a decision by the European Commission on October 6, 2025, to delay the transfer of EUR 214.5 million, representing part of the second payment for Bulgaria under the Recovery and Resilience Plan, due to the non-fulfillment of a key objective - the reform of the Anti-Corruption Commission. In early November, Bulgaria received a new tranche of EUR 438.6 million, bringing the total utilization to 29.5 % of the agreed EUR 6.17 billion under the Recovery and Resilience Facility. At the end of the year, Bulgaria received EUR 1.47 billion under the third payment of the NRRP, while the European Commission again 'frozen' the transfer of EUR 152 million due to the stalled anti-corruption reform, clearly stating that the final release of the full amount will depend on the actual implementation of the remaining reforms.

According to the 37th edition of the 2025 World Competitiveness Ranking by the Institute for Management Development (IMD) – Switzerland, published on June 17, in 2025 Bulgaria ranks 57th out of 69 countries, marking an improvement of only one position compared to last year, when it was ranked 58th but out of 67 economies. Compared to the previous year 2024, our country marks a decline in terms of economic performance (from 45th to 50th place) and business efficiency (from 65th to 67th place). For comparison, since 2020 Bulgaria has seen a deterioration of a total of 9 positions, and since 2009 – by 19, which places it among the most uncompetitive economies in Europe.

Last but not least, electricity prices in Bulgaria continue to be among the highest in all of Europe, according to real-time data from electricity exchanges across the European Union, while electricity prices in Europe remain significantly higher compared to Asia and North America. This places European, and consequently Bulgarian business, in an unfavorable competitive position. At the European level, price disproportions in Southeast Europe are persistent; throughout 2024, the gap with Central Europe reached 30%, and in certain months exceeded 50%. This situation continues at present, and the war in Ukraine, along with its destroyed energy infrastructure and the limited interconnectivity at the borders of Hungary and Croatia, are factors suggesting that these imbalances will persist for a long time. Overcoming these imbalances requires the introduction of additional national regulations to adequately protect domestic consumers, applicable at least until the development and implementation of EU-wide mechanisms to compensate for significant price deviations. In response to this need, the Electricity Cost Compensation Program proposed by the Council of Ministers is intended to apply to non-household end customers only



when the weighted average base load price on the 'Day Ahead' segment of the 'Independent Bulgarian Energy Exchange' EAD for the respective six-month period (from 01.07.2025 to 31.12.2025 and from 01.01.2026 to 30.06.2026) exceeds BGN 240/MWh. According to calculations by the Bulgarian Industrial Capital Association, this effectively means that the program does not actually provide compensation for non-household electricity consumers, as the weighted average six-month price for the first period is below BGN 206/MWh, and for the following six-month period of January-June 2026, it is expected to be below BGN 200/MWh.

Internationally, in the context of the current geopolitical situation, the risks for Bulgaria are increasingly tied to European policies. On one hand, they stem from the failure to achieve sustainable results regarding our country's commitments to implement serious structural reforms in accordance with EU policies. On the other hand, the effectiveness of common European policies in the area of trade relations with the USA and other trade partners, reindustrialization through the reduction of over-regulation and bureaucratic costs, the recalibration of the 'Green Deal,' and the rapid creation of effective mechanisms for the equitable provision of energy resources at competitive prices for all participants in the European energy market, are fundamental to the possibility of preserving and increasing the competitiveness of the European and, specifically, the Bulgarian economy.

**Regulatory risk** is associated with the impact of the existing legal framework at the national and European levels or its changes, as well as the potential for sanctions resulting from non-compliance with this framework.

In recent years, Bulgarian and European businesses continue to be increasingly affected by the intensifying European and national regulation in many directions, including an increased focus on sustainability issues. The trend of continuing growth in the administrative burden on business, in the absence of reasonable and adequate relief, significantly increases the costs required to comply with new regulations and their associated reporting requirements. The ongoing deterioration of the business environment in the European Union - manifested in high energy price levels and the imposition of numerous regulations that significantly increase the administrative burden on business, alongside new geopolitical challenges - continues to demotivate entrepreneurial activity and leads to capital outflows from Europe, reduced competitiveness, and hindered economic growth. Over the last five years, the European economy has lost 5 percentage points of its global share, with the EU's share of the world economy dropping from 21 % to 16 %.

Against this backdrop, data from the recently published first monitoring report on the implementation of the 2024 Antwerp Declaration outline severe structural issues in Europe: 83 % of competitiveness indicators show stagnation or decline, while energy prices remain significantly higher than those in other leading economies. Over the past three years, the share of firms identifying regulations as a primary barrier to investment has increased by 42 %. The EU remains fully import-dependent for more than half of its critical raw materials. Furthermore, internal barriers within the Single Market create costs equivalent to tariffs of approximately 65 % for goods and up to 100 % for services. Innovation also lags behind, trailing China by 20 percentage points and the USA by 15 percentage points.

At the national level, the lack of serious structural reforms aimed at introducing strict fiscal consolidation measures could lead to an increase in the tax and social security burden on businesses and private sector employees. This would have an additional negative impact on economic activity, alongside the expected effects of global geopolitical shifts. According to business analyses, the tax and social security burden in Bulgaria is currently already higher than the European average, characterized by a broad tax base to which low rates are applied. A tax hike would not guarantee an increase in budget revenues; instead, it would lead to a decrease in economic growth and investment.

**Tax Risk** – Changes in fiscal policy impact the value of the Issuer's assets, the size of the financial result, and ultimately, the choice of the company's development strategy.



**Unsystematic risks** represent a part of the total investment risk and can be divided into two groups: sector-specific risk, which refers to the uncertainty in the development of the industry as a whole, and company-specific risk, arising from the particularities of the specific company.

**Risk factors relevant to the mechanical engineering sector**

**Sector Risk** – Sector risk is associated with the development of the 'Machinery and Metalworking Industry' and the factors influencing the state of the sector and the level of competition among its constituent enterprises. It arises from the impact of technological changes on the industry's income and cash flows, management expertise, and intense competition in both domestic and international markets, among others.

**Company-Specific Risk** – The assessment of this risk is linked to the nature of the business activities of 'M+S Hydraulic' AD. This risk encompasses general business risk and financial risk.

**Market risk** is related to changes in market conditions. It includes revenue-related risks, profitability risks, interest rate risks, and currency risks.

**Overall Business Risk** – Business risk results from potential fluctuations in product demand caused by shifts in consumer preferences or industry competition. The activities of M+S Hydraulic Plc are exposed to competition from manufacturers with similar production profiles, primarily abroad, which increases the risk to the company's operational efficiency. Nevertheless, the Company maintains its position as a leading global manufacturer of hydraulic motors.

The potential for changes in the pricing of the Company's products due to fluctuations in material costs, as well as other pricing components, gives rise to the so-called commercial risk for the operations of M+S Hydraulic Plc.

Potential changes in quality and reliability of the products of M+S Hydraulic Plc, technology, or production organization constitute the so-called production risk.

**Financial Risk** – M+S Hydraulic Plc maintains a credit line with International Asset Bank AD, and as of the end of 2025, reports long-term liabilities of BGN 150 thousand. The Company's short-term liabilities consist primarily of payables to suppliers and advances received, while short-term receivables consist of trade receivables. Receivables and payables turnover indicators demonstrate the Company's strong capacity for debt collection and its ability to meet regular current obligations.

## ***II. Analysis of Key Financial and Non-Financial Performance Indicators***

The analysis of financial indicators is presented in Section VIII of this report.

The analysis of non-financial indicators, including environmental protection aspects and corporate social responsibility, is presented in Section IX of this report.

## ***III. Significant events since the beginning of the year***

Pursuant to the Law on the Introduction of the Euro in the Republic of Bulgaria, as of January 1, 2026, the official monetary unit and legal tender in the Republic of Bulgaria is the euro. The fixed exchange rate is BGN 1.95583 per EUR 1. The introduction of the euro as the official currency in the Republic of Bulgaria constitutes a change in the functional currency, which does not represent an adjusting event after the reporting date.

Since the date of the annual closing, the management of M+S Hydraulic Plc is not aware of any significant or material events that could impact investor interest, with the exception of global trade tensions, the ongoing military conflict in Ukraine, and the new conflict in the Middle East. These factors heighten risks associated with securing material supplies and the realization of finished goods.

The conflict involving the US/Israel and Iran has already triggered an increase in oil and gas prices, which is expected to further drive up electricity costs - which in Bulgaria were already above the EU average prior to the escalation. Military actions have effectively led to the closure of the Strait of Hormuz, disrupting over one-third of global oil and liquefied natural gas (LNG) exports. Tanker transits have been halted for



over a week, forcing several Persian Gulf producers to suspend operations. Furthermore, metal prices are rising due to supply constraints and higher energy-related extraction and processing costs. The rerouting of vessels and increased marine insurance premiums are extending lead times and increasing logistics costs, impacting not only Bulgarian exporters to Asia and the Middle East but global trade at large.

Escalating energy prices, rising raw material costs, and increased transportation and logistics expenses resulting from the new military conflict in the Middle East directly impact the competitiveness of the Bulgarian industry and may lead to a loss of market share.

In addition to threatening European and regional stability, the geopolitical situation places energy and raw material supply chains at further risk. The impact of the deepening conflict, along with measures taken at both European and national levels, will continue to influence the operations of the Group's entities and may necessitate adjustments to projected business results.

#### *IV. Expected Development of the Company*

Throughout 2025, the operations of M+S Hydraulic Plc continued to be shaped by adverse factors exerting a strong influence on global trade and economic relations. The global economy remained heavily affected by a complex geopolitical landscape, which continues to generate uncertainty and volatility in international markets. Key factors impacting the business include U.S. trade policy, tensions between leading economic powers, and regional conflicts that directly affect global supply chains, commodity prices, and demand dynamics. The tariffs introduced by the Trump administration, covering a wide range of goods, continued to create uncertainty regarding long-term contracts, particularly in the machinery sector. Concurrently, the military conflict between Russia and Ukraine and the escalation of tensions in the Middle East placed additional pressure on energy markets, leading to periodic spikes in fuel and metal prices.

The ongoing uncertainty by the end of 2025 regarding economic development trends is also reflected in the Manufacturing PMI, with data for December 2025 showing that in the Eurozone, the index fell to 48.8 compared to 49.6 points in November, marking the fastest rate of contraction since March. These data reflect declines in production and new orders, with Germany registering the sharpest deterioration and its weakest performance since February 2025. Italy and Spain also remained in the contraction zone, while France bucked the trend, marking its strongest expansion since June 2022. Data remains concerning for the leading European economies of Italy and Germany, where manufacturing PMI values fell to 47.9 points for Italy and 47.0 points for Germany – the lowest levels in Europe after Switzerland. In Germany, production recorded a decline for the first time after nine months of growth, while new orders decreased for the third time in four months, with export sales falling at their fastest rate since December 2024. The US Manufacturing PMI for December 2024 stood at 51.8 points, also declining compared to the previous month, indicating a drop in new orders for the first time in the past year and a decrease in exports for the seventh consecutive month, primarily linked to trade disputes resulting from President Donald Trump's trade policies. India's index also reported a decline from the previous month to a value of 55.0, remaining at a significantly higher level compared to Europe and the US. In China, the manufacturing PMI increased to 50.1 points, signaling a slight uptick in production activity supported by a larger influx of new orders, despite a modest decline in new export sales.

On a global scale, the Manufacturing PMI towards the end of 2025 showed a continued but weakening global economic expansion, reaching a six-month low in December with diminished business confidence despite some regional resilience. A further expansion of the global economy was indicated by S&P Global Market Intelligence's PMI surveys in December, albeit with the rate of growth slowing to the weakest since June. Historical comparisons indicate that the latest PMI is broadly consistent with global GDP growing at an annualized rate of 2.4 % in December, with a 2.8 % expansion signaled for the fourth quarter as a whole.

Prior to the escalation of the Middle East conflict in February 2026, the Eurozone Manufacturing PMI reached 50.8 points - its highest level since June 2022 - signaling the sector's first expansion in nearly two years. The index recorded growth, surpassing the 50.0 threshold for several leading European



economies, including Germany. However, by mid-March 2026, the deepening conflict has exerted significant downward pressure on the European manufacturing sector, stalling the recovery observed at the beginning of the year. Economists are now expressing growing concerns regarding a potential recession.

The state of the German economy, which is a major trading partner of the companies in the group of Stara Planina Hold Plc, remains a cause for concern. According to preliminary data from the German Federal Statistical Office, Destatis, after two consecutive years of recession, the German economy returned to growth in 2025, with the country's GDP increasing by 0.2 %. In 2023, Germany's GDP decreased by 0.9% and in 2024 - by 0.5 %. Despite the reported minimal growth in 2025, the challenges facing the country remain historic in scale. German industrial production contracted for the third consecutive year, with the automotive and mechanical engineering sectors suffering significant declines. Contributing to the poor results are higher US tariffs and the appreciation of the Euro, which makes exports less competitive. German exports to the US fell by 7.8 %, and car sales plummeted last year. For 2026, forecasts are more optimistic, though growth is unlikely to return to significantly higher levels yet. The German central bank, the Bundesbank, forecasts a growth rate of 0.6 % in 2026.

Despite the more optimistic expectations for 2026, the German Ministry for Economic Affairs warned on March 8, 2026, that the risk of a severe industrial downturn has increased significantly due to the war in the Middle East - a development not yet fully reflected in current economic indicators. According to data released by the Federal Statistical Office (Destatis) on March 8, 2026, industrial orders in January fell by 11.1% month-on-month on a seasonally and calendar-adjusted basis, breaking a trend of four consecutive monthly increases. Industrial production also declined, unexpectedly dropping by 0.5 % in January compared to the previous month, diverging from analyst forecasts of a modest 1.0 % increase.

The trend of a continuing decline in Bulgarian industry is confirmed by data from the National Statistical Institute, which indicate that in December 2025, the calendar-adjusted Industrial Production Index - measuring changes in the output of Bulgarian industrial enterprises and assessing the average production change between two periods - recorded a 0.3 % increase compared to the previous month. However, compared to December 2024, a decrease of 6.7 % was registered. The Industrial Production Index in January 2026 decreased by 2.6% compared to the previous month. On a calendar-adjusted basis, a year-on-year decline of 8.6% was recorded compared to January 2025. After more than two years of the index showing negative year-on-year values, with growth reported only in September and November 2024, the Industrial Production Index in Bulgaria has now continued its downward trend for fourteen consecutive months and for 35 out of the last 37 months.

In this context, as of December 31, 2025, M+S Hydraulic AD reports individual net sales revenue of BGN 140.44 million (EUR 71.81 million), representing a 5.81% increase compared to individual net sales in 2024 and a 36.92% decrease relative to 2023 levels. For the fourth quarter of 2025 alone, individual sales revenue recorded an increase of over 18% compared to the same period in 2024, and a decline of 9.18% compared to the fourth quarter of 2023.

The Company continues to operate within a volatile market environment while maintaining stable positions in its core export markets - the European Union, the USA and Canada, Asia, and Australia.

Individual gross profit for 2025 amounted to BGN 9.48 million (EUR 4.85 million), marking an 18.29% decrease compared to the individual gross profit of the previous financial year.

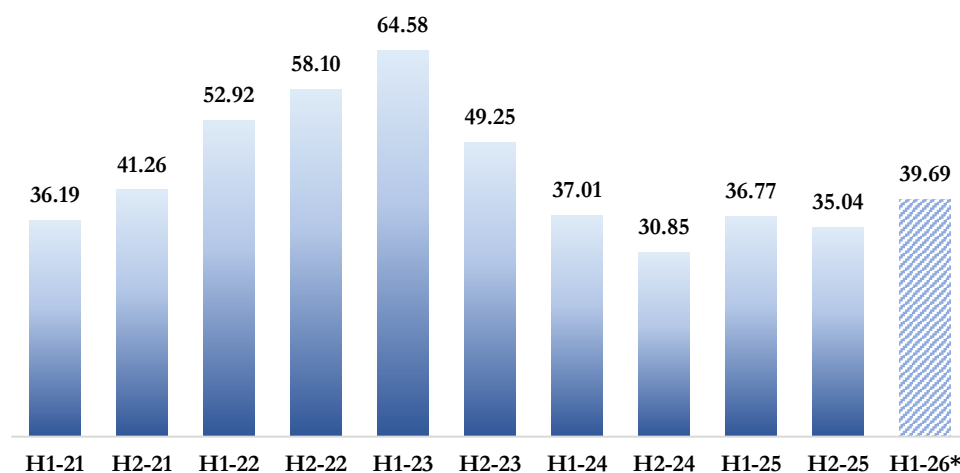
Against the backdrop of geopolitical and domestic political risks, as well as the financial and economic factors directly impacting the business activities of M+S Hydraulic AD, we expect demand for goods and services to stabilize and even slightly increase in 2026, leading to a rise in production volume compared to 2025. The impact of these risk factors necessitates the application of maximum flexibility regarding every new project and partnership, with the primary objective of expanding market share and stabilizing the market position of M+S Hydraulic Plc throughout 2026.

Under current conditions and considering the uncertainty regarding European economic growth rates alongside ongoing global instability, the Company's management currently views the forecast for orders, production, and sales as realistic, projecting a year-on-year increase in sales revenue of approximately 10%



compared to the previous year. The volume of orders at the beginning of 2026 supports these expectations, with a trend toward higher quarterly levels compared to the corresponding periods of the preceding two years. For the first quarter of 2026, we anticipate achieving individual sales revenue of approximately EUR 20 million, representing an increase of over 11% year-on-year and nearly 1% compared to the first quarter of 2024. For the first half of 2026, we expect individual revenue to grow by nearly 8% compared to the first half of 2025 and over 7% compared to the first half of 2024. Regarding the second half of the year, we project a growth of over 11% compared to the same period of the previous year and an increase of approximately 26% compared to the individual revenue for the second half of 2024. However, the impact of the escalating military conflict between the US/Israel and Iran, as well as measures taken at the European and national levels, will continue to influence operations and may necessitate adjustments to these projected business results.

***Individual Net Sales Revenue by Half-Year  
(EUR million) and forecast for the first half of 2026***



*\*expected*

In 2025, M+S Hydraulic Plc sustained its investment policy aimed at modernizing and expanding its machinery and equipment, diversifying its product range, and enhancing productivity and quality. The Company is proceeding with the construction of a new hydraulic motor manufacturing plant in Kazanlak. The investment project is being developed on a company-owned site spanning 34 413 sq.m. The completion of this new facility will expand the production capacity of M+S Hydraulic Plc by over 30 %, enabling the achievement of long-term strategic goals for market share expansion. This will be realized through the implementation of state-of-the-art technologies and high-precision CNC machinery, featuring a high degree of automation and robotics in manufacturing operations and processes. The new plant will house several mechanical processing units and coating facilities (painting and manganese phosphating), a modern logistics center for dispatch, auxiliary maintenance facilities, a wastewater treatment plant, and dedicated storage for raw materials and finished goods.

Factors that will continue to influence operations throughout 2026 include the market prices of raw materials and production supplies, transportation of deliveries, regional labor market costs, energy resource prices, and the security of their supply. Given the ongoing military conflict in Ukraine and the uncertainty in the Middle East, as of the date of this report, we assess the risks associated with securing supplies of materials and energy, as well as the sale of finished products to partners linked to the affected regions, as elevated.

The country's macroeconomic development, the unstable political situation, fiscal policy, and geopolitical factors remain the most concerning circumstances that will continue to impact the business and may lead to adjustments in the expected business results.



## ***V. Research and Development (R&D)***

### ***Orbital Motors***

A comprehensive development of motors with disk valve axial distribution has been completed. The design allows for the production of compact wheel motors with excellent starting torque characteristics. Various implementation options are currently under review.

Orbital hydraulic motor variants with integrated valves have been designed and manufactured or are currently in the production phase. This allows for highly compact dimensions, enabling their installation and use in small-scale machinery. Such models include MHV, RKV, MT-SAR, among others.

Development of two-speed orbital motors is ongoing. A version of the M2TM motor (a two-speed MTM motor) is currently being developed. The designs for the M2S, MVMD, and M2T motors have been optimized, and an optimized design for the M2V type motor is currently in production. Overall, an increasing number of customers are seeking such motor solutions.

### ***Radial Piston Motors***

The past year confirmed the growing trend in sales of radial piston motors. New options were developed, such as an additional radial piston group, which expanded the range of geometric displacements. Speed sensors for the motors have been developed and put into operation. New designs for integrated valves, as well as new flanges and shafts, have been completed. The engineering of new radial piston motor series, analogous to the MS03 and MS05, is ongoing.

### ***Axial Piston Motors***

During the past year, new axial piston groups were developed for the MAP71 and MAP130 motor types. This enabled us to expand the range of MAP motors and PAP series pumps. We have initiated experiments with high-pressure seals, which will allow us to enter new niche markets. The development of compact brake-motor sets with integrated valves is ongoing. These types of products currently yield the highest profit margins within the product portfolio of M+S Hydraulic Plc. Additionally, experiments are being conducted on components essential for the development of a variable displacement axial piston pump.

### ***Steering Units***

Research and development, as well as experiments, are being conducted on steering units with variable geometric displacement.

A new manufacturing technology for the HKU hinge shaft was successfully implemented using Takisawa machinery. This resulted in a reduction of the production process from 7 operations to 2, thereby optimizing the required headcount.

Additionally, a new technology for RBM piston production was introduced using a Goodway Y-axis machine. Experiments were conducted with pre-heat-treated materials.

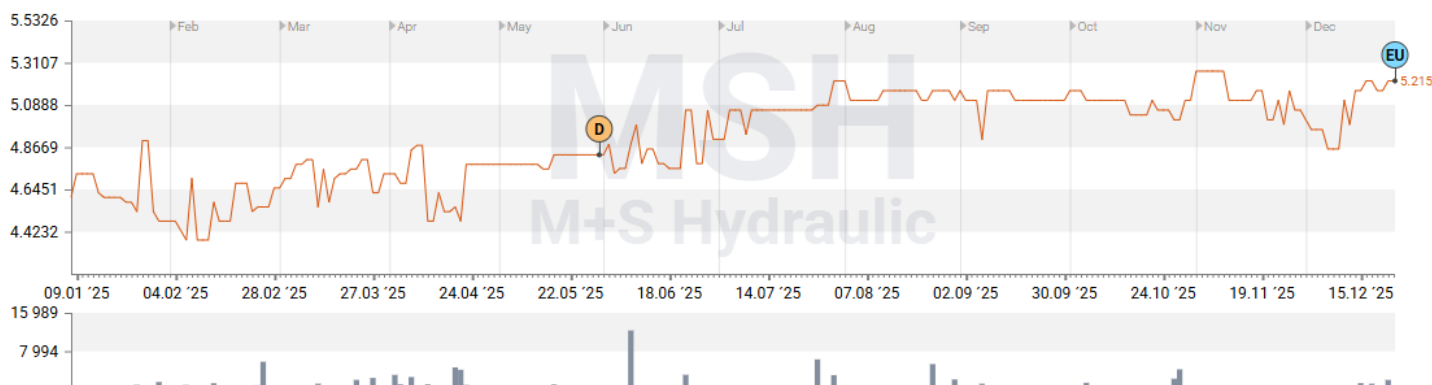
## ***VI. Company Shares***

### **1. Own Shares**

On February 24, 2012, the Company initiated its first share buyback procedure. As of December 31, 2025, the Company holds 12,000 treasury shares, acquired through a buyback procedure in accordance with the provisions of the Commercial Act and the Company's Articles of Association. During 2025, the Company did not acquire or transfer any treasury shares.



## 2. Changes in the Company's Share Price



Source: BSE-Sofia AD

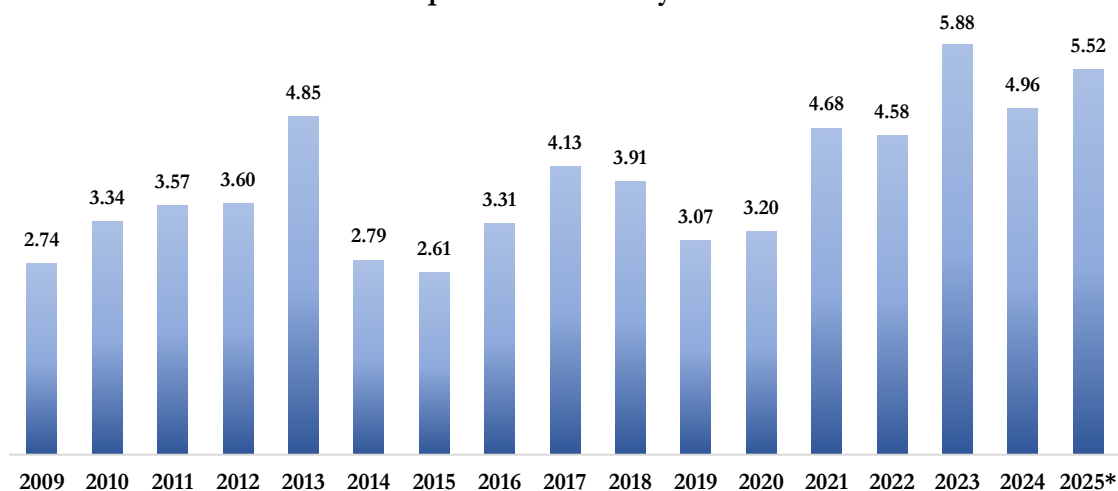
----- Closing price in EUR

The chart shows the movement of the share price of M+S Hydraulic Plc on the Bulgarian Stock Exchange (BSE) for the period 01.01.2025 – 31.12.2025.

- Opening price: EUR 4.6027 (01.01.2025)
- Last price: EUR 5.2152 (31.12.2025)
- Maximum price: EUR 5.2663 (10.11.2025)
- Minimum price: EUR 4.3788 (12.02.2025)
- Value change: + EUR 0.6125
- Percentage change: + 13.3074%.

The market capitalization of M+S Hydraulic Plc as of 31 December 2025 is EUR 205.715 million.

### Average exchange price on the last working day of the respective financial year in EUR

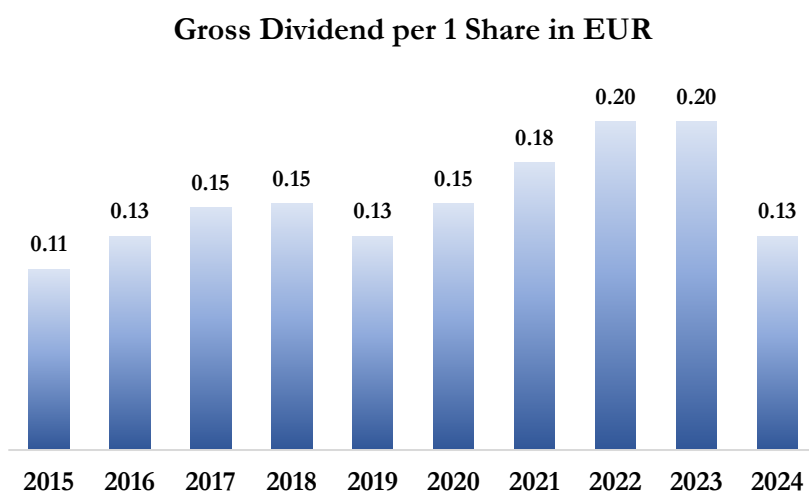




### 3. Dividend Policy

The General Meeting of Shareholders of M+S Hydraulic Plc, held on May 20, 2025, distributed dividends in the amount of BGN 10 253 thousand. Since 1997, the company has distributed approximately BGN 166 million in dividends.

The gross dividend per share distributed over the last ten consecutive years is presented in the following chart:



The profit realized in 2025 provides the Board of Directors with the grounds to continue the tradition of distributing cash dividend by making a corresponding proposal at the regular annual General Meeting of Shareholders.

### VII. Branches. Employees

1. M+S Hydraulic Plc does not have any branches.

2. Personnel

Categories	2025	2024	2023
1. Production Staff	881	852	1056
2. Management Staff	40	41	40
3. Specialists	141	138	160
4. Administrative and Non-industrial Personnel	29	29	35
<b>Total</b>	<b>1 091</b>	<b>1060</b>	<b>1291</b>

M+S Hydraulic Plc has an established program for training and professional development for production positions. For workers and employees wishing to advance their education and professional qualifications within the machine-building sector, the management of M+S Hydraulic Plc offers opportunities for further qualification.

The company has entered into a work-based learning agreement (dual education) with the Ivan Hadzhienov Professional High School in Kazanlak. Furthermore, it has a cooperation agreement with the



Kazanlak Technical College (a branch of the Technical University of Sofia) and a framework cooperation agreement with the Technical University of Gabrovo.

## ***VIII. Financial Instruments Used by the Company***

### ***1. Accounting Policy***

In accordance with the effective accounting legislation in Bulgaria, the Company has been applying International Financial Reporting Standards (IFRS) since the beginning of 2003. This financial statement has been prepared in compliance with the requirements of the International Financial Reporting Standards as adopted by the European Union. The Company continues to apply the same accounting policy as used in the preparation of the 2024 financial statement. The Company's complete accounting policy is detailed in the Explanatory Notes presented with the annual financial statement.

### ***2. Key Indicators for Financial and Accounting Analysis***

<b>Indicators</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
Inventories	19 638	19 897	22 992
Short-term receivables	22 062	22 698	27 643
Cash and cash equivalents	1 263	15 936	20 346
Total current assets (1+2+3)	42 963	58 531	70 981
Short-term liabilities (Current liabilities)	21 999	18 947	20 820
Total assets (Total capital)	120 382	121 743	126 325
Cash as a % of current assets (3/4)	0.03	0.27	0.29
Cash as a % of total assets (3/6)	0.01	0.13	0.16
Current liquidity ratio (4/5)	1.95	46 268	15 036
Absolute liquidity ratio (Cash ratio) (3/5)	0.06	0.84	0.98

### ***3. Financial Instruments***

The financial instruments used by the Company, where material for the assessment of assets, liabilities, financial position, and financial results, are disclosed as follows:

The Company's objectives and policy regarding financial risk management, including its hedging policy for each major type of hedged position for which hedge accounting is applied.

The Company's exposure to price risk, credit risk, liquidity risk, and cash flow risk.

This information is available in the Disclosures to the Annual Financial Statements of the Company for 2025.

### ***4. Liquidity***

Servicing Banks: The Company operates primarily with International Asset Bank AD, United Bulgarian Bank (UBB) AD, DSK Bank AD, and UniCredit Bulbank AD.

Credit Exposure

#### **SHORT-TERM LOANS**

	<b>31.12.2025</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
	<b>BGN</b>	<b>BGN</b>	<b>BGN</b>
	<b>thousand</b>	<b>thousand</b>	<b>thousand</b>
1. To banks			
2. Under lease agreements (Lease liabilities)	32	0	17



### 3. Interest on financial liabilities

<b>Total current liabilities:</b>	<b>32</b>	<b>0</b>	<b>17</b>
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The management maintains cash and cash equivalents in an amount sufficient to meet its obligations.

### ***5. Financial Risk Management Objectives and Policy***

The Company's activities are exposed to relatively limited financial risks, the most significant of which are:

Deferred Payments from Customers (Credit Risk): Risk exists when providing products to major customers with deferred payment terms of up to 90 days. Conversely, the Company also receives similar preferential terms from its major suppliers.

Hedging Policy: The Company does not conduct a hedging policy and has no hedged positions or hedge accounting.

## ***IX. Non-Financial Information***

### ***1. Information on Key Intangible Resources***

The key intangible resources of M+S Hydraulic Plc are related to the knowledge and skills regarding technological processes and manufacturing activities, as well as continuous training, professional development of employees, and relationships with customers, suppliers, and other partners, which the Company strives to maintain at a high professional and ethical level. The Company operates its own proprietary software system for process management, which supports the management of core business processes – including production, sales, logistics, procurement, finance, and human resources – as well as trademarks registered both domestically and abroad.

Directive 2013/34/EU does not require the disclosure of information regarding intangible resources other than intangible assets recognized in the balance sheet. The Company's Management discloses that the intangible assets of M+S Hydraulic Plc as of December 31, 2025, consist of software products and trademarks registered in Europe, India, Russia, China, and Turkey. The Management considers that the information presented in this section, as well as in Section IV, Item 2. Investments, and Section V. Research and Development, sufficiently discloses information regarding the pursuit of technological renewal and modernization, the Company's social and corporate commitment (including working conditions), as well as the drive for continuous improvement of all business processes and products.

### ***2. Environmental Information***

#### ***Climate Change***

Climate change represents one of the most serious global challenges, requiring collective efforts toward achieving carbon neutrality. The industrial processes of M+S Hydraulic Plc are dependent on energy and materials associated with greenhouse gas emissions that contribute to climate change.

As early as 2006, the Company established a certified and functional Environmental Management System (EMS). In accordance with its requirements, significant aspects and impacts of the Company's activities on the environment have been identified. Based on this, an Environmental Management Program has been developed and is currently being implemented. It outlines key activities, objectives, and measures for environmental protection, including: the environmental vision of M+S Hydraulic Plc, the management of environmental protection activities, monitoring, management priorities, and the approaches to achieving the stated goals.

All environmental activities are conducted in accordance with the publicly announced Environmental Policy and EMS procedures. In the field of environmental protection, the Company is committed to a policy that aims to:

Effectively protect the environment and prevent pollution.



Operate in compliance with environmental laws, regulations, and standards.

Utilize natural resources, including energy, effectively and efficiently in order to conserve them.

The Company trains, informs, and motivates its employees to perform their duties with high quality, in a safe and environmentally friendly manner, and in accordance with the requirements adopted by the organization.

The high quality of our products, meeting world standards, is officially recognized through ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 (Occupational Health and Safety Management System) certifications.

### ***Key Initiatives***

To reduce the consumption of purchased electricity and effectively utilize inexhaustible natural sources, two photovoltaic installations with capacities of 0.800 MW and 0.998 MW were constructed and commissioned in 2022 and 2023. In 2025, the electricity produced and consumed from these installations amounted to 1 782 MWh.

### ***Pollution***

The industrial processes of M+S Hydraulic Plc carry an inherent risk of pollution related to air and water emissions, as well as accidental spills from storage tanks for oils and chemical mixtures, or leaks from machinery and equipment. Such pollution can have a negative impact on the environment and local communities if not managed properly.

The specific nature of the Company's operations does not require pollution-related permits (such as Integrated Pollution Prevention and Control permits).

Each year, the Company adopts and implements an Environmental Self-Monitoring Program covering all structural units and processes. A protocol is drawn up for every inspection, and in the event of a non-compliance, the Ecologist issues a directive for its remediation. The Personnel Training Program annually includes modules on environmental protection and the safe storage and handling of hazardous chemical substances and mixtures. Training sessions and emergency drills are also conducted for scenarios involving environmental risks, such as preventing contamination during large liquid spills.

To prevent water pollution, a wastewater treatment plant was commissioned at the end of 2008 to treat wastewater from the Manganese Phosphating and Thermochemical Salt Bath Treatment sections. Since then, it has been maintained in good technical condition, and the necessary chemicals for its operation are supplied on time. This prevents the discharge of wastewater contaminated with heavy metals, nitrites, and other substances into the municipal sewerage system. The quality of the Company's wastewater is periodically monitored by the laboratory of the Kazanlak Wastewater Treatment Plant, located in the village of Ovoshnik. In 2025, the total expenditure for chemicals used in the industrial wastewater treatment plant amounted to BGN 16 thousand.

To ensure the protection of air quality, an accredited laboratory performs annual measurements of organic carbon concentrations emitted into the atmosphere from stationary sources (stacks) in the product painting sections. Based on these measurement results, the Ecologist prepares a Solvent Management Plan, which is approved by the RIEW (Regional Inspectorate of Environment and Water) in Stara Zagora.

In order to monitor the quality of groundwater used by the Company for industrial purposes, a quality analysis is conducted once a year by an accredited laboratory. The analysis results are submitted to the East Aegean River Basin Directorate in Plovdiv.

Every two years, measurements of noise emissions are taken at the property boundaries to develop a noise map and assess the environmental noise impact.

The Company clearly communicates the following commitments by publishing them on its website:



1. M+S Hydraulic Plc complies with applicable environmental laws and regulations by implementing programs and procedures to ensure such compliance. Where existing regulations are insufficient to provide environmental protection, the Company will develop and apply its own internal standards.

2. M+S Hydraulic Plc implements specifically developed environmental protection procedures. It strives to minimize risk and protect its employees and workers by utilizing eco-friendly technologies and materials. The Company aims to prevent harmful emissions into the atmosphere, land, and water, minimize the volume of generated waste, and introduce systems for the economically efficient use of natural resources and energy sources. The Company maintains an active state of emergency preparedness.

3. M+S Hydraulic Plc informs its employees, suppliers, and customers of its intentions and commitments regarding environmental management. It invites their contribution and offers its assistance in meeting environmental protection goals.

4. M+S Hydraulic Plc continuously improves its environmental management system and periodically reports its progress to its partners and employees.

During the reporting period, as well as during the previous two years, no incidents related to environmental spills or leaks were recorded, and no violations of environmental standards were reported.

### ***Resource Use and Circular Economy***

Industrial production processes are resource-intensive and rely on non-renewable resources. The operations of M+S Hydraulic Plc generate significant resource outflows, including various waste streams.

### ***Our Approach***

M+S Hydraulic Plc is committed to the circular economy and the reuse of materials. The Company strives to accelerate the transition to a circular economy by introducing resource-efficiency models and implementing climate-neutral methods and technologies for product manufacturing and consumption.

In 2024, M+S Hydraulic Plc signed a Grant Agreement (No. BG-RRP-3.008-0097-C01) for the project "Support for the Transition to a Circular Economy" under procedure BG-RRP-3.008. This project is part of the Economic Transformation Program of the National Recovery and Resilience Plan, funded by the European Union – Next Generation EU, with the Ministry of Innovation and Growth acting as the program operator.

As part of the project's implementation in 2024, a laser cutting machine for sheet metal was purchased and commissioned. In 2025, a furnace for thermal and thermo-chemical vacuum treatment was purchased and commissioned.

The project duration is 18 months, ending in December 2025. The total maximum value of the project is BGN 2 857 000, supported by BGN 999 950 in EU funding via Next Generation EU. The co-financing provided by M+S Hydraulic Plc amounts to BGN 1 857 050.

In 2025, M+S Hydraulic Plc applied under the Procedure for providing grant financial assistance through a selection of project proposals BG16FFPR003-4.006 "Support for manufacturing investments in large enterprises in the Stara Zagora region" under the "Regions in Growth" Program 2021-2027.

### ***Objectives and Actions for Implementing Circular Economy Principles and Waste Management***

The Action Plan for Environmental Management, the Waste Management Program, and the Waste Management Action Plan are integral parts of the Environmental Program. These action plans outline activities, measures, and tasks, providing for necessary funding and specifying deadlines and responsible personnel for their implementation. Consequently, the management of industrial and hazardous waste - including oils, lubricants and coolants, filter elements, batteries, lapping and grinding sludge, etc. - is maintained at the required level: temporary storage sites for hazardous waste in Kazanlak and the three



branches are maintained in good condition; contracts have been concluded with companies holding waste activity permits from the respective Regional Inspectorates of Environment and Water (RIEW); additionally, other licensed companies are being sought to provide alternative options and/or to expand the scope of waste collection, such as waste containing electronic components (printers, monitors, computers).

For the past year (2025), expenses for the disposal of hazardous waste amounted to BGN 54.86 thousand, while revenue from industrial waste handed over for recovery reached BGN 622.33 thousand.

The Ecologist of the parent company monitors the implementation of activities related to the management of waste generated within the company, the fulfillment of recommendations, and the maintenance of relations with relevant state and municipal authorities: the Ministry of Environment and Water, the Executive Environment Agency – Sofia, RIEW – Stara Zagora, Water and Sewerage (ViK) – Stara Zagora, the Wastewater Treatment Plant – Kazanlak, the Basin Directorate for the East Aegean Region – Plovdiv, the Municipality of Kazanlak, etc. The Ecologist also monitors new developments and amendments in existing regulations and environmental requirements, maintaining an up-to-date list of those affecting the Company's operations. A contract is maintained with a packaging waste recovery organization to ensure compliance with the requirements of the Ordinance on Packaging and Packaging Waste. In the past year, fees paid to this organization amounted to BGN 10.42 thousand.

### ***3. Social and Corporate Responsibility***

#### ***Interests and Views of Stakeholders***

Engagement with stakeholders helps M+S Hydraulic Plc understand their expectations and the company's impacts on them, while supporting the identification and management of risks and relationships. The company consults with affected stakeholders to identify, assess, and manage significant social, health, environmental, and economic impacts associated with its activities and business relationships.

Dialogue with affected stakeholders enables the implementation of impact management measures. M+S Hydraulic Plc strives to act ethically and transparently by gathering stakeholder perspectives and creating a common understanding of the decisions made, ensuring that all actions align with the principles of integrity.

The company's engagement covers representatives of key stakeholder groups, such as employees, shareholders, customers, suppliers, financial institutions, business partners, regulators, and industry associations.

#### **Key Stakeholders**

<p style="text-align: center;"><b>Market</b></p> <ul style="list-style-type: none"> <li>• Competitors</li> <li>• Customers</li> <li>• End users</li> <li>• Insurers and banks</li> <li>• Partners and joint ventures</li> <li>• Suppliers</li> <li>• Other business relationships</li> </ul>	<p style="text-align: center;"><b>Owners</b></p> <ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Investors</li> <li>• Bulgarian Stock Exchange</li> <li>• Analysts</li> <li>• Rating agencies</li> </ul>
<p style="text-align: center;"><b>Society</b></p> <ul style="list-style-type: none"> <li>• Academic community</li> <li>• Authorities</li> <li>• Industry associations</li> <li>• Local communities</li> <li>• Media</li> <li>• Non-governmental organizations (NGOs)</li> <li>• Public institutions</li> </ul>	<p style="text-align: center;"><b>Internal Stakeholders</b></p> <ul style="list-style-type: none"> <li>• Board of Directors</li> <li>• Employee representatives</li> <li>• Employees</li> </ul>



### **Own Workforce**

M+S Hydraulic Plc has a responsibility to provide a safe and inclusive work environment for all its employees. The company does not compromise on the health and safety of those who work for it or are affected by its activities; it holds the responsibility for ensuring a safe working environment and believes that this also contributes to the greater efficiency of its own workforce.

M+S Hydraulic Plc relies on a healthy, competent, and motivated workforce to guarantee quality and efficiency across all its activities. Ensuring the rights, health, and safety of its workforce, as well as building a culture of learning, equality, and development opportunities, will help attract and develop talented personnel and improve the company's performance. The organizational culture and the strategy for recruitment, training, competency development, as well as diversity and inclusion, support the achievement of strategic priorities.

In parallel, potential incidents affecting the health and safety of M+S Hydraulic Plc's workforce could lead to operational disruptions, legal proceedings, fines, or other financial consequences, as well as reputational damage and loss of trust in the short, medium, and long term. Non-compliance with applicable regulations regarding working conditions, equal treatment, and/or workforce-related reporting may also result in penalties and negative publicity.

M+S Hydraulic Plc exerts a positive impact on its employees by providing secure employment, training and career development, adequate remuneration, and social protection within an inclusive work environment. Potential negative impacts could primarily relate to unintentional accidents involving groups of workers exposed to specific occupational risks, such as those working with carcinogens and mutagens; those working with toxic substances; those working with volatile organic compounds; and those exposed to daily noise levels exceeding the upper action limit.

As a large manufacturing enterprise, M+S Hydraulic Plc workers are exposed to various safety risks which, if uncontrolled, could lead to injuries or fatalities. Inherent risks of negative health and safety impacts are higher during activities and operations involving hazardous substances and machinery, as well as work involving energy, work at heights, mobile equipment, overhead cranes, and confined spaces. Production and engineering roles are typically associated with lower levels of female workforce participation, leading to gender imbalance in employment within these specific activities.

### **Our Approach**

The company conducts its activities in the Republic of Bulgaria in strict compliance with labor legislation and its internal rules, as set forth in the Code of Ethical Conduct of M+S Hydraulic Plc.

M+S Hydraulic Plc has established human resources management policies primarily focused on improving working conditions, enhancing qualifications, increasing income, and providing social support, all while respecting fundamental human rights and implementing other activities that contribute to maintaining the health and work capacity of its employees. All employees of the company adhere to the Code of Ethical Conduct of M+S Hydraulic Plc and its subsidiaries.

Based on corporate policy and the Code of Ethical Conduct, we have established a system for internal monitoring and a company-wide risk management and control process, which is certified under ISO 45001:2018. The effectiveness of this management system is subject to an annual internal review, which verifies, among other things, whether risk assessment and emergency management processes are implemented in accordance with internal rules and statutory regulations, whether audits and reviews have been conducted, whether significant risks and opportunities have been identified, and whether they are reflected in measurable targets and measures.

Each year, we identify and assess potential occupational safety risks and prioritize them. To this end, we utilize information regarding production failures, reported incidents, and occupational accidents, as well as findings from the Health and Safety Officer. On this basis, we develop a specific Program for the Prevention, Reduction, Limitation, and Control of Risks to the Safety and Health of Workers in the



Company. We analyze all occupational accidents resulting in at least one day of incapacity for work. In the event of serious accidents, specialized analysis methods are employed to conduct detailed investigations into root causes and to derive specific measures.

Structural factors - such as the ongoing negative demographic trend in the country, the lack and insufficient professional training of both high- and mid-level specialists and low-skilled personnel, the absence of a state policy facilitating labor immigration, and the lack of a business-aligned methodology for workforce planning and training - are the main human resources challenges we address at M+S Hydraulic Plc. All of these lead to significant transformations of the workforce and the organization within our company.

The company has developed the following policies, approved by management and drafted based on the principles and recommendations of the following leading global frameworks: the UN Global Compact (UN GC); the UN Sustainable Development Goals (UN SDGs); the UN Guiding Principles on Business and Human Rights; the OECD Guidelines for Multinational Enterprises; and the Fundamental Conventions of the International Labor Organization (ILO), which include the principles of good corporate and socially responsible governance as a means of contributing to sustainable development.

- Code of Ethical Conduct of M+S Hydraulic Plc and its subsidiaries.
- Whistleblowing Rules of M+S Hydraulic Plc and for follow-up actions thereof, pursuant to the Act on the Protection of Persons Reporting or Publicly Disclosing Information on Breaches.
- Anti-Corruption Policy of Stara Planina Hold Plc and the companies in the Group (including M+S Hydraulic Plc).
- Personal Data Processing Policy.
- Internal Control and Risk Management Rules.
- Internal Remuneration Rules.
- Health and Safety Induction Program.
- Safe Working Instructions.

All internal corporate acts of M+S Hydraulic Plc apply to all company employees and are publicly accessible on its website. The members of the management bodies of M+S Hydraulic Plc regularly review compliance with the policies set out in the Code of Ethical Conduct, including the company's non-discrimination policies and practices.

In the event of amendments or supplements to the policies, training sessions are conducted to familiarize staff with the changes. Employees at all levels within M+S Hydraulic Plc are made aware of the Code and its associated policies. Upon the conclusion of an employment contract, as well as upon the establishment of any other type of legal relationship with third parties, the Code is provided in advance to ensure they are familiar with it and committed to its observance.

### **Occupational Health and Safety**

M+S Hydraulic Plc has developed a comprehensive health and safety management system, and the company's production sites are certified according to internationally recognized health and safety standards. The company strives to provide safe and healthy workplaces, promote the health and well-being of its employees, and prevent work-related injuries and health issues. M+S Hydraulic Plc drives safety improvements through systematic monitoring, analysis and risk reduction, staff training, and regular inspections of the work environment by safety officers. All injuries and high-risk incidents are investigated to identify root causes and implement the most effective preventive measures possible.

The company has introduced the principle of continuous monitoring of health and safety activities; working environment conditions are regularly inspected by an external occupational health service, and an occupational risk assessment is prepared for every workstation. Preventive approaches are applied within the company to ensure healthy and safe working conditions. Free periodic medical examinations are provided for all employees. The groups of workers exposed to specific occupational risks are as follows: those working with carcinogens and mutagens; those working with toxic substances; those



working with volatile organic compounds; and those working at a daily noise exposure level above the upper action limit.

An occupational risk assessment for every workstation is conducted regularly by an external occupational health service. This assessment ensures that each workstation complies with standards and regulatory requirements, and that no approach is adopted that could place specific groups of employees at a disadvantage.

Periodic safety briefings are held on pre-defined topics, many of which cover work rules aimed at preventing incidents and accidents. Following any occupational accident, an extraordinary briefing is conducted to analyze the accident and recommend actions to prevent future recurrences.

"Occupational Accident" insurance has been taken out for all persons employed by the company. No occupational accidents were recorded in 2025.

### **Our Strategy for People**

The Code of Ethical Conduct of M+S Hydraulic Plc and its subsidiaries establishes a common approach to engagement with all workers and employees. M+S Hydraulic Plc has established human resources management policies primarily focused on improving working conditions, enhancing qualifications, increasing income, and providing social support, while respecting fundamental human rights and implementing other activities that contribute to maintaining the health and work capacity of its employees.

The Code of Ethical Conduct establishes a common approach regarding compliance with human rights and labor rights provisions for all workers and employees. Any member of a management body, operational manager, or employee of M+S Hydraulic Plc and the Group companies who has been subject to or witnessed a violation of the Code's provisions may report the case by contacting their direct supervisor, the Human Resources Manager, or the Procurator of the company directly. Reports may be submitted orally or in writing via the telephone number, email address, and correspondence address provided on the M+S Hydraulic Plc website. Reports of Code violations may also be submitted in accordance with the Whistleblowing Rules and the follow-up actions thereof, pursuant to the Act on the Protection of Persons Reporting or Publicly Disclosing Information on Breaches. External parties may also report cases following the procedures set out in the preceding paragraphs.

An electronic Register of Reports has been established in accordance with the provisions of the Act on the Protection of Persons Reporting or Publicly Disclosing Information on Breaches. Each report is verified by the officer responsible for handling reports regarding its admissibility and credibility. In the event that the facts presented in the report are confirmed, follow-up actions are organized, which may involve seeking assistance from other individuals or units within the company's structure, including the Procurator and the Board of Directors. The adoption of specific measures to cease or prevent the breach is considered and discussed in cases where a violation is established or there is a real danger of its imminent occurrence. In such instances, the company acts within its competence to stop or prevent the breach and directs the reporting person to the competent authorities when their rights are affected.

Upon completion of the investigation, a report is prepared summarizing the information from the signal, the actions taken, and the final results. These results, along with the underlying motives, are communicated to the reporting employee and the affected person, while adhering to the obligation for their protection. The technical functionality of the reporting channels is checked regularly.

The company guarantees the protection of information related to reports of breaches and the identity of reporting persons by ensuring that access to such data is restricted solely to employees who require it to perform their official duties. The transmission of data and reference to circumstances must not directly or indirectly reveal the identity of the reporting person, nor create any assumption regarding their identity. The disclosure of the reporting person's identity and information related to the submitted report is permitted only with the express written consent of the reporting person, except where such



disclosure is a necessary and proportionate obligation imposed by Bulgarian law or European Union law in the context of investigations by national authorities or judicial proceedings, including the safeguarding of the affected person's right of defense. In such cases, the company shall notify the reporting person of the necessity for disclosure through a written, reasoned notice.

Conduct that is inconsistent with the rules of the Code is not tolerated by M+S Hydraulic Plc and the Group companies; non-compliance constitutes a breach of labor discipline under Art. 187, item 8 of the Labor Code and is subject to disciplinary action in accordance with the established procedure.

### ***Diversity, Inclusion, and Sense of Belonging***

M+S Hydraulic Plc ensures equal opportunities for career fulfillment and development for all employees, and their performance is evaluated entirely based on their qualifications, skills, and achievements. We adhere to the principle of diversity and demonstrate zero tolerance toward all forms of discrimination and disregard for the personality and dignity of others.

The Code of Ethical Conduct of M+S Hydraulic Plc establishes a common approach to respecting human rights and labor rights for all workers and employees. The company's corporate policy is governed by the principle of respecting and upholding human rights without any distinctions based on gender, race, nationality, ethnic origin, citizenship, ancestry, religion, beliefs, political affiliation, personal or social status, age, sexual orientation, marital status, property, social or other status, or trade union membership.

At M+S Hydraulic Plc, we do not tolerate discrimination in the workplace, nor in our relationships with business partners and all stakeholder groups. This principle applies to the recruitment of new employees, as well as during the employment and professional development of existing staff. The only factors considered during hiring and performance evaluation are the knowledge, skills, experience, qualifications, and efficiency of each employee.

M+S Hydraulic Plc strives to ensure equality and an accessible environment for people with disabilities, their inclusion in society and the workplace, and their right to be treated with respect. We believe that every individual is valuable and important, and inclusion means more than just accessibility. It is a way of thinking and acting that fosters a culture of consciousness, equitable participation and understanding. We believe that this mindset supports and empowers people with disabilities to be included in the work process and to perform at their best.

M+S Hydraulic Plc and the Group companies prohibit all forms of violence and harassment (including all forms of sexual, mental, and physical harassment), threats, rude behavior, or lack of respect, as well as offensive comments during the work process or in relationships with all stakeholder groups.

### ***Labor Rights. Training and Continuous Employee Development***

In accordance with its internal corporate acts and policies, as well as the requirements of current legislation, the company's management notifies employee representatives regarding all material matters related to the activities and economic condition of the company. This includes the status, structure, and expected development of employment within the enterprise, as well as planned preparatory measures - particularly in cases where employment is at risk - and possible significant changes in labor organization. These matters are discussed during joint consultations with employee representatives. The company's management strives to make decisions on these issues by taking the employees' position into account.

Through their elected representatives, employees can represent their collective interests regarding labor and social security relations before the Company's management or state authorities. Heads of directorates and workshops, as well as department managers, hold periodic meetings with the workers and employees of each department/workshop to understand the perspectives of staff at all levels of the enterprise. Given the remuneration levels of workers and employees in the Company, no persons at risk of social vulnerability have been identified. No persons at risk of marginalization have been



identified within the Company, given the objective application of the Company's non-discrimination policies and the equal treatment of all workers and employees, while adhering to the principles and standards of ethical and professional conduct established in the Company's internal corporate acts and the protection of employee rights.

The ongoing effective social dialogue between management and the trade union organizations of the Confederation of Independent Trade Unions in Bulgaria (CITUB) and Confederation of Labor Podkrepa, along with the Collective Labor Agreement (CLA) in force throughout 2025, support the implementation and improvement of corporate social responsibility practices for both employees and their families. Incentives and benefits have been agreed upon, including salary bonuses based on pre-established CLA rules, food vouchers, transport cards, medical treatment assistance, support for personal occasions (joyous or somber), the organization of corporate sporting events, and participation in national and international sports competitions. 100 % of the company's employees are covered by the Collective Labor Agreement.

A register of employment contracts and respective job descriptions is maintained by the company's Personnel Department. The Board of Directors regularly reviews and updates the organizational structure in line with the organization's current and strategic goals, which are communicated to all employees. Upon hiring, employees are briefed on the Company's organizational structure and career development opportunities. Every employee may submit a reasoned proposal to the Procurator for the approval of qualification training they wish to undergo, related either to their specific position or a vacant one.

An annual training and professional qualification program is developed each year to enhance skills and expertise. Throughout the year, 100 workers and employees participated in training sessions on various topics. Since 2015, M+S Hydraulic Plc has maintained a partnership with the Ivan Hadzhigenov Professional High School in Kazanlak for dual education, providing students with opportunities for both practical training and experience in a real work environment. Since 2017, the company has also been a partner of the newly opened Technical College in Kazanlak, a branch of the Technical University of Sofia. For employees wishing to study Mechanical Engineering Technology at the college, the company covers their semester tuition fees and provides paid study leave.

Employees of M+S Hydraulic Plc also benefit from an on-site canteen and free medical and dental services located within the company's premises.

### ***Material Risks to Human Rights within the Own Workforce***

In M+S Hydraulic Plc, child labor, forced or compulsory labor, or any other form of illegal or unethical treatment of persons employed by the company is strictly prohibited. Labor and civil legal relations with employees are in full compliance with regulatory requirements and the best practices of corporate and socially responsible management. Offensive, humiliating, or threatening behavior, as well as any type of harassment, are unacceptable to the company and its subsidiaries.

M+S Hydraulic Plc recognizes modern slavery as a crime and a violation of fundamental human rights, which includes, but is not limited to, slave, forced, and compulsory labor, coerced labor, and human trafficking - all of which involve the deprivation of an individual's liberty for the purpose of exploitation for personal or commercial gain. The company is committed to acting with integrity in all its business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure that modern slavery does not occur within the company's operations or any of its subsidiaries. The same high standards are required and expected from all business partners.

M+S Hydraulic Plc does not utilize or support the use of child labor, meaning children are not permitted to work. The employment of young workers is carried out in close cooperation with their



parents, strictly in the presence of a designated mentor, and in accordance with the requirements of all applicable provisions of the current legislation.

As an exception, young workers may be hired only for the purposes of vocational training in pre-approved specialties, such as practical training under the dual education system for gaining professional experience or during company-approved short-term internships. However, they are never permitted to perform work that could jeopardize their health and safety or hinder their education or vocational guidance and training; they are also exempt from overtime and night shifts.

Control over compliance with M+S Hydraulic Plc's corporate policy is exercised by the Board of Directors, which regularly reviews any reports received regarding problematic situations. No cases of discrimination were reported in 2025. The rules for handling each report and taking subsequent follow-up actions are based on a uniform, objective approach rooted in internal corporate regulations and statutory requirements.

### ***Targets and Actions***

The targets of M+S Hydraulic Plc set include a zero level of work-related incidents, a more highly qualified workforce, and increased labor productivity. These targets are consistent over time and are reviewed periodically.

Given the nature of employment at M+S Hydraulic Plc and the presence of risks and potential negative impacts of the company's activities on its employees, the key actions taken in 2025 were:

1. Annual review of the work environment with a view to eliminating potential harmful impacts.
2. Annual medical examinations for employees, conducted by medical specialists.
3. Mandatory corporate and specialized training. A policy of continuous promotion of education and qualification enhancement is applied - induction training, vocational qualification courses, and/or professional development training are organized and conducted.
4. Review of labor remuneration and bonuses. The remuneration system is based on uniform, objective criteria, and the system for applying performance bonuses is based solely on achieving strong work results and compliance with labor discipline.
5. A policy for providing social benefits in addition to employee remuneration has been introduced and implemented: food vouchers are provided monthly; a portion of travel expenses between the permanent residence and the workplace is covered; assistance is provided for medical treatment, financial hardship, and personal occasions; an additional remuneration/annual bonus is provided based on the company's net profit after taxes; a portion of housing rent expenses is paid; 100% of the cost of medication for chronically ill patients on dispensary supervision and 70% of the cost for other employees is covered; and 70% of the cost of cards for sanatorium treatment is paid, up to a maximum of BGN 100.
6. Free holidays are provided for our employees and their families at the company's resort in Kiten and the mountain lodge in the Balkan Mountains, below Buzludzha Peak.
7. Resting zones and break rooms have been established within the company's premises, and facilities for sports activities are provided and funded by the company. A football team has been formed, which every employee has the opportunity to join.

The total cost of social activities in 2025 amounted to BGN 2 467 thousand, including: food vouchers – BGN 2 167 thousand; assistance – BGN 230 thousand; health services – BGN 54 thousand; resorts – BGN 28 thousand; culture and sports – BGN 15 thousand.

The scope of key actions is reviewed regularly, with specific parameters set annually in the business plan. In 2026, we plan to enhance health and safety measures, improve the working environment and its security, introduce new health and safety-related training, and conduct a review of remuneration and other material incentives.

As of 31 December 2025, M+S Hydraulic Plc employs 1 091 people under employment contracts. All employees hired under employment contracts possess the education and qualifications required for their respective positions. During the last calendar year, the company did not hire any temporary staff.



There are no persons hired for seasonal work. Employment contracts are on a full-time basis, with the exception of one part-time contract (4 hours) and eight civil contracts. All persons employed by M+S Hydraulic Plc receive an adequate wage in the context of national economic and social conditions. Remuneration is determined in accordance with the established and functioning Internal Remuneration Rules of M+S Hydraulic Plc. An adequate wage is considered one that ensures satisfaction of the needs of the worker and their families in light of national economic and social conditions.

The number of people with disabilities at the end of 2025 is 61, representing 6 % of the total workforce.

### ***Training and Development***

The training and development statistics are based on completed and registered training sessions by the employees of M+S Hydraulic Plc. The reported data include both mandatory and voluntary training.

As part of our commitment to skill enhancement and learning opportunities, we conducted 24 training sessions and paid BGN 11 thousand in semester tuition fees in 2025. The average number of training hours per employee is 4 hours per year.

### ***Pay Gap***

Data regarding pay gaps are derived from the company's accounting system based on the median salary. An employee's salary is calculated based on the nominal salary for each employee at the end of the



reporting period. The gender pay gap, defined as the difference between the average pay levels of female and male employees, expressed as a percentage of the average pay level of male employees, is 0.05 %.

### ***Scope of Social Protection Programs***

Pursuant to current labor and social security legislation, all persons employed by M+S Hydraulic Plc under an employment relationship are entitled to cash benefits in the event of:

- Temporary incapacity for work;
- Loss of income due to unemployment commencing while the employee is working for the company;
- Loss of income during occupational rehabilitation (readaptation) due to temporarily reduced work capacity resulting from a general illness, occupational accident, or professional disease, if their remuneration is reduced at the new position;
- All risks under Bulgarian social security legislation (general illness, maternity, disability due to general illness, old age and death, occupational accidents, professional diseases, and unemployment).

All persons employed by M+S Hydraulic Plc are covered by the health management program through Medical Center for Health Prevention Ltd., which performs early diagnostics, treatment, rehabilitation, and preventive care for the company's employees.

All persons employed by the company are entitled to be paid annual leave, as well as leave for family reasons, as regulated by the Labor Code and its implementing acts.

### ***Injuries, Incidents, and Lost Time***

In 2025, there were no fatalities resulting from work-related injuries or ill health among the persons employed by M+S Hydraulic Plc.

In 2025, there were no recordable work-related accidents concerning the persons employed by M+S Hydraulic Plc.

In 2025, there were no recordable occupational diseases concerning the persons employed by M+S Hydraulic Plc.

In 2025, regarding the persons employed by M+S Hydraulic Plc, a total of 83 calendar days / 58 working days were lost due to work-related accidents that occurred in 2025.

### ***Complaints Filed***

In 2025, no complaints were recorded regarding human rights violations, acts of discrimination, or harassment, nor were any concerns expressed by employees.

## ***4. Corporate Information Customers and End Users***

M+S Hydraulic Plc is committed to providing high-quality products and managing the responsibilities associated with them. Satisfying customer expectations is key to building strong partnerships and achieving the company's commercial ambitions and goals.

M+S Hydraulic Plc can derive commercial and financial benefits by providing its customers with transparent and quality information regarding the products it delivers, supported by a traceable value chain. Conversely, failure to meet the expectations of its customers and end users could lead to loss of business and reputational damage, which could impact on the company's cash flows and financial results.

Our customers operate in the following main markets:

The company holds approximately a 12 % global market share through a well-developed distribution network, strategically positioned in 45 countries across 6 continents. Over 95 % of the output produced is intended for export, with Europe accounting for over 70% of total sales. The remainder of



the market distribution by continent is as follows: North America – 12.20 %, Asia – 7.27 %, Australia – 2.41 %, South America – 0.36 % and Africa – 0.32 %.

Approximately 75% of all sales are realized through distribution channels, while the remaining 25% are direct sales to some of the world's most renowned OEM (Original Equipment Manufacturer) customers producing agricultural and construction machinery.

### **Our Approach**

M+S Hydraulic Plc applies a policy aimed at enhancing quality levels and ensuring the safety of its products to satisfy the growing needs of its customers. Joint analyses are regularly conducted between the product planning, design, engineering, and quality assurance departments, on one hand, and the sales and marketing departments, on the other, to improve product development, functionality, and quality.

The company employs quality management systems and carries out its manufacturing activities in accordance with the highest standards applicable to the production of hydraulic orbital motors, steering units, hydraulic brakes, and accessories.

M+S Hydraulic Plc identifies and measures its impact on customers and end users by tracking customer satisfaction, maintaining active partnerships and direct dialogue, and monitoring complaints and incidents reported to management.

The company conscientiously fulfills its commitment to protecting personally identifiable information that it receives, and processes as required by current legislation, enabling productive cooperation with its customers.

### **Product Quality and Responsibilities**

Product quality encompasses quality specifications during product use, as well as criteria regarding the carbon footprint and the environmental impact of these products. To meet customer expectations for quality and a responsible value chain, M+S Hydraulic Plc works toward certifying its products according to global standards.

### **Product Stewardship**

Product stewardship involves the responsible and ethical management of health, safety, and environmental aspects throughout the entire life cycle. The company conducts life cycle assessments (LCA) for all major product groups to identify opportunities for improvement. The products of M+S Hydraulic Plc are subject to declarations of conformity in accordance with various European Union legislative requirements concerning the quality of manufactured goods.

### **Collaboration for Product Quality**

Innovation and R&D initiatives at M+S Hydraulic Plc are carried out in close collaboration between the company's various units and its customers. The focus is on three primary areas: product quality, production system efficiency, and new product development. Quality improvements are closely linked to technical customer service, which not only meets customer needs but also contributes to the refinement of internal processes. M+S Hydraulic Plc implements a policy aimed at enhancing quality levels and ensuring the safety of manufactured products to satisfy the growing requirements of customers.

The company employs quality management systems and conducts its manufacturing operations in accordance with the highest standards applicable to the production of hydraulic orbital motors, steering units, hydraulic brakes, and accessories.

Recognizing the social significance of its operations, M+S Hydraulic Plc adheres to the principle of information transparency. Reports and ongoing information are submitted in a timely manner to the Financial Supervision Commission (FSC) and the public.



Each year, the company presents a separate Non-Financial Statement as part of its Annual Activity Report, disclosing material information regarding non-financial reporting parameters in accordance with the requirements of the relevant regulations.

### Our Actions

- **Customer Relations** – The relationships the Company maintains with its customers are based on integrity and respect. The commitment to providing our customers with high-quality products and services and seeking long-term cooperation and relationships based on trust and mutual satisfaction has been fulfilled.
- **Fair Trade Practices** – The commitment to conducting business within the context of free and fair competition has been fulfilled.
- **Human Rights Protection** – The commitment to upholding human rights as set forth in the UN Universal Declaration of Human Rights and the International Labor Organization (ILO) Labor Conventions has been fulfilled.
- **Protection against Discrimination** – Equal Opportunities – No incidents of discrimination of any type, or discrimination related to gender, religion, age, nationality, social or ethnic origin, have been recorded.
- **Integrity and Business Standards** – In 2025, M+S Hydraulic AD fulfilled its commitment to operating with integrity, adhering to ethical business practices, and conducting its activities with transparency and reliability. Corruption, money laundering, bribery, extortion, fraud, or other immoral or illegal activities are not tolerated.
- **Prevention of Corruption** – In 2025, the corporate policy of M+S Hydraulic AD was based on the principle of adhering to high ethical standards in all areas of activity and the consistent implementation of a transparency policy.
- **Relations with Business Partners** – The Company's relationships with its business partners are characterized by the principle of fairness.
- **Application of the Corporate Governance Code** – The primary objective in applying the code is to enhance the trust of shareholders, investors, customers, and stakeholders in the management and activities of the company. Regular disclosure of ongoing information regarding the financial and economic status of the company and significant corporate events, as well as their promotion, continued throughout 2025.

### Customer Satisfaction with Product and Service Quality

M+S Hydraulic Plc places a strong emphasis on customer satisfaction. The company ranks sixth among its competitors in customer satisfaction surveys and is strategically positioned in 45 countries across six continents.

In its pursuit of meeting the requirements of its customers and partners, M+S Hydraulic Plc implements and adheres to quality management principles in accordance with ISO 9001:2015. It is vital to build a customer-oriented culture regarding the company's competitiveness.

Our departments operate in diverse markets with a correspondingly varied customer base; therefore, we regularly measure and analyze our level of customer satisfaction. It is important to hear the feedback of each customer individually and to determine the necessary actions based on the insights received. Our departments achieve this by maintaining regular contact with our clients, building long-term partnerships that allow us to deeply understand their needs. This enables us to offer products and solutions tailored to the future expectations of our customers, integrated with support for efficiency and high quality.



Feedback regarding the products offered by M+S Hydraulic AD serves as a valuable guideline for development, and we remain consistently open to such input. Recognizing that providing and receiving feedback can be challenging, we strive to cultivate this culture internally first. An increasing number of clients are sharing their candid opinions, which facilitates the enhancement of our future operations. We particularly value their sincere guidance on specific areas for improvement. We treat feedback with the utmost seriousness, conducting detailed analyses to identify concrete measures, while keeping our clients informed of the steps taken to optimize our partnership.

In our relations with consumers and end-users, we are focused on the continuous improvement of customer and partner engagement, as well as on preventing any negative impacts. The results of our 2025 customer satisfaction surveys demonstrate that the Company enjoys a high level of trust and that our clients are satisfied with their partnership with us.

### **Health and Safety of Customers and Contractors**

We attach great importance to protecting the health and safety of our customers and contractors, from product development and manufacturing to the use and final disposal of the product. Our departments ensure - through technical safeguards, compliance with statutory requirements, product certifications, and regularly reviewed and updated product information and instructions - that the goods manufactured by us are safe for use.

### **Customer Personal Data Protection**

There were no incidents regarding compliance with statutory regulations concerning the protection of customer personal data in 2025. No fines or non-monetary sanctions were imposed for violations of legal provisions.

### **Compliance with Consumer-Related Regulatory Requirements**

A vital aspect of M+S Hydraulic Plc's success is its strong corporate culture with a long-term orientation. It is founded on compliance with the law, as well as fair and ethical behavior toward all stakeholders - such as customers, employees, business partners, competitors, and authorities - which is the source of our excellent reputation.

There were no incidents regarding compliance with laws and regulations in 2025. No fines or non-monetary sanctions were imposed for violations of legal provisions. Furthermore, there are no pending or completed legal proceedings regarding anti-competitive behavior, cartels, or monopolies.

### **Accessibility and Inclusivity of Products and Services**

The core activities of M+S Hydraulic Plc include development, production, and sale of hydraulic motors, hydrostatic steering units, and accessories.

The company employs highly qualified specialists with extensive experience. Their skills, combined with the technical capabilities of M+S Hydraulic Plc, create the necessary conditions for manufacturing diverse products tailored to the specific needs and requirements of our customers.

Management and the specialists engaged in customer relations and communication are fully convinced that the company's success depends on the extent to which its products satisfy customer needs and expectations. Therefore, the strategic goal of both management and specialists is to identify both the current and future requirements and expectations of customers regarding the products manufactured by the company.



### **Trend over Time**

M+S Hydraulic AD keeps current documented information on quality targets accessible to all stakeholders. The company plans how to achieve these objectives through its Program of Measures for Achieving Quality Targets and Improving Company Processes, which specifies the

- tasks,
- necessary resources,
- responsibilities,
- timelines, and
- evaluation methods.

### **Objectives Related to Product Quality and Customer Satisfaction Customer Satisfaction Enhancement Objectives**

In order to provide high-quality and adequate service, it is essential to have a thorough understanding of our customers' needs; otherwise, offering the most suitable products for them would be a significant challenge. Our customers' needs, as well as their expected future requirements, are gauged annually through continuous communication to foster productive business relationships. The objective we have set for ourselves is to consistently increase our customer satisfaction levels.

### **Objectives for Improving the Quality of Products and Services**

Based on the requirements of the ISO 9001:2015 standard, the Management of M+S Hydraulic AD annually adopts "Quality Objectives" for the relevant functions, levels, and processes required by the Quality Management System. Furthermore, a Program of Measures is adopted to achieve these quality objectives and to ensure the continuous improvement of the company's processes, as necessary.

The primary objective of the company is to provide its customers with comprehensive solutions through:

- High-quality products with guaranteed origin and ensured support
- Competent and high-quality service
- Complete product lines and solutions
- Optimal inventory levels
- Fast on-site deliveries
- Up-to-date information on prices and products
- Continuous improvement

Together, these elements ensure that we provide the most successful path for our products to reach our customers.

### **Ensuring Safety and Consumer Protection**

Ensuring the safety and protection of consumers is a priority at M+S Hydraulic Plc, achieved through rigorous process control and testing at every stage of production:

- Final product testing (standard for all products).
- Intermediate testing (oil viscosity, oil and cleaning fluid contamination, chemical testing, etc.).
- Incoming control for all externally supplied materials (standard for materials).

Inspection is vital for quality assurance. Beyond in-process controls, highly qualified personnel perform comprehensive testing on both intermediate and finished products. They utilize the full capabilities of our Chemical, Metrological, and Metallographic laboratories to guarantee the superior quality of the final output.



## Business Conduct

As an entity of public interest with operations in the European Union and interactions with a vast number of business partners, M+S Hydraulic Plc relies on the principles of responsibility, integrity, professionalism, partnership, mutual trust, as well as respect for and non-violation of commitments made to its partners.

The company recognizes the social significance of its operational results and adheres to the principle of transparency regarding its activities, striving to build and maintain sustainable and constructive relationships with state and local government authorities. It conducts its business in strict accordance with the laws and other regulatory acts of the Republic of Bulgaria. Compliance with applicable laws, regulations, policies, procedures, and guidelines helps mitigate various risks, including those related to corruption, competition, economic sanctions, human rights, security, health, safety, the environment, data protection, and corporate accountability requirements.

Failure to comply with relevant regulations and expectations for responsible business conduct may lead to a loss of trust and expose the company to investigations, as well as criminal and civil sanctions such as fines and other penalties, which could significantly impact financial results. Furthermore, it may result in adverse consequences for management and reputational damage to the company.

## Our Approach

M+S Hydraulic Plc operates under a one-tier management system. The Board of Directors of M+S Hydraulic Plc defines the development and management strategy for the company and its subsidiaries, resolving all matters within the scope of business except those falling under the exclusive competence of the General Meeting of Shareholders. The Board of Directors directs and monitors the company's activities independently and responsibly, in accordance with the established vision, goals, strategies, and the interests of the shareholders.

The Board of Directors of M+S Hydraulic Plc has developed and adopted a Code of Ethical Conduct, as well as other internal acts regulating rules for professional conduct, which are subject to regular review. The Board provides guidance, approves and monitors the implementation of the company's business plan, transactions of a material nature, and other activities established in its articles of association. In their activities, the members of the Board of Directors are guided by generally accepted principles of integrity, managerial and professional competence, and act in compliance with the company's Code of Ethical Conduct.

The Code of Ethical Conduct includes the fundamental principles, rules, and values that form the basis of corporate behavior. These must be adhered to by the members of the management bodies, the Procurator, operational managers, and employees of M+S Hydraulic Plc and its subsidiaries during or in connection with the performance of their official duties and powers.

The members of the Board of Directors possess the relevant knowledge and experience and are familiar with the core issues related to the company's operations, including human resources management. Enhancing the competence and qualifications of Board members is a standing practice, and their ongoing training is encouraged. Annually, members of the Board of Directors and the operational management of M+S Hydraulic Plc and the companies within the group of Stara Planina Hold Plc undergo mandatory corporate training on key issues regarding company management and operations, regulatory changes, and other current industry-related topics.

The fundamental, internally adopted, and publicly accessible documents defining the business conduct standards of the group are:

- Code of Ethical Conduct of M+S Hydraulic Plc and its subsidiaries.

The Code of Ethical Conduct encompasses fundamental values, principles, and rules for ethical and professional behavior. It defines standards for ethical and professional business conduct; requirements for regulatory compliance, disclosure of potential conflicts of interest and subsequent actions; fair trade



practices; responsible use of corporate assets; information management and ensuring the security of information systems; protection of intellectual property; relations with stakeholders; protection of human rights, including children's rights; protection against discrimination and ensuring equal opportunities; freedom of association and collective bargaining; the prohibition of modern slavery, including forced and compulsory labor, coerced labor, human trafficking, violence, and harassment; training and personal development; ensuring occupational health and safety; and the environmental protection policy.

- Whistleblowing Rules and follow-up actions thereof, pursuant to the Act on the Protection of Persons Reporting or Publicly Disclosing Information on Breaches.

The Board of Directors, the Procurator, the Commercial Proxy, and the operational managers are responsible for the implementation of the policies, requirements, and rules established in the company's internal corporate acts. In accordance with the requirements of current legislation and based on the criteria defined therein, since 2009 M+S Hydraulic Plc has had an established and functioning Audit Committee, whose composition meets both legal requirements and the specific needs of the company. The Audit Committee provides oversight of internal audit activities and monitors the overall relationship with the external auditor, including the nature of non-audit services provided by the auditor to the company. Its activities are focused on increasing the efficiency of financial reporting processes, internal control systems, and risk management.

The Code of Ethical Conduct and the Anti-Corruption Policy apply to all members of management bodies, operational managers, and employees of M+S Hydraulic Plc and the Group companies in both internal company relations and their interactions with representatives of state and local administrations, political parties, public organizations, politicians, public figures, media, suppliers, customers, consultants, subcontractors, and other business partners.

The developed internal documents and policies incorporate the fundamental principles of the UN Global Compact (UN GC), the UN Sustainable Development Goals (UN SDGs), the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the Fundamental Conventions of the International Labor Organization (ILO).

### **Corruption and Bribery**

M+S Hydraulic Plc is part of the group of Stara Planina Hold Plc and implements the internal regulatory acts adopted by the group, such as the Anti-Corruption Policy.

The Anti-Corruption Policy defines the forms of corrupt behavior and provides guidance to employees within the Group companies and all external stakeholders on the steps to be taken should they become a target of or witness to corrupt conduct. It establishes a behavioral model and defines guidelines for identifying, reporting, and preventing potential corrupt acts and practices, fraud, irregularities, and abuses. Furthermore, it ensures that all established corrupt acts, as well as any reasonable suspicion of such acts, will be reviewed fairly and objectively.

The members of the Board of Directors of M+S Hydraulic Plc, the Procurator, and the operational managers are responsible for familiarizing employees with the rules of the Code and the Policy and for organizing their observance and application in professional relations. The Code of Ethical Conduct and the Anti-Corruption Policy apply to all members of management bodies, the Procurator, operational managers, and employees of M+S Hydraulic Plc and the Group companies in their internal corporate relations, as well as in their interactions with representatives of state and local administrations, political parties and public organizations, politicians and public figures, media, suppliers, customers, consultants, subcontractors, and other business partners.

The Board of Directors of M+S Hydraulic Plc, the Procurator, and the operational managers are responsible for the implementation of the policies and requirements of the Code, the Policy, and other internal acts, and they review cases of violations by persons employed in the company. Conduct that is inconsistent with the rules of the Code is not tolerated; non-compliance constitutes a breach of labor



discipline under Art. 187, item 8 of the Labor Code and is sanctioned with disciplinary action according to the established procedure.

M+S Hydraulic Plc strives to have a positive impact in the fight against bribery, corruption, and human rights violations through its partnerships, while actively cooperating with public authorities and other stakeholders on these matters.

The company monitors incidents related to business ethics through cases reported to management personnel, support functions, and grievance mechanisms.

The company is committed to fostering a culture of trust within a secure and well-intentioned work environment, where employees are free to ask questions, seek guidance, express opinions or concerns, and report suspected violations of the Code of Ethical Conduct, the Anti-Corruption Policy, statutory regulations, or provisions arising from other internal corporate acts. The Board of Directors of M+S Hydraulic Plc has approved Whistleblowing Rules and procedures for subsequent follow-up actions. The company has established an internal channel through which reports can be submitted - either in writing or orally - including cases of identified discrimination. Reports may be submitted to the officers responsible for handling reports, as designated by the Board of Directors, or via the telephone number, email address, and correspondence address provided on the M+S Hydraulic Plc website. Alternatively, reports may be filed through internal channels in accordance with the Whistleblowing Rules, pursuant to the Act on the Protection of Persons Reporting or Publicly Disclosing Information on Breaches. Any Board member or employee of M+S Hydraulic Plc who has been subject to or witnessed a violation of the Code of Ethical Conduct may report the incident to their direct supervisor, a next-level manager, the Human Resources Manager, or directly to the Procurator.

M+S Hydraulic Plc reviews all reports of violations, including anonymous ones, unless the report lacks sufficient information regarding the nature of the alleged violation to allow for an objective determination, or when the reports contain obviously false or misleading statements of fact. Employees were familiarized with the Rules upon their adoption. New employees, alongside other internal corporate acts, are briefed on the Whistleblowing Rules and the subsequent follow-up actions during their induction. Should clarifications regarding these rules be required, employees may obtain them from the Human Resources Manager.

The reports submitted are reviewed quarterly at the regular meetings of the Board of Directors or, if a violation is established, are reported immediately by the company's operational management. Given the nature of their official functions and responsibilities, the positions within the company exposed to the highest risk regarding forms of corrupt behavior and bribery are the members of the Board of Directors, the Executive Directors, the Procurator, the Commercial representative, and the Heads of Directorates, all of whom are familiar with the internally adopted documents and undergo regular training on these topics.

The relations of M+S Hydraulic Plc with business partners are characterized by the principle of fairness. The company does not offer customers, potential customers, municipal or state authorities and institutions, government agencies, or their representatives any rewards or benefits in violation of applicable laws or generally accepted business practices. Company employees do not offer payments, gifts, or any other form of remuneration from third parties that could influence, or appear to influence, their objectivity in professional decision-making.

M+S Hydraulic Plc requires its customers to adhere to fundamental, internationally recognized anti-corruption standards and principles in corporate ethics, environmental protection, and human rights to establish sustainable partnerships.

When selecting a counterparty, the company applies a standardized approach by evaluating the counterparty's reputation and certification under internationally recognized standards for quality, safety, and working conditions, including human rights and the environment. The company applies its Anti-Corruption Policy during the selection of suppliers and other counterparties. Pursuant to the Anti-Corruption Policy of Stara Planina Hold Plc and the companies in the group, the company reserves the right to refrain from entering into relationships with third parties where there is reasonable suspicion of potential corruption or



other forms of unethical and/or illegal business and professional conduct. In the event that companies in the group are targeted by corrupt behavior, or if they identify or are duly notified of corrupt practices or actions by a third party - be it a supplier, customer, subcontractor, or other business partner - they commit to terminating the relationship with the respective person, informing the competent authorities, and taking appropriate disciplinary measures against any employees who performed or participated in corrupt practices.

In 2025 no reports of bribery or corruption were submitted; no violations of the established anti-corruption procedures and rules were identified; no cases of convictions for violating anti-corruption or anti-bribery legislation were recorded; no fines were imposed, and accordingly, none are specified in the Financial Statements; no fines were imposed on members of management bodies, operational managers, or employees for violating anti-corruption and anti-bribery laws; no material cases of non-compliance with regulations and codes were reported.

In 2025, no fines were imposed on members of management bodies, operational managers, or employees of M+S Hydraulic AD and the Group companies for violations of anti-corruption and anti-bribery legislation.

During 2025, no cases of non-compliance with regulations and codes were reported.

### **Data Protection and Cybersecurity**

Cybercrime is increasing globally, exposing M+S Hydraulic Plc to various threats regarding the integrity, availability, and confidentiality of its systems. Potential threats include unauthorized attempts to access information, ransomware attacks, malicious virus installations, Distributed Denial of Service (DDoS) attacks, and other digital security breaches.

In 2025, an information security management system (ISMS) was prepared.

In 2025, no serious incidents related to cybersecurity or data protection were reported.

### **Compliance Trainings**

M+S Hydraulic Plc conducts annual trainings for employees on topics relevant to the company's activities. These training sessions are delivered through seminars, workshops, or online platforms.

The Anti-Corruption Policy is communicated to employees at all levels within M+S Hydraulic Plc and the companies in the group. Upon the conclusion of an employment contract, as well as upon the establishment of any other legal relationship with third parties, the Policy is provided for their review. To implement the Policy, M+S Hydraulic Plc and the companies in the group apply the following measures for awareness and the prevention of corrupt behavior:

- Training and discussion regarding the Policy, providing specific guidelines for its application to the persons employed in the companies, and increasing their accountability in the performance of their direct duties.
- Informing suppliers, customers, subcontractors, other counterparties, and business partners, as well as other stakeholders, about the Policy, its objectives, and its implementation requirements.

### **Supplier Relationship Management**

Procurement is carried out in accordance with the laws and regulations of the countries in which M+S Hydraulic Plc conducts its core business. The company supports suppliers who comply with environmental protection regulations, occupational health and safety standards, and demonstrate social responsibility. The company's objective is to always operate by ensuring reliable and continuous sources of supply. We provide all potential suppliers with general and equal opportunities, and all decisions we make are based on objectively defined criteria established during supplier audits and evaluations.

The company makes payments to its suppliers according to specifically agreed payment terms, striving to avoid any overdue payments. In terms of the company's standard arrangements with suppliers,



deferred payment terms range from 30 to 90 days. Payments are made accurately and on time, as we strive for excellent business relationships with our partners.

In 2025, there were no complaints filed or ongoing legal proceedings regarding delayed payments to suppliers.

### **Partnerships**

Stara Planina Hold Plc and the companies in the group are members of the Bulgarian Industrial Capital Association (BICA), which is an officially recognized representative employer organization expressing the interests of Bulgarian public companies and branch organizations. Through their membership in this organization, the companies participate in discussions, the preparation of proposals, and statements to state authorities and institutions to resolve issues affecting the entire Bulgarian industry or specific sectors, including those concerning workers and employees. Through their memberships in various professional, industry, and other organizations, the companies strive to further strengthen key areas of their business by engaging in high-level dialogue with representatives of business and the state. The memberships and awards received by the companies testify to their commitment to creating value for stakeholders and advancing their mission of business excellence while expanding their network of cooperation.

### **Public Affairs and Lobbying**

No representative of the company, in their official capacity, engages in activities related to the exercise of political influence or lobbying. Pursuant to the Anti-Corruption Policy, offering and/or providing funds to finance political parties or politicians, providing indirect benefits, or giving gifts of high value and/or other forms of benefit that could lead to reputational risk - associated with suspicion of trading in influence, unlawful lobbying, or the securing of political or power-based decisions in its favor - are defined as forms of corrupt behavior and are strictly prohibited.

The company does not support any events or initiatives that have an entirely or predominantly political purpose.

### **Compliance with Business Conduct Standards**

M+S Hydraulic Plc complies with the Corporate Governance Code approved by the Deputy Chairperson of the Financial Supervision Commission (FSC). Operations are conducted in adherence to the fundamental principles and priorities of protecting shareholders' rights, ensuring equal treatment of every shareholder, and considering stakeholders interested in the company's management and sustainable development. This includes ensuring timely and accurate disclosure of legally required information regarding material aspects of the financial position, results of operations, ownership, and management, as well as maintaining oversight and accountability regarding the activities of the Board of Directors.

The company applies strict accounting accountability, which is subject to annual internal and external independent audit control. All transactions are assessed in advance and are subject to approval by the corporate management or the Procurator.

In 2025, there were no reported violations regarding compliance with business conduct standards.

### **Honest Business Practices**

All relations between the company and state, municipal, public, and financial institutions are based on the principles of integrity, transparency, cooperation, and non-interference, as well as on full respect for the role performed by each individual entity. The fundamental role of the media in informing the public, and customers in particular, is also recognized. In 2025, no conduct was recorded that could be interpreted as subversive or detrimental to the aforementioned principles.



M+S Hydraulic Plc is committed to conducting its business within the context of free and fair competition. The company's competitive position is based entirely on factors related to its professional success - specifically its ability to deliver innovation, quality, efficiency, reliability, and fairness in its business dealings. The company complies with competition protection laws when dealing with competitors, business partners, and customers. All employees adhere to the requirements of antitrust legislation and the Protection of Competition Act.

In 2025, no conduct was recorded that aimed at or constituted an obstacle, restriction, or distortion of free and fair competition.

### **Corporate Social Responsibility**

M+S Hydraulic Plc believes that its corporate responsibility is to contribute to the development of the local community by providing annual financial support to various sports and social organizations, as well as cultural events within the Kazanlak Municipality.

In 2025, within the framework of its Corporate Social Responsibility, the company provided sponsorships and donations to the local community, supporting various organizations, events, and initiatives (sports, culture, social, environmental, etc.) totaling BGN 69215.96.

## **X. Corporate Governance Declaration**

### **Application of the Corporate Governance Code**

The management of M+S Hydraulic Plc applies the National Corporate Governance Code based on the “comply or explain” principle. The application of this principle is based on the European Commission Recommendation regarding the quality of corporate governance reporting. The primary focus in fulfilling the commitments under the Code has been aligning the company’s internal bylaws and overall operations with the evolving regulatory framework. All internal regulatory documents cited below can be found in the [Internal Documents](#) section on the company’s official website.

The company’s operations are conducted in compliance with the core principles and priorities of protecting shareholder rights; ensuring equal treatment of every shareholder; considering stakeholders interested in the company’s management and sustainable development; providing timely and accurate disclosure of legally required information regarding significant aspects of the financial position, performance, ownership, and governance; and maintaining control and accountability over the Board of Directors' activities.

A key focus in applying the Code is increasing the confidence of shareholders, investors, and stakeholders. Throughout 2025, the regular disclosure of ongoing information regarding the company's financial and economic status, as well as significant corporate events and their dissemination, continued.

#### **1.1. Corporate Governance Bodies**

The Company operates under a one-tier management system. The Board of Directors is the governing body responsible for the planning and coordination of the Company’s overall activities as defined in its business scope, performing all organizational, management, and oversight actions mandated by law and the Articles of Association. Each year, the Board of Directors prepares a management report on the Company’s activities. Its operational structure, duties, responsibilities, and powers are specifically regulated and detailed in the Rules of Procedure of the Board of Directors.

The Board of Directors directs and supervises the Company’s activities independently and responsibly, in line with the established vision, goals, and strategies, and in the best interests of shareholders and stakeholders. The Board carries out its functions and duties in accordance with regulatory requirements, the Articles of Association, and the best corporate practices outlined in the Code.

The Board of Directors provides guidance, approves, and monitors the execution of the Company’s business plan, significant transactions, and other activities specified in its constitutive documents. The Board



treats all shareholders equally, acting in their interest and with the due diligence of a prudent businessman. The members of the Board are guided in their activities by generally accepted principles of integrity, loyalty, and managerial and professional competence.

In 2024, the Board of Directors adopted a new Code of Ethics and Business Conduct for M+S Hydraulic Plc and its subsidiaries, which is an integral part of the overall sustainable development policy and was drafted based on the principles and recommendations of the UN Global Compact (UNGC), the UN Sustainable Development Goals (UN SDGs), the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

The Board of Directors promotes the application of and ensures compliance with the adopted sustainable development principles across the group companies. It establishes and oversees the functioning of a risk management system, covering information security, environmental risks, and value chain risks. The Board ensures and monitors the integrated operation of the accounting, financial reporting, and internal control systems. It provides guidance, approves, and oversees the implementation of the strategy and business plans of the group companies, significant transactions, and other activities specified in its constitutive documents. The Company maintains a developed and functioning risk management and internal audit system, as well as a financial information system.

The Board of Directors is accountable to the General Meeting of Shareholders, submitting for approval the annual management report, the remuneration policy implementation report, and all other annexes and documents required by applicable law. When proposing new members to the Board of Directors, the principles of competency alignment with the nature of the Company's business are strictly observed.

The management contracts concluded with the members of the Board of Directors define their duties and tasks, the criteria for determining their remuneration, their duty of loyalty to the Company, and the grounds for dismissal. In accordance with the Remuneration Policy approved by the General Meeting of Shareholders (GMS), the remuneration of the members of the Board of Directors, including executive management and independent members, consists of fixed and variable components. This structure is designed to reflect the distribution of functions, tasks, and responsibilities among Board members and to ensure their effective participation in the Company's operations. The variable remuneration is linked to clear criteria and measurable performance indicators regarding the Company's results, as defined in the Remuneration Policy for the members of the Board of Directors.

The number of Board members is stipulated in the Company's Articles of Association. The composition of the Board is structured to ensure professionalism, impartiality, and independence in its management decisions. The Board of Directors has established a clear division of tasks and responsibilities among its members. The Company has adopted general rules for the members of the Board of Directors, defining its functions and duties, the procedures for the election and dismissal of members as well as requirements for relevant knowledge and experience.

The selection of Board members is conducted through a transparent procedure that ensures timely and sufficient information regarding the personal and professional qualities of the candidates. The members of the Board of Directors are elected by the General Meeting of Shareholders, and information concerning their education, professional qualifications, and experience is presented alongside the written materials for the meeting and published on the Company's website. Currently, the Company is in the process of developing a formal procedure for the selection of candidates for corporate management positions.

Independent directors oversee the executive management and participate effectively in the Company's operations in accordance with the interests and rights of the shareholders. The Chairperson of the Board of Directors is not an independent director. The members of the Board possess the appropriate knowledge and experience and are regularly informed about new trends in corporate governance and sustainable development. Upon their election, new members are briefed on the key legal and financial matters related to the Company's business. Enhancing the competence and qualifications of Board members is a standing practice, and their ongoing training is encouraged. The company organizes annual training sessions in



various fields related to its operations and competitive positioning, with the participation of members of the Board of Directors.

The continuity of mandates ensures the effective operation of the Company and compliance with legal requirements.

Two of the members of the Board of Directors are natural persons (male), while four members are legal entities, which are also represented by men. Although the nomination procedure for members of the Board of Directors applied by the Company is based on a comparative assessment of each candidate's qualifications and contains clear, objective criteria applied in a non-discriminatory manner throughout the entire selection process, to date, M+S Hydraulic Plc has not received any applications from women for elective positions within the management body. The Management's analysis concludes that this outcome stems from the Company's scope of business, the governance requirements for corporate leadership members to possess specific knowledge, qualifications, skills, and experience in the field of hydraulic products and mechanical engineering as a whole, as well as the traditionally low representation of women in Technology and Engineering sciences and the limited pool of such human resources within the country and the region where the Company operates. Through its recruitment policies, the Company's Management strives to attract qualified, competent, and responsible individuals to all positions, including elective roles within the management body, regardless of gender.

The members of the Board of Directors devote the necessary time to fulfill their tasks and duties, although the Company's constitutive documents do not stipulate a specific limit on the number of other companies in which Board members may hold management positions. This circumstance is taken into account during the proposal and election of new members to the Board of Directors.

The amount and structure of the remuneration for the members of the Board of Directors are determined by the General Meeting of Shareholders. These factors take into account the duties and contribution of each member, the ability to select and retain qualified and loyal members, and the necessity to align the interests of the members with the long-term interests of the Company. The remuneration of the independent members of the Board of Directors is fixed. Pursuant to a resolution by the shareholders, it also includes a variable component.

The Regular Annual General Meeting of Shareholders, held on May 18, 2021, adopted a new Remuneration Policy for the members of the Board of Directors. This policy complies with regulatory changes and aims to facilitate the achievement of the Company's long-term business goals and encourage behavior that supports the creation of shareholder value. Simultaneously, it provides competitive remuneration sufficient to attract and retain directors with the qualities necessary for the successful management and development of the Company.

In accordance with the requirements of Art. 11, para. 3 and para. 4 of Ordinance No. 48 of the FSC, in 2025, the Board of Directors of the Company conducted a review of the Remuneration Policy for the members of the Board of Directors. The Board assessed that the policy is compliant with the requirements of Ordinance No. 48 of the FSC and is built upon principles that ensure its consistency with the size, internal organization of the company, the nature, scope, and complexity of its activities. Consequently, the Board found no grounds or necessity for any amendments to the policy. A review of the Remuneration Policy for the members of the Board of Directors was included as a separate item on the agenda of the Regular Annual General Meeting of Shareholders of the company, held on 20.05.2025. The General Meeting of Shareholders did not adopt any changes to the Policy.

The Policy establishes the principles for determining the amount and structure of remuneration and specifically defines additional incentives tied to clear criteria and indicators regarding the performance of the Company and the economic group. In the Remuneration Policy, variable remuneration and performance results are linked to predefined performance-based criteria and include measurable standards that emphasize the long-term interests of the Company and its shareholders. No member of the Board of Directors has been granted variable remuneration in the form of shares, stock options, or other financial instruments.



The remuneration of the members of the Board of Directors and information regarding its amount are disclosed annually in the Board of Directors' Management Report for the respective reporting year. The Company also prepares a Remuneration Policy Implementation Report as part of the annual financial statements and management report, submitting it for approval by the General Meeting of Shareholders.

Shareholders and stakeholders have easy access to the adopted Remuneration Policy and its implementation report, both of which are published on the Company's official website.

The Board of Directors has adopted procedures for prevention and disclosure of conflicts of interest and has published them on the company's website. These procedures obligate members to avoid any real or potential conflicts of interest, to disclose such conflicts immediately, and to ensure shareholders have access to information regarding transactions between members and the Company or its related parties. Any potential conflict of interest within the Company must be disclosed to the Board of Directors.

M+S Hydraulic Plc does not engage in, nor does it permit transactions between the Company and members of the Board of Directors or their related parties.

The Company has an approved Information Disclosure and Investor Relations Policy, which is published on its website alongside all corporate documents. All corporate instruments of the Company are reviewed by the Board of Directors on a regular basis, as well as upon changes in the relevant regulations.

## 1.2. Audit and Internal Control

In accordance with the requirements of the applicable legislation and based on the criteria defined therein, M+S Hydraulic Plc has maintained a functioning Audit Committee since 2009, with a composition that meets both legal requirements and the specific needs of the Company. The Audit Committee provides oversight of internal audit activities and monitors the overall relationship with the external auditor, including the nature of non-audit services provided by the auditor to the Company. Its activities are aimed at increasing the effectiveness of financial reporting processes, internal control systems, and risk management systems.

The Audit Committee prepares a written recommendation, based on which the corporate management proposes to the General Meeting the selection of an independent auditor to audit and certify the annual financial statements. All financial statements of the enterprise are prepared in accordance with International Accounting Standards (IAS/IFRS), and the annual audit is performed by the independent auditor to provide an impartial and objective assessment of how these statements are prepared and presented. When proposing the selection of an external auditor, a rotation principle is applied in compliance with the requirements of the relevant regulation.

The Audit Committee reviews the financial reporting processes within the enterprise, the internal control and risk management systems, and performs its functions and duties in accordance with regulatory requirements and the best corporate governance practices set out in the Code.

The Audit Committee ensures oversight of internal audit activities and monitors the overall relationship with the external auditor, including the approval of non-audit services provided by the auditor to the Company. The specific guidelines through which the Audit Committee supports the activities of the Board of Directors are defined in the Internal Rules of the Audit Committee, which are published on the Company's website.

The Board of Directors provides the necessary resources for the Audit Committee to perform its functions, as well as access to the Company's documents and assets; it approves the Statute of the Audit Committee, which clearly defines its functions, powers, and relationships with the management bodies. The Board of Directors is responsible for the establishment and functioning of the internal control and risk management systems, while the Audit Committee monitors their effectiveness and reports any identified weaknesses to the Board. The Board of Directors and the Audit Committee cooperate in the preparation of internal acts and procedures.

The Board of Directors, with the assistance of the Audit Committee, ensures compliance with applicable law regarding the independent financial audit. The Company has established and operates an internal control system that guarantees the effective functioning of reporting and information disclosure



systems to identify the risks associated with the Company's activities and to support their effective management.

### **1.3. Shareholders' Rights Protection**

The corporate Board of M+S Hydraulic Plc guarantees equal treatment of all shareholders, including minority and foreign investors, and protects their rights. The Board facilitates the exercise of their rights within the limits permitted by applicable legislation and in accordance with the Company's internal rules. The Board of Directors ensures that all shareholders are well-informed regarding their rights, the Company's financial results, and corporate events through the information disclosure system and the Company's official website.

Shareholders have access to information regarding the rules under which General Meetings of Shareholders (GMS) are convened and conducted, including voting procedures. The Company provides sufficient and timely information regarding the date and venue of the meeting, as well as comprehensive details on the matters to be discussed and resolved. The corporate management ensures the right of all shareholders to express their opinions and ask questions during the General Meeting. A contact database is maintained for shareholders holding 5% or more of the Company's capital.

The General Meetings of Shareholders are convened and held in strict compliance with regulatory requirements and the Articles of Association of M+S Hydraulic Plc.

The Board of Directors of the Company ensures that all shareholders are well-informed regarding their rights through information published in a dedicated section of the Company's website, the disclosed Articles of Association, other internal corporate documents, and the invitation to the General Meeting for each specific General Meeting of Shareholders.

The convening of the Annual General Meeting (AGM) is carried out in accordance with established rules for the public disclosure of the invitation, the agenda, and specific draft resolutions. All written materials related to the agenda items are made available to shareholders during specified hours at the registered office and on the website. The texts of the materials related to the agenda are specific, clear, and not misleading. All proposals concerning major corporate events are presented as separate items on the agenda, including the proposal for profit distribution.

The invitation to the General Meeting of Shareholders contains the information required under the Commerce Act and the Public Offering of Securities Act (POSA), as well as additional information regarding the exercise of voting rights and the option to add new items to the agenda pursuant to Article 223a of the Commerce Act.

The invitation and the materials for the Company's General Meeting are disclosed to the public, the Financial Supervision Commission (FSC), and the regulated securities market through the X3 News media platform. In accordance with regulatory requirements, the Company also discloses notices regarding the holding of a General Meeting and dividend payments (following a respective resolution by the GMS) through the system for corporate action notifications of the Central Depository AD. Following their submission, the invitation and materials are also made available on the Company's official website.

Shareholders with voting rights may exercise their right to vote at the General Meeting in person, through representatives (proxies), or via correspondence. As part of the materials for the General Meeting, the Board of Directors provides a proxy form and Proxy Voting Rules, as well as a Voting Declaration for Voting by Correspondence and Rules for Voting by Correspondence.

Rules have been adopted for the organization and holding of regular and extraordinary General Meetings of Shareholders, which guarantee equal treatment of all shareholders and the right of each shareholder to express their opinion on the agenda items. The procedures and the manner of conducting the General Meeting do not unnecessarily hinder or increase the cost of voting. These procedures encourage shareholder participation but do not provide for remote presence via technical means, as this would increase the cost of the meeting. Following amendments to the Company's Articles of Association in 2024, voting



rights at the General Meeting may also be exercised via correspondence, provided the Board of Directors passes a resolution to that effect.

The Company has adopted Proxy Voting Rules at the General Meeting of Shareholders, which are published on the Company's website. A proxy form for participation in the General Meeting is also available on the website. In 2024, the Board of Directors adopted Rules for Voting by Correspondence for regular and extraordinary General Meetings of M+S Hydraulic Plc, which are published on the Company's website. A Voting Declaration for Voting by Correspondence is likewise published on the same website for use in the General Meeting.

The members of the corporate board attend the General Meetings of Shareholders. When necessary, they assist shareholders in including additional items on the agenda and guarantee the shareholders' right to be informed about the resolutions passed.

The rules for organization and holding General Meetings provide a mechanism to assist shareholders who have exercised their right to add supplementary items or propose resolutions on existing agenda items. The resolutions of the General Meeting are published on the Company's website for a period of 10 years. The Company has not issued different classes of shares. The Company has no shareholders with controlling rights. All shareholders of M+S Hydraulic Plc are treated equally.

The Company has an appointed Investor Relations Director (IRD). The Board of Directors consults with the IRD and provides guidance on the long-term investor relations strategy, approving specific operational goals and initiatives; coordinates with the IRD to define the communication policy, the policy for protecting shareholder rights, and the assurance of equitable treatment for all shareholders; ensures an appropriate administrative and organizational structure is in place to facilitate the effective performance of the IRD's duties; oversees the integrated functioning of financial reporting and disclosure systems; reviews proposals for amendments to internal corporate instruments submitted by the IRD and may commission motivated reports on specific cases or to clarify new regulatory requirements or National Corporate Governance Code (NCGC) recommendations; provides instructions regarding the publication of specific information for shareholders, investors, and stakeholders on the corporate website, including standard forms and document templates.

Increasing the confidence of shareholders, investors, and stakeholders in the management and operations of the Company remains a core commitment of corporate governance. Throughout 2025, the Company continued to strengthen and apply various methods for disclosing ongoing information regarding its financial and economic status, non-financial information, and significant corporate events, as well as their dissemination.

#### **1.4. Information Disclosure Related to Sustainable Development, Financial Reporting, and Other Corporate Information**

M+S Hydraulic Plc has an established policy and system for information disclosure in compliance with legal requirements. This system ensures equal treatment of all recipients of information (shareholders, stakeholders, and the investment community) and prevents the misuse of inside information. The Company maintains internal rules for the preparation of annual and interim reports, as well as procedures for the disclosure of financial and non-financial information. Regarding all information disclosed by M+S Hydraulic Plc, there is a clear connectivity between its various components. Each year, the Company discloses a non-financial statement on a separate and consolidated basis, which provides detailed information on the activities and initiatives of all group companies in the field of non-financial reporting.

To enhance the level of awareness and interest among shareholders and to encourage their active engagement and participation in the Company's governance, M+S Hydraulic Plc continued to maintain its official website throughout 2025. The website includes an English version. The website provides data regarding the Company, its governing bodies, constitutive documents, and adopted policies relevant to the Company's operations and functioning. It also features internal regulatory documents, information on shareholders' rights and their participation in the General Meeting, financial statements for the past 10 years,



information on dividend payments, personal data protection, and whistleblowing procedures. A dedicated [Investor Relations](#) section contains materials for upcoming General Meetings of Shareholders and information on resolutions passed by the GMS. Information regarding the Company's initiatives, auditors, and media outlets publishing news about the Company is publicly accessible. The "News" section is particularly comprehensive, providing information on the Company's periodic publications, upcoming events, and all significant information related to its business activities. The website also lists the Company's contact details and those of the Investor Relations Director, through which shareholders and stakeholders are encouraged to seek any necessary information.

Every shareholder who contacts the Company for any reason is provided with detailed notification of their rights and receives information on various matters concerning the Company's operations and current status, including the share price performance of M+S Hydraulic Plc on the Bulgarian Stock Exchange.

All regulated information regarding the Company, its management, corporate governance bodies, operations, and shareholding structure is disclosed in a timely manner and published on the official website.

When applicable, in the annual consolidated report, information is presented in accordance with Article 8 of the Taxonomy Regulation, including the proportion of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable; the proportion of capital expenditure (CapEx) related to such activities; and the proportion of operating expenditure (OpEx) related to assets or processes associated with economic activities that qualify as environmentally sustainable.

The information disclosure system ensures the provision of complete, timely, accurate, and understandable information, enabling objective and informed decisions and assessments.

No violations of the provisions or disclosure deadlines were identified. The reports are published on the Company's website immediately after being submitted to the Financial Supervision Commission (FSC), the Bulgarian Stock Exchange (BSE), and the public, which enables oversight by shareholders, investors, and all stakeholders. Another form of oversight regarding the information disclosure process is exercised by the members of the Board of Directors over the Investor Relations Director.

To ensure that disclosed information reaches the widest possible audience simultaneously and in a non-discriminatory manner, we have an information services agreement with the internet media platform X3News.

The Company's corporate board believes that the information disclosure system provides complete, timely, accurate, and understandable information, enabling objective and informed decisions and assessments. The Corporate Board has an established practice of holding regular meetings with investors and other stakeholders.

### **1.5. Stakeholders and Sustainable Development**

The corporate board of M+S Hydraulic Plc ensures effective interaction with the stakeholders it has identified. This category includes specific groups of persons whom the Company directly impacts and who, in turn, can influence its activities.

In its policy toward stakeholders, the Company complies with legal requirements and the principles of transparency, accountability, and business ethics. Stakeholders are provided with the necessary information regarding the Company's operations, up-to-date data on its financial position, and all information that would facilitate their proper orientation and the making of informed and reasoned decisions.

Effective relationships with stakeholders are maintained. We participate in various forms of mutual cooperation with state institutions and non-governmental organizations relevant to corporate governance in the country. The Company periodically informs shareholders, stakeholders, and the investment community on a number of important issues. Comprehensive information is provided regarding the Company's interaction with its shareholders who are institutional investors, as well as with Bulgarian Stock Exchange – Sofia AD, which serves as the regulated market for financial instruments, and with the investment intermediaries on this market.



The Company's shares are not admitted to trading in any other jurisdiction. During the reporting year, we once again recognized the benefits of our cooperation and membership in the Bulgarian Industrial Capital Association (BICA). We participated in seminars organized by the Bulgarian Industrial Capital Association and the Association Bulgarian Investor Relations Directors (ABIRD).

The oversight of the information disclosure process at M+S Hydraulic Plc is multi-dimensional. To date, no violations of disclosure regulations or deadlines have been identified. Financial statements are published on the holding company's website immediately after their submission to the regulatory authority and the public, enabling oversight by shareholders, investors, and all stakeholders. An additional form of control over the disclosure process is exercised by the Board of Directors in relation to the Investor Relations Director.

The overall policy of the Board of Directors of M+S Hydraulic Plc regarding the management of group companies is aligned with the principles of socially responsible and environmentally friendly economic development. Each year, the corporate management develops and approves a Business Plan outlining specific actions and policies for the company's sustainable development. Our annual investment program includes and executes projects focused on the company's ecological development, as well as social projects primarily directed toward our employees.

## 2. Assessment of the Code's Implementation

The implementation of the National Corporate Governance Code is an ongoing process that will continue throughout the current year, 2026.

A review of the Corporate Governance Code regarding the application of the "comply or explain" principle leads to the conclusion that the Company complies with the Code as a whole. Certain provisions, however, are not applicable to the Company.

The Company's management has adopted and annually updates its own Program for the Implementation of Internationally Recognized Good Corporate Governance Standards.

The Company discloses information regarding its current financial and economic status, as well as its overall activities - including the performance of the Board of Directors. This serves as an objective prerequisite for enhancing the confidence of shareholders and stakeholders in the Company's management.

The practice of updating the Company's internal acts in accordance with changes in the regulatory framework has continued. The Company's activities are in compliance with the latest update of the National Corporate Governance Code of 2024.

The implementation of the Code is the responsibility of the corporate management. In this sense, certain provisions of the Code - such as the number of companies in which Board members may hold management positions or the limitation on the number of consecutive mandates for independent directors - are deemed inapplicable, insofar as the election of Board members is the right and prerogative of the shareholders.

The Company maintains an English version of its corporate website which was significantly enhanced in 2025. All information required by the National Corporate Governance Code (NCGC) is also available in the English-language version of the website, alongside all of the Company's internal corporate documents.

The Company's management takes active steps to encourage shareholder participation in the General Meeting.

An integral part of this report is the Self-Assessment Card (Scorecard) developed by the National Corporate Governance Commission, which provides an objective view of the level of compliance with the National Code by M+S Hydraulic Plc.

In summary, the activities of the Board of Directors of M+S Hydraulic Plc in 2025 were in accordance with the National Corporate Governance Code and the established Program for the Implementation of Internationally Recognized Standards for Good Corporate Governance.



### 3. Internal Control and Risk Management System

A primary focus in the execution of the Program was the achievement of objectives through the maintenance of the Quality Management System and other internal acts of the Company in compliance with the applicable regulatory framework. The Company's financial statements are prepared in accordance with IAS/IFRS, and the annual financial report is audited by an independent auditor to ensure an impartial and objective assessment of its preparation and presentation. The Company also has a functioning Audit Committee.

The financial management and control systems consist of mandatory control activities that represent the rules, procedures, and actions aimed at mitigating risks to the achievement of objectives and contributing to the implementation of management decisions.

The Company applies control activities, which include:

1. authorization and approval procedures;
2. a dual-signature system, which prevents assuming financial obligations or making payments without the signatures of a company representative and the chief accountant;
3. ex-ante control for legality (pre-audit), performed by the chief accountant;
4. procedures for complete, true, accurate, and timely accounting of transactions;
5. reporting and verification of activities – assessment of the efficiency and effectiveness of operations;
6. monitoring procedures;
7. human resources management;
8. documentation of all transactions and actions.

Risk management is the process of identifying, assessing, and monitoring risks that may affect the achievement of the company's objectives and implementation of necessary control activities aimed at mitigating those risks.

Risk Identification is the process of compiling a comprehensive list of risks based on events that may provoke, incite, delay, eliminate, accelerate, or hinder the achievement of objectives. It consists of examining the impact of specific consequences, including side effects and cumulative impacts. A wide spectrum of consequences is under examination, even when the source or cause of the risk may not be obvious. Possible causes of potential consequences are investigated.

Risk Analysis provides input data for risk assessment and for making decisions on the necessity of addressing the risk. It allows for the selection of the most appropriate methods and strategies for addressing the risk and contributes to decision-making when a choice must be made and when opportunities for different types and levels of risk exist. The analysis includes considering the causes and sources of risk, their positive and negative consequences, and the possibility of these consequences occurring; identifies the factors that influence the consequences; defines the consequences and their likelihood.

Risk assessment aims to support decision-making in determining the necessity of risk mitigation and the priority of its implementation; it involves comparing the risk level identified during the analysis process with the probability of occurrence of that risk.

### 4. Information under Article 10 of Directive 2004/25/EC

The Company has no significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.

There are no holders of securities with special control rights.

There are no restrictions on voting rights.

The rules governing the appointment or replacement of Board members and the amendment of the Articles of Association are set forth in the Company's Articles of Association and are not regulated by the corporate management.



Pursuant to the Company's Articles of Association, only the General Meeting of Shareholders has the right to elect and dismiss members of the Board of Directors, and decisions are made by a majority of 79 % of the Company's shares.

Resolutions regarding share buybacks and the issuance of shares are adopted by the shareholders in accordance with the law. The Articles of Association also provide the Board of Directors with powers to issue shares.

The powers of the Board of Directors are detailed in Article 43, Paragraph 2 of the Company's Articles of Association. The Board of Directors may not enter into the transactions specified in Article 114 of the POSA (Public Offering of Securities Act) without being explicitly authorized to do so by the General Meeting.

Company transactions involving interested parties, other than those mentioned above, are subject to prior approval by the Board of Directors.

### **5. Diversity Policy**

The Company does not apply a diversity policy with respect to its governing body regarding aspects such as age, gender, or educational and professional background. The management structure is defined in the Company's Articles of Association. The Board of Directors consists of six members. The election of the members of the Board of Directors is the exclusive right of the shareholders.

### **6. Information on the Members of the Board of Directors**

Names and functions of the members of the Board of Directors:

Dimitar Bogomilov Tanovski – Vice-Chairman; Ivan Delchev Delchev – Member of the Board; Velev Invest Ltd., represented by Vasil Georgiev Velev – Executive Director; Sostra Engineering EOOD, represented by Evgeniy Vasilev Uzunov – Chairman of the Board; Stara Planina Hold Plc, represented by Spas Borisov Videv – Member of the Board; Mang Ltd., represented by Milko Angelov Angelov – Executive Director.

The Procurator of the Company is Vladimir Valentinov Spasov. The Commercial Proxy (Attorney-in-fact) is Marin Petrov Petrov.

### **Directorships and Management Positions held by Members of the Board of Directors in other Companies or Cooperatives as Procurators, Managers, or Board Members:**

Dimitar Bogomilov Tanovski – Member of the Board of Directors and Executive Director of Industrial Capital Holding Plc; Manager of Profi-T Ltd.; Manager of Balkars Consortium AD; Member of the Board of Directors and Executive Director of M+S 97 AD.

Ivan Delchev Delchev – Member of the Board of Directors of M+S 97 AD; Member and Chairman of the Board of Directors of Industrial Capital Holding Plc; Manager of Denide Ltd.; Manager of Nubex Ltd. – Sofia.

Velev Invest OOD – Member of the Board of Directors of Hydraulic Elements and Systems (HES) Plc – Yambol.

Sostra Engineering EOOD – Does not participate in the management of other companies or cooperatives as a procurator, manager, or board member.

Mang OOD – Participates in the governing bodies of the following companies: Siloma AD, Silistra; Emka AD, Sevlievo; ZAI AD, Berkovitsa; Abrasive Commerce AD, Berkovitsa.

Stara Planina Hold Plc is a member of the Board of Directors of Bulgarian Rose Plc, Fazan AD, and SPH Invest AD.

During the reporting year, the members of the Board of Directors or their related parties have not entered into any contracts with the Company that fall outside its ordinary course of business or significantly deviate from market conditions.



### Shareholdings of the Members of the Board of Directors in Companies as General Partners, or Holdings exceeding 25 percent of the Capital of another Company:

Dimitar Bogomilov Tanovski holds more than 25% of the capital of Profi-T Ltd., Sofia and Profi-T Estate Ltd., Sofia.

Ivan Delchev Delchev holds more than 25% of the capital of Denide Ltd., Sofia.

Velev Invest Ltd. holds more than 25% of the capital of Bik Hold Ltd., Sofia and Photovoltaic Systems BG Ltd and KVD Properties Ltd, Sofia..

Mang Ltd. holds more than 25% of the capital of David, Roberts & Partners - Bulgaria Ltd., Nubex Ltd., Daelo Ltd., and Abrasive Commerce AD.

Stara Planina Hold Plc holds more than 25% of the capital of Hydraulic Elements and Systems (HES) Plc, Elhim Iskra Plc, Fazan AD, SPH Invest AD, M+S Hydraulic Plc and Bulgarian Rose Plc.

Sostr Engineering EOOD does not hold more than 25% of the capital of any business entity.

Information regarding the total remuneration received during the year by the members of the Board of Directors is provided in the Remuneration Policy Implementation Report.

Information regarding the shares and bonds of the Company acquired, held, and transferred by the members of the Board of Directors during the year, as well as their rights to acquire shares and bonds of the Company, is provided in Section XI of the report.

## XI. Additional Information under Appendix 2 of Ordinance No. 2 of the Financial Supervision Commission (FSC)

### 1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the sales revenues of the issuer as a whole and the changes that occurred during the reporting fiscal year

The data is provided in Section I, Item 2 above.

Sales in 2025 by Type of Hydraulic Products	Quantity (Units)	Value	Share of Sales Revenue (%)
		(BGN thousand)	
Hydraulic Motors	468 468	114 538.00	82.63%
Motor-Brake Kits	28 937	13 541.00	9.77%
Steering Units	17 190	4 358.00	3.14%
Valves	14 291	1 471.00	1.06%
Axial Piston Motors	1 641	1 395.00	1.01%
Brakes	4 127	1 313.00	0.95%
Spare Parts	188 818	1 814.00	1.31%
Steering Columns	3 279	169.00	0.12%
Axial Piston Pumps	11	9.00	0.01%
<b>Total</b>	<b>726 762</b>	<b>138 608.00</b>	<b>100%</b>

### 2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about



***every person separately about such person's share in the sales or purchases and his relations with the company***

The data is provided in Section I, Item 2 above.

Clients of M+S Hydraulic AD with a share in sales exceeding 10% are: OLEOTECNO HYDRAULIC COMPONENTS S.r.l. and M+S HYDRAULIC POWER TRANSMISSION GmbH.

***3. Information on concluded material transactions***

The General Meeting of Shareholders of M+S Hydraulic Plc, held on May 20, 2025, resolved to distribute BGN 10 252 632 from the 2024 net profit for the payment of dividends for the year 2024.

Other than the aforementioned, there are no other such circumstances occurring in 2025.

***4. Information about the transactions concluded between the company and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial status***

The Company made an additional cash contribution to its subsidiary, Lifam Hidravlika DOO, Serbia, pursuant to Article 134 of the Commercial Act, in the amount of EUR 2 060 thousand. As of the end of 2025, the subsidiary Lifam Hidravlika DOO, Serbia, has repaid a total of EUR 1 460 thousand of the additional cash contribution.

Related party transactions in 2025 are&

- sale of components for finished products to Lifam Hidravlika DOO, Serbia, totaling BGN 132 thousand, and purchase of goods from Lifam Hidravlika DOO, Serbia, amounting to BGN 2 483 thousand.

- Sales of goods to M+S Hydraulic Power Transmission GmbH amounted to BGN 18 653 thousand, and purchases from the same entity totaled BGN 3 thousand.

- Sales of goods to Oleotecnno Hydraulic Components S.r.l. amounted to BGN 23 329 thousand and purchases from the entity totaling BGN 2 thousand.

These transactions fall within the scope of business of M+S Hydraulic Plc.

There are no related party transactions disclosed in the annual report that have had a material impact on the financial position or the results of operations of the Company during the respective reporting period.

***5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation and the revenues realized thereof and expenses made; assessment of their influence over the results during the current year***

In 2025, the operations of M+S Hydraulic Plc continued to be shaped by adverse factors exerting a strong influence on global trade and economic relations. The global economy remained heavily affected by a complex geopolitical landscape, which continues to generate uncertainty and volatility in international markets. Key factors impacting the business include U.S. trade policy, tensions between leading economic powers, and regional conflicts that directly affect global supply chains, commodity prices, and demand dynamics. The tariffs introduced by the Trump administration, covering a wide range of goods, continued to create uncertainty regarding long-term contracts, particularly in the machinery sector. Concurrently, the military conflict between Russia and Ukraine and the escalation of tensions in the Middle East placed additional pressure on energy markets, leading to periodic spikes in fuel and metal prices.

There are no other events or indicators of an unusual nature that have had a significant impact on the Issuer's activities, other than the military conflicts in Ukraine and the Middle East and the resulting negative effects on economic activity, trade relations, the cost of key raw materials, including energy resources, and



inflation.

**6. Information about off-balance kept transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer’s financial status**

There are no such circumstances.

**7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing**

The data is provided in Section I, Item 1 above.

**8. Information about the concluded by the issuer, by its subsidiary, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the guarantees provided and assuming of liabilities**

On June 25, 2025, M+S Hydraulic AD entered into a credit line agreement with International Asset Bank AD (UIC: 000694329) for a maximum amount of BGN 10 million, with a maturity date of June 30, 2030. The interest rate is set at 6-month EURIBOR plus a contractual margin of 1.75 percentage points, but not less than 3.30%. The credit line is secured by a mortgage on two of the manufacturing facilities located in Kazanlak. The carrying amount (book value) of the collateral stands at BGN 9.6 million.

As of December 31, 2025, the Company’s outstanding liabilities under the aforementioned credit facility amount to BGN 150 thousand.

As of December 31, 2025, the subsidiary M+S HYDRAULIC POWER TRANSMISSION GmbH reports an outstanding balance on a bank loan initiated in December 2024 from VR Bank Dreieich-Offenbach eG to the maximum amount of EUR 1.4 million, a maturity date of July 2030, and a fixed interest rate of 4.5%. The loan is unsecured.

**9. Information on the loans granted by the issuer or its subsidiaries, provision of guarantees or assuming of liabilities in total to one person or its subsidiary, including to related parties, indicating the name or title and UIC of the person, the nature of relationship between the issuer or their subsidiaries and the borrower, the amount of outstanding principal, interest rate, date of conclusion of the contract, repayment period, amount of commitment, specific conditions other than those specified in this provision, and the purpose for which they were granted, in case they are concluded as targets**

During the 2025 reporting year, the Company and its subsidiaries have not provided any loans.

**10. Information on the use of the funds from a new issue of securities carried out during the reported period**

During the reporting period, the Company has not issued a new issue of securities.

**11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results**

M+S Hydraulic Plc publishes monthly forecasts for sales and gross profit and reports actual results



against these forecasts accordingly. Forecasts are also updated on a quarterly basis based on reported results. The financial results achieved, as reflected in the financial statements for the fiscal year, do not deviate from the published forecasts.

***12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal***

M+S Hydraulic Plc services all its obligations on time, and there are no potential threats requiring remedial measures.

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

In fulfillment of its investment program, in 2025 the Company invested approximately BGN 28 million (EUR 14.32 million) of its own funds in machinery, equipment and buildings.

The Company's 2026 business plan allocates investments totaling BGN 8.3 million (EUR 4.23 million), primarily intended for construction, new technological equipment, reconstruction of existing technological assets, and new technologies for the digitalization of processes. These investments aim to expand production capabilities to enhance productivity and product quality while reducing production costs, optimizing manufacturing processes, and providing incentives for the Company's employees.

***14. Information about occurred during the reporting period changes in the basic management principles of the issuer and its group of enterprises within the meaning of the Accountancy Act***

During the reporting period, no changes were made to the fundamental management principles of the Company within the meaning of the Accountancy Act, which ensure the reliability and transparency of economic operations, the assessment and reporting of potential risks and eventual losses to achieve an actual financial result, and the provision of comparability and faithful representation of information.

Detailed information regarding the Company's accounting policy is provided in the Explanatory Notes to the Annual Financial Statements in accordance with IFRS.

As of January 1, 2026, in compliance with the requirements of the Law on the Introduction of the Euro in the Republic of Bulgaria, the Company performs all accounting entries and ongoing reporting in Euro. All interim reports and public notifications regarding the financial position, as well as all forecasts following the Euro adoption date of January 1, 2026, will be prepared and presented to the Financial Supervision Commission (FSC), the regulated securities market, and investors in Euro.

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

In the process of preparing the 2025 financial statements, internal control consisted of inventories of receivables and payables, warehouse materials, and work-in-progress by workshops, conducted at least once a year as of December 31, with the resulting accounting adjustments made according to the valued inventory sheets. Control regarding established scrap of inventories is performed for each current monthly period. Financial control is carried out on an ongoing basis by the management, the Financial and Accounting Department, and the active Audit Committee regarding quantity and price agreements with suppliers and customers.



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

No changes were made to the Company's Board of Directors during the reporting year.

### ***17. Information on the shares of the issuer held by the members of the management and control bodies and the procurators, including the shares held by each of them separately and as a percentage of the shares of each class, as well as options provided by the issuer on its securities - type and amount of the securities on which the options are based, exercise price of the options, purchase price, if any, and the term of the options***

Board Member	Number of Shares as of 31.12.2024	% of Capital	Number of Shares as of 31.12.2025	% of Capital
Stara Planina Hold Plc	12 073 050	30.61	12 073 050	30.61
Dimitar Bogomilov Tanovski	32 280	0.08	32 280	0.08
Ivan Delchev Delchev	36 243	0.09	36 243	0.09
Velev Invest Ltd.	100 000	0.25	100 000	0.25
Mang Ltd.	83 280	0.21	84 080	0.21
Sostra Engineering EOOD	880	0.00	880	0.00

As of December 31, 2025, Vladimir Valentinov Spasov – Procurator of the Company, holds 25 178 shares, representing 0.06 % of the share capital.

### ***18. Information on the arrangements known to the company (including also after the closure of the fiscal year), as a result of which in future periods may occur changes in the relative portion of shares or debentures owned by shareholders or debenture holders – no such arrangements are known***

The Company is not aware of any such arrangements.

### ***19. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at amount at least 10 percent of its equity***

As of December 31, 2025, there are no pending legal, administrative or arbitration proceedings concerning liabilities or receivables of the Company amounting to at least 10 percent of its equity.

### ***20. Information on the Investor Relations Director, including telephone and address for correspondence***

As of December 31, 2025, the Investor Relations Director is Sofia Kirilova Argirova-Atanasova, tel. +359 2 963 41 61; +359 879 899 469, correspondence address: 26A Latinka Str., 1113 Sofia, e-mail: [investor@sphold.com](mailto:investor@sphold.com).

## **XII. Information under Appendix 3 of Ordinance No 2 of the FSC**

### ***1. Information on the securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another Member State***

As of December 31, 2025, the share capital of the Company is BGN 39 445 200, fully subscribed and paid-in, divided into 39 445 200 ordinary, registered, non-privileged, dematerialized voting shares with a nominal value of BGN 1 each. As of January 1, 2026, the Company's share capital has been redenominated in accordance with Article 31 of the Law on the Introduction of the Euro in the Republic of Bulgaria and amounts to EUR 20 117 052.00, with a nominal value per share of EUR 0.51.



As of December 31, 2025 M+S Hydraulic Plc holds 12 000 own shares.

There are no shares of M+S Hydraulic Plc that are not admitted to trading on a regulated market in the Republic of Bulgaria or another Member State.

According to the Shareholders' Register maintained by the Central Depository AD, as of December 31, 2025, the Company has 1 296 individual shareholders, holding 8.15% of the share capital, and 55 institutional shareholders (legal entities), holding 92.85 % of the share capital.

***2. Information on the direct and indirect holding of 5 or more percent of the voting rights in the company's general meeting, including data about the shareholders, the amount of their holding and the manner in which the shares are owned***

Shareholder	Number of Shares as of 31.12.2024	% of the capital	Number of Shares as of 31.12.2025	% the capital
Stara Planina Hold Plc	12 073 050	30.61	12 073 050	30.61
Industrial Capital Holding Plc	8 739 750	22.16	8 739 750	22.16
M + S - 97 AD	9 581 191	24.29	9 581 191	24.29

***3. Information about the shareholders with special control rights and description of these rights***

There are no shareholders with special control rights.

***4. Agreements among the shareholders, which are known to the company, and which may result in limitations over the transfer of shares or the voting right***

The Company is not aware of any agreements between shareholders that could lead to restrictions on the transfer of shares or the exercise of voting rights.

***5. Significant contracts of the company that give rise to action, are amended or terminated due to a change in the control of the company upon implementation of obligatory tender offer and the consequences thereof, except for the cases where disclosure of this information may cause serious damages to the company; the exception under the previous sentence shall not apply in the cases when the company is obliged to disclose the information by virtue of the law***

There are no such agreements.

**Other information at the discretion of the company**

The Company considers that there is no other information that has not been publicly disclosed by the Company and that would be important for shareholders and investors to make informed investment decisions.

□ □ □ □ □

This management report was adopted at a meeting of the Board of Directors of M+S Hydraulic AD held on March 25, 2026.

Procurator: \_\_\_\_\_  
/Vladimir Spasov/



**DECLARATION**  
under Art. 100n, para. 4, item 4 of the POSA

The undersigned Vladimir Valentinov Spasov - Procurator of M+S Hydraulic Plc certify that, to the best of my knowledge,

a) the annual financial report on the activities of M+S Hydraulic Plc for the 2025 financial year, prepared in accordance with the applicable accounting standards, accurately and fairly reflects the information regarding the assets and liabilities, the financial position, and the profit or loss of the issuer and the companies included in the consolidation;

b) the annual management report on the activities of M+S Hydraulic Plc for the 2025 financial year contains a reliable overview of the development and performance of the issuer, as well as the status of the issuer and the companies included in the consolidation, together with a description of the principal risks and uncertainties it faces.

Declarer: Vladimir Spasov

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**DECLARATION**  
under Art. 100n, para. 4, item 4 of the POSA

The undersigned Marin Petrov Marinov – Financial Director of M+S Hydraulic Plc certify that, to the best of my knowledge,

a) the annual financial report on the activities of M+S Hydraulic Plc for the 2025 financial year, prepared in accordance with the applicable accounting standards, accurately and fairly reflects the information regarding the assets and liabilities, the financial position, and the profit or loss of the issuer and the companies included in the consolidation;

b) the annual management report on the activities of M+S Hydraulic Plc for the 2025 financial year contains a reliable overview of the development and performance of the issuer, as well as the status of the issuer and the companies included in the consolidation, together with a description of the principal risks and uncertainties it faces.

Declarer: Marin Marinov



## REPORT

### **on the implementation of the Remuneration Policy for the members of the Board of Directors in 2025**

This report has been prepared pursuant to Art. 12 of Ordinance No. 48 of the Financial Supervision Commission (FSC). The report discloses the manner in which the Company applies the Remuneration Policy for the members of the Board of Directors, adopted by the Regular Annual General Meeting of Shareholders in 2021. The Remuneration Policy was adopted on the basis of Art. 116c, para. 1 of the Public Offering of Securities Act (POSA). This report contains a program for the implementation of the remuneration policy for the next financial year and an overview of the manner in which the remuneration policy has been applied during the year.

#### **I. Implementation of the Remuneration Policy during the reporting period**

In accordance with the requirements of Ordinance No. 48, the Company provides the following information regarding the implementation of the Remuneration Policy for the members of the Board of Directors in 2025:

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

The Remuneration Policy for the members of the Board of Directors has been developed in accordance with the requirements of Ordinance No. 48, while also taking into account the recommendations of the National Corporate Governance Code, and was adopted by the Regular Annual General Meeting of Shareholders of the Company in 2021.

In accordance with the requirements of Art. 11, para. 3 and para. 4 of Ordinance No. 48 of the FSC, in 2025, the Board of Directors of the Company conducted a review of the Remuneration Policy for the members of the Board of Directors. The Board assessed that the policy is compliant with the requirements of Ordinance No. 48 of the FSC and is built upon principles that ensure its consistency with the size, internal organization of the company, the nature, scope, and complexity of its activities. Consequently, the Board found no grounds or necessity for any amendments to the policy.

A review of the Remuneration Policy for the members of the Board of Directors was included as a separate item on the agenda of the Regular Annual General Meeting of Shareholders of the company, held on 20.05.2025. The General Meeting of Shareholders did not adopt any changes to the Policy.

In accordance with the Remuneration Policy, a Remuneration Committee has not been established within the Company; instead, compliance with the policy is monitored by the independent members of the Board of Directors. No external consultants were utilized during the development of the Policy.

*2. Information on the relative weight of variable and fixed remuneration of the members of management and supervisory bodies*

The members of the Board of Directors are entitled to remuneration, the type, amount, and payment terms of which are determined by a resolution of the General Meeting of Shareholders and paid under the terms and conditions of the management contracts concluded between them and the Company.

Fixed remuneration consists of payments that are not based on performance assessment and includes remunerations of a permanent nature that are precisely defined or unequivocally determinable in accordance with applicable legislation.



Variable remuneration is a component of the total remuneration in the form of tantiemes, premiums, bonuses, retirement-related benefits, and other material incentives and financial instruments granted based on performance assessment criteria.

The members of the Board of Directors received variable remuneration for their activities in 2025 pursuant to a resolution of the General Meeting of Shareholders. The ratio of variable to fixed remuneration relative to the total is 29%/71% of the amount specified in the resolution of the General Meeting of Shareholders. The variable remuneration is deferred over a period of 3 years.

*3. Information on performance criteria, based on which stock options, company shares or other variable compensation, is granted together with an explanation on how the criteria under art. 14, para. 2 and 3 of Ordinance No. 48 of the FSC contribute to the long-term interests of the company*

The members of the Board of Directors have not been granted share options, including shares of the company, or rights to acquire financial instruments. The performance criteria for 2025, on the basis of which other types of variable remuneration may be granted, consist of operational results and other non-financial indicators as defined in the Company's Policy.

*4. Explanation of the methods applied to assess whether the performance criteria are met*

The remuneration of the members of the Board of Directors is based on operating results. The performance criteria for 2025, on the basis of which other types of variable remuneration may be granted, are as follows:

1. Operating Results:

(a) amount and dynamics of EBITDA (earnings before interest, taxes, depreciation, and amortization) – BGN 20 306 thousand for 2025, and BGN 22 289 thousand for 2024.

(b) amount and dynamics of work in progress – BGN 6 255 thousand at the end of 2025, and BGN 6 865 thousand at the end of 2024. Work in progress represents approximately 4.5 % of product sales.

(c) amount and dynamics of trade receivables – BGN 12 426 thousand at the end of 2025, and BGN 12 388 thousand at the end of 2024. Trade receivables represent approximately 9 % of sales revenue.

2. Non-financial indicators: The Company complies, as appropriate, with the National Corporate Governance Code, approved by the Deputy Chairperson of the FSC. As evidenced by the Corporate Governance Statement published in the Annual Report, an assessment of the implementation of the Corporate Governance Code has been conducted based on the report of specifically targeted initiatives. The activities of the Board of Directors of M+S Hydraulic AD in 2025 were in compliance with the rules of the Code. The quality management standards and systems adopted by the enterprise have been followed and implemented.

In connection with the results under Item 1 and the fulfillment of the non-financial indicators under Item 2, we propose that the General Meeting of Shareholders determine additional remuneration - an annual bonus for 2025 for each member of the Board of Directors, expressed as a percentage of the pre-tax profit for 2025. The annual bonus shall be recognized as remuneration expenses in 2026 and shall be paid in accordance with the rules set out in Art. 4 of the Remuneration Policy.

*5. Explanation regarding the correlation between remuneration and performance results*

The fixed portion of the remuneration for each member of the Board of Directors, as determined by the General Meeting of Shareholders, is linked to the net sales revenue and the profit of the Company.

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



At the Regular Annual General Meeting of Shareholders held in 2024, which re-elected each member of the Board of Directors, a resolution was adopted to maintain the current amount of the fixed portion of their remuneration. Part of this remuneration is paid monthly, while another part is paid quarterly. The period for which the resolution on the amount of fixed remuneration was adopted is equal to the term of office of the members of the Board of Directors.

*7. Description of the main characteristics of the supplementary voluntary pension insurance scheme together with information on the paid and / or payable contributions by the company in favor of the respective Board member for the respective financial year, if applicable*

No provision has been made for additional voluntary pension insurance for the members of the Board of Directors.

*8. Information regarding the deferral periods for the payment of variable remuneration*

Payment of 40 % of the variable remuneration determined by the resolution of the General Meeting of Shareholders is deferred for a period of 3 years, whereby payment of the deferred part of the variable remuneration is carried out proportionally over the deferral period.

*9. Information regarding the termination benefits policy:*

Compensation for the early termination of a contract is defined in the Remuneration Policy for the members of the Board of Directors, adopted by the General Meeting of Shareholders, and depends on the total amount of fixed remuneration paid over the last 24 months.

No compensation shall be due if the dismissal is based on unsatisfactory results or culpable behavior of the member of the Board of Directors.

*10. Information on the period during which shares cannot be transferred, and stock options cannot be exercised, in case of variable remuneration based on shares*

The disposal of shares acquired through a capital increase under Art. 112 of the POSA is not encouraged for a period of 5 years.

No provision has been made for remunerations comprising shares, including company shares and rights to acquire financial instruments.

*11. Information on the policy to retain a number of shares until the end of the mandate under item 10 of the members of the supervisory and managing boards*

The Company does not have such a policy.

*12. Information on the contracts of the members of the managing and supervisory boards, including the terms of the individual contracts, termination notice periods and details on any compensation and/ or other redundancy payouts*

The contract with each member of the Board of Directors is concluded by the end of the term of office for which they were elected by the General Meeting of Shareholders. The Company has not paid any compensation for the early termination of a contract with a member of the Board of Directors.

*13. Full amount of the remunerations and other financial incentives for the members of the managing and supervisory bodies for the respective financial year*

The total amount of remuneration received by the members of the Board of Directors for the 2025 financial year amounts to a total of BGN 4 442 thousand, distributed as follows: Dimitar Bogomilov Tanovski – BGN 731 thousand; Ivan Delchev – BGN 731 thousand; Velev Invest Ltd., Sofia – BGN 759 thousand; Mang Ltd, Sofia – BGN 759 thousand; Sostra Engineering EOOD – BGN 731 thousand; Stara Planina Hold Plc – BGN 731 thousand.

The total amount of deferred remuneration is BGN 1 277 thousand, of which BGN 748 thousand is attributable to 2026.



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

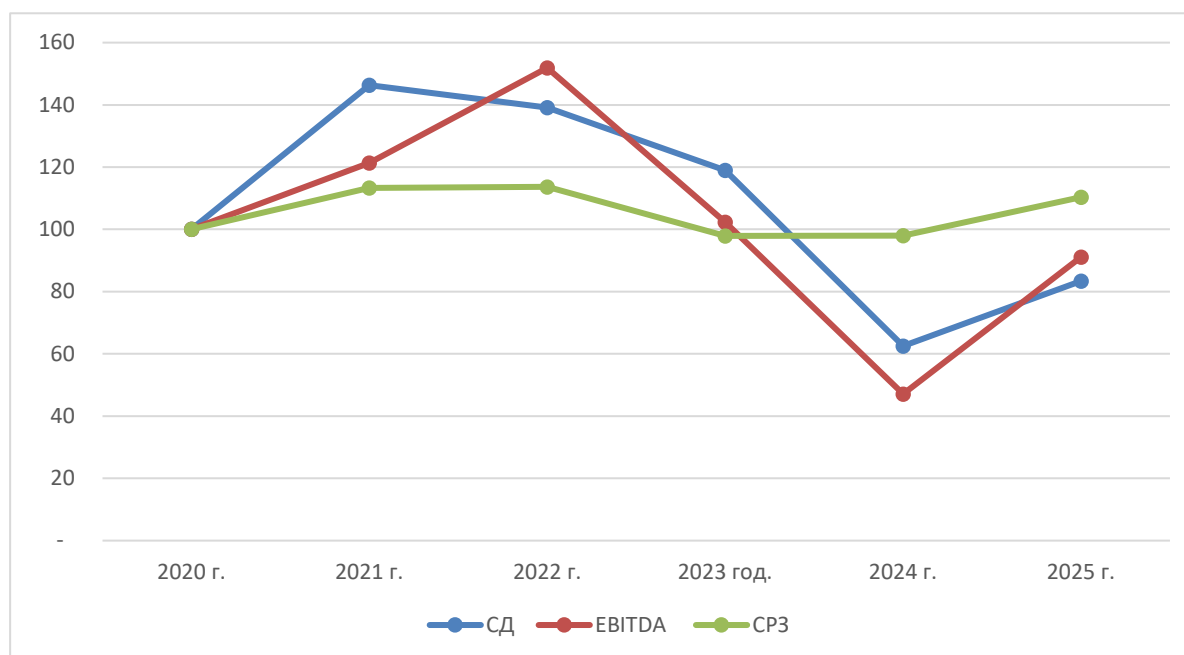
Not applicable for the reporting financial year.

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

The Remuneration Policy for the members of the Board of Directors, adopted by the General Meeting of Shareholders, provides for the possibility of granting variable remuneration in the form of shares, share options, share acquisition rights, or other financial instruments. During 2025, no payments were made in the form of shares, options, or other such instruments.

16. *Annual change in the remuneration, the company's results and the average amount of the remunerations of the company's full-time employees who are not directors, during the previous at least five financial years, presented together in a way that allows comparison*

**Annual change (in percentage) of the remuneration of the members of the Board of Directors, the company's performance (EBITDA), and the average remuneration (average salary) on a full-time equivalent basis of the employees of the company who are not directors**



17. *Information on exercising the possibility to demand a refund of the variable remuneration*

During the reporting financial year, there were no grounds for exercising the option to demand a refund of variable remuneration from a member of the Board of Directors; therefore, such option was not exercised.

18. *Information on all deviations from the remuneration policy implementation procedure in connection with extraordinary circumstances under Art. 11, para. 13 of Ordinance 48 of the FSC, including an explanation of the extraordinary circumstance's nature and an indication of the specific components that have not been applied*

The Remuneration Policy does not specify extraordinary circumstances under which the company may temporarily not apply part of the policy and during the reporting financial year no deviations from the procedure for its implementation have been made.



## II. Remuneration Policy Implementation Program for the next financial year

The Remuneration Policy for the members of the Board of Directors, adopted at the Regular Annual General Meeting of Shareholders in 2021, incorporates the fundamental principles of Ordinance No. 48 of the FSC.

The Remuneration Policy aims to support the long-term business objectives of the company and to encourage behavior that promotes shareholder value creation, while simultaneously providing competitive remuneration sufficient to attract and retain directors with the qualities necessary for the successful management and development of the company.

This policy has been developed for application over a long-term period, unless the company's shareholders request an update or amendment. Amendments to the Policy approved by the General Meeting of Shareholders shall be adopted in accordance with the procedure for its preparation and approval.

The Board of Directors considers that the principles for determining remuneration established in the policy are currently effective in view of the financial results achieved during the reporting period. Their continued application will remain a priority for the Board of Directors.

The Board of Directors is responsible for the timely disclosure of the Remuneration Policy approved by the General Meeting of Shareholders and any subsequent amendments thereto.

At its meeting, the Board of Directors reviewed the policy regarding the remuneration of executive directors. The Board has provided its recommendations for determining the remuneration of employees in other management positions within the company's administration. It monitors the level and structure of remuneration for these other management positions based on information provided by the procurator of the company and ensures that the remuneration of each executive member of the board is fairly determined relative to the remuneration of other board members and other employees in management positions in the administration.

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This report was adopted at a meeting of the Board of Directors held on March 25, 2026.